

JVCKENWOOD

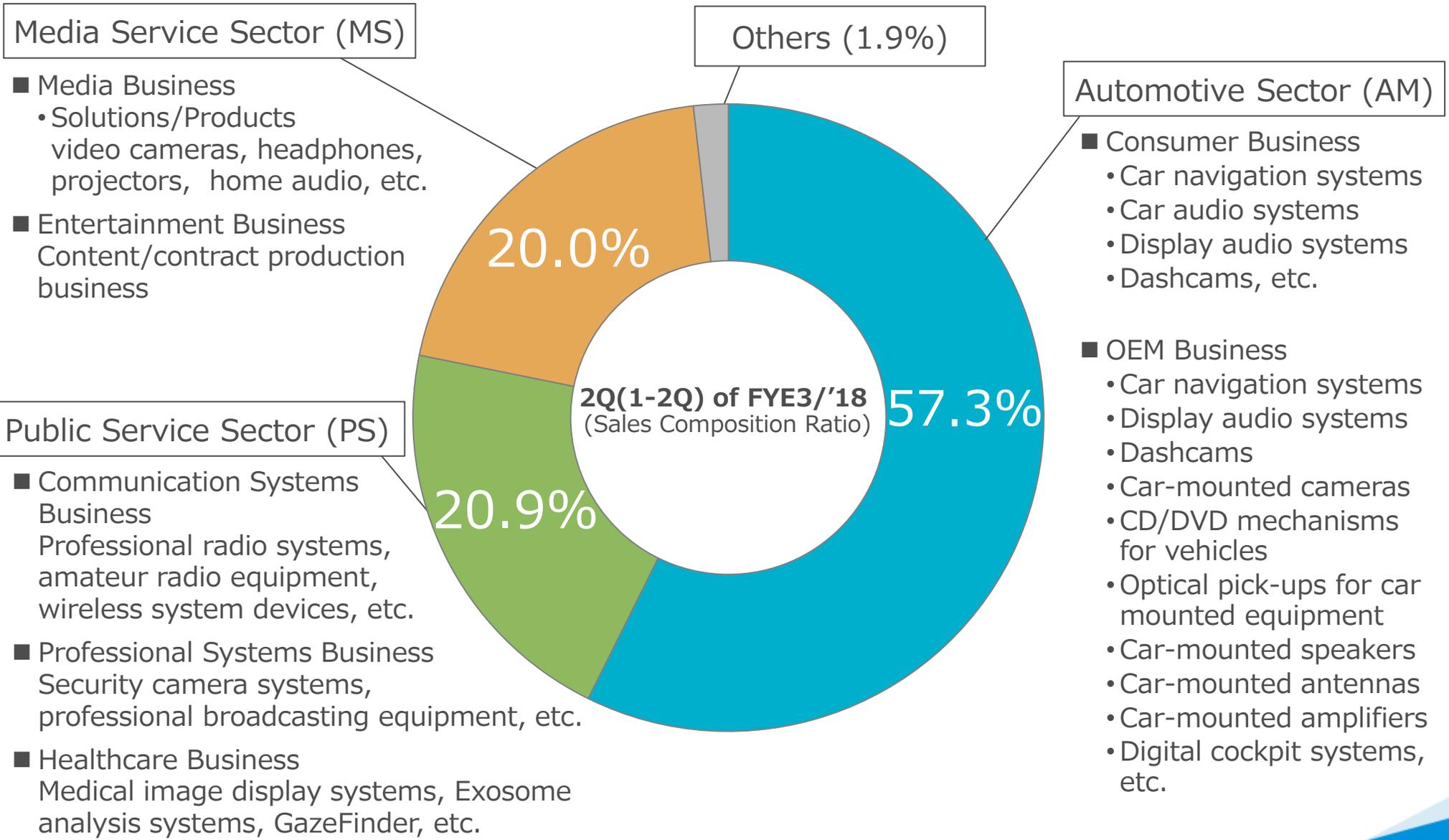
Translation for Reference Only

JVCKENWOOD
Results and Forecast Briefing
2Q of Fiscal Year Ending March 2018

November 1, 2017

JVCKENWOOD Corporation

Business Domains



- 1. Overview of Financial Results for 2Q of FYE3/'18**
- 2. Full-year Earnings Forecast for FYE3/'18**
- 3. Topics**

**1. Overview of Financial Results
for 2Q of FYE3/'18**

2. Full-year Earnings Forecast for
FYE3/'18

3. Topics

Financial Results for 2Q (1-2Q) of FYE3/'18 – Summary

- Net sales increased due to significant sales increase in the OEM Business in the AM Sector.
- Operating income turned around from a loss to a profit due to significant profit increase in the OEM Business in the AM Sector.
- Ordinary income turned around from a loss to a profit due to significant increase in operating income.
- Net loss decreased significantly due to increase in ordinary income and improvement in extraordinary income (loss).

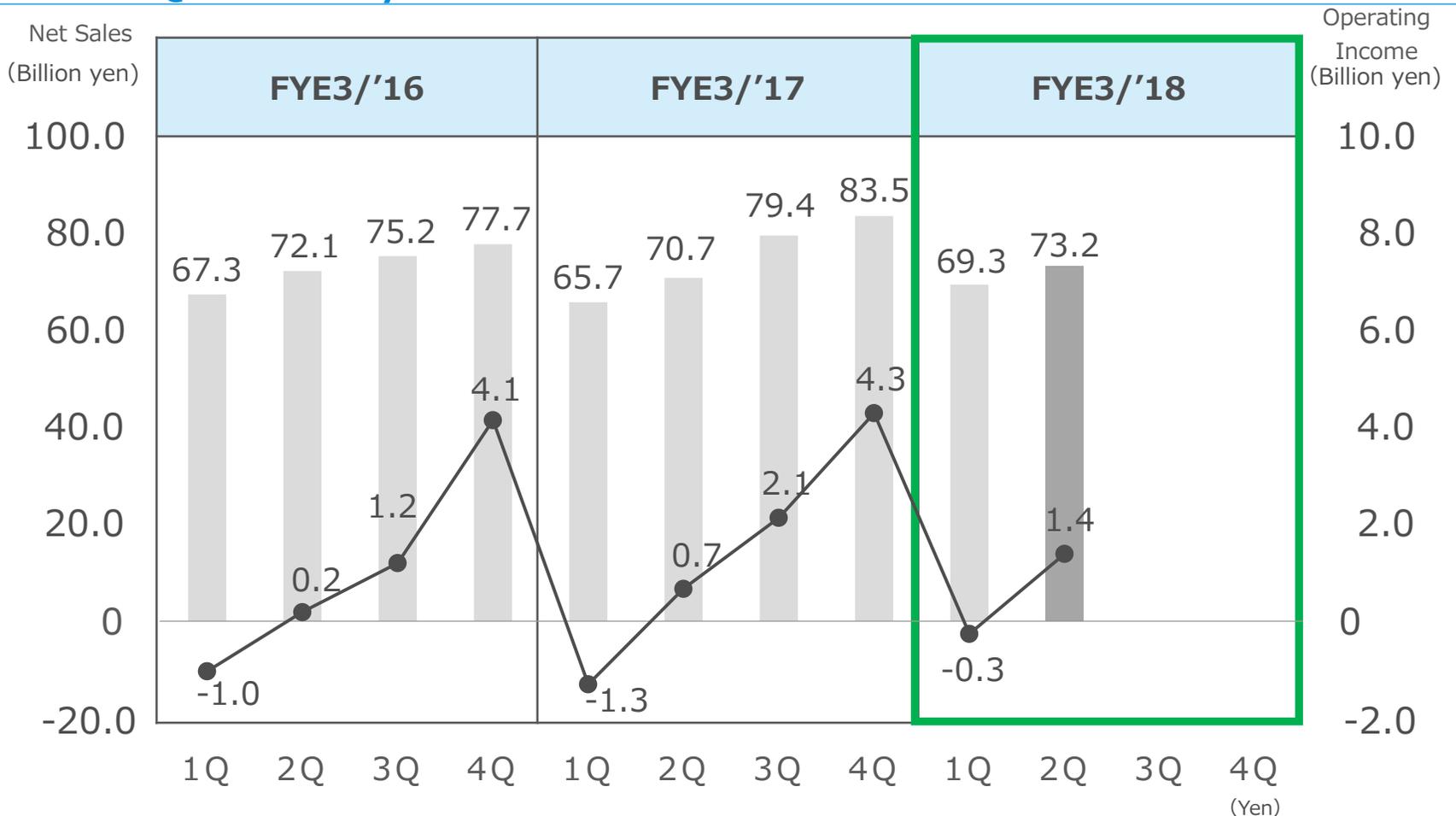
(Billion yen)

	2Q(1-2Q) of FYE3/'17		2Q(1-2Q) of FYE3/'18		
		Compotision ratio		Compotision ratio	YoY comparison
Net sales	136.4	100.0	142.5	100.0	+ 6.1
Cost of sales	100.9	74.0	105.3	73.9	+ 4.4
Selling, general and administrative expenses	36.1	26.5	36.0	25.3	-0.1
Operating income	-0.6	-0.5	1.1	0.8	+ 1.8
Ordinary income	-1.5	-1.1	0.7	0.5	+ 2.1
Net income attributable to owners of parent	-5.7	-4.2	-0.3	-0.2	+ 5.5

		FYE3/'17					FYE3/'18				
		1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q	4Q	Full Year
Profit-and-loss exchange rates	U.S. dollar	108yen	102yen	109yen	114yen	108yen	111yen	111yen			
	Euro	122yen	114yen	118yen	121yen	119yen	122yen	130yen			

Financial Results for 2Q of FYE3/'18

- Trends in Quarterly Results



Exchange rates	U.S. Dollar	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
		Euro	121	122	121	115	108	102	109	114	111	111	
		134	136	133	127	122	114	118	121	122	130		

	1H		2H		1H		2H	
Sales	139.4	152.8	136.4	162.9	142.5			
Operating income	-0.8	5.3	-0.6	6.4	1.1			

Financial Results for 2Q (1-2Q) of FYE3/'18

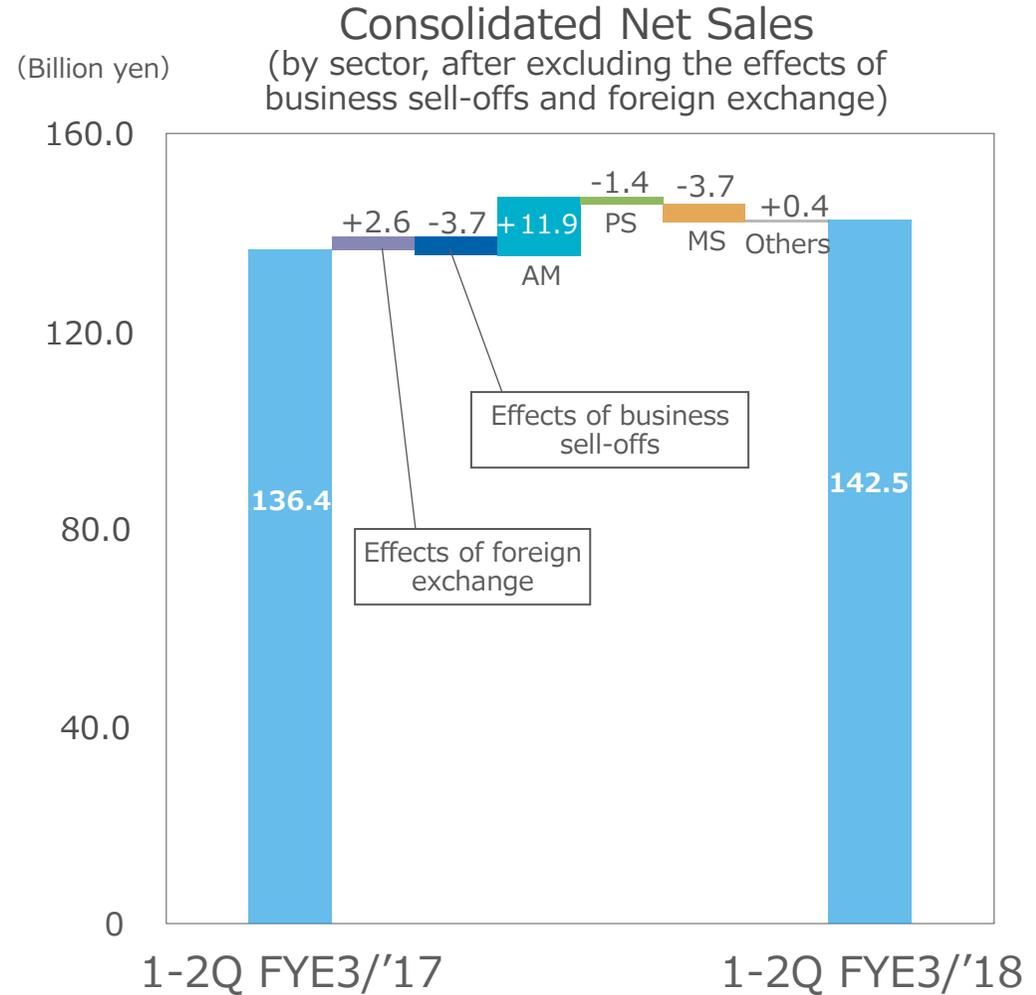
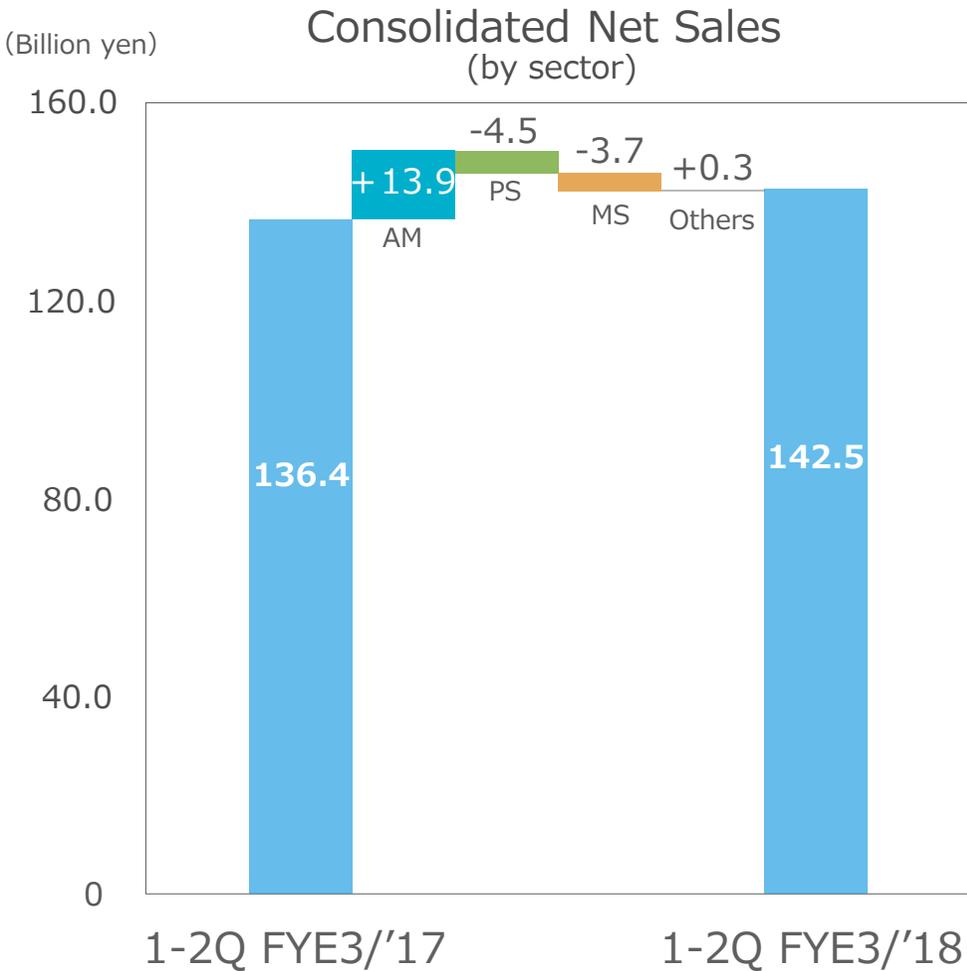
– Results by Sector

(Billion yen)

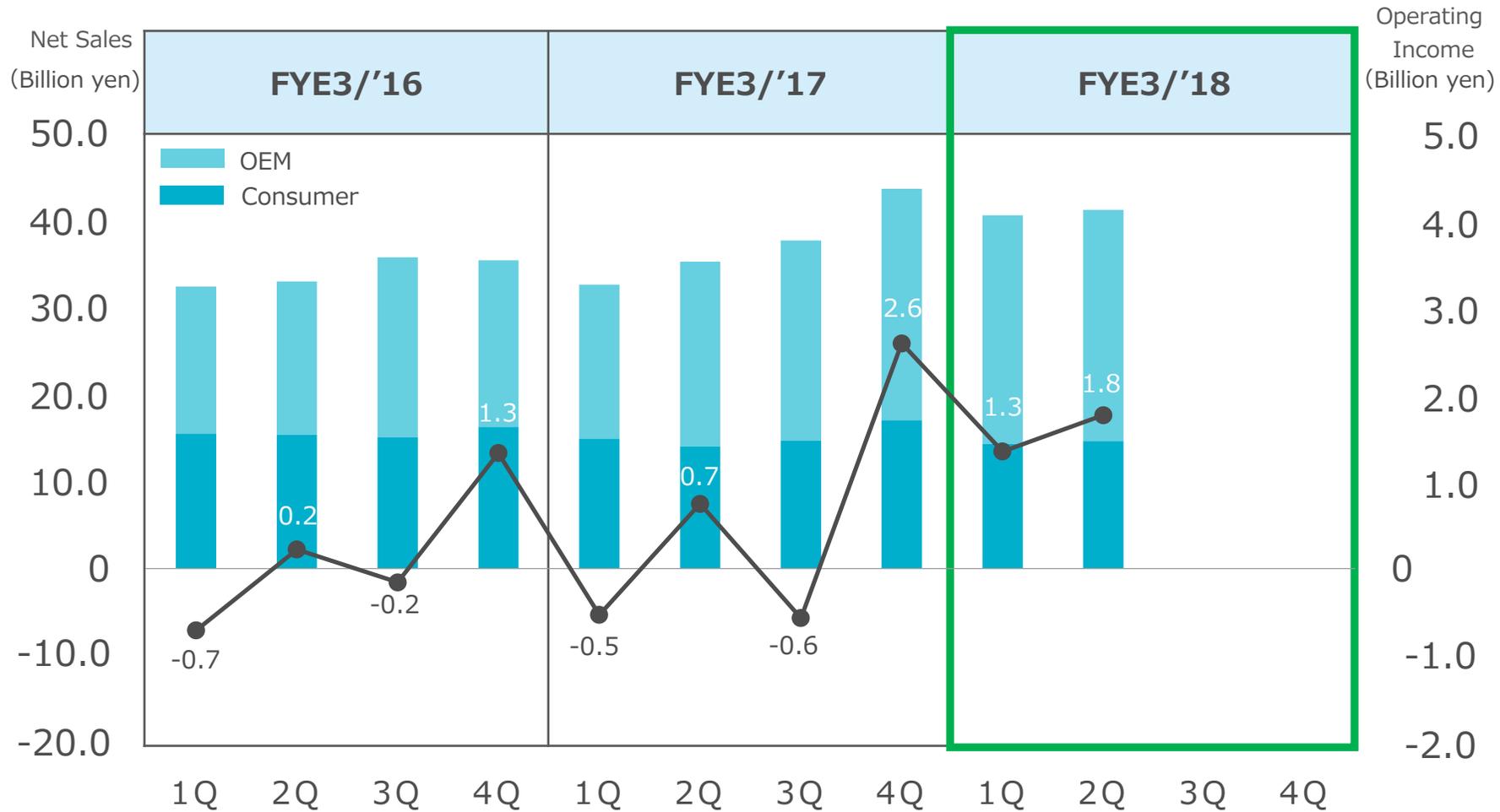
		1-2Q FYE3/'17	1-2Q FYE3/'18	YoY change (amount)	YoY change (percentage)	Factor
AM Sector	Sales	67.8	81.7	+ 13.9	+20.4%	* Sales in the AM Sector as a whole increased due to substantial increase in sales in the OEM Business. * Profit in the AM Sector as a whole increased sharply due to substantial increase in profit in the OEM Business.
	Operating income	0.2	3.1	+ 2.9	–	
PS Sector	Sales	34.2	29.7	-4.5	-13.1%	* Sales in the PS Sector as a whole decreased due to the effect of business sell-offs in the Professional Systems Business that caused 3.5 billion yen in decrease. * Operating loss in the PS Sector as a whole widened due to profit decrease in the Communication Systems Business and the Professional Systems Business.
	Operating income	-0.6	-1.7	-1.1	–	
MS Sector	Sales	32.2	28.5	-3.7	-11.3%	* Sales in the MS Sector as a whole decreased due to sales decrease in the Media Business and the Entertainment Business. * Operating income (loss) improved in the MS Sector as a whole due to decrease in operating loss in the Media Business.
	Operating income	-0.4	-0.3	+ 0.2	–	
Others (including intersegment elimination)	Sales	2.2	2.5	+ 0.3	+15.3%	
	Operating income	0.2	0.0	-0.2	–	
Total	Sales	136.4	142.5	+ 6.1	+4.5%	
	Operating income	-0.6	1.1	+ 1.8	–	

Financial Results for 2Q (1-2Q) of FYE3/'18

- Consolidated Net Sales (by Sector)



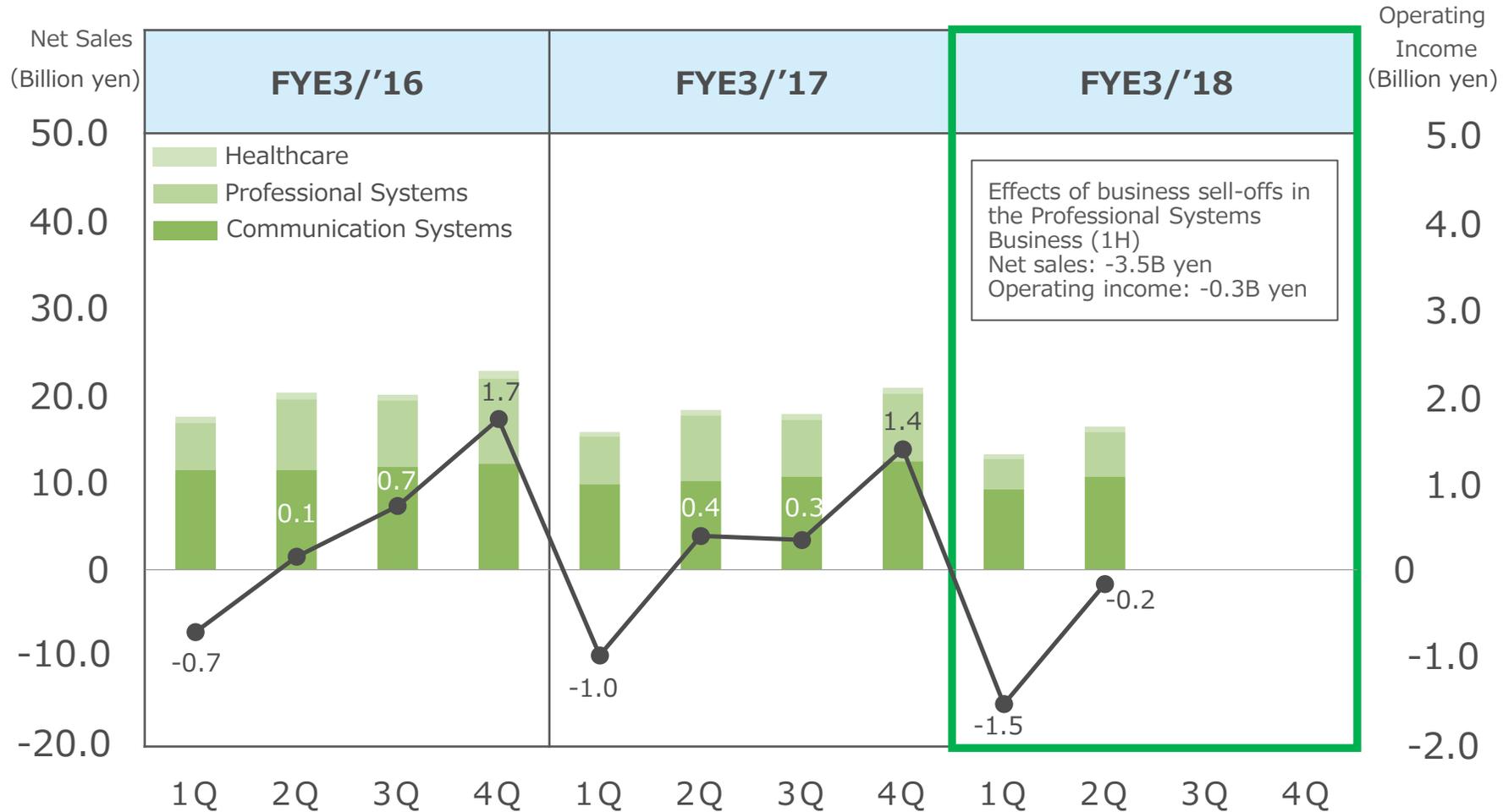
Financial Results for 2Q of FYE3/'18 – Quarterly Results (AM Sector)



	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	65.3	71.1	67.8	81.2	81.7	
Operating income	-0.5	1.2	0.2	2.0	3.1	

(Billion yen)

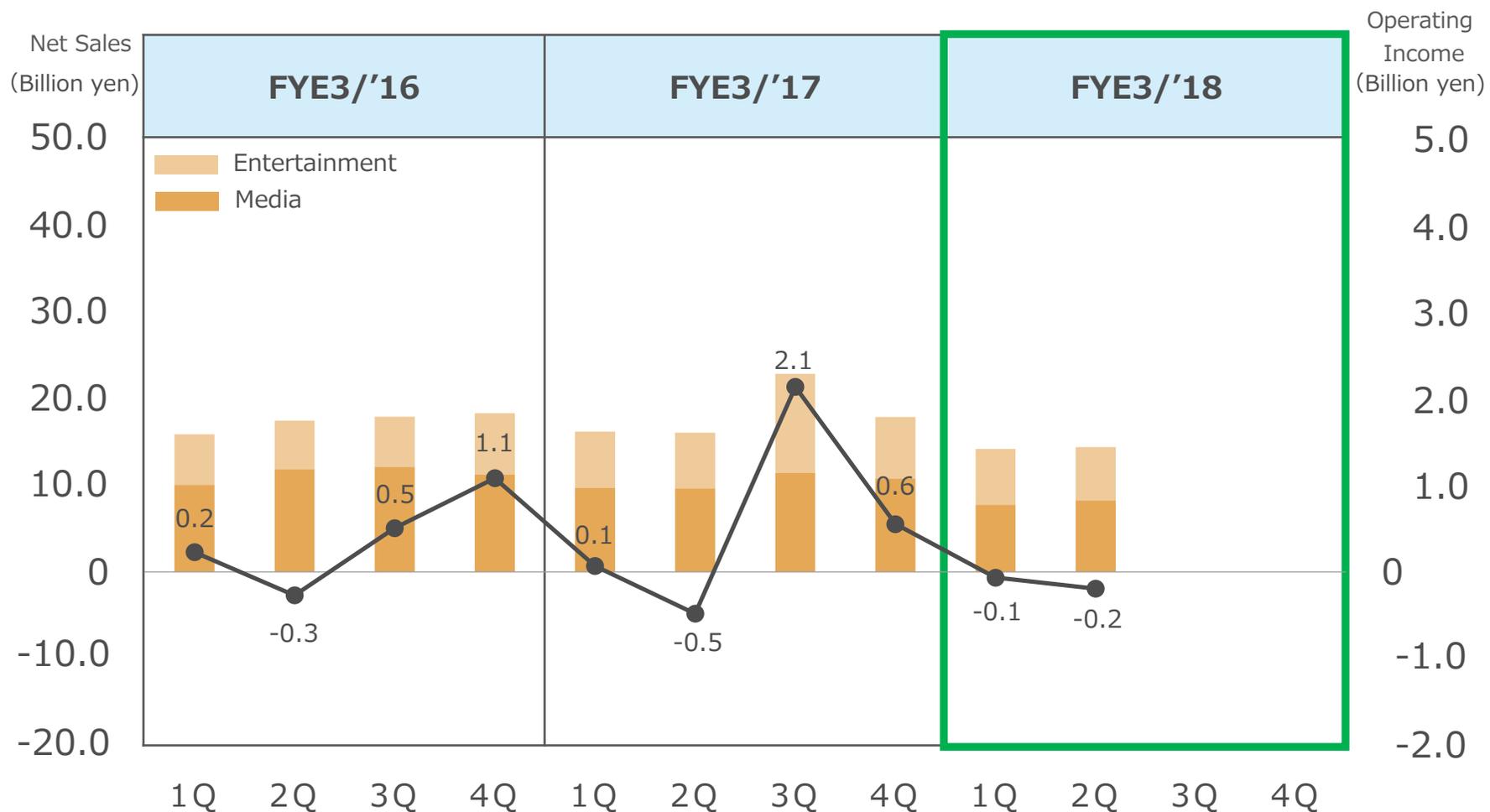
Financial Results for 2Q of FYE3/'18 – Quarterly Results (PS Sector)



	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	37.9	43.0	34.2	47.6	29.7	
Operating income	-0.6	2.5	-0.6	1.7	-1.7	

(Billion yen)

Financial Results for 2Q of FYE3/'18 – Quarterly Results (MS Sector)

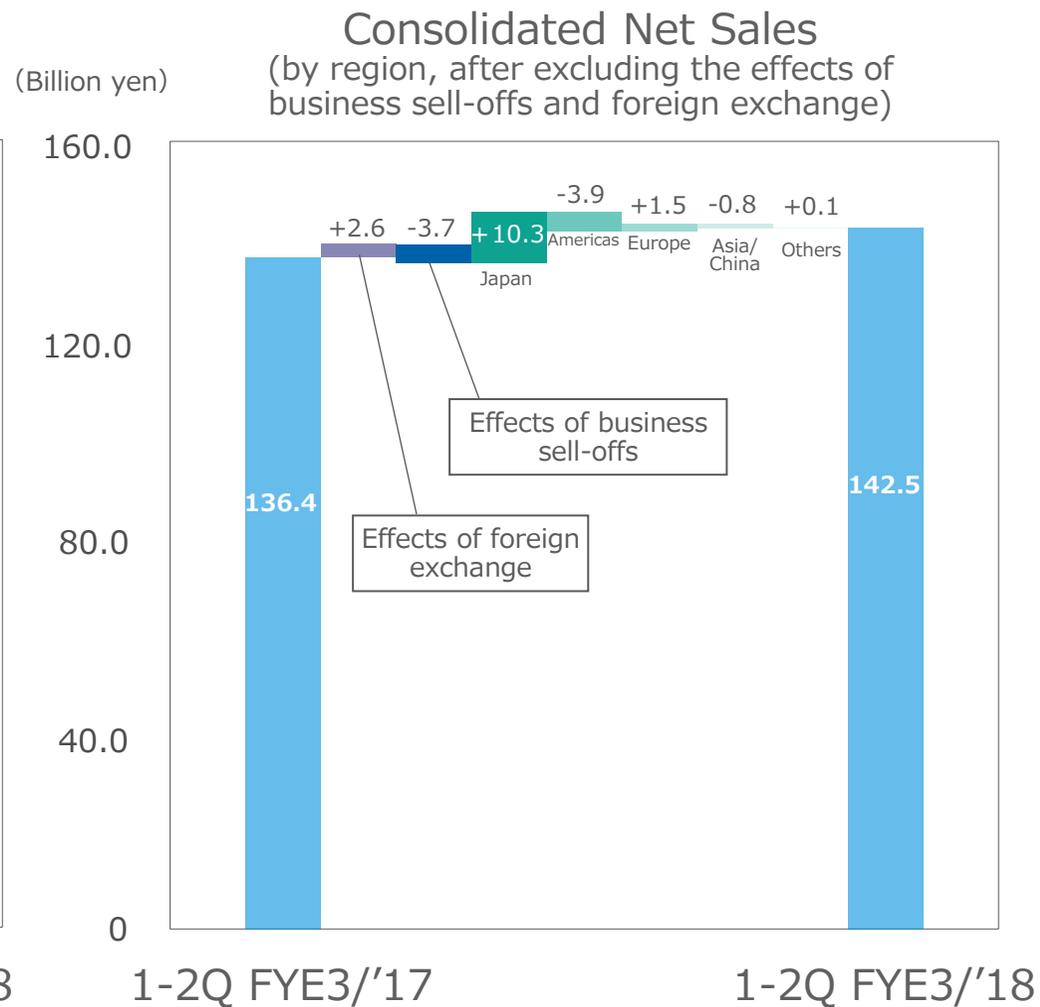
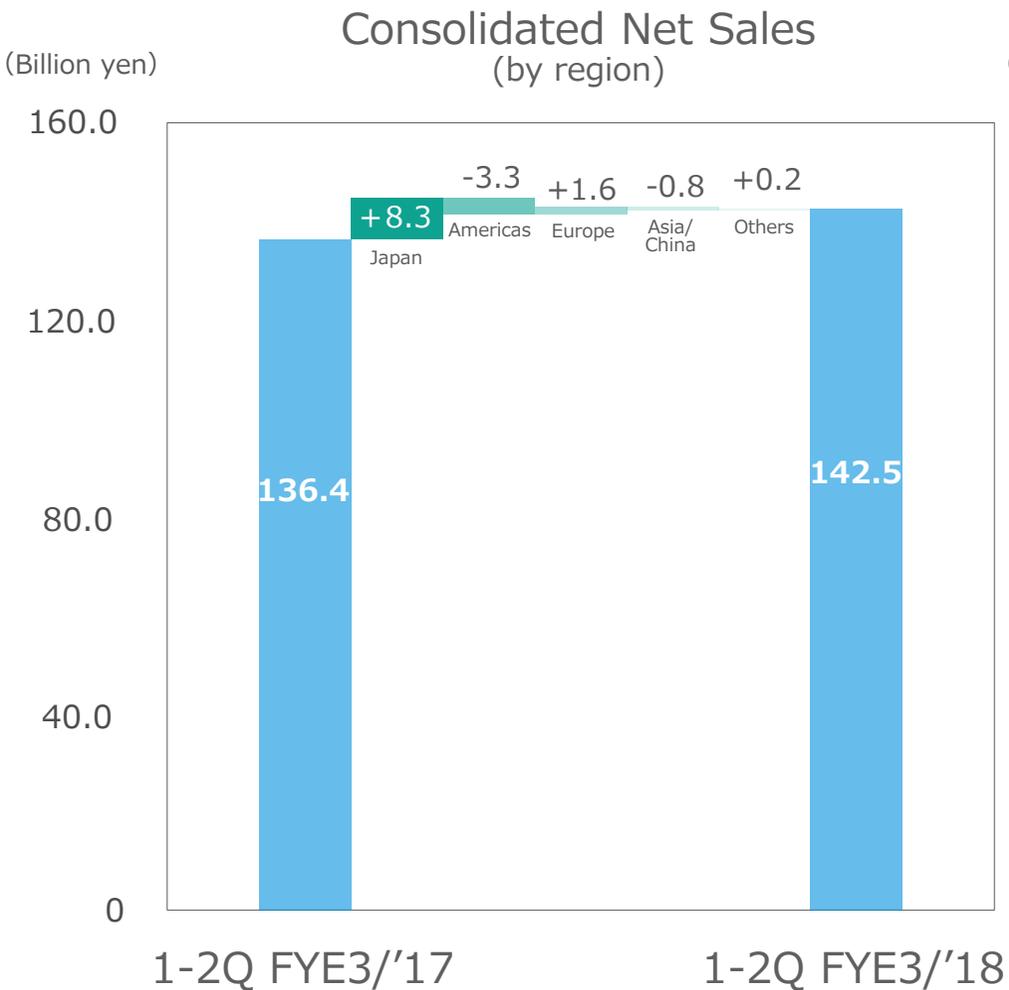


	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	33.3	36.1	32.2	40.6	28.5	
Operating income	-0.0	1.6	-0.4	2.7	-0.3	

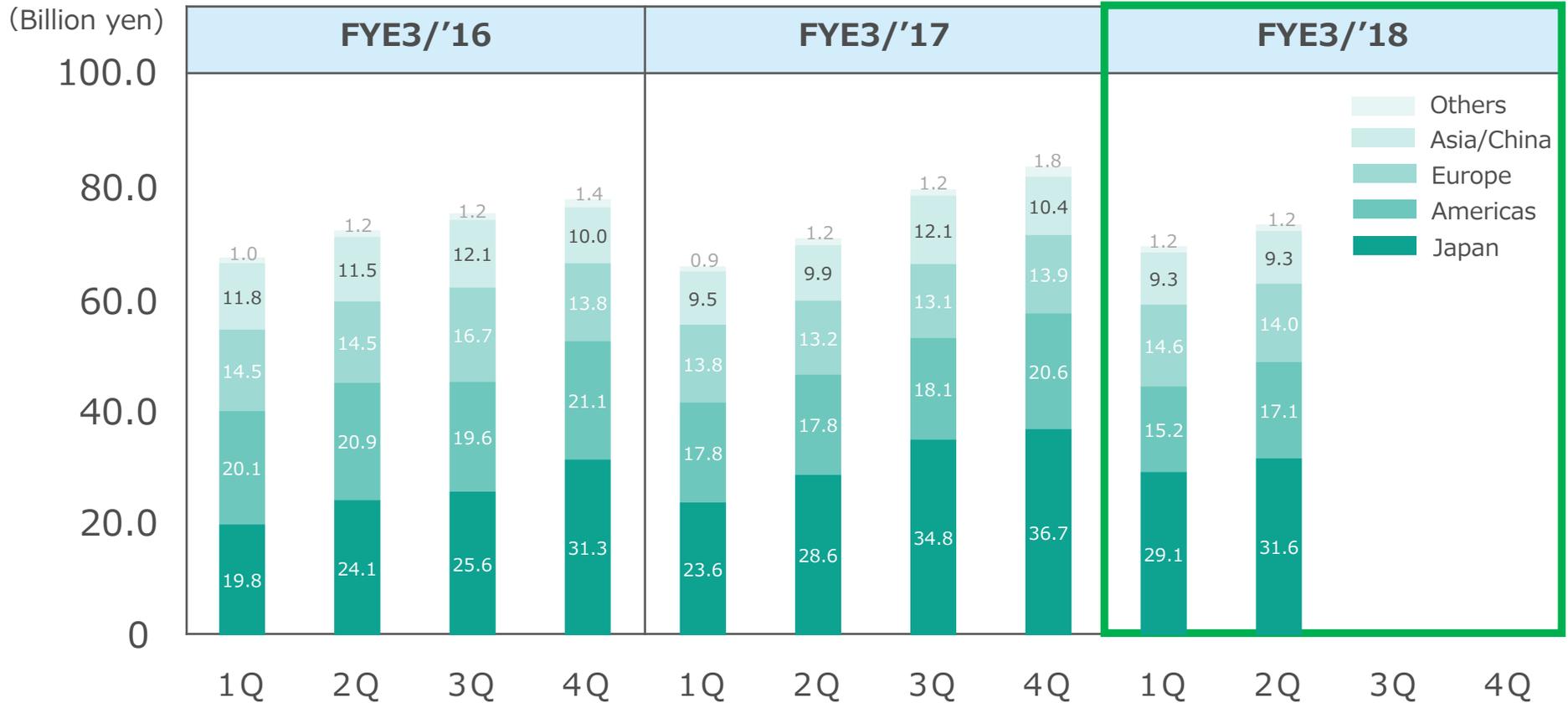
(Billion yen)

Financial Results for 2Q (1-2Q) of FYE3/'18

– Consolidated Net Sales (by Region)



Financial Results for 2Q of FYE3/'18 – Consolidated Net Sales (by Region)



	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Japan	43.9	56.9	52.3	71.6	60.6	
Americas	41.0	40.7	35.6	38.7	32.3	
Europe	29.0	30.5	27.0	27.1	28.5	
Asia/China	23.3	22.1	19.4	22.5	18.6	
Others	2.2	2.6	2.1	3.0	2.4	

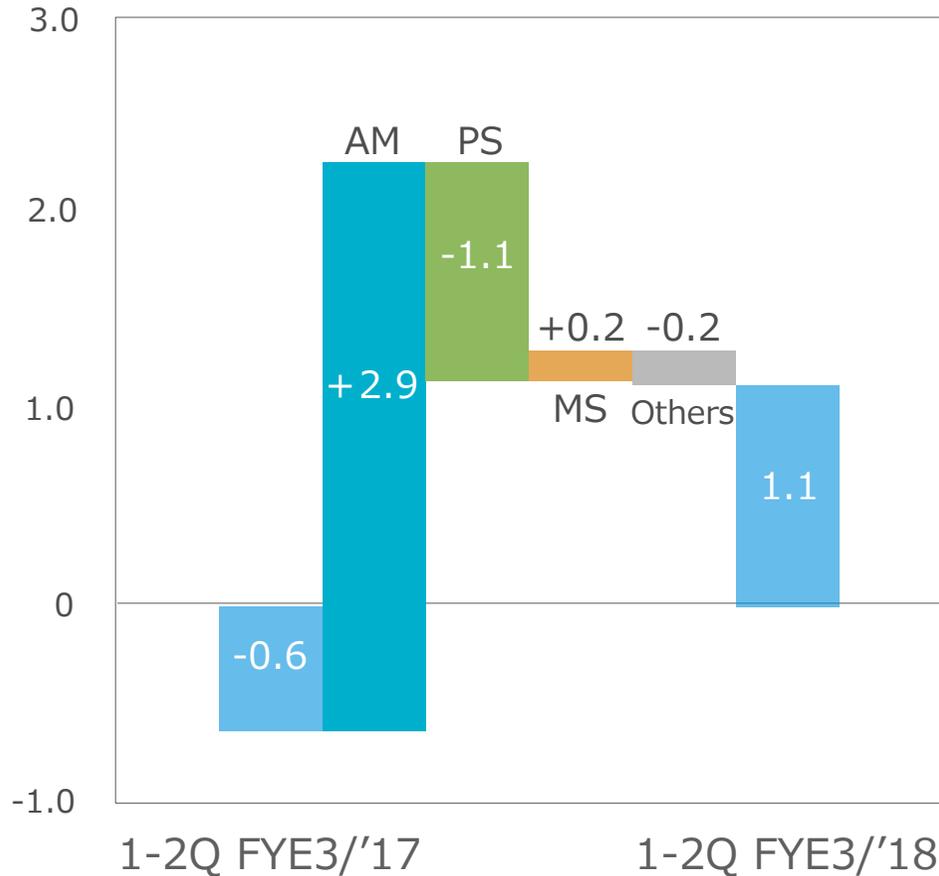
(Billion yen)

Financial Results for 2Q (1-2Q) of FYE3/'18

- Consolidated Operating Income (by Sector)

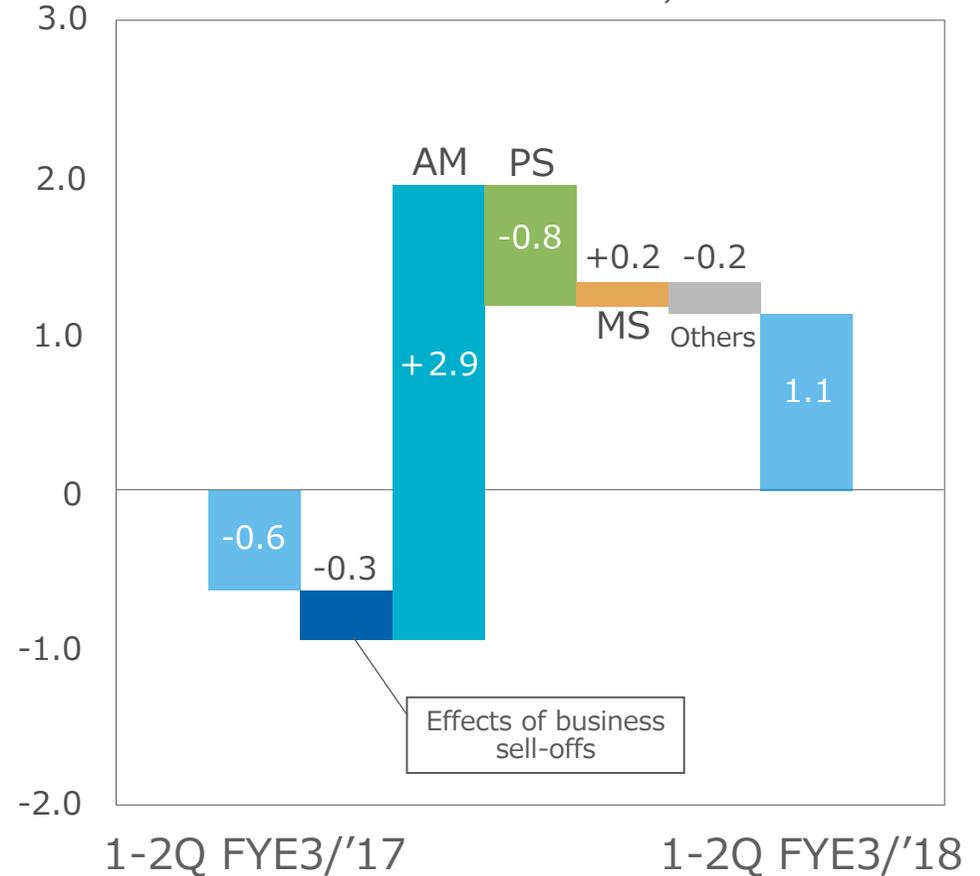
Consolidated Operating Income
(by sector)

(Billion)



Consolidated Operating Income
(by sector, after excluding the effects of
business sell-offs)

(Billion)



Financial Results for 2Q (1-2Q) of FYE3/'18

– Consolidated Ordinary Income and Net Income Attributable to Owners of Parent

- Ordinary income increased sharply and turned around from a loss to a profit, due to significant increases in operating income.
- Net loss attributable to owners of the parent decreased significantly due to increase in ordinary income and improvement in extraordinary income (loss).

(Billion yen)

	1-2Q FYE3/'17	1-2Q FYE3/'18	YoY Change
Operating income	-0.63	1.13	+ 1.76
Non-operating income and expenses	-0.86	-0.47	+ 0.38
Ordinary income	-1.49	0.65	+ 2.14
Extraordinary income (loss)	-2.47	0.79	+ 3.27
Income taxes, etc.	1.41	1.24	-0.17
Net income attributable to owners of parent	-5.74	-0.29	+ 5.45

Financial Results for 2Q (1-2Q) of FYE3/'18

- Non-operating Income and Expenses and Extraordinary Income (Loss)

(Million yen)

	1-2Q FYE3/'17	1-2Q FYE3/'18	YoY Change
Non-operating income and expenses	-855	-474	+381
Total non-operating income	569	651	+82
Interest income	79	85	+6
Dividend income	169	106	-63
Other non-operating income	319	459	+140
Total non-operating expense	1,424	1,125	-299
Interest expense	483	456	-27
Foreign exchange loss	264	144	-120
Other non-operating expenses	677	524	-153
Extraordinary income (loss)	-2,474	790	+3,264
Total extraordinary profit	167	840	+673
Gain on sales of property, plant and equipment	90	82	-8
Gain on sales of investment securities	8	716	+708
Gain on liquidation of subsidiaries and associated companies	69	-	-69
Other extraordinary profit	-	41	+41
Total extraordinary loss	2,642	49	-2,593
Loss on sales(disposal) of property, plant and equipment	1,364	37	-1,327
Business structural improvement expenses	68	6	-62
Employment structural improvement expenses	213	-	-213
Loss on liquidation of subsidiaries and associated companies	272	-	-272
Provision for loss on order received	711	-	-711
Other extraordinary loss	10	5	-5

Financial Results for 2Q of FYE3/'18

– Balance Sheet Summary

(Billion yen)

	End of FYE3/'17	End of FYE3/'18	YoY Change
Total assets	262.3	267.1	+ 4.8
Interest-bearing debts	70.3	69.5	-0.7
Net debt	28.5	26.0	-2.5
Net debt/equity ratio (times)	0.51	0.45	-0.06
Net Assets	61.5	63.7	+ 2.2
Shareholders' equity	56.0	58.0	+ 1.9
Shareholders' equity ratio (%)	21.4	21.7	+ 0.3

Financial Results for 2Q (1-2Q) of FYE3/'18

– Cash Flow Summary

- Cash flow from operating activities increased due to recording of net income before income taxes, coupled with increase in cash inflow from collection of notes and accounts receivable-trade.
- Net cash used in investing activities decreased due to decrease in cash outflow for purchasing property, plant and equipment, coupled with cash inflow from sales of investment securities.

(Billion yen)

	1-2Q FYE3/'17	1-2Q FYE3/'18	YoY Change
Cash flow from operating activities	4.2	8.5	+ 4.3
Cash flow from investing activities	-8.5	-4.0	+ 4.5
Free cash flow	-4.3	4.5	+ 8.8
Cash flow from financing activities	1.1	-2.6	-3.7
Total	-3.2	1.9	+ 5.1

1. Overview of Financial Results
for 2Q of FYE3/'18

2. Full-year Earnings Forecast for
FYE3/'18

3. Topics

Full-year Earnings Forecast for FYE3/'18

- Earnings for the first half of FYE3/'18 exceeded the period-start projection on a company-wide basis due to strong sales in the OEM Business in the AM Sector despite the effects of a sales decrease in the PS Sector.
- As for the outlook for 3Q and thereafter, sales are expected to remain strong in the OEM Business in the AM Sector and earnings are expected to improve in the PS and MS Sectors through the second half of FYE3/'18. However, the full-year earnings forecast announced at the beginning of period is left unchanged at this time.

(Billion yen)

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

1. Overview of Financial Results
for 2Q of FYE3/'18

2. Full-year Earnings Forecast for
FYE3/'18

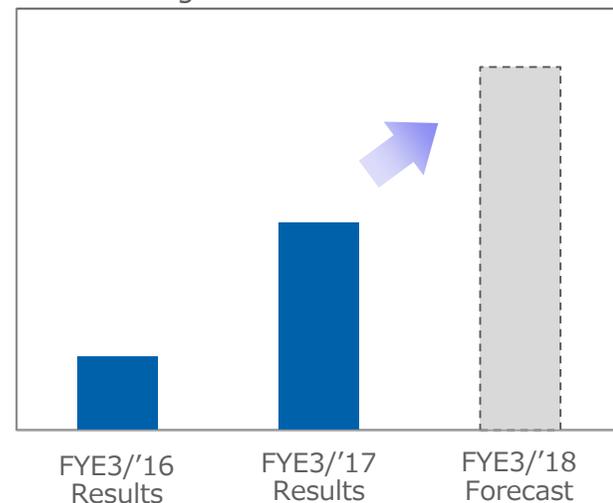
3. Topics

Topics (1) Sales Expansion of Dashcams

- Backed by the domestic market's expansion, JVCKENWOOD will aim to further boost sales by enhancing product lineup, strengthening functions linked with a navigation system and expanding sales channels by capturing corporate demand.



Domestic sales volume results and forecast image of JVCKENWOOD's dashcams



- Start full-scale introduction in the U.S. and European markets in anticipation of market growth.

Full HD 1920x1080

Full Hi-Vision & Hi-Definition recording Dashboard Camera

Safety & High-Definition

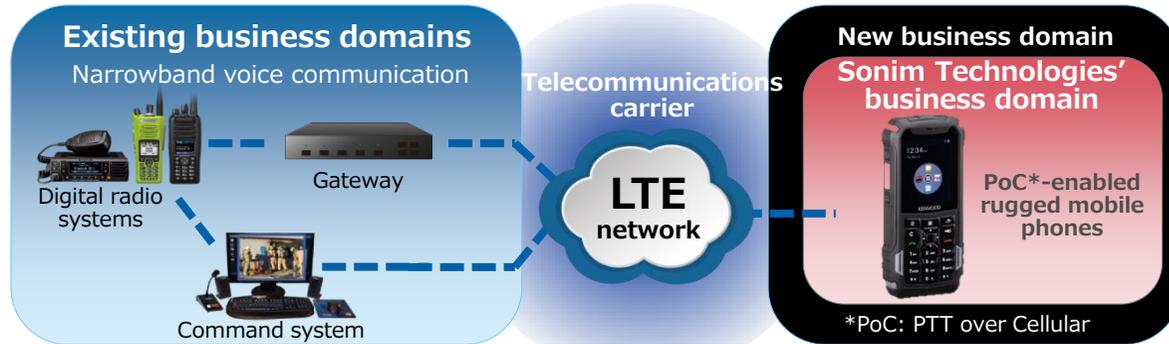
Topics (2) Initiatives for Next-generation IoT Solution Business

- Started operational collaboration with Sanwa Koutsu toward the development and introduction of taxi dispatch system.
- Work toward integration of display system that contains professional wireless systems and car navigation system into a central display unit → Develop an integrated system that unifies payment system and taximeter.
- Develop the integrated system into a telematics solution for wide-ranging commercial vehicles in the future.



Topics (3) Initiatives for Communication Systems Business

- Promoting commercialization of the KENWOOD brand's IP wireless systems through collaboration with Sonim Technologies in the U.S.



Conceptual image of IP wireless solutions through collaboration with Sonim Technologies in the U.S.



- Received large-scale orders for professional wireless systems for the public sector in Japan and overseas.
 - Communications systems for electric and gas companies in New Jersey and Indiana (Zetron)
 - Digital communications systems related to the Ministry of Land, Infrastructure, Transport and Tourism (domestic)



Topics (4) Strengthening Solutions in Professional Systems Business

- The solution business expanded through receipt of orders for emergency broadcasting systems that support multilingual broadcasting for transportation infrastructure, introduction of Intelligent Video Analytics (IVA) to a domestic logistics company and introduction of face recognition system for transportation infrastructure, etc.
- JVCKENWOOD Public & Industrial Systems Corporation held its first Solution Fair 2017 in October and worked to further expand orders for various solutions through partnerships (collaboration) with partner companies.



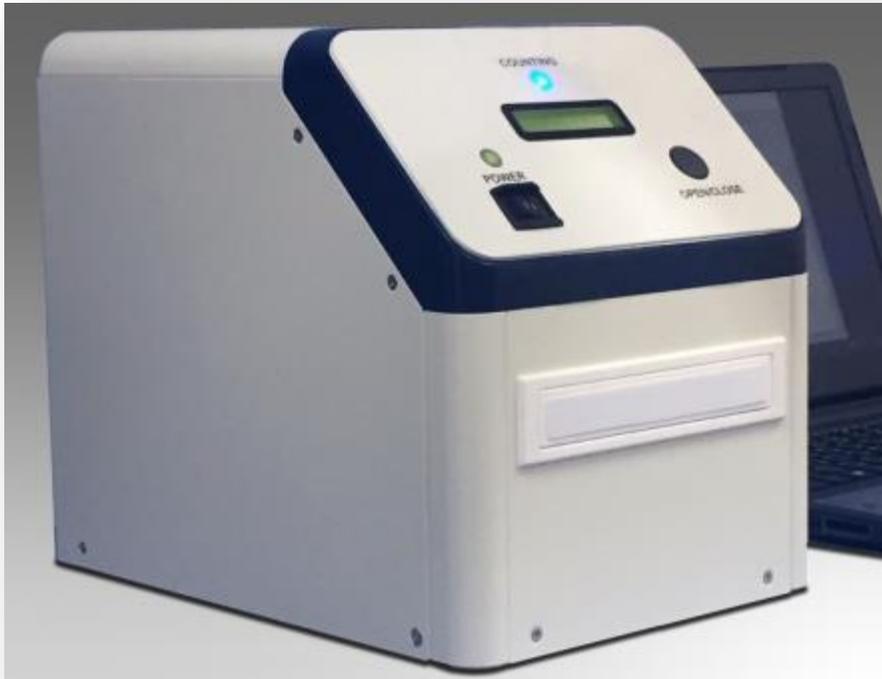
Solution Fair 2017



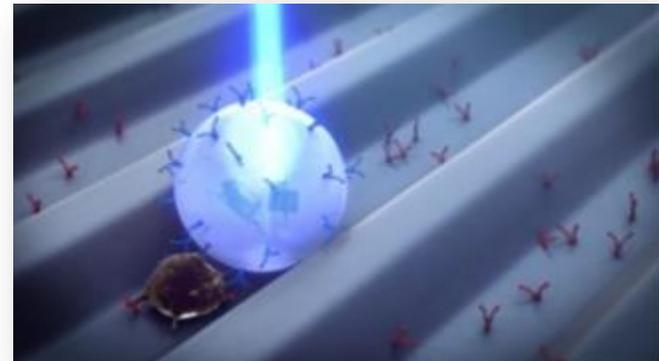
Proposed solutions on display, including image analysis and work style reform

Topics (5) Collaborative Research Toward Improving Quality of Diagnosis and Treatment of Cancer

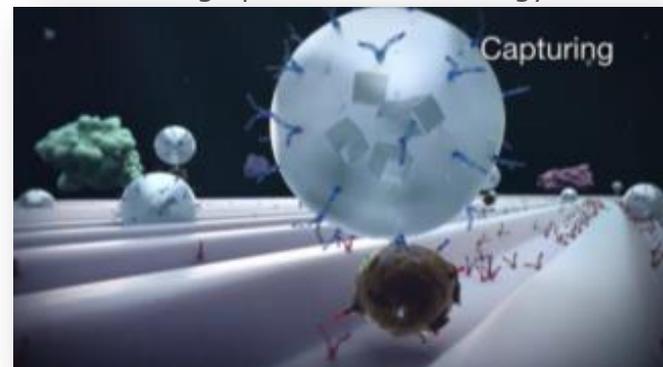
- Launched collaborative research on measurement of exosomes in blood from cancer patients with the National Cancer Center Japan, Daiichi Sankyo Company Limited and Sysmex Corporation.
- Work to develop technology for detecting specific exosomes using JVCKENWOOD's exosome measurement system called ExoCounter.



ExoCounter, exosome measurement system



Count the number of exosomes using optical disk technology



Discriminate disease-related exosomes

Topics (6) Initiatives for Media Business 1

- Strengthened the product lineup of Bluetooth-enabled headphones.
 - Showcased the new product lineup of sports headphone and high-resolution headphone models at IFA2017 held in Germany in September.



- Strengthening product lineups successively in Japan.



Topics (6) Initiatives for Media Business 2

- Concluded a new agreement with a major simulator company.
 - Working to establish trust by proposing a professional medium-sized 4K projector that meets customer needs and responding to request and demand for more sophisticated models.
- Launched WiZMUSIC, a commemorative model for Victor's 90th anniversary.
 - WiZMUSIC, an acoustic characteristics customizing service that uses our proprietary EXOFIELD, the out-of-head localization sound field processing technology, is now available.



Topics (7) Initiatives for Entertainment Business

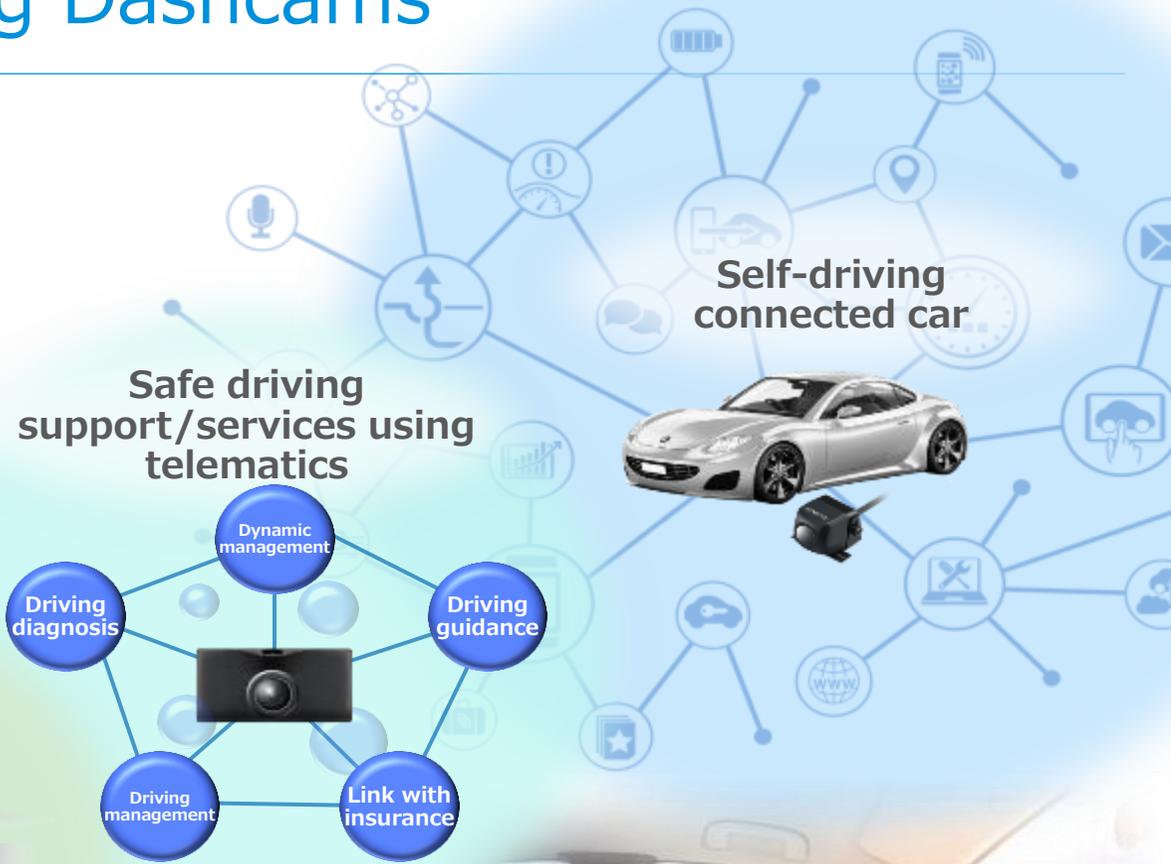
- KooNe, a solution based on high-resolution sound space design
 - The number of installations of KooNe solution increased, driven by work-style reform efforts by companies.
 - Further expand orders by enhancing the ability to make proposals through collaborations with JVCKENWOOD Public & Industrial Systems.



- Artists' works

- Works that contributed to earnings in 2Q
 - Garakuta, an album released by Keisuke Kuwata
 - Family Song, a single by Gen Hoshino
 - Zutto Futaride, a single by Leo Ieiri
- Promising works scheduled for release in 3Q
 - MVP, a BD/DVD by Keisuke Kuwata (to be released on Dec. 13)
 - Sayonara, a single by Sakurako Ohara (to be released on Nov. 22)

For Reference: Evolving Dashcams



Self-driving connected car

Safe driving support/services using telematics

Driver assistance



Video recording



640x480 Pixel recording



Debut of monitor-equipped model



Full HD video recording
1920x1080 pixel recording
Built-in G sensor
Built-in GPS



2034x1296 pixel recording
Built-in driver assistance features



2003 2005 2010 2014 2017 2020

JVCKENWOOD enters market

For Reference: Response to Adoption of IoT in Healthcare

- Exploring the possibility of branching out into the Point-of-Care Testing (POCT) market, which is estimated to grow to about USD 30 billion in 2020.

POCT is a medical diagnostic testing that can be performed at the time of care in various places (e.g., general practitioners, ambulances, home, outdoors and hospitals). Quick test results received on site will allow medical staffs to offer better emergency care and provide dramatic improvement in medical service.



JVCKENWOOD

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