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JVCKENWOOD

Results and Forecast Briefing

Third Quarter of Fiscal Year Ending March 2015

February 3, 2015

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JVCKENWOOD Corporation

Abbreviations

CE	Car Electronics (Segment) Consumer (Business) OEM (Business) HA (Home Audio) (Business)
PS	Professional Systems (Segment) COM: Communications (Business) Pro: Pro Systems (Business) Healthcare (Business) EFJT: EF Johnson Technologies, Inc. Zetron: Zetron, Inc.
O&A	Optical & Audio (Segment) AV Accessory (Business) Creation (Camcorder) (Business) Image & Optical (Business)
SE	Software & Entertainment (Segment) Content (Business) OEM (Business)

- 1. Overview of financial results for the third quarter of the fiscal year ending March 31, 2015**
- 2. Review of 3Q financial closing and measures for expanding OEM business**
- 3. Full-year earnings forecast for FYE3/'15**

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Financial Results for 3Q of FYE3/'15 (first nine months) – Summary

- ❖ Net sales: Decreased (90% YoY) due to the effects of business transfer, etc. (approx. JPY 12.8 billion).
 - ❖ Operating income: Increased significantly due to structural and operational reforms.
 - ❖ Ordinary income: Achieved a turnaround in 3Q (first nine months).
 - ❖ Net income: Improved significantly, partly due to the posting of income tax – deferred as a result of the integration of U.S. subsidiaries.
- (Billion yen)

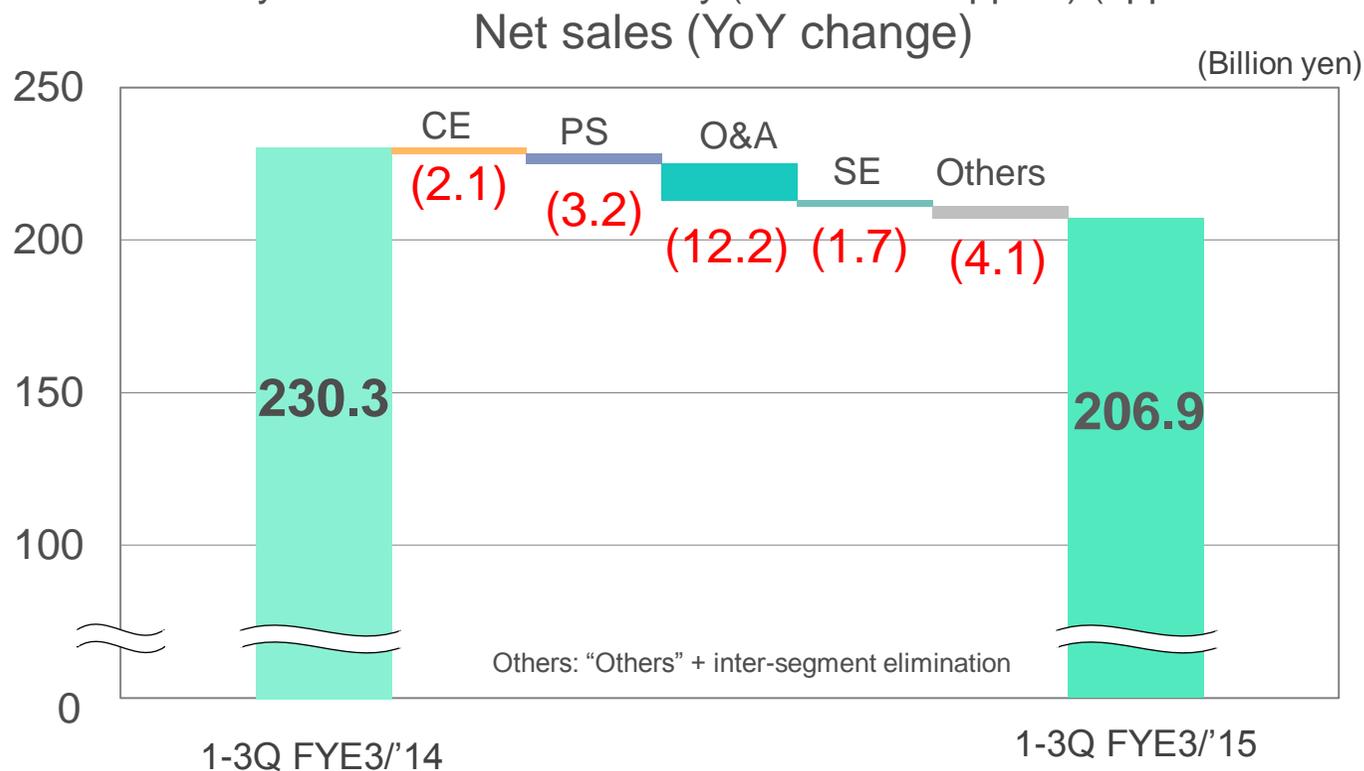
		Net sales	Operating income	Ordinary income	Net income
3Q (First nine months)	FYE3/'15	206.9	2.5	0.1	(0.7)
	FYE3/'14	230.3	(1.7)	(4.5)	(5.7)
	YoY change	(23.4)	+4.2	+4.7	+5.0

Profit-and-loss exchange rates		1Q	2Q	3Q	3Q (First nine months)
FYE3/'15 (Approx. rate)	USD	JPY 102	JPY 104	JPY 114	JPY 107
	EUR	JPY 140	JPY 138	JPY 143	JPY 140
FYE3/'14 (Approx. rate)	USD	JPY 99	JPY 99	JPY 100	JPY 99
	EUR	JPY 129	JPY 131	JPY 137	JPY 132

Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Net Sales (By Segment)

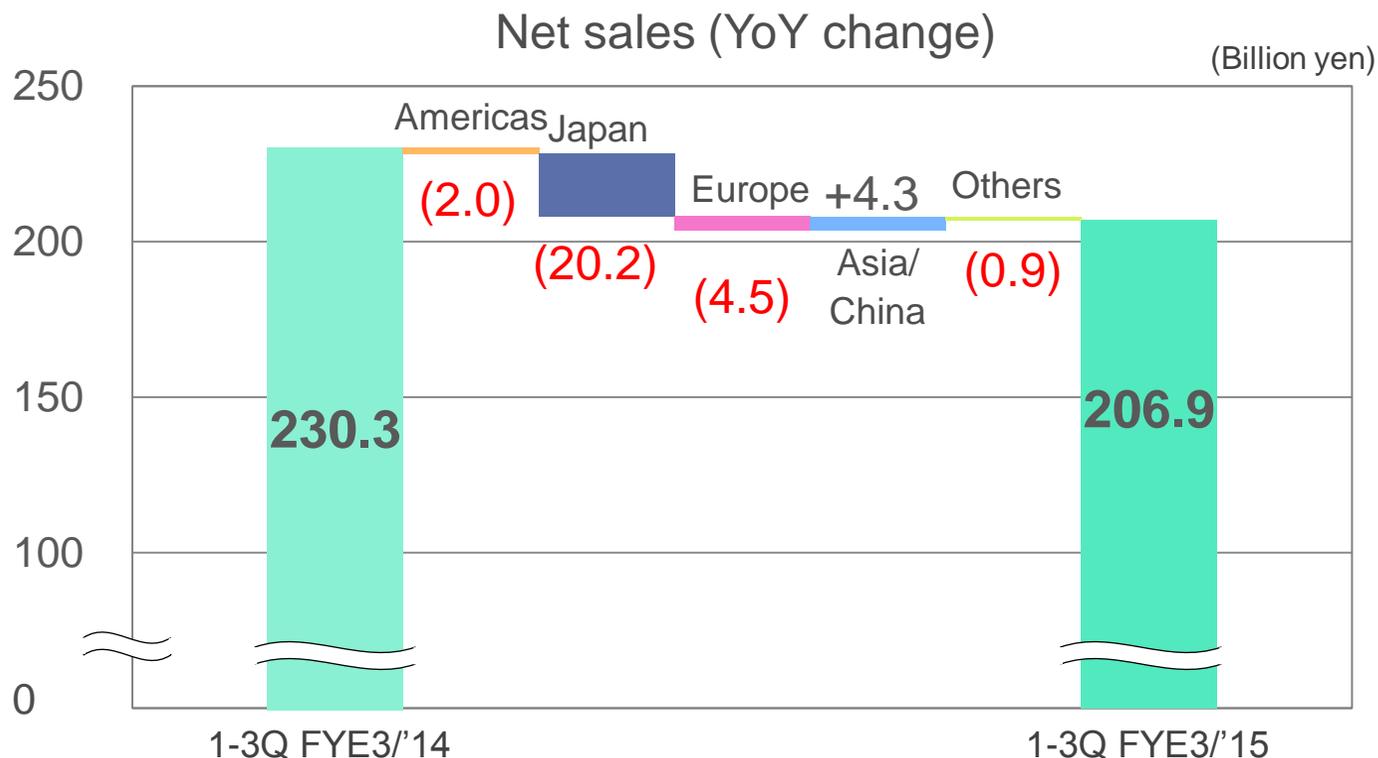
❖ 1-3Q Results: JPY 206.9 billion in total (a decrease of 10.1% YoY) [Decrease in sales]

- CE: Affected by contraction of HA product lineup, although OEM sales rose due to increased product sales.
- PS: Effects of sale of Geobit (approx. JPY 9.4 billion) were mostly covered by increased sales of COM terminals.
- O&A: Consumer camcorder products cut back (focus on high-margin models).
- SE: Affected by changes made to composition of titles and delayed sales of some major products.
- Others: Affected by sale of a U.S. subsidiary (OEM disc supplier) (approx. JPY 3.4 billion).



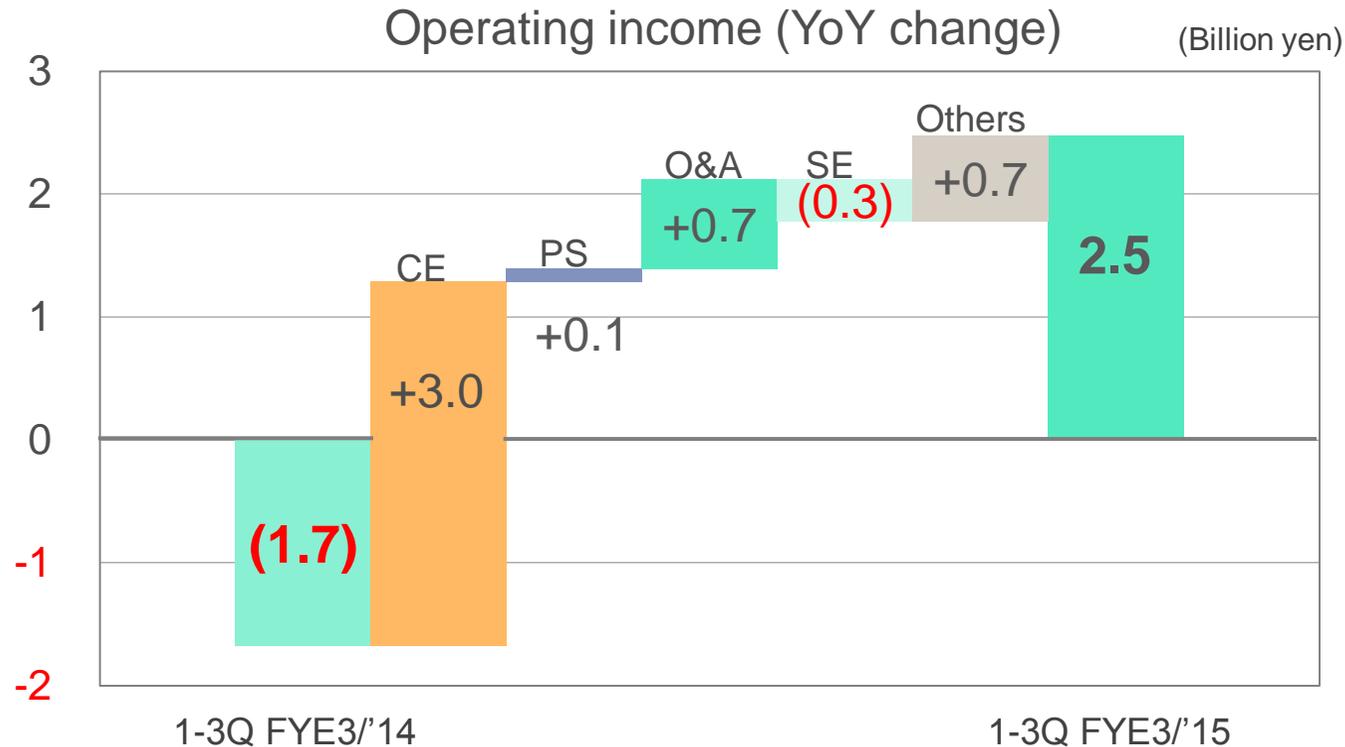
Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Net Sales (By Region)

- ❖ **1-3Q Result: JPY 206.9 billion in total (a decrease of 10.1% YoY) [Decrease in sales]**
 - Asia/China: Sales increased due to continued strong product sales, consolidation of Shinwa, and other factors.
 - Japan: Sales decreased due to the sale of Geobit, contracting consumer camcorder market, etc.
 - Americas: Quarterly sales (3Q) increased due to strong sales of COM terminals and consumer CE products, although the sale of a subsidiary was a negative factor.
 - Europe: Poor market conditions continued. Sales declined due to decreased sales of O&A and CE products, etc.



Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Operating Income (By Segment)

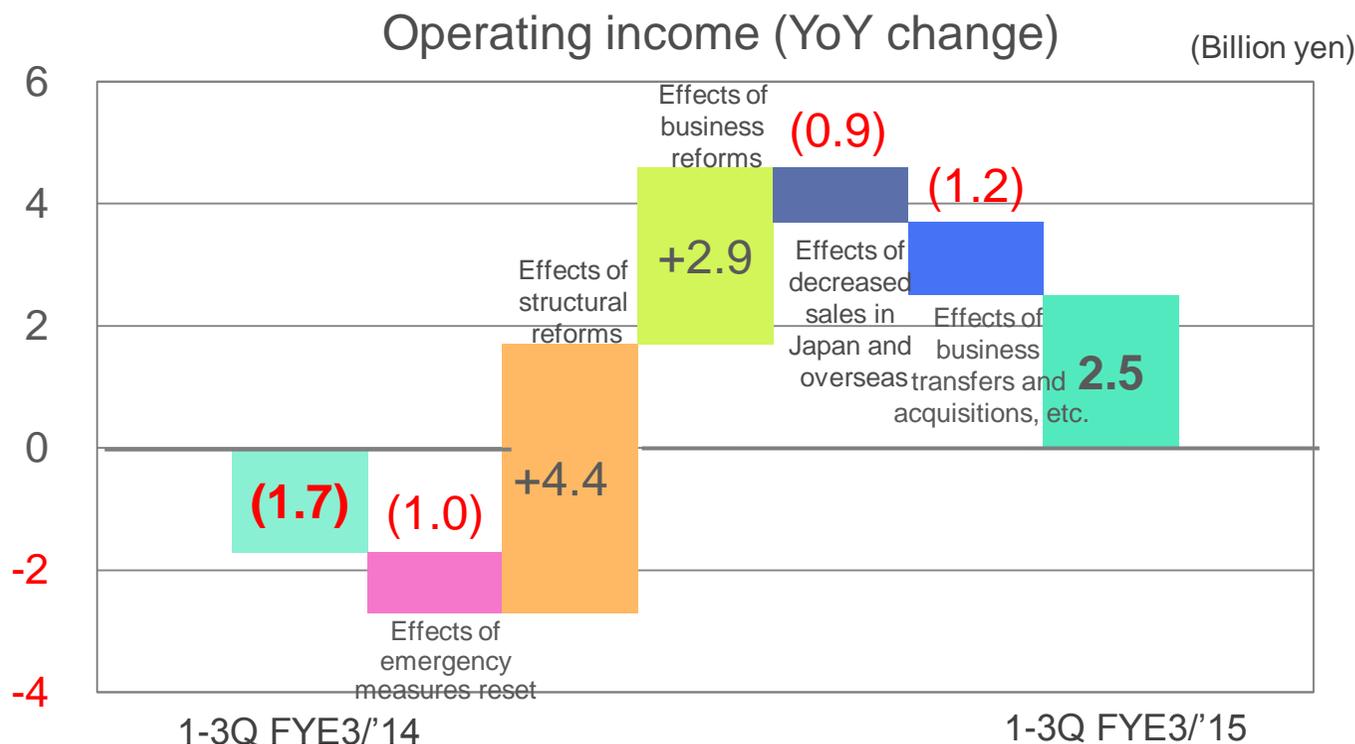
- ❖ 1-3Q Result: JPY 2.5 billion in total (an increase of JPY 4.2 billion YoY) [Achieved a turnaround]
 - CE: Achieved a turnaround due to business reforms (e.g. reforms to overall cost structure/sales structure)
 - O&A: Operating income decreased, but Creation Business performance improved significantly due to business reforms. Fixed costs decreased. As a result, O&A Segment became profitable.



Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Operating Income (By Factor)

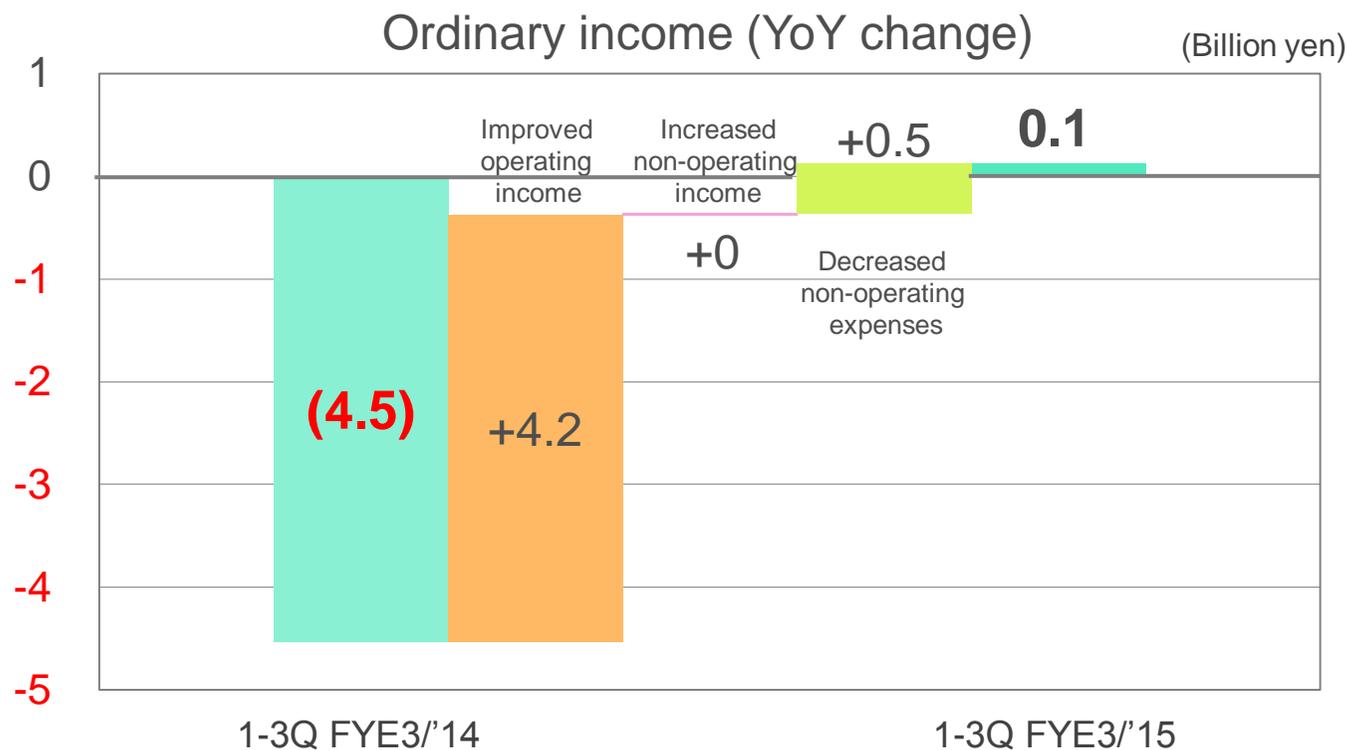
- ❖ Effects of structural reforms: Initial estimate (+JPY 6.5 billion) (full year) → 1-3Q total (+JPY 4.4 billion) => Almost as forecasted
- ❖ Effects of business reforms: Initial estimate (+JPY 2.5 billion) (full year) → 1-3Q total (+JPY 2.9 billion) => Improved more than forecasted.
- ❖ Effects of decreased sales in Japan and overseas: Initial estimate (-JPY 2.9 billion) (full year) → 1-3Q total (-JPY 0.9 billion) => Improved

* Structural reforms: Reduced personnel costs accompanied by reforms to domestic and overseas employment structure
 Business reforms: Cost improvements, sales reforms, and reduced fixed costs excluding personnel costs



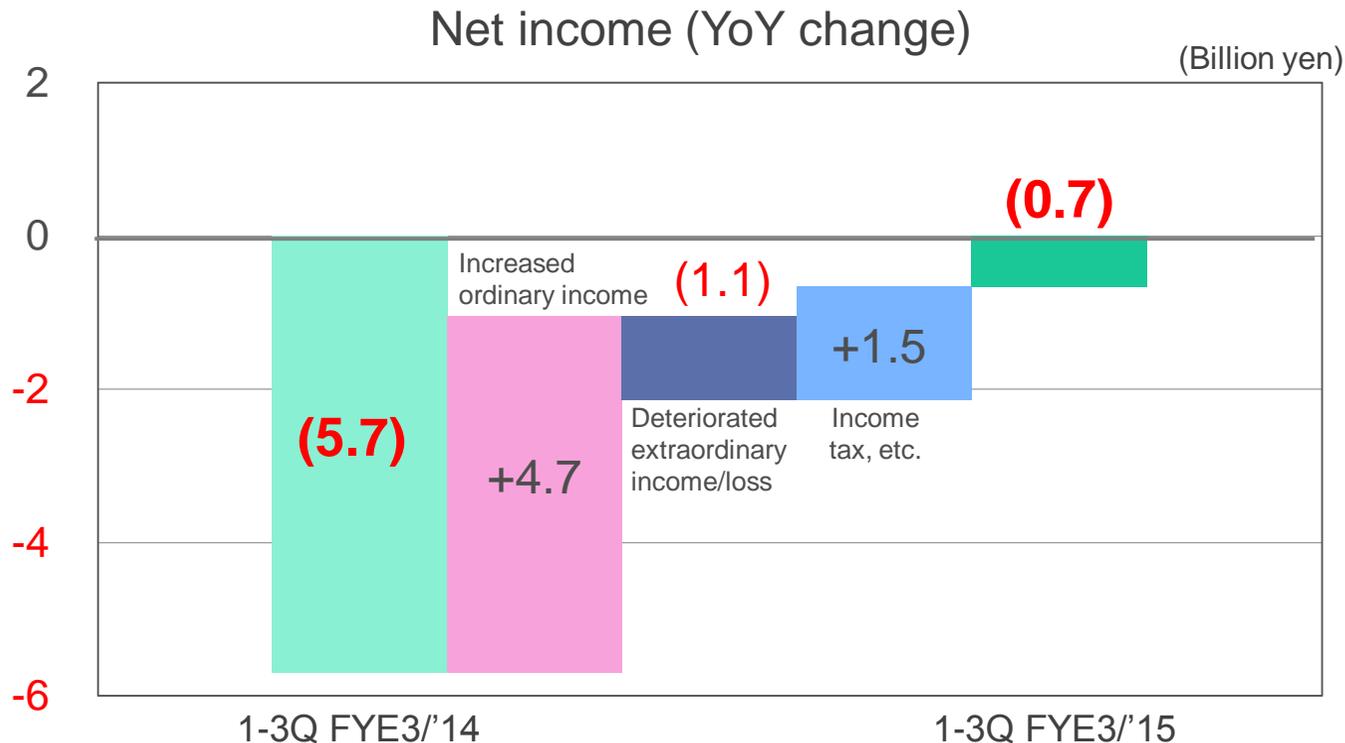
Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Ordinary Income

- ❖ 1-3Q Results: JPY 0.1 billion in total (an increase of JPY 4.7 billion YoY) [Achieved a turnaround]
 - In addition to improved operating income, non-operating income and expenses improved by JPY 0.5 billion, due to decreased loan commissions, increased dividend income, etc. Achieved a turnaround.



Financial Results for 3Q of FYE3/'15 (first nine months) - Consolidated Net Income

- ❖ 1-3Q Results: Net loss of JPY 0.7 billion (Improved JPY 5.0 billion YoY)
 - Improved significantly due to the posting of income tax - deferred of JPY 3.5 billion (credited), as a result of integrating a U.S. subsidiary, etc., as well as increased ordinary income. These factors offset a temporary loss (JPY 1.1 billion) incurred as a result of the sale of a U.S. subsidiary in 1Q.



Financial Results for 3Q of FYE3/'15 - Balance Sheet Summary

- ❖ Total assets: Rose JPY 1.1 billion due to increased inventories, etc., despite decreases in cash and deposits as a result of repayments of loans and decreases in notes and accounts receivable, etc.
- ❖ Interest-bearing debts (sum of borrowings and bonds payable): Decreased JPY 8.0 billion.
- ❖ Shareholders' equity ratio: Improved 3.6 pp to 23.0%.

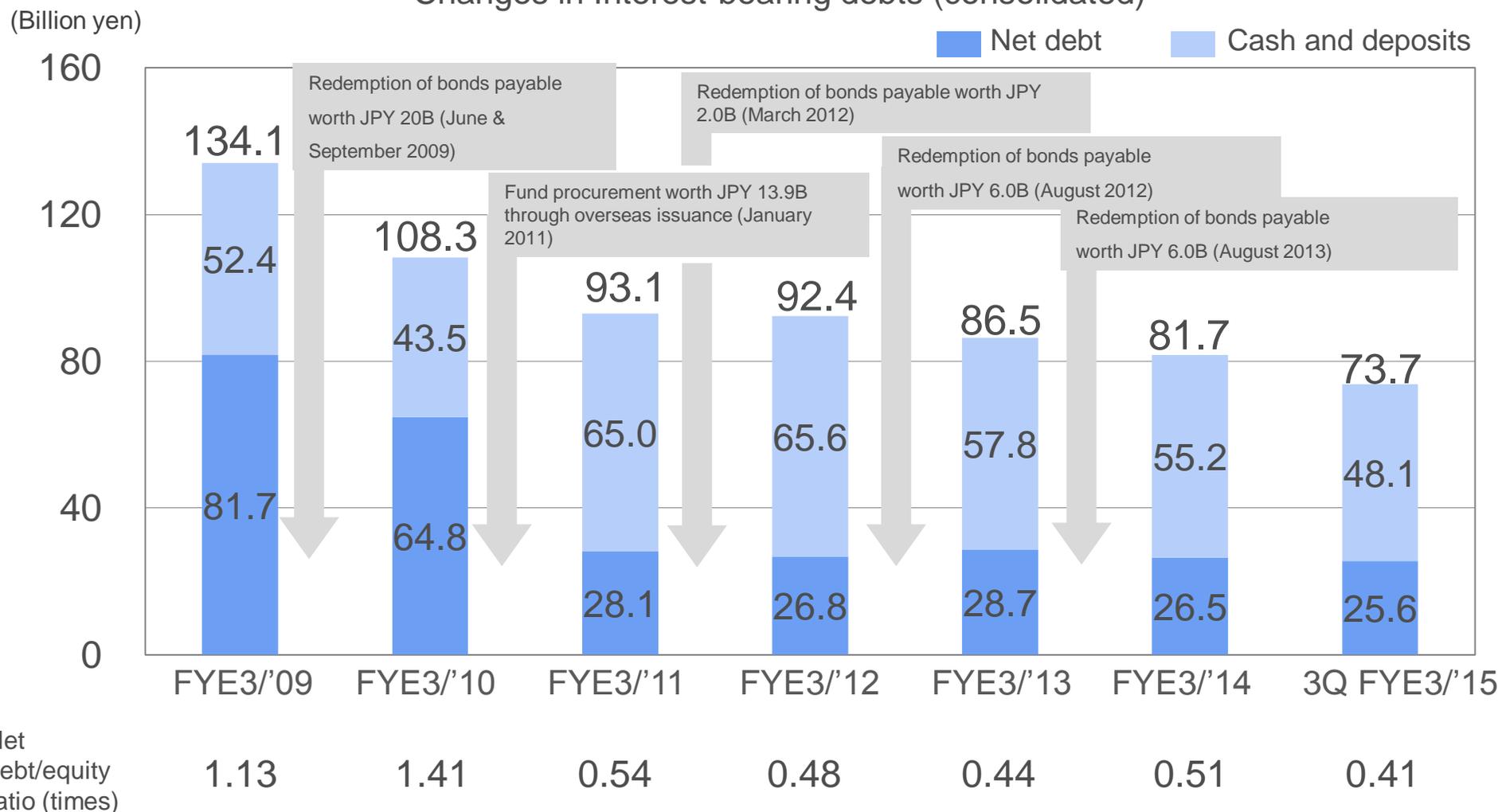
(Billion yen)

	End of FYE3/'14	End of 3Q FYE3/'15	Change from the previous year-end
Total assets	267.2	268.3	+1.1
Interest-bearing debts	81.7	73.7	(8.0)
Net debt	26.5	25.6	(0.9)
Net debt/equity ratio (times)	0.51	0.41	(0.10)
Capital surplus	45.9	45.6	(0.3)
Retained earnings	17.4	16.9	(0.5)
Net assets	59.8	70.1	+10.3
Shareholders' equity	51.7	61.8	+10.0
Shareholders' equity ratio (%)	19.4	23.0	+3.6

Financial Results for 3Q of FYE3/'15 - Interest-bearing Debts

- ❖ Both interest-bearing debts and net debt are decreasing on a step-by-step basis.

Changes in Interest-bearing debts (consolidated)

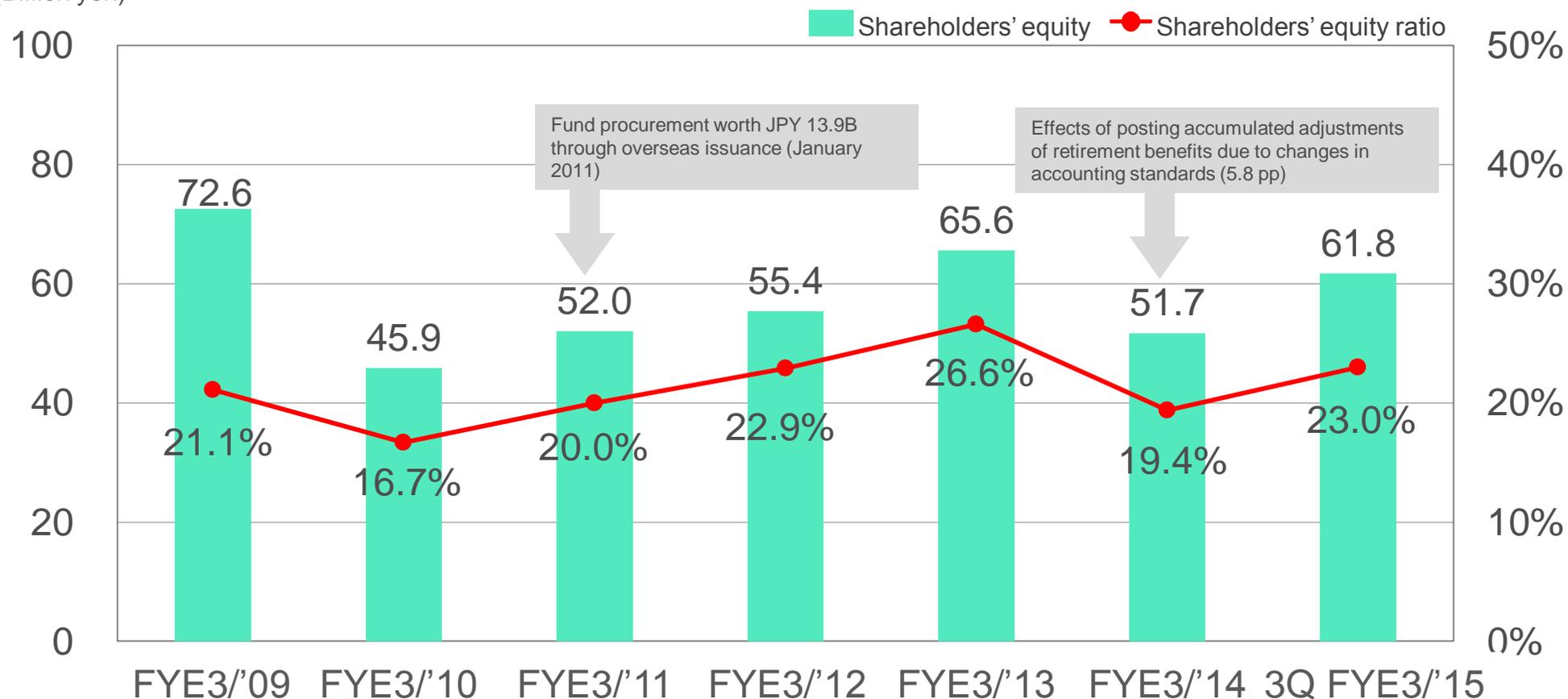


Financial Results for 3Q of FYE3/'15 - Shareholders' Equity Ratio

- ❖ Net assets rose because foreign currency translation adjustments increased as a result of the yen's depreciation against major currencies. Shareholders' equity ratio recovered to 23.0%.

Change in shareholders' equity ratio (consolidated)

(Billion yen)



* 1st stock acquisition rights issued on August 25, 2011: Already acquired and canceled entirely without compensation.

Financial Results for 3Q of FYE3/'15 (first nine months) - Cash Flow Summary

- ❖ Free cash flow fell into negative territory because operating cash flow decreased as a result of costs incurred in connection with structural reforms conducted last year (approx. JPY 6.4 billion).

(Billion yen)

	FYE 3/'12	FYE 3/'13	FYE 3/'14	1 - 3Q FYE3/'15	Reference 1 - 3Q FYE 3/'14
Cash flow from operating activities	8.9	9.8	14.9	4.8	7.2
Cash flow from investing activities	(6.5)	(13.4)	(10.7)	(6.8)	(6.1)
Cash flow from financing activities	(1.5)	(8.6)	(9.6)	(8.7)	(5.0)
Free cash flow	2.4	(3.6)	4.3	(2.0)	1.0

* Free cash flow = Cash flow from operating activities + Cash flow from investment activities

(Reference) Information by Segment

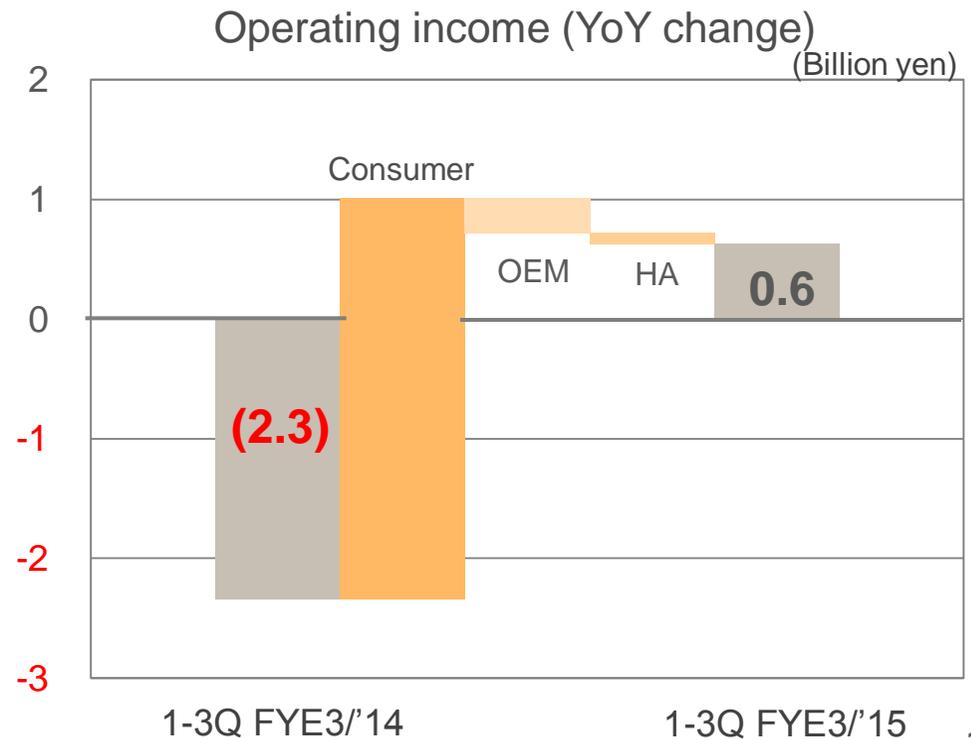
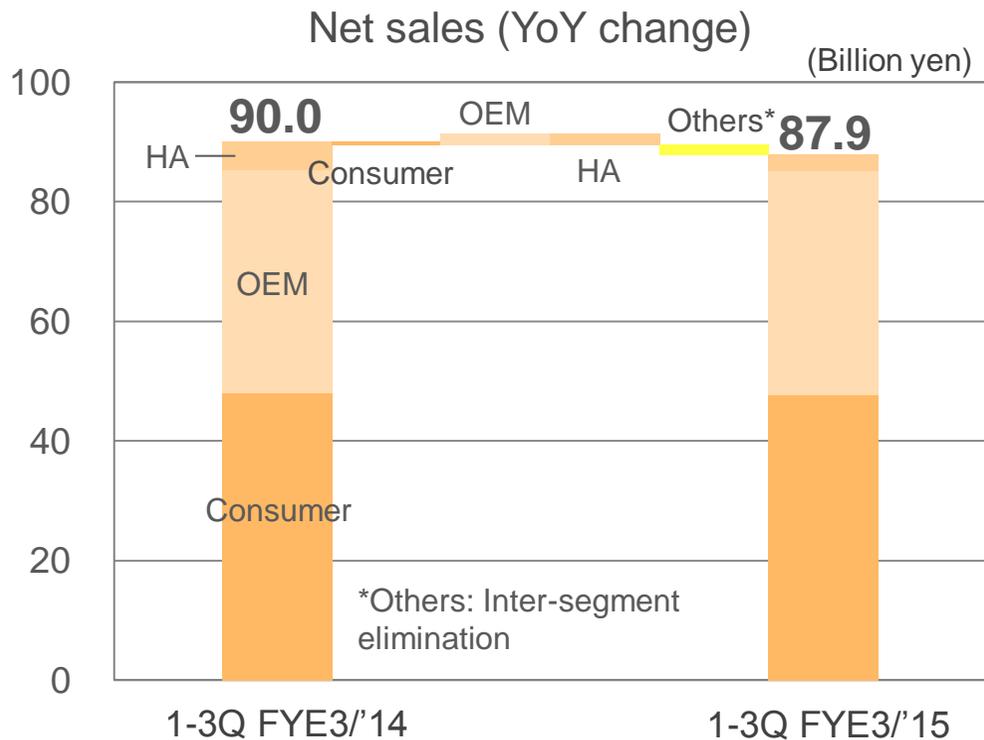
Financial Results for 3Q of FYE3/'15 (first nine months) - JVCKENWOOD

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Car Electronics

- ❖ Net sales: Domestically on a par with last year due to the effects of a consumption tax hike, etc., despite strong consumer product sales in Americas and Asia. OEM sales also increased due to strong product sales in Asia and consolidation of Shinwa. Sales of HA* decreased due to deteriorating market conditions.
- ❖ Operating income: CE achieved a turnaround overall because Consumer Business performance improved significantly due to the effects of business reforms. Although operating losses of OEM and HA increased due to increased development costs and deteriorating market conditions, respectively.

* HA...Home Audio

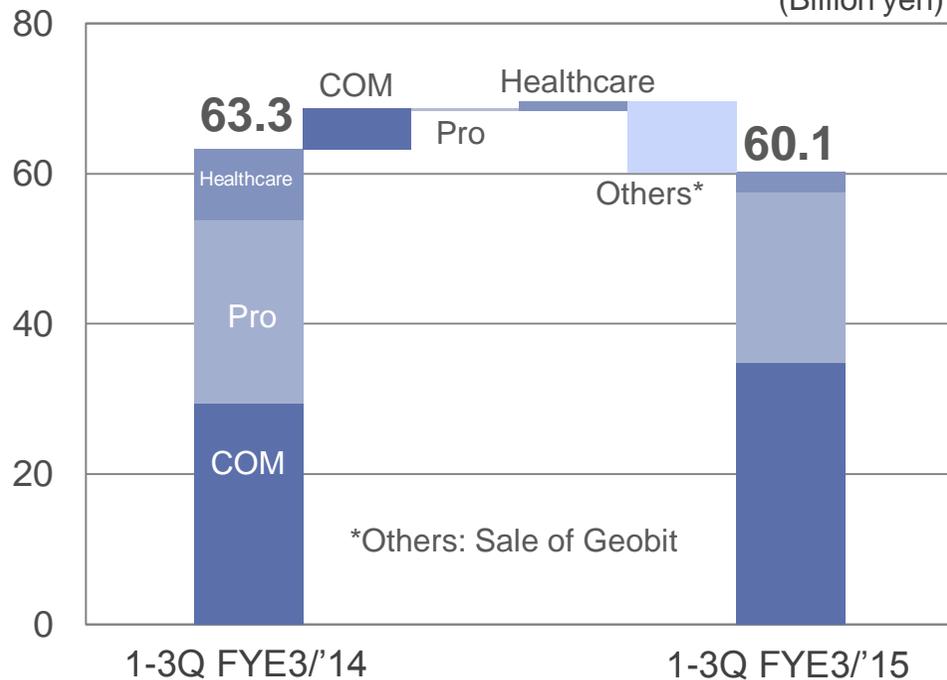


Financial Results for 3Q of FYE3/'15 (first nine months) - **JVCKENWOOD** creates excitement & peace of mind

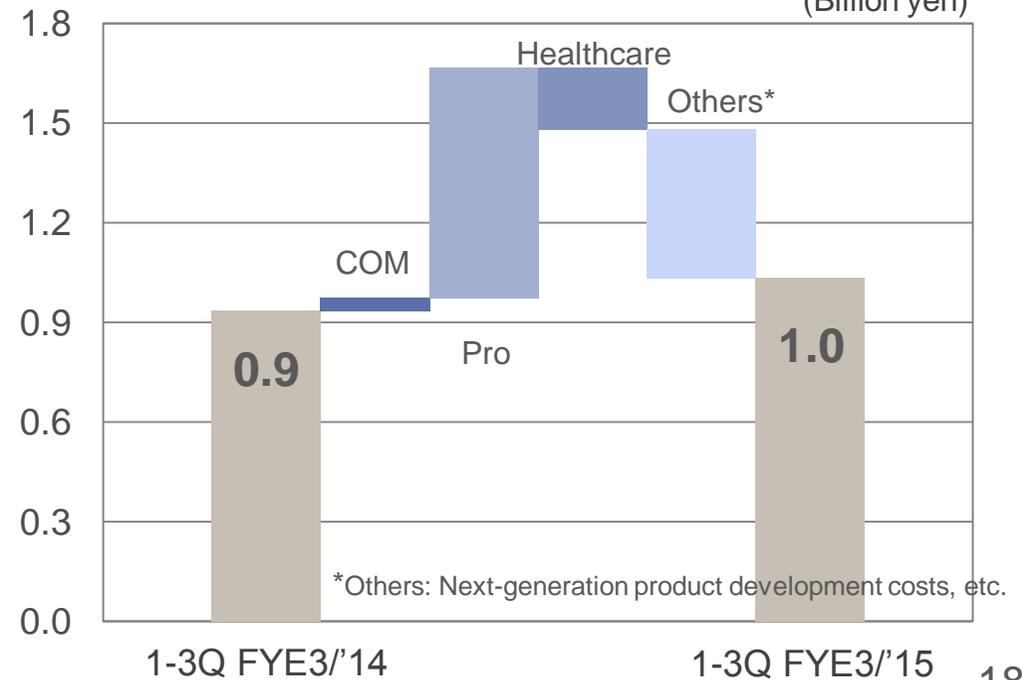
Professional Systems

- ❖ Net sales: COM sales increased due to a recovery in North America (the biggest market), effects of the acquisition of EFJT, and other factors. Pro sales were on a par with last year because Japan compensated for a fall in overseas sales. Healthcare sales increased due to strong sales of TOTOKU from the beginning of year.
- ❖ Operating income: COM increased operating income due to recoveries of Zetron sales and in North America, despite the effects of timing differences for EFJT orders received. Pro decreased its loss significantly due to the effects of various reforms implemented.

Net sales (YoY change)
(Billion yen)



Operating income (YoY change)
(Billion yen)



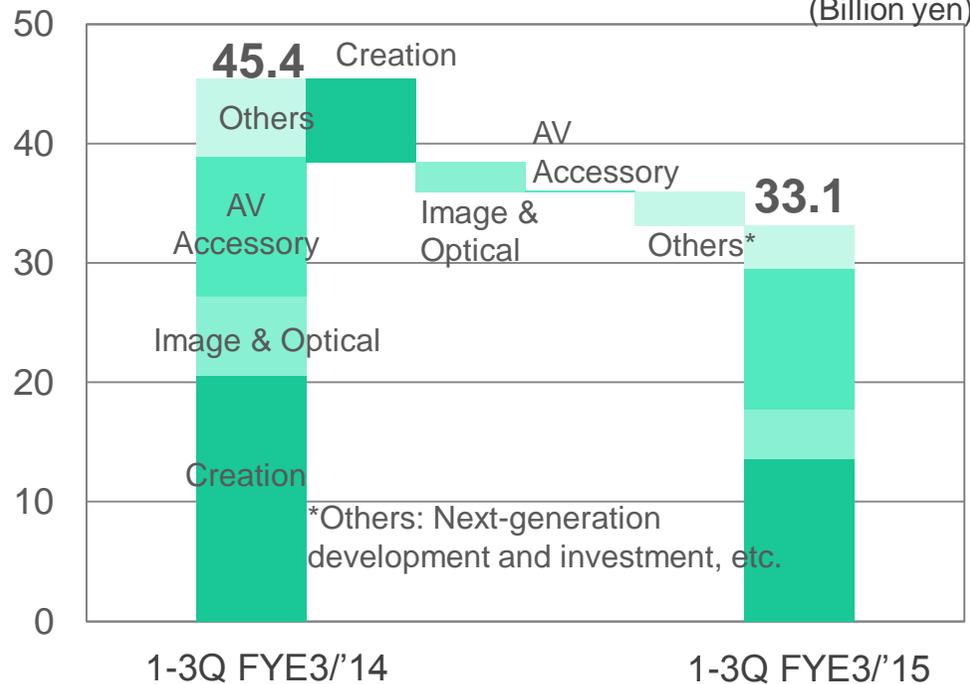
Financial Results for 3Q of FYE3/'15 (first nine months) - JVCKENWOOD

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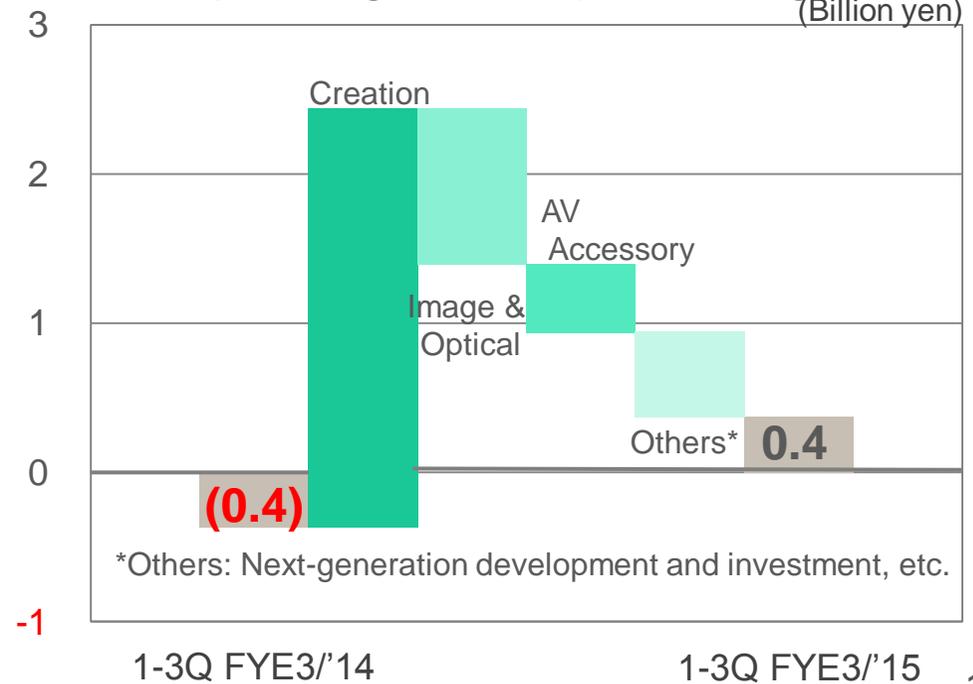
Optical & Audio

- ❖ Net sales: Creation sales decreased significantly due to the effects of reduced unit sales of consumer camcorder products. Image & Optical business was affected by decreased projector sales. AV Accessory sales were on a par with last year.
- ❖ Operating income: Creation achieved a turnaround in 3Q (first nine months) due to successful business reforms. Operating income from AV Accessory decreased due to product mix changes. However, O&A achieved a turnaround.

Net sales (YoY change) (Billion yen)



Operating income (YoY change) (Billion yen)

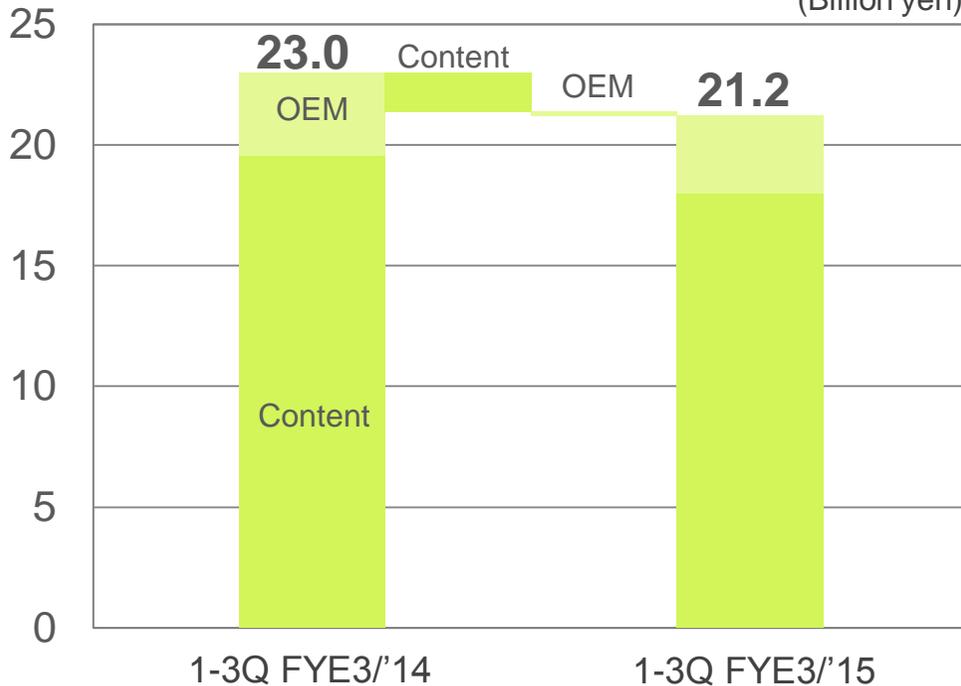


Financial Results for 3Q of FYE3/'15 (first nine months) - **JVCKENWOOD** *creates excitement & peace of mind*

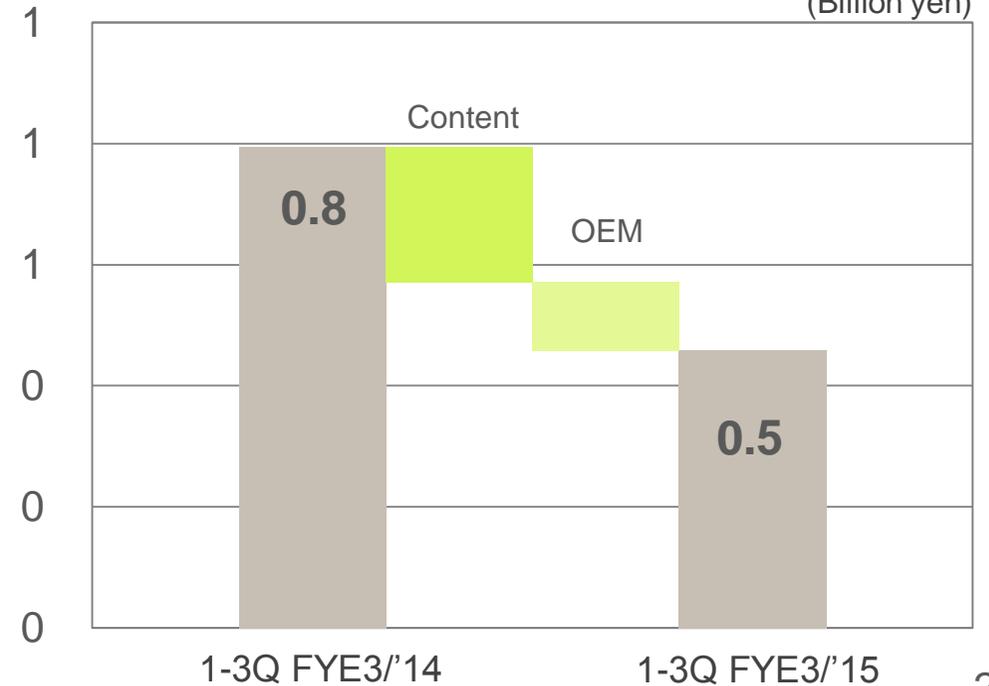
Software & Entertainment

- ❖ Net sales: Content sales decreased due to changes to the composition of titles and postponed releases of some major titles, but are expected to recover in 4Q. OEM sales decreased due to a decline in the number of external OEM products as a result of changes in the market, etc.
- ❖ Operating income: Decreased due to the effects of decreased sales of both Content and OEM.

Net sales (YoY change) (Billion yen)



Operating income (YoY change) (Billion yen)



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3. Full-year earnings forecast for FYE3/'15

“Our performance is continuing to recover steadily.”

❖ Effects of structural and business reforms also emerged clearly in 3Q. All segments posted profits because operating income for 1-3Q increased JPY 4.2 billion YoY, although sales decreased due to business transfers aimed at focusing on core businesses, reducing of product lineups, etc. Posted ordinary income and achieved a turnaround.

❖ Due to a strong recovery of two main businesses—CE Consumer and COM (Terminal Business), 1-3Q operating income grew significantly.

❖ Creation (Camcorder) operations for 1-3Q achieved a turnaround due to business reforms. O&A also achieved a turnaround.

Progress of Restructuring of Overseas Bases

❖ Americas

- Integration of sales companies in North America (2 companies -> 1): Completed in October 2014.
- Integration of sales companies in Canada (3 companies -> 1): **Scheduled to be completed in April 2015.**

❖ Europe

- Integration of sales companies in U.K. (3 companies -> 1): **Scheduled to be completed in 4Q.**
- Integration of sales companies in Germany (2 companies -> 1): Completed in November 2014.
- Reorganization/integration of sales companies in Eastern Europe: **Scheduled to be completed in April 2015.**

❖ Asia

- Conclusion of Malaysia Plant Asset Transfer Agreement (done in November 2014): **Scheduled to be transferred in March 2015.**
- Integration of R&D facilities in Singapore: **Scheduled to be completed in April 2015.**



Completion of restructuring of overseas bases to expand sales and strengthen business structure

- ❖ Promote M&A and next-generation business development to expand genuine products operations of OEM Business.
 - **Made a European car parts company a subsidiary**
Made ASK Industries S.p.A. (“ASK”) a subsidiary to expand genuine products operations and acquire a solid base. ASK is a company that supplies car speakers, amplifiers, and antennas mainly to leading auto makers in Europe.
 - **Developed advanced digital cockpit systems**
Accelerated development of advanced digital cockpit systems including head-up displays, in-car cameras, and electronic mirrors. Showcased and exhibited concept models at CES in the U.S., aiming to commercialize these products.

OEM Business Expansion Strategy (Genuine Products Operations): (1) M&A

- ❖ Made ASK Industries S.p.A. (“ASK”) in Europe a subsidiary.
 - Acquired base to expand genuine products business.
 - Acquired solid partnerships with leading auto makers in Europe by making ASK a subsidiary.
 - Solidified bases including plants and R&D centers in Europe, Brazil, and other areas.
 - ASK is scheduled to become a subsidiary in April 2015.
 - Sales are continuing to increase considerably. Continuous growth can be expected in the future. Both sales and profit will contribute to the growth of next year’s consolidated performance.



Speaker



Amplifier



Antenna

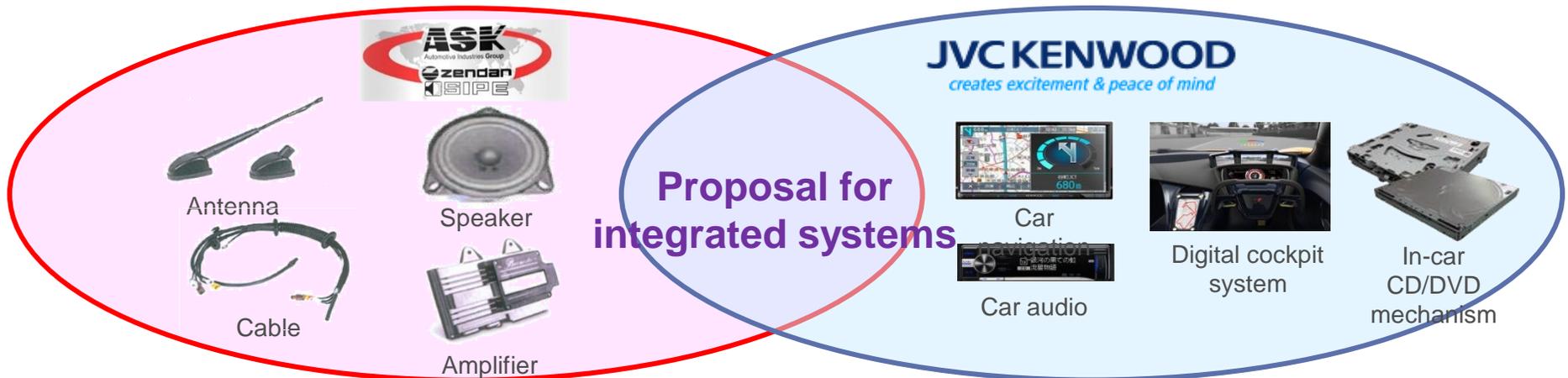


Cable

Unit : million yen

	FYE Dec./'12	FYE Dec./'13	FYE Dec./'14
Net Sales	17,373	19,921	21,614
Operating Income	323	489	935

- Forecasted effects of integration
 - Acquire a business to supply genuine products to leading auto makers in Europe such as the Volkswagen Group, Daimler Group, Fiat Group, and BMW. Ranked second for speaker market share
 - Will be able to supply consistent systems including car navigation systems, car audios, speakers, and amplifiers.
 - Launch genuine car navigation/car audio business, and acquire opportunities to start commercialization of digital cockpit systems.



- ❖ Promote development of digital cockpit systems.
 - One of a few specialized makers that has various core technologies.
 - Promote development using strengths of group companies' various core technologies ranging from sensing devices and Advanced Driving Assistant System (ADAS) to displays that transmit information to drivers.
 - Showcased and exhibited a concept model at CES 2015.
 - Showcased and exhibited McLaren 650S Spider (McLaren Automotive) featuring the concept model for the commercialization of digital cockpit systems.



McLaren 650S Spider featuring the model at CES



Image of digital cockpit system

OEM Business Expansion Strategy (Genuine Products Operations): (2) Next Generation Business Development

- ❖ Creating a safe automotive environment that ensures peace of mind by installing in regular vehicles
 - Aiming for commercialization of innovative Advanced Driver Assistance System (i-ADAS).



Head-up display



Full HD electronic mirror



Camera System that provides visibility of 360° around the vehicle with a bird's eye view



FIR (far infra-red) Camera System

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Full-year Earnings Forecast for FYE3/'15

- ❖ Revise net income to JPY 3.0 billion due to the posting of deferred tax assets as a result of integrating U.S. subsidiaries.
 - Recovery of CE and COM (terminals) operations is noticeable.
 - Effects of structural reforms have emerged steadily. Operating income for 1-3Q increased JPY 4.2 billion YoY.
 - Recovery of CE and COM (terminals) operations, improvement of O&A performance, and emergence of effects of structural reforms are expected to continue in 4Q.
 - No change to initial forecasts for net sales, operating income, and ordinary income. Upward revision of net income to JPY 3.0 billion.

(Billion yen)

	Net sales	Operating income	Ordinary income	Net income
Revised forecast for FYE3/'15	300.0	7.5	4.5	3.0
Initial forecast for FYE3/'15	300.0	7.5	4.5	0.5
Difference	0	0	0	+2.5
(Reference) FYE3/'14	316.3	4.4	(0.1)	(6.6)

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