

# **JVCKENWOOD**

## **Supplementary Results and Forecast**

### **Briefing**

**First Quarter of Fiscal Year Ending March 2014**

## **[Abbreviations]**

**CE: Car Electronics (Business)**

**PS: Professional Systems (Business)**

**COM: Communications Equipment (Segment)**

**BS: Business Solutions (Segment)**

**HM: Home & Mobile Electronics (Business)**

**Sound: Sound & Acoustic Equipment (Business)**

**Imaging: Imaging Equipment (Business)**

**SE: Entertainment (Business)**

# Financial Results for 1Q FYE3/'14 - Summary

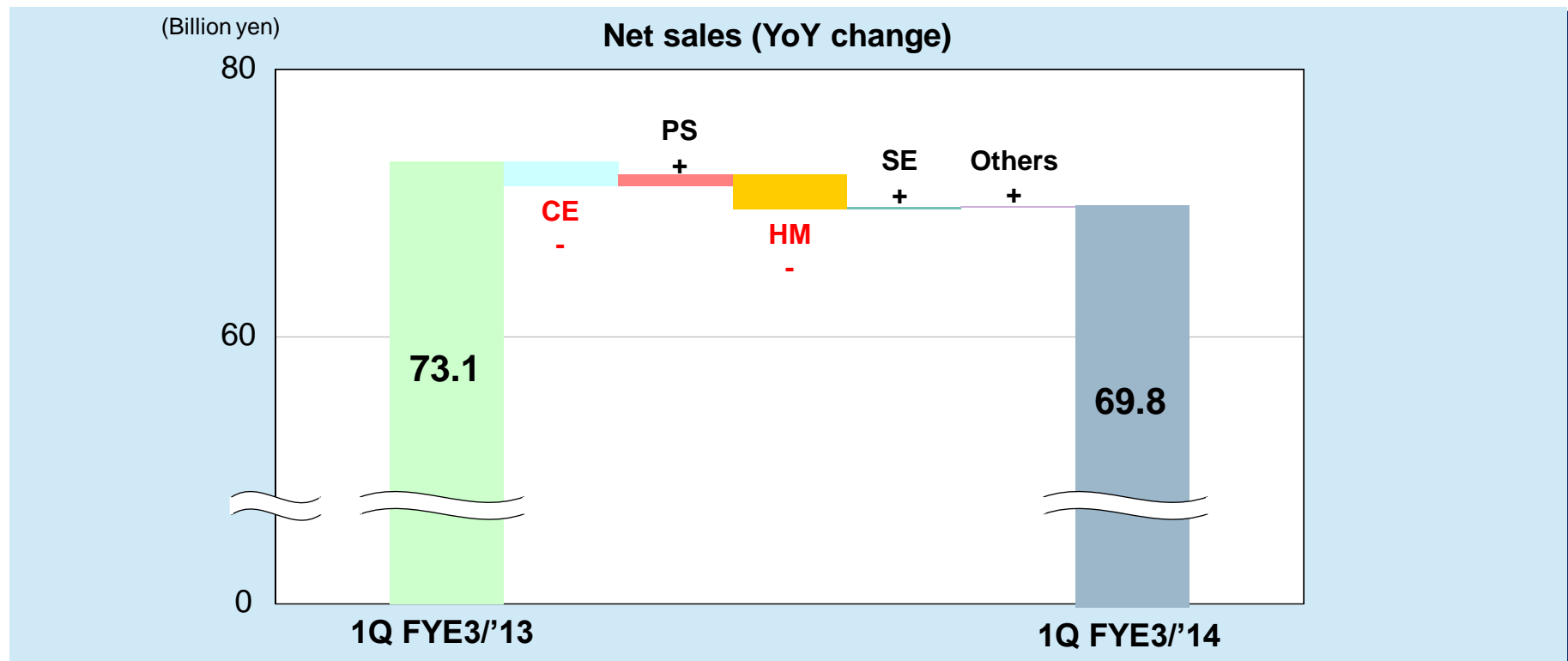
- \* Income increased in PS as a result of the recovery from the effects of the Thai floods in the previous year and an increase in the yen-equivalent value caused by foreign exchange fluctuations.
- \* Consolidated net sales and income declined due to lower earnings in CE on top of lower earnings in HM resulting from sluggish European economic conditions and the streamlining of products.

		(Billion yen)				Exchange rate
		Net sales	Operating income	Ordinary income	Net income	
1Q	FYE3/'14	69.8	-1.0	-1.6	-2.0	USD: JPY99 Euro: JPY129
	FYE3/'13	73.1	2.0	1.6	0.9	USD: JPY80 Euro: JPY103
	YoY change	-3.3	-3.0	-3.2	-2.8	

# Financial Results for 1Q FYE3/'14 - Net Sales

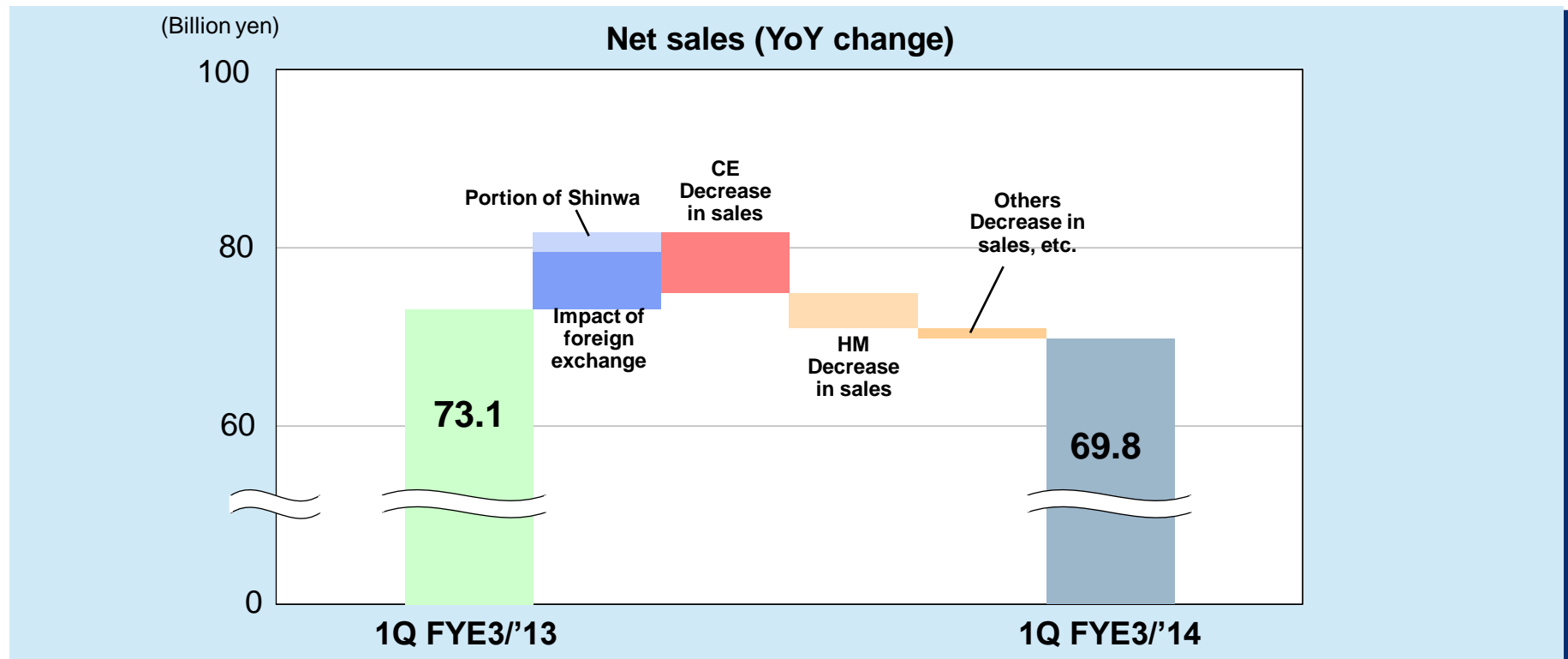
## Results for 1Q FYE3/'14 : JPY 69.8B (Down 4.5% YoY)

- \* Consolidated net sales declined mainly due to lower net sales in HM caused by sluggish European economic conditions and the streamlining of products, and lower net sales in CE, although the yen-equivalent value of results increased.
- \* Net sales in PS increased after the effects of the Thai floods in the previous year were eliminated and BS recovered. SE continued to be strong.



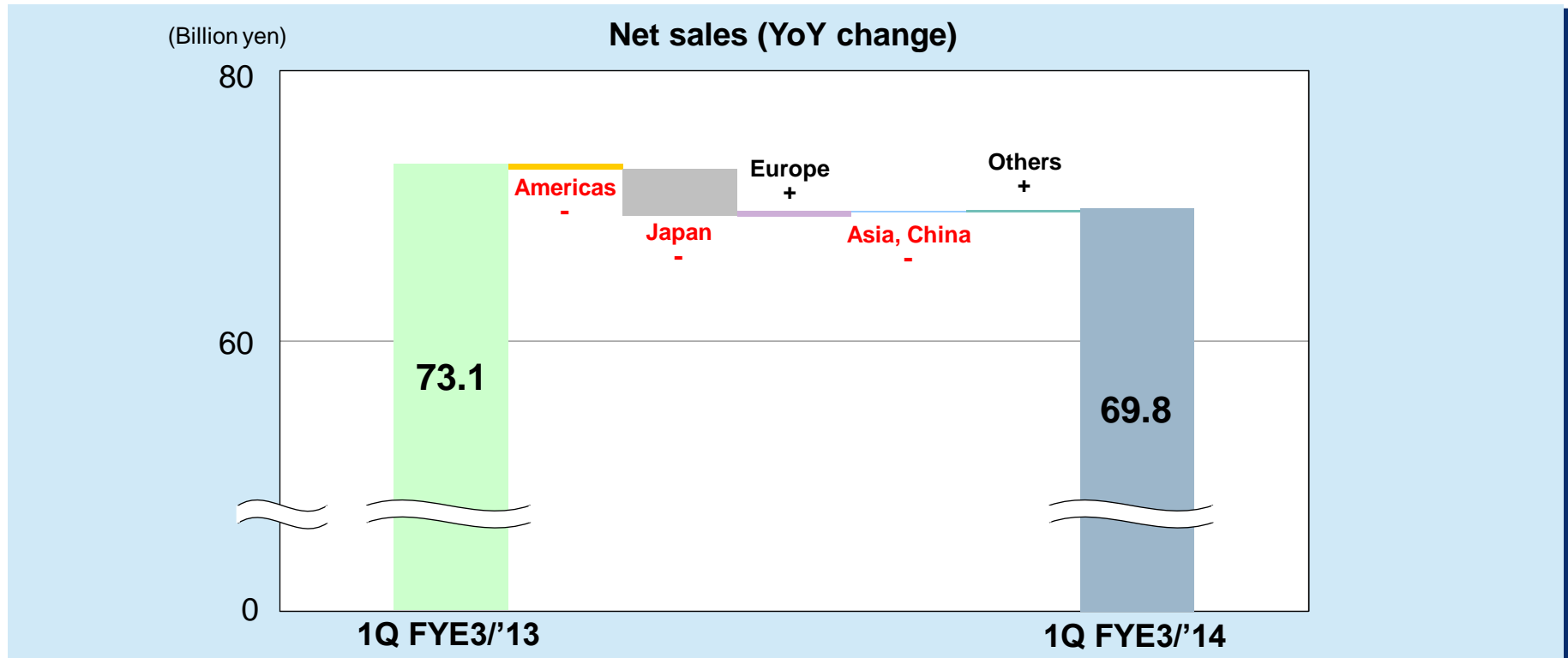
# Financial Results for 1Q FYE3/'14 - Net Sales (Change Analysis)

- \* Lower consolidated net sales were brought about primarily by lower sales in CE and a decline in sales in HM caused by sluggish European economic conditions and the streamlining of products.



# Financial Results for 1Q FYE3/'14 - Net Sales by Region (Reference)

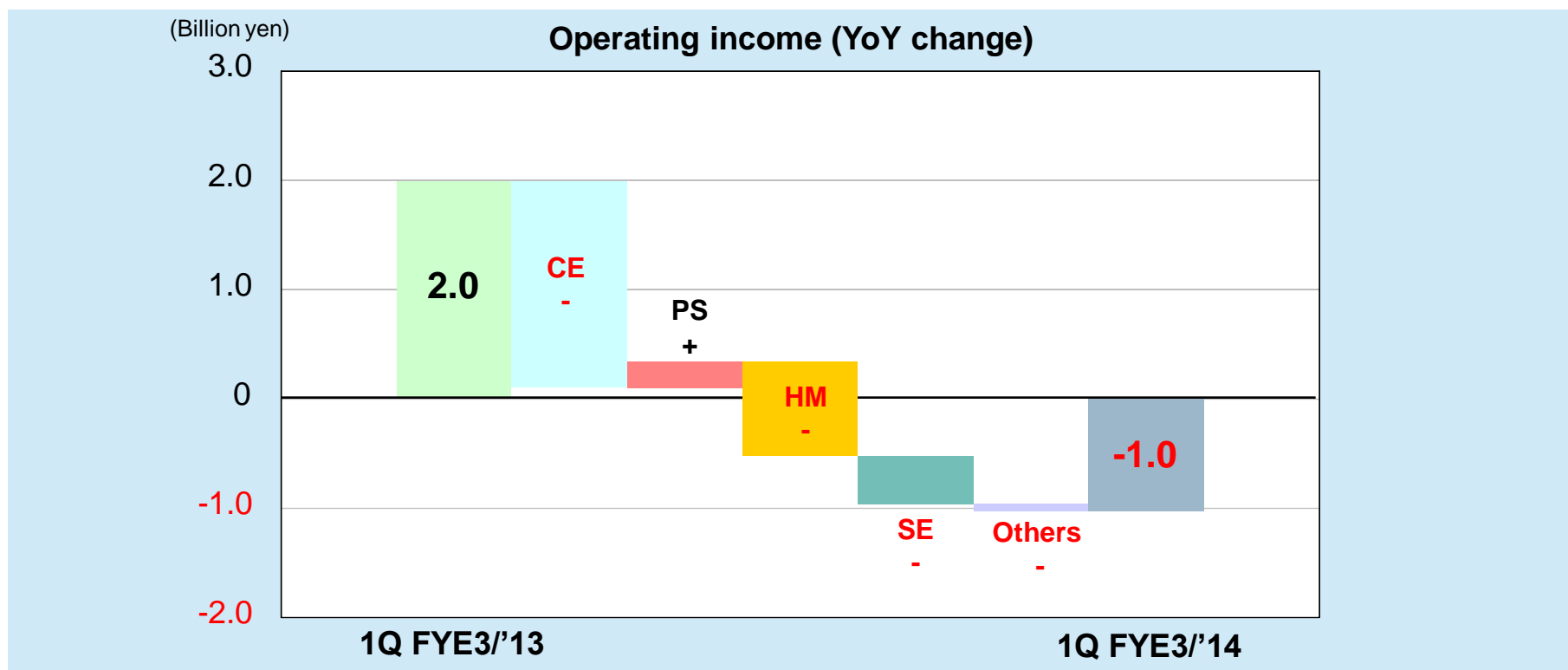
- \* Net sales declined in the Americas due to the weak performance of camcorders in HM.
- \* Net sales dropped in Japan due to the effects of difficulties faced by CEOEM and HM.
- \* Net sales in Europe declined on a local currency basis, although there was growth in income resulting from an increase in the yen-equivalent value.
- \* Net sales in Asia and China decreased due to sluggish after-market sales in CE.



# Financial Results for 1Q FYE3/'14 - Operating Income

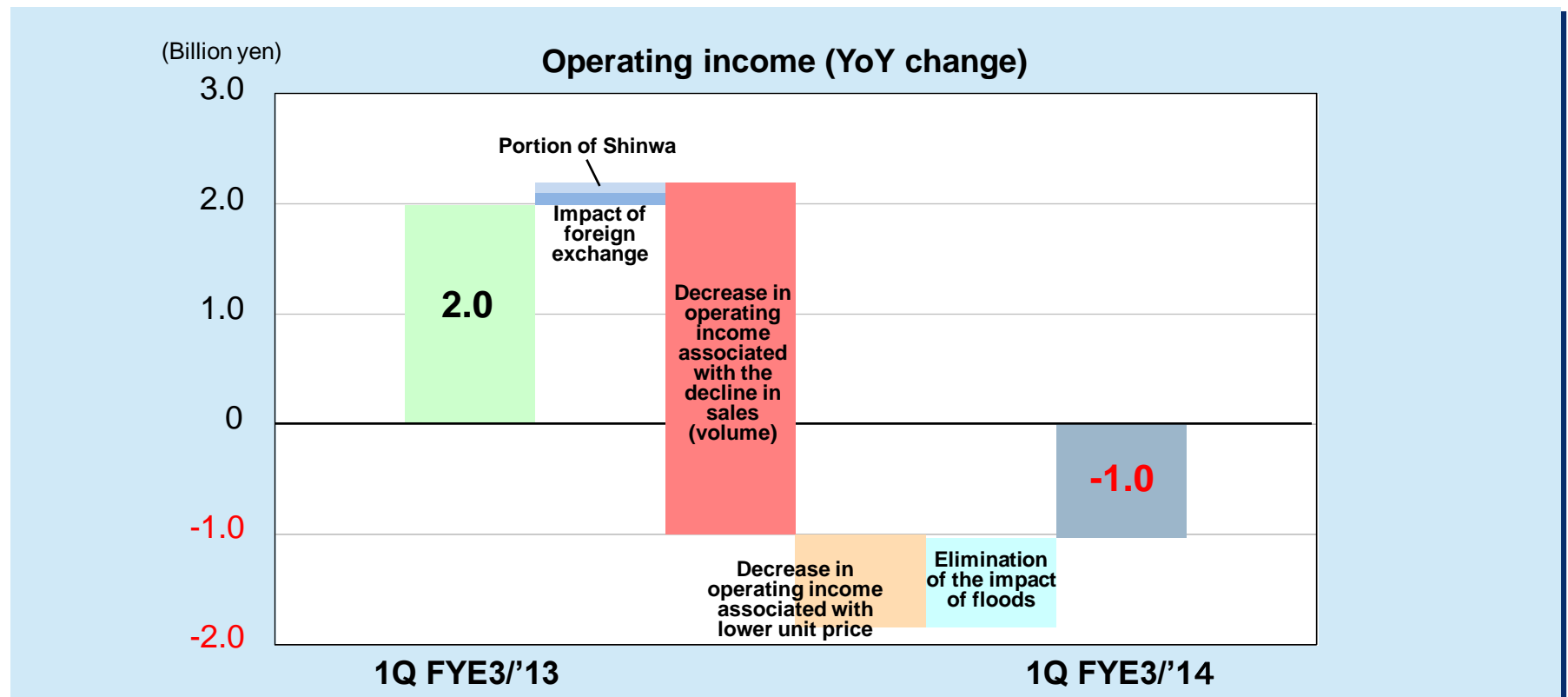
## Results for 1Q FYE3/'14 : JPY -1.0B (Down JPY 3.0B YoY)

- \* Consolidated operating income decreased mainly due to a major fall in income in CE caused by stagnant economic conditions in Europe and Asia, and lower income in HM, which was caused by the impact of foreign exchange fluctuations.
- \* PS recorded a smaller operating loss after the elimination of a temporary cost increase experienced in the previous year resulting from the floods in Thailand.



# Financial Results for 1Q FYE3/'14 - Operating Income (Change Analysis)

- \* Consolidated operating income declined mainly due to lower sales in CE caused by the effects of the European and Asian economic stagnation and foreign exchange fluctuations, as well as lower sales in HM resulting from the effects of the higher costs from foreign exchange fluctuations.
- \* The operating loss of PS decreased due to the elimination of effects from the floods in Thailand.

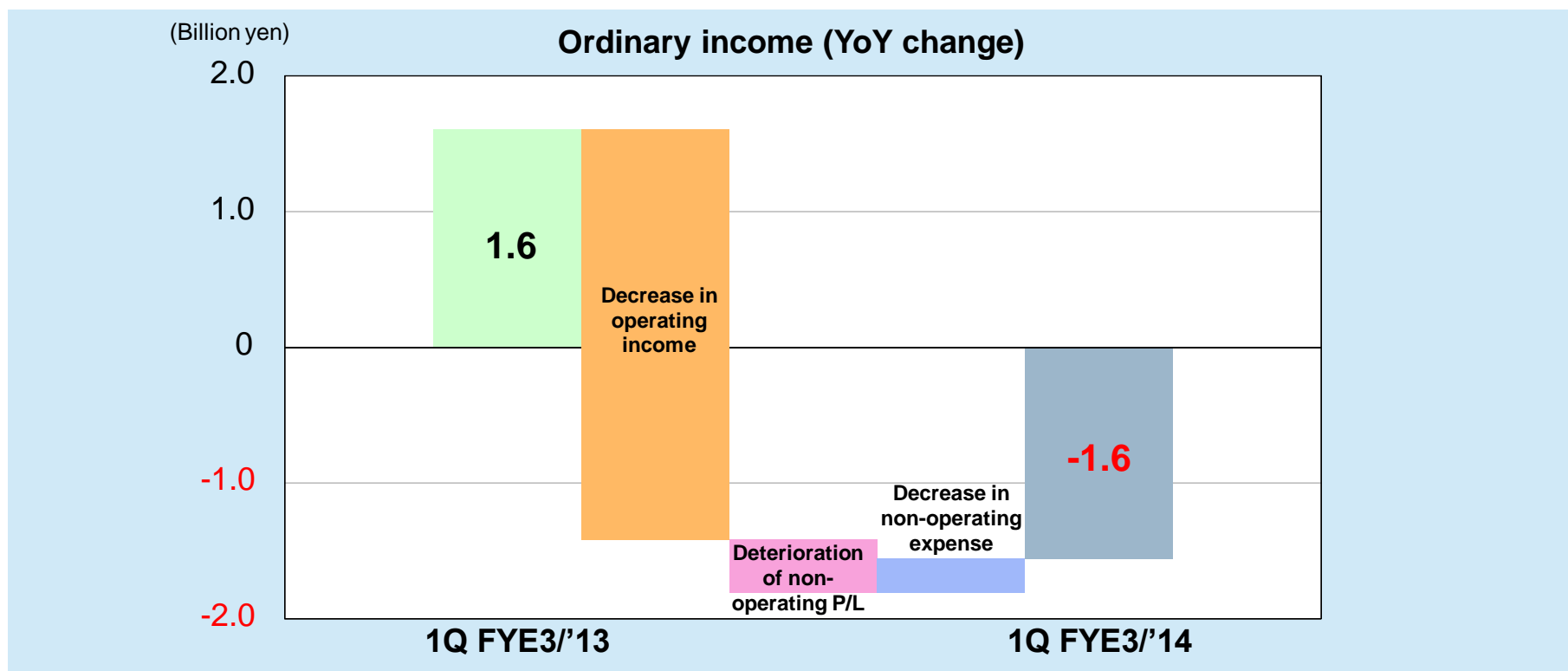




# Financial Results for 1Q FYE3/'14 - Ordinary Income

## Results for 1Q FYE3/'14 : JPY -1.6B (Down JPY 3.2B YoY)

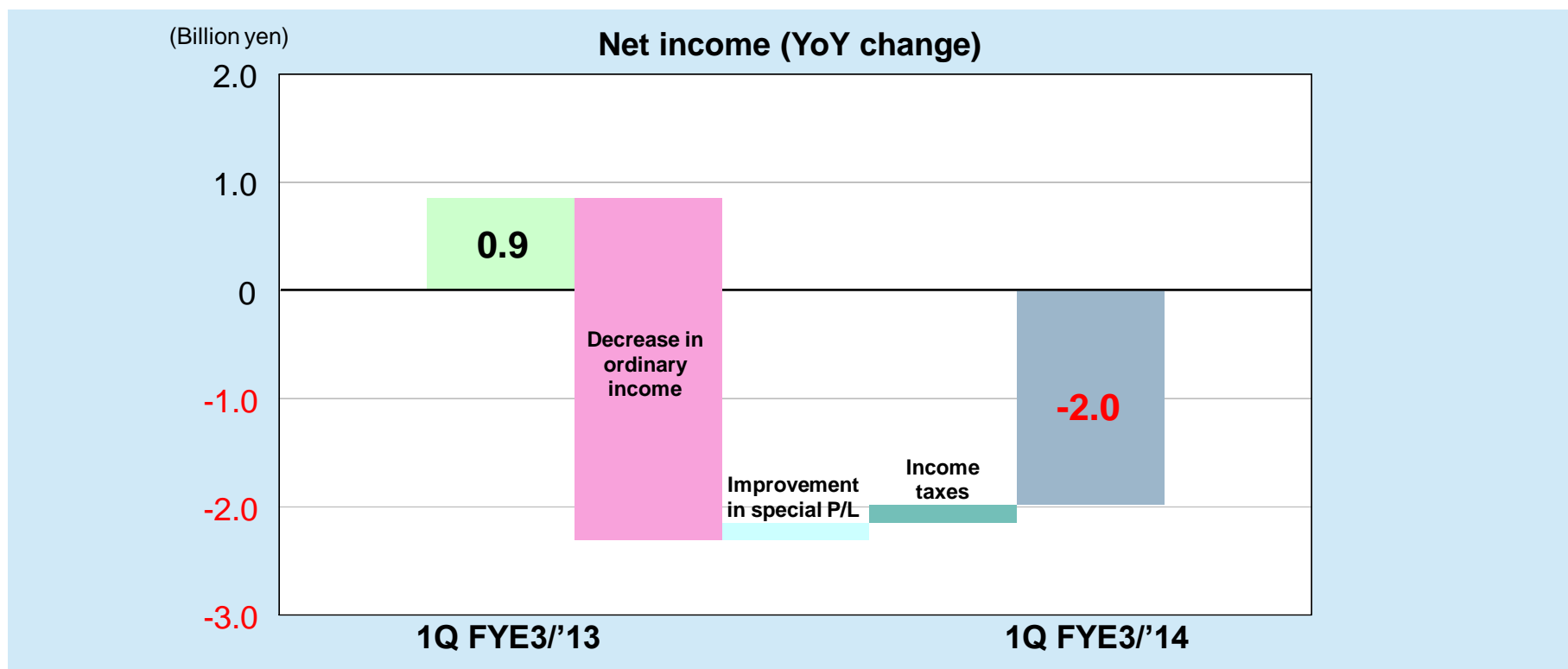
- \* Ordinary income decreased JPY3.2 billion year on year due to a decline in operating income.
- \* Non-operating P/L deteriorated mainly due to a decrease in foreign exchange gain, although financial P/L improved.



# Financial Results for 1Q FYE3/'14 - Net Income

## Results for 1Q FYE3/'14 : JPY -2.0B (Down JPY 2.8B YoY)

- \* Net income decreased JPY 2.8B year on year due to a decline in ordinary income.
- \* Extraordinary profit/loss improved due to the recording of negative goodwill associated with making Shinwa a consolidated subsidiary although structural reform expenses were incurred by some overseas sales companies.
- \* Income taxes decreased JPY 0.2 billion year on year.



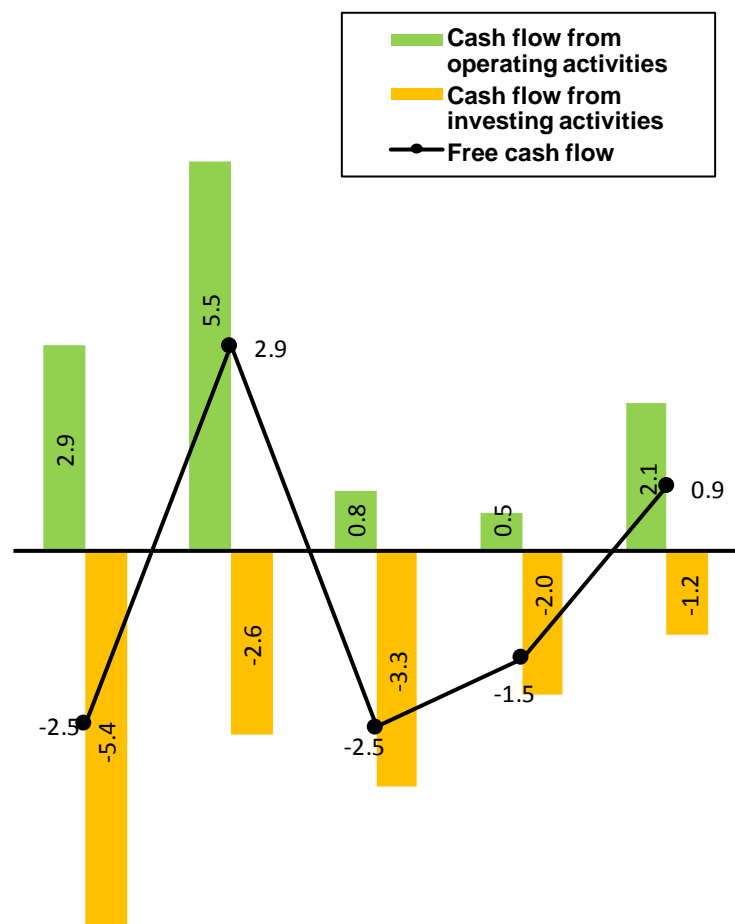
## Balance Sheet

- \* Total assets increased approximately JPY 2.8B from the end of the previous fiscal year mainly from an increase in property, plants and equipment after making Shinwa a consolidated subsidiary. Additionally, assets increased due to an increase in inventory although trade notes and accounts receivable decreased.
- \* Liabilities decreased JPY 1.2 billion from the end of the previous fiscal year due to a decline in accrued expenses and a decrease in trade notes and accounts payable.  
Interest-bearing liabilities increased JPY 0.5 billion from the end of the previous fiscal year as a result of executing bank loans for operating funds.  
Net debt decreased JPY 0.4 billion from the end of the previous fiscal year due to making Shinwa a consolidated subsidiary.
- \* Retained earnings decreased JPY 2.7 billion from the end of the previous fiscal year while shareholders' equity also decreased JPY 2.7 billion from the end of the previous fiscal year.  
Total net assets increased JPY 4.0 billion from the end of the previous fiscal year due to increases in foreign currency translation adjustment and minority interests.  
Shareholder's equity ratio decreased 0.7% from the end of the previous fiscal year to 25.9%.

	(Billion yen)		
	End of FYE3/'13	End of 1Q FYE3/'14	Change from end of FYE3/'13
Total assets	246.6	249.4	+2.8
Interest-bearing liabilities	86.5	87.0	+0.5
Net debt	28.7	28.3	(0.4)
Net debt / Equity ratio (times)	0.44	0.44	±0
Capital surplus	45.9	45.9	±0
Retained earnings	24.7	22.0	(2.7)
Net assets	67.2	71.2	+4.0
Shareholder's equity ratio (%)	26.6	25.9	(0.7)

## 1Q FYE3/'14 Consolidated Statements of Cash Flow

(Billion yen)



	1Q FYE3/'14	1Q FYE3/'13
Income before income taxes	-1.6	1.4
Depreciation	2.7	2.4
Increase (decrease) in employee retirement allowance	0.8	1.2
Decrease (increase) in trade notes and accounts receivable	12.0	8.8
Decrease (increase) in inventories	-1.7	-2.8
Increase (decrease) in accounts payable	-6.8	-1.1
Increase (decrease) in accrued expenses	-2.8	-8.0
Income taxes paid	-0.4	-0.9
Other	-0.2	1.8
Cash flow from operating activities	2.1	2.9
Cash flow from investing activities	-1.2	-5.4
Cash flow from financing activities	-1.8	-3.8
Effect of exchange rate fluctuations on cash and cash equivalents	1.1	-1.7
Free cash flow	0.9	-2.5

Net increase (decrease) in cash and cash equivalents	0.1	-8.0
Cash and cash equivalents at end of quarter	58.3	57.5
Net debt at end of quarter	-28.3	-31.6

1Q FYE3/'13 2Q FYE3/'13 3Q FYE3/'13 4Q FYE3/'13 1Q FYE3/'14

# Information by Business Segment

# Net Sales and Profits & Losses by Business Segment

## - Summary

- CE :** Sales and income decreased due to sluggish sales in both after-market and OEM.
- PS :** Sales and income improved overall in PS as a result of the elimination of the effects from the floods in Thailand in BS, an increase in new orders domestically in COM, and an increase in the yen-equivalent value caused by foreign exchange fluctuations.
- HM :** Sales and income decreased due to a deterioration of sales in Europe and Japan, and the effects of a partial streamlining of products.
- SE :** Income decreased due to a slide in the consignment business although the software business was strong.

(Billion yen)

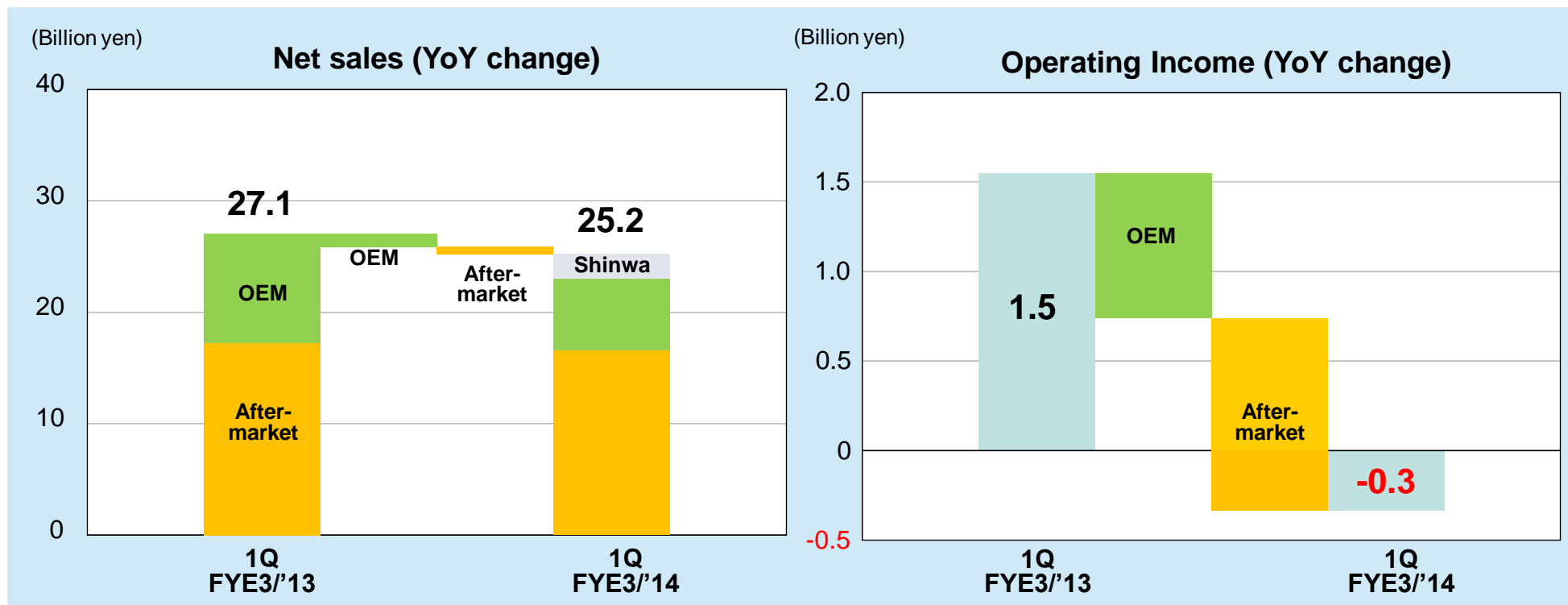
Segment		First quarters			Full-year
		FYE3/'14	FYE3/'13	YoY	FYE3/'12
Car Electronics (CE)	Net sales	25.2	27.1	-1.8	100.5
	Operating profit	-0.3	1.5	-1.9	2.5
Professional Systems (PS)	Net sales	20.9	20.0	+0.9	91.8
	Operating profit	-0.1	-0.3	+0.2	4.0
Home & Mobile Electronics (HM)	Net sales	13.5	16.1	-2.6	68.8
	Operating profit	-0.8	0.1	-0.9	1.1
Entertainment (SE)	Net sales	9.1	8.9	+0.1	40.9
	Operating profit	0.3	0.7	-0.4	2.0
Others	Net sales	1.1	1.0	+0.1	4.6
	Operating profit	-0.1	-0.0	-0.1	-0.0
Total	Net sales	69.8	73.1	-3.3	306.6
	Operating profit	-1.0	2.0	-3.0	9.6

# Financial Results for 1Q - Car Electronics Business

**Net sales: JPY 25.2B (Down 6.8%),**  
**Operating income: JPY -0.3B (Down JPY 1.9B)**

**After-market:** Income decreased overall in the after-market due to weak sales of car audio products caused by the effects of economic stagnation in Europe and Asia, although sales of Saisoku-Navi was steady in Japan, while sales of display audio grew overseas.

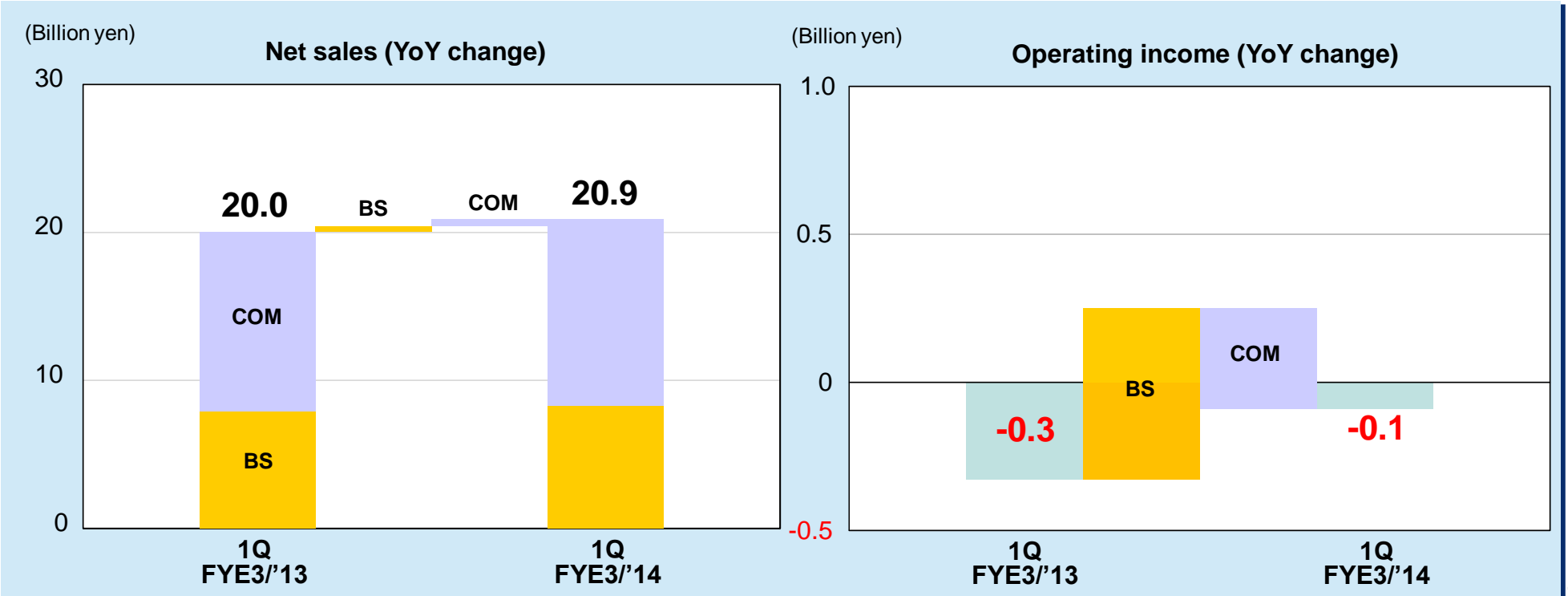
**OEM:** Income declined mainly due to a slowdown in the performance of dealer option navigation systems.



# Financial Results for 1Q - Professional Systems Business

**Net sales: JPY 20.9B (Up 4.3%),**  
**Operating income: JPY -0.1B (Up JPY 0.2B)**

- COM:** Income increased due mainly to an increase new orders received in the domestic market and an increase in the yen-equivalent value, although the North American market was impacted by the government's tightened monetary policy.
- BS:** Income increased as production at the plant in Thailand returned to normal, and sales recovered primarily in the domestic market.





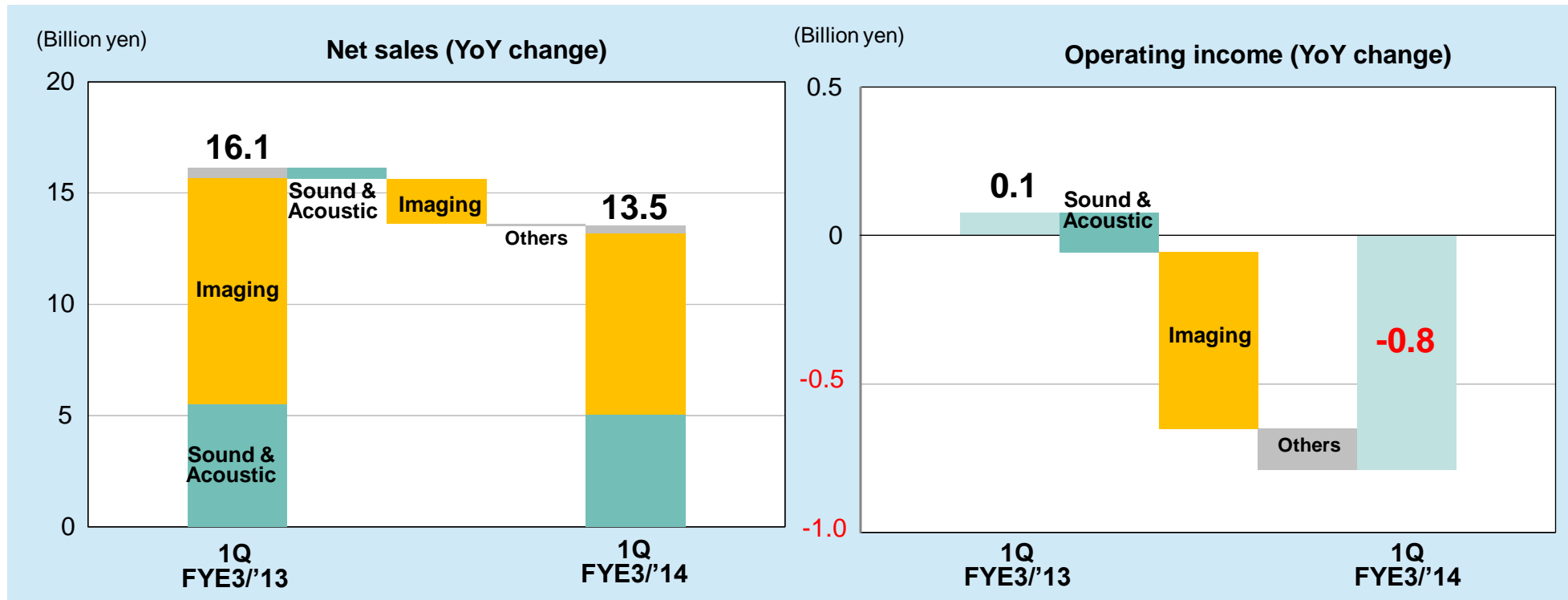
# Financial Results for 1Q - Home & Mobile Electronics Business

**Net sales: JPY 13.5B (Down 16.2%),**  
**Operating income : JPY -0.8B (Down JPY 0.9B)**

**Sound & Acoustic:** Income for the overall category decreased since home audio was impacted by market curtailment, although AV accessories recorded higher income from strong performance both in the U.S. and Japan.

P/L for home audio changed for the better as a result of improvements made to the product mix.

**Imaging:** Income for the imaging category on the whole decreased due to lower income from camcorders caused mainly by the sluggish European economic conditions, although income from projectors increased on expanded sales.

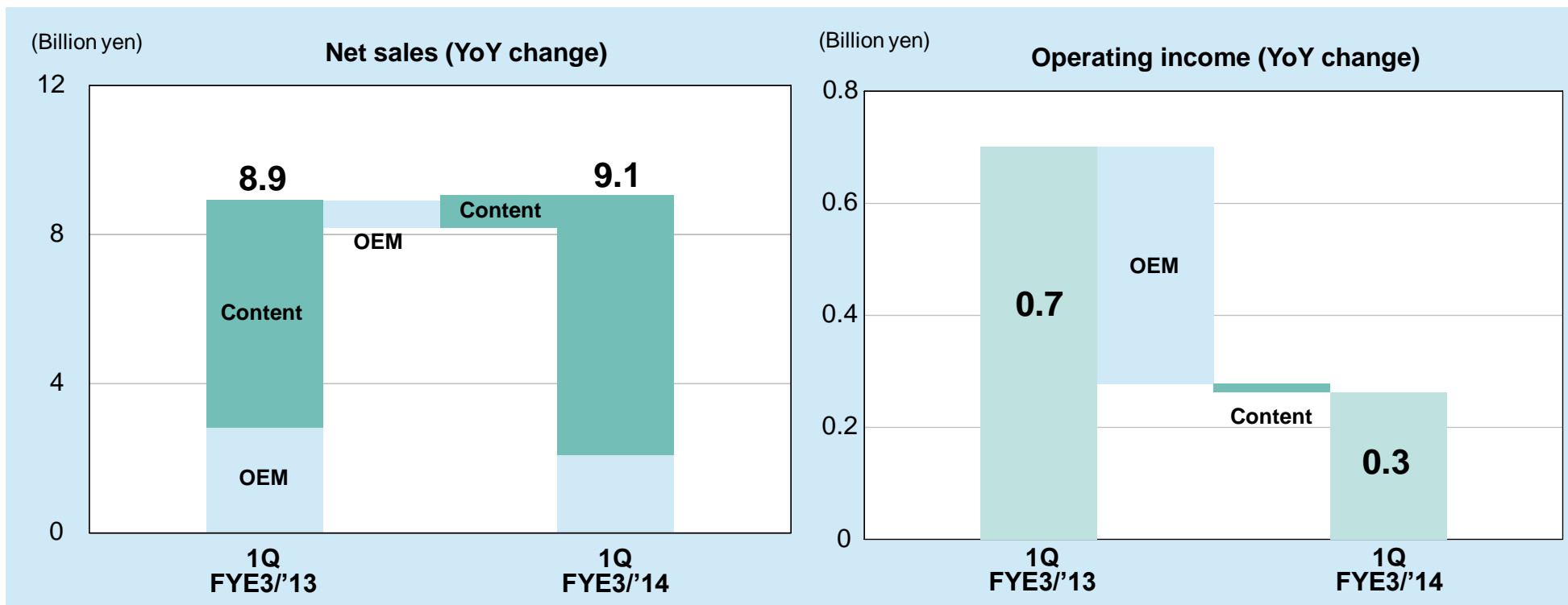


# Financial Results for 1Q - Entertainment Business

**Net sales: JPY 9.1B (Up 1.6%),**  
**Operating income: JPY 0.3B (Down JPY 0.4B)**

**Content:** Business was favorable mainly due to the effects of pieces launched by new and mid-catalog artists that were tied with commercials or adopted as main theme songs of TV dramas.

**OEM:** Income decreased due to the stagnant production of optical disks in Japan and the Americas.



# **Key Initiatives in the 2Q and Beyond**

## [Japan]

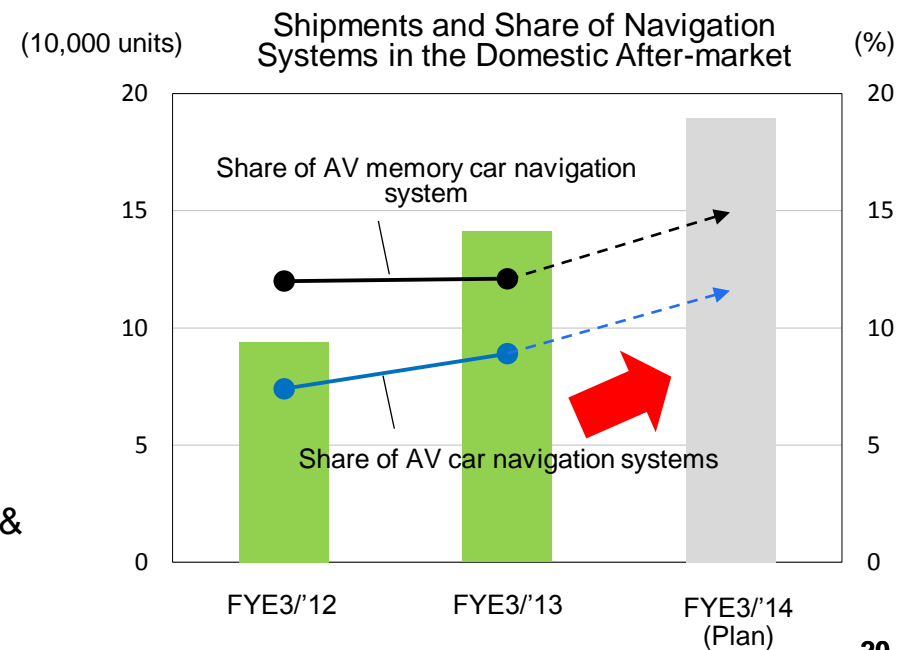
### The 26<sup>th</sup> Nikkan Jidosha Shimbun Car Accessories Award The “Saisoku” series won the Car Navigation Division Award



- Increase exposure in various types of media to boost actual sales during the active summer season and at special events.



DVD/USB/SD/BT/ AV navigation system with a built-in 4-tuner & 4-diversity-method terrestrial digital TV tuner  
**MDV-Z700W**



## [Overseas]

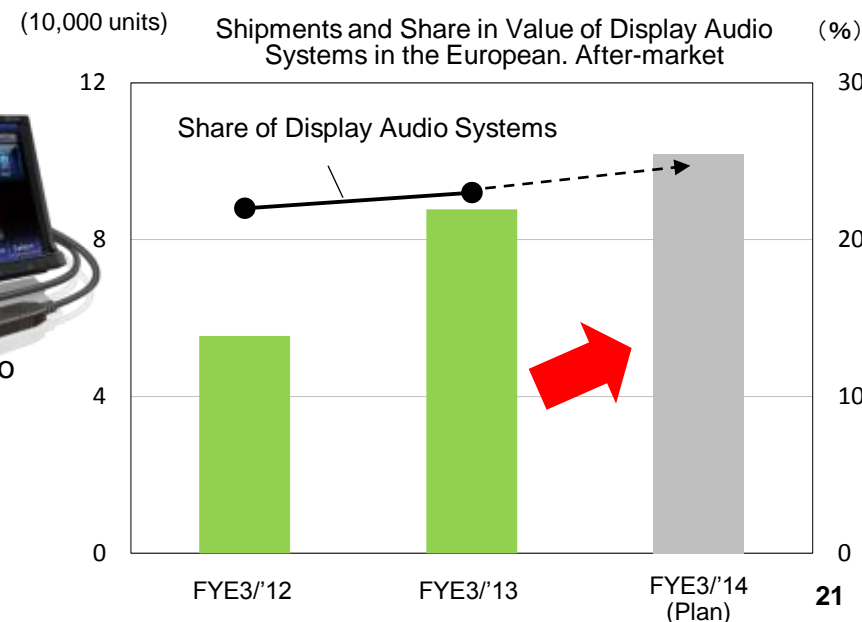
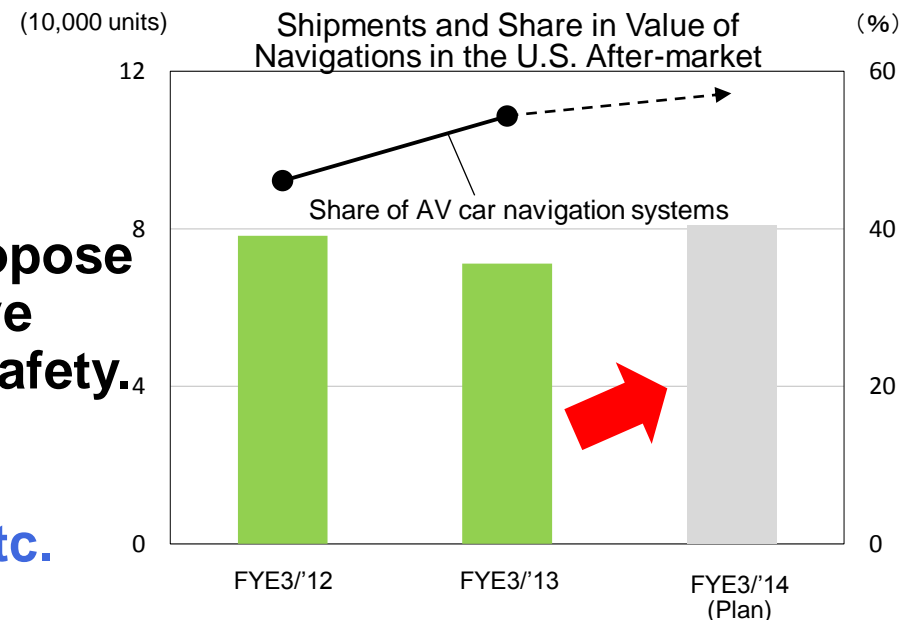
- Respond to developed overseas markets.

Strive to maintain the top share in the developed overseas markets as well as propose a new mobile lifestyle by offering innovative suggestions in terms of connectivity and safety.

Propose high added value in smartphone-related products, display audio systems, etc. and enhance product line-ups.

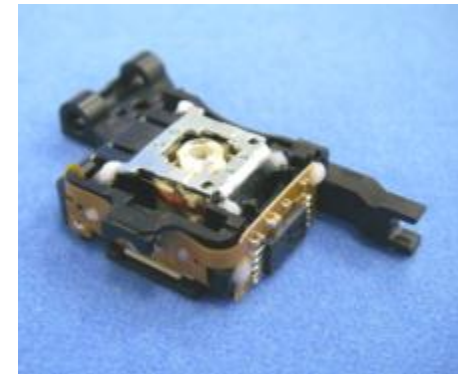
- Revise the cost structure.

In response to the price reduction trend, thoroughly examine and improve the cost structure, and promote design reform and other structural business reforms.



# Initiatives in 2Q and Beyond - **CEOEM**

- Expand sales of large-screen domestic dealer option navigation systems.
- Boost sales of “Saisoku-Navi”-applied AV car navigation systems for automakers.
- Strengthen the device business with a focus on strategic mechanisms.
- Revise the global production system.



Newly developed CD optical pickup



Dealer option navigation system which began delivery in the Q1



Dealer option navigation system that utilizes “Saisoku-Navi”



Newly developed DVD optical pickup



## [Further growth in profits / Establishment of an earnings base]

### [Americas]

- Launch a low-tier model of “NEXEDGE” professional digital radio system.
- Introduce the new P25 (professional digital radio system for the public safety sector) model.

### [Europe]

- Introduce a model of “NEXEDGE” professional digital radio system that complies with the European explosion resistance standards.

### [Asia, China]

- Boost sales of digital radio systems specifically for the Chinese public safety sector.
- Launch a low-tier model of “NEXEDGE” professional digital radio system.



Low-tier digital radio system for markets worldwide

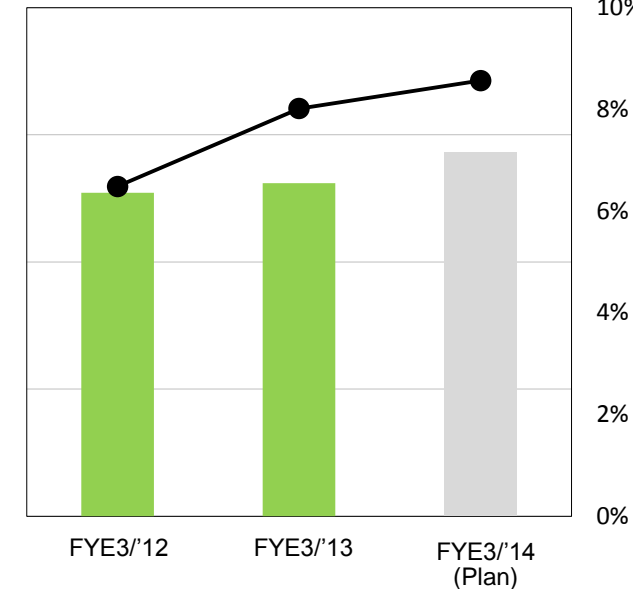


Professional digital radio system “NEXEDGE” compatible with European explosion resistance standards

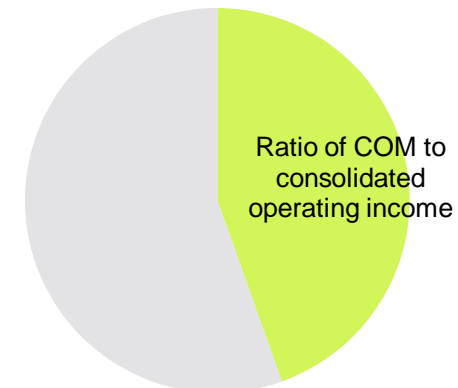


Digital radio system for China

Net Sales and Operating Income Ratio of COM



FYE3/'14 plan



- Create new businesses by reinforcing the healthcare business on a global basis.
- Reinforce the solutions business with IP cameras at the core, and offer solutions for street surveillance, commercial facilities and other applications.
- Boost sales worldwide, including emerging markets, mainly through launching new basic models of professional video cameras.





# Initiatives in 2Q and Beyond - Optical & Audio

## Audio

### [Headphones]

- Expand sales in emerging countries by promoting the exclusive model, and increase the unit price through distributing high-value-added models.



### [Home audio]

- Expand sales of high-value-added models such as the Wood-corn and the K-series.



Network-compatible Wood-corn Audio

## Imaging & Optical device

### [Projectors]

- Expand sales of 4K projectors.



A wide lineup of 4K projectors

- Reinforce cost competitiveness of the existing product series (Everio).

Work to reduce cost as well as launch the new ASIC-installed model while cutting the number of models to achieve lower power consumption and lower production cost.

- Expand sales of products in new genres.

- (1) Propose high-resolution video camera solutions with new methods of utilization.
- (2) Propose products that can be used in an environment where smartphones, etc. cannot be used.
- (3) Expand the lineup of professional-use video cameras that meet the needs of professionals.



“ADIXXION”, a sports camcorder with waterproof, shock-resistance, and low-temperature resistance features

(Assumed market sales price:  
About 35,000 yen)

**(Launched in July 2013)**

[New product genres]



“Procision”, an HD memory camera for use in sports coaching

(Assumed market sales price:  
About 130,000 yen)

**(Launched in 1Q of FYE3/'14)**



“ProHD”, an HD memory camera for professional use

(Assumed market sales price:  
About 600,000 yen)

**(Launched in the previous fiscal year)**

## Potential hit-making releases in 2Q FYE3/'14

### Southern All Stars



A single release: "Peace & Hi-lite"

### "Amachan", NHK's morning TV drama



Album "*Amachan Buraban Koshiki-ban Suisogaku 'Amachan' Kyokushu*" (A selection of wind-instrument band pieces from Amachan)

### Dohatsuten



A single release: "*Danchi-de DAN! DAN!*"

### BEGIN



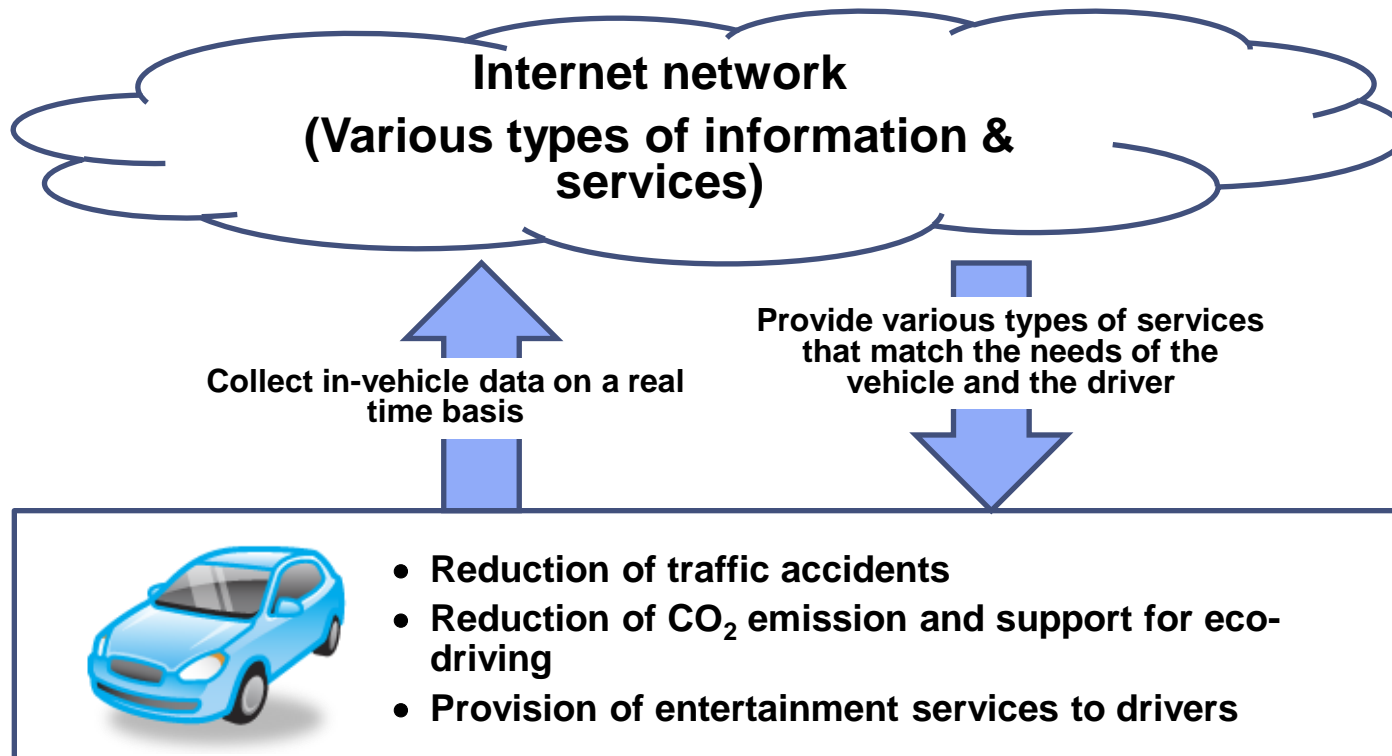
A set box of CD/DVDs "*Begin no Ichigo-Ichie 10 Shunen Kinen BOX*" (BEGIN's 10-year anniversary box)

# Key Topics of the First Quarter

## Establishment of a joint venture with ZMP INC.

(Announced on July 18, 2013)

Aiming to set up a mechanism for the provision of various services for cars that are linked to an open Internet environment and establishing those services as a business.



Logo mark for the joint venture company, CarTomo

## New establishment of an innovative & advanced driving system (i-ADAS) task force

**i-ADAS: innovative Advanced Driver Assistance System**

**Established with the purpose of quickly launching new business areas such as the head-up display business and the automatic car driving business.**

### Innovative & advanced driving system (i-ADAS) task force

**Automobile Driving  
Business Division**



Automatic car driving

**CAN Business Division**



Driving support based on  
CAN data

**Sensing Device Business  
Division**



In-car camera utilizing video  
technology

**In-vehicle Display  
Business Division**



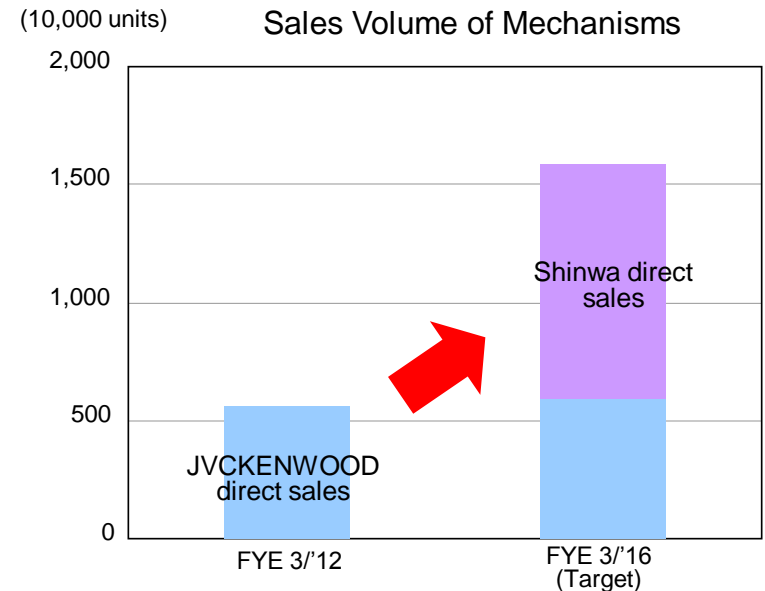
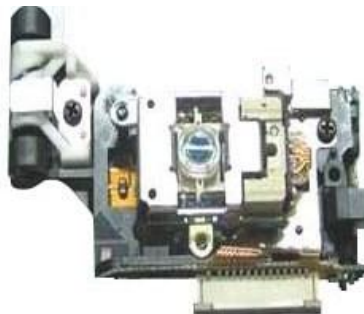
Head-up display that contributes  
to safe driving

# 1Q FYE3/'14 - Topics

## Shinwa becomes a consolidated subsidiary

(Effective June 3, 2013)

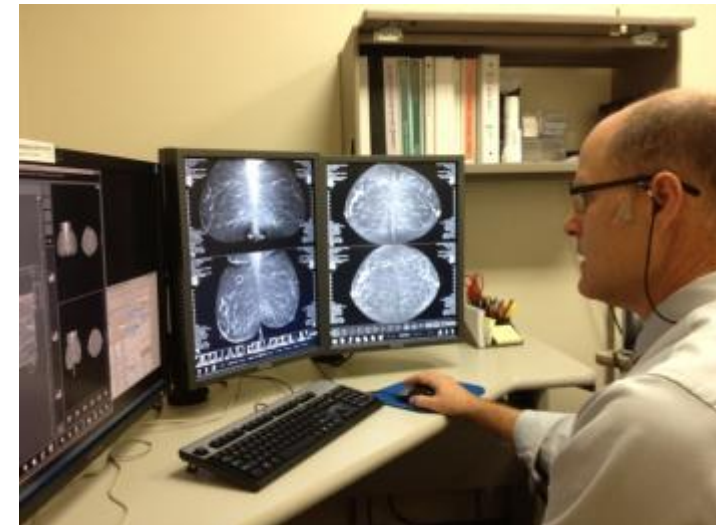
Aiming to create synergies in the optical disk drive mechanism for automobile-mounted equipment, and expand the water-based paint plastic panel business.





## TOTOKU Nagaoka Corporation becomes a consolidated subsidiary (Effective July 1, 2013) (New company name・・・JVCKENWOOD Nagaoka Corporation)

Aiming to make a full-scale entry into the healthcare segment, and create synergies in the area of imaging technologies.



Medical image presentation display



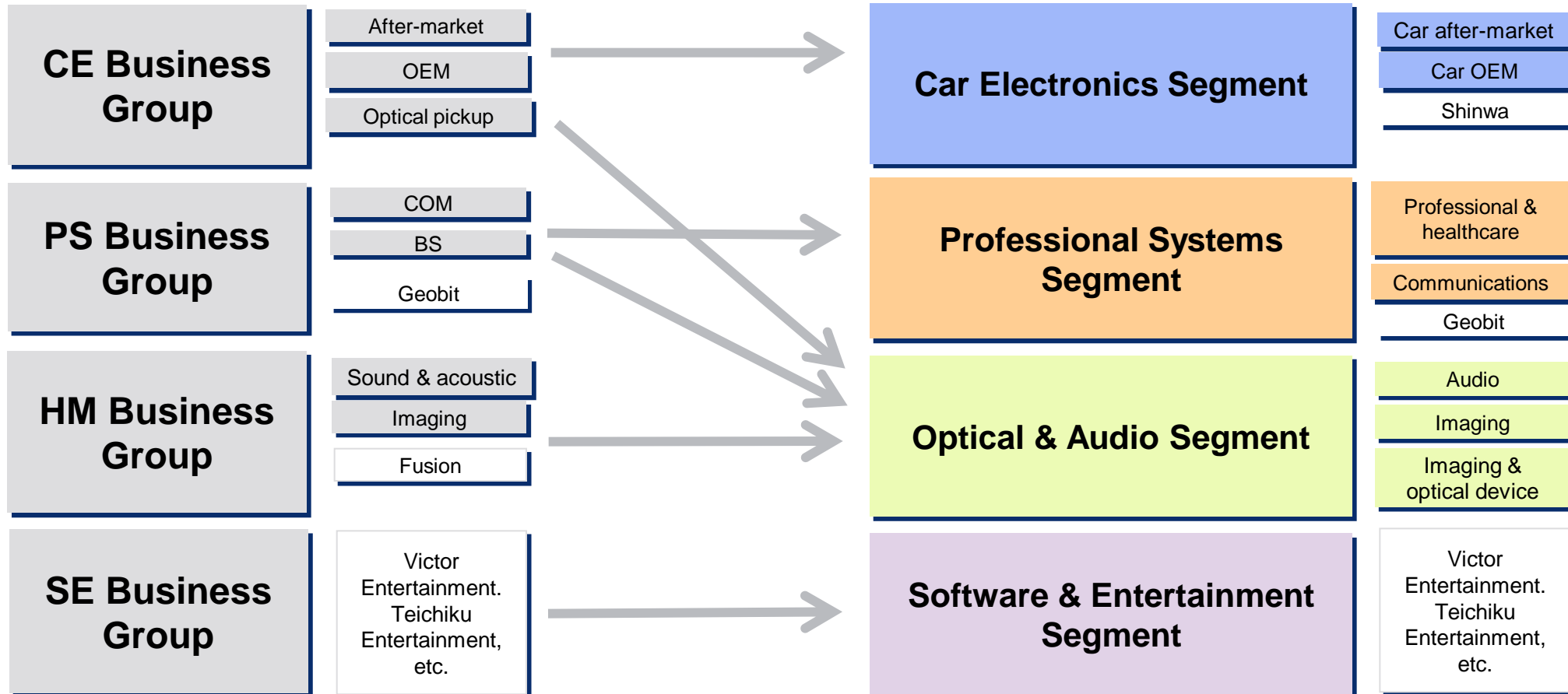
Digital wireless intercom for which the use of sales channels is anticipated



# **Introduction of New Segments and Full-Year Earnings Forecast for FYE3/'14**

# New Segments

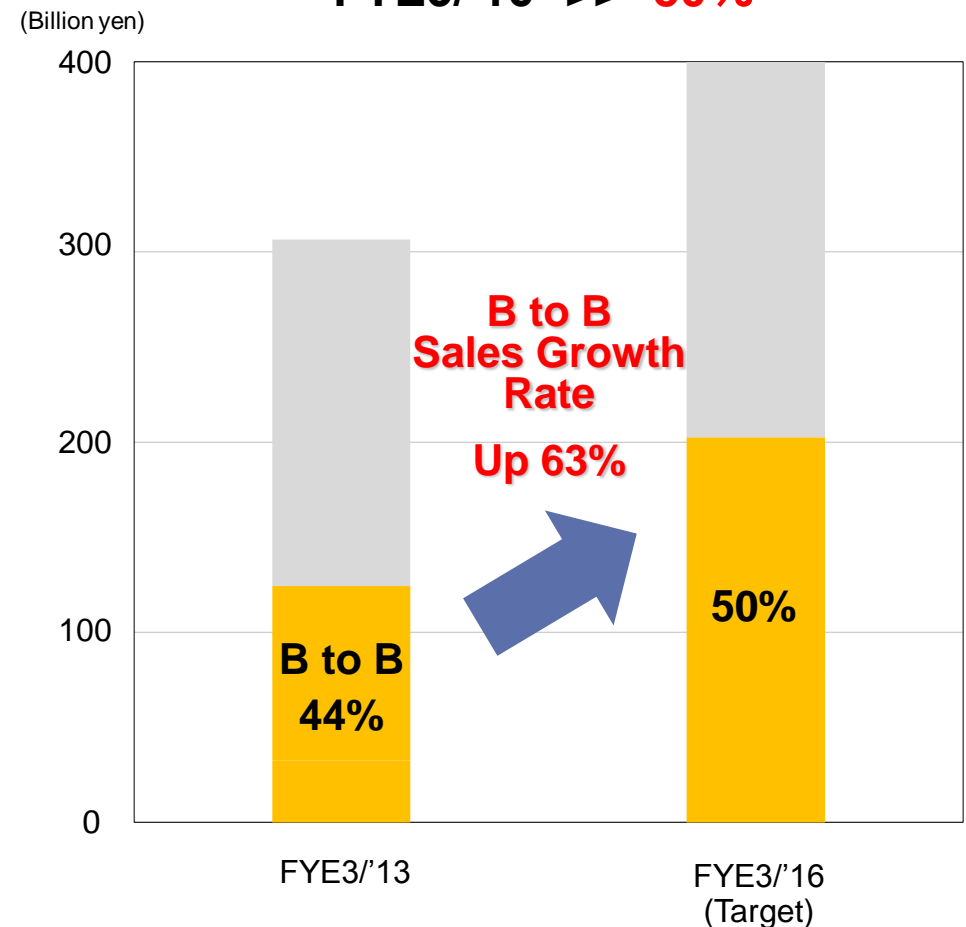
- Centralization of resources (Optical & Audio Business)
- Realignment of business segments in response to the market shift from **consumer to professional**
- **Reinforcement of Optical Business**, where JVCKENWOOD holds strength, and entry into the growth business of **healthcare**.



Accelerating reinforcement of **B-to-B business (CE OEM + Professional systems)** by shifting production and development resources.



Target Ratio of Sales of B-to-B in  
FYE3/'16 >> **50%**



# Full-Year Earnings Forecast for FYE3/'14

- In Q1, other than SE, three business segments did not reach planned projections. Hence, consolidated net sales, operating income, ordinary income and net income all fell short of the plan.
- The full-year earnings forecast will remain unchanged, since business performance is expected to recover in the Q2 and thereafter, supported mainly by the advanced introduction of new digital products in COM, recovery in the domestic CE after-market, improved efficiency resulting from centralization of development and production resources, and thorough structural cost reforms, despite the future outlook of the European economy remaining uncertain.

	(Billion yen)				Exchange rate*
	Net sales	Operating income	Ordinary income	Net income	
<b>FYE3/'14</b>	<b>330.0</b>	<b>11.0</b>	<b>6.0</b>	<b>3.0</b>	USD: JPY 100 Euro: JPY 128
<b>FYE3/'13</b>	<b>306.6</b>	<b>9.6</b>	<b>3.1</b>	<b>1.1</b>	USD: JPY 83 Euro: JPY 107
<b>YoY change</b>	<b>+23.4</b>	<b>+1.4</b>	<b>+2.9</b>	<b>+1.9</b>	

\* Exchange rates for FYE3/'14 are assumed rates at the beginning of the fiscal year.

Exchange rates for FYE3/'13 are reference values derived by averaging exchange rates from April to March.

# JVC KENWOOD

*creates excitement & peace of mind*

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