

Company	JVCKENWOOD Corporation
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Notice on the Recording of Extraordinary Income and Reversal of Deferred Tax Liabilities of JVCKENWOOD, and Reversal of Deferred Tax Assets and Liabilities of US Subsidiary

JVCKENWOOD Corporation (JVCKENWOOD) announces that it will record extraordinary income of JPY1,143 million and income taxes-deferred of JPY1,563 million (increase in income; as a result of a partial reversal of deferred tax liabilities) on a consolidated basis for the third quarter of the fiscal year ending March 2018 for the following reasons. In addition, JVCKENWOOD's US subsidiary will record an income taxes-deferred of JPY1,580 million by partially reversing deferred tax assets and liabilities.

1. Recording of extraordinary income and reversal of deferred tax liabilities of JVCKENWOOD

Effective October 1, 2017, JVCKENWOOD partially shifted from a defined benefit corporate pension plan to a defined contribution pension plan. This shift is accounted for in accordance with the "Accounting Procedures for Shifting between Different Retirement Benefit Programs" (Corporate Accounting Standards Implementation Guidelines No. 1; Revised December 16, 2016) and the "Practical Treatment of Accounting Procedures for Shifting between Different Retirement Benefit Programs" (Practical Issues Task Force No. 2; Revised February 7, 2007). As a result, JVCKENWOOD will record extraordinary income of JPY1,143 million (gain on revision of retirement benefit plan) on a consolidated basis.

Due to this shift, prepaid pension cost and allowance for retirement benefits decreased respectively, resulting in decreases in both assets and liabilities related to retirement benefits on a consolidated basis and an increase in the amount of the cumulative adjustment of retirement benefits. Regarding prepaid pension cost, deferred tax liabilities are calculated using an effective tax rate, and income taxes-deferred of JPY1,563 million (increase in income) will be recorded as a relevant gain on reversal.

2. Reversal of U.S. subsidiary's deferred tax assets and liabilities

In accordance with the US tax reform that took effect on December 22, 2017 (local time), the current federal corporate tax rate of 35% will be reduced to 21%, effective 2018.

Because JVCKENWOOD's US subsidiary calculates deferred tax assets and liabilities using its effective tax rate, it has revalued them to reflect the said tax rate reduction. This revaluation has revealed the need to partially reverse these assets and liabilities and record income taxes-deferred of JPY1,580 million (net amount after the reversal of deferred tax assets and liabilities) on a consolidated basis.

Cash flows are not affected by the income taxes-deferred recorded in connection with this reversal. A future tax cost reduction can be expected due to the said tax rate cut.

3. Future outlook

The effect of items 1 and 2 above on quarterly net income attributable to owners of the parent is JPY1,127 million (income). JVCKENWOOD is currently reviewing its earnings forecast reflecting the above mentioned fluctuation factors as well as other factors for the fiscal year ending March 2018. Any revisions made will be announced immediately.