

# JVCKENWOOD

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## Notice Regarding “Vision 2020,” Mid- to Long-term Business Plan

There have been structural changes in the external environment, such as the rapid depreciation of the yen; a shrinking consumer electronics market due to the widespread use of smartphones; and innovations in digital and optical technologies such as clouds and big data. In view of these, JVC KENWOOD Corporation (“JVCKENWOOD”) has renovated the mid-term business plan up to fiscal year 2015, which was announced on November 30, 2012, and developed a new mid- to long-term business plan, “Vision 2020,” focusing on fiscal year 2020.

Under “Vision 2020” JVCKENWOOD will promote its businesses, spotlighting fields where it can capitalize its strengths, by carrying out performance evaluations and business portfolio management using return on equity (ROE) as a major business indicator and return on invested capital (ROIC) as an internal management indicator.

To achieve a higher ROE, JVCKENWOOD will establish architecture in which businesses having a high ROIC form “profit-base businesses” and support investment in “growth-leading businesses.” It will also accelerate the integration of technological assets by changing its organizational structure according to the customers’ industry.

JVCKENWOOD aims to generate an operating profit of 14 billion yen and reach an ROE of 10% for fiscal year 2017 as a consolidated group. At the same time, it will work to transform itself and have its automotive sector, which forms “growth-leading businesses,” contribute approximately half of its profit by fiscal year 2020, and have the public services sector and the media services sector, which form “profit-base businesses,” support “growth-leading businesses.”

### 1. Long-term vision for 2020: Evolution into a company capable of creating customer value

JVCKENWOOD is moving its business towards the growth-potential car electronics and B-to-B (business to business) sectors from the shrinking consumer-oriented market, as well as to next-generation businesses from existing ones by transferring internal resources. At the same time, its further objectives are to take a step forward and go from being a traditional manufacturing and sales company to being a company that creates customer value by providing solutions to their problems through focusing on the following initiatives.

#### \* From a product vendor to a solution provider

JVCKENWOOD will revise existing business operations focusing on product development under an operating unit system. Instead, it aims to become a partner for individual customers, an organization which can deeply understand their problems and provide individual and specific solutions by employing management methods led by the market and customers, and which can also respond to expansion of B-to-B businesses.

**\* From product sales companies to business operation companies**

Direct sales businesses are expanding based on dialogues between business units at the headquarters and customers in growing businesses such as those with factory-installed option products in the automotive sector and system business for industrial wireless communication. In response to such a trend, JVCKENWOOD will restructure the business units at the headquarters according to the customers' industry and will broaden the roles of individual regional CEOs and sales companies to be able to provide functions for product planning and marketing, and support for customer services in the direct sales businesses.

**\* From closed innovation to open innovation**

For prompt commercialization of the next-generation businesses currently under development, JVCKENWOOD will use its internal resources for intensive investments in areas such as digital cockpits and B-to-B broadband wireless, while closely cooperating with outside partners that include venture companies to accelerate development of a solution-oriented model.

**2. Business policy, objectives, and profit distribution**

**\* Business policy**

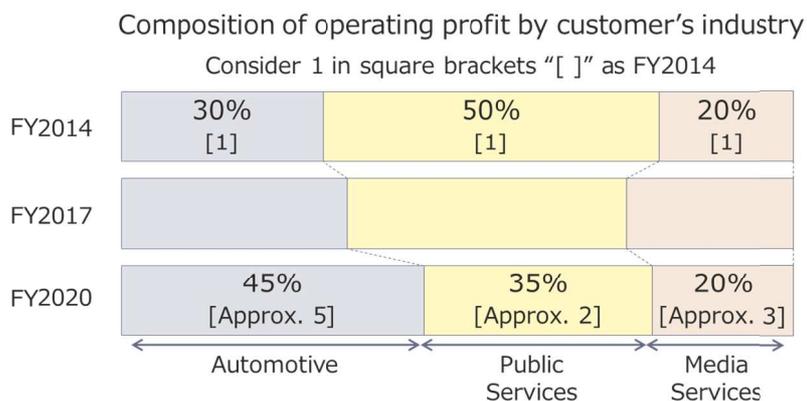
JVCKENWOOD will promote management reforms that no longer focus on business scale, such as sales growth and market share, but on areas where its strengths will resonate. Specifically, JVCKENWOOD will perform achievement evaluations and business portfolio management based on ROE as a publicized indicator as well as ROIC as an internal management indicator.

With regard to business portfolio management, JVCKENWOOD will break down businesses into three fields: "growth-leading businesses," "profit-base businesses," and "other businesses," considering their consistency with the long-term vision and capital profitability. Then, it will distribute managerial resources and perform strategic M&As according to the characteristics of respective businesses.

In addition, in order to build a new "shape of the company," the current four business segments—Car Electronics, Professional Systems, Optical and Audio, and Software & Entertainment—will be reorganized into three sectors based on customers' industries—Automotive sector, as "growth-leading businesses," and Public Services and Media Services sectors, as "profit-base businesses." As a result, the technological assets will converge, accelerating the change to a company that creates value for customers. At the same time, cash flows generated by "profit-base businesses," such as public services and media services sectors, will support investments in "growth-leading businesses," automotive sector.

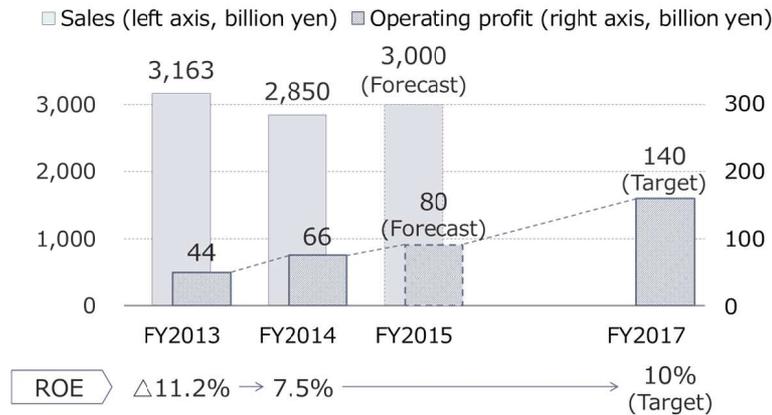
**\* Management goals**

"Shape of the company" for fiscal year 2020  
 -- Stable profit generated by "profit-base businesses," such as Public Services and Media Services sectors, will support investments for growth in "growth-leading businesses," Automotive sector.  
 -- As a result, in the long-term, Automotive sector will contribute approximately half of the profit, supported by Public Services and Media Services sectors, thereby transforming into a business structure which will enable JVCKENWOOD to realize significant profit growth.



Mid-term targets for fiscal year 2017

- Consolidated operating profit: 14 billion yen, 10% ROE
- Aim to achieve this figure by turning businesses necessary to improve their profitability into profitable and commercializing next-generation businesses, supported by “profit-base businesses.”



**\* Investment and financial strategy**

Investment will be overweighed in the Automotive sector as a “growth-leading business.”

Regarding the financial strategy, as a cash planning framework, an optimal capital structure will be pursued to improve capital profitability, keeping in mind the need for a balance between reducing net interest-bearing debt and investing in “growth-leading businesses.” In addition, JVCKENWOOD aims to minimize consolidated working capital.

For dividends, a target dividend payout ratio on a consolidated basis will be 30%, considering the balance between a stable shareholder return and the need to ensure investment funds for “growth-leading businesses.”

**3. Mid-term strategy toward fiscal year 2017: Basic policies for each market and business**

Looking toward fiscal year 2017, based on the above-mentioned long-term vision and management policy, JVCKENWOOD will re-focus on developed countries and pursue an aggressive approach to growth in emerging economies. It will do this because it recognizes that there is still a lot of room to create customer value in both developed countries and emerging economies. At the same time, it will integrate its strengths in order to create new demand in next-generation business areas as a further step in the business strategy.

**\* Market strategy**

Regarding markets in developed countries, JVCKENWOOD will rebuild the industry structure of the automotive sector and develop potential demand in Public Services and Media Services sectors.

Regarding markets in emerging economies, JVCKENWOOD aims to break away from low-price competition and continue to develop markets in collaboration with customers, based on firm relationships with them that have been established in developed countries.

**\* Business strategy: Aim to achieve this figure by turning businesses necessary to improve their profitability and commercializing next-generation businesses, supported by “profit-base businesses.”**

JVCKENWOOD considers Automotive sector as one containing “growth-leading businesses,” and will work to expand market shares of consumer business and accelerate growth in the dealer-installed option business. Regarding Public Services and Media Services sectors as “profit-leading businesses,” JVCKENWOOD will get involved in the total professional radio system business centering on professional digital radio equipment. In addition, JVCKENWOOD will make a full-scale entry into the pathology market in healthcare area and the next-generation content creation (professional camera) and imaging device business, expand into the entertainment business for professional purposes, and thus diversify its profit-generation model.

At the same time, JVCKENWOOD needs to manage businesses necessary to improve their profitability, such as radio system business in the US, factory-installed option business, and imaging device business. It is also making an advance investment in the next-generation businesses, such as CAROPTRONICS systems, professional broadband radio system, and healthcare business. JVCKENWOOD aims to achieve the mid-term target by turning the businesses into profitable and commercializing the next-generation businesses.