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JVCKENWOOD

Results and Forecasts Briefing

First Quarter of Fiscal Year Ending March 2016

JVCKENWOOD Corporation

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JVCKENWOOD Corporation

[Abbreviations]

CE	Car Electronics (Segment) Consumer (Business) OEM (Business) HA (Home Audio) (Business) ASK : ASK Industries S.p.A.
PS	Professional Systems (Segment) COM: Communications (Business) Pro: Pro Systems (Business) Healthcare (Business) EFJT: EF Johnson Technologies, Inc. Zetron: Zetron, Inc.
O&A	Optical & Audio (Segment) AV Accessory (Business) Creation (Video Camera) (Business) Image & Optical (Business)
SE	Software & Entertainment (Segment) Content (Business) OEM (Business)

- 1. Overview of financial results for the first quarter of the fiscal year ending March 2016**
- 2. Recognition of challenges and measures in the second quarter and beyond**
- 3. Full-year earnings forecast for FYE 3/'16**

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Financial Results for 1Q of FYE3/'16-Summary

- ❖ Net sales: Increased due to the effects of business acquisition, etc. (approx. JPY 2.9 billion)
- ❖ Operating income: Decreased due to the effects of sale of business (approx. JPY –0.3 billion) and influence of foreign exchange (approx. JPY –0.6 billion), but the decline is generally within expectations.
- ❖ Ordinary income: Decreased because operating income declined and non-operating performance worsened.
- ❖ Net income: Net loss declined despite decreased ordinary income because extraordinary income/loss improved compared with the previous fiscal year, when loss on sale of subsidiaries and affiliates' stocks was posted, and taxes decreased due to sale of business.

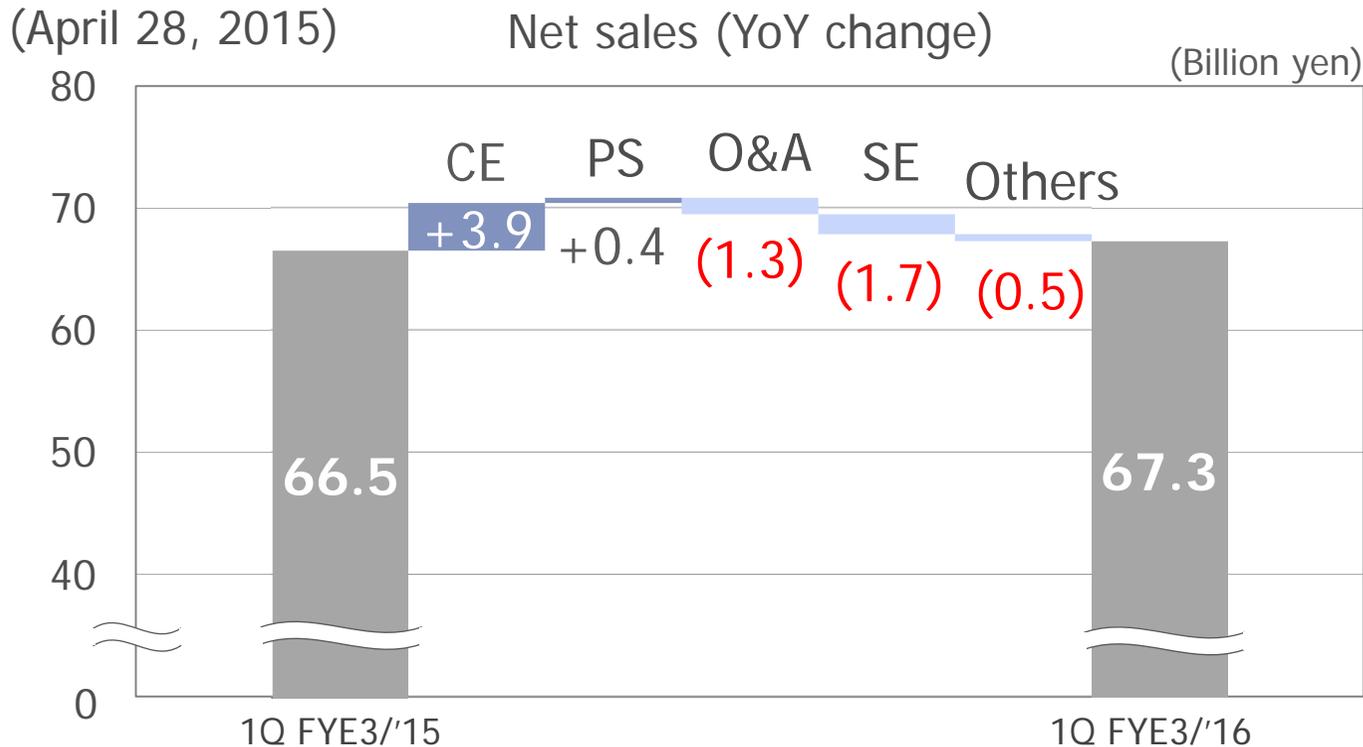
	Net sales	Operating income	Ordinary income	(Billion yen) Net income attributable to owners of parent
1Q FYE3/'16	67.3	(1.1)	(1.6)	(2.3)
1Q FYE3/'15	66.5	0.3	(0.4)	(2.7)
YoY	+0.8	(1.4)	(1.6)	+0.3

*Exchange rates for FYE 3/'16: JPY 121/USD, JPY 134/EUR
Exchange rates for FYE 3/'15: JPY 102/USD, JPY 140/EUR

Financial Results for 1Q of FYE 3/'16

- Consolidated Net Sales (By Segment)

- ❖ **Results for 1Q: JPY 673 billion** (an increase of 1.2% YoY) [Increase in sales]
 - **CE** : Sales increased due to the effects of making ASK Industries S.p.A. (ASK) a subsidiary
 - **PS** : Sales of COM terminals remained brisk.
 - **O&A** : Sales decreased mainly due to a shift of displays to brand licensing supply business
 - **SE** : Sales decreased due to the transfer of all shares of Teichiku Entertainment, Inc.

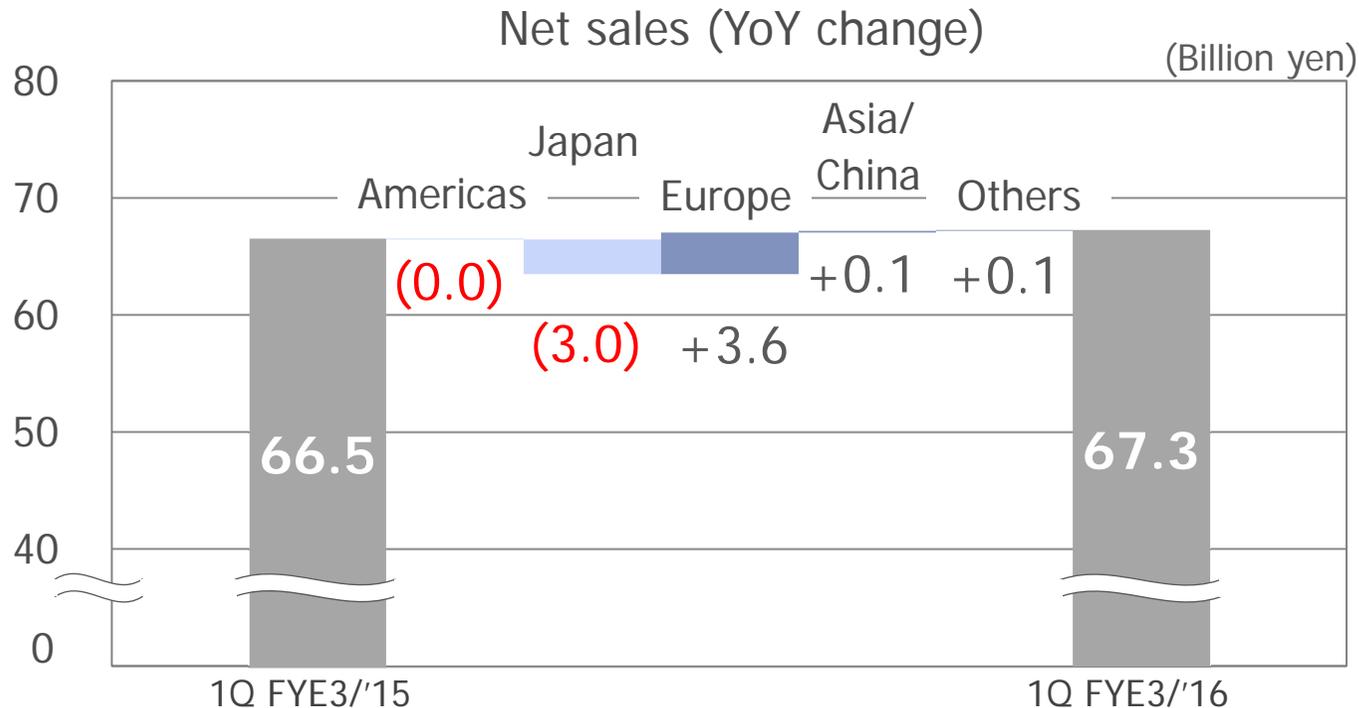


Financial Results for 1Q of FYE 3/'16

- Consolidated Net Sales (By Region)

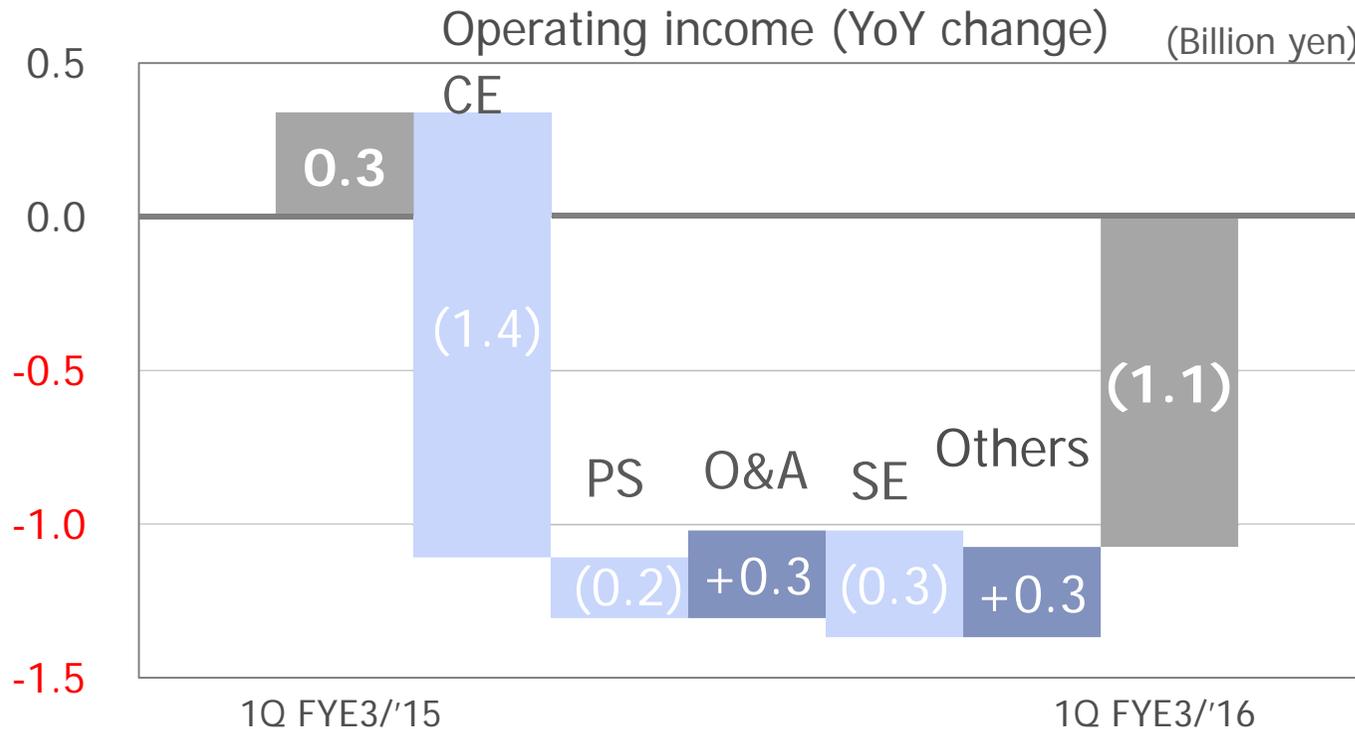
❖ Results for 1Q: JPY 67.3 billion (an increase of 1.2% YoY) [Increase in sales]

- Americas: Sales were on a par with the same period of last year due to decreased sales in 4K projectors, although sales of consumer CE products and COM terminals remained strong.
- Japan: Sales decreased due to the effects of the transfer of all shares of Teichiku and decreased sales of factory-installed products.
- Europe: Sales increased due to the effects of making ASK a subsidiary.
- Asia/China: Sales increased due to continued strong sales at Shinwa.



- Consolidated Operating Income (By Segment)

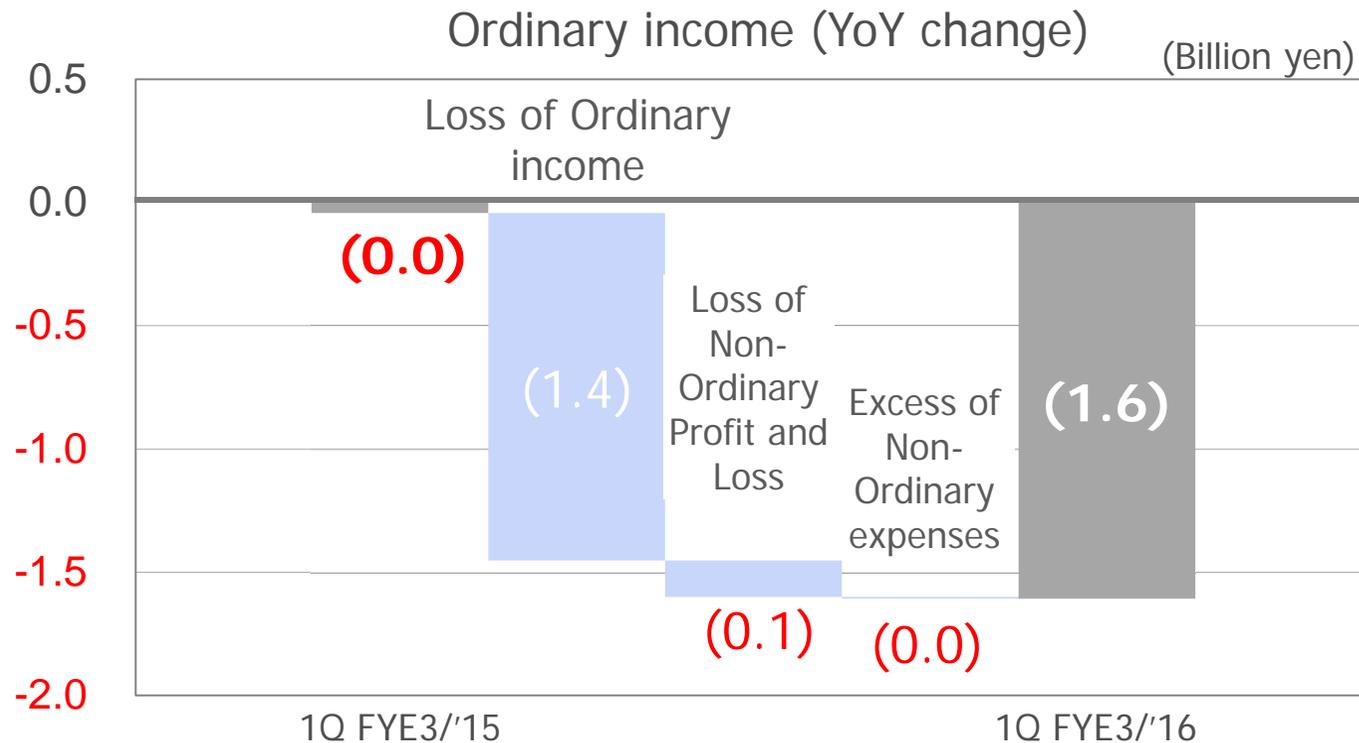
- ❖ **Results for 1Q: JPY -1.1 billion** (decrease 1.4 billion YoY) [Decrease income]
 - CE: Operating income decreased due to lower sales of consumer products in Asia and Europe, increased development costs for dealer-installed options and increased development costs for next-generation businesses.
 - SE: Operating income decreased due to the effects of the transfer of all shares of Teichiku and other factors.



- Consolidated Ordinary Income

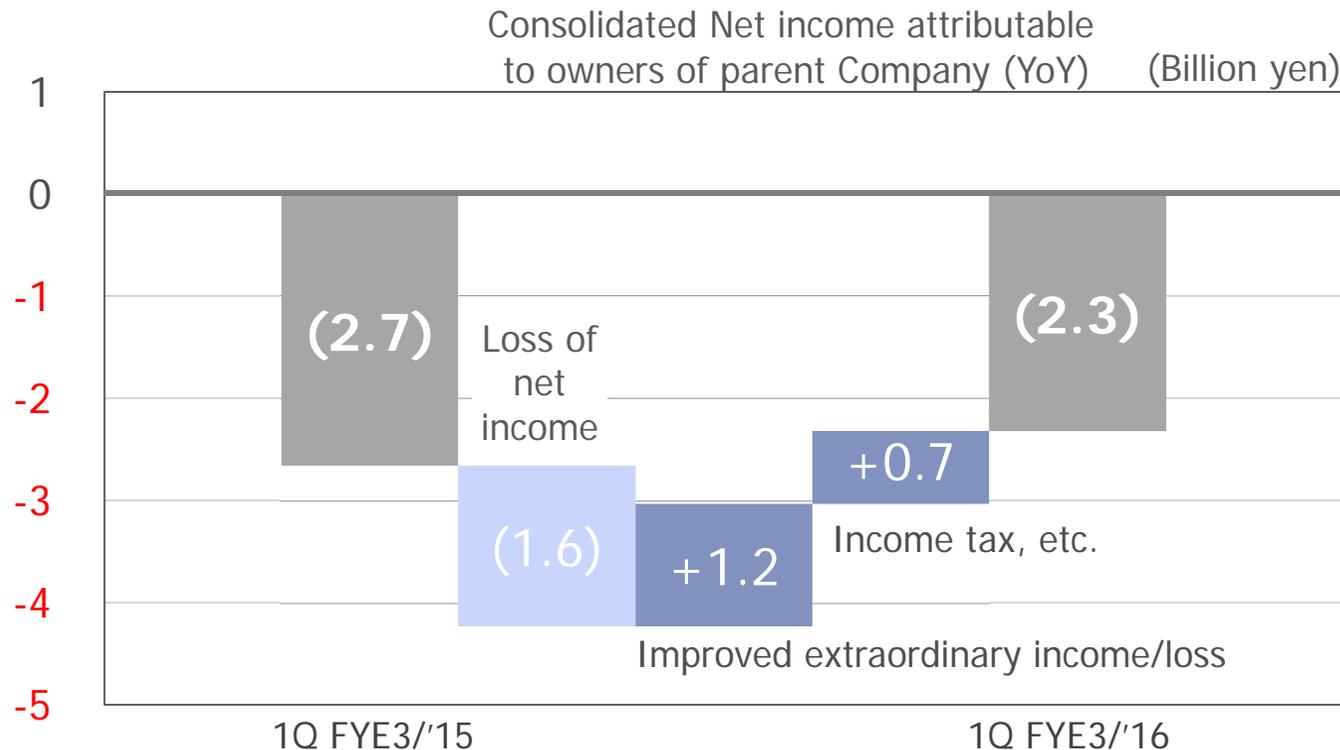
❖ Results for 1Q: JPY –1.6 billion (a decrease of JPY 1.6 billion YoY)

- Ordinary income decreased due to deteriorated non-operating results, resulting from a decline in dividends received and other factors, in addition to decreased operating income.



❖ Results for 1Q: JPY –2.3 billion (an increase of JPY 0.3 billion YoY)

- Net loss declined despite lower ordinary income because extraordinary income/loss improved during the period under review compared with the previous fiscal year when loss on sales of subsidiaries and affiliates' stocks was posted following the transfer of shares of a U.S. subsidiary, and taxes decreased due to the transfer of all shares of Teichiku.



- Balance Sheet Summary

- ❖ Total assets: Declined JPY 2.0 billion due to decreased cash and deposits, resulting from repayment of loans payable, acquisition of ASK shares and additional acquisition of Shinwa shares, although merchandise and finished goods as well as property, plant and equipment increased as a result of making ASK a subsidiary.
- ❖ Interest-bearing debts (sum of borrowings and bonds payable):
- ❖ Decreased JPY 1.5 billion
- ❖ Shareholders' equity ratio: Dropped 0.3 percentage points to 25.5%.

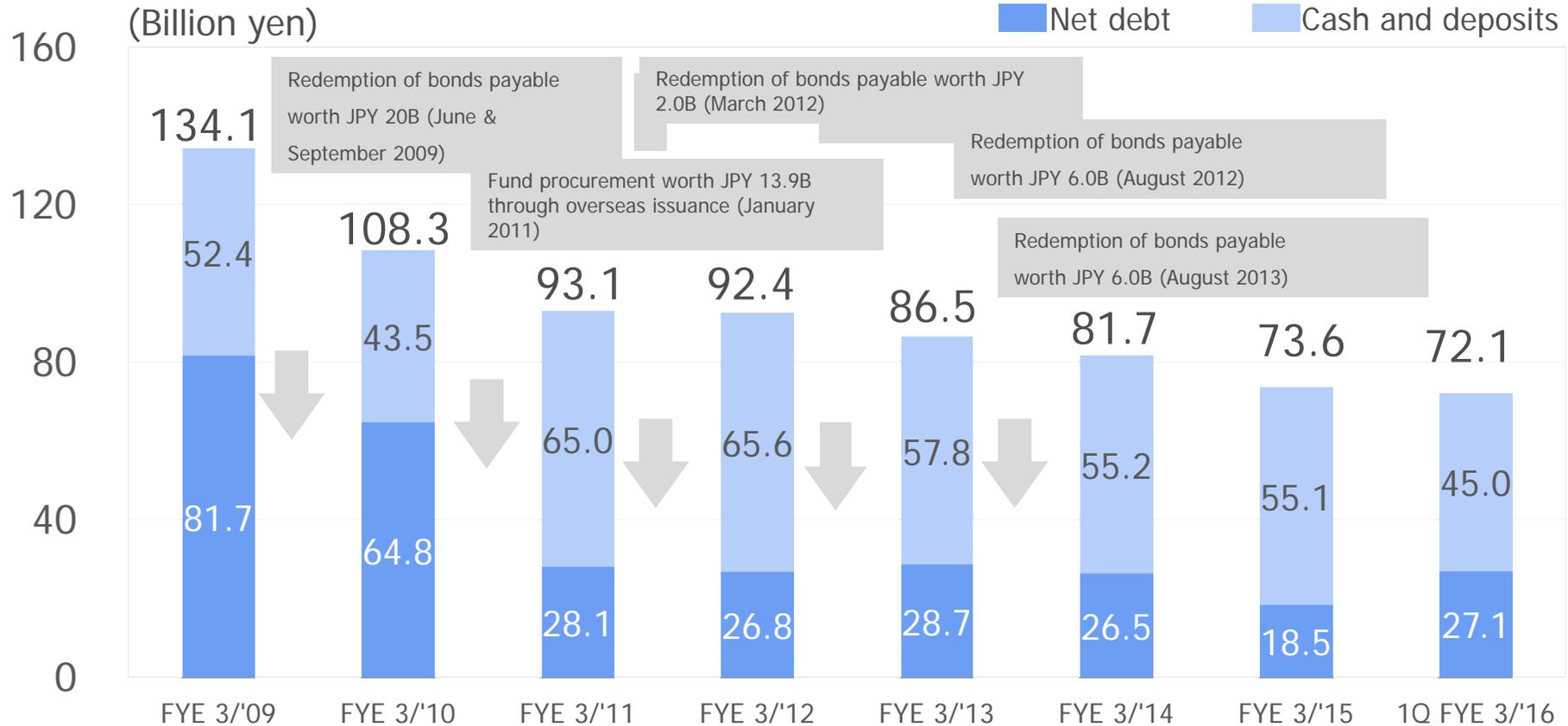
(Billion yen)

	End of FYE3/'15	End of 1Q- FYE3/'16	Change from the previous year-end
Total assets	278.7	276.7	(2.0)
Interest-bearing debts	73.6	72.1	(1.5)
Net debt	18.5	27.1	+8.6
Net debt/equity ratio (times)	0.26	0.38	+0.12
Capital surplus	45.6	45.6	(0.0)
Retained earnings	22.2	19.1	(3.1)
Net assets	79.2	76.7	(2.5)
Shareholders' equity	71.8	70.6	(1.2)
Shareholders' equity ratio (%)	25.8	25.5	(0.3)

- Interest-bearing Debts

- ❖ While interest-bearing debts decreased, net debt increased due to ASK's conversion into a subsidiary.

Changes in Interest-bearing debts (consolidated)



Net debt/equity ratio (times)

1.13

1.41

0.54

0.48

0.44

0.51

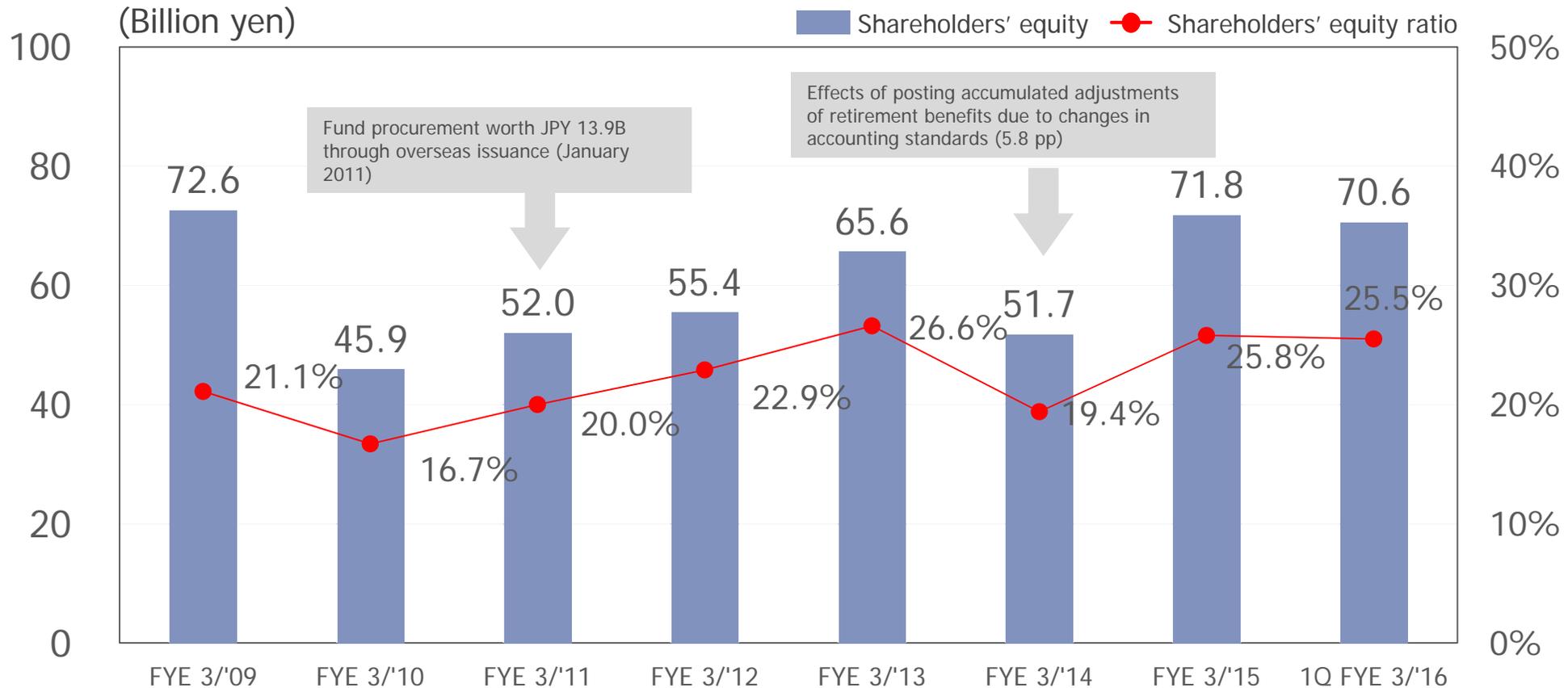
0.26

0.38

- Shareholders' Equity Ratio

- ❖ Retained earnings decreased due to posting of net loss and other factors, and shareholders' equity also declined. Furthermore, net assets decreased due to the additional acquisition of Shinwa shares. Shareholders' equity ratio dropped 0.3 percentage points to 25.5%.

Change in shareholders' equity ratio (consolidated)



* 1st stock acquisition rights issued on August 25, 2011: Already acquired and canceled entirely without compensation.

- Cash Flow Summary

❖ Decrease in free cash flow

- Cash flows from operating activities increased, but cash flows from investing activities decreased due to increases in purchases of property, plant and equipment and purchase of intangible assets in addition to making ASK a subsidiary.

(Billion yen)

	FYE3/'14	FYE 3/'15	1Q FYE 3/'16	Reference 1Q 'FYE 3/'15
Cash flow from operating activities	14.9	8.6	3.5	(0.1)
Cash flow from investing activities	(10.7)	(3.9)	(4.6)	(2.2)
Cash flow from financing activities	(9.6)	(7.5)	(9.7)	(4.4)
Free cash flow	4.3	4.7	(1.1)	(2.3)

* Free cash flow = Cash flow from operating activities + Cash flow from investing activities

(Reference)

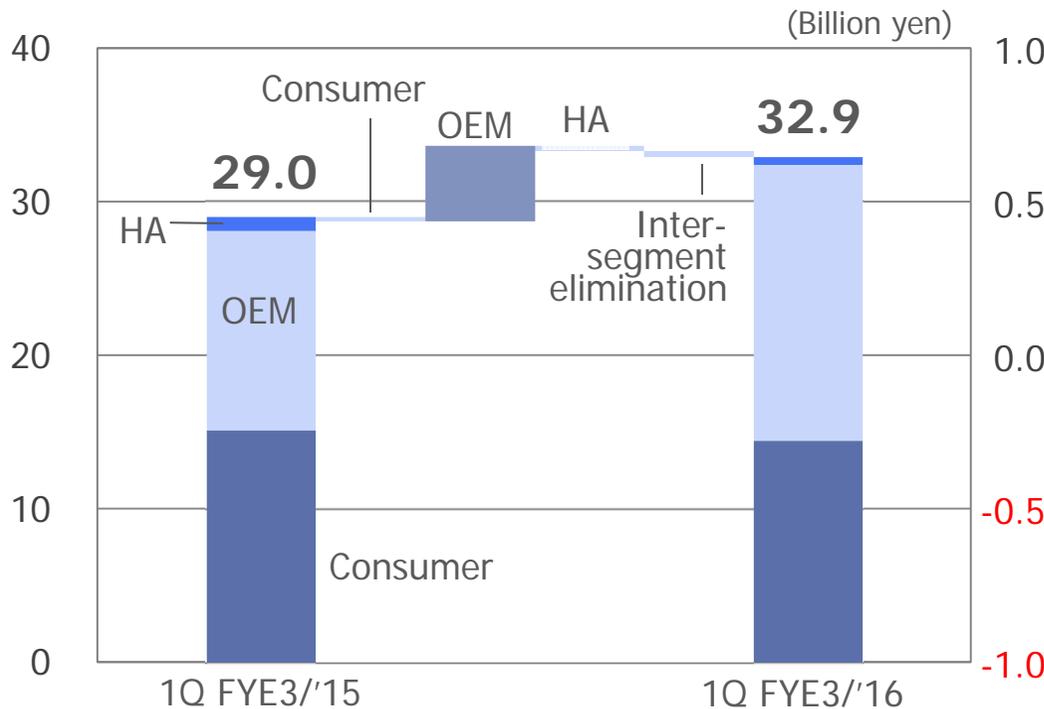
information for 1Q by Business Segment

- Car Electronics

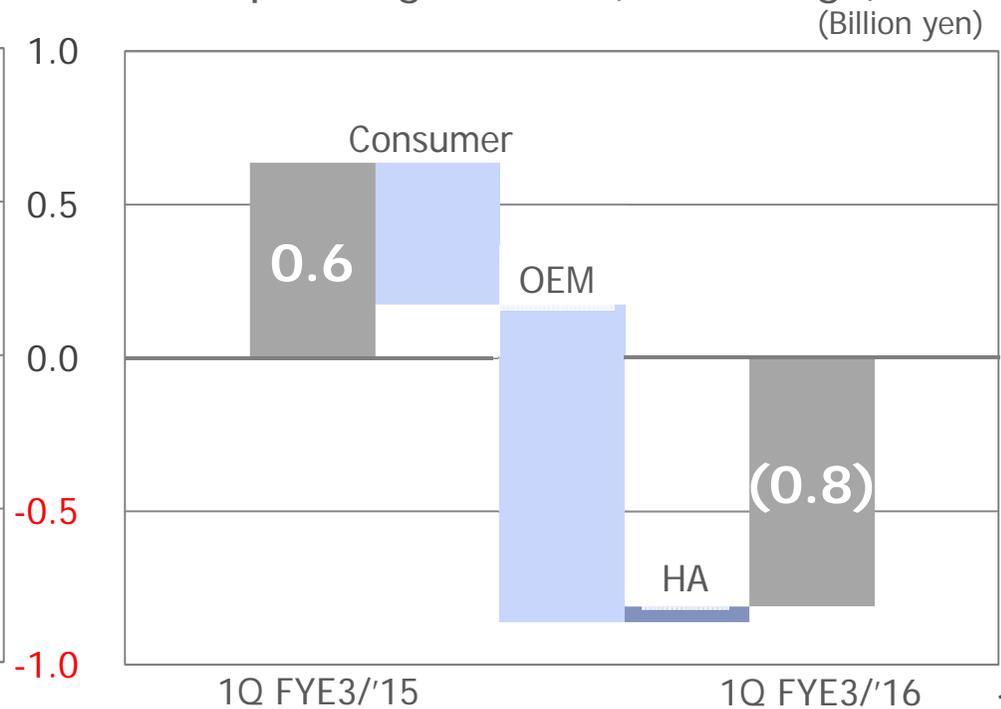
- ❖ Net sales: Consumer sales were on a par with the same period of last year due to the strong performance of the domestic market, although overseas markets were adversely affected by sluggish markets in the Middle and Near East and Europe. OEM sales increased due to ASK's conversion into a subsidiary.
- ❖ Operating income: Overall income from consumer sales decreased due to declined sales in Asia and Europe, though income from consumer sales increased in Japan. OEM income decreased due to increases in development costs following winning of new orders and in development costs for next-generation businesses.

* HA...Home Audio

Net sales (YoY change)



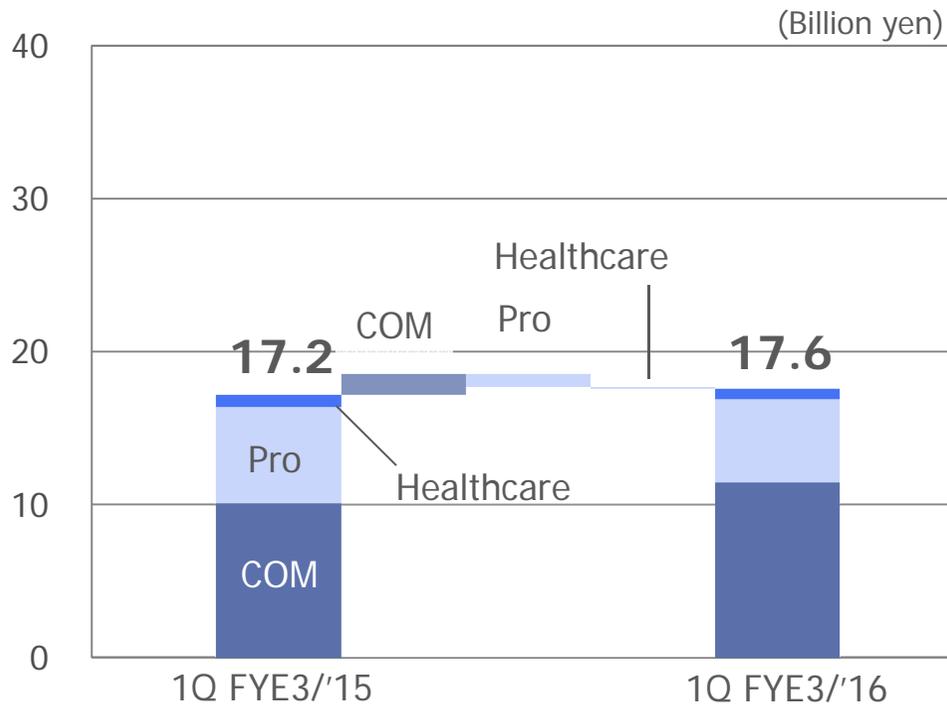
Operating income (YoY change)



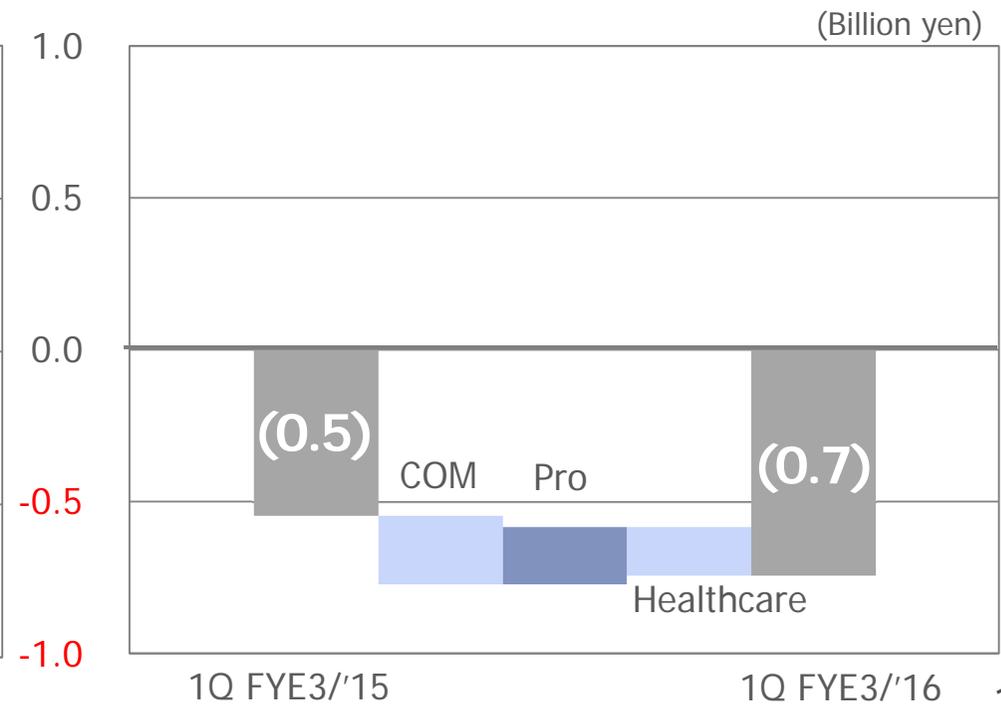
- Professional System

- ❖ Net sales: COM sales increased due to strong sales of professional wireless equipment in North America (the biggest market), effects of foreign exchange fluctuations, and other factors. Pro sales and healthcare sales decreased due to a fall in overseas sales.
- ❖ Operating income: COM saw lower income due to a delay in acquiring new orders by EFJT, an increase in expenses on amortization of goodwill and other factors. Pro had the effects of decreased sales compensated for by reduction of fixed costs. Healthcare saw lower income due to declined sales.

Net sales (YoY change)



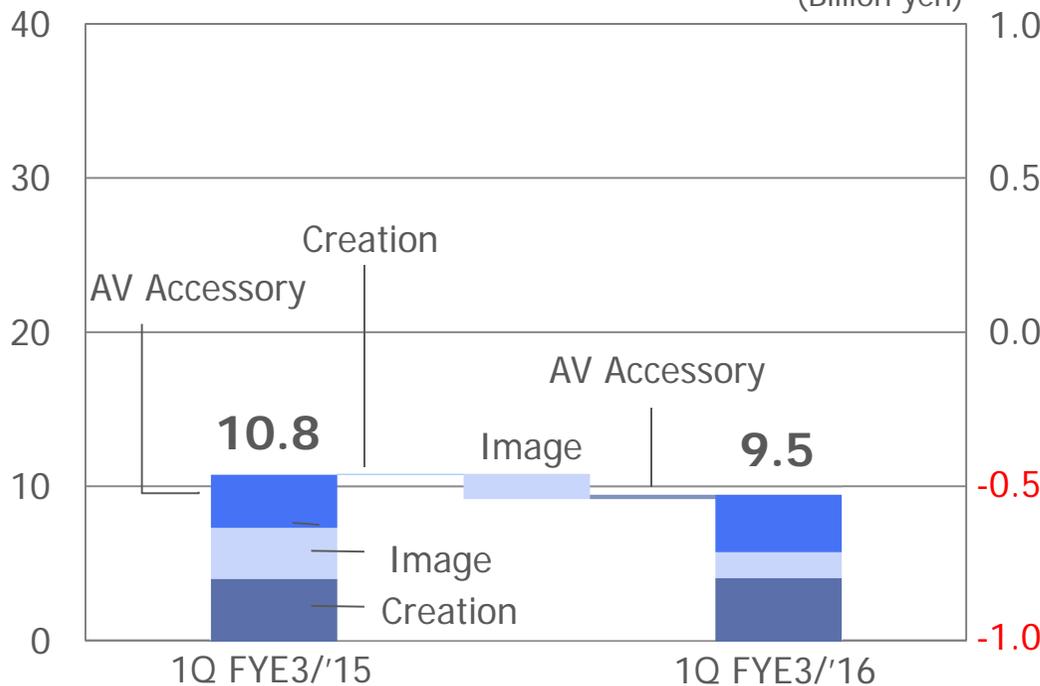
Operating income (YoY change)



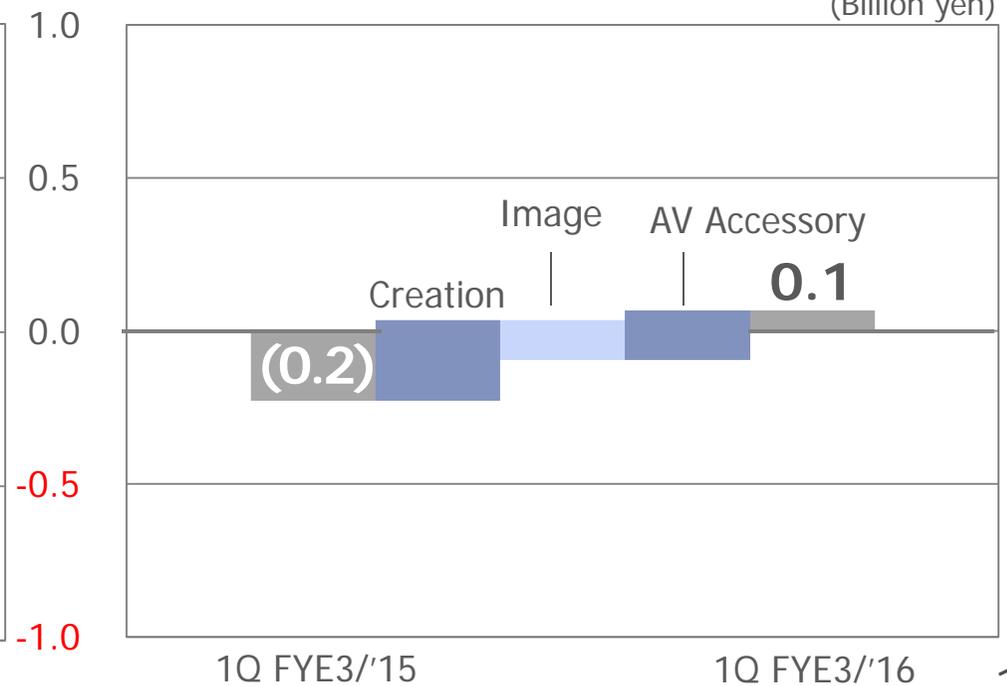
- Optical & Audio

- ❖ Net sales: Creation sales increased due to the completion of reduction of product lineups of consumer video cameras and increased sales in professional video cameras. Image sales decreased due to a shift of displays to brand licensing supply. AV Accessory sales increased due to strong domestic and overseas sales.
- ❖ Operating income: Creation and AV accessory both saw higher income due to increased sales. However, Image saw lower income due to decreased sales.

Net sales (YoY change) * HT...Home theater
(Billion yen)



Operating income (YoY change)
(Billion yen)

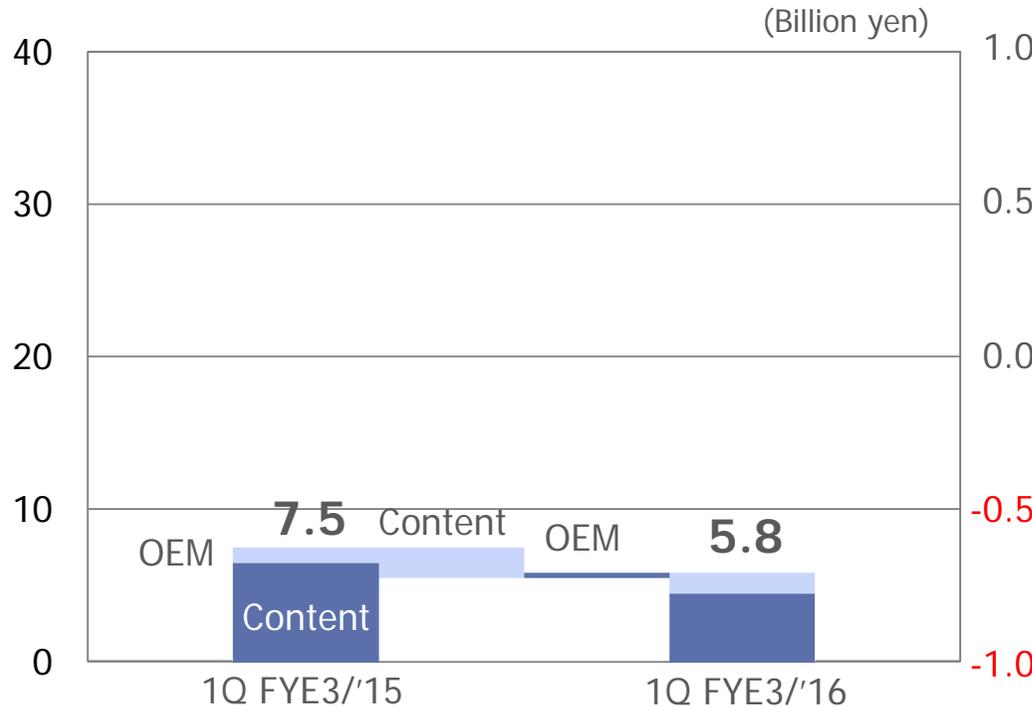


Financial Results for 1Q of FYE 3/'16

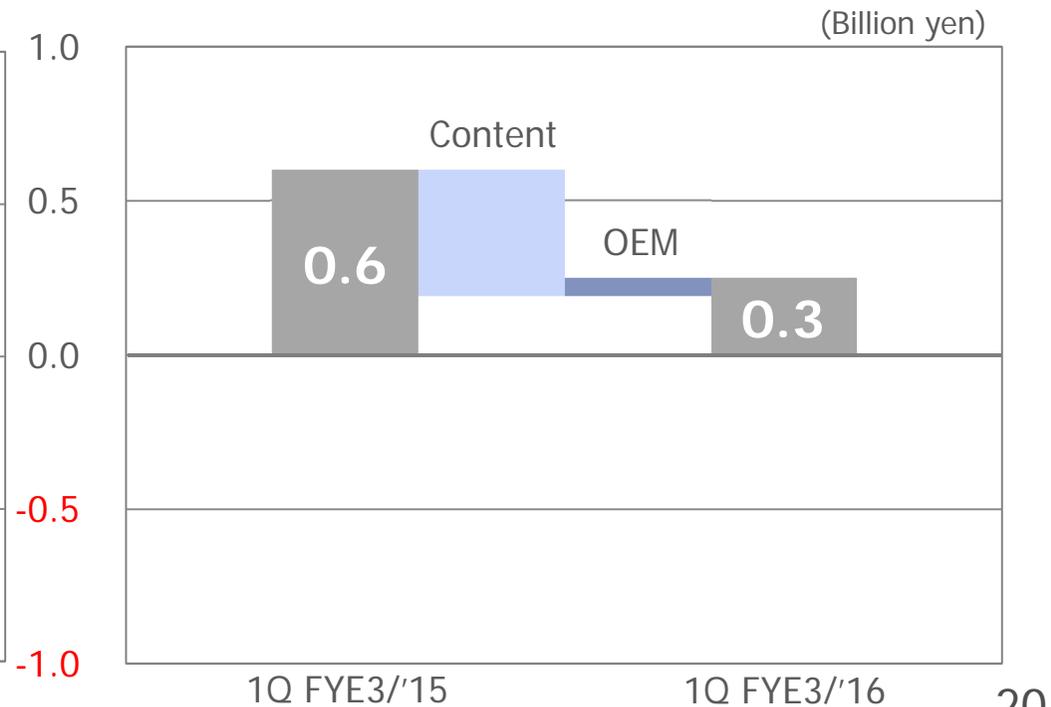
- Software & Entertainment

- ❖ Net sales: Content sales decreased due to the effects of the transfer of all shares of Teichiku. OEM sales increased due to success of new products.
- ❖ Operating income: Content saw lower income due to the effects of the transfer of all shares of Teichiku. OEM increased income due to increased sales.

Net sales (YoY change)



Operating income (YoY change)



1. Overview of financial results for the first quarter of the fiscal year ending March 2016
- 2. Measures in the second quarter and beyond**
3. Full-year earnings forecast for FYE3/'16

First Quarter of Fiscal Year Ending March 2016

❖ Result

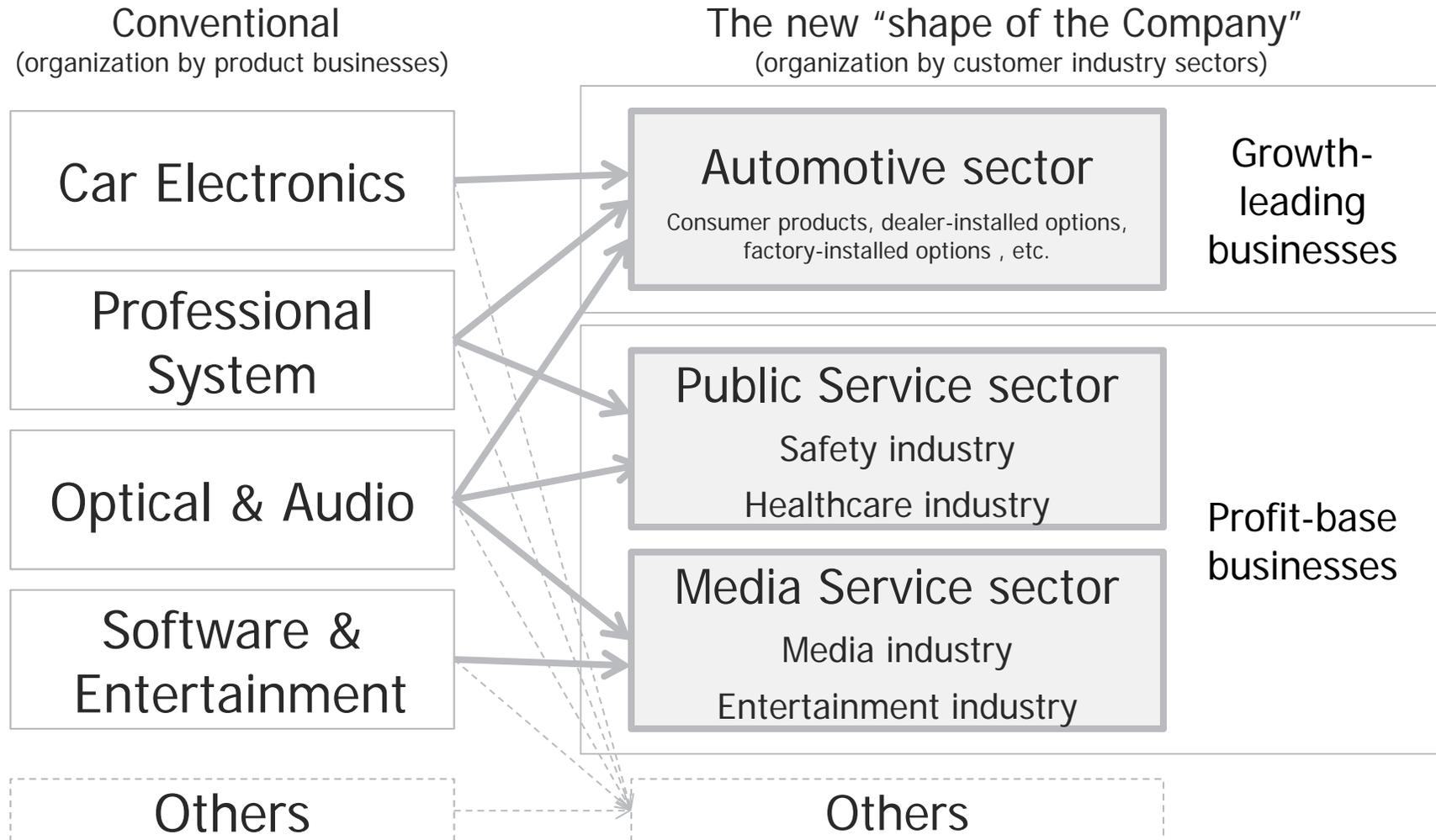
- Though consumer CE products were adversely affected by the deterioration of the economic environment in Asia and Europe, they tend to recover due to the effects of the launch of new products in the Americas in June and continued strong sales of domestic navigation systems.
- As a result of enhancing the sales system under the direction of the new CEO at the U.S. radio subsidiary of PS COM, increased order backlog and other effects were revealed.
- Promotion of order receiving for dealer-installed navigation systems in and after the next fiscal year

❖ Challenges

- Smooth shift to an organization according to the customer industry and sales expansion through thorough implementation of a market-focused structure
- In CE, full-scale introduction and sales expansion of new consumer products for the Americas and smooth introduction and sales expansion of dealer option navigation systems for new customers in the category of dealer-installed option navigation systems for new customers
- In PS, expansion of orders received by enhancing the sales structure of EFJT

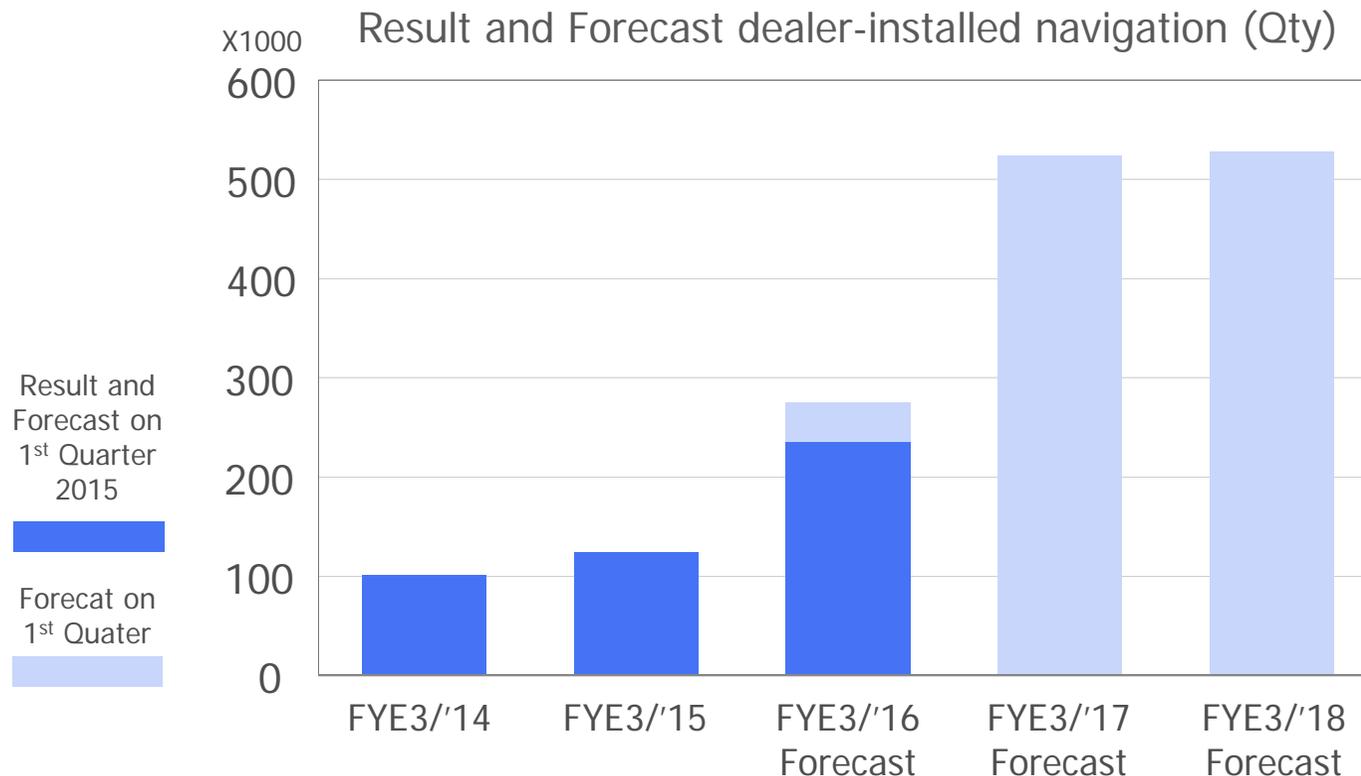
~ Reorganization ~

- ❖ Promote integration of holding technologies by separating the organization by customer industry sectors on 1/Jul.



~ Measures by business (1) Automotive

- ❖ Continuation of recovery of consumer products
 - Rapid recover from June by launching display audio systems conforming to Apple CarPlay & Android Auto → furthermore, addition of a lineup in the second quarter and beyond
- ❖ Acquisition of large-scale orders for dealer-installed navigation systems
 - Acquisition of new large-scale orders for dealer-installed navigation systems resulting from high evaluation of consumer model (Saisoku-Navi)



Measures in the second quarter and beyond

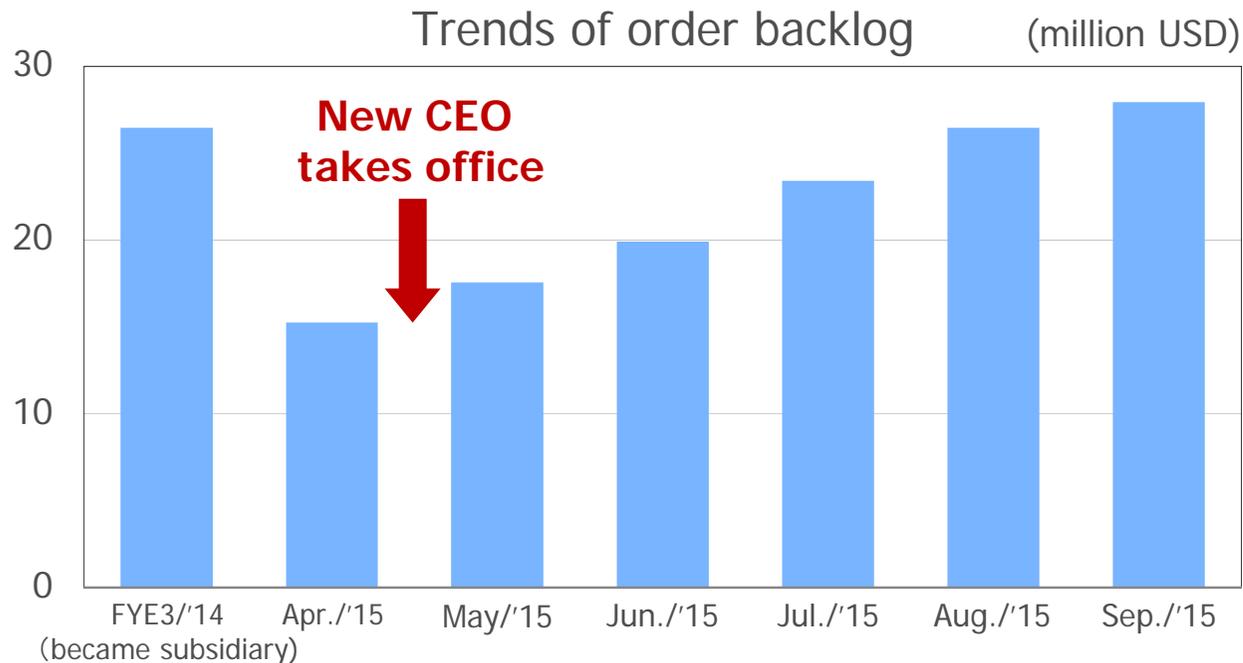
~ Measures by business (2) EFJT

- ❖ Rapid increase in order backlog due to activation of order-receiving activities after the new CEO takes office.

Contributions to sales to be made from the second half, with significant improvement in earnings projected for the full year.

- ❖ Measures

- Rebuilding of the sales system to enhance receiving orders for new system projects
- Expansion of terminal sales through the maximum utilization of the sales network of our U.S. sales company (JKUSA)



1. Overview of financial results for the first quarter of the fiscal year ending March 2016
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- 3. Full-year earnings forecast for FYE3/'16**

Full-year earnings forecast for FYE 3/'16

❖ Full-year earnings forecast will be unchanged.

- The Automotive Consumer sector will continue to recover, driven by new products launched in June. Shipments for new customers will start and enhancement of order receiving activities will be continued in the category of dealer-installed option.
- With regard to the Public Service sector, expectations are pinned on continued expansion of order receiving under the umbrella of the new CEO of EFJT.
- In the Media Service sector, we expect AV Accessory and Pro Cameras to continue to be steady.
- Sales expansion through thorough implementation of market-focused approaches under the business structure according to the customer industry

	(Billion Yen)			
	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
FYE3/'16	300.0	8.0	4.5	2.0
FYE3/'15	285.0	6.6	3.2	4.7
YoY	+15.0	+1.4	+1.3	(2.7)

* Assumed FX rate for FYE 3/'16: 1 USD = JPY 120, 1 Euro = JPY 128
 Actual FX rate for FYE 3/'15: 1 USD = JPY 110, 1 Euro = JPY 139

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