

JVCKENWOOD



May 12, 2017

Company	JVCKENWOOD Corporation
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Notice Regarding Appropriation of Surplus

JVCKENWOOD Corporation (JVCKENWOOD) announces that, at its Board of Directors meeting held today, it has resolved on the unconsolidated appropriation of its surplus and the transfer of other capital surplus to retained earnings carried forward to eliminate the cumulative loss and the distribution of dividend of surplus with March 31, 2017 as the record date.

The details are as follows.

1. Purpose of Appropriation of Surplus

JVCKENWOOD's most important management priorities include stable distribution of profits and ensuring the necessary management resources for future growth. The amounts of dividends of surplus and other amounts appropriated are determined by giving comprehensive consideration to the Group's profitability and financial conditions.

Looking at JVCKENWOOD's unconsolidated financial conditions for the fiscal year ended March 2017 (the 9th fiscal year), unconsolidated capital surplus was 46,471 million yen, while retained earnings were negative at 7,282 million yen (loss carried forward), resulting in an imbalance of capital structure.

The Company has decided to appropriate its surplus, transferring other capital surplus to retained earnings to be carried forward to cover and eliminate the cumulated loss by the resolution of the Board of Directors pursuant to Articles 452 and 459 of the Company Act in order to rectify the imbalance and improve its financial soundness, as well as to prepare the Company for early distribution of dividends paid from retained earnings.

For the fiscal year ended March 2017, JVCKENWOOD declared to distribute a year-end dividend of 5 yen per share based on its profit performance, the above-mentioned status of surplus and the above-mentioned dividend policy, as announced in the "Accounting Report for the Fiscal Year Ended March 2017".

2. Details of Dividend

	Amount determined	Most recent dividend forecast (announced on January 31, 2017)	Dividend for the fiscal year ended March 2016
Record date	March 31, 2017	Same as on the left	March 31, 2016
Dividend per share	5.00 yen	5.00 yen	5.00 yen
Total amount of dividends	694 million yen	—	694 million yen
Effective date	May 31, 2017	—	June 6, 2016
Dividend source	Capital surplus (note)	—	Retained earnings

Note: Percentage of reduction in net assets (0.005) is an estimate at this time. The definite figure will be announced when it is finalized.

3. Distribution of Dividends from Capital Surplus (For Reference)

The entire amount of dividends for the fiscal year ended March 2017 (this “dividend”) will be distributed from other capital surplus as dividend source and thus it falls under “return of capital.” Therefore, the tax treatment for this dividend is different from that for distribution of dividends paid from “retained earnings,” which is common form of dividend distribution.

This dividend is divided into two income categories: dividend income (deemed dividend) and the amount other than deemed dividend. The amount of deemed dividend will be subject to withholding tax as dividend income for tax purposes.

As for the amount other than deemed dividend, gain (loss) from deemed transfer will be generated. However, this does not correspond to dividend income for tax purposes, and thus will not be subject to withholding tax, such as income tax, nor will it be applicable to tax credit for dividend income when filing the final tax return. In addition, adjustments to the purchase price of the Company’s shares may be required.

The percentage of reduction of net assets is an estimate at this time, as mentioned above, and the definite figure will be announced when the figure is finalized.

4. Summary of Appropriation of Surplus (Elimination of the Cumulated Loss)

The Company decreases other capital surplus, which is included in capital surplus of 46,471,820,875 yen on an unconsolidated basis as of March 31, 2017, by 7,282,379,524 yen as of May 15, 2017, and transfers the decrease in other capital surplus to retained earnings carried forward.

(1) Item and amount of surplus to be decreased

Other capital surplus: 7,282,379,524 yen

(2) Item and amount of surplus to be increased

Retained earnings carried forward: 7,282,379,524 yen

(3) Date of entry into force


May 15, 2017

The Company’s Articles of Incorporation stipulates on matters determined in each item of Article 459, Paragraph 1 of the Company Act with respect to dividends, etc. of surplus that they are to be resolved by the Board of Directors except where otherwise provided in laws and regulations

(For reference)

(Unconsolidated Net Assets)

(JPY)

	As of March 31, 2017		May 15, 2017 (after appropriation of cumulated loss)	May 31, 2017 (after dividend payment)
Capital	10,000,000,000		10,000,000,000	10,000,000,000
Capital reserve	10,000,000,000		10,000,000,000	10,000,000,000
Other capital surplus	46,471,820,875		39,189,441,351	38,494,699,591
Retained earnings carried forward	(7,282,379,524)		0	0
Treasury shares	(37,085,045)		(37,085,045)	(37,085,045)
Valuation and translation adjustments	4,639,951,124		4,639,951,124	4,639,951,124
Total net assets	63,792,307,430		63,792,307,430	63,097,565,670

Note: Increases and decreases in treasury shares on or after April 1, 2017 are not included in the above.

5. Future Outlook

This elimination of the loss carried forward by transferring other capital surplus to retained earnings is a change between items of account under “Net Assets,” therefore it is not a change in total shareholders’ equity, net assets, or total assets of the Company and will not affect the Company’s business performance.