

JVCKENWOOD

Translation for Reference Only

# **JVCKENWOOD**

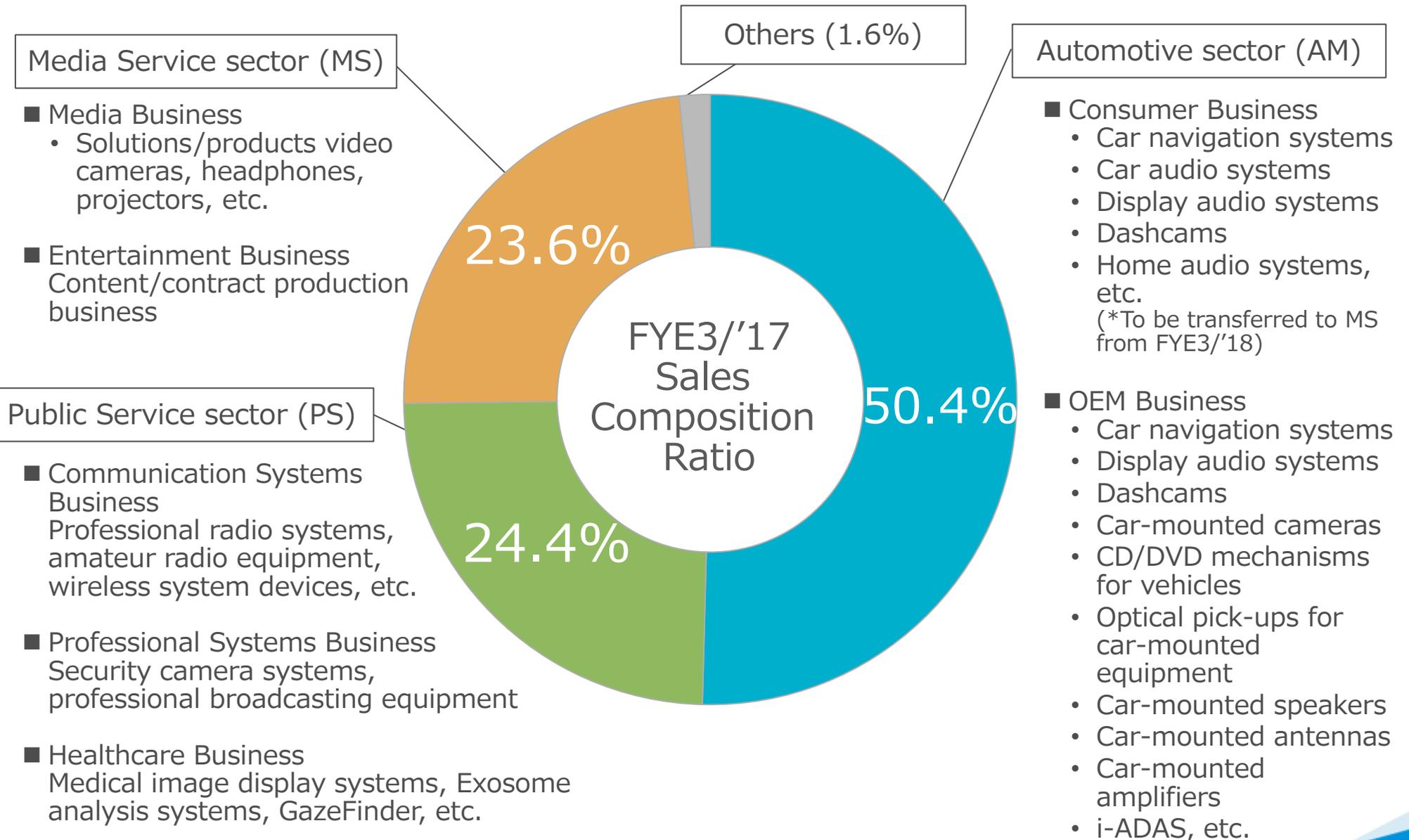
## **Results and Forecasts Briefing**

### **Fiscal Year Ended March 2017**

April 28, 2017

JVCKENWOOD Corporation

# Business Domains



- 1. Overview of Financial Results for FYE3/'17**
- 2. Full-Year Earnings Forecast for FYE3/'18**
- 3. JVCKENWOOD's Recognition of Current Situation and Initiatives for the Future**
- 4. Overview of New Management Structure**

- 1. Overview of Financial Results for FYE3/'17**
2. Full-Year Earnings Forecast for FYE3/'18
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4. Overview of New Management Structure

# Financial Results for FYE3/'17 - Summary

- Net sales increased due to higher sales in AM and MS, despite the negative impact of foreign exchange fluctuations.
- Operating income increased sharply due to higher profit in AM and MS, despite the effects of factors within the period-start projection, such as foreign exchange fluctuations and increase in retirement benefit expenses.
- Ordinary income increased sharply due to factors, such as higher operating income and improvement in net financial income.
- Net loss was recorded due mainly to recording of extraordinary loss.

(Billion yen)

	FYE3/'16		FYE3/'17		
		Composition ratio		Composition ratio	YoY comparison
Net sales	292.2	100.0	299.3	100.0	+2.4%
Cost of sales	210.8	72.1	218.5	73.0	+3.7%
Selling, general and administrative expenses	76.9	26.3	75.0	25.1	-2.5%
Operating income	4.5	1.5	5.8	1.9	+28.6%
Ordinary income	1.3	0.4	3.6	1.2	+180.0%
Consolidated Net Income Attributable to Owners of Parent	3.4	1.2	-6.7	-2.2	-

		FYE3/'16					FYE3/'17				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Profit-and-loss exchange rates	U.S. dollar	JPY 121	JPY 122	JPY 121	JPY 115	JPY 120	JPY 108	JPY 102	JPY 109	JPY 114	JPY 108
	Euro	JPY 134	JPY 136	JPY 133	JPY 127	JPY 133	JPY 122	JPY 114	JPY 118	JPY 121	JPY 119

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



(Yen)

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

(Billion yen)

	1H	2H	1H	2H	1H	2H
Net sales	135.4	149.6	139.4	152.8	136.4	162.9
Operating income	1.2	5.5	(0.8)	5.3	(0.6)	6.4

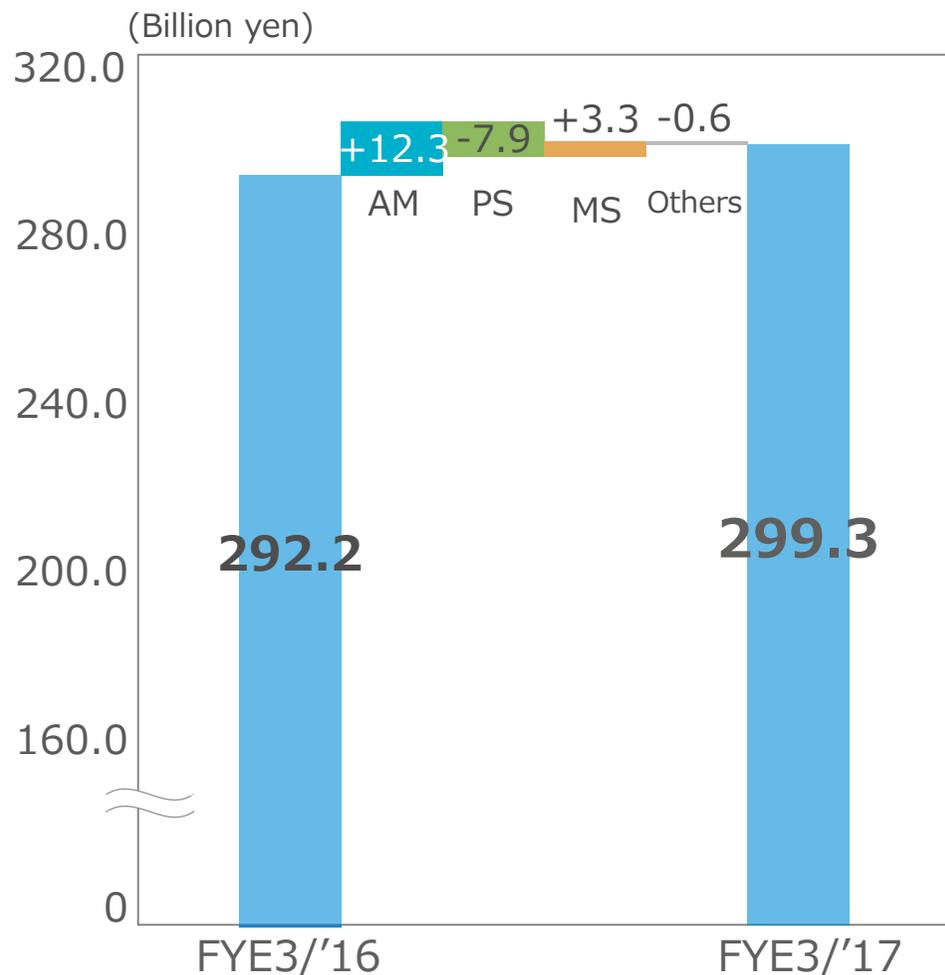
# Financial Results for FYE3/'17 – Results by Sector

(Billion yen)

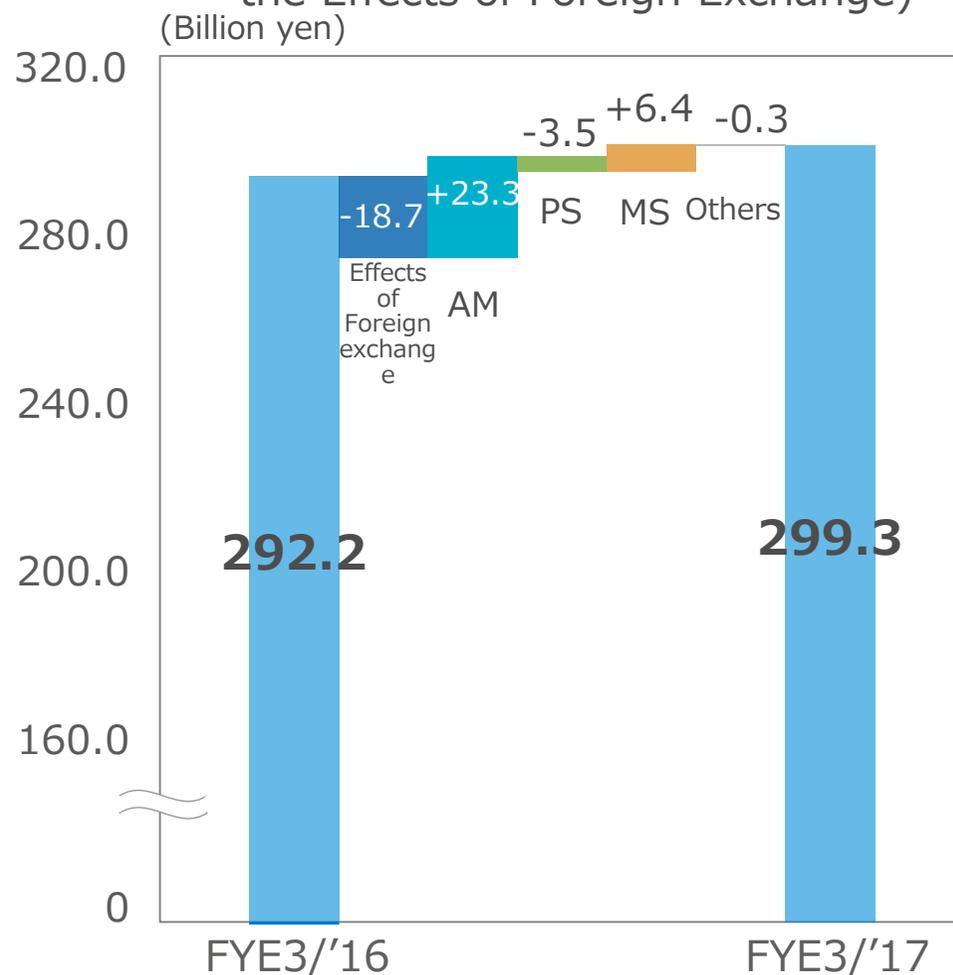
		FYE3/'16	FYE3/'17	YoY change (amount)	YoY change (percentage)	Factor
AM Sector	Net sales	138.5	150.9	+12.3	+8.9%	* Sales increased in the OEM Business due to a sharp increase in sales of dealer-installed option products. * Domestic sales were strong in the Consumer Business. An operating loss was recorded in the ADAS-related business, but it was more than offset by the sharp increase in sales of dealer-installed option products. As a result, the OEM as a whole recorded an operating income increase.
	Operating income	0.4	2.2	+1.8	+457.4%	
PS Sector	Net sales	80.9	73.0	-7.9	-9.8%	* In the Communication Systems Business, sales decreased, despite robust device sales, due to the effects of foreign exchange. In the Professional Systems Business, sales decreased due mainly to a demand decline in some markets. * In the Communication Systems Business, profit increased due to the effects of fixed cost reductions in U.S. subsidiaries. The Professional Systems Business recorded decreases in sales and profit.
	Operating income	1.9	1.1	-0.8	-40.5%	
MS Sector	Net sales	67.2	70.5	+3.3	+4.9%	* Both sales and profit increased, driven by strong sales of content in the Entertainment Business.
	Operating income	1.8	2.3	+0.4	+24.4%	
Others (including inter-segment elimination)	Net sales	5.5	4.9	-0.6	-11.7%	
	Operating income	0.4	0.2	-0.2	-58.9	

# Financial Results for FYE3/'17 – Consolidated Net Sales (by Sector)

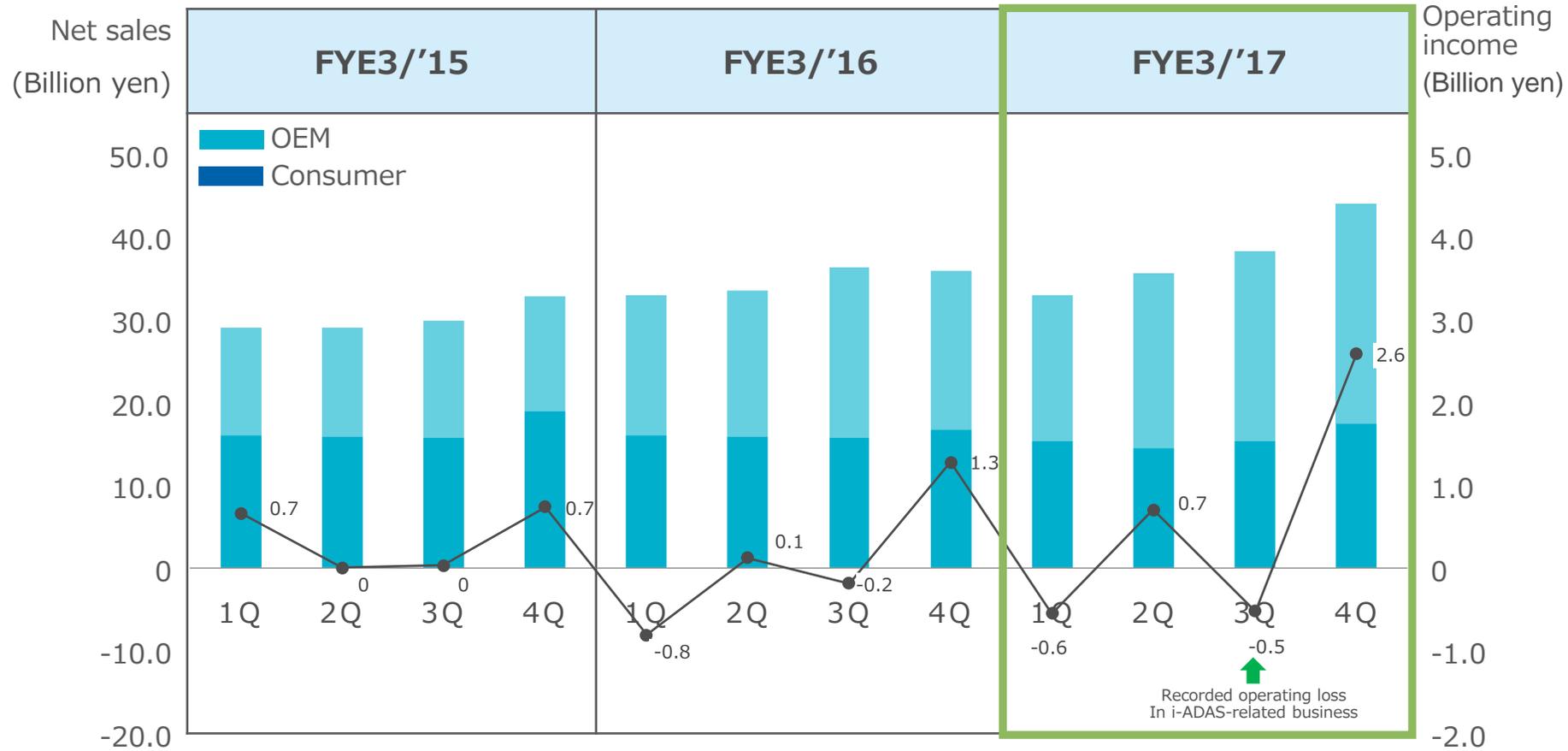
## YoY Change (by Sector)



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



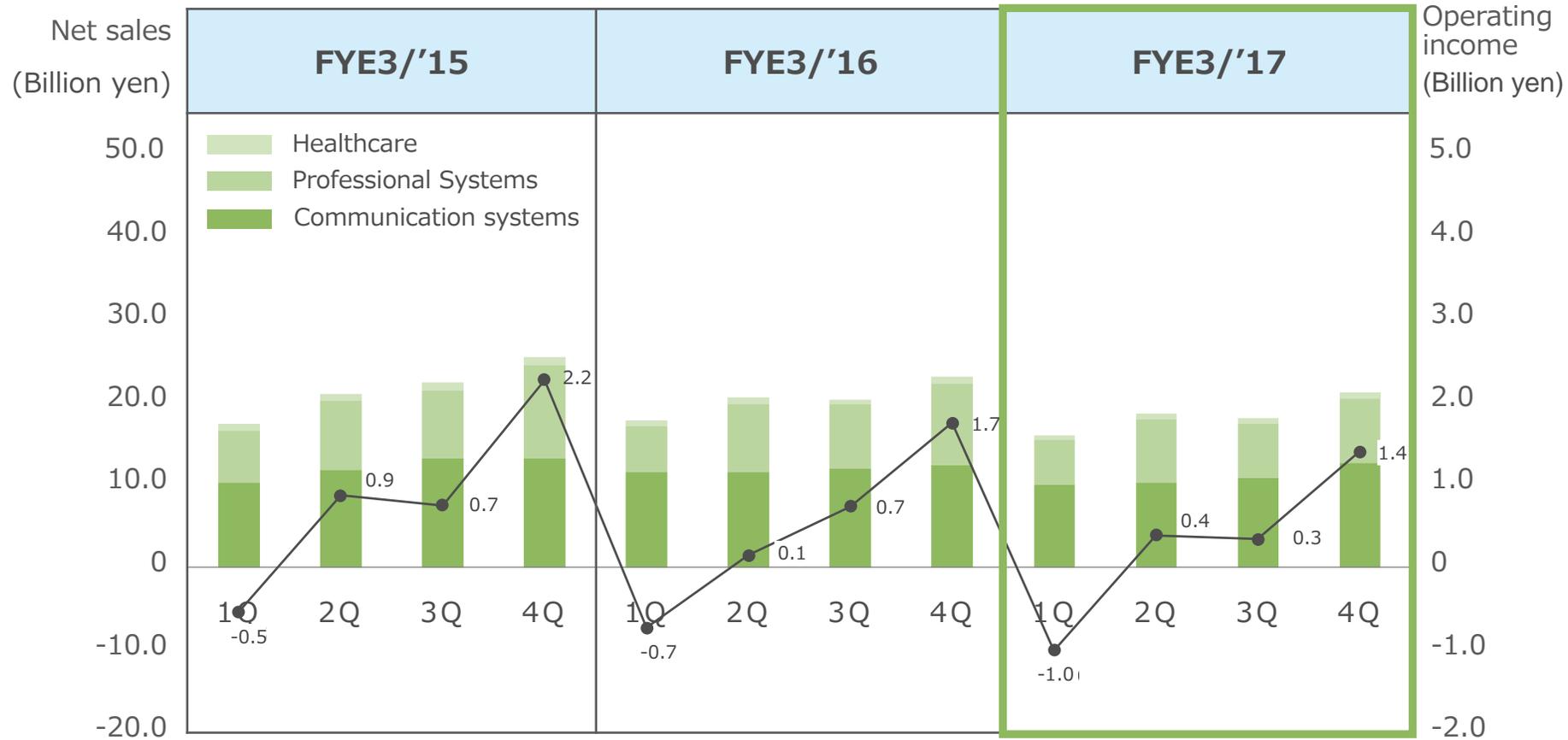
# Financial Results for FYE3/'17 – Quarterly Results (AM Sector)



	FYE3/'15		FYE3/'16		FYE3/'17	
	1H	2H	1H	2H	1H	2H
Net sales	58.0	62.8	66.4	72.2	68.6	82.2
Operating income	0.7	0.8	-0.7	1.1	0.2	2.1

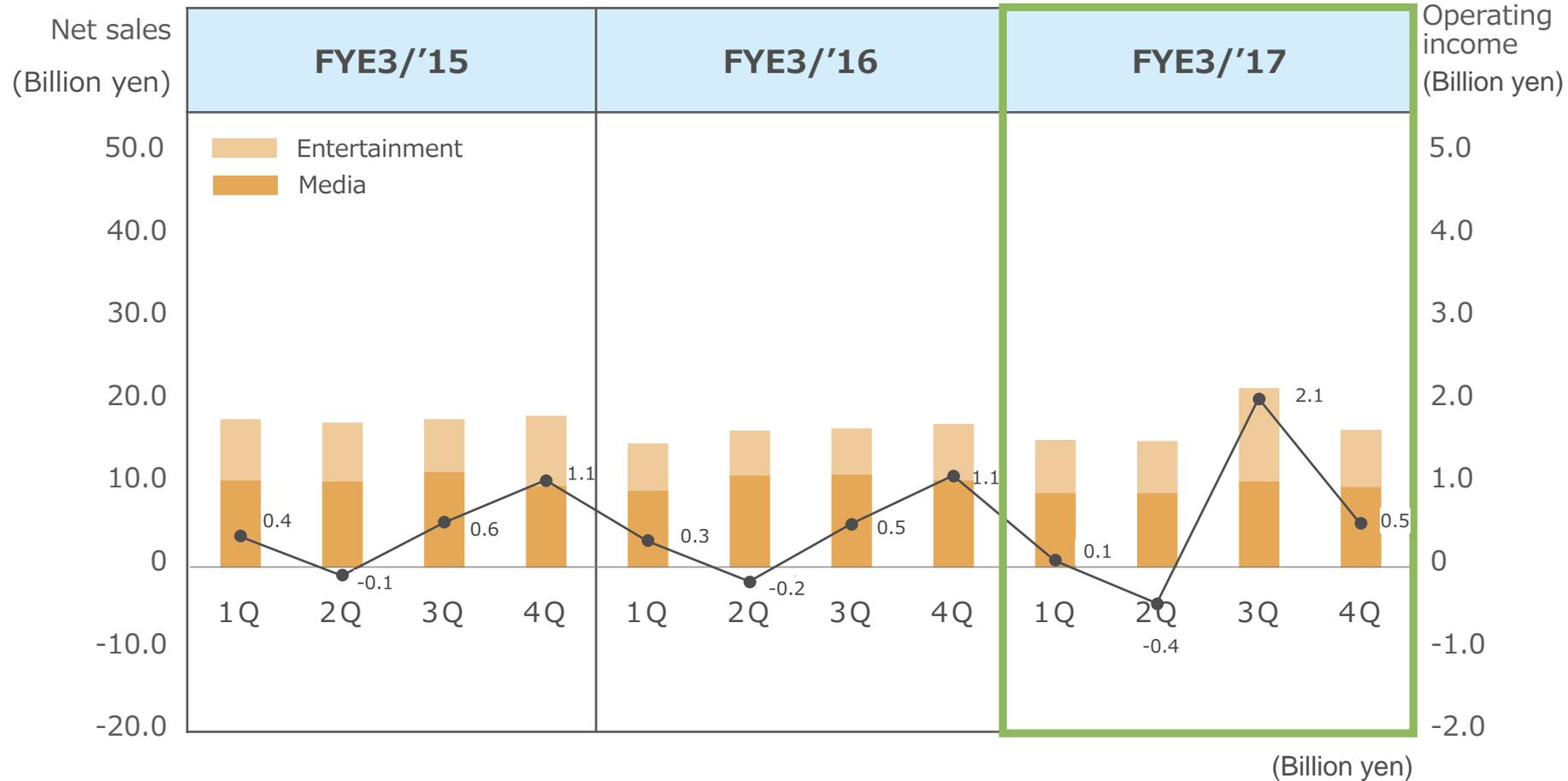
(Billion yen)

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



	FYE3/'15		FYE3/'16		FYE3/'17	
	1H	2H	1H	2H	1H	2H
Net sales	38.0	47.2	37.9	43.0	34.2	38.8
Operating income	0.3	3.0	-0.6	2.5	-0.6	1.7

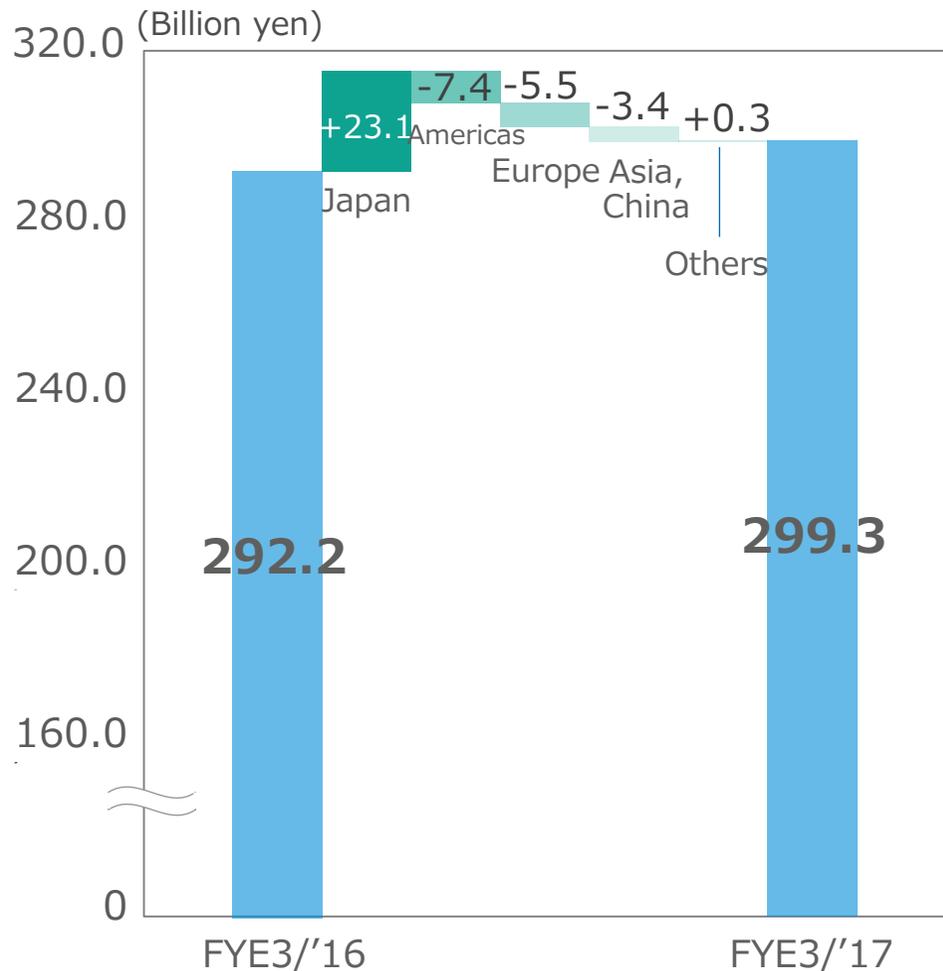
# Financial Results for FYE3/'17 – Quarterly Results (MS Sector)



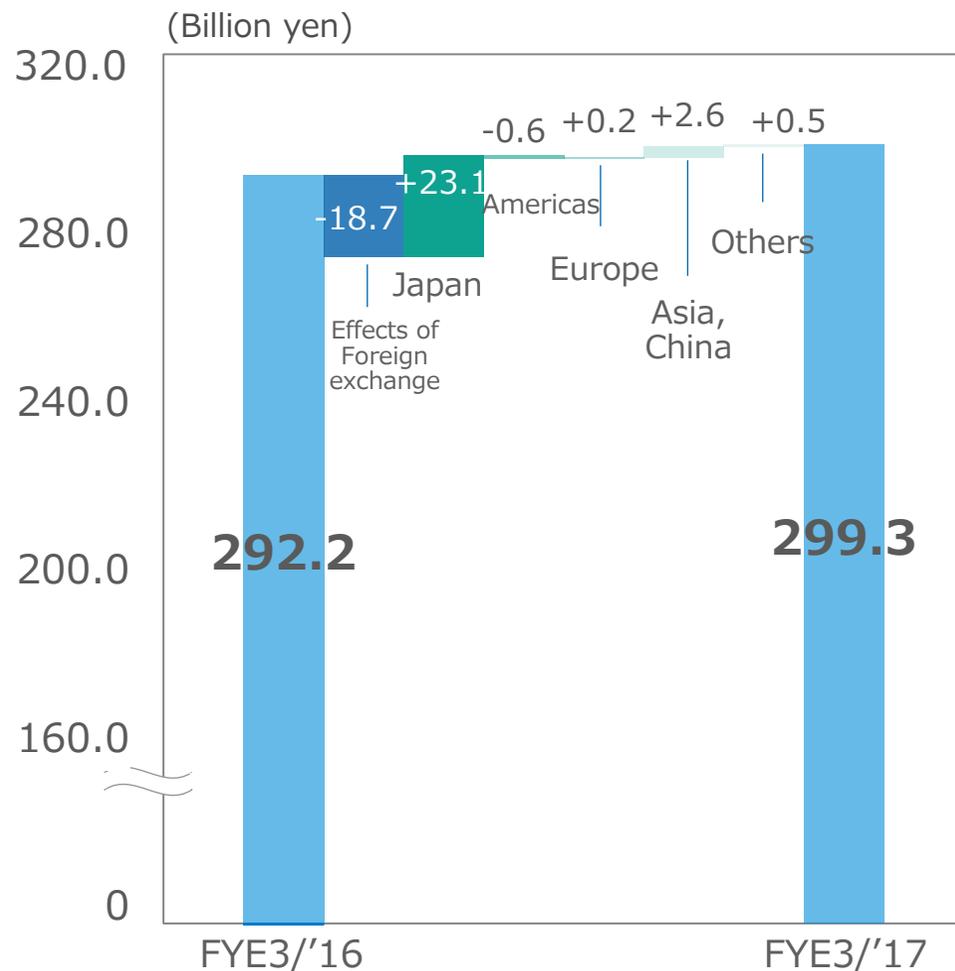
	1H	2H	1H	2H	1H	2H
Net sales	36.1	37.1	32.2	35.0	31.4	39.2
Operating income	0.3	1.6	0.2	1.7	-0.4	2.6

# Financial Results for FYE3/'17 – Sales by Region

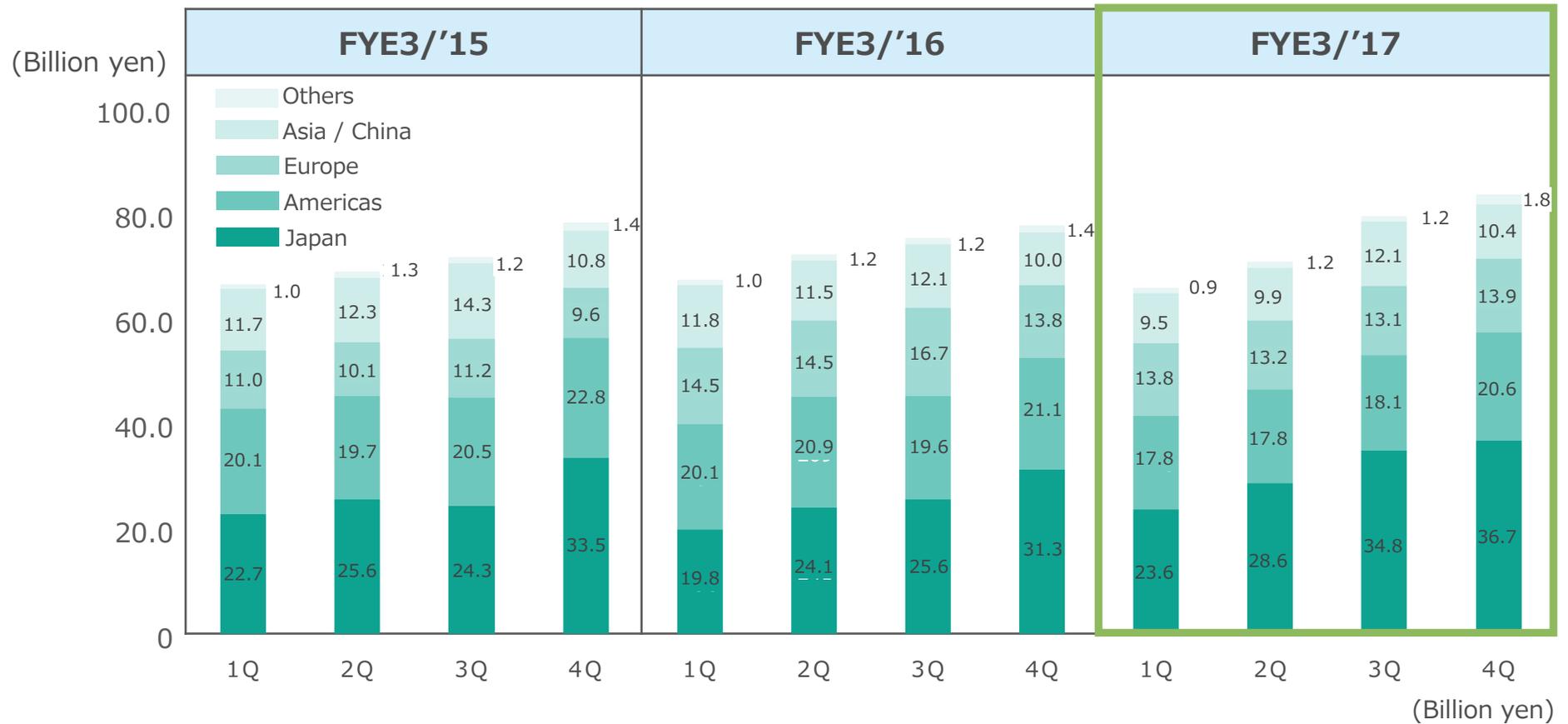
## YoY Change (by Region)



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

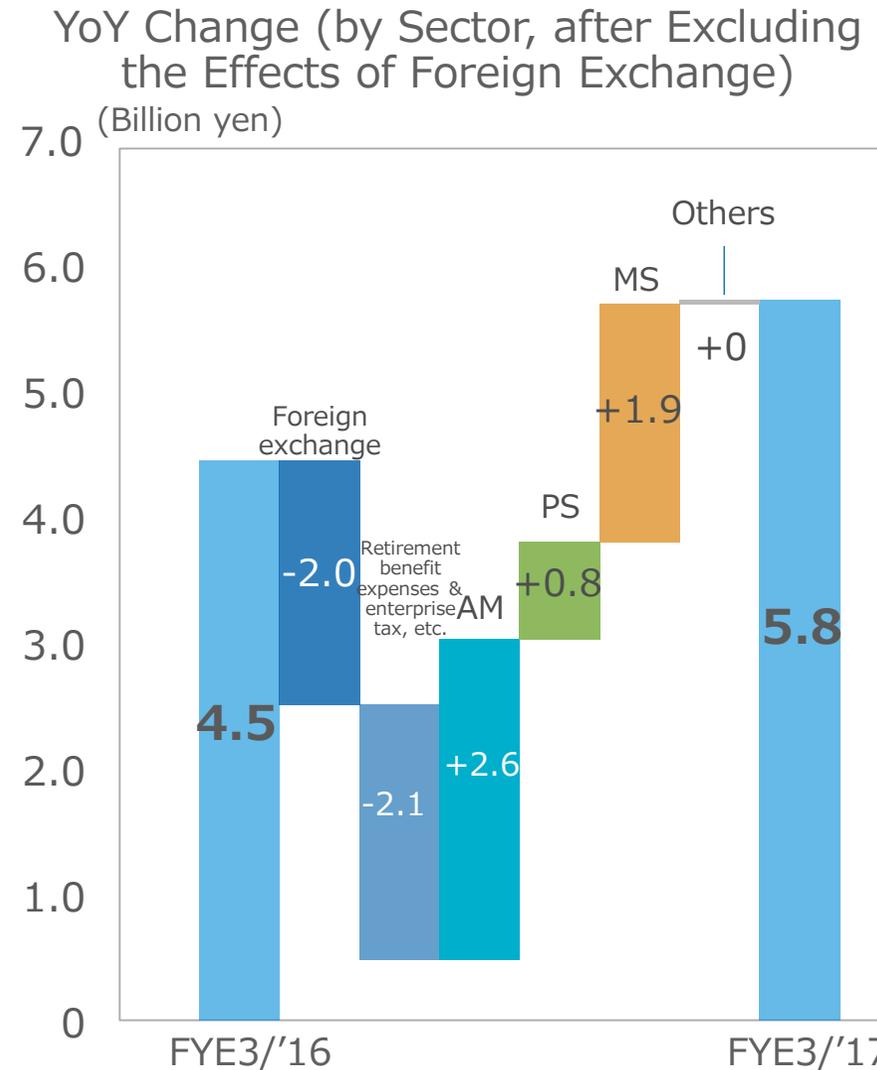
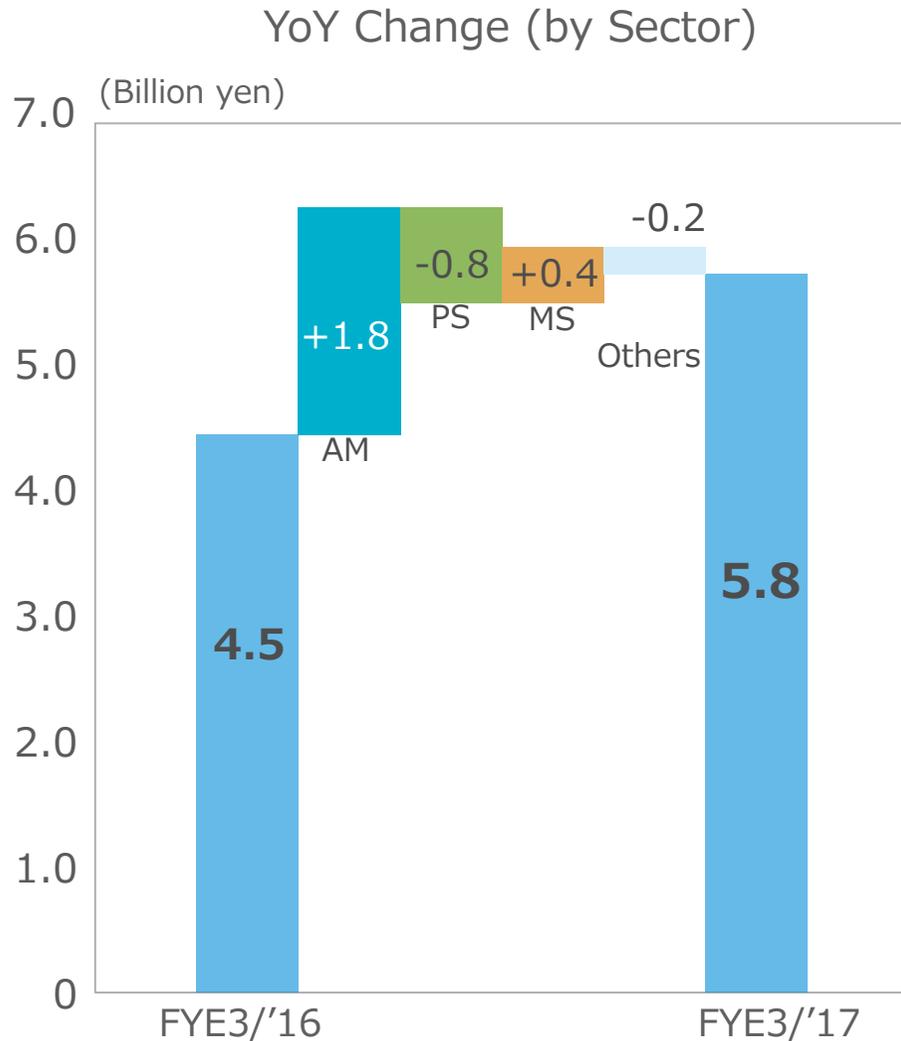


# Financial Results for FYE3/'17 – Quarterly Trends in Sales (by Region)



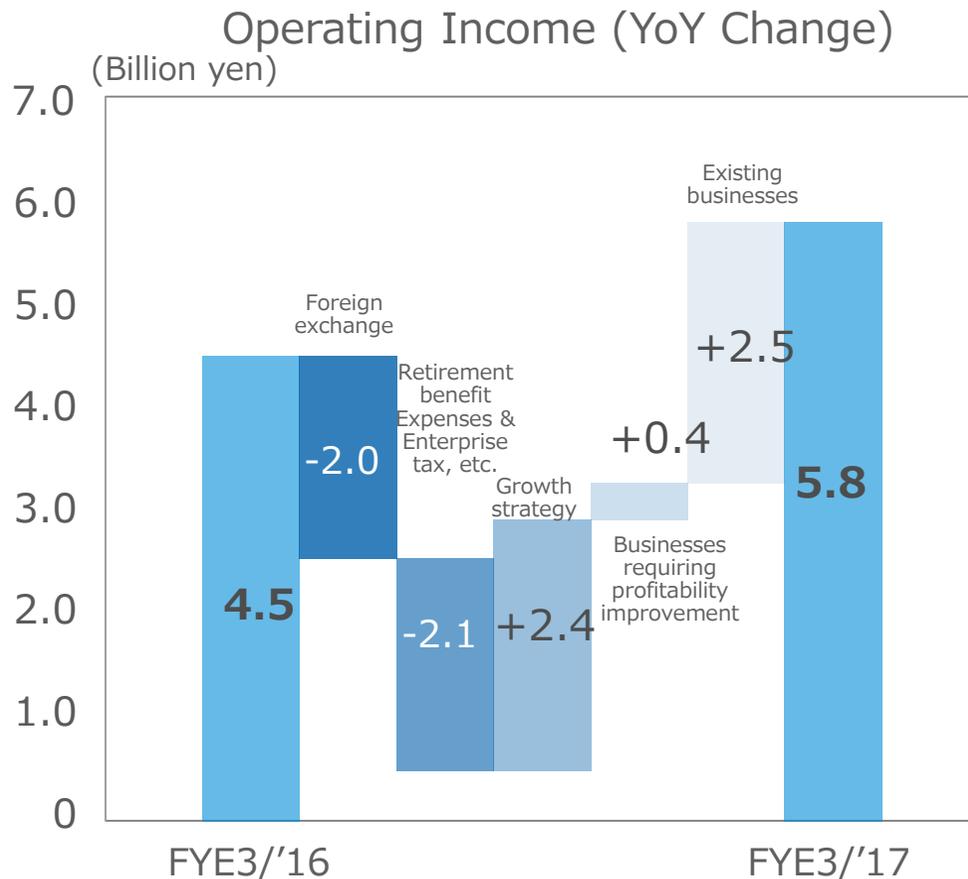
	1H	2H	1H	2H	1H	2H
Japan	48.3	57.8	43.9	56.9	52.3	71.6
Americas	39.8	43.3	41.0	40.7	35.6	38.7
Europe	21.1	20.8	29.0	30.5	27.0	27.1
Asia / China	23.9	25.1	23.3	22.1	19.4	22.5
Others	2.3	2.6	2.2	2.6	2.1	3.0

# Financial Results for FYE3/'17 – Consolidated Operating Income (by Sector)



# Financial Results for FYE3/'17 – Consolidated Operating Income (by Factor)

- Effects of foreign exchange were slightly greater than expected, but effects of other factors, such as increase in retirement benefit expenses, were slightly smaller than the period-start projections.
- Profit increase in businesses requiring profit improvement was below our projections. But profit increases from growth strategy and in existing businesses exceeded our projections. As a result, operating income improved by about 1.3 billion yen from a year ago.



- \* Growth strategy (businesses): Dealer-installed option, ASK, Shinwa
- \* Businesses requiring profitability improvement: Zetron, EF Johnson Technologies, Inc. (EFJT)
- \* Existing businesses: Business other than growth strategy (businesses) and those requiring profitability improvement

# Financial Results for 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, a net loss attributable to owners of parent was recorded due mainly to the effect of recording an extraordinary loss.

(Billion yen)

	FYE3/'16	FYE3/'17	YoY Change
Operating income	4.49	5.78	+1.29
Non-operating income and expenses	-3.20	-2.17	+1.04
Ordinary income	1.29	3.62	+2.33
Extraordinary income (loss)	2.86	-6.36	-9.22
Income taxes, etc.	-0.75	-3.99	-3.24
Net income attributable to owners of parent	3.40	-6.73	-10.13

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

(Million yen)

	FYE3/'16	FYE3/'17	YoY Change
Non-operating income and expenses	△ 3,202	△ <b>2,165</b>	<b>+1,038</b>
Non-operating income	1,200	<b>873</b>	△ <b>327</b>
Interest and dividend income	393	332	△ 61
Patent licensing royalties	105	84	△ 21
Rent income	131	61	△ 70
Others	568	395	△ 173
Non-operating expenses	4,402	<b>3,038</b>	△ <b>1,364</b>
Interest expenses	1,544	932	△ 612
Loans commission	930	181	△ 749
Foreign exchange loss	515	757	+242
Others	1,412	1,166	△ 246
Extraordinary income (loss)	2,856	△ <b>6,358</b>	△ <b>9,215</b>
Extraordinary income	7,032	<b>4,505</b>	△ <b>2,527</b>
Gain on sales of non-current assets	5,472	207	△ 5,265
Gain on sales of investment securities	1	-	△ 1
Gain on sales of shares of subsidiaries and affiliates	405	560	+155
Gain on liquidation of subsidiaries and affiliates	1,153	69	△ 1,084
Gain on transfer of business	-	3,617	+3,617
Others	-	50	+50
Extraordinary loss	4,176	<b>10,864</b>	<b>+6,688</b>
Loss on sales and retirement of non-current assets	70	1,551	+1,481
Impairment loss	2,866	6,314	△ <b>3,448</b>
Expenses for business structural reform	542	525	△ 17
Expenses for employment structure improvement	594	1,019	+425
Loss on liquidation of subsidiaries and affiliates	-	632	+632
Provision for loss on orders received	-	711	+711
Others	101	108	+7

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

(Billion yen)

	End of FYE3/'16	End of FYE3/'17	YoY Change
Total assets	256.3	262.3	+6.0
Interest-bearing debts	69.2	70.3	+1.1
Net debt	26.4	28.5	+2.0
Net debt/equity ratio (times)	0.51	0.51	+0.0
Net assets	57.6	61.5	+3.9
Shareholders' equity	52.3	56.0	+3.7
Shareholders' equity ratio (%)	20.4	21.4	+1.0

# Financial Results for FYE3/'17 – Cash Flow Summary

- Cash flow from operating activities increased, despite recording a net loss before income taxes, due mainly to the recording of an impairment loss, increase in depreciation and decrease in interest expenses paid.
- Cash flow from investing activities decreased due mainly to a decrease in proceeds from sales of property, plant and equipment and increase in purchase of property, plant and equipment.

(Billion yen)

	FYE3/'16	FYE3/'17	YoY Change
Cash flow from operating activities	12.3	15.4	+3.1
Cash flow from investing activities	-8.4	-14.4	-6.0
Free cash flow	3.9	1.0	-2.9
Cash flow from financing activities	-15.0	-1.1	+13.9
Total	-11.1	-0.1	+11.0

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

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# Full-Year Earnings Forecast for FYE3/'18

- For FYE3/'18, a higher profit on lower sales is expected on a company-wide basis.
- In AM, both sales and profit are expected to increase due to strong sales in the Consumer business and sales expansion of dealer-installed option products in the OEM Business.
- In PS, sales are likely to decrease due to a business transfer in the Professional Systems Business. However, profit is expected to increase due to profit improvements in U.S. communication systems subsidiaries in the Communication Systems Business.
- In MS, both sales and profit are expected to decrease due to a decline in sales in the Entertainment Business.
- Net income is expected to increase sharply due to an improvement in extraordinary loss. The annual dividend forecast is 5 yen per share.

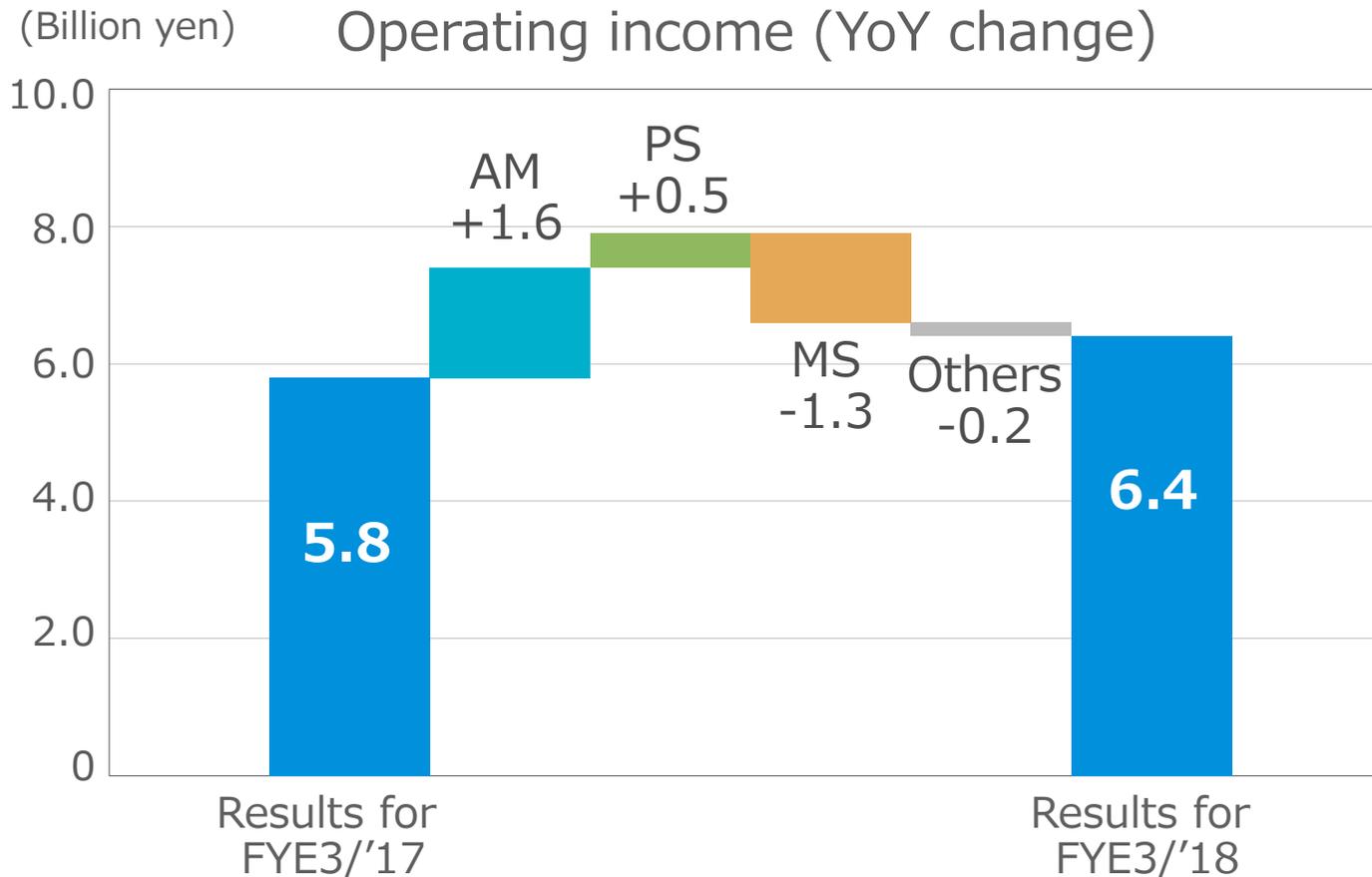
(Billion yen)

	Results for FYE3/'17	Forecast for FYE3/'18	Change from the results for FYE3/'18
Net sales	299.3	295.0	-4.3
Operating income	5.8	6.4	+0.6
Ordinary income	3.6	4.4	+0.8
Net income attributable to owners of parent	-6.7	1.4	+8.1

		Results for FYE3/'17	Assumption for FYE3/'18
Profit-and-loss exchange rates	U.S. dollar	JPY 108	JPY 113
	Euro	JPY 119	JPY 121

# Fully-Year Earnings Forecast for FYE3/'18 (Changes by Sector)

- AM : Profit increase due to robust domestic sales in the Consumer Business and sales expansion in dealer-installed option products in the OEM Business.
- PS : Profit increase due to improvement in the Communication Systems Business.
- MS : Profit decrease in the Entertainment Business.



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# JVCKENWOOD's Recognition of Current Situation and Initiatives for the Future – AM Sector

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## ■ Recognition of current situation

- Consumer: Continue to expand our market presence in a difficult business environment by maintaining robust domestic sales of car navigation systems and creating the market for Dashcams, etc.
- OEM: Received greater-than-expected orders for dealer-installed option products. Entered a period where we fully reap the benefits of upfront investment. In factory-installed option, successfully delivered cockpit system developed by i-ADAS to McLaren. Meanwhile, our task is to win more orders for factory-installed option products.

## ■ Initiatives for the future

- Consumer: Launch new products of Saisoku-Navi car navigation systems and Dashcams, which are enjoying strong domestic sales, and expand sales channels for such products to increase/continue maintaining our market shares. Accelerate overseas deployment of Dashcams.
- OEM: Sales increase in dealer-installed option products based on full-year contribution of car navigation systems for new customers and order increase for Dashcams. Order increase for factory-installed option products, centering on display audio systems. Conduct a review of the ADAS business.

# AM Sector: Topic (1) Consumer Business

- Achieved market share growth amid a declining car navigation system market.
- Increased market size and share for Dashcams.



Saisoku-Navi series of car navigation systems are enjoying strong sales



Dashcam equipped with driver assistance functions

## AM Sector: Topic (2) OEM Business

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



Dealer-installed car navigation systems, for which JVCKENWOOD is working to maintain/expand business both domestically and overseas

# JVCKENWOOD's Recognition of Current Situation and Initiatives for the Future: PS Sector

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## ■ Recognition of current situation

- Communication systems: Order backlogs are on an upward trend, although recovery of order-taking is slow at communication systems subsidiaries.  
The impact of macroeconomic factors on the device business has been extended for a longer period than expected.
- Professional systems: Demand has declined in some markets.  
Strengthened the framework for providing solutions.

## ■ Initiatives for the future

- Communication systems: Increase receipt of orders for systems and full-scale introduction of new device products, led by EFJT, and promote order-taking for IP wireless systems through collaboration with Sonim Technologies.
- Professional systems: Increase receipt of orders by strengthening the framework for the solutions business through integration of sales and engineering functions.

# PS Sector: Topic (1)

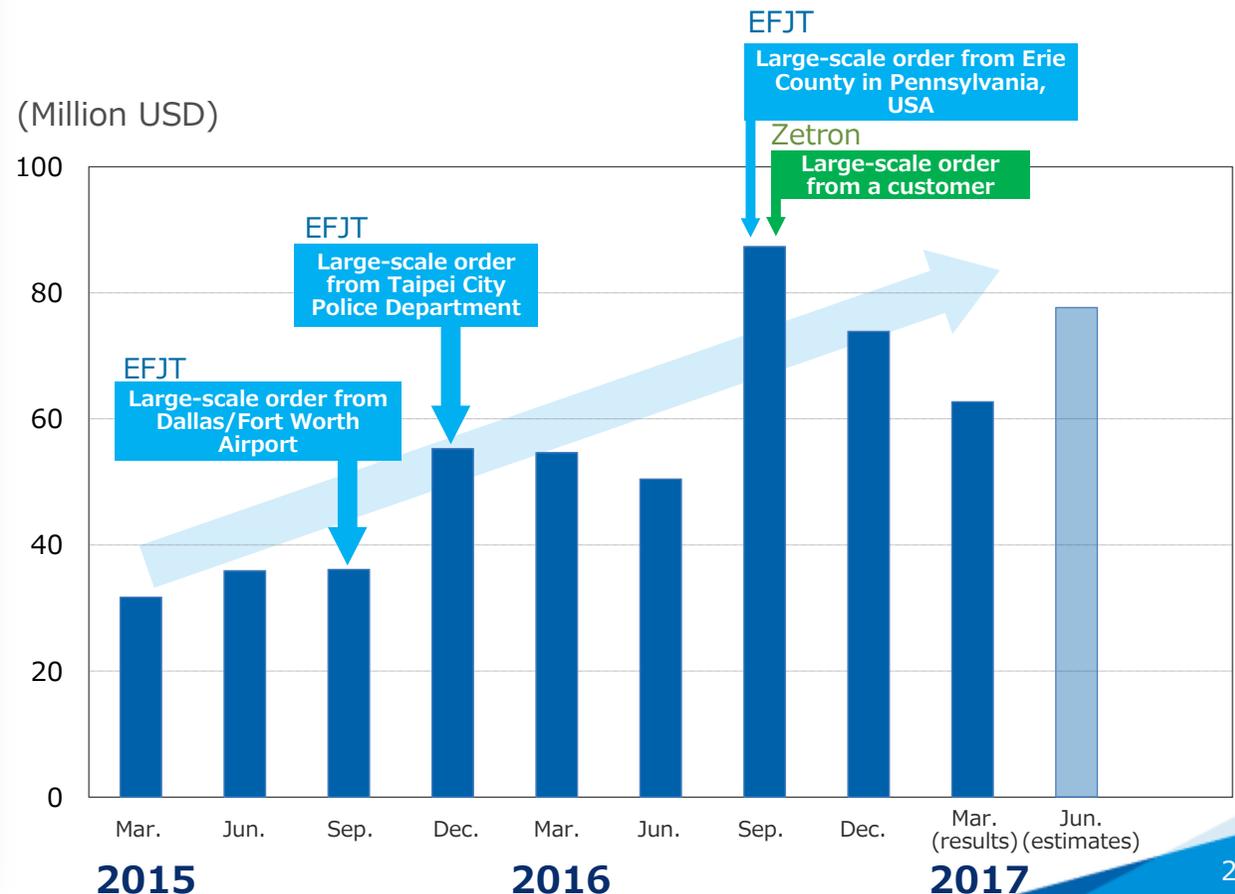
## Expansion of Communication Systems Business

- Increase order receipt for communication systems by allocating more staff resources to handle bidding on communication systems and full-scale introduction and sales expansion of new device products.

Full-scale introduction of new communication device system products  
(Joint development products between JVCKENWOOD and EFJT)

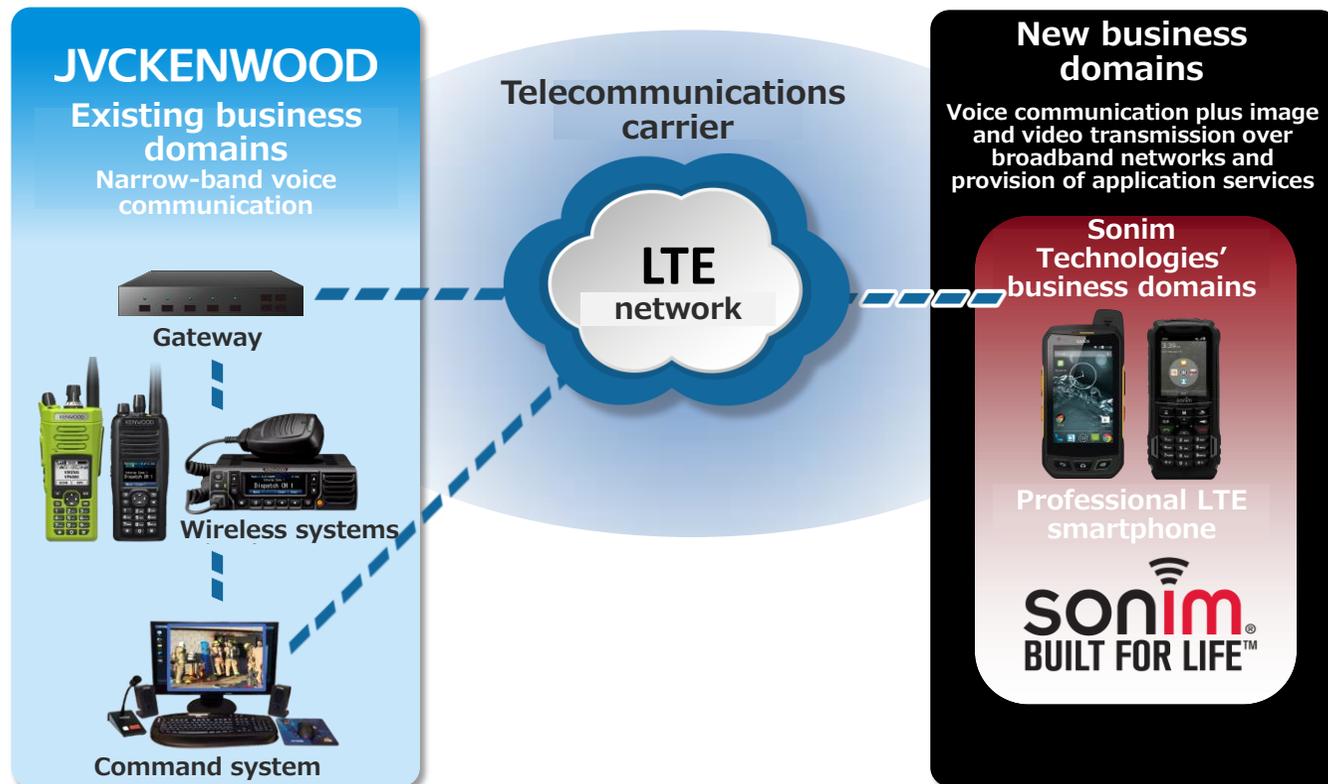


Trends in backlog of orders for communication systems  
(Combined total of JVCKENWOOD, EFJT and Zetron)



# PS Sector: Topic (2) Wireless broadband systems

- Concluded a capital and business alliance with Sonim Technologies in the U.S. for the purpose of incorporating its LTE technology and robust professional LTE technology for smartphones technology into JVCKENWOOD's product lines
- Enter the LTE-based IP wireless services business with an eye toward developing new wireless solutions by combining voice and data communications.



# PS Sector: Topic (3) GazeFinder

- Launched GazeFinder, a gaze-fixation pattern-measuring device, for use in research fields and introduced it to universities and research institutions.
- Started research on validity verification (both domestically and overseas) of GazeFinder as a biomarker tool for other diseases, including early detection, treatment and prognosis, in addition to developmental disorders.

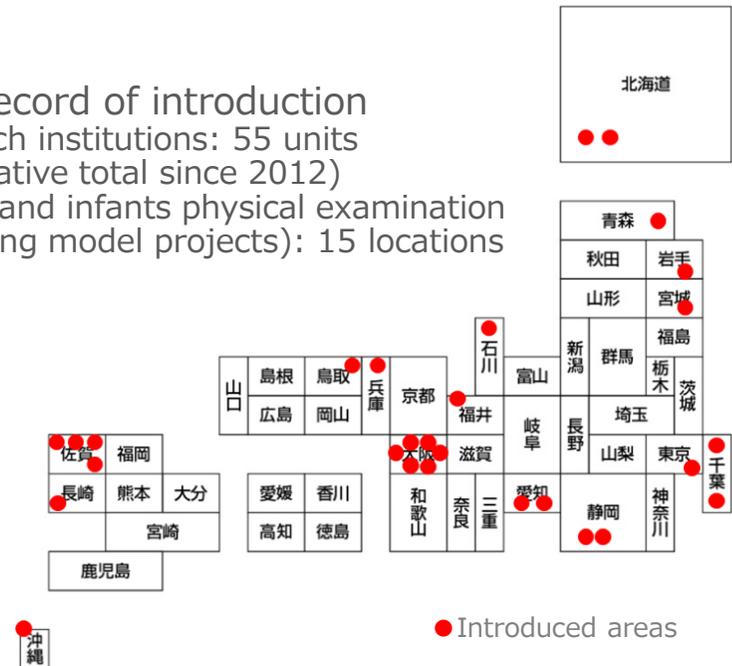
**Gazefinder**



Illustrative image of GazeFinder used for measuring infant's gaze

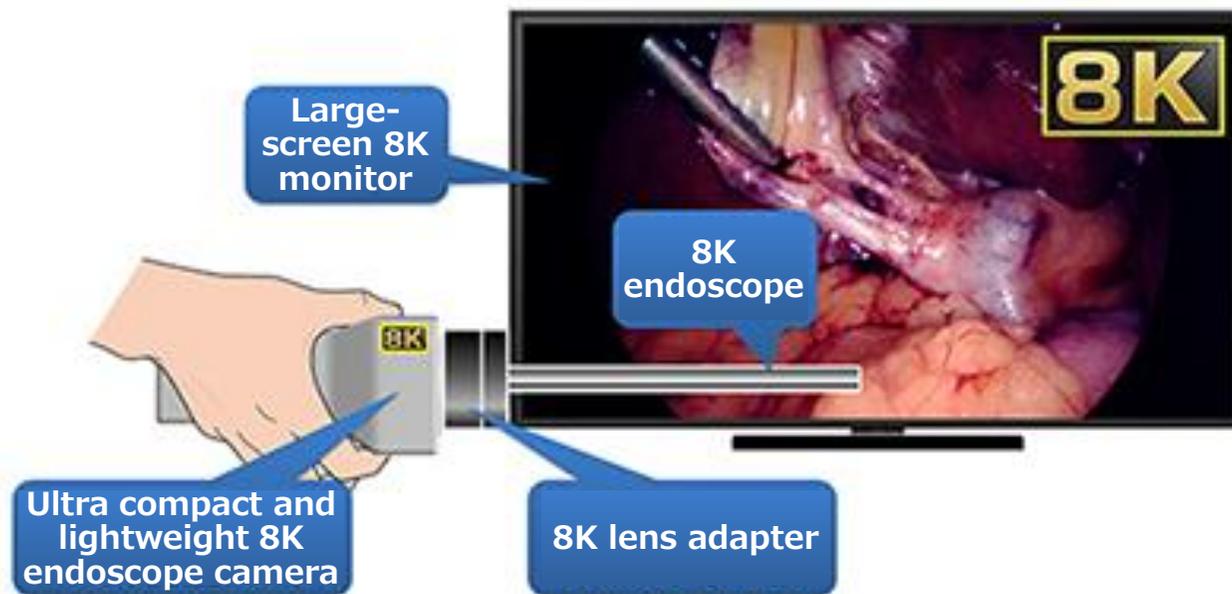
Track record of introduction

- Research institutions: 55 units (cumulative total since 2012)
- Babies and infants physical examination (including model projects): 15 locations



# PS Sector: Topic (4) 8K camera systems

- Held a reference exhibition of 8K camera systems for rigid endoscopes at the International Technical Exhibition of Medical Imaging 2017.
- Proposed solutions designed to achieve minimally invasive surgery and improved safety by the use of detailed and high-definition images with more than 33 million pixels.



(Co-sponsors: Kairos Corp., Sharp Corporation, Medical Imaging Consortium)

# JVCKENWOOD's Recognition of Current Situation and Initiatives for the Future: MS Sector

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## ■ Recognition of current situation

- Media: In the product business (consumer business), shift the focus to cutting-edge products and services.  
In the solutions business, firmly maintain the stance on approaching businesses.
- Entertainment: Major works made a significant contribution in FYE3/'17.

## ■ Initiatives for the future

- Media: 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 and redefining of the "Victor" brand.
- Entertainment: Discover and cultivate artists and accelerate the development of multi-directional businesses.

# MS Sector: Topic (1)

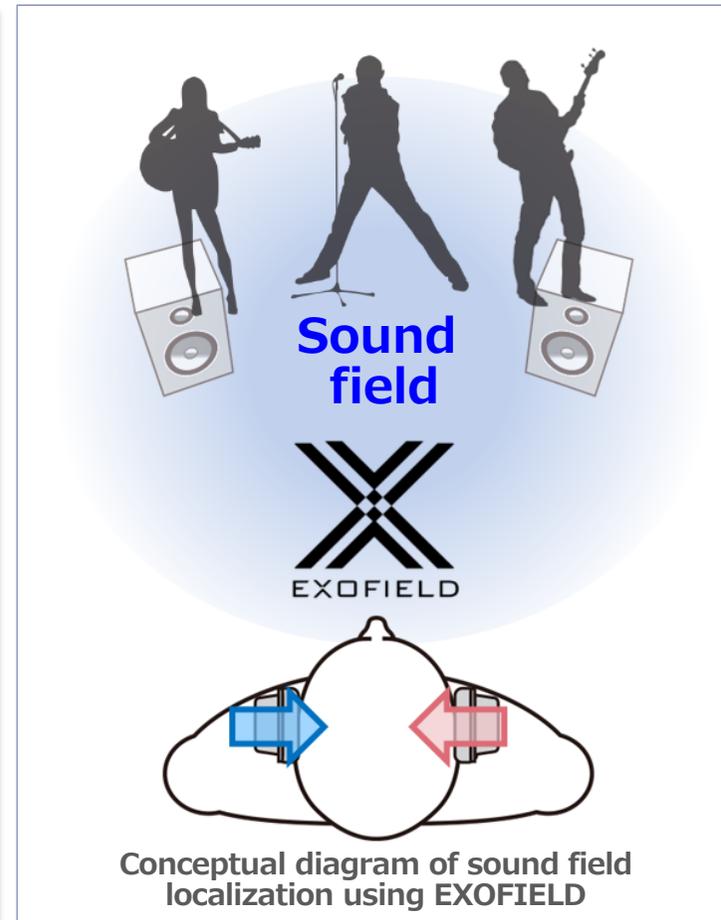
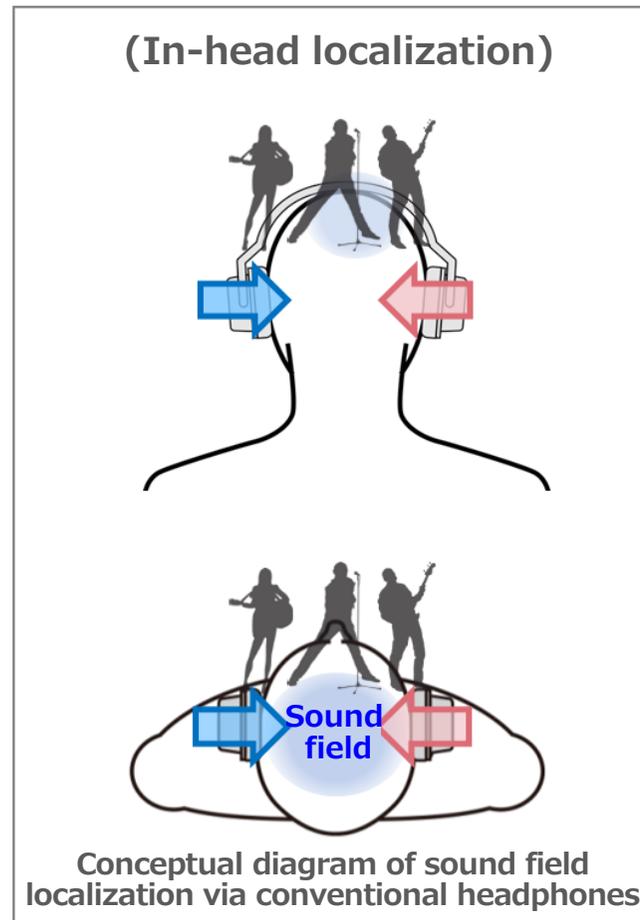
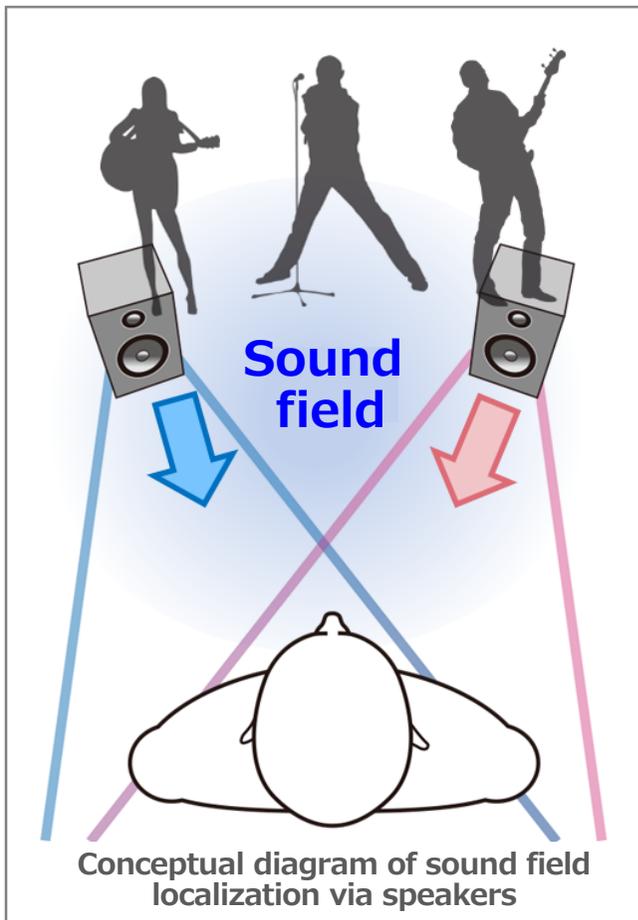
## EXOFIELD -- Out-of-Head Localization Sound Field Processing Technology



# MS Sector: Topic (1)

## EXOFIELD -- Out-of-Head Localization Sound Field Processing Technology

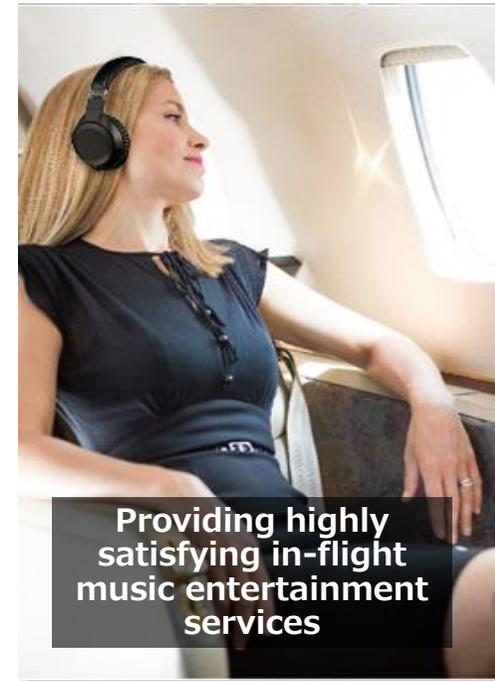
- Enabling reproduction and localization of sound field of speakers in a listening room with headphones



# MS Sector: Topic (1)

## EXOFIELD -- Out-of-Head Localization Sound Field Processing Technology

- Proposing new lifestyles



# MS Sector: Topic (2) Revival of the VICTOR Brand

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Anniversary celebration effort Two projects in milestone years

# Wow!

Launch anniversary models in each field that “wow!” people



Revival of the Victor brand  
The Victor brand will be utilized for our new innovation

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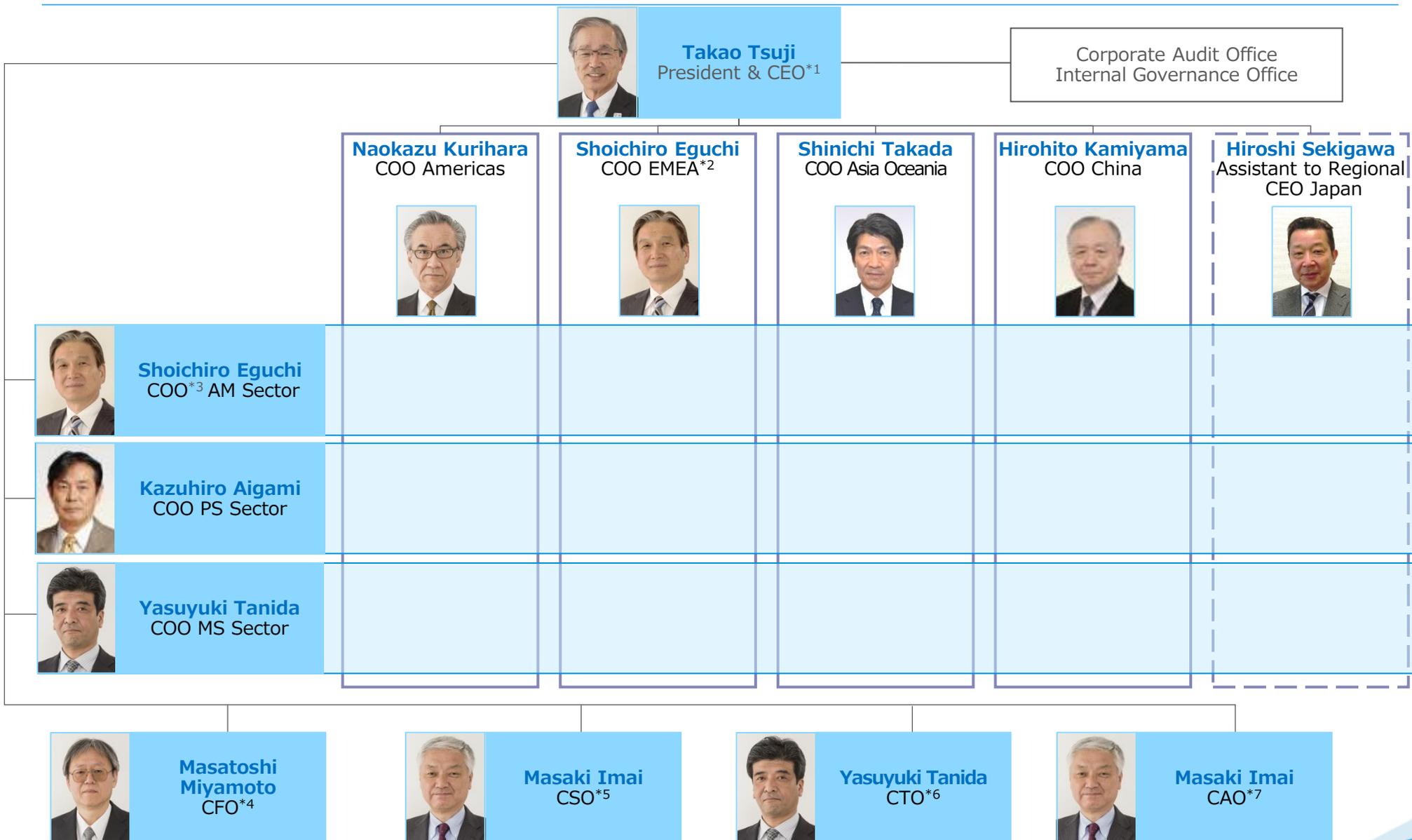
# New Management Structure Coming into Operation after This Year's Ordinary General Meeting of Shareholders

- President Tsuji and two executive vice presidents will assume responsibility for executing business. The post of Chairman of the Board will be assumed by an external director, thereby enhancing corporate governance.

	Name	Position
Reappointed External	Yasuyuki Abe	Director, Chairman of the Board
Reappointed	Takao Tsuji	Representative Director of the Board, President & CEO*
Reappointed	Shoichiro Eguchi	Representative Director of the Board, Executive Vice President
Reappointed	Kazuhiro Aigami	Representative Director of the Board, Executive Vice President
Newly appointed	Masaki Imai	Director of the Board, Senior Managing Executive Officer
Reappointed	Yasuyuki Tanida	Director of the Board, Managing Executive Officer
Newly appointed	Masatoshi Miyamoto	Director of the Board, Managing Executive Officer
Reappointed External	Junichi Hikita	Director of the Board
Newly appointed External	Shinjiro Iwata	Director of the Board

\* CEO: Chief Executive Officer

# New Management Structure Introduced on April 1, 2017



\*1: Chief Executive Officer \*2: Europe, Middle East and Africa \*3: Chief Operating Officer \*4: Chief Financial Officer  
\*5: Chief Strategy Officer \*6: Chief Technology Officer \*7: Chief Administration Officer

# 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.