

**JVCKENWOOD**

**Translation for Reference Only**

# **JVCKENWOOD**

## **Results and Forecast Briefing**

### **First Quarter of Fiscal Year Ending March 2017**

August 2, 2016

JVCKENWOOD Corporation

# Abbreviations

AM	Automotive (Sector) Consumer (Business) OEM (Business) ASK: ASK Industries S.p.A.
PS	Public Service (Sector) Communications Systems (Business) Professional Systems (Business) Healthcare (Business) EFJT: EF Johnson Technologies, Inc. Zetron: Zetron, Inc.
MS	Media Service (Sector) Media (Business) Entertainment (Business)

# **1. Overview of Financial Results for 1Q of FYE3/'17**

## **2. Topics**

# **1. Overview of Financial Results for 1Q of FYE3/'17**

## **2. Topics**

# Financial Results for 1Q of FYE3/'17 - Summary

(Billion yen)

		1Q FYE3/'17	1Q FYE3/'16	YoY
Net sales		65.7	67.3	(1.6)
Operating income		(1.4)	(1.1)	(0.3)
Ordinary income		(1.5)	(1.6)	+0.1
Net income attributable to owners of parent		(2.8)	(2.3)	(0.5)
Profit-and-loss exchange rate	USD	JPY 108	JPY 121	
	EUR	JPY 122	JPY 134	

# Financial Results for 1Q of FYE3/'17 - Summary

## ❖ Net sales

- Declined due to the effects of exchange rate fluctuations and lower sales in the PS Sector.
- Increased in real terms, after excluding the effects of foreign exchange.

## ❖ Operating income

- Operating loss increased due to factors that were within our period-start expectations such as foreign exchange fluctuations and higher retirement benefit expenses.
- Income/loss improved in all sectors, after excluding the effects of foreign exchange and other factors.

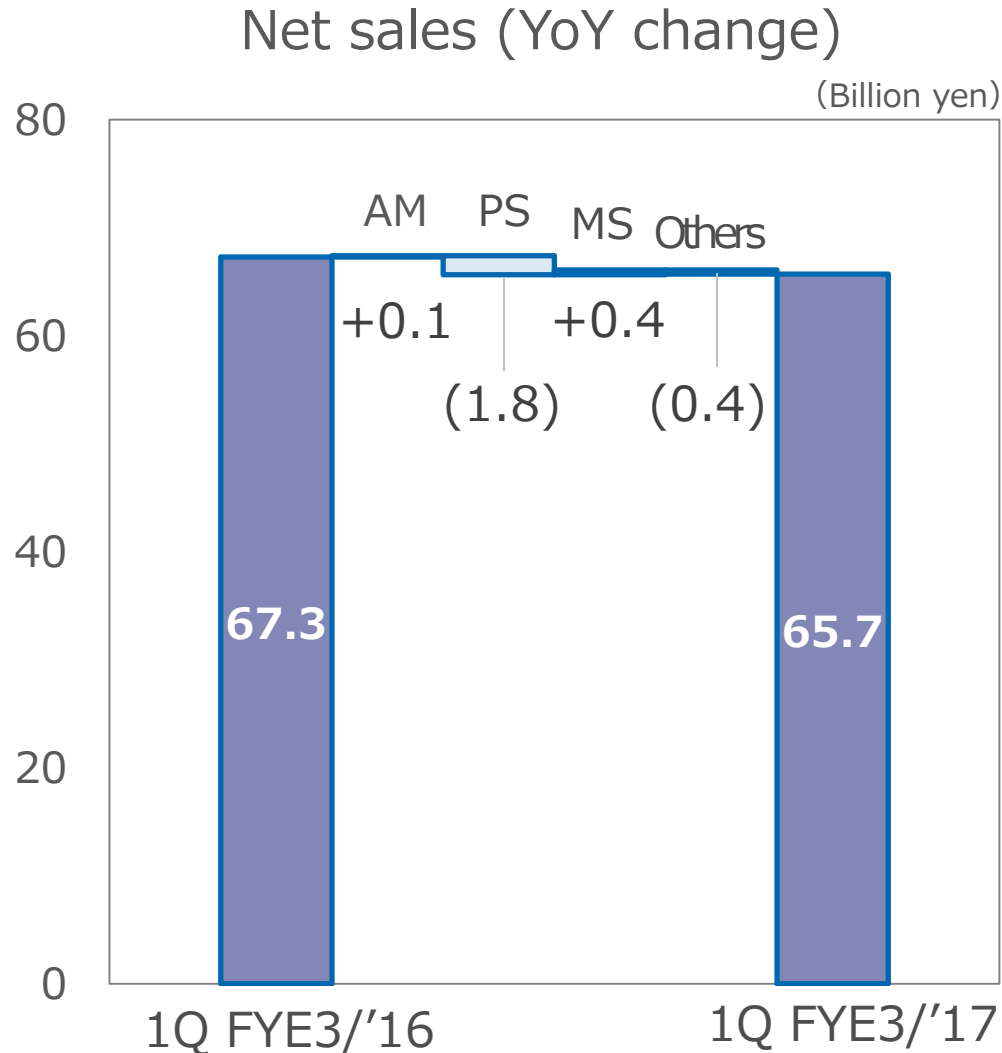
## ❖ Ordinary income

- Ordinary income remained unchanged from the same period of the previous year due to an improvement in non-operating income and expenses.

## ❖ Net income for the quarter attributable to owners of parent

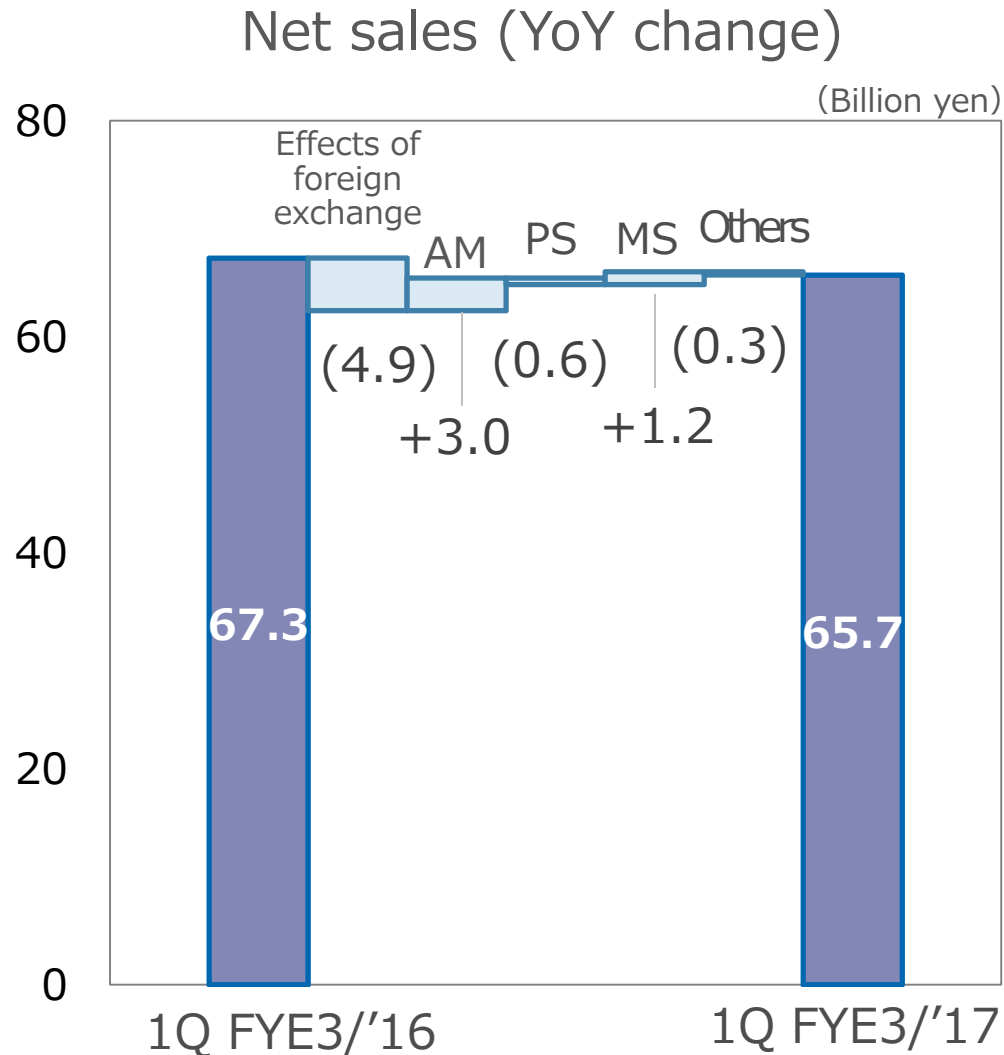
- Decreased due to the posting of an extraordinary loss.

# Financial Results for 1Q of FYE3/'17 Consolidated Net Sales (By Sector)



- ❖ AM: Sales increased  
(Factor)  
Sales increase in the OEM Business due to higher sales of dealer-installed option products.
- ❖ PS: Sales decreased  
(Factor)  
Sales decrease in the Communications Systems Business.
- ❖ MS: Sales increased  
(Factor)  
Sales increase in the Entertainment Business.

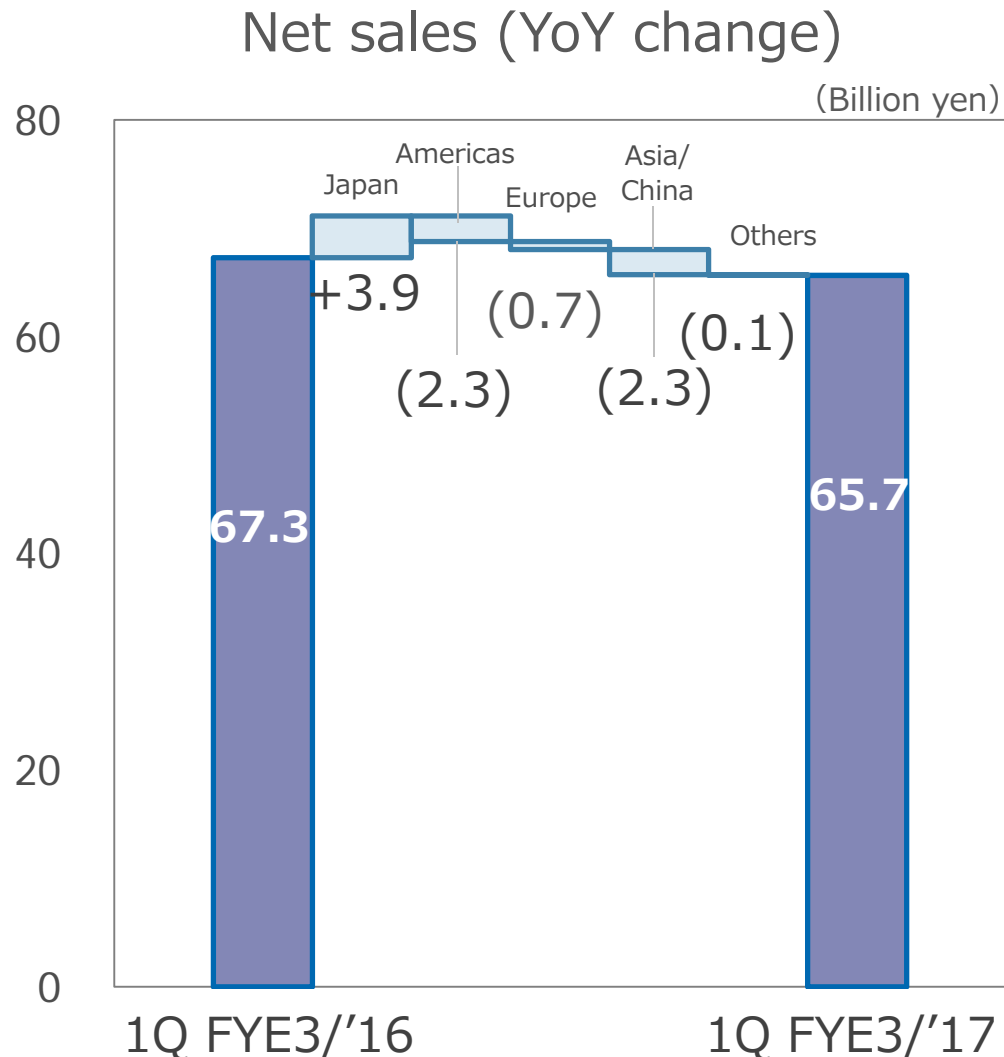
# Financial Results for 1Q of FYE3/'17 Consolidated Net Sales (By Sector, after Excluding the Effects of Foreign Exchange)



- ❖ Net sales increased in real terms, after excluding the effects of foreign exchange (JPY -4.9 billion yen).

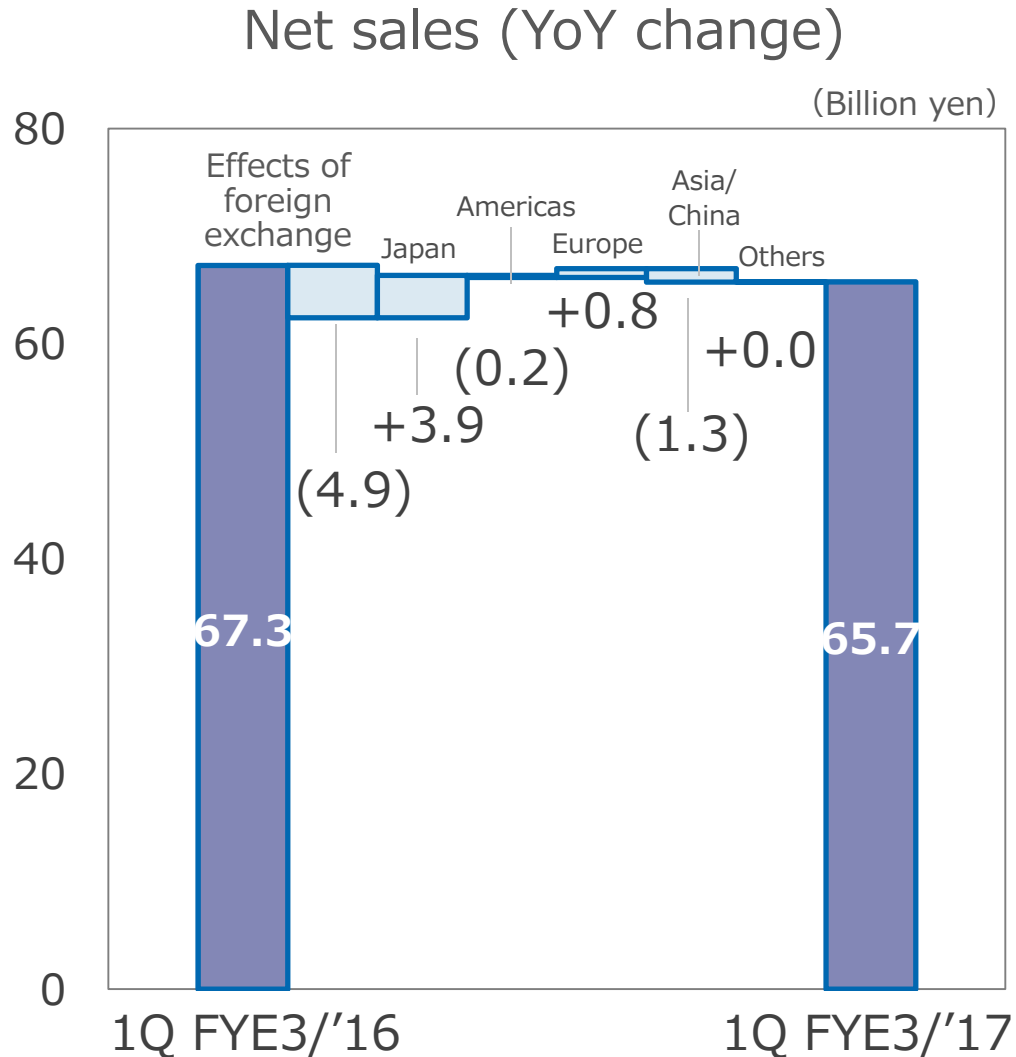


# Financial Results for 1Q of FYE3/'17 Consolidated Net Sales (By Region)



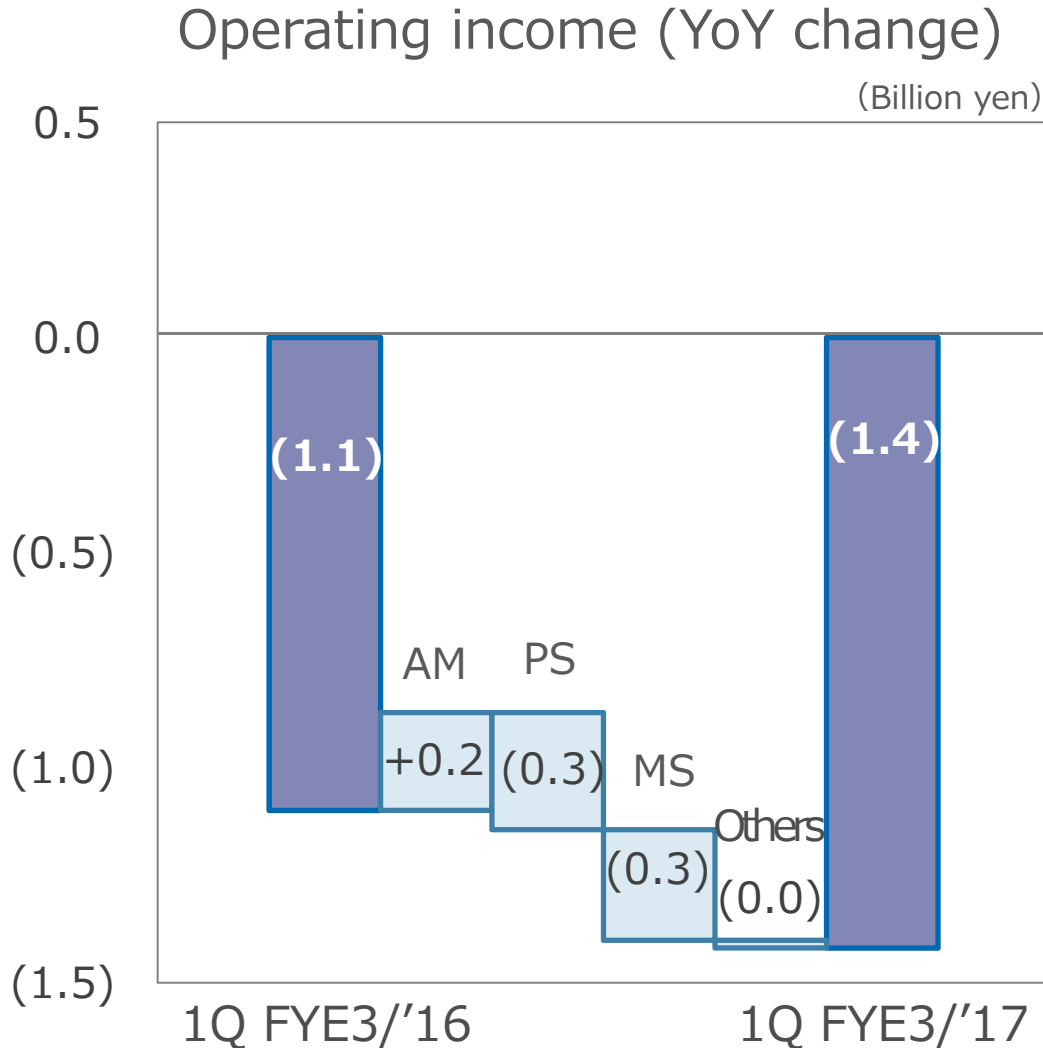
- ❖ Japan: Sales increased  
(Factor)  
Sales increase in the OEM Business due to higher sales of dealer-installed option products.
- ❖ U.S.: Sales decreased  
(Factor)  
Sales decrease in the Communications Systems Business.
- ❖ Europe: Sales decreased  
(Factor)  
Effects of foreign exchange.
- ❖ Asia/China: Sales decreased  
(Factor)  
Sales decrease at Shinwa.

# Financial Results for 1Q of FYE3/'17 Consolidated Net Sales (By Region, after Excluding the Effects of Foreign Exchange)



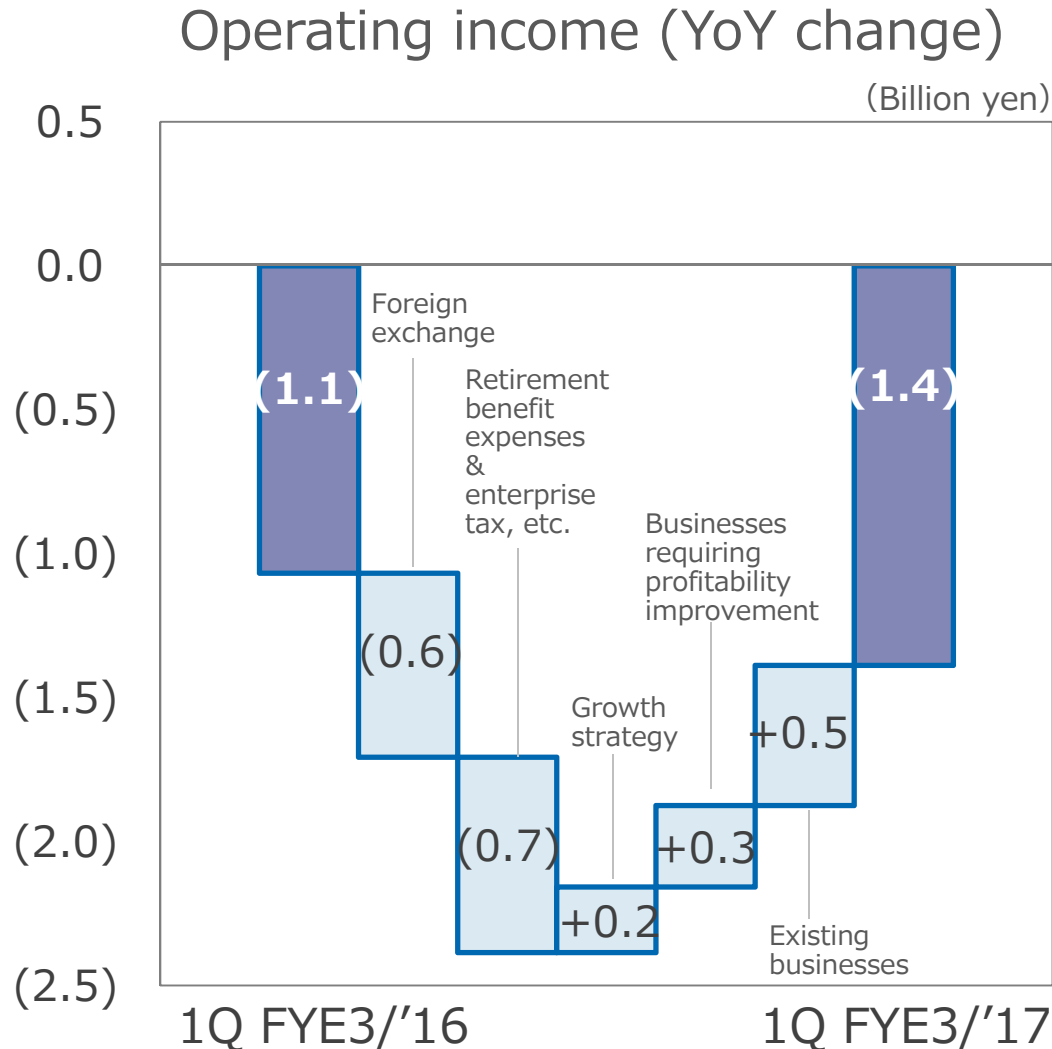
- ❖ Net sales increased in Europe in real terms, after excluding the effects of foreign exchange.

# Financial Results for 1Q of FYE3/'17 Consolidated Operating Income (By Sector)



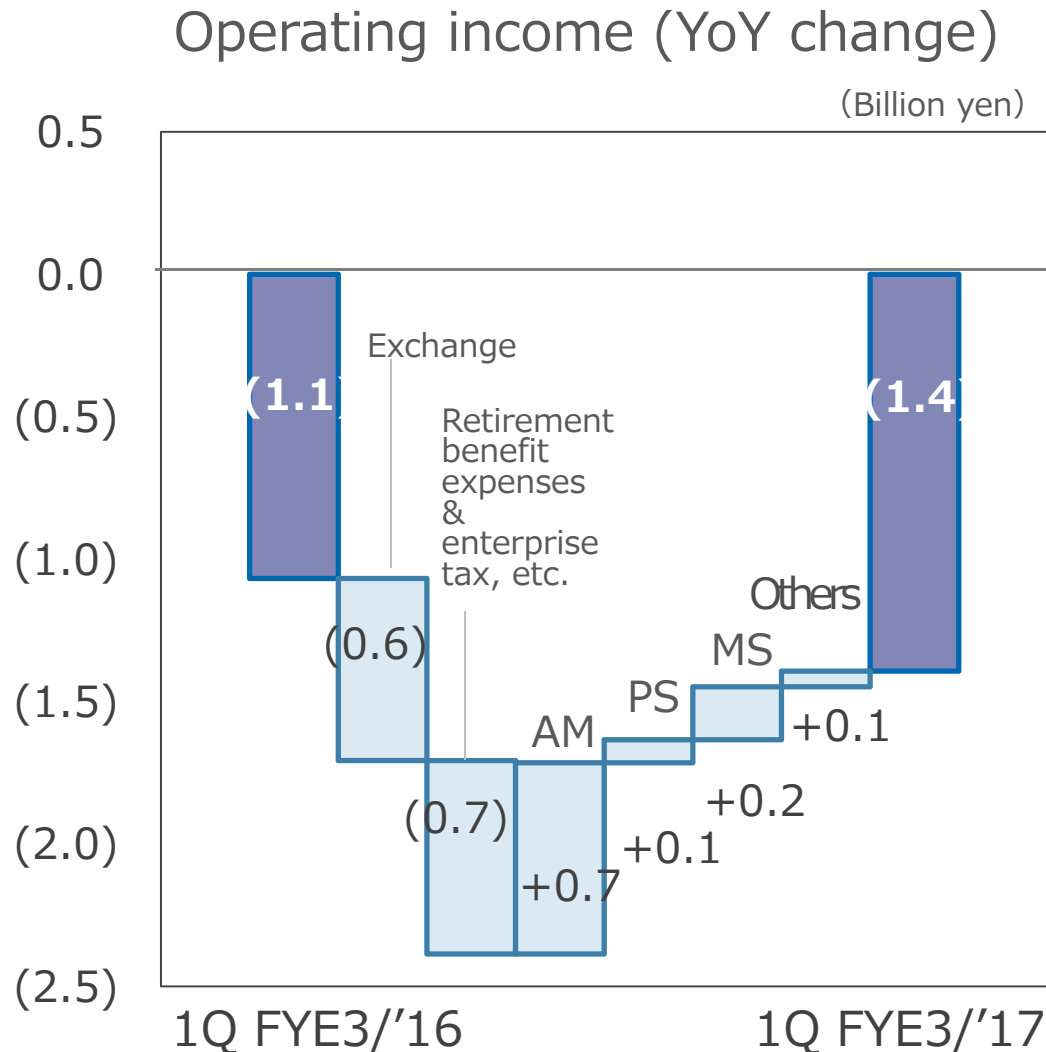
- ❖ AM: Income increased  
(Factor)  
Strong sales of car navigation systems and dashcams in Japan and the effects of the rollouts of new product overseas.
- ❖ PS: Income decreased  
(Factor)  
Income decrease in the Communications Systems Business.
- ❖ MS: Income decreased  
(Factor)  
Income decrease in the Media Business including video cameras, despite increase in the Entertainment Business.

# Financial Results for 1Q of FYE3/'17 Consolidated Operating Income (By Factor)



- ❖ Factors such as foreign exchange fluctuations, increase in retirement benefit expenses, and enterprise tax realized, within our period-start expectations.
- ❖ On the other hand, income increase was also as expected from the growth strategy and in businesses requiring profitability improvement and existing businesses. As a result, consolidated operating income increased in real terms, after excluding the effects of foreign exchange and other factors.

# Financial Results for 1Q of FYE3/'17 Consolidated Operating Income (By Sector, after Excluding the Foreign Exchange, etc.)



- ❖ Income/loss improved in all sectors, after excluding the effects of factors for income decreases that were within our period-start expectations such as effects of foreign exchange, an increase in retirement benefit expenses, and enterprise tax.

# Financial Results for 1Q of FYE3/'17 Consolidated Ordinary Income and Net Income for the Quarter Attributable to Owners of Parent

(Billion yen)

	1Q FYE3/'17	1Q FYE3/'16	YoY
Operating income	(1.42)	(1.10)	(0.32)
Non-operating income and expenditure	(0.11)	(0.54)	+0.43
Ordinary income	(1.52)	(1.64)	+0.11
Extraordinary income/loss	(0.35)	(0.04)	(0.32)
Income tax, etc.	(0.92)	(0.66)	(0.25)
Net income for the quarter attributable to owners of parent	(2.79)	(2.34)	(0.46)

# Financial Results for 1Q of FYE3/'17 Balance Sheet Summary

(Billion yen)

	End of 1Q FYE3/'17	End of FYE3/'16	YoY
Total assets	238.3	255.9	(17.6)
Interest-bearing debts	67.8	69.2	(1.4)
Net debt	32.2	26.4	+5.7
Net debt/equity ratio (times)	0.77	0.51	+0.26
Net assets	46.7	56.8	(10.1)
Shareholders' equity	41.8	51.6	(9.8)
Shareholders' equity ratio (%)	17.5	20.2	(2.7)

# Financial Results for 1Q of FYE3/'17 Cash Flow Summary

- Cash flow from operating activities decreased during the period, due to an increase in working capital as sales in the AM Consumer Business and MS Entertainment Business concentrated in June.

(Billion yen)

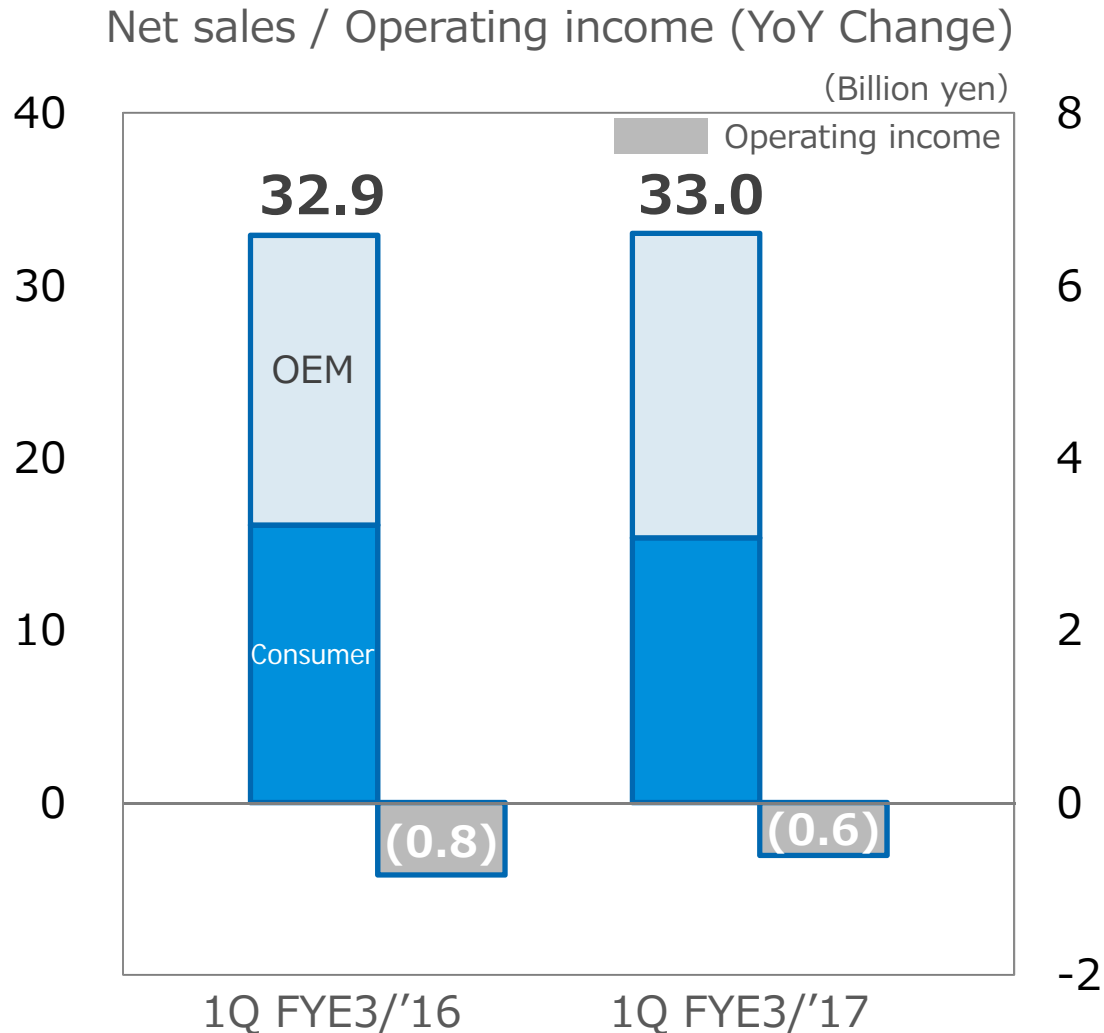
	1Q FYE 3/'17	1Q FYE 3/'16	YoY
Cash flow from operating activities	0.2	3.5	(3.3)
Cash flow from investing activities	(3.3)	(4.6)	+1.3
Cash flow from financing activities	(1.6)	(9.7)	+8.0
Free cash flow	(3.1)	(1.1)	(2.0)

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



# **(Reference) Information by Sector**

# Financial Results for 1Q of FYE3/'17 Automotive Sector



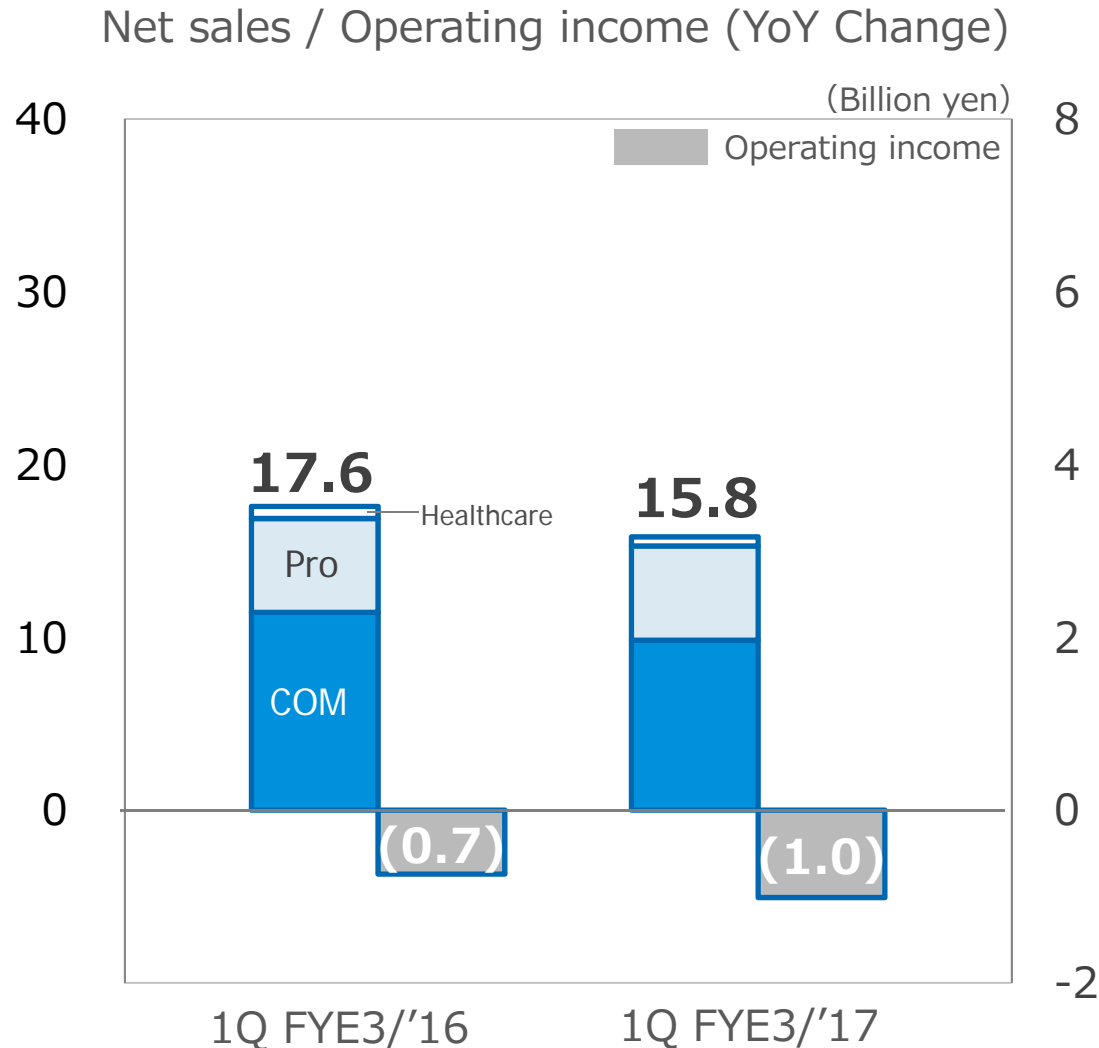
## ❖ Net sales: Sales increased

- In the Consumer Business, sales were strong in Japan but decreased overseas due to factors such as exchange rate fluctuations and an economic slowdown in the Middle and Near East.
- In the OEM Business, sales increased due to significantly higher sales of dealer-installed option products despite a decline in sales at Shinwa.

## ❖ Operating income/loss: Improved

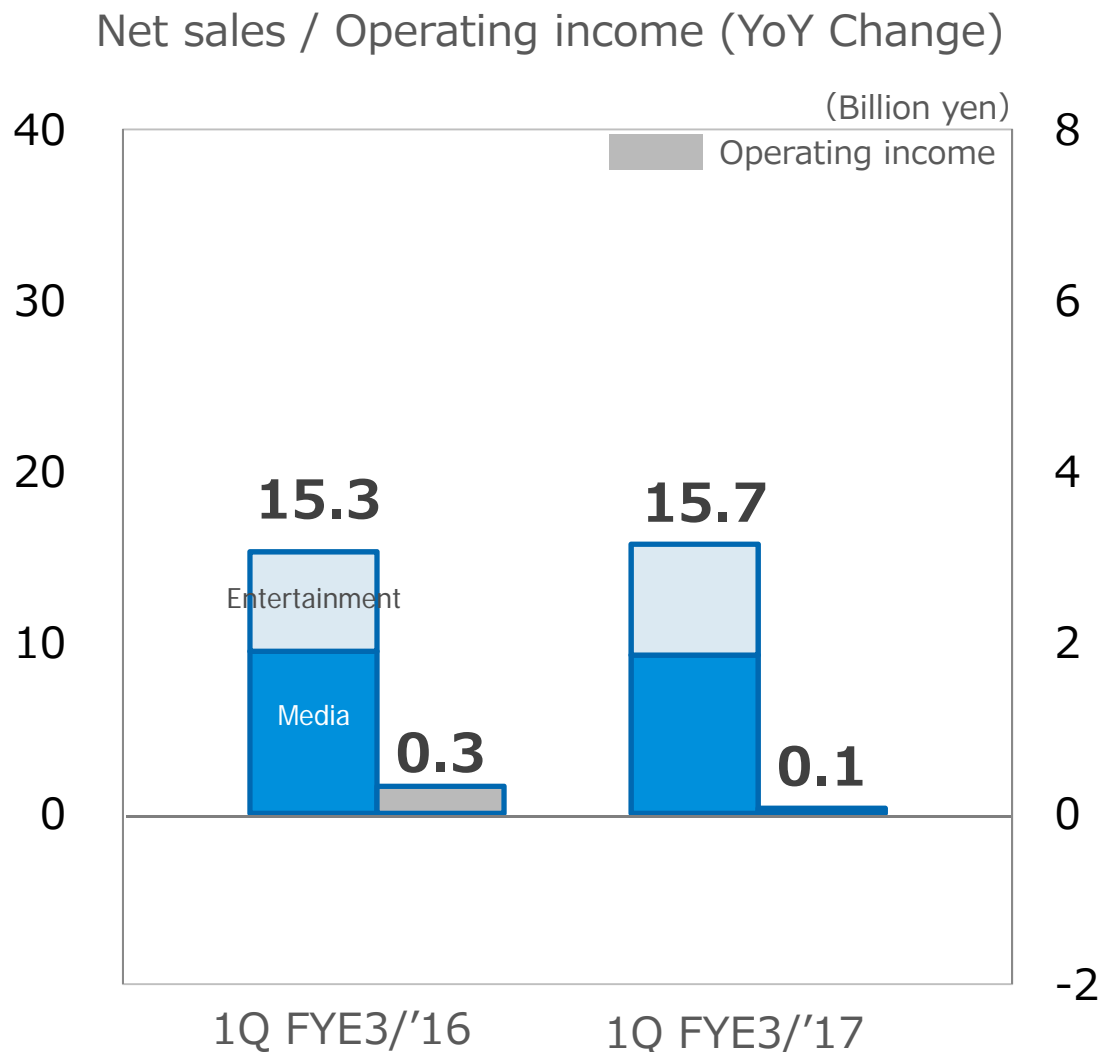
- In the Consumer Business, operating income increased due mainly to the effects of strong sales of car navigation systems and dashcams in Japan and new product introduction overseas.
- In the OEM Business, operating income decreased due mainly to increased advanced development cost for dealer-installed option products.

# Financial Results for 1Q of FYE3/'17 Public Service Sector



- ❖ Net sales: Sales decreased
  - In the Communications Systems Business, sales decreased as sales to the U.S. continued to decrease.
  - In the Professional Systems Business, sales were on a par with the same period of the previous year.
- ❖ Operating income/loss: Deteriorated
  - In the Communications Systems Business, both sales and operating income decreased despite an improvement in business performance of communication systems subsidiaries.
  - In the Professional Systems Business, operating income decreased due mainly to an increase in retirement benefit burden.

# Financial Results for 1Q of FYE3/'17 Media Service Sector



- ❖ Net sales: Sales increased
  - In the Media Business, sales decreased due mainly to lower sales of consumer video cameras in Japan and professional video cameras overseas.
  - In the Entertainment Business, sales increased due to strong content sales.
- ❖ Operating income/loss: Income decreased
  - In the Media Business, both sales and operating income decreased.
  - In the Entertainment Business, both sales and operating income increased.

# Full-year Earnings Forecast for FYE3/'17

- No revision from the initial forecast for the fiscal year

(Billion yen)

		1Q FYE3/'17	1Q FYE3/'16	YoY
Net sales		295.0	292.2	+2.8
Operating income		4.8	4.2	+6.0
Ordinary income		3.3	1.0	+2.3
Net income attributable to owners of parent		0.3	3.2	(2.9)
Profit-and-loss exchange rate	USD	JPY 115	JPY 120	
	EUR	JPY 125	JPY 133	

# 1. Overview of Financial Results for 1Q of FYE3/'17

## 2. Topics

# Sales Ranking of Dashcams



**No. 1**



**No. 2**



**No. 3**

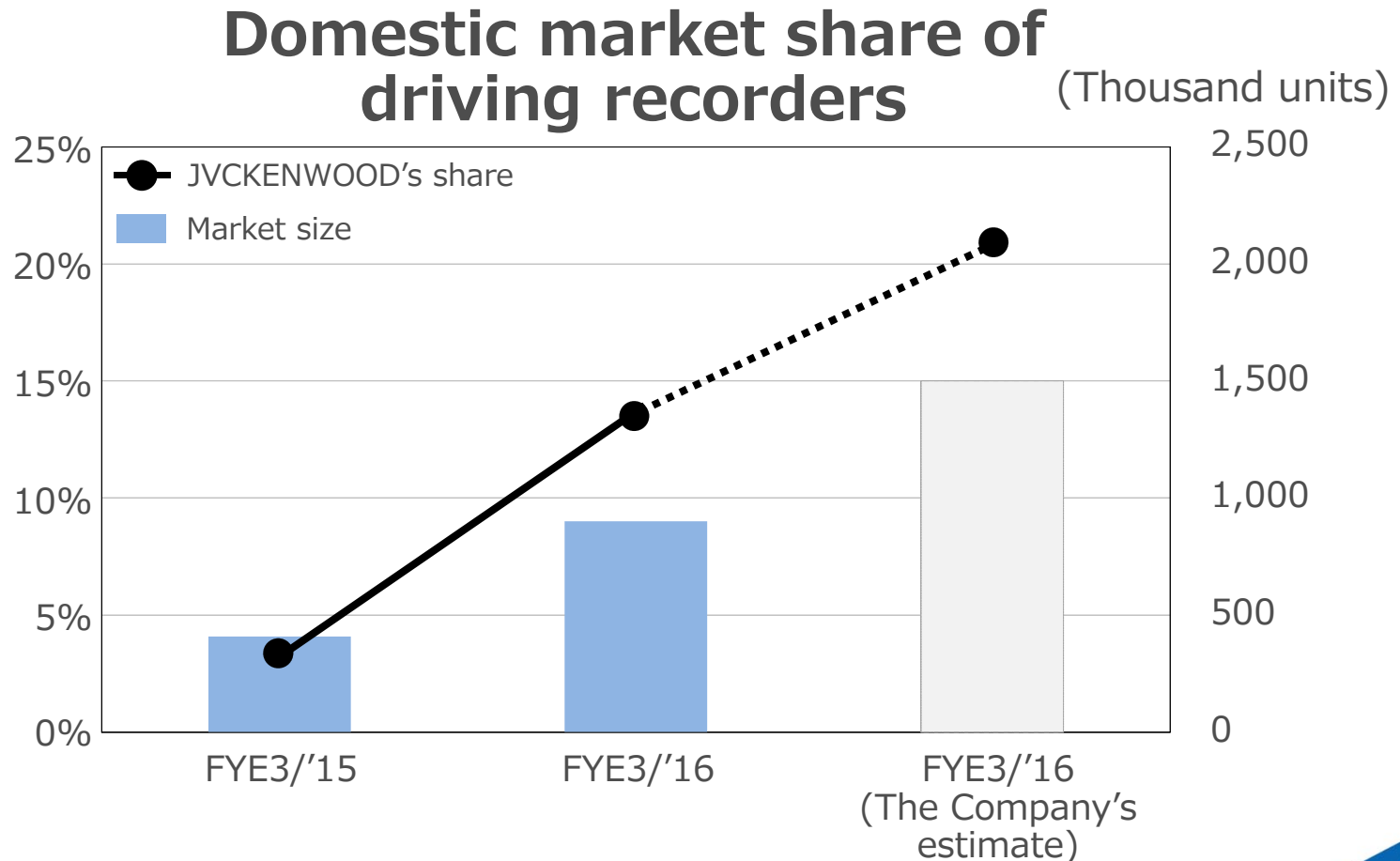


**No. 8**

- All four models of JVCKENWOOD's dashcams ranked in top 10 by sales on a popular price comparison website.

# Automotive Sector – Dashcam Market

- The domestic market share of dashcams is on the rise.
- Looking to expand business by expanding deployment of dashcams in the dealer-installed option market.

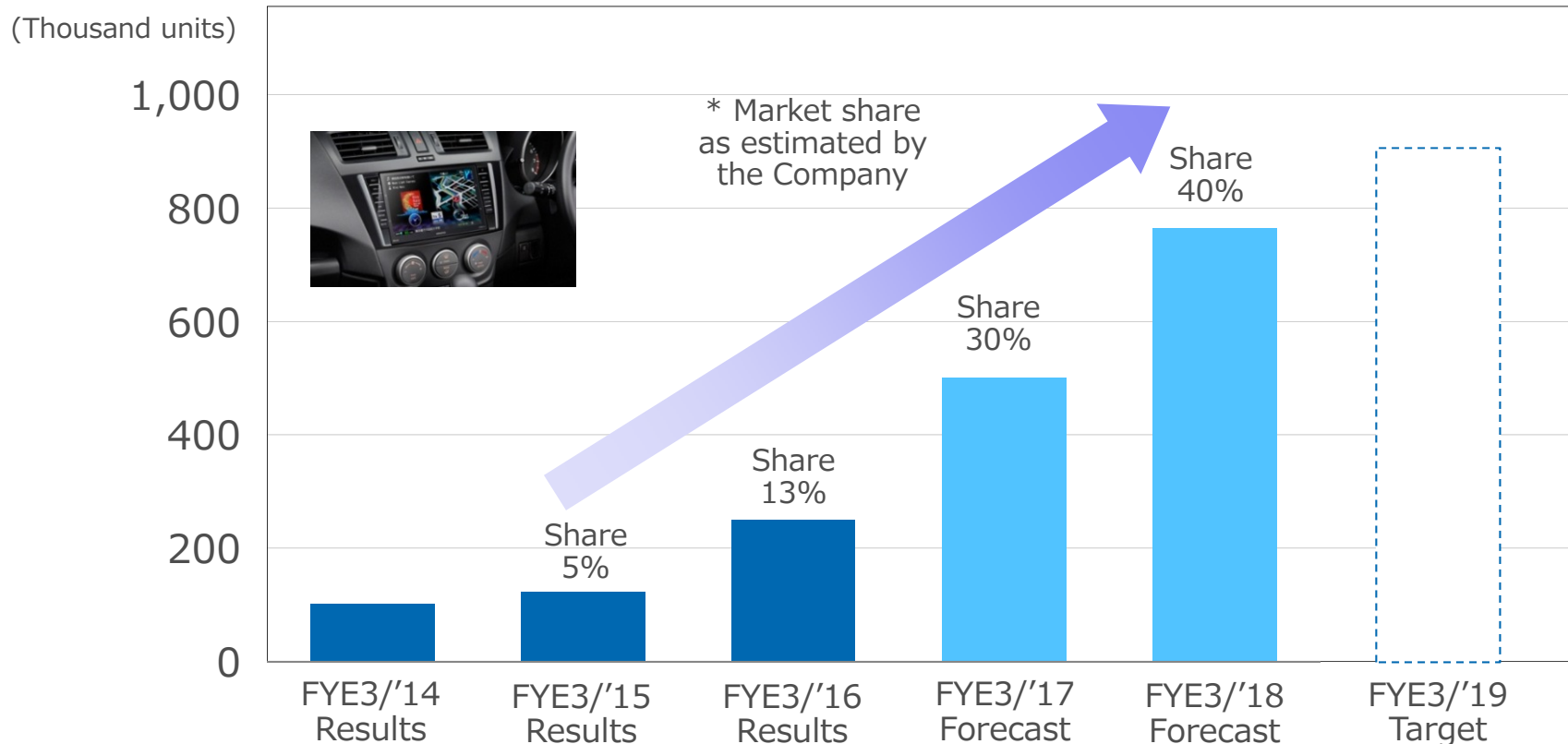




# Automotive Sector – OEM Dealer-Installed Option Navigation Systems

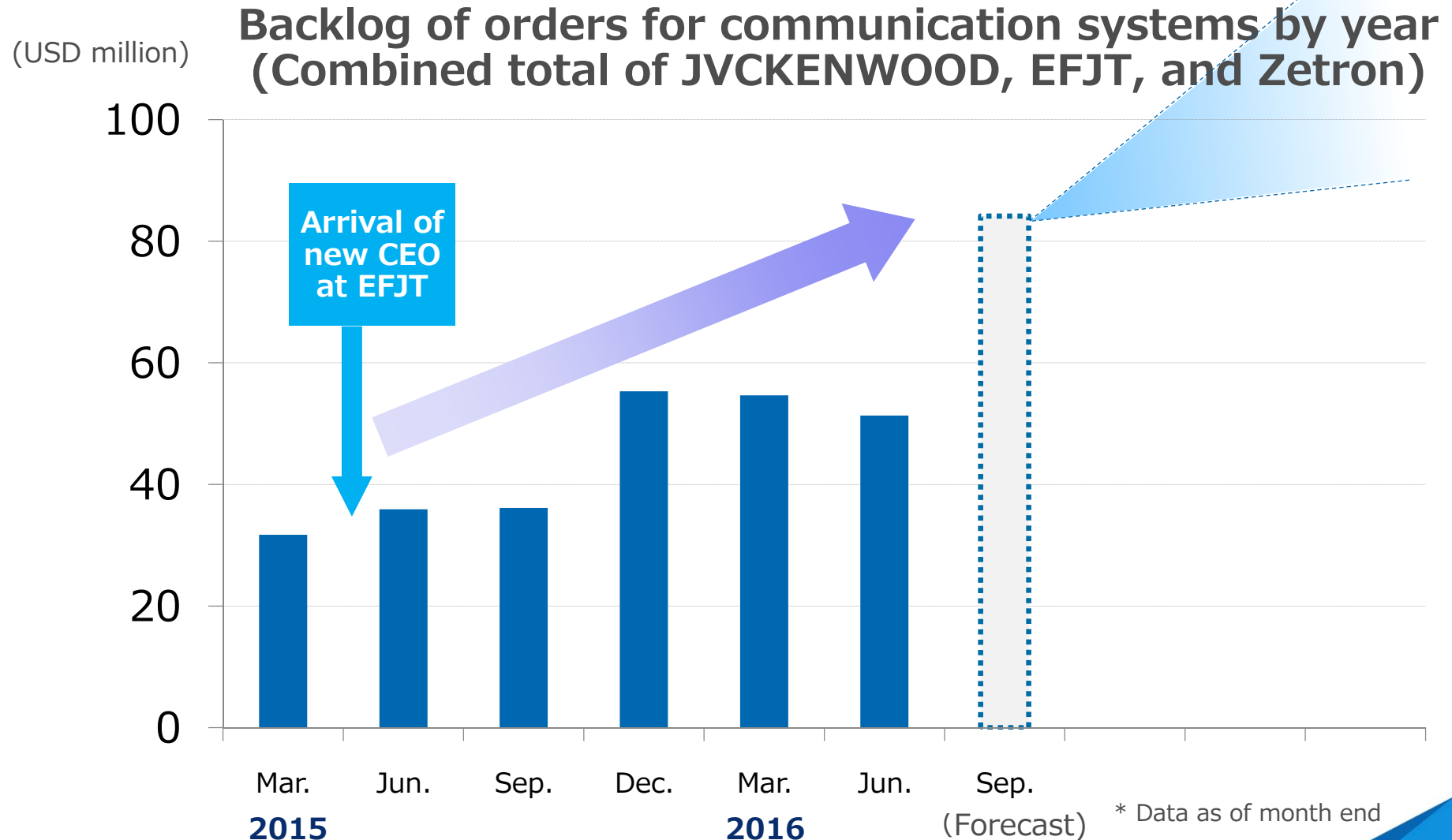
- Continued to receive orders from major manufacturers for FYE3/'18 and beyond.
- Looking to expand business further both domestically and overseas.

## Dealer-installed navigation device products: Results and forecast



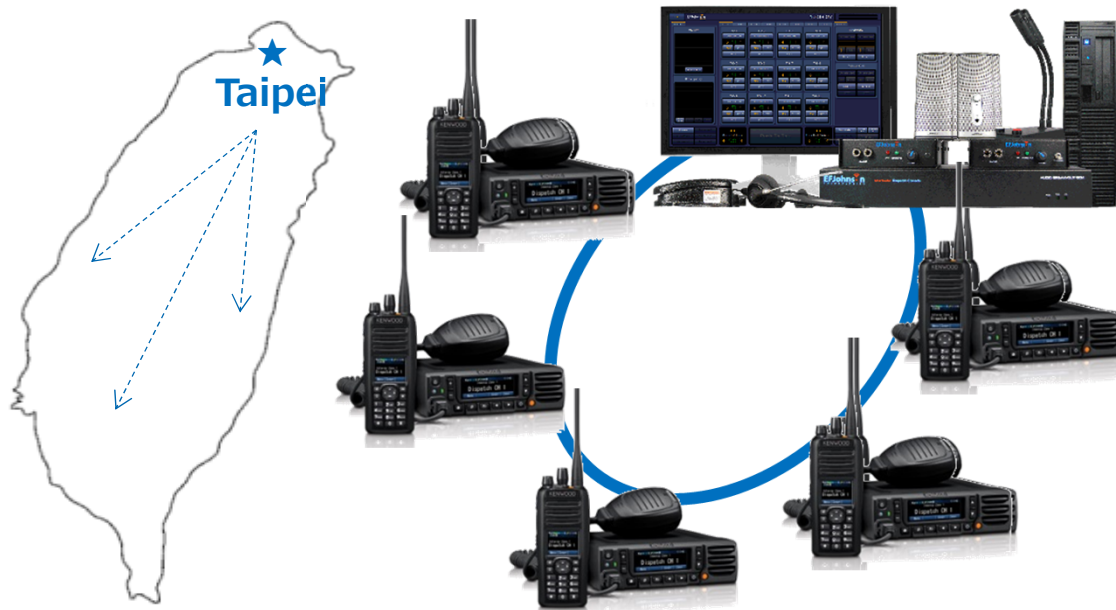
# Public Service Sector – Communications Systems Business

- EFJT and Zetron have continued on a path to recovery.

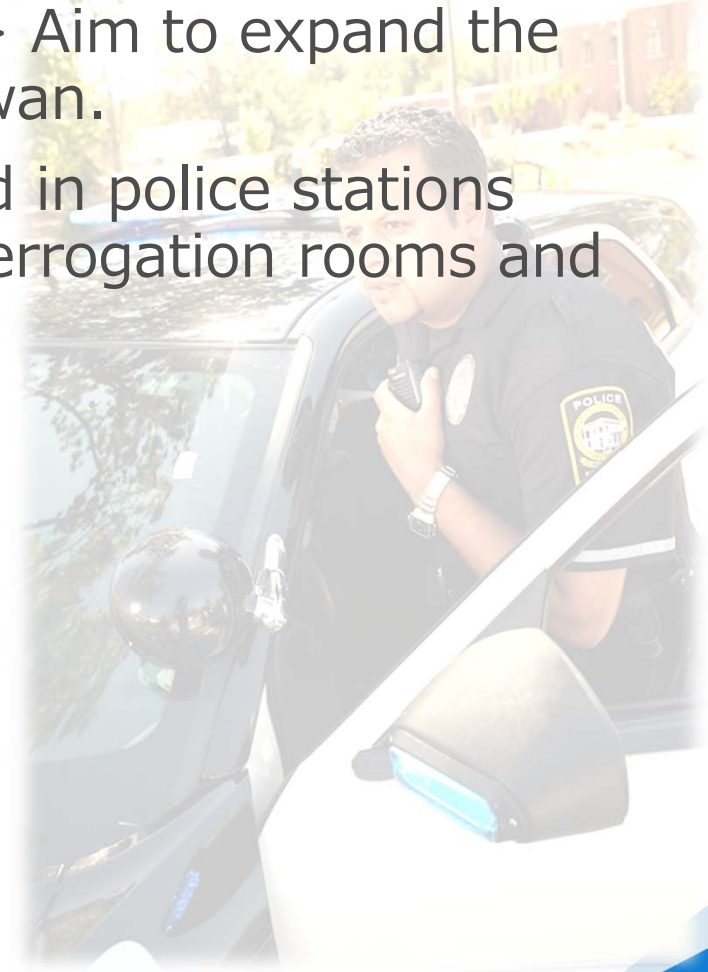


# Public Service Sector – Communications Systems Business

- Won a large contract from Taipei City Police Department to deliver a P25 system solution (including about 7,000 units of radios) through collaboration with EFJT. -> Aim to expand the P25 system business in other areas in Taiwan.
- About 2,000 camcorders will be introduced in police stations and other facilities in Taiwan for use in interrogation rooms and other situations.



Taipei has a population of 2.7 million; Taipei City PD operates in 14 precincts and 94 police stations over an area of 270 square kilometers.



## Media Service Sector – AV Accessories

- Working on the development of a new genre of products by using a crowd-funding platform.
  - ▣ Product development and solution proposal from the viewpoint of customers enabled by understanding the needs of customers directly.
  - ▣ Utilized in acceptability survey and marketing tools for new genre of products.
  - ▣ Reached the target amount of 1 million yen in only five hours.



The image shows a crowdfunding campaign for JVC. On the left, a man is playing a guitar, with a virtual session experience being advertised. The text 'バーチャルセッション体験。' (Virtual Session Experience) is prominent, followed by '周囲音モニターマイク搭載イヤホン' (Surround Sound Monitor Microphone Equipped Earphones). The JVC logo is in the top right. On the right, a dark panel displays campaign statistics: '集まっている金額' (Amount being collected) is 5,387,000円, with a 'Success!' badge; the '目標金額' (Target amount) is 1,000,000円; a progress bar shows 538%; 'サポーター' (Supporters) are 399 people; and '残り' (Remaining) time is 93 days. A yellow button at the bottom says '支援するコースを選択する' (Select a course to support).

**JVC**

バーチャル  
セッション体験。  
周囲音モニターマイク搭載イヤホン

¥ 集まっている金額 **5,387,000円** **Success!**  
目標金額 1,000,000円

538%

👤 サポーター **399人**

🕒 残り **93日**

支援するコースを選択する

# JVCKENWOOD

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