

Translation for Reference Only

JVCKENWOOD
creates excitement & peace of mind

JVCKENWOOD

Management Strategy Briefing

JVC KENWOOD Corporation

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President and CEO

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JVCKENWOOD Corporation

Abbreviations

CE: Car Electronics (Business)

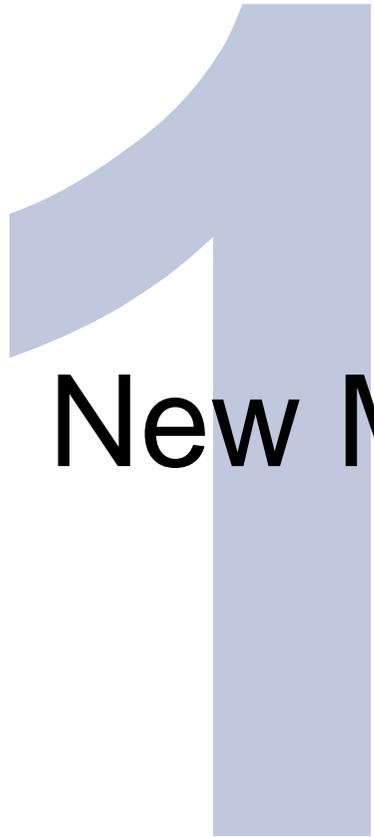
PS: Professional Systems (Business)

COM: Communications Equipment (Business)

BS: Business Solution (Business)

HM: Home & Mobile Electronics (Business)

SE: Entertainment (Business)

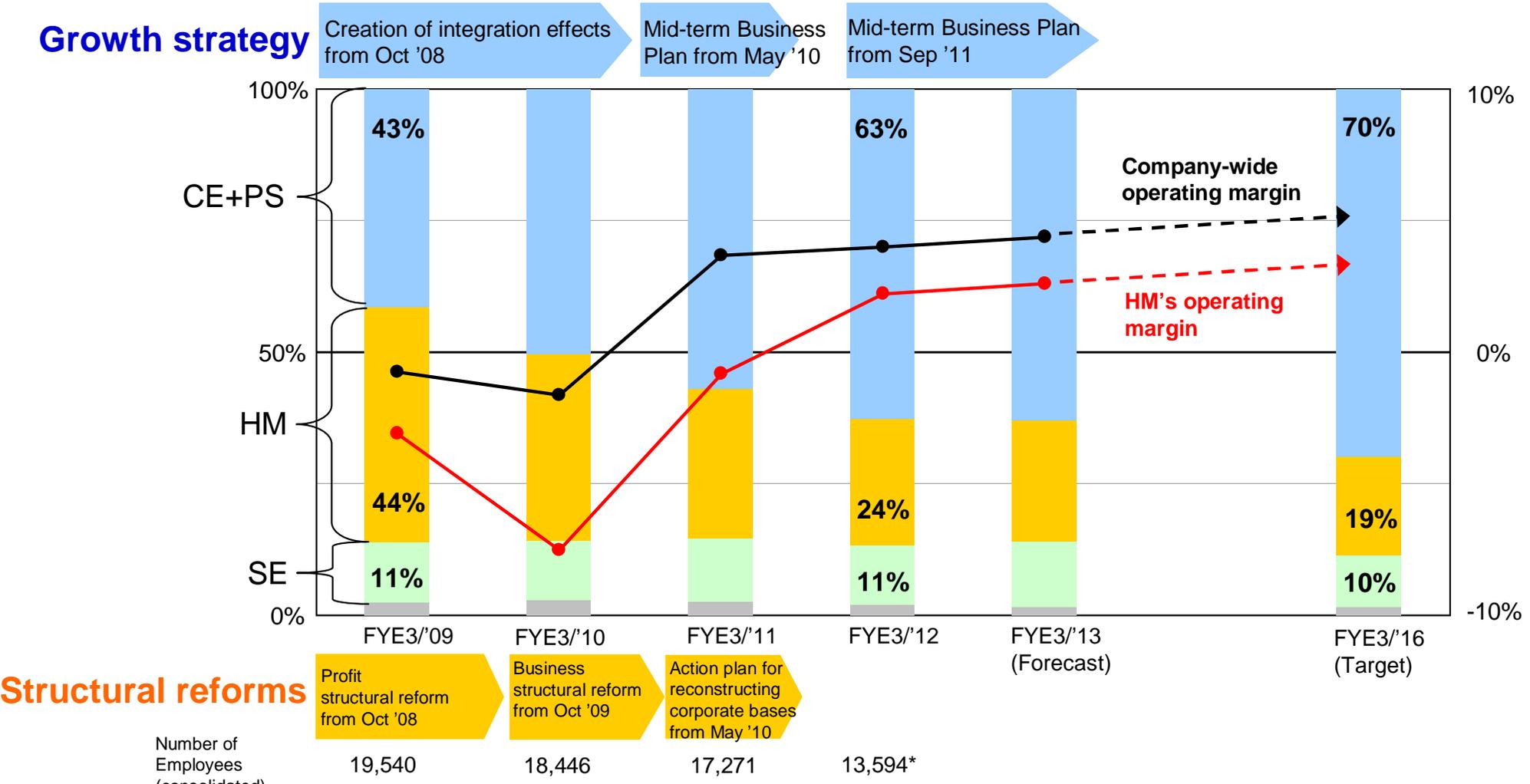


New Mid-term Business Plan

Business Portfolio Trends

■ Though structural reforms and growth strategy, sales composition for CE & PS increased, while that for HM decreased >> Profits improved.

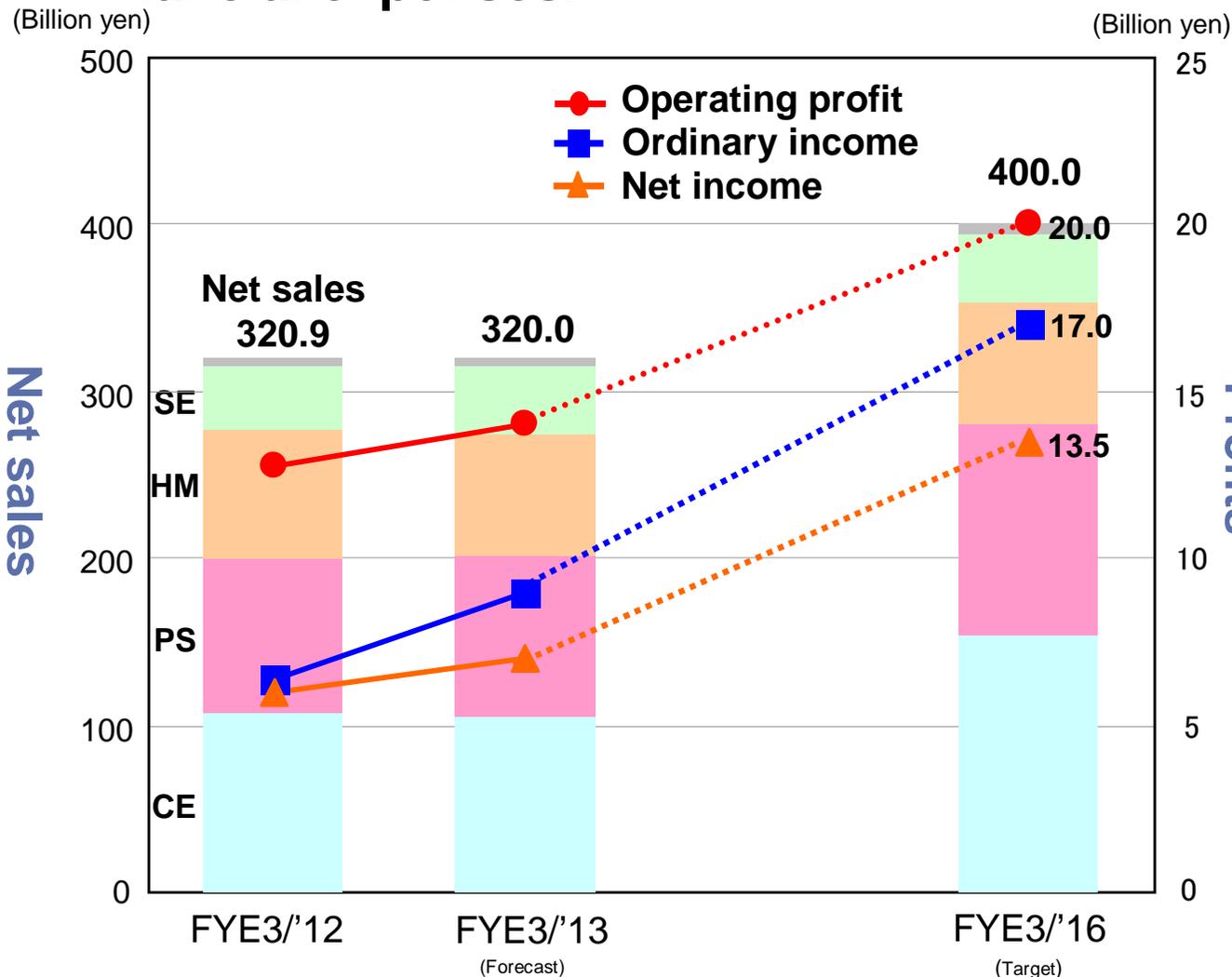
■ Business portfolio mid-term targets: CE + PS: 63% to 70%



* In FYE3/12, the nominal number of employees decreased about xx due to the review of employment category for employees of overseas production subsidiaries.

Mid-term Management Targets

- **Net sales: JPY400B, Operating profit: JPY20B (margin: 5%), Ordinary income: JPY17B, Net income: JPY13.5B**
- **Compared with the current Mid-term Plan, operating profit is unchanged, and ordinary income and net income are raised due to decrease of financial expenses.**



Mid-term Management Targets (Billion yen)

	New Mid-term Business Plan	Current Mid-term Business Plan	Balance
Net sales	400.0	430.0	△ 30.0
Operating profit	20.0	20.0	0
Ordinary income	17.0	14.0	+ 3.0
Net income	13.5	11.0	+ 2.5

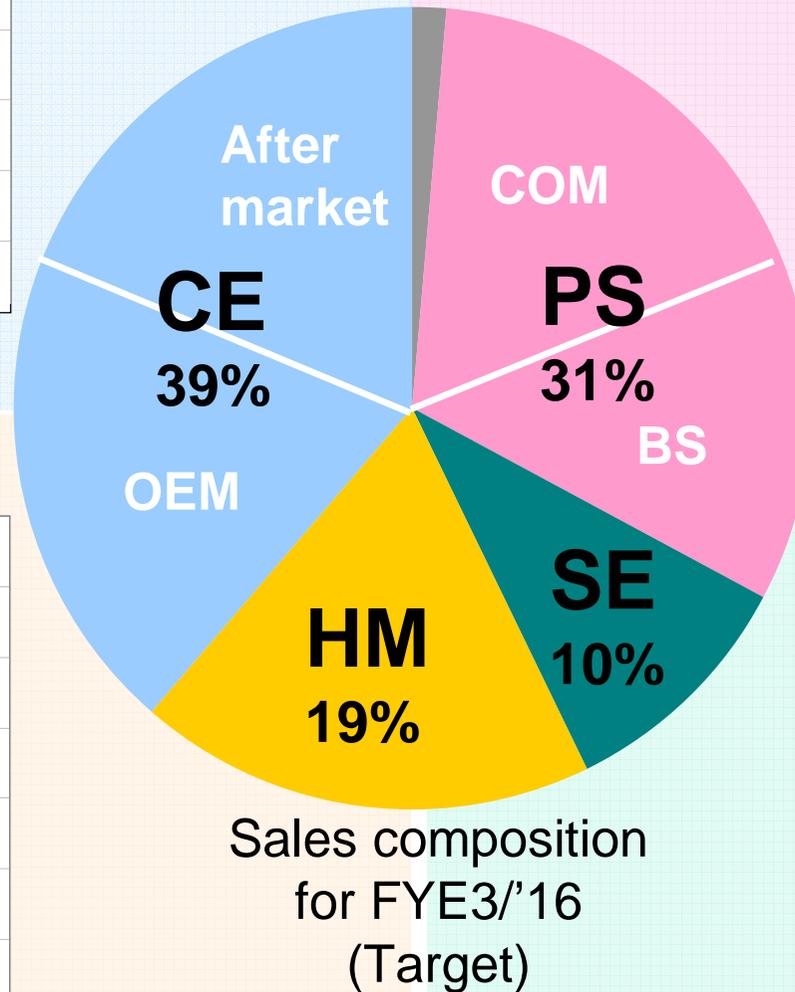
(Reference) Foreign Exchange Sensitivity (Billion yen)

		FYE3/'13
Net Sales	US Dollar	△0.8
	Euro	△0.3
Operating profit	US Dollar	+0.5
	Euro	△0.2
Non-operating profit-loss	US Dollar	+0.1
	Euro	0

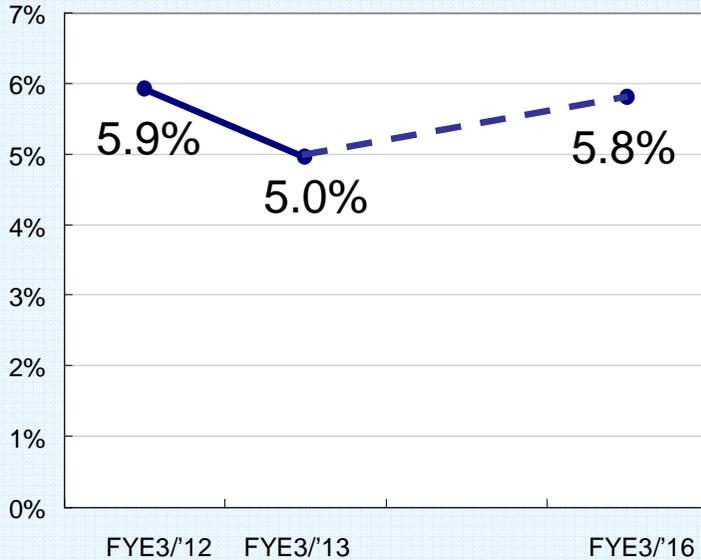
Mid-term Management Targets by Segment

Good Balance of Business Portfolio

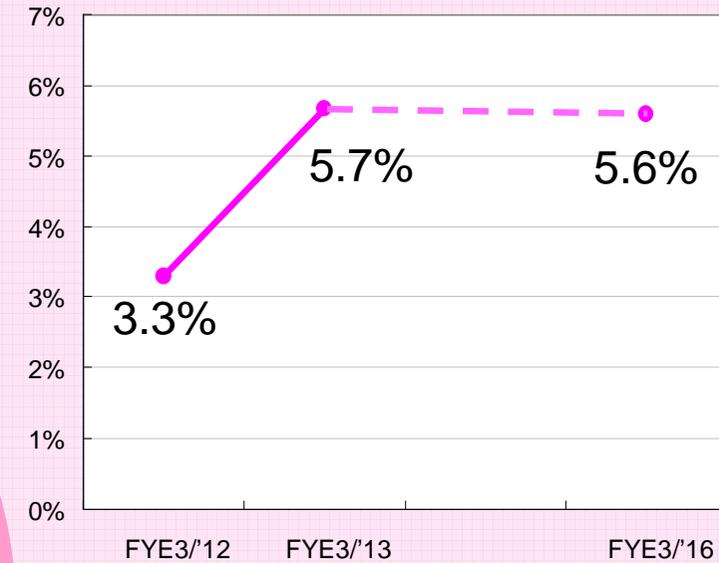
- * Several Segments Strong
- * All Segments Profitable (HM turned black in 3/'12)



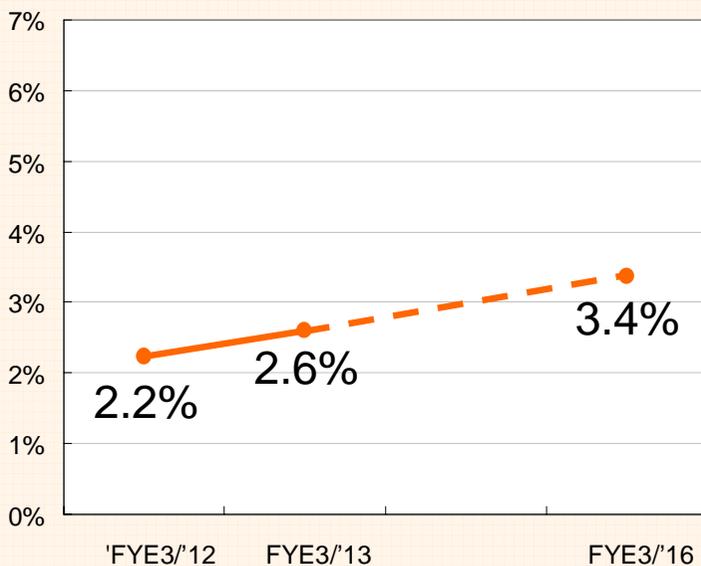
CE operating margin



PS operating margin



HM operating margin



SE operating margin



- Enhancing and expanding **B to B (CE OEM and PS)**, where we can continuously leverage our strengths.
- Expansion of businesses in **emerging markets (Latin America, Russia, India, China, the Middle East, Africa and ASEAN)**, where we have large room to grow.

Sales composition of B to B:
40% to 50%

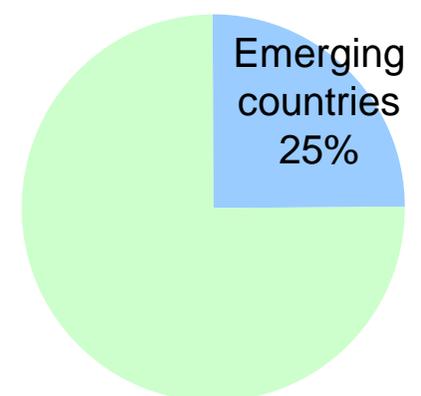
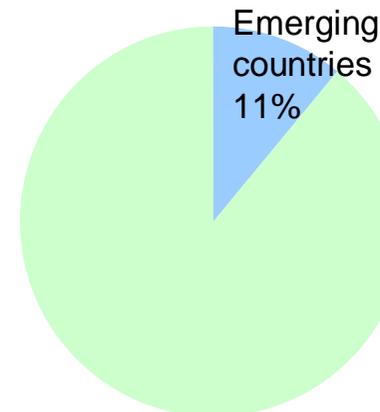
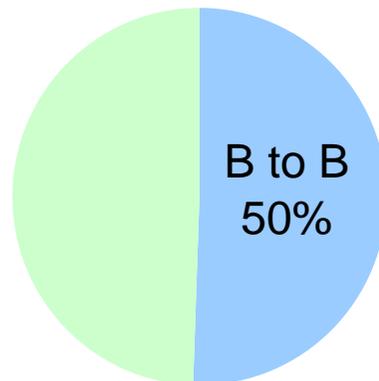
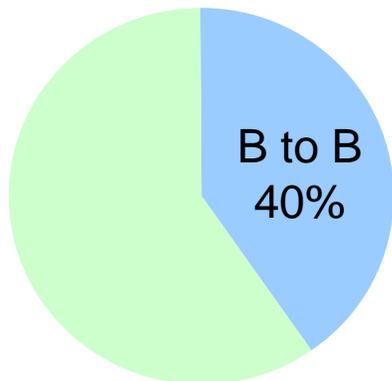
Sales composition of emerging countries:
11% to 25%

FYE3/'12

FYE3/'16
(target)

FYE3/'12

FYE3/'16
(target)



Mid-term Key Strategies

1. Challenge toward becoming a company that creates new values
2. Expanding businesses in emerging countries
3. Establishment of a lean corporate structure
4. Establishment of the JVCKENWOOD brand

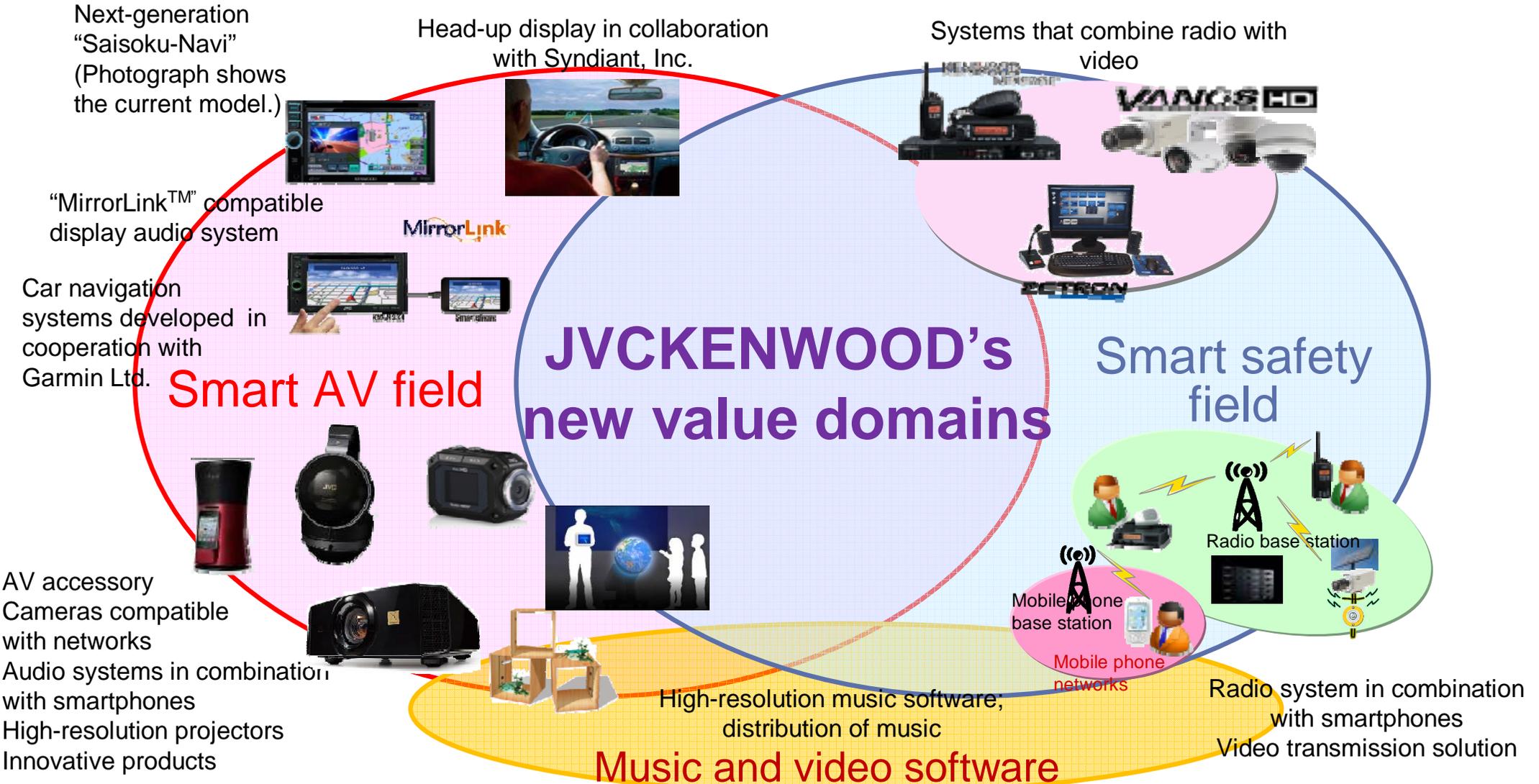
Mid-term Key Strategies

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1. Challenge toward becoming a company that creates new values

Keep away from bargain sale of AV systems

- Creation of values in smart AV field and the smart safety field
- Creation of JVCKENWOOD's new value domains

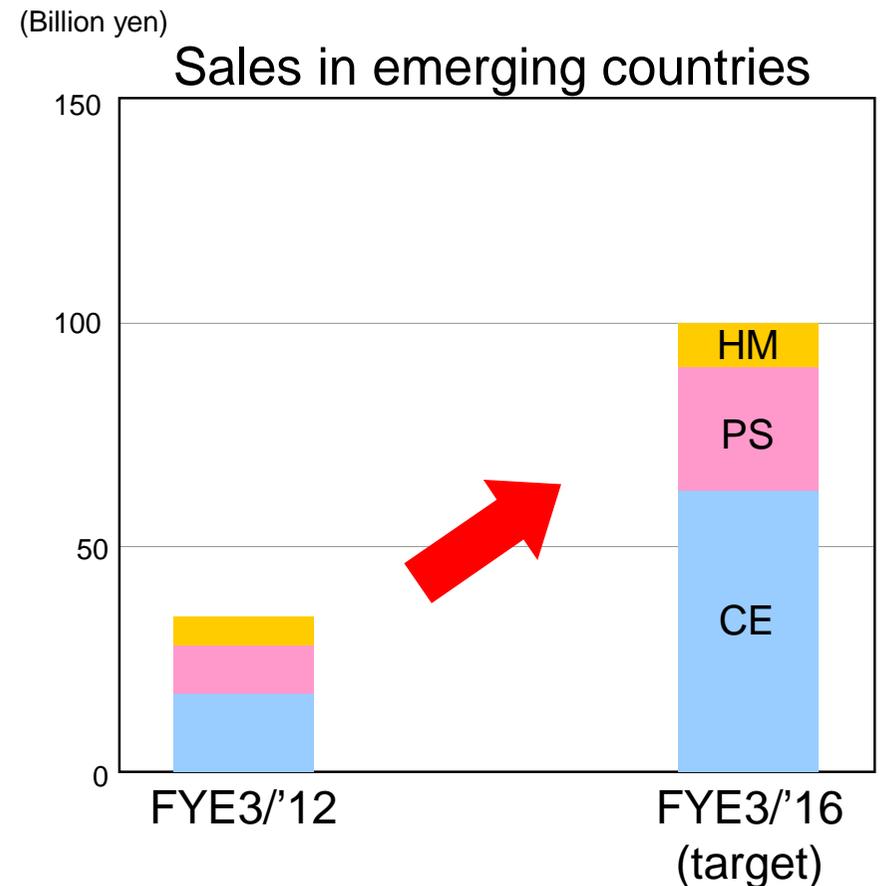
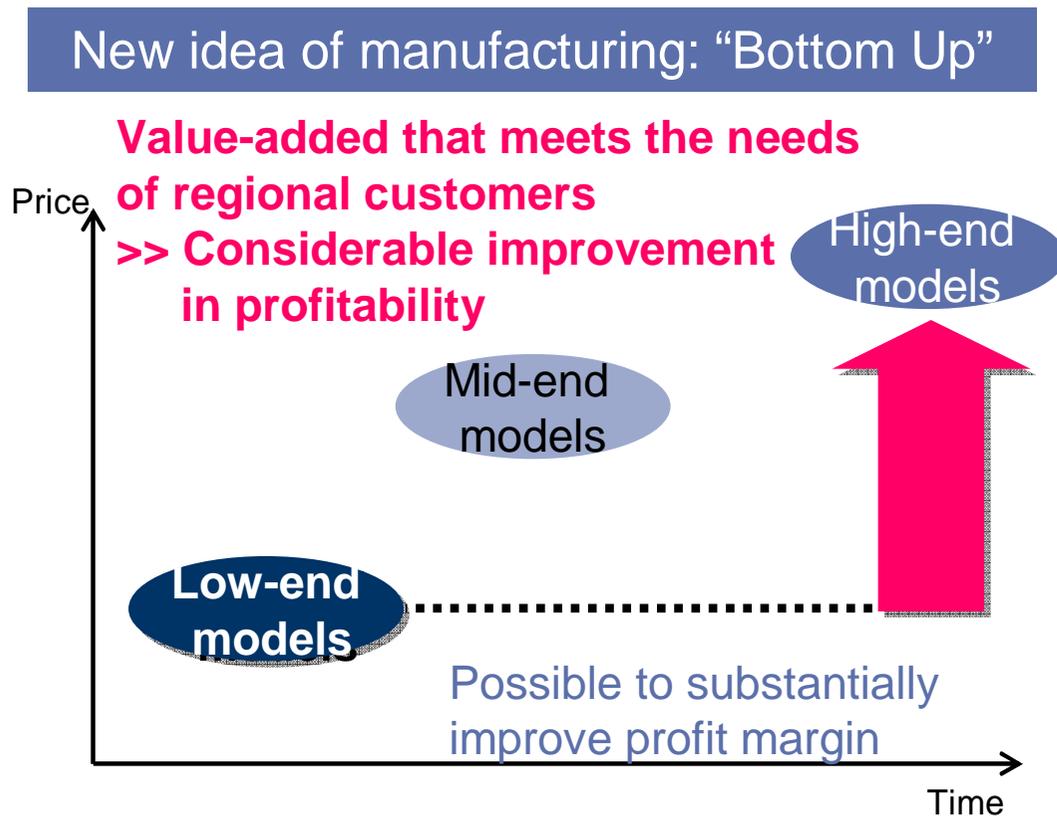


Mid-term Key Strategies

1. Challenge toward becoming a company that creates new values
- 2. Expanding businesses in emerging countries**
3. Establishment of a lean corporate structure
4. Establishment of the JVCKENWOOD brand

2. Expanding businesses in emerging countries

Realizing “manufacturing innovations from emerging countries”
under the Emerging Market Planning Division,
directly controlled by CEO that was launched on Sep. 1



2. Expanding businesses in emerging countries

■ Delivering products dedicated to emerging countries

- * Enhancing car audio for digital media, and strengthening completed products with mechanisms of Shinwa
- * Analog radio systems, community-based radio systems, security cameras, and professional video cameras
- * Consumer-use video cameras, headphones and projectors

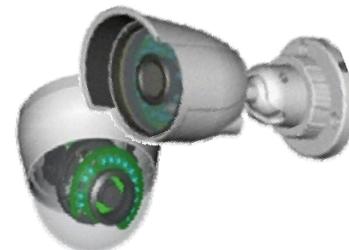


■ Sales forces in emerging countries

- * Integration of sales subsidiaries in emerging countries
- * Exploring sales channels including non-home appliances shops
- * Establishment of marketing companies in India and Indonesia

■ Expansion of New businesses

- * Expansion of businesses with auto and auto accessory manufacturers
- * Acquisition of businesses for the governments and low tier private-sector



Mid-term Key Strategies

1. Challenge toward becoming a company that creates new values
2. Expanding businesses in emerging countries
- 3. Establishment of a lean corporate structure**
4. Establishment of the JVCKENWOOD brand

3. Establishment of a lean corporate structure

■ Reorganization of the head office on Nov. 1; shifting human resources to business divisions

The roles and definition of head office were reviewed, and human resources were shifted to business divisions and the professional business support division.

■ Reorganization of overseas sales structures

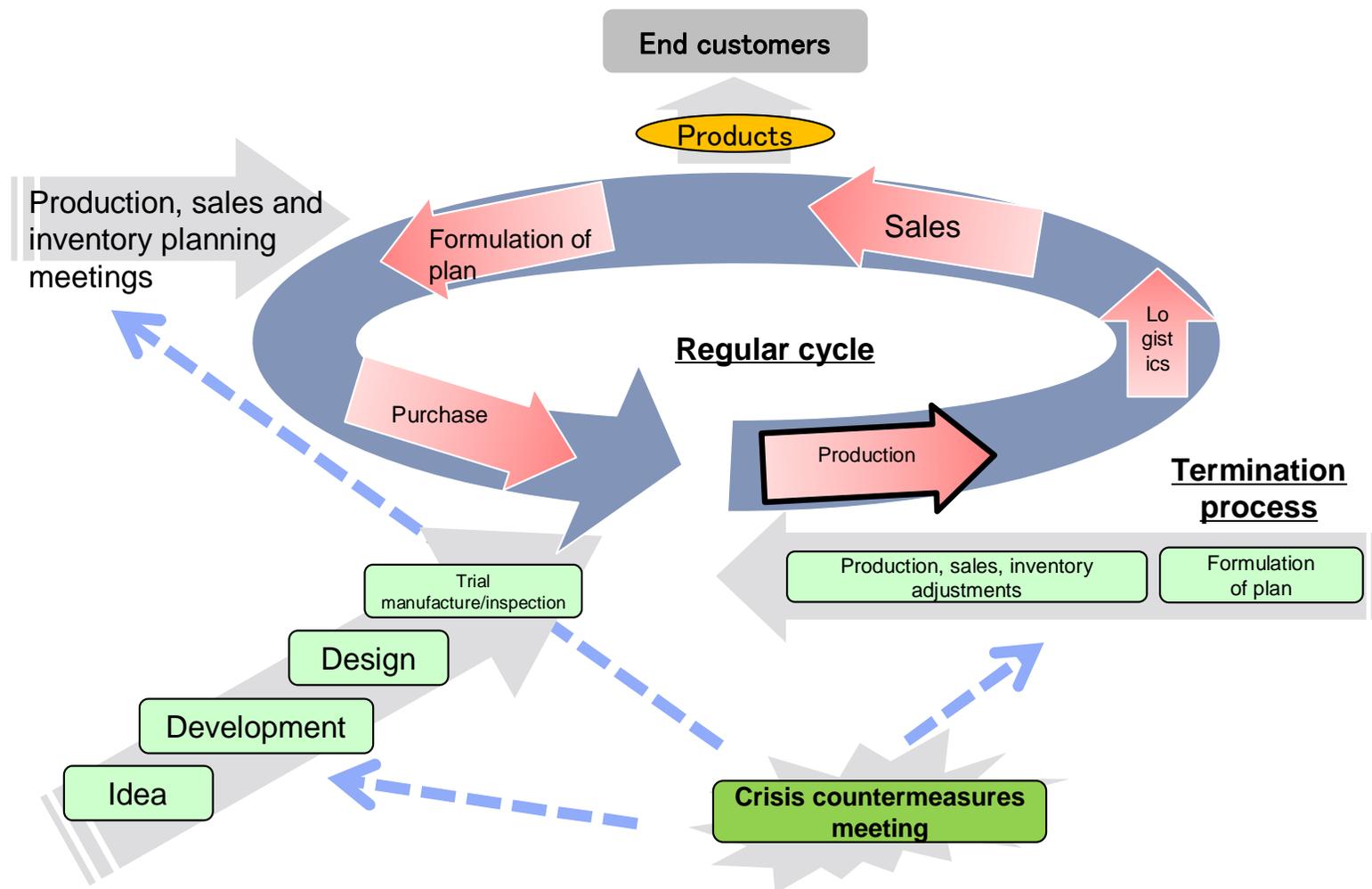
Number of overseas sales firms: about 40 (FYE3/'12) to about 30 (FYE3/'13) (scheduled)



Innovation of consolidated value chain (CVC)

- Innovating the CVC as well as incorporating the correspondence of the emergency by the four business groups and a company-wide task force.

* Target days required for correspondence of the emergency : 1 month or less



Mid-term Key Strategies

1. Challenge toward becoming a company that creates new values
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- 4. Establishment of the JVCKENWOOD brand**

4. Establishment of the JVCKENWOOD brand

Aiming the **top brand in the world** by brand strategy investments in addition to brand promotions while supplying products and services

■ Sponsorship activities

Linking “new customers”, “new markets” and “new businesses” through sponsorship activities to create an admired brand value and new businesses.



■ Joint brands

Promoting collaboration with other companies to reach “new customers” and increase brand awareness.



(Example of past collaboration with other company)

Strategies by business segment

1. Car Electronics business
2. Professional Systems business
3. Home & Mobile Electronics business
4. Entertainment business

Strategies by business segment

1. Car Electronics business

2. Professional Systems business

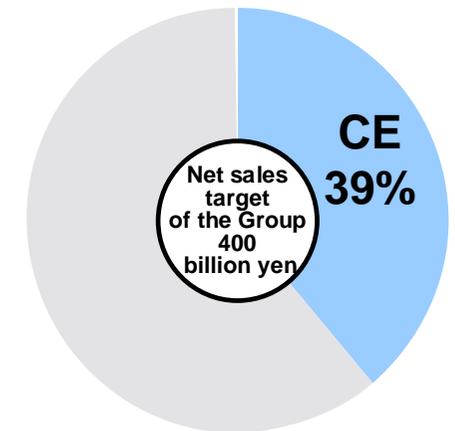
3. Home & Mobile Electronics business

4. Entertainment business

Growth strategies that leverage the strength of JVCKENWOOD and its partners, targeting OEM, the Japanese after market and emerging countries.

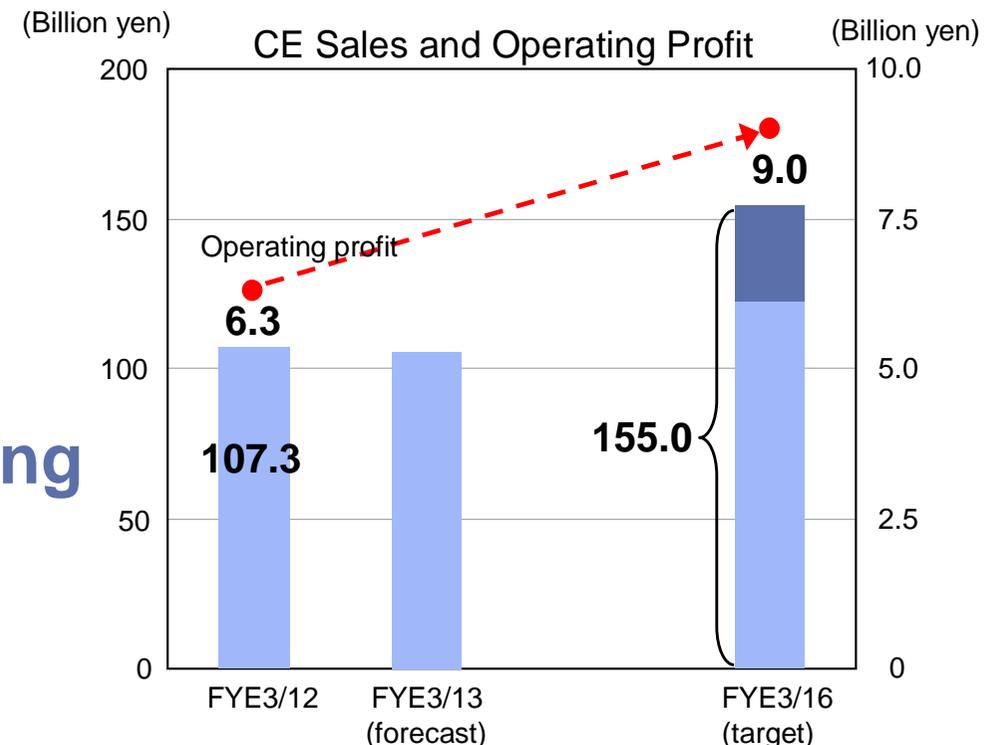
New systems that make entertainment functions compatible with driver safety to achieve a new mobile life.

Sales composition for CE business for FYE3/16



Key measures

- (1) Expanding OEM business
- (2) Enhancing car multimedia products for the after-market
- (3) Expanding business in emerging countries

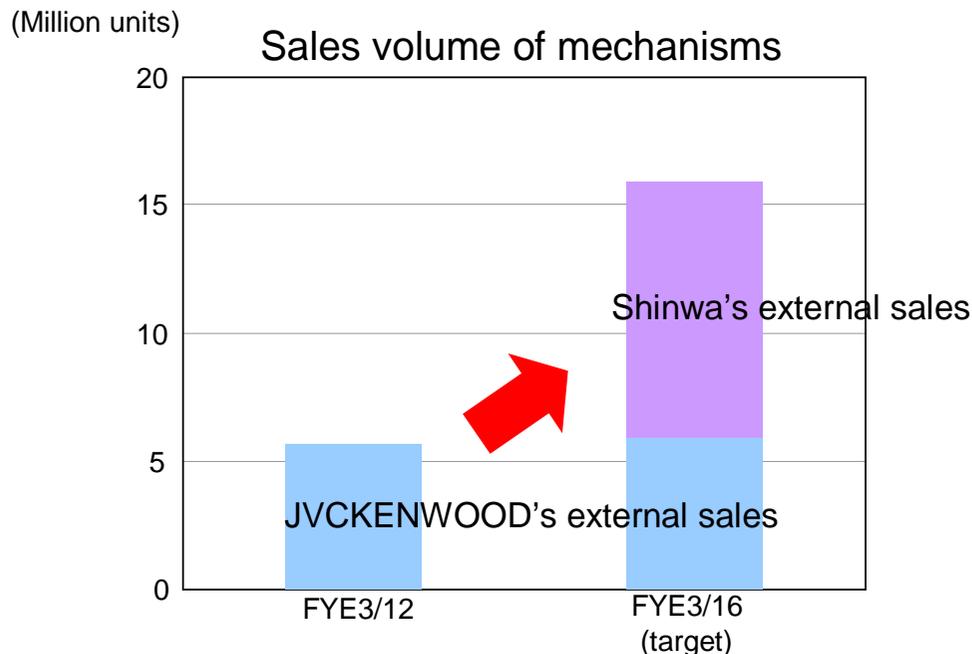


Collaboration with Shinwa

Formed a capital and business alliance with Shinwa in Apr. and made it an equity-method company (45% stake).

Converting into a subsidiary within three years (76% stake).

- * In-car mechanisms business and optical pickups business
- * The business of automotive water-based paint plastic panels
- * Strengthening competitiveness of finished products for emerging countries
- * Expanding business with Chinese automotive accessories manufacturers
- * Strengthening the Group purchasing power of JVCKENWOOD and Shinwa



Collaboration with DENSO

Further strengthening the collaborative relationship with DENSO by additionally acquiring its stake (JVCKENWOOD's shareholding ratio is 3.0% as of Sep. 30 '12)

- * Aiming to expand business by exploiting two companies' strengths such as JVCKENWOOD's technology development and after-market product planning capabilities in the AV fields and DENSO's technology development capabilities in the car electronics field
- * Aiming to expand sales for the after-market and develop new core products by maximizing synergy of two companies' resources



(1) Expanding OEM Business

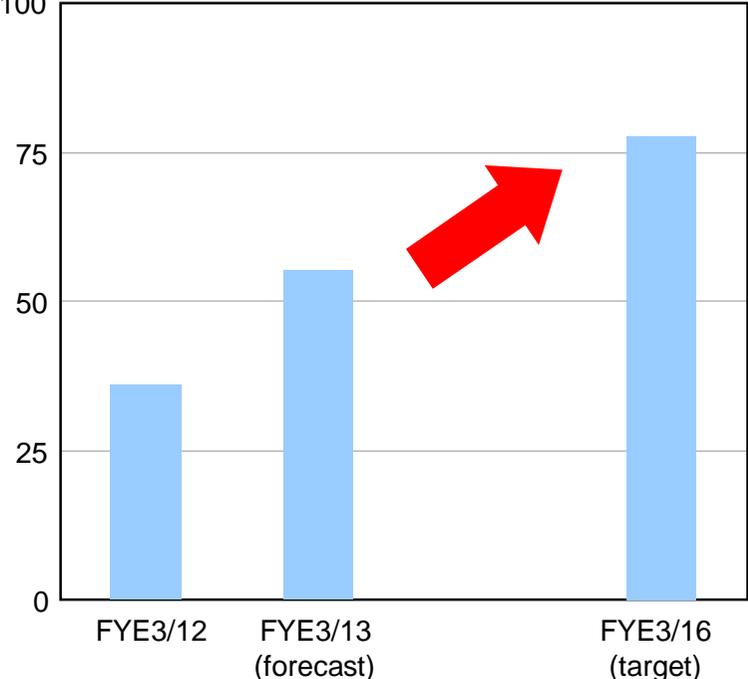
■ Winning new orders

- * Winning new orders by leveraging our strength
- * Developing after-market products into dealer option products.

■ Expanding in-car device business

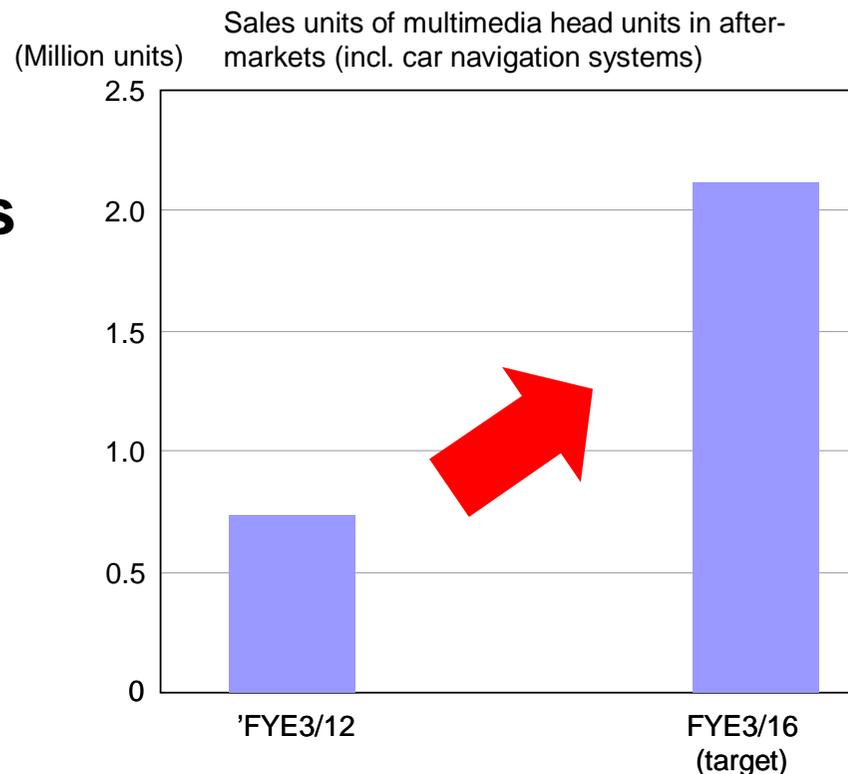
- * Strengthening and expanding the CD/DVD drive mechanisms business by rolling out strategic mechanisms.
- * Strengthening and expanding the optical pickups business.

(Billion yen) Sales of the OEM segment



(2) Enhancing Car Multimedia Products for the After-market

- * Increasing Japanese sales through strengthening the Saisoku-Navi products and sales network.
- * Boosting sales by making use of the sales network of the DENSO Group.
- * Enhancing and globally expanding car electronics compatible with MirrorLink™, and collaborative with Garmin Ltd.
- * Enhancing display audio products linked with smartphones.
- * Launching and expanding the HUD



Strategies by business segment

1. Car Electronics business
- 2. Professional Systems business**
3. Home & Mobile Electronics business
4. Entertainment business

Professional Systems Business

Focusing on digital LMR to make use of the global trend of enhancing security and reformation of frequency bands

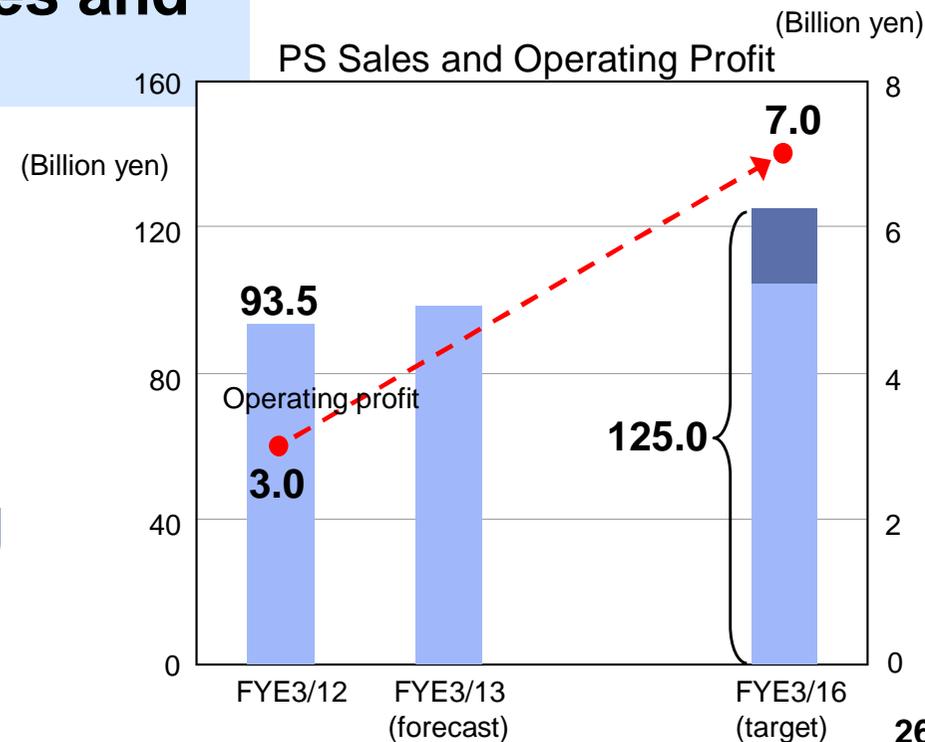
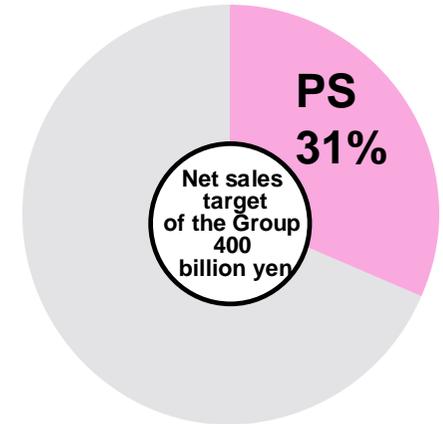
Enhancing security cameras lineup and applying video and imaging technologies to business scene

Supplying strategic products for emerging countries, merging radio and video technologies, establishing connectivity with smartphones and supplying video transmission solutions

Key measures

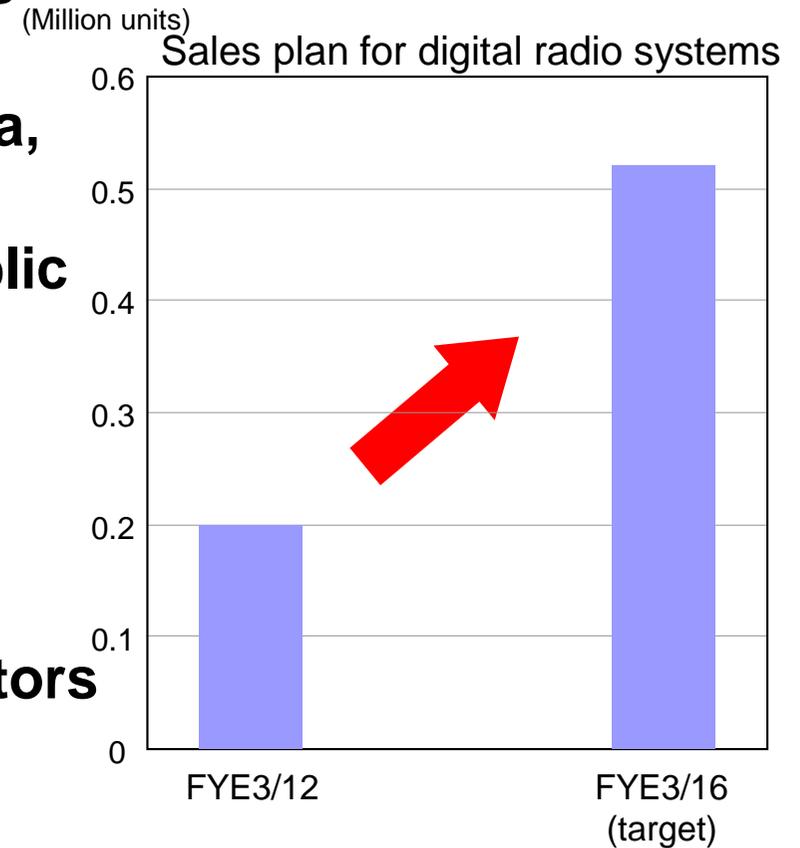
- (1) Expanding digital LMR business
- (2) Expanding BS business
- (3) Expanding businesses in emerging countries

Sales composition for PS business for FYE3/16



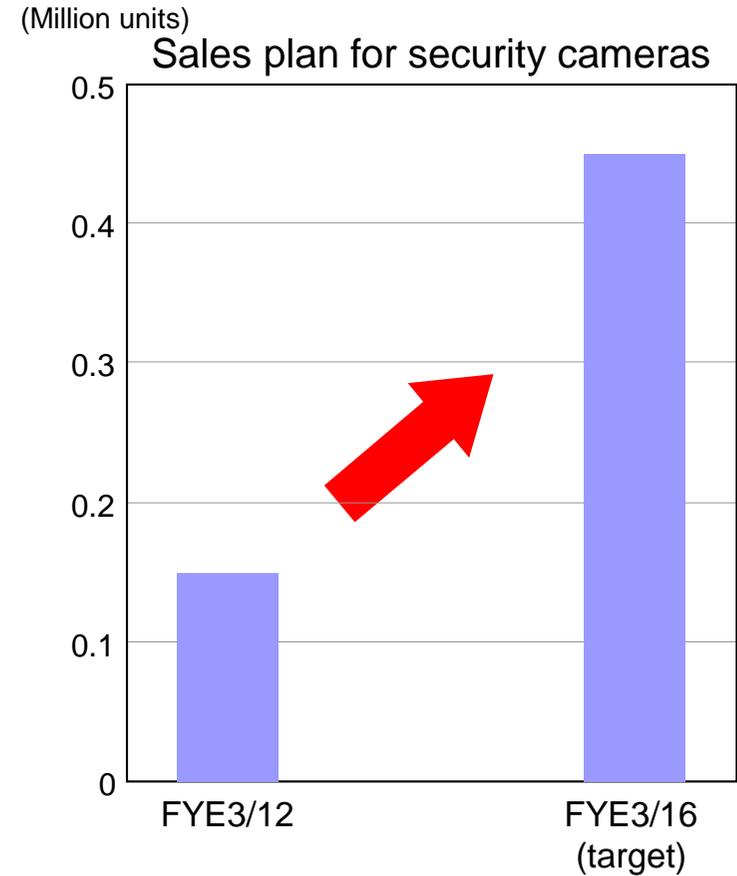
(1) Expanding Digital LMR Business

- * Introducing “NEXEDGE” to large-scale systems for the public safety sector
- * Developing and marketing digital LMR for China, Asia and Europe.
- * Expanding sales of digital LMR for the U.S. public safety sector through collaboration with EADS Group companies.
- * Expanding digital LMR using Zetron’s network systems for Japanese broadcasters and communication business companies
- * Expanding digital LMR for Japanese taxi operators with the eyes focused on discontinuation of Japanese analog radio communication



(2) Expanding BS Business

- * Expanding IP security cameras lineups and enhancing sales network.
- * Strengthening competitiveness of professional video cameras and security cameras with AltaSens, Inc., a new subsidiary of CMOS
- * Expanding the 3D image production service business.
- * Increase sales of 4K video cameras.



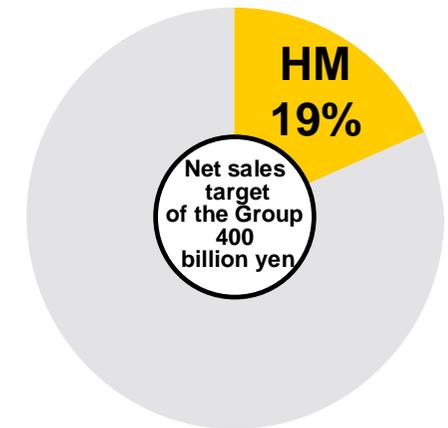
Strategies by business segment

1. Car Electronics business
2. Professional Systems business
- 3. Home & Mobile Electronics business**
4. Entertainment business

Turned black in FYE 3/'12 through culling unprofitable products >> more stable profit-based business via qualitative sales

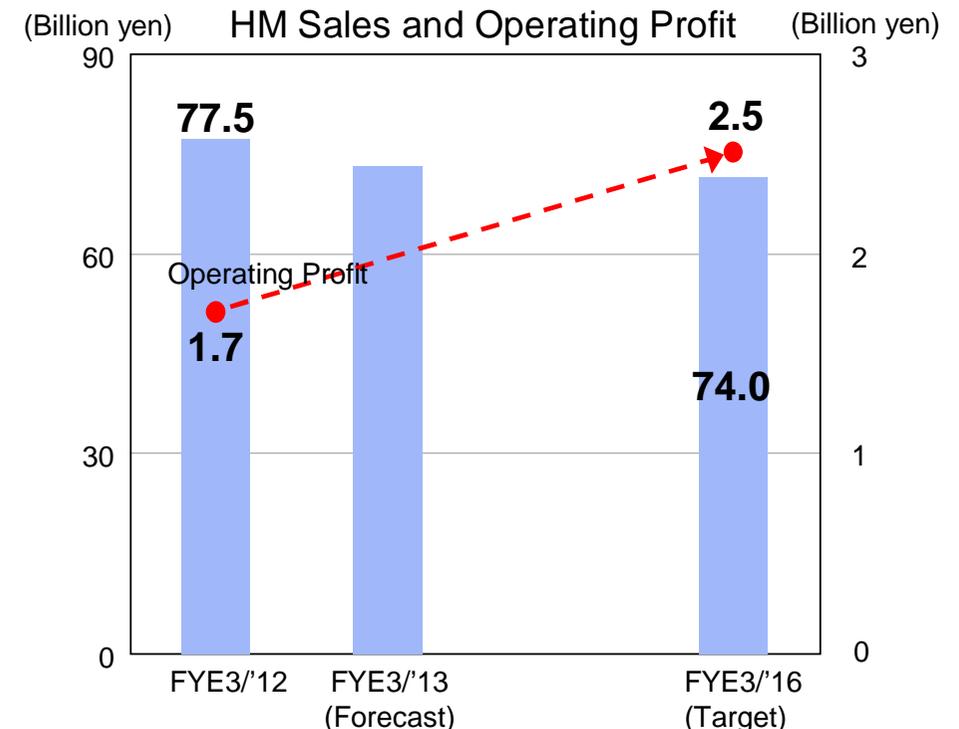
Contributing to new products and services in other businesses while developing innovative products, using core technologies in response to the polarization of markets

Sales composition for HM business for FYE3/16



Key Measures

- (1) Enhancing product lineups
Developing innovative products and contributing to other businesses.
(enhancing “Smart AV field”)
- (2) Expanding businesses in emerging countries



Enhancing Product Lineups (“Smart AV Field”)

- * Enhancing the product group of AV accessories and expanding to emerging countries
- * Strengthening horizontal expansion of product lineups using highly functional products and proposal-based products
- * Strengthening development of the LCOS product
- * Developing innovative products and contribute to the new products and services in CE and PS

Develop new sales channel by introducing smart AV new genre



Back-to-back introduction of products with comfortable usability and impressive design (Realize high-speed turnover models)



Offer new occasions for their use!

Create new businesses for BtoB

Sense wear to visualize the earth in Live “TANGIBLE EARTH”



We can feel the forest in real time with “Forest Notes”



Offer newly created “occasions!”

Strategies by business segment

1. Car Electronics business
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Entertainment Business

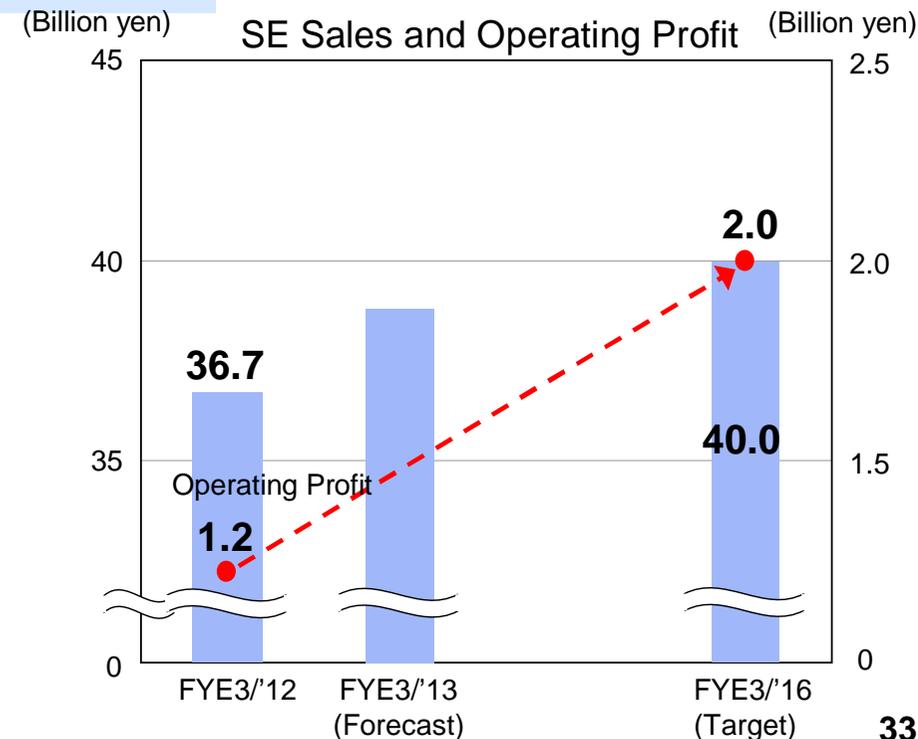
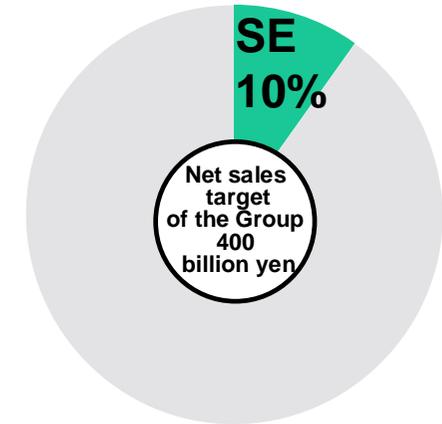
Concentrating on fostering and scouting new and middle-standing artists, strengthening the overall entertainment business, and reinforcing the music distribution business

Making use of music and video technologies and expertise to reinforce the Group's total strength.

Key Measures

- (1) Fostering and scouting new and middle-standing artists
- (2) Expanding the overall entertainment business

Sales composition for SE business for FYE3/16



Leo leiri

Major-label debut in Feb. '12

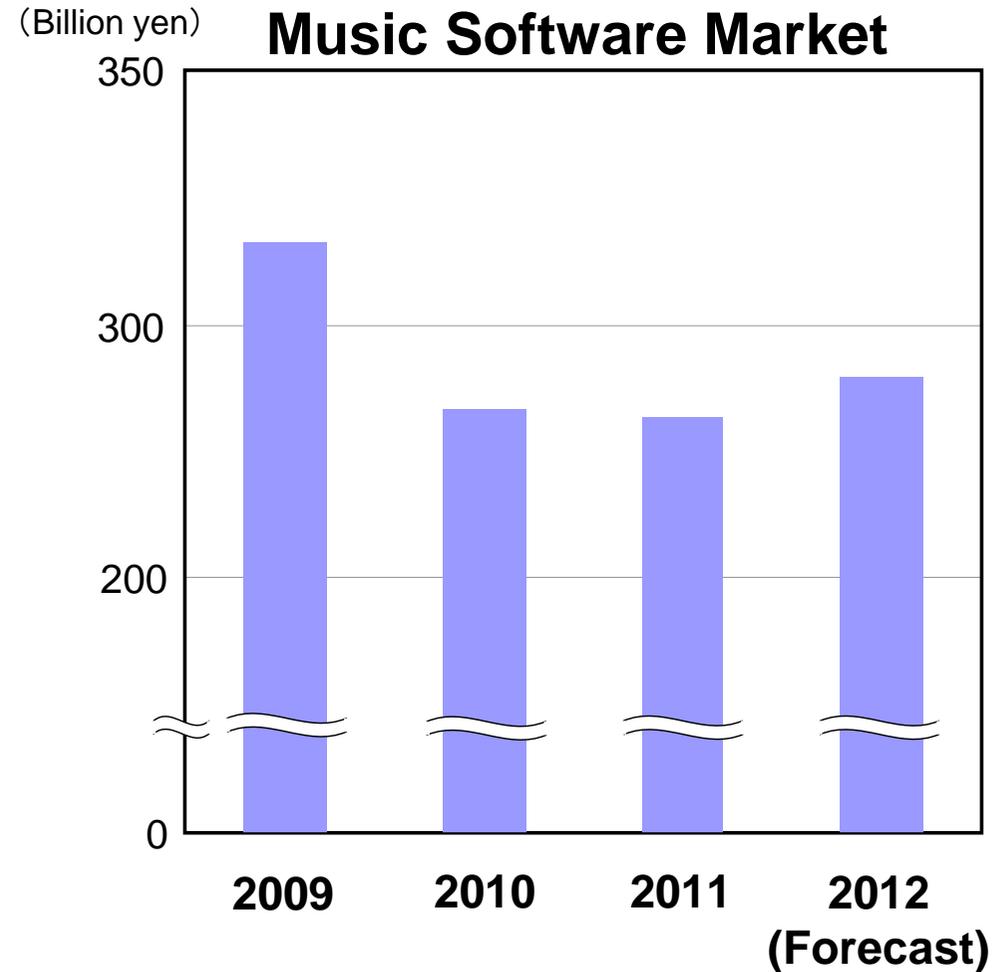
17-year-old singer-songwriter
high school girl.

Long-awaited first album shot
to No.1 in the Oricon daily hit
chart on the day of release!

Creephyp

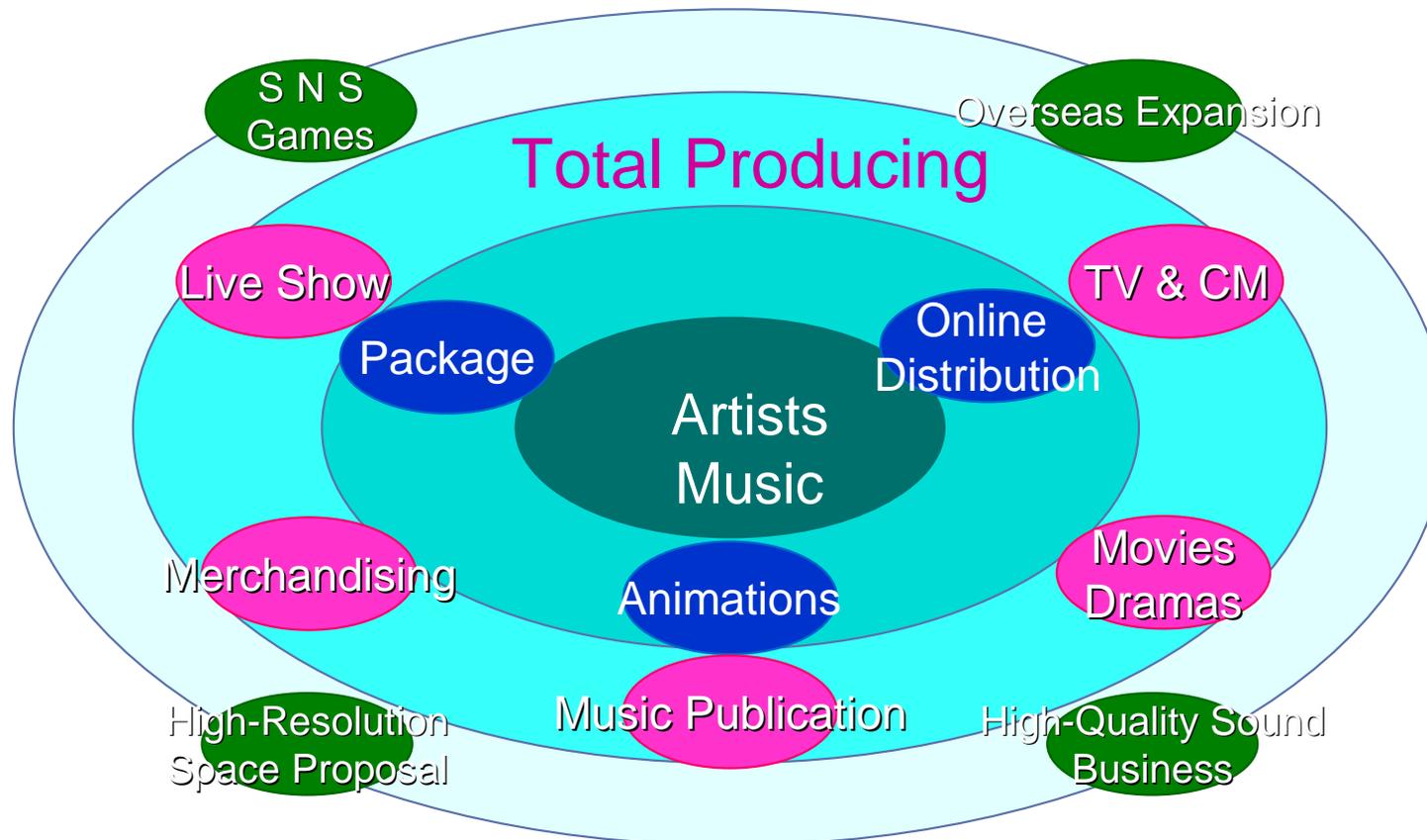
Major-label debut in Oct. '12

First major-label single
landed at No.5 in the Oricon
daily hit chart on the day of
release!



※Sources: from RIAJ (Recording Industry Association of Japan). The 2012 forecast was made by JVCKENWOOD.

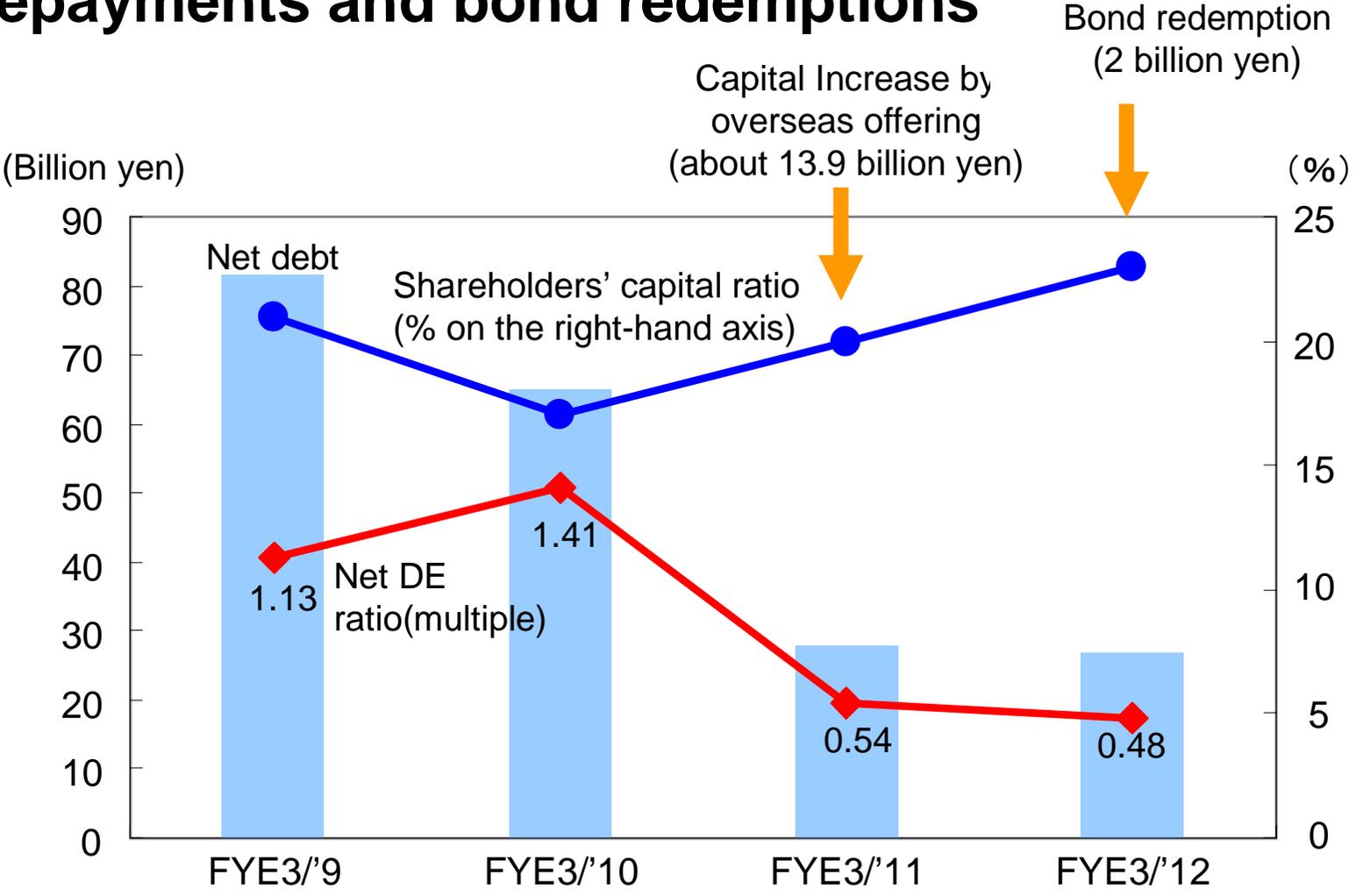
Shift the Business from Package Sales to Artist Total Producing



Financial Targets

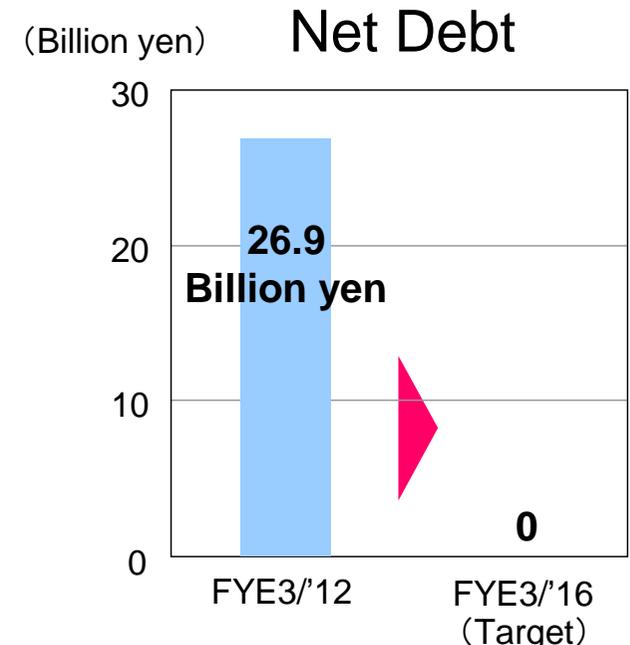
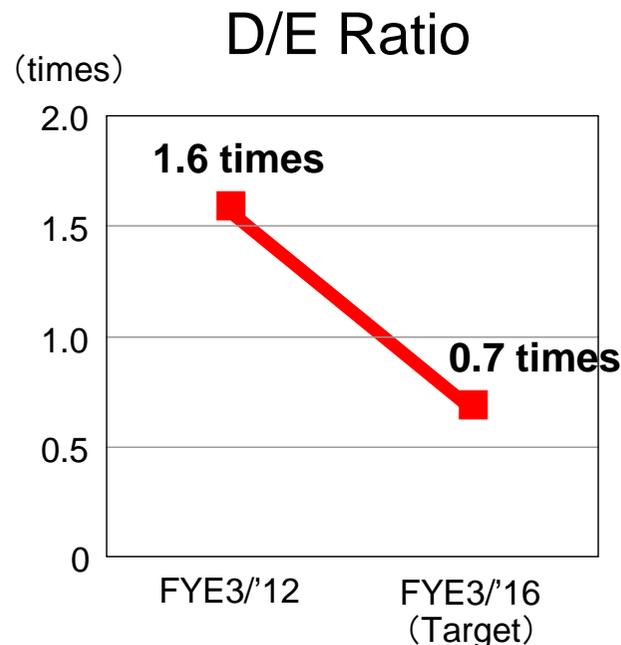
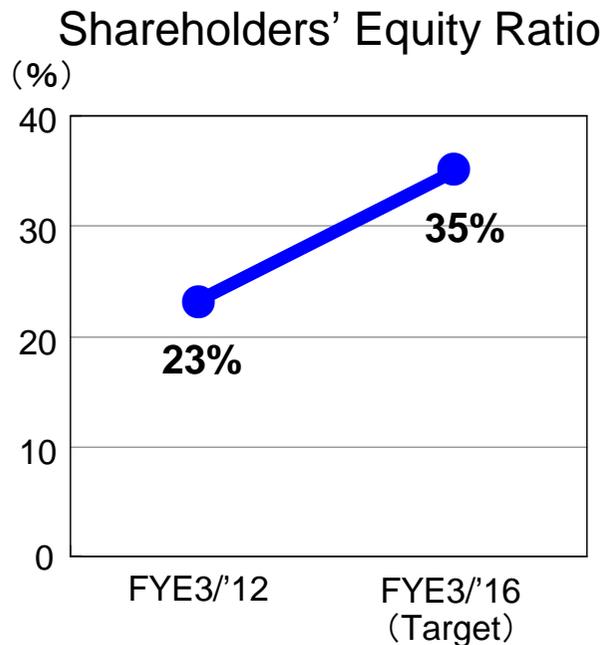
Financial Trends

- Shareholders' equity ratio increased though reduction of total assets, capital increase in FYE 3/'11 and realizing positive net income in FYE 3/'12
- Net debt decreased, and net debt D/E ratio improved by loan repayments and bond redemptions



Mid-term Financial Targets (Consolidated)

- Shareholders' Equity Ratio: 35%, Net-Debt: Zero and D/E Ratio: 0.7 times
- ROE: 10% and EPS: 81 yen
- Dividend Payout Ratio: 25%



※Note that the target indicator was changed from net D/E ratios to D/E ratios

ReDesign

Re-design the Lifestyle of World's People



JVCKENWOOD
creates excitement & peace of mind