

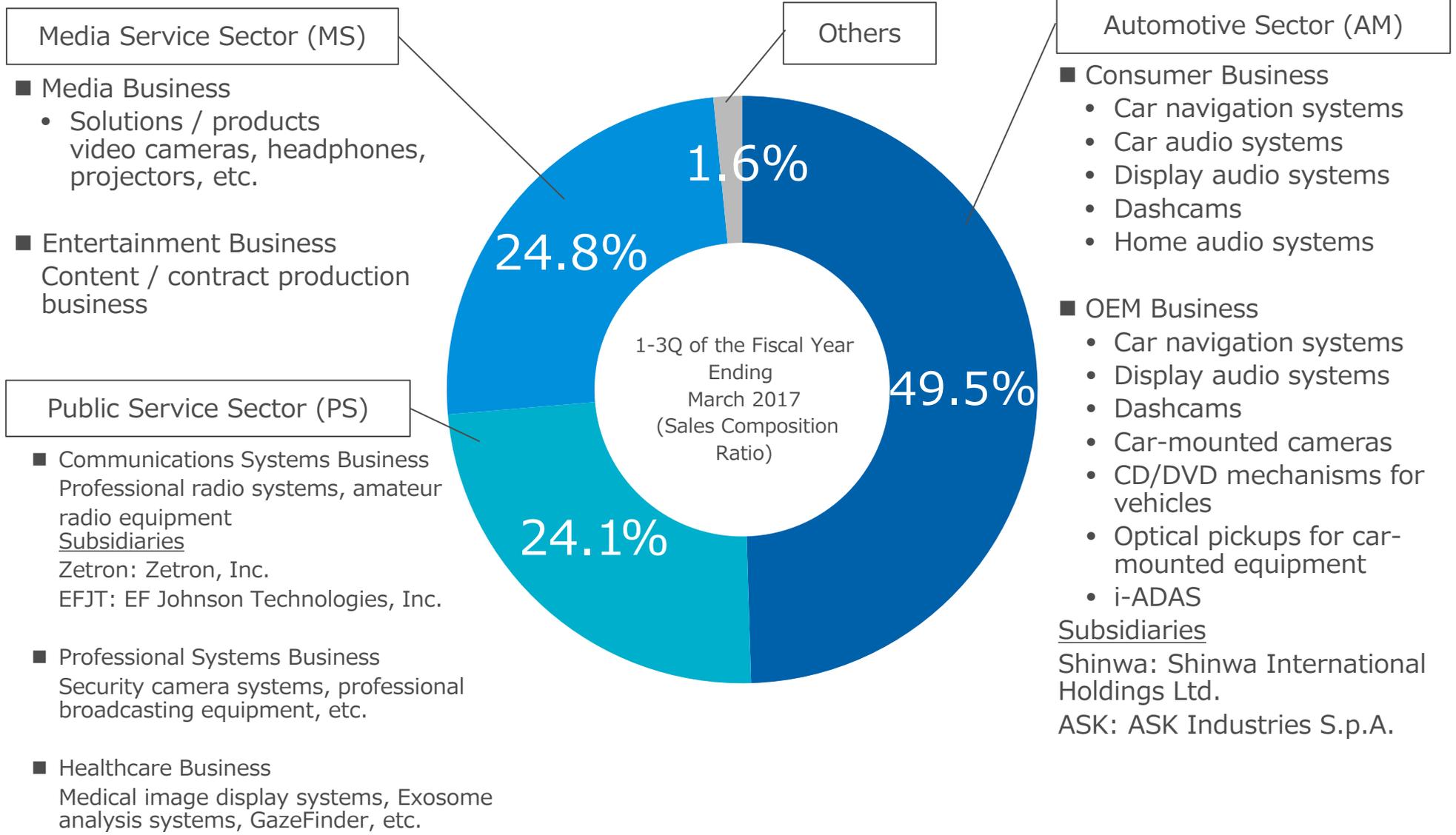
**JVCKENWOOD**

**JVCKENWOOD**  
**Results and Forecast Briefing**  
**Third Quarter of Fiscal Year Ending**  
**March 2017**

February 1, 2017

JVCKENWOOD Corporation

# Business Domains



- 1. Overview of Financial Results for 3Q of FYE3/'17**
- 2. Revisions of Full-year Earnings Forecast and Dividend Forecast for FYE3/'17**
- 3. Initiatives to Be Taken in 4Q and Onward**

- 1. Overview of Financial Results for 3Q of FYE3/'17**
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# Financial Results for 3Q (1-3Q) of FYE3/'17 - Summary

- Net sales increased due to higher sales in the AM and MS sectors, although there was the negative impact of foreign exchange fluctuations.
- Operating income increased substantially due to the improvement in profit and loss in the AM and MS sectors, despite the effects of factors within the period-start projection, such as exchange rate fluctuations and increase in retirement benefit expenses.

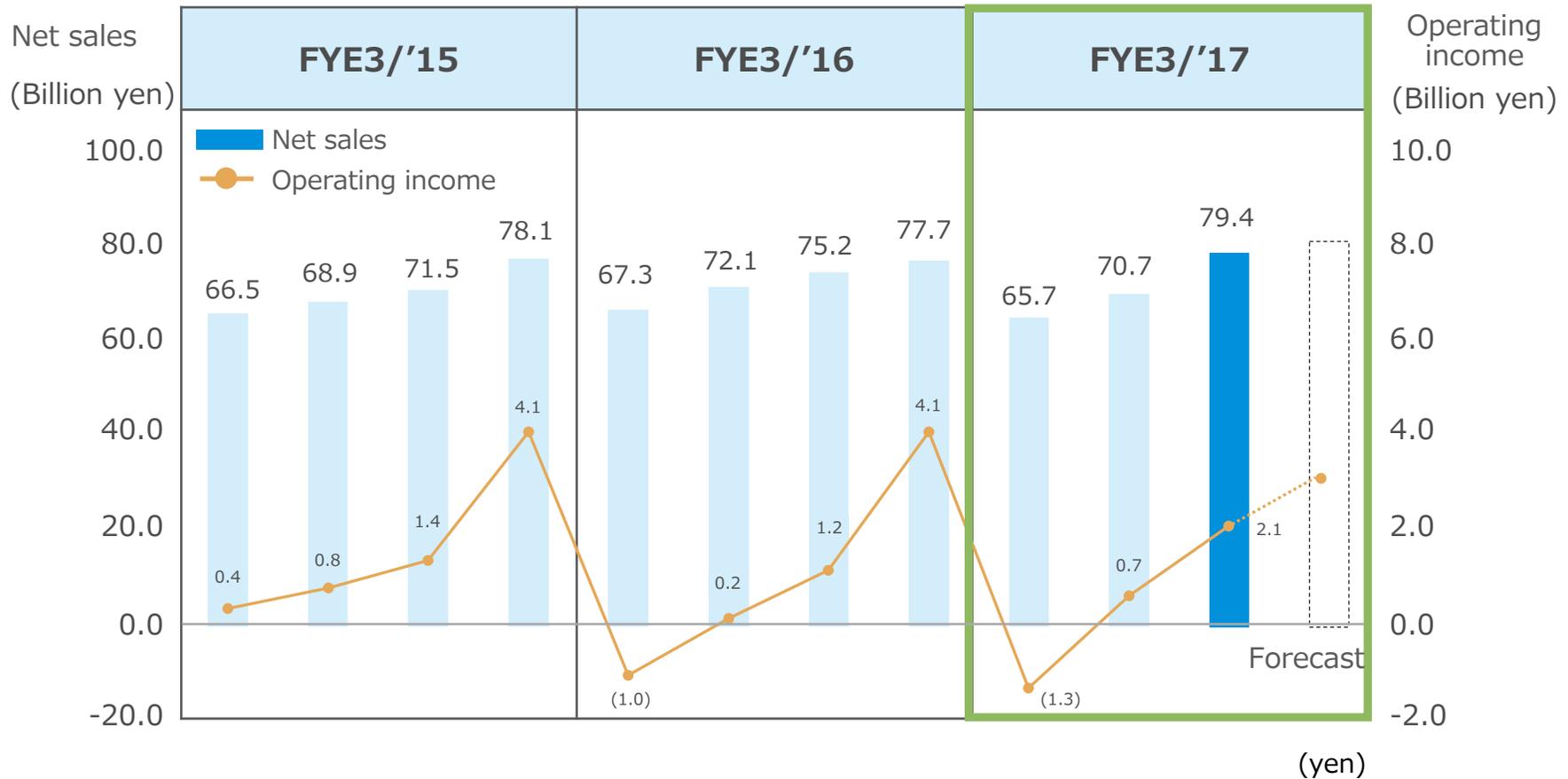
(Billion yen)

|  | 1-3Q of FYE3/'16 |                   | 1-3Q of FYE3/'17 |                   |                |
|--|------------------|-------------------|------------------|-------------------|----------------|
|  |                  | Composition ratio |                  | Composition ratio | YoY comparison |
| Net sales                                    | 214.5            | 100.0             | 215.8            | 100.0             | 0.6%           |
| Cost of sales                                | 155.8            | 72.6              | 158.8            | 73.6              | 1.9%           |
| Selling, general and administrative expenses | 58.4             | 27.2              | 55.5             | 25.7              | (4.9%)         |
| Operating income                             | 0.4              | 0.2               | 1.5              | 0.7               | 322.9%         |
| Ordinary income                              | (2.2)            | (1.0)             | (0.3)            | (0.1)             | -              |
| Net income attributable to owners of parent  | (5.5)            | (2.5)             | (10.7)           | (5.0)             | -              |

|                                |             | FYE3/'16 |         |         | FYE3/'17 |         |         |
|--------------------------------|-------------|----------|---------|---------|----------|---------|---------|
|                                |             | 1Q       | 2Q      | 3Q      | 1Q       | 2Q      | 3Q      |
| Profit-and-loss exchange rates | U.S. dollar | 121 yen  | 122 yen | 121 yen | 108 yen  | 102 yen | 109 yen |
|                                | Euro        | 134 yen  | 136 yen | 133 yen | 122 yen  | 114 yen | 118 yen |

\* Corrections were applied to the earnings results for the period from FYE3/'12 to 2Q of FYE3/'17.

# Financial Results for 3Q of FYE3/'17 – Trends in Quarterly Results



| Profit-and-loss exchange rates | U.S. dollar | 1Q   | 2Q  | 3Q  | 4Q  | 1Q  | 2Q  | 3Q  | 4Q  | 1Q  | 2Q  | 3Q  | 4Q  |
|--------------------------------|-------------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|                                |             | Euro | 102 | 104 | 114 | 119 | 121 | 122 | 121 | 115 | 108 | 102 | 109 |
|                                |             | 140  | 138 | 143 | 134 | 134 | 136 | 133 | 127 | 122 | 114 | 118 |     |

(Billion yen)

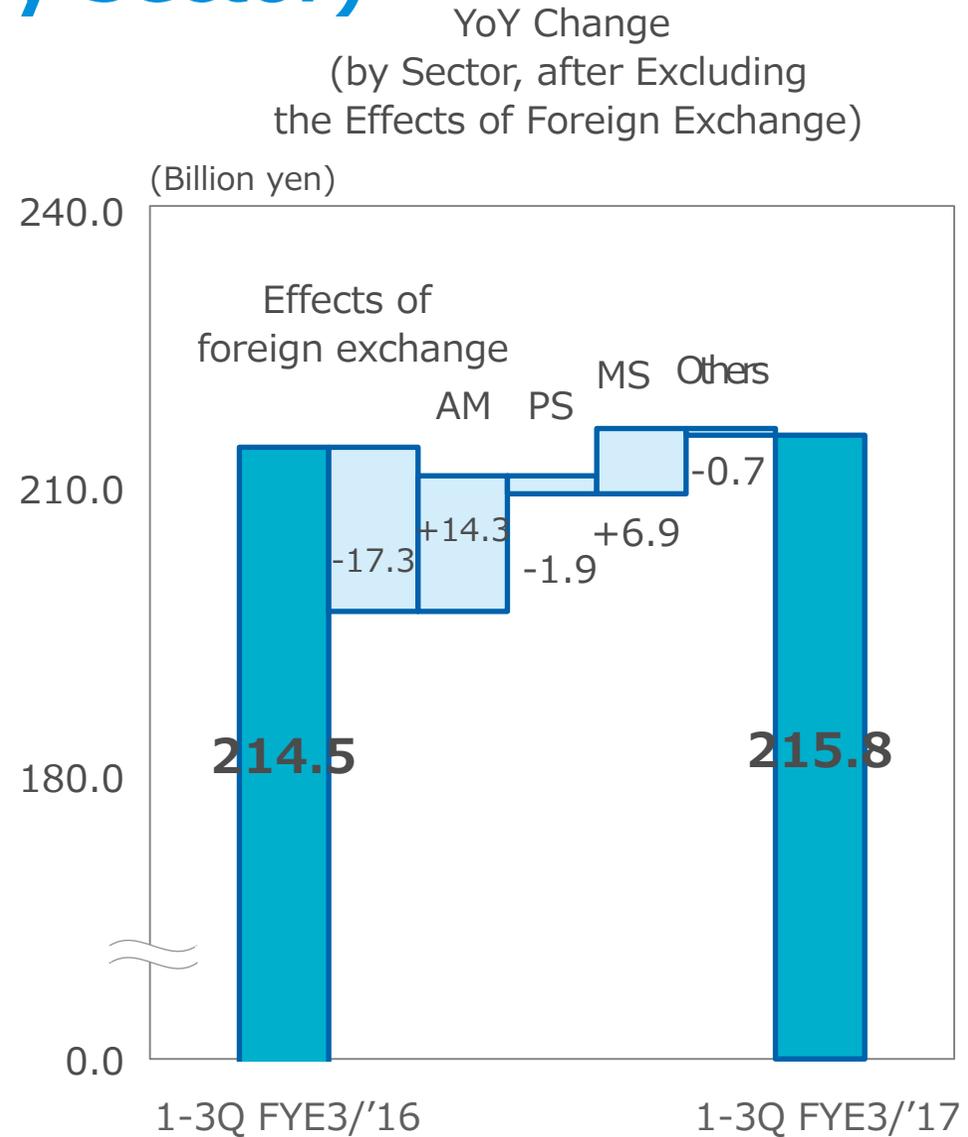
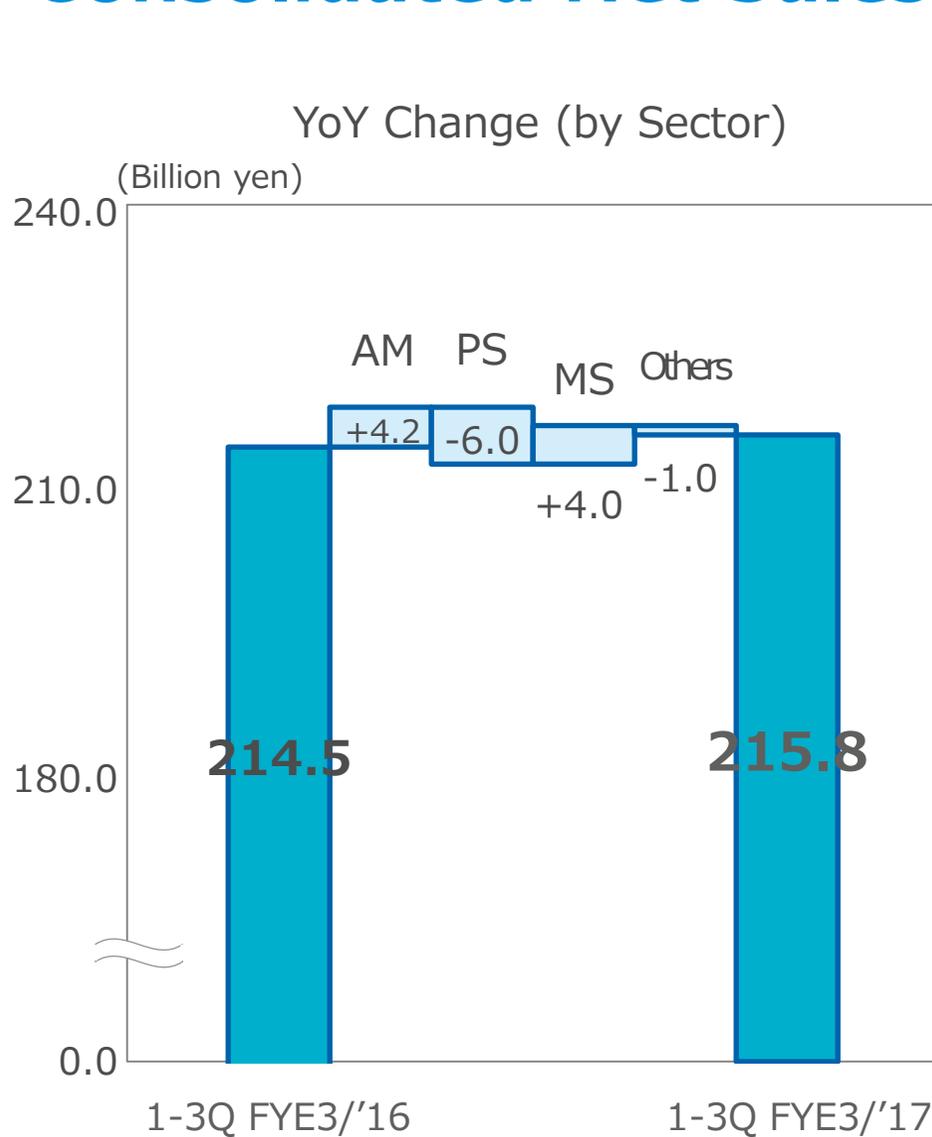
|                  | 1H    | 2H    | 1H    | 2H    | 1H    | 2H |
|------------------|-------|-------|-------|-------|-------|----|
| Net sales        | 135.4 | 149.6 | 139.4 | 152.8 | 136.4 |    |
| Operating income | 1.2   | 5.5   | (0.8) | 5.3   | (0.6) |    |

# Financial Results for 3Q (1-3Q) of FYE3/'17 – Results by Sector

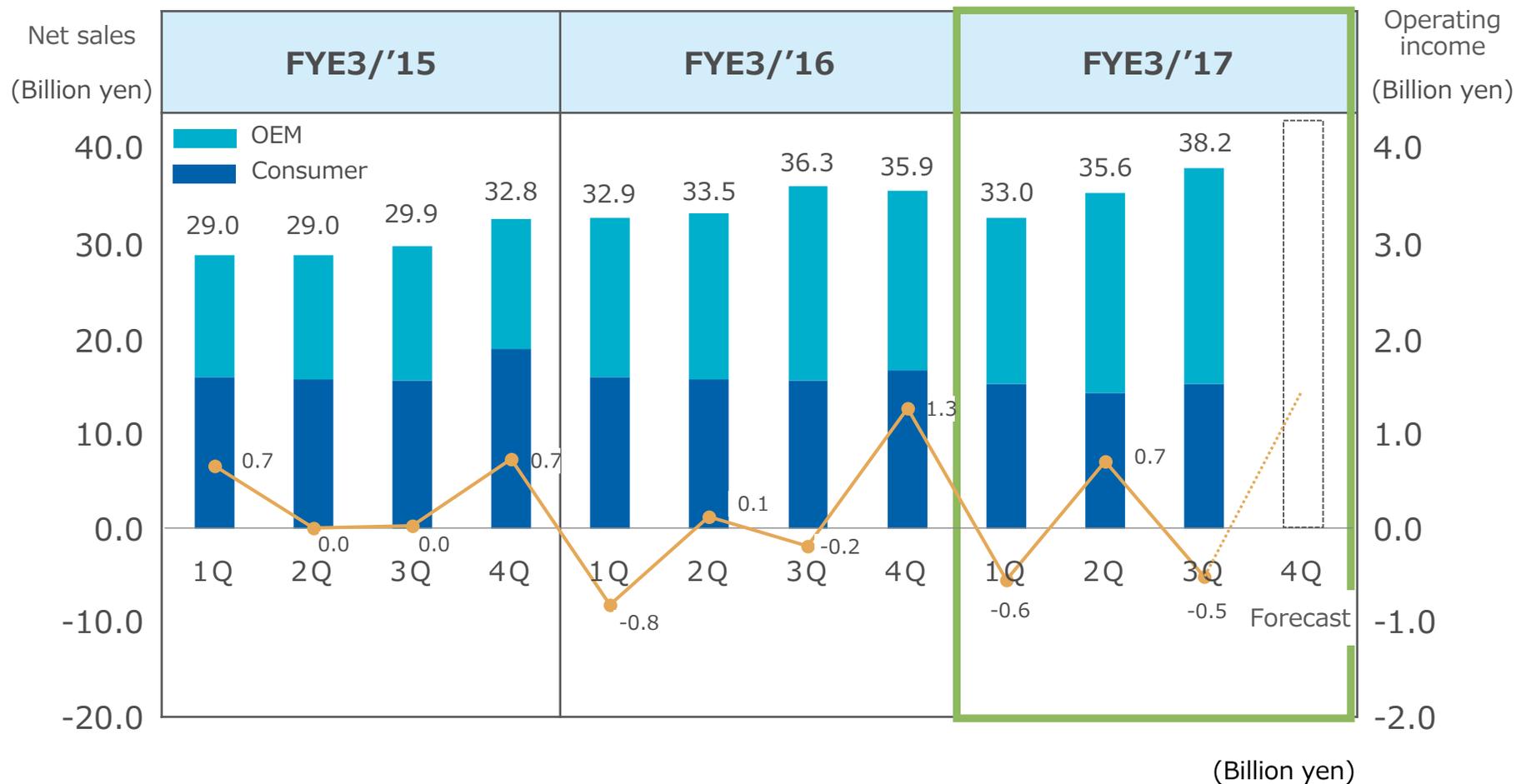
(Billion yen)

|  |                  | 1-3Q<br>FYE3/'16 | 1-3Q<br>FYE3/'17 | YoY change<br>(amount) | YoY change<br>(percentage) | Factor  |
|--|------------------|------------------|------------------|------------------------|----------------------------|---|
| AM Sector  | Net sales        | 102.7            | 106.9            | +4.2                   | 4%                         | * Sales increased in the OEM Business due to higher sales of dealer-installed option products.<br>* Profit and loss improved due to strong domestic sales and improved product mix in overseas markets, despite recording of operating loss in i-ADAS-related business. |
|  | Operating income | (0.9)            | (0.4)            | +0.5                   | -                          |   |
| PS Sector  | Net sales        | 58.0             | 52.1             | -6.0                   | (10%)                      | * Sales decreased in the Communications Systems Business and the Professional Systems Business.<br>* Operating income decreased in the Communications Systems Business and the Professional Systems Business due to the effects of sales decreases.                     |
|  | Operating income | 0.2              | (0.3)            | -0.4                   | -                          |   |
| MS Sector  | Net sales        | 49.4             | 53.5             | +4.0                   | 8%                         | * Both sales and operating income increased in the Entertainment Business.  |
|  | Operating income | 0.7              | 1.7              | +1.0                   | 148%                       |   |
| Others<br>(including inter-segment eliminations) | Net sales        | 4.4              | 3.4              | -1.0                   | (23%)                      |   |
|  | Operating income | 0.4              | 0.4              | +0.0                   | 5%                         |   |

# Financial Results for 3Q (1-3Q) of FYE3/'17 – Consolidated Net Sales (by Sector)

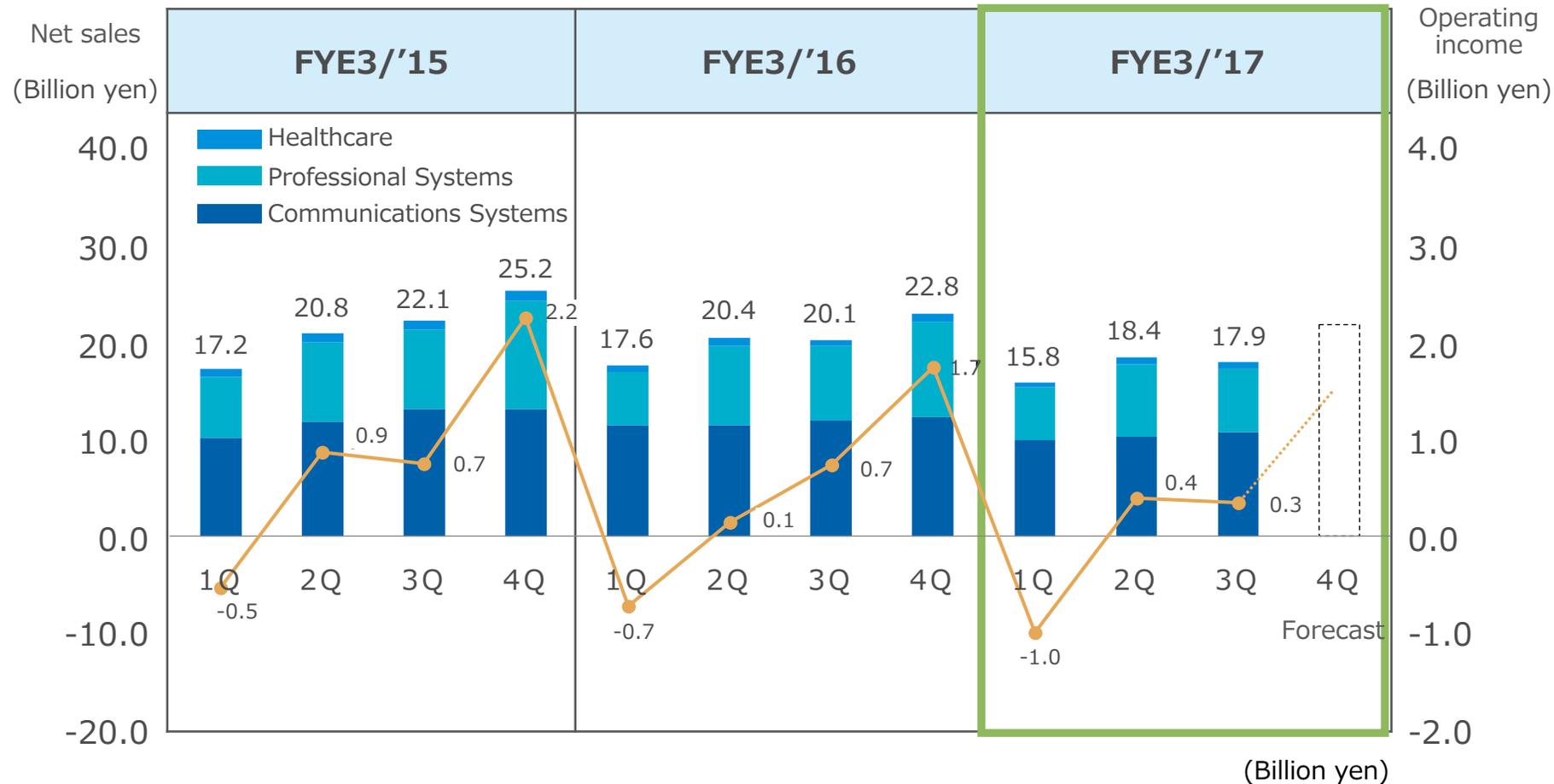


# Financial Results for 3Q FYE3/'17 – Quarterly Results (AM Sector)



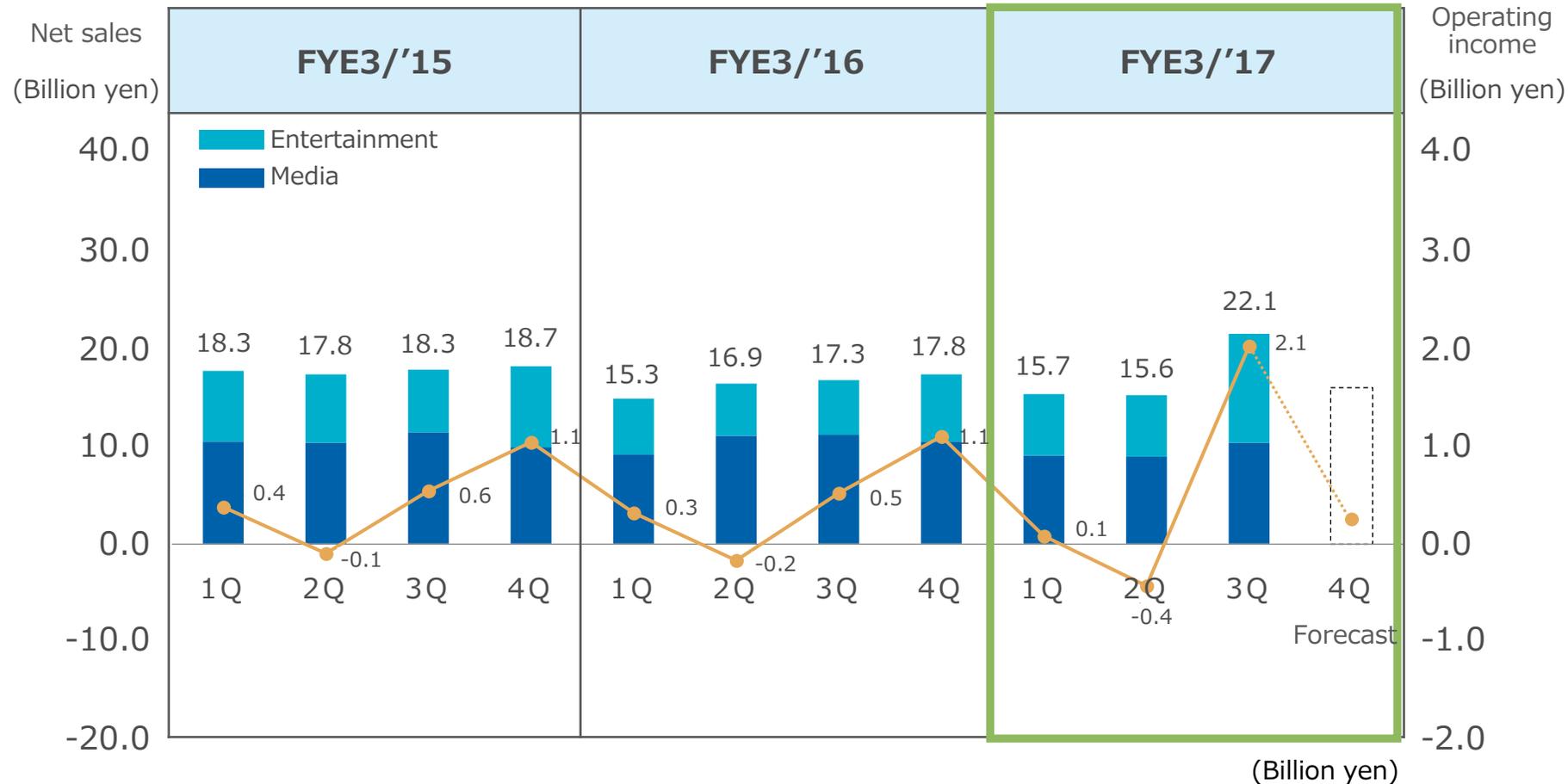
|                  | 1H   | 2H   | 1H    | 2H   | 1H   | 2H |
|------------------|------|------|-------|------|------|----|
| Net sales        | 58.0 | 62.8 | 66.4  | 72.2 | 68.6 |    |
| Operating income | 0.7  | 0.8  | (0.7) | 1.1  | 0.2  |    |

# Financial Results for 3Q FYE3/'17 – Quarterly Results (PS Sector)



|                  | 1H   | 2H   | 1H    | 2H   | 1H    | 2H |
|------------------|------|------|-------|------|-------|----|
| Net sales        | 38.0 | 47.2 | 37.9  | 43.0 | 34.2  |    |
| Operating income | 0.3  | 3.0  | (0.6) | 2.5  | (0.6) |    |

# Financial Results for 3Q FYE3/'17 – Quarterly Results (MS Sector)

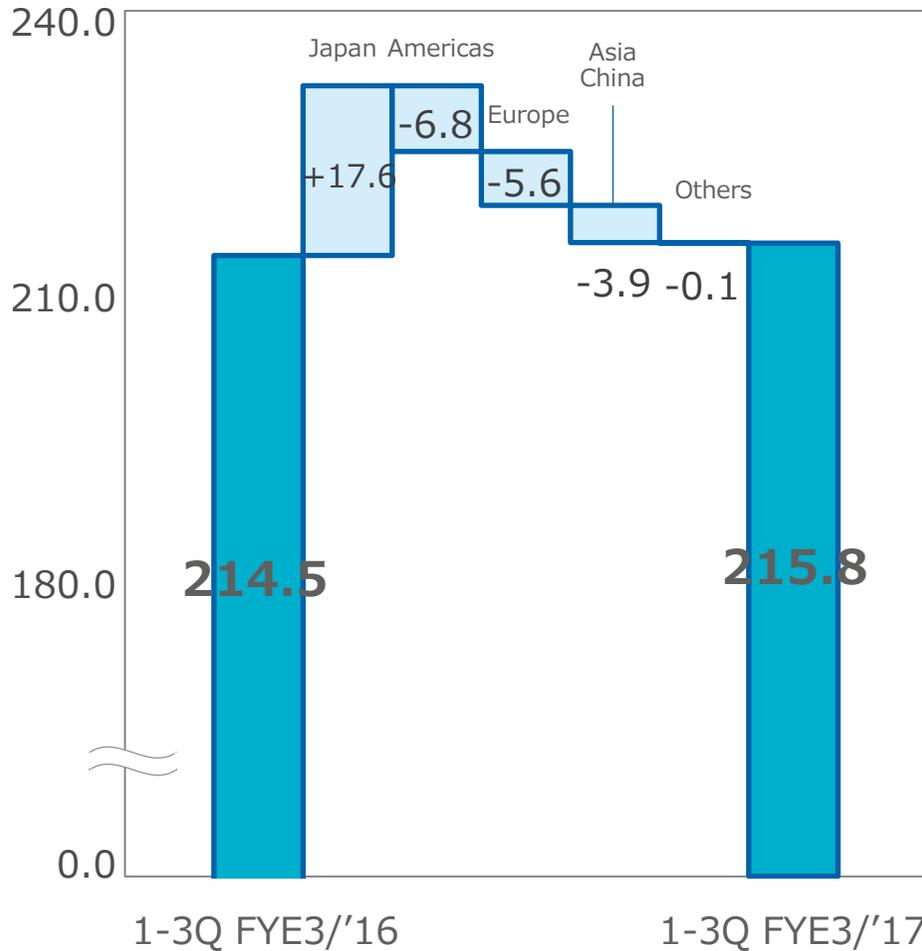


|                  | 1H   | 2H   | 1H   | 2H   | 1H    | 2H |
|------------------|------|------|------|------|-------|----|
| Net sales        | 36.1 | 37.1 | 32.2 | 35.0 | 31.4  |    |
| Operating income | 0.3  | 1.6  | 0.2  | 1.7  | (0.4) |    |

# Financial Results for 3Q (1-3Q) FYE3/'17 – Sales by Region

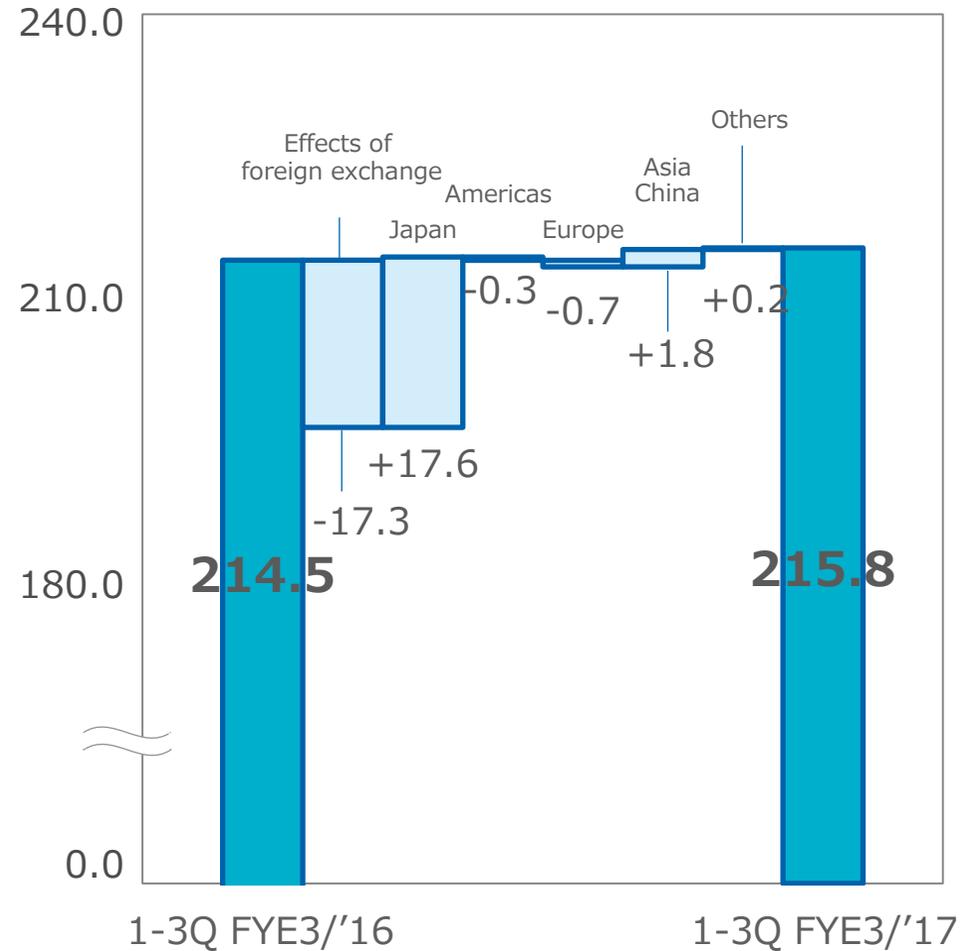
YoY Change (by Region)

(Billion yen)

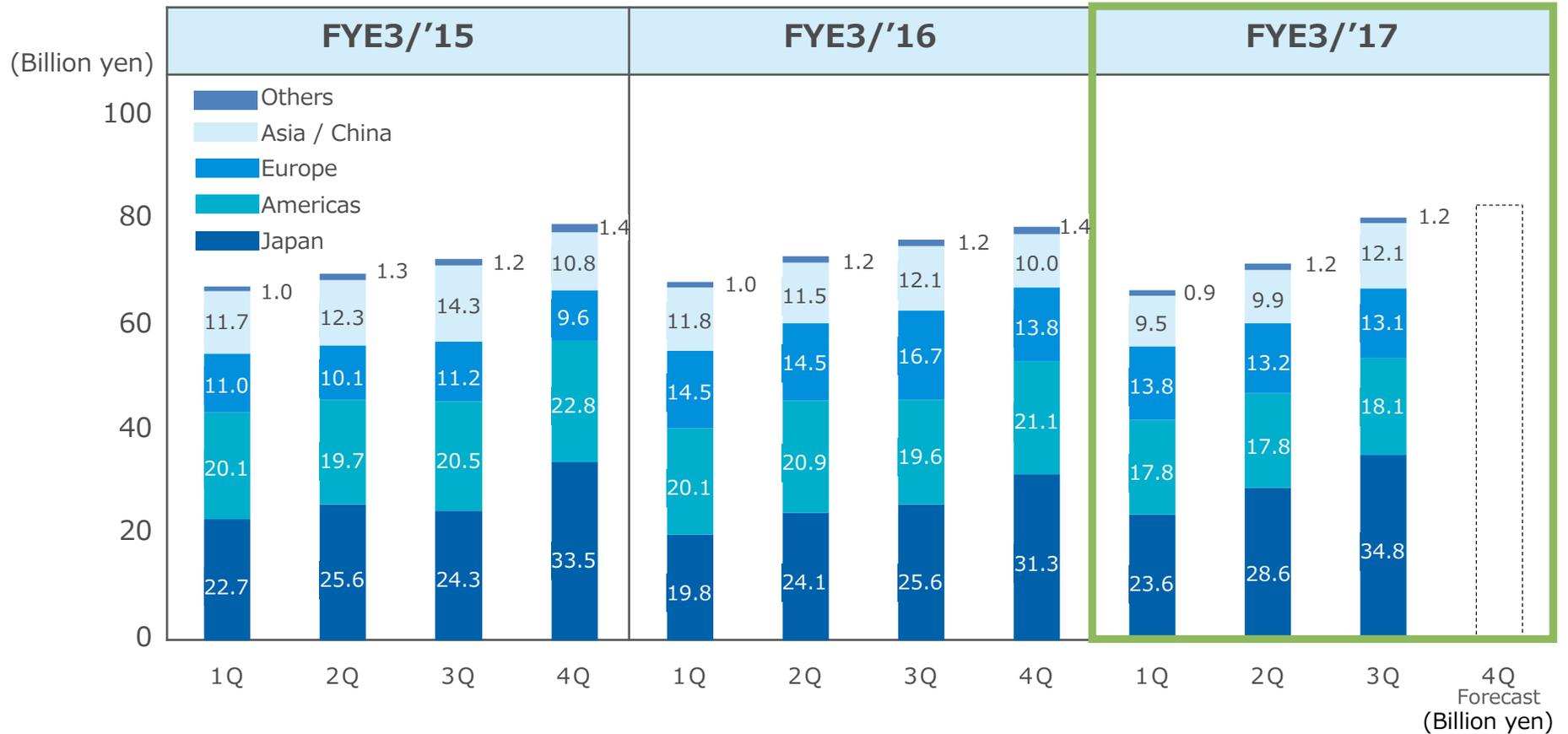


YoY Change (by Region, after Excluding the Effects of Foreign Exchange)

(Billion yen)



# Financial Results for 3Q of FYE3/'17 – Quarterly Trends in Sales (by Region)

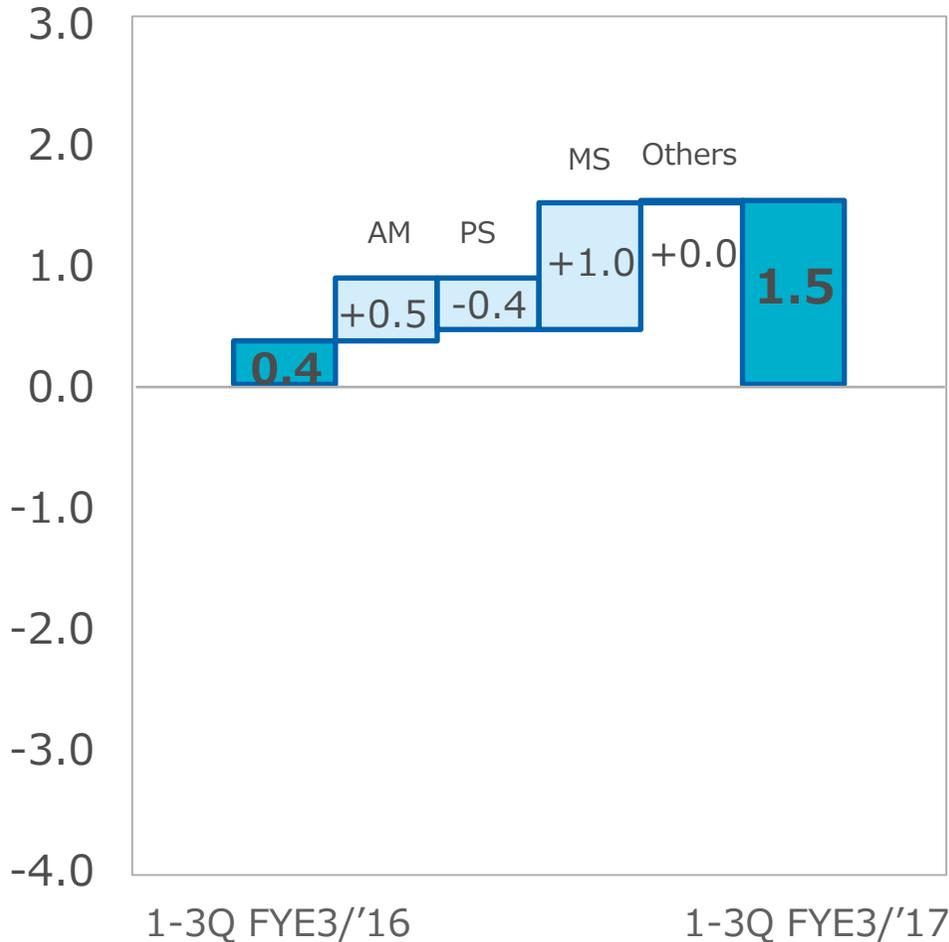


|          | 1H   | 2H   | 1H   | 2H   | 1H   | 2H |
|----------|------|------|------|------|------|----|
| Japan    | 48.3 | 57.8 | 43.9 | 56.9 | 52.3 |    |
| Americas | 39.8 | 43.3 | 41.0 | 40.7 | 35.6 |    |
| Europe   | 21.1 | 20.8 | 29.0 | 30.5 | 27.0 |    |
| Asia     | 23.9 | 25.1 | 23.3 | 22.1 | 19.4 |    |
| Others   | 2.3  | 2.6  | 2.2  | 2.6  | 2.1  |    |

# Financial Results for 3Q (1-3Q) of FYE3/'17 – Consolidated Operating Income (by Sector)

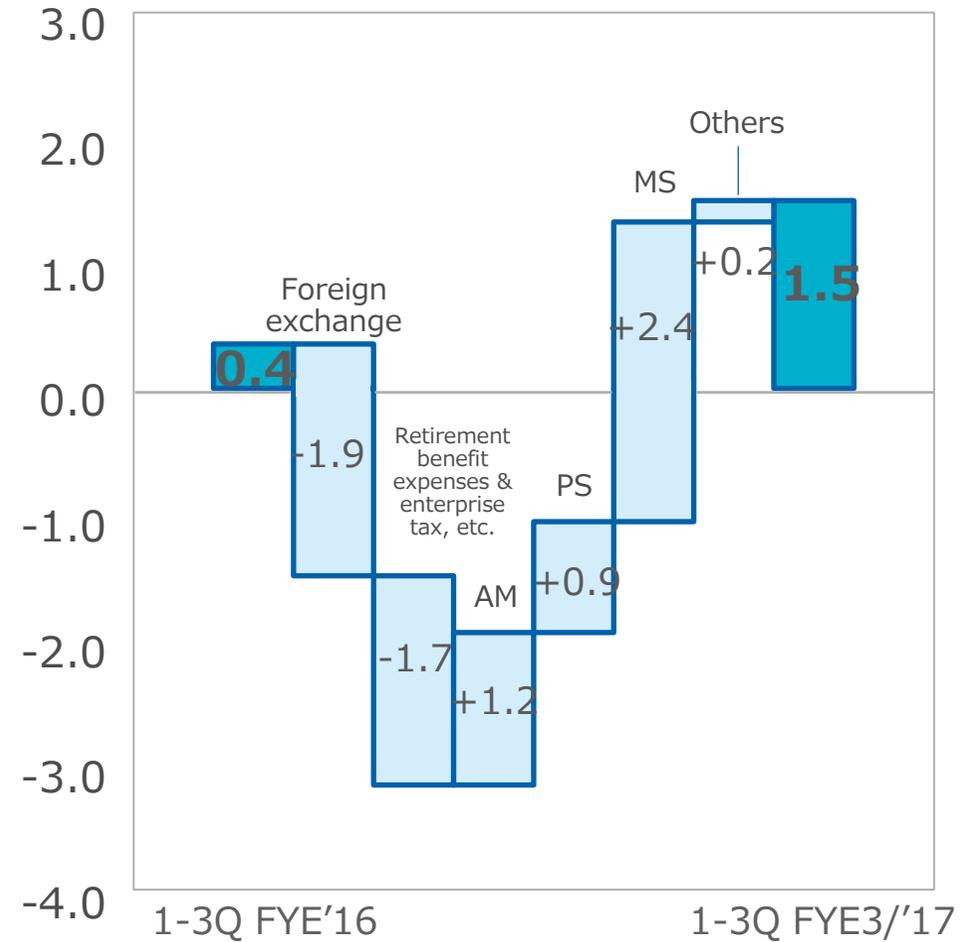
YoY Change (by Sector)

(Billion yen)



YoY Change (by Region, after Excluding the Effects of Foreign Exchange, etc.)

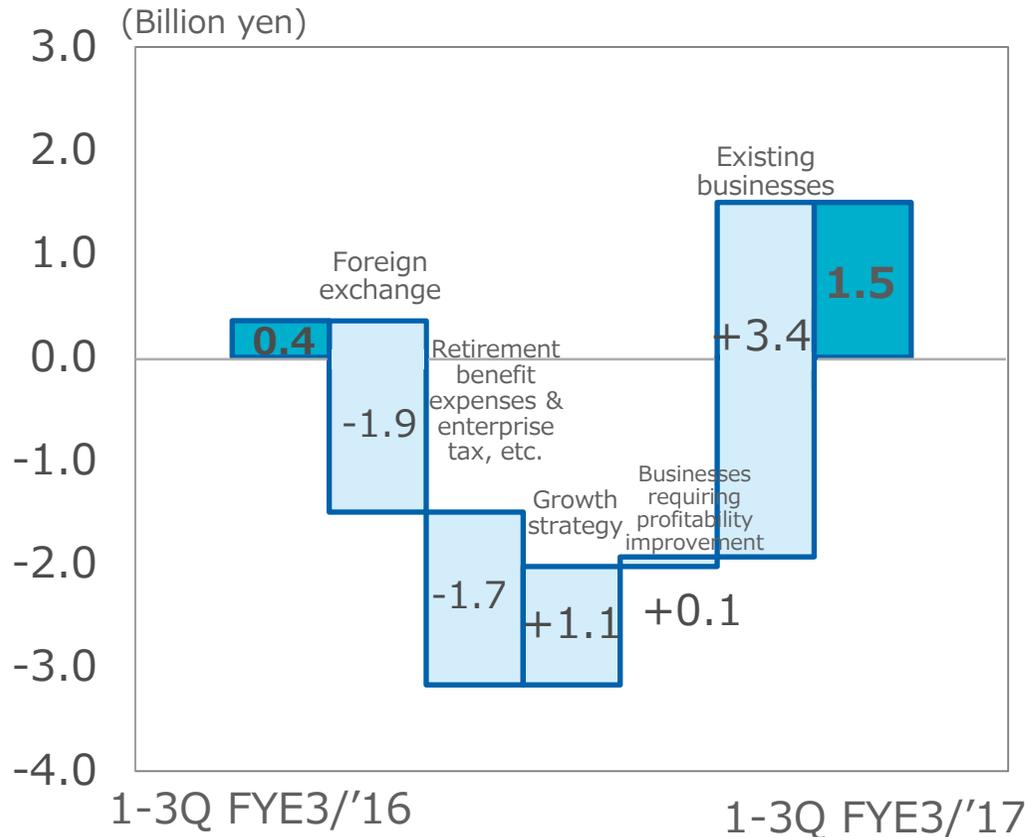
(Billion yen)



# Financial Results for 3Q (1-3Q) of FYE3/'17 – Consolidated Operating Income (by Factor)

- The effects of foreign exchange were slightly greater than expected, but other factors such as an increase in retirement benefit expenses were within the period-start projection.
- The income increase from existing businesses was significantly greater than expected. As a result, operating income improved by about 1.1 billion yen from a year ago.

## Operating Income (YoY Change)



- \* Growth strategy (businesses): Dealer-installed option business, ASK, Shinwa
- \* Businesses requiring profitability improvement: Zetron, EFJT
- \* Existing businesses: Businesses other than growth strategy (businesses) and those requiring profitability improvement

# Financial results for 3Q (1-3Q) of FYE3/'17 – Consolidated Ordinary Income and Net Income Attributable to Owners of Parent

- Ordinary income improved due mainly to the increase in operating income. However, net loss attributable to owners of parent increased as a result of recording an extraordinary loss.

(Billion yen)

|  | 1-3Q FYE3/'16 | 1-3Q FYE3/'17 | YoY Change |
|--|---------------|---------------|------------|
| Operating income                                   | 0.35          | 1.50          | +1.14      |
| Non-operating income and expenses                  | (2.51)        | (1.75)        | +0.76      |
| Ordinary income                                    | (2.16)        | (0.26)        | +1.90      |
| Extraordinary income (loss)                        | (0.23)        | (7.42)        | -7.19      |
| Income taxes, etc.                                 | (3.06)        | (3.06)        | +0.00      |
| Net income (loss) attributable to owners of parent | (5.45)        | (10.74)       | -5.29      |

# Financial Results for 3Q (1-3Q) of FYE3/'17 – Non-operating Income and Expenses and Extraordinary Income (Loss)

(Billion yen)

|  | 1-3Q FYE3/'16 | 1-3Q FYE3/'17 | YoY Change |
|--|---------------|---------------|------------|
| Non-operating income and expenses                      | (2.510)       | (1.753)       | +0.758     |
| Non-operating income                                   | 0.880         | 0.732         | -0.148     |
| Interest and dividend income                           | 0.291         | 0.292         | +0.001     |
| Others   | 0.589         | 0.439         | -0.150     |
| Non-operating expenses                                 | 3.391         | 2.485         | -0.905     |
| Interest expenses                                      | 1.298         | 0.692         | -0.606     |
| Foreign exchange loss                                  | 0.556         | 0.651         | +0.095     |
| Loans commission                                       | 0.725         | 0.151         | -0.574     |
| Others   | 0.809         | 0.990         | +0.181     |
| Extraordinary income (loss)                            | (0.233)       | (7.423)       | -7.190     |
| Extraordinary income                                   | 1.686         | 0.771         | -0.915     |
| Gain on sales of non-current assets                    | 0.128         | 0.110         | -0.018     |
| Gain on sales of shares of subsidiaries and affiliates | 0.407         | 0.560         | +0.153     |
| Gain on liquidation of subsidiaries and affiliates     | 1.150         | 0.069         | -1.081     |
| Others   | -             | 0.031         | +0.031     |
| Extraordinary loss                                     | 1.920         | 8.194         | +6.275     |
| Loss on sales and retirement of non-current assets     | 0.045         | 1.388         | +1.343     |
| Impairment loss  | 1.111         | 5.310         | +4.199     |
| Business structural reform expenses                    | 0.145         | 0.262         | +0.117     |
| Employment structure improvement expenses              | 0.537         | 0.231         | -0.306     |
| Loss on liquidation of subsidiaries and affiliates     | -             | 0.273         | +0.273     |
| Provision for loss on orders received                  | -             | 0.711         | +0.711     |
| Others   | 0.078         | 0.016         | -0.062     |

# Financial Results for 3Q of FYE3/'17 – Balance Sheet Summary

(Billion yen)

|                                | End of FYE3/'16 | End of 3Q FYE3/'17 | Change |
|--------------------------------|-----------------|--------------------|--------|
| Total assets                   | 256.3           | 257.3              | +1.0   |
| Interest-bearing debts         | 69.2            | 71.8               | +2.6   |
| Net debt                       | 26.4            | 36.8               | +10.4  |
| Net debt/equity ratio (times)  | 0.51            | 0.82               | +0.31  |
| Net assets                     | 57.6            | 50.6               | -7.0   |
| Shareholders' equity           | 52.3            | 44.8               | -7.5   |
| Shareholders' equity ratio (%) | 20.4            | 17.4               | -3.0   |

# Financial Results for 3Q (1-3Q) of FYE3/'17 – Cash Flow Summary

- Cash flow from operating activities decreased due mainly to the increase in working capital on higher net sales.
- Cash flow from investing activities decreased due to the increase in cash outflow for the purchase of property, plant and equipment.

(Billion yen)

|                                     | 1-3Q FYE3/'16 | 1-3Q FYE3/'17 | YoY Change |
|-------------------------------------|---------------|---------------|------------|
| Cash flow from operating activities | 6.2           | 5.3           | -0.9       |
| Cash flow from investing activities | (11.4)        | (13.3)        | -1.9       |
| Free cash flow                      | (5.2)         | (8.0)         | -2.9       |
| Cash flow from financing activities | (10.7)        | 0.2           | +10.9      |
| Total                               | (15.9)        | (7.8)         | +8.1       |

# (Reference) Corrections to Earnings Results

- In the course of conducting a tax management review, an overstatement of corporate enterprise tax was discovered for the period from 3Q of FYE3/'12 to 2Q of FYE3/'17 in a cumulative total of about 1.3 billion yen. Accordingly, corrections were applied retroactively to the earnings results of each applicable period.
- Corrections were also applied to “elimination of loss carried forward by transfer of capital surplus to retained earnings” implemented in May 2014.

Amounts of impact on profit and losses of the Consolidated Statements of Income and the Non-consolidated Statements of Income for each applicable period

(Billion yen)

|   | FYE3/'12 | FYE3/'13 | FYE3/'14 | FYE3/'15 | FYE3/'16 | FYE3/'17 | Cumulative total amount |
|---|----------|----------|----------|----------|----------|----------|-------------------------|
| Operating income  | +0.292   | +0.157   | +0.171   | +0.187   | +0.273   | +0.237   | +1.317                  |
| Ordinary income   | +0.292   | +0.157   | +0.171   | +0.187   | +0.273   | +0.237   | +1.317                  |
| Net income or Net income attributable to owners of parent | +0.181   | +0.098   | +0.121   | +0.141   | +0.207   | +0.237   | +0.985                  |

\* As for FYE3/'17, corrections are applicable through the first half of the period.

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3. Initiatives to Be Taken in 4Q and Onward

# Revisions of Full-year Earnings Forecast and Dividend Forecast for FYE3/'17

- The operating income forecast was kept unchanged on the back of strong performance in the AM and MS sectors, although an operating loss was recorded in i-ADAS related business.
- The ordinary income forecast was revised downward due mainly to the increase in foreign exchange losses of subsidiaries and affiliates.
- The forecast for net income attributable to owners of parent was revised downward due mainly to recording of an extraordinary loss.
- Dividend forecast was revised from “undecided” to “5 yen per share annually.”

(Billion yen)

|  | Results for<br>FYE3/'16<br>① | Initial forecast<br>for FYE3/'17<br>② | Revised<br>forecast for<br>FYE3/'17<br>③ | Change from the<br>initial forecast for<br>FYE3/'17<br>(③-②) | Change from the<br>results for<br>FYE3/'16<br>(③-①) |
|--|------------------------------|---------------------------------------|--|--|---|
| Net sales                                      | 292.2                        | 295.0                                 | 297.5                                    | 2.5  | 5.3   |
| Operating income                               | 4.5                          | 4.8                                   | 4.8                                      | 0.0  | 0.3   |
| Ordinary income                                | 1.3                          | 3.3                                   | 2.5                                      | (0.8)  | 1.2   |
| Net income attributable<br>to owners of parent | 3.4                          | 0.3                                   | (7.3)                                    | (7.6)  | (10.7)  |

# Factors for Revision of Full-year Earnings Forecast – Recording of Operating Loss and Extraordinary Loss

## ■ Operating loss

### ➤ AM Sector

Posted an operating loss of about 1.5 billion yen due to an increase in development cost for a new i-ADAS product for a specific customer.

## ■ Extraordinary loss

### ➤ U.S. communication systems subsidiary

Posted an extraordinary loss of about 4.8 billion yen after examining the future business plan of the subsidiary and the recoverability of goodwill and fixed assets that were obtained at the time of acquiring shares of the subsidiary.

### ➤ U.S. CMOS image sensor subsidiary

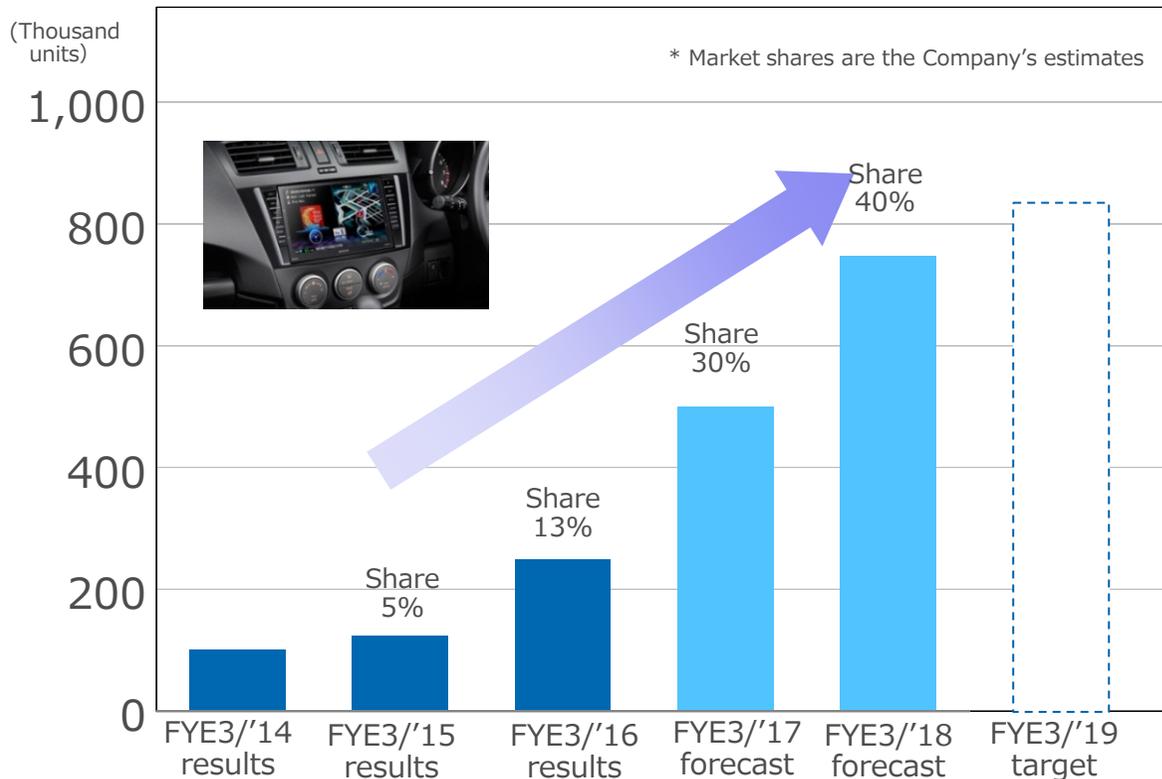
Posted an extraordinary loss of about 0.5 billion yen after examining the recoverability of fixed assets in reviewing the subsidiary's business strategy.

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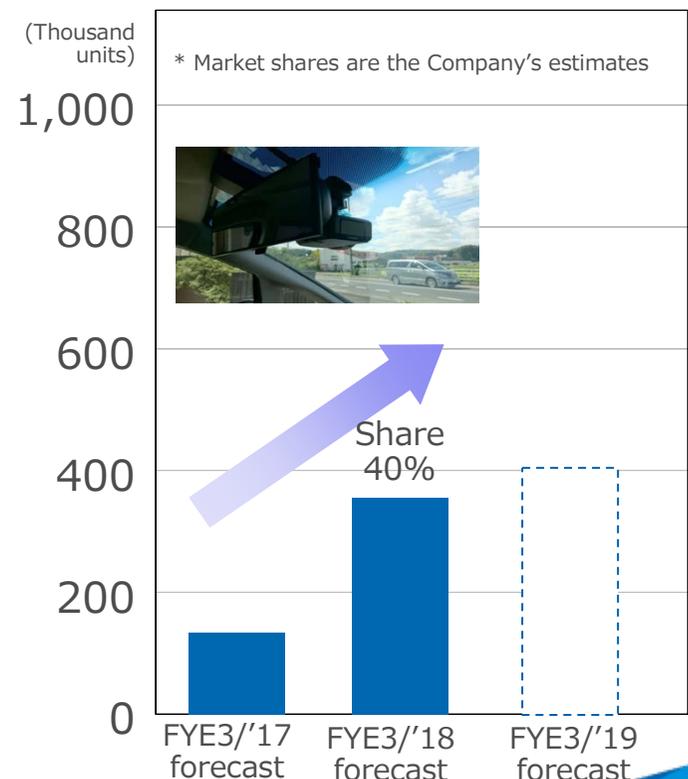
# Priority Measures for 4Q and Onward – AM Sector

- Expand business by maintaining/increasing the domestic market share and expanding overseas business mainly in Asia for dealer-installed option products in the OEM Business.
- Expand orders for factory-installed option products, centering on display audio systems, in the OEM Business, and develop, introduce and promote order taking for next-generation ADAS.

Sales of Domestic Dealer-installed Navigation Systems (Results and Forecast)

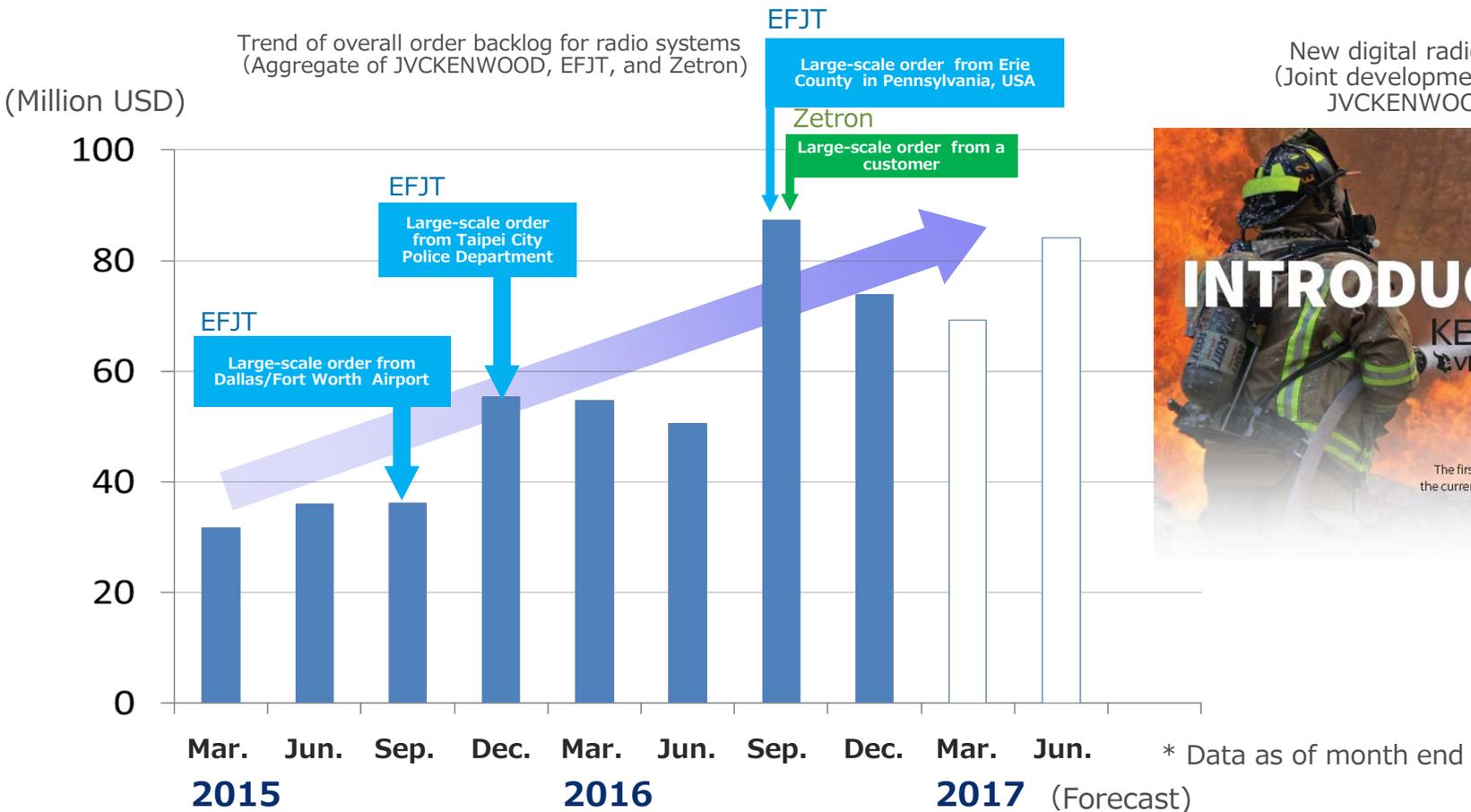


Sales of Domestic Dealer-installed Dashcams (Forecast)



# Priority Measures for 4Q and Onward – PS Sector

- Increase receipt of orders for systems and introduce and expand sales of new radio system products in the Communications Systems Business.
- Increase receipt of orders for solutions through integration of sales and engineering functions in the Professional Systems Business.



New digital radio system product  
(Joint development product between  
JVCKENWOOD and EFJT)



# Priority Measures for 4Q and Onward – MS Sector

- Maintain solid performance in the consumer business and strengthen competitiveness in the solutions business by launching new products for projectors and professional video cameras.
- Expand business by leveraging the brands owned by JVCKENWOOD, including launch of “anniversary models” geared for the 90th anniversary of Victor and the 70th anniversary of Kenwood and new solutions.

4K HD home theater projectors for delivering the ultimate in image quality



Silver Award



Overall Gold Award



Ranked first in the category of Projector II (for products priced 500,000 yen or more)



Gold Award

## Anniversary commemorative logos

90th anniversary of JVC



70th anniversary of Kenwood



# JVCKENWOOD

The expressions contained in this presentation referring to the Company's future plans, intentions and expectations are categorized as future forecast statements. Such statements reflect management expectations of future events, and accordingly, are inherently susceptible to risk, uncertainty and other factors, whether known or unknown, and may be significantly different from future performance. These statements represent management's targets as of the time of issuance of these presentation materials, and the Company is under no obligation, and expressly disclaims any such obligation, to update, alter or publicize its future forecast statements in the event there are changes in the economic climate and market conditions affecting the performance of the Company. Risk factors and other uncertainty which may affect the Company's actual performance include: (1) violent fluctuations in economic circumstances and supply and demand systems in major markets (in Japan, the U.S, the EU and Asia); (2) restrictions including trade regulations applicable to major markets including Japan and other foreign countries; (3) sharp fluctuations in the exchange rate of the U.S. dollar, euro, and such like against the yen; (4) marked fluctuations in exchange rates in capital markets; and (5) changes in social infrastructure due to short-term changes in technology and such like. Please note, however, that the above is not a comprehensive list of all the factors that may exert a significant influence on the Company's performance.