

July 24, 2007

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**NOTICE ON CAPITAL AND BUSINESS ALLIANCE AND MANAGEMENT
INTEGRATION FOR FURTHER STUDY, BETWEEN JVC AND KENWOOD AS
WELL AS THIRD PARTY ALLOTMENT OF NEW SHARES OF JVC**

Victor Company of Japan, Limited (“JVC”) and Kenwood Corporation (“KENWOOD”), upon the resolution of the meetings of their respective Boards of Directors held on July 24, 2007, entered into a capital and business alliance agreement, the focal points of which relate to their business cooperation in the areas of car electronics and home/portable audio businesses and the commencement of discussions concerning the integration of their managements.

Notice is hereby given that, on the same day, as described in detail below, each of JVC, KENWOOD and SPARX International (Hong Kong) Limited, an investment management company which belongs to a group of companies headed by SPARX Group Co., Ltd. (“SPARX Group”) adopted resolutions for, or affirmed, JVC’s issuance of new stock through third party allotments, where allotments of such new stock will be made to, and how the new stock will be

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subscribed to by KENWOOD and the several investment funds (collectively, the “SPARX Funds”) managed by SPARX International (Hong Kong) Limited.

It is expected that, if and when the payment for the new issue of stock is made, JVC’s status will change from a consolidated subsidiary of Matsushita Electric Industrial Co., Ltd. (“MATSUSHITA”) to an equity-method associated company of MATSUSHITA.

MATSUSHITA, as JVC’s largest shareholder, has agreed with JVC, KENWOOD and SPARX that MATSUSHITA will continue to support the discussions concerning the possible integration of JVC and KENWOOD’s managements, although MATSUSHITA will not be directly involved in such discussions.

SPARX Group shall not assume any responsibility and liability whatsoever for the contents of this document, except with respect to the information relating to SPARX Group and its affiliated companies.

I. DISCUSSIONS ON CAPITAL AND BUSINESS ALLIANCE AND MANAGEMENT INTEGRATION

1. Reasons for capital and business alliance

(1) JVC’s goals relating to capital and business alliance

JVC reported net losses for the past three (3) consecutive fiscal years, including the fiscal year ended March 31, 2007, and its urgent task is to implement fundamental management reforms. It is currently in the process of implementing management reform based on a self-prescribed reconstruction plan which was announced on May 30, 2007. Furthermore, JVC has drawn up an “Action Plan 2007” (*) based on its realization that further steps for even more aggressive management reform are needed in order to ensure an effective managerial overhaul is carried out to survive an increasingly competitive retail market and to regain trust in the equity market.

The purposes of JVC’s planned capital increase through third party allotments to KENWOOD and the SPARX Funds are to procure funds for the structural reform and to enhance JVC’s equity capital stock, which has been damaged by net losses reported for the past three (3) consecutive fiscal years. Through such a capital increase, it is anticipated that JVC will implement the “Action Plan 2007” announced today and thereby position itself to earn an operating profit during the fiscal year ending March 31, 2008.

The consumer electronics industry is dominated by digital products which require significant capital investment and massive software development processes. In addition, the digitization trend has shortened product development cycles and led to fierce market-share and pricing competition. Finally, the rise of Korean, Taiwanese and Chinese manufacturers has further intensified competition in the global market.

Under such severe market conditions, JVC and KENWOOD have agreed that the planned capital increase through third party allotment will be treated not as a mere transfer of capital, but as a

strategy in conjunction with the commencement of cooperation in the car electronics and home/portable audio businesses which both are engaged in, and that they will continue their discussions with the aim of management integration to thrive in an AV market characterized by increasingly fierce competition.

With respect to the business cooperation, which is scheduled to begin in October 2007, under the structure currently contemplated the scale of the combined car electronics business of the two companies will be approximately 160 billion yen, which is expected to lead to an increase in their added value and enhanced market competitiveness through business integration in the areas of development, materials procurement and production, as well as a full exploitation of “economies of scale” and the two companies’ human, capital and technological resources.

Further, in order to achieve management integration, which is targeted for 2008, the establishment of a joint holding company will be considered to pursue synergies in all aspects of the management of the two companies and to enhance their corporate value.

Respecting the brands each company has developed over a long-term period, the two companies will, on an equal footing in spirit, plan to make a new start in the AV market under a new management structure and thereby contribute to strengthening the competitiveness of the consumer electronics market as a whole on a global basis.

(2) KENWOOD’s goals relating to capital and business alliance

KENWOOD believes that, in mature industries where competition is fierce, M&A and business alliances enable the parties involved to achieve growth at a faster pace than when such parties attempt to grow independently, and therefore constitute effective means of creating/enhancing their corporate values. For this reason, KENWOOD has been reviewing various options for the enhancement of the international competitiveness of the Japanese consumer electronics industry, taking into consideration the possible realignment of the industry.

KENWOOD expects that the capital and business alliance through an investment in an amount which will not cause JVC to become subject to consolidation and which will not exceed the equity method threshold, to be implemented as the first step in accordance with the above-referenced belief, will quickly lead to a significant synergy effect for both companies. In other words, by combining JVC’s retail (audio) sales business with KENWOOD’s retail (audio) sales business, which constitutes approximately one-half of its overall car electronics business (which in turn produces 60% of the net sales), the scale of such business will double and achieve the largest market share in the world. A significant synergy effect, such as enhanced cost competitiveness, is also expected from the “scale merit” in the multimedia (including automobile navigation and home/portable audio) business through joint development, joint materials procurement and mutual manufacturing services via joint venture, etc.

At the same time, KENWOOD will thoroughly support JVC’s prompt management reconstruction by utilizing the experience and know-how which it gained in a structural reform throughout its entire organization, commenced in fiscal year 2002 and successfully completed.

As a second step, KENWOOD will continue exploring measures to be taken in order to ensure

that the two companies will achieve stability in their management and performance and integrate their management in the spirit of equality.

(3) SPARX's goal

When making investment decisions for the funds managed by SPARX, SPARX International (Hong Kong) Limited has to date supported various growth strategies implemented by KENWOOD's management. SPARX International (Hong Kong) Limited believes that the planned capital and business alliance between JVC and KENWOOD is one of the measures that will further increase KENWOOD's corporate value in the future, and SPARX International (Hong Kong) Limited will continue to support the strategies of KENWOOD's management and participate in the planned capital increase through the SPARX Funds.

SPARX expects that based on JVC's sharing of KENWOOD's management's past experience and know-how through the planned alliance, the management reform of JVC, which has significant global brand power supported by its superior technical expertise and products, will be accelerated, and JVC's rich potential will be tapped once again.

(4) Reasons for Matsushita's approval

Until recently, MATSUSHITA had supported JVC's independent self-management; however, in connection with its consideration of group growth strategies, it has evaluated many options concerning its capital relationship with JVC. As a result, MATSUSHITA has determined that the optimal path to JVC's speedy recovery and increase in corporate value is for JVC to gain the cooperation of KENWOOD, which has a thorough understanding of the relevant business, to implement the "Action Plan 2007" announced by JVC today, and to commence efforts for business cooperation which takes into consideration possible management integration with KENWOOD. MATSUSHITA has approved the planned capital and business alliance among JVC, KENWOOD and the SPARX Group, and, as JVC's largest shareholder, will in the future oversee JVC's management and business operations for JVC's recovery and provide necessary assistance.

2. Concerning Capital Alliance

JVC will implement a capital increase through third party allotment by issuing its common stock in the amount of 20 billion yen to KENWOOD, and by issuing its common stock in the amount of 15 billion yen to the SPARX Funds in an effort to further enhance its equity capital and to procure funds for its structural reform. For the details of the terms of issue, see "II. JVC'S ISSUANCE OF NEW SHARES THROUGH THIRD PARTY ALLOTMENT" below.

3. Further discussions on management integration

For the purpose of achieving stability in their management and performance, while respecting each other's brands and in the spirit of equality, JVC and KENWOOD shall commence discussions on the integration of their management as soon as possible. It is anticipated that such management integration may take certain forms, including the form of a joint holding company (which will be listed on the First Section of the Tokyo Stock Exchange), newly established through share for share transfers jointly, which will then own 100% of the stock of

the operating companies, JVC and KENWOOD. After the implementation of the capital alliance, these two companies plan to establish a Management Integration Study Committee which will consider the actual methods, schedule, etc., toward the management integration.

4. Details of business alliance

On the target date of October 1, 2007, KENWOOD and JVC shall commence the business alliance with respect to their car electronics and home electronics businesses. Specific implementation plans, their detailed schedules, etc., shall be considered and determined by the Collaboration Committee consisting of the two companies; however, the business alliance is expected to involve the establishment of a joint framework of research and development through a joint venture, etc., mutual promotion of manufacturing services and mutual utilization of intellectual property rights.

II. JVC'S ISSUANCE OF NEW SHARES THROUGH THIRD PARTY ALLOTMENT

1. Purpose of offer of shares issued by third party allotment

The purposes of the new share issue are not only to reinforce the capital base but also to implement structural reform of the current businesses and formulate a means to strengthen the company's ability to achieve better financial results based on a policy of selection and concentration.

The financing is determined in the manner of a third party allotment because JVC believes it is possible to draft a growth strategy for the capital alliance with KENWOOD in addition to procuring necessary funds to implement structural reforms. JVC believes that this third party allotment is the most appropriate manner of financing this effort in the interest of its existing shareholders by striving to increase the overall corporate value of JVC.

2. Amount of capital procured and the use of proceeds

(1) Approximate amount of capital procured (net of expenses)

34,866,000,000 yen

(2) Details of the use of proceeds

It is expected to utilize the proceeds from the third party allotment for structural reforms and realignment on a fundamental basis, more specifically by using 20 billion yen for structural reform and 15 billion yen for the realignment on a fundamental basis.

(3) Scheduled timing for use of proceeds

It is expected that the proceeds will be utilized during the current fiscal year.

(4) Thoughts on the rationale for use of the procured proceeds

By reinforcing its own capital base, which has been damaged by net losses for the past three consecutive fiscal years, JVC believes it possible to further implement management reform. This management reform will, in turn, contribute to the enhancement of shareholder value by increasing its profitability.

3. Results of operational and equity finance metrics in the most recent three fiscal years

(1) Results of operations for the most recent three fiscal years (consolidated basis)

(Millions of yen)

Fiscal Year	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Net sales	840,590	806,899	742,685
Operating profit	10,369	-6,890	-5,656
Recurring profit	7,282	-15,038	-11,695
Net income	-1,857	-30,607	-7,891
Net income per share (yen)	-7.71	-120.50	-31.07
Dividend per share (yen)	5	0	0
Net assets per share (yen)	622.55	536.61	515.22

(2) Number of outstanding shares and number of potential shares in the current situation

Category	Number of Shares	Ratio to the outstanding shares
Number of shares allotted	254,230,058 shares	100%
Number of potential shares at the current conversion or exercise price	- shares	- %
Number of potential shares at the lowest conversion or exercise price	- shares	- %
Number of potential shares at the highest conversion or exercise price	- shares	- %

(3) Equity finance at this time

New share issue upon third party allotment

Issue date	August 10, 2007
Amount of funds procured	35,000,225,000 yen
Number of outstanding shares at the time of offering	254,230,058 shares
Number of potential shares at the time of offering	N.A.

- (4) Equity finance implemented during the past three years, etc.
N.A.

(5) Recent share prices

Closing Price of Fiscal year ended March 31, 2005	827 yen
Closing Price of Fiscal year ended March 31, 2006	685 yen
Closing Price of Fiscal year ended March 31, 2007	615 yen
Average Closing Price of the past three fiscal months ended July 23, 2007	464 yen

4. Major shareholders and the shareholding ratio after the offering

(the ratio of the shareholding to the total outstanding shares)

Before the offering (As of March 31, 2007)		After the offering	
Matsushita Electric Industrial Co., Ltd.	52.4%	Matsushita Electric Industrial Co., Ltd.	36.8%
Bank of New York GCM Client Accounts E ISG (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	7.5%	Kenwood Corporation	17.0%
The Dai-ichi Mutual Life Insurance Company	2.8%	HSBC Fund Services SPARX Asset Management Corporated	6.6%
The Master Trust Bank of Japan, Ltd.	2.6%	HSBC Fund Services SPARX Asset Management Limited US Client	6.2%
Japan Trustee Services Bank, Ltd.	2.1%	BANK OF NEW YORK GCM CLIENT ACCOUNTS E ISG (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	5.3%
MORGAN STANLEY & CO. INC (Standing proxy: Morgan Stanley Japan Securities Co., Ltd.)	1.6%	The Dai-ichi Mutual Life Insurance Company	2.0%
BNP PARIBAS LONDON BRANCH FOR BNPPPB EVOTOK (Standing proxy: HSBC Investments (Japan) K.K.)	1.2%	The Master Trust Bank of Japan, Ltd.	1.8%
Daiwa Securities SMBC Co. Ltd.	1.1%	Japan Trustee Services Bank, Ltd.	1.5%
CGML-LONDON EQUITY (Standing proxy: Citibank N.A., Tokyo Branch)	0.8%	MORGAN STANLEY & CO. INC (Standing proxy: Morgan Stanley Japan Securities Co., Ltd.)	1.1%

Sumitomo Mitsui Banking Corporation	0.7%	BNP PARIBAS LONDON BRANCH FOR BNPPPB EVOTOK (Standing proxy: HSBC Investments (Japan) K.K.)	0.8%
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5. Effect of the capital and business alliance on the operational results of JVC

The effect of the structural reforms via the financing has been reflected in an amended profit forecast of JVC announced today.

6. Rationale of terms for the issue

(1) Basis for calculation of issue price

An issue price of 325 yen per share was calculated by taking 361 yen per share, which was the closing price (regular way) of shares on the Tokyo Stock Exchange as of the most recent trading date immediately prior to the date of resolution of the board of directors of JVC with regard to the new share issue, multiplied by 90%. Considering the substantial capital injection in the amount of 35 billion yen, that level of discount is believed to be reasonable.

(2) Reason why the number of newly issued share and size of the dilution is reasonable

The planned new share issue by way of a third party allotment will give rise to a 42.4% dilution in the value of the current number of outstanding shares. While the new share issue via third party totals 35 billion yen, the average amount of shares traded per day was 1.4 billion yen over the past one (1) year. JVC believes implementation of further management reforms is required given a fiercely competitive retail environment and the need to regain trust in the equity market.

7. Reasons for the selection of the companies to be allotted (allottees)

(1) Outline of the allottees

1. Name of the allottee	Kenwood Corporation
2. Principal business	Manufacture and sale of products related to car-electronics, communications and home-electronics, and all businesses to which are incidental or related.
3. Date of incorporation	December 21, 1946
4. Address	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo
5. Representative	Kazuo Shiohata, President & CEO
6. Capital	Approximately 11,059 million yen
7. Outstanding shares	367,524,995 shares
8. Net asset	39,066 million yen (Consolidated)
9. Total asset	111,220 million yen (Consolidated)
10. Fiscal year	March 31
11. Employee number	4,483 (Consolidated)

12. Major customers	DENSO CORPORATION Fuji Heavy Industries Ltd. Honda Access Corp.		
13. Major shareholders and holding ratio	HSBC Fund Services SPARX Asset Management Co., Ltd. (10.41%) HSBC Fund Services SPARX Asset Management Limited US Client (7.65%) Resona Bank, Ltd.(3.73%) The Master Trust Bank of Japan, Ltd., (Trust Account) (1.99%) Bank of New York GCM Client Accounts EISG (1.69%) (As of March 31, 2007)		
14. Major bank of account	Resona Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Banking Corporation The Sumitomo Trust and Banking Co., Ltd. The Chuo Mitsui Trust and Banking Company, Limited.		
15. Relationship between JVC and the allottee	Capital relation	N.A.	
	Trading relation	N.A.	
	Personnel relation	N.A.	
	Related party or not	N.A.	
16. Operational results in the most recent three fiscal years (Consolidated, million yen)			
Fiscal year	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Net sales	181,112	183,616	169,194
Operating profit	7,061	8,686	5,617
Recurring profit	4,696	4,886	2,339
Net income	4,836	6,104	1,586
Net income per share (yen)	16.79	17.16	4.32
Dividend per share (yen)	3.00	2.00	2.00
Net assets per share (yen)	66.29	101.97	106.46
1. Name of the allottee	<ol style="list-style-type: none"> 1. SPARX Japan Value Creation Fund, L.P. 2. SPARX Japan Value Creation Fund II - Fund V1 3. SPARX Japan Value Creation Fund (Fund V1N) 4. SPARX Japan Value Creation Fund II (Bermuda) (Class VCI-A Shares) 5. SPARX Japan Value Creation Fund II 6. SPARX Japan Value Creation Fund III (Bermuda) (Class 		

	VCI-B Shares)	
	7. SPARX Japan Value Creation Fund II Master (Bermuda) (Class VCI-M Shares)	
	8. SPARX Japan Value Creation Investors Fund, L.P.	
2. Jurisdiction etc.	1. LLC/United States 2. Unit trust / Cayman 3. Unit trust / Cayman 4. Mutual fund/ Bermuda 5. Unit trust/Cayman 6. Mutual fund / Bermuda 7. Mutual fund/Bermuda 8. LLC/United States	
3. Location of administrator	1, 8: 360 Madison Avenue, 24th Floor, New York, NY 10017, USA 2, 3, 4, 5, 6, 7: 6 Front Street, Hamilton HM 11, Bermuda	
4. Asset Manager(*)	SPARX International (Hong Kong) Limited (6 th Floor, ICBC Tower, 3 Garden Road, Central, Honk Kong)	
5. Total amount of capital	Approximately 164.0 billion yen (Aggregate amount of net asset value of 1 through 8 above as of June 30, 2007)	
6. Relationship between JVC and the allottee	Shares of the allottee held by JVC	0 shares
	Shares of JVC held by the allottee	0 shares

(Note) All negotiations and investment decisions at the time of third party allotments above were made by the Asset Manager, but not through each of the operating partners of the funds.

(Reference): Outline of SPARX Group

SPARX Group is a holding company whose headquarter office is located in Tokyo and which owns SPARX Asset Management Co., Ltd., SPARKS Securities Co., Ltd. and SPARX Capital Partners Co., Ltd. and other overseas subsidiaries in New York, London, Hong Kong, etc. It was established in 1989, and the group's total assets under management (as of June 30, 2007, on a provisional basis) is 1,849.4 billion yen.

(2) Reasons for the selection of allottees

KENWOOD was selected as one of the allottees in the context of management reconstruction of JVC for the reasons of expected synergies toward strengthening cost competitiveness, etc., based on economies of scale to be achieved by joint development, joint procurement of raw materials and mutual manufacturing services with KENWOOD in the fields of mobile navigation, home/portable audio and other aspects of multimedia. Further, combining the past experience and know-how of KENWOOD's management with JVC through this alliance, as expected by SPARX, will accelerate the management reform of JVC and tap the latent potential of JVC in a way that increases its corporate value. Given the substantial amount of financing needed--35 billion yen at this time--SPARX International (Hong Kong) Limited has been selected as one of the allottees.

(3) Holding policy of allottees

KENWOOD plans to hold the JVC's shares on a long-term basis so as to achieve the enhancement of corporate value of both companies through a capital and business alliance with JVC.

SPARX has a principle of making investment decisions based on its fundamental policy of maximizing shareholder value of the companies in which it invests pursuant to its fiduciary duty as an investment manager, while seeking enhancement of corporate value and considering the interests of stakeholders, including employees and trade counterparties.

(Annex): Terms of issue

(1) Number of new shares to be issued:	107,693,000 shares of common stock
(2) Issue price:	325 yen per share
(3) Aggregate amount of issue price:	35 billion yen
(4) Amount to be incorporated in capital:	162.5 yen per share
(5) Aggregate amount to be incorporated in capital:	17.5 billion yen
(6) Subscription date:	August 10, 2007
(7) Payment date:	August 10, 2007
(8) Delivery date of new share certificates:	August 25, 2007 (Scheduled)
(9) Allottees and numbers of shares to be allotted:	
Kenwood Corporation	61,539,000 shares
SPARX Japan Value Creation Fund, L.P.	22,378,000 shares
SPARX Japan Value Creation Fund II-Fund V1	1,436,000 shares
SPARX Japan Value Creation Fund (Fund V1N)	7,690,000 shares
SPARX Japan Value Creation Fund II (Bermuda) (Class VCI-A Shares)	1,570,000 shares
SPARX Japan Value Creation Fund II	2,223,000 shares
SPARX Japan Value Creation Fund III (Bermuda) (Class VCI-B Shares)	3,679,000 shares
SPARX Japan Value Creation Fund II Master (Bermuda)	

(Class VCI-M Shares)	5,522,000 shares
SPARX Japan Value Creation Investors Fund, L.P.	1,656,000 shares

8. Schedule of the capital increase

July 24, 2007	Resolution of board of directors on issuance of new shares
July 24, 2007	Filing of the securities registration statement
July 24, 2007	Execution and delivery of certain subscription agreement
August 9, 2007	Expected effective date of the securities registration statement
August 10, 2007	Subscription date, Payment date
August 10, 2007	Capital increase date

III. CHANGE IN PARENT COMPANY AND MAJOR SHAREHOLDERS OF JVC

1. Background of the change

A change in the parent company and major shareholders of JVC is set to occur as a result of the capital increase to be closed on August 10, 2007, which is the payment date.

2. Name of the relevant shareholders, etc.

- (1) Company which is no longer a parent company but remaining as a major shareholder

Name	Matsushita Electric Industrial Co., Ltd.
Head office	1006, Kadoma, Kadoma City, Osaka
Representative	Fumio Ohtsubo, President
Principal business	Manufacture and sale of electronic and electrical products, etc.

- (2) Companies to become a major shareholder as a result of this third-party allocation

Name	KENWOOD CORPORATION
Head office	2967-3, Ishikawa-machi, Hachioji-shi, Tokyo
Representative	Kazuo Shiohata, President and CEO
Principal business	Manufacture and sale of products related to car-electronics, communications and home-electronics, and other businesses incidental thereto.

3. Number of voting rights (number of holding shares) and ratio against the total number of voting rights (ratio against the total number of issued shares) of the relevant shareholders before and after the change

Matsushita Electric Industrial Co., Ltd.	Number of voting rights (Number of shares held)	Ratio against the number of voting rights of all shareholders	Rank among major shareholders
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Before the change (As of March 31, 2007) (Note 1)	133,227 votes (133,227,330 shares)	52.7 %	1st
After the change (Note 2)	133,227 votes (133,227,330 shares)	36.9 %	1st

KENWOOD CORPORATION	Number of voting rights (Number of holding shares)	Ratio against the number of voting rights of all shareholders	Rank in major shareholders
Before the change (As of March 31, 2007)	- votes (- shares)	- %	-
After the change (Note 2)	61,539 votes (61,539,000 shares)	17.1 %	2nd

(Note 1): Total number of shares is calculated by “Number of outstanding shares” (254,230,058 shares) minus “Treasury Stock as of March 2007” (281,000 shares) minus “Shares not constituting Unit as of March 2007” (953,058 shares).

(Note 2): Total number of shares is calculated by “Number of outstanding shares” (361,923,058 shares) minus “Treasury Stock as of March 2007” (281,000 shares) minus “Shares not constituting Unit as of March 2007” (953,058 shares).

IV. IMPACT OF THE CAPITAL AND BUSINESS ALLIANCE ON THE FINANCIAL FORECASTS OF JVC, KENWOOD AND MATSUSHITA

With respect to JVC, the revised financial forecast for this fiscal year announced today reflects the impact of the structural reforms to be implemented via effective use of the funds to be procured as described above.

With respect to KENWOOD, because the specific business cooperation through the planned capital and business alliance will commence from October 2007, this fiscal year’s financial forecast announced on May 15 will not be revised; however, it shall make further considerations in order to realize the expected results as soon as possible.

KENWOOD plans to make a payment of 20 billion yen using a credit line of loans from a certain financial institution which has an existing contractual relationship with KENWOOD.

With respect to the revision of MATSUSHITA’s financial forecast, please refer to the “Matsushita Revises Fiscal 2008 Financial Forecast” announced today.