

JVCKENWOOD

Translation for Reference Only

# **JVCKENWOOD**

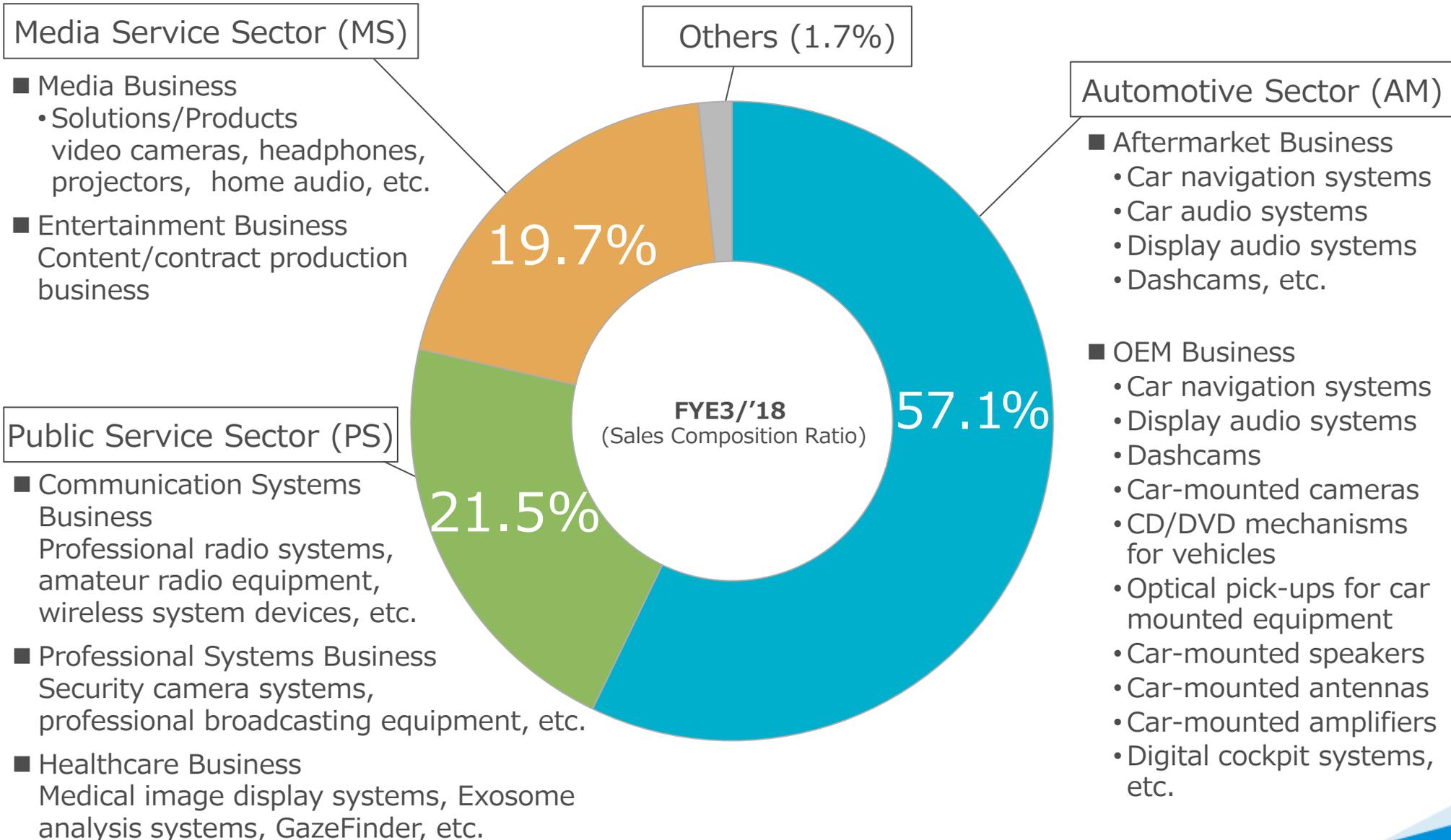
## **Results and Forecast Briefing**

### **Fiscal Year Ended March 2018**

April 27, 2018

JVCKENWOOD Corporation

# Business Domains



- 1. Overview of Financial Results for FYE3/'18**
- 2. Full-Year Earnings Forecast for FYE3/'19**
- 3. Current Situation and Future Initiatives**
- 4. New Executive Structure**

- 1. Overview of Financial Results for FYE3/'18**
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# Financial Results for FYE3/'18 – Summary

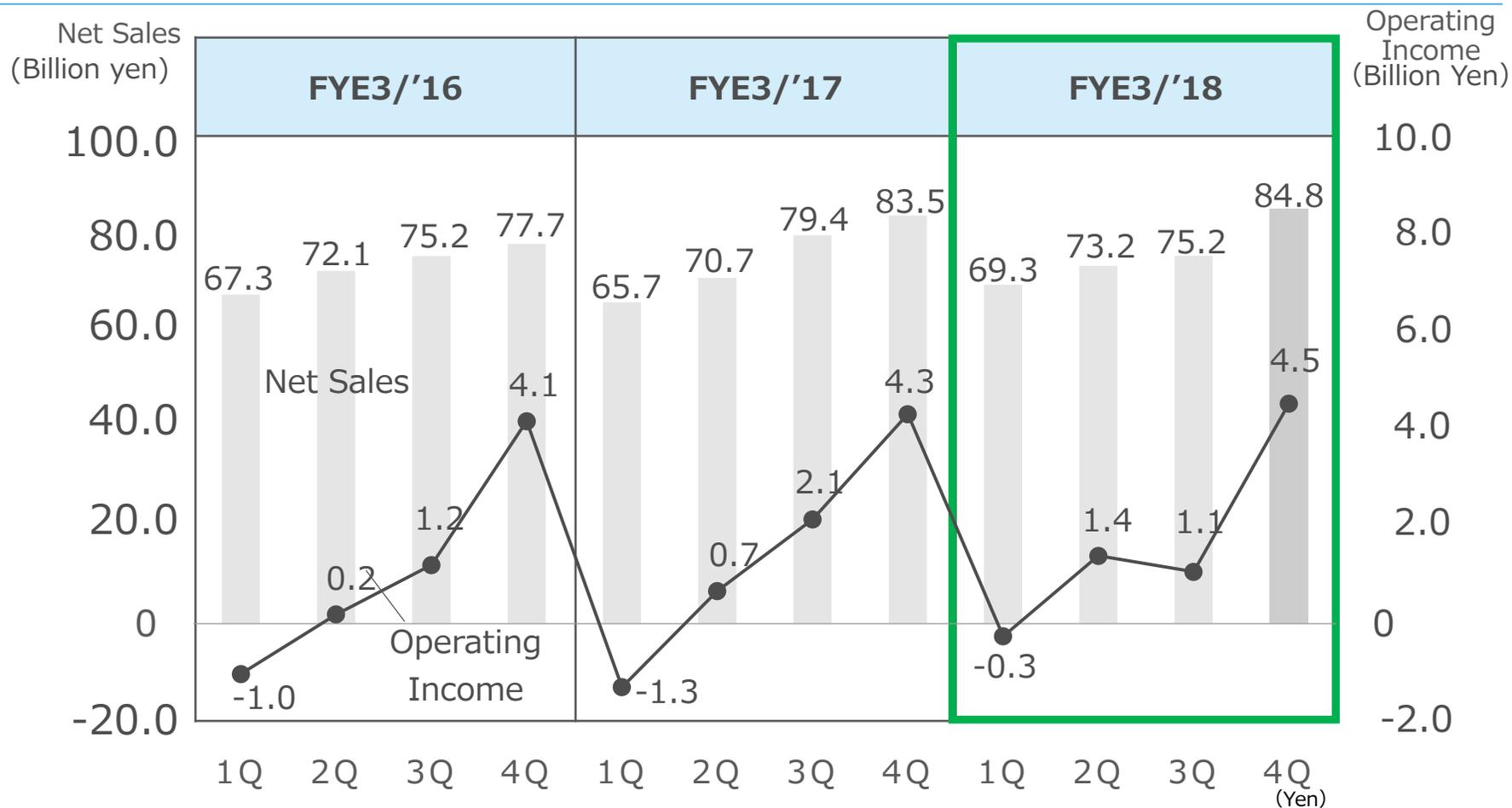
- Net sales increased due to a significant increase in sales in the OEM Business of the AM Sector.
- Operating income increased due to a significant increase in profit in the OEM Business of the AM Sector.
- Ordinary income increased due to an increase in operating income and an improvement in non-operating income and expenses.
- Net income improved significantly and turned a loss into a profit due to factors such as an increase in ordinary income, an improvement in extraordinary income (loss), and a decrease in tax expenses.

(Billion yen)

	FYE3/'17		FYE3/'18		
		Compotision ratio		Compotision ratio	YoY comparison
Net sales	299.3	100.0	302.4	100.0	+ 3.2
Cost of sales	218.5	73.0	220.6	73.0	+ 2.1
Selling, general and administrative expenses	75.0	25.1	75.1	24.8	+ 0.1
Operating income	5.8	1.9	6.7	2.2	+ 0.9
Ordinary income	3.6	1.2	5.8	1.9	+ 2.2
Net income attributable to owners of parent	-6.7	-2.2	3.9	1.3	+ 10.7

		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	113yen	108yen	111yen
	Euro	122yen	114yen	118yen	121yen	119yen	122yen	130yen	133yen	133yen	130yen

# Financial Results for FYE3/'18 – Quarterly Trends in Results



		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Exchange rates	U.S. Dollar	121	122	121	115	108	102	109	114	111	111	113	108
	Euro	134	136	133	127	122	114	118	121	122	130	133	133

(Billion yen)

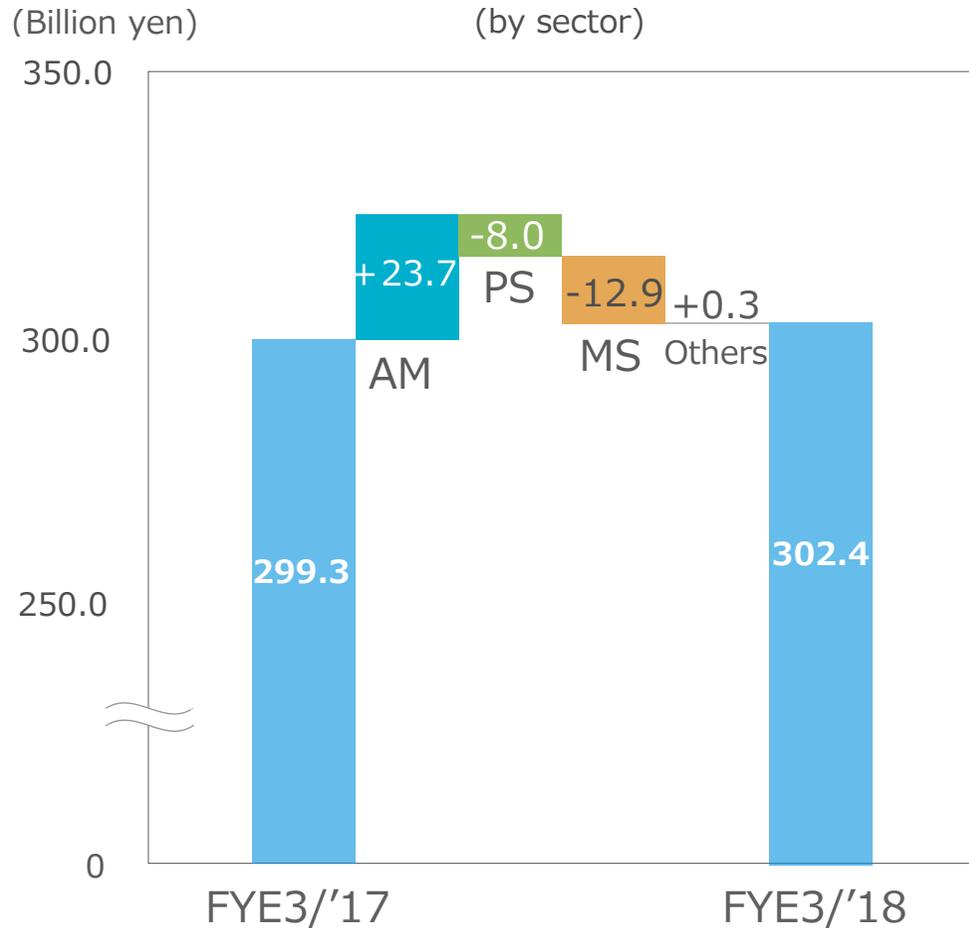
	1H	2H	1H	2H	1H	2H
Sales	139.4	152.8	136.4	162.9	142.5	160.0
Operating income	-0.8	5.3	-0.6	6.4	1.1	5.6

# Financial Results for FYE3/'18 – Results by Sector

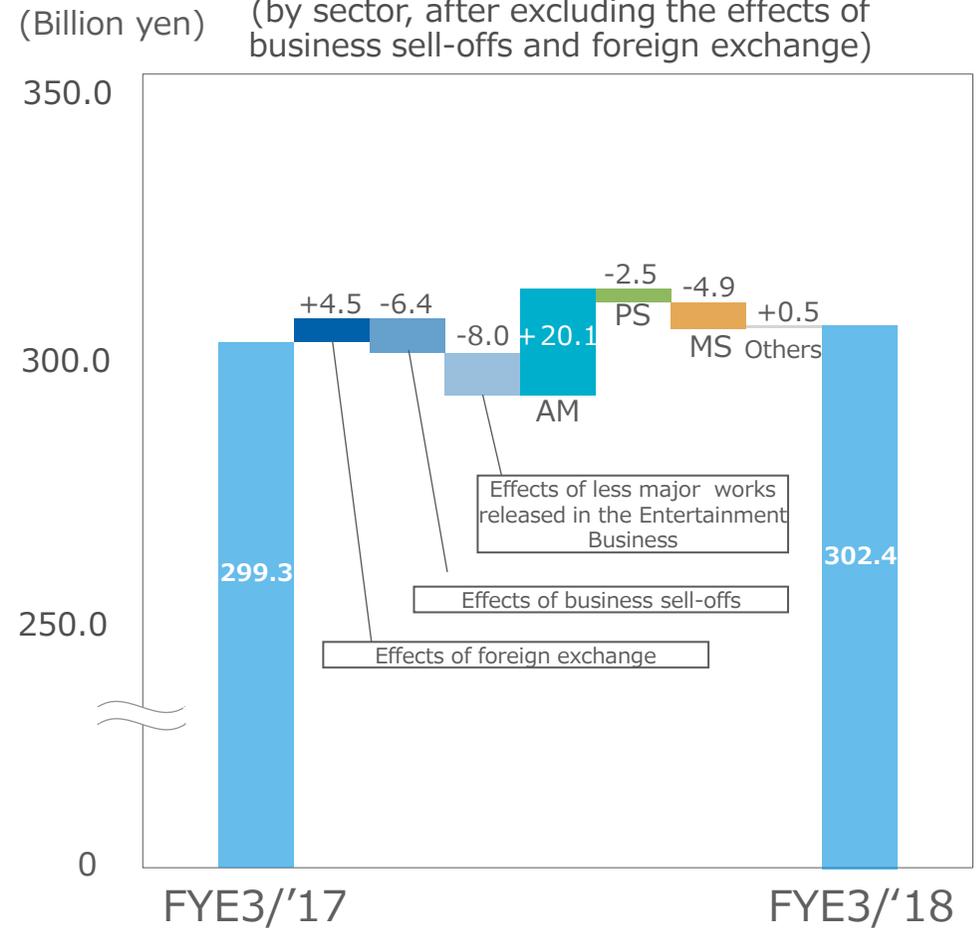
		(Billion yen)				Factors
		FYE3/'17	FYE3/'18	YoY change (amount)	YoY change (percentage)	
AM Sector	Sales	149.0	172.8	+ 23.7	+15.9%	*Sales increased in the AM Sector as a whole due to a substantial increase in sales in the OEM Business.
	Operating income	2.2	8.1	+ 5.9	+264.3%	*Profit increased in the AM Sector as a whole due to a substantial increase in profit in the OEM Business.
PS Sector	Sales	73.0	65.0	-8.0	-11.0%	*Sales decreased in the PS Sector as a whole due to a decrease in sales of communications systems and the effects of sales in the professional systems business (-6 billion yen), etc.
	Operating income	1.1	-1.2	-2.3	—	*Profit decreased in the PS Sector as a whole due to a decrease in profit in both communications systems and professional systems.
MS Sector	Sales	72.3	59.5	-12.9	-17.8%	*Sales decreased in the MS Sector as a whole due to a decrease in sales in both media and entertainment business.
	Operating income	2.3	-0.2	-2.5	—	*Profit decreased in the MS Sector as a whole due to a decrease in profit in the entertainment business, which benefited from major works in FYE3/'17, despite of a smaller loss in the media business.
Others	Sales	4.9	5.3	+ 0.3	+6.5%	
	Operating income	0.2	-0.1	-0.2	—	
Total	Sales	299.3	302.4	+ 3.2	+1.1%	
	Operating income	5.8	6.7	+ 0.9	+15.6%	

# Financial Results for FYE3/'18 – Consolidated Net Sales (by Sector)

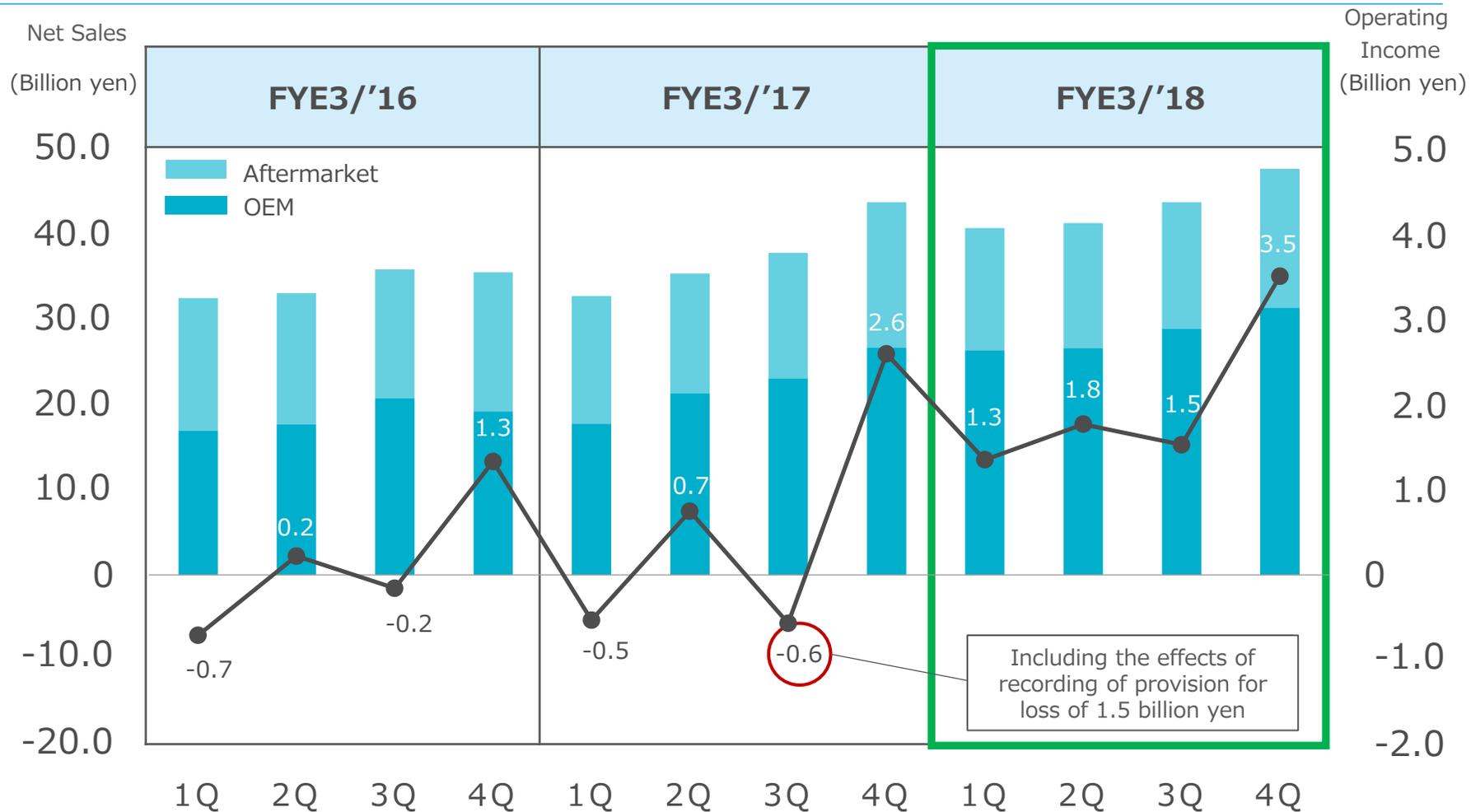
Consolidated Net Sales  
(by sector)



Consolidated Net Sales  
(by sector, after excluding the effects of business sell-offs and foreign exchange)



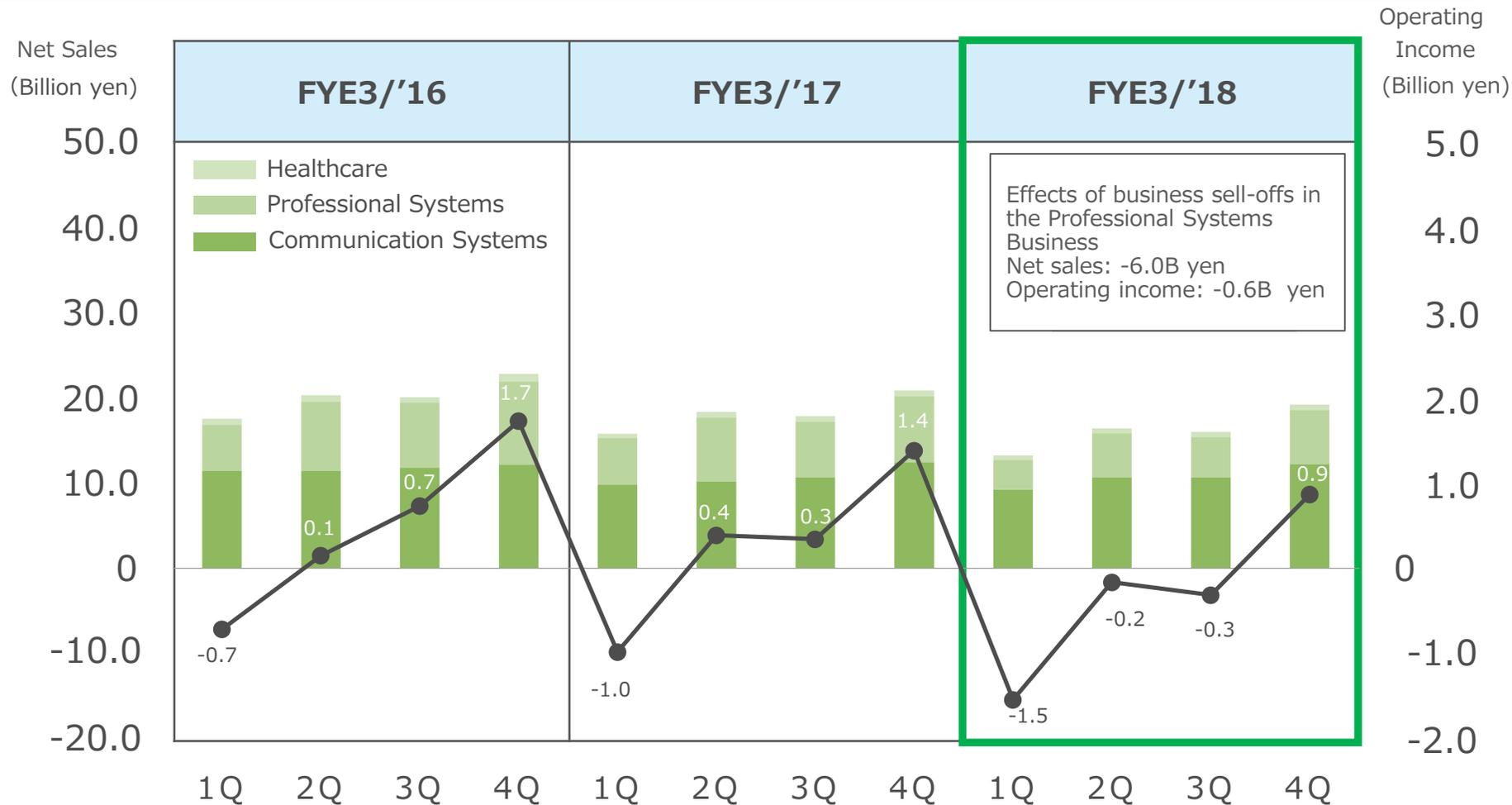
# Financial Results for FYE3/'18 – Quarterly Results (AM Sector)



	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	65.3	71.1	67.8	81.2	81.7	91.1
Operating Income	-0.5	1.2	0.2	2.0	3.1	5.0

(Billion yen)

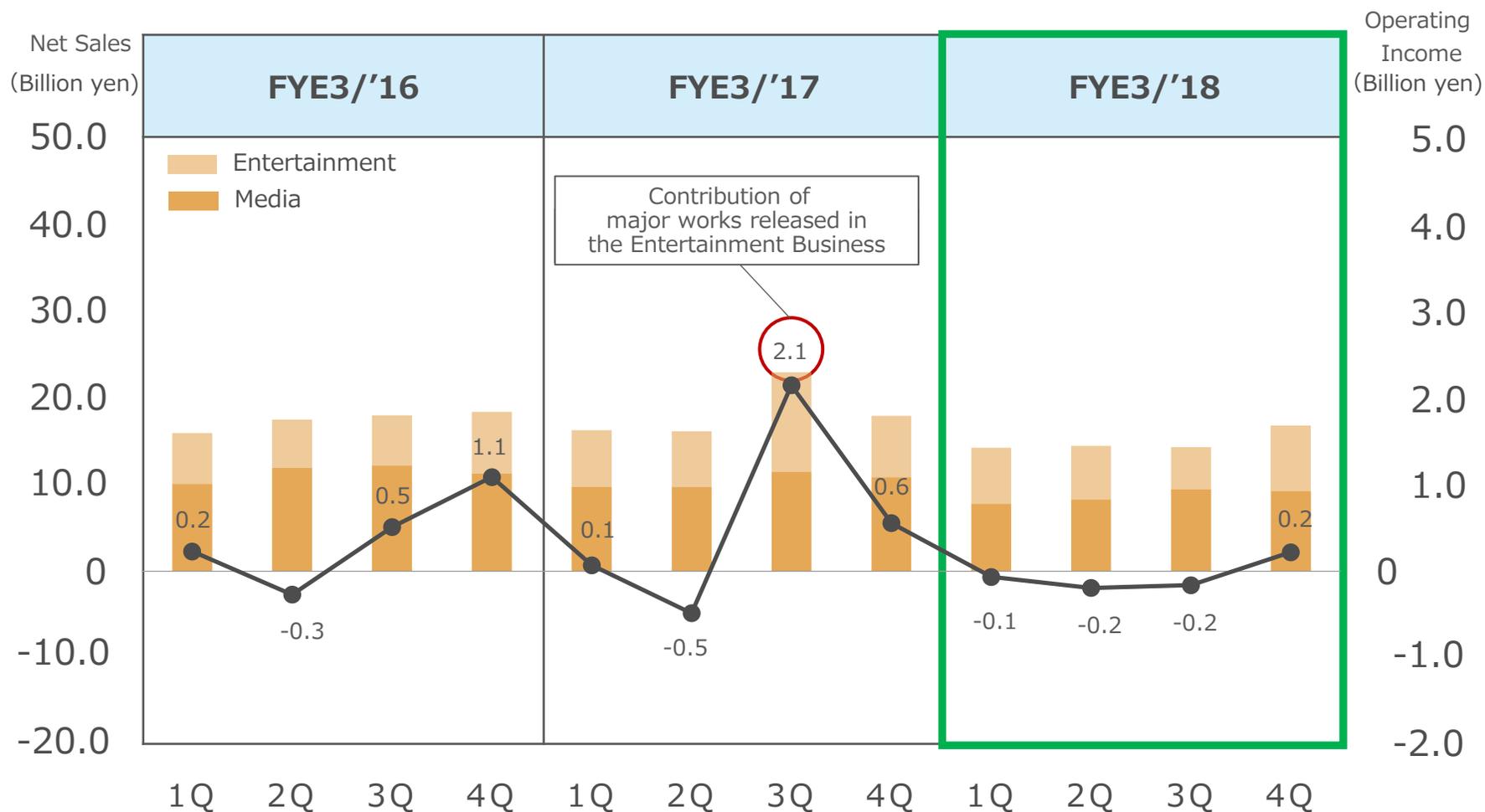
# Financial Results for FYE3/'18 – Quarterly Results (PS Sector)



	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	37.9	43.0	34.2	47.6	29.7	35.2
Operating Income	-0.6	2.5	-0.6	1.7	-1.7	0.6

(Billion yen)

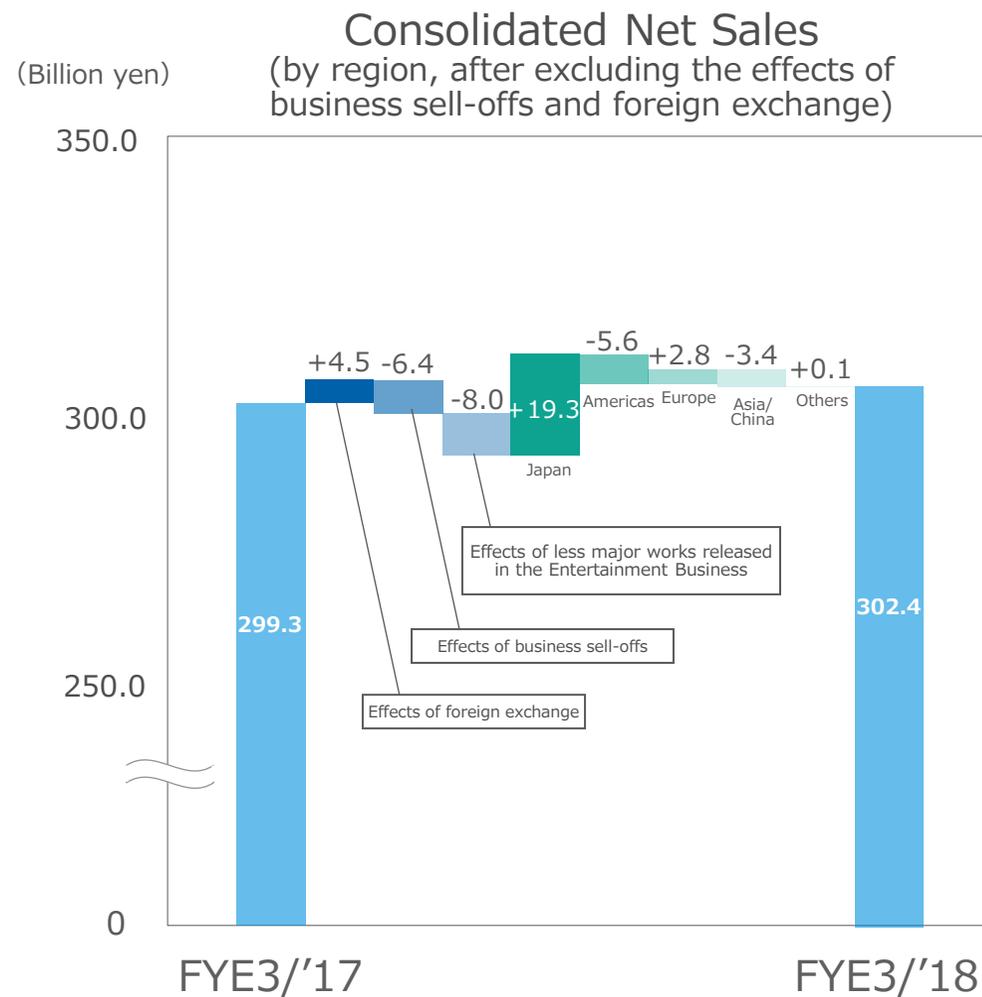
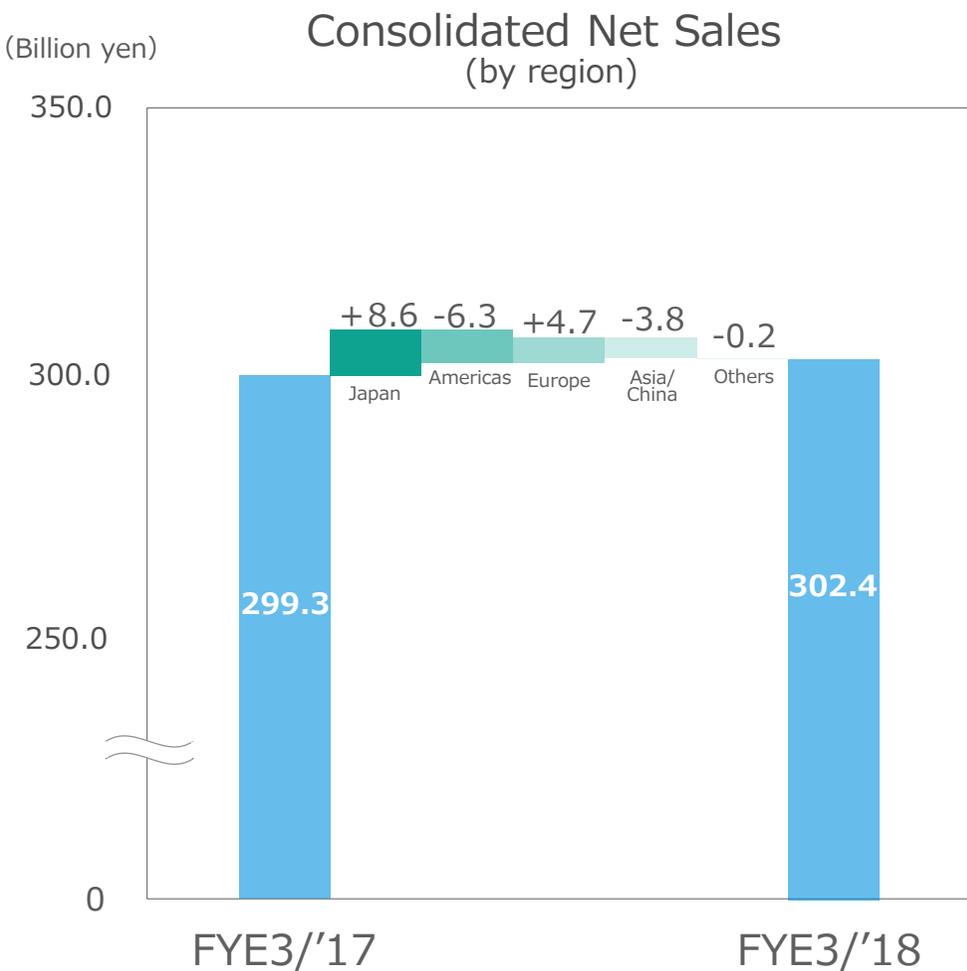
# Financial Results for 3Q of FYE3/'18 – Quarterly Results (MS Sector)



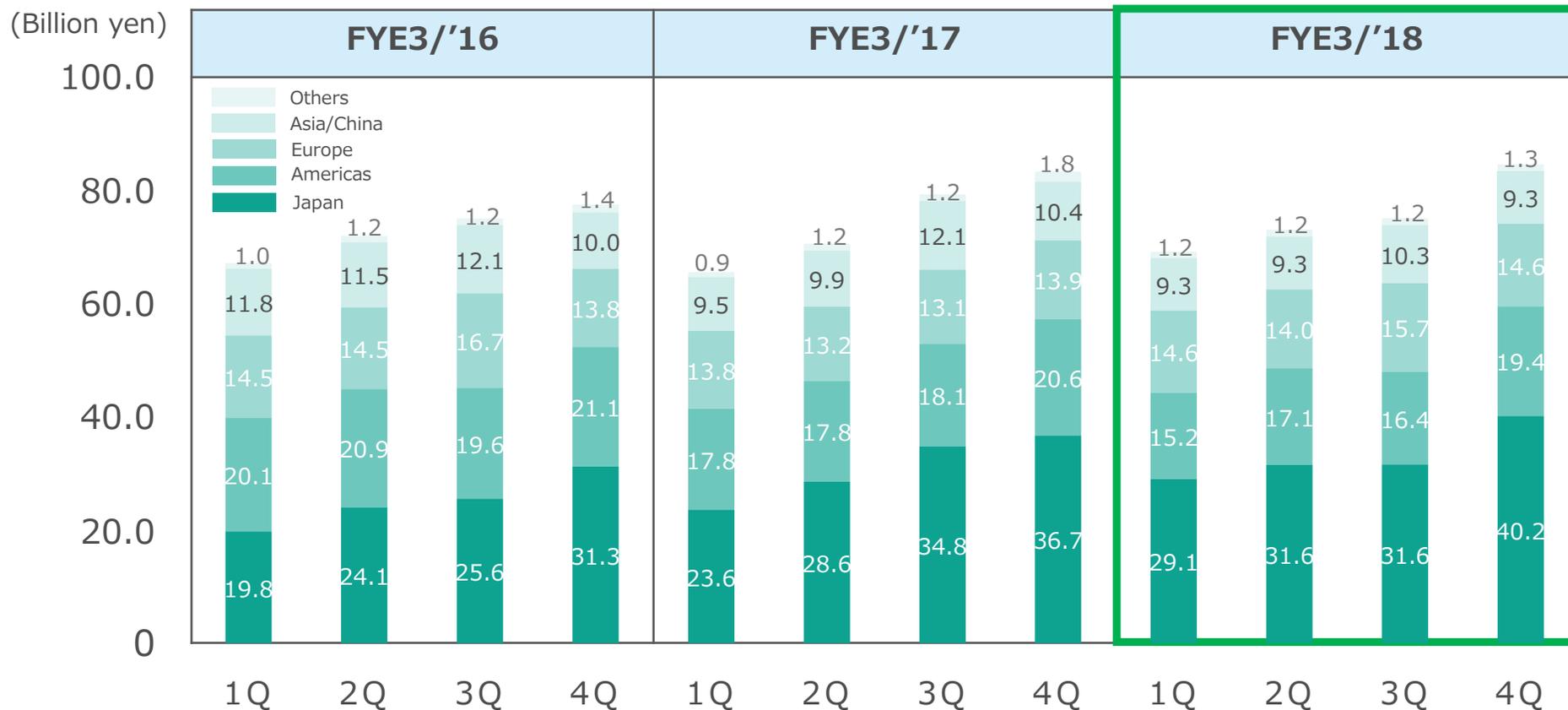
	FYE3/'16		FYE3/'17		FYE3/'18	
	1H	2H	1H	2H	1H	2H
Sales	33.3	36.1	32.2	40.6	28.5	30.9
Operating Income	0.0	1.6	-0.4	2.7	-0.3	0.1

(Billion yen)

# Financial Results for FYE3/'18 – Consolidated Net Sales (by Region)



# Financial Results for 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	71.9
Americas	41.0	40.7	35.6	38.7	32.3	35.8
Europe	29.0	30.5	27.0	27.1	28.5	30.3
Asia/China	23.3	22.1	19.4	22.5	18.6	19.6
Others	2.2	2.6	2.1	3.0	2.4	2.5

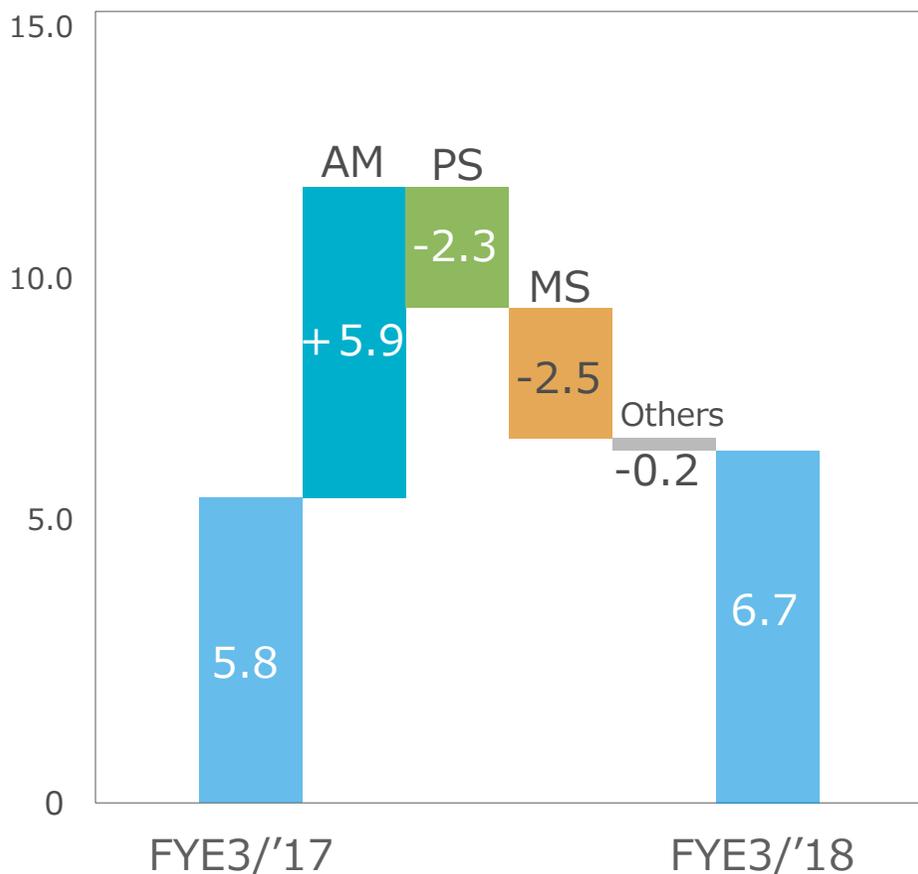
(Billion yen)

# Financial Results for FYE3/'18 – Consolidated Operating Income (by Sector)

## Consolidated Operating Income (by sector)

(Billion yen)

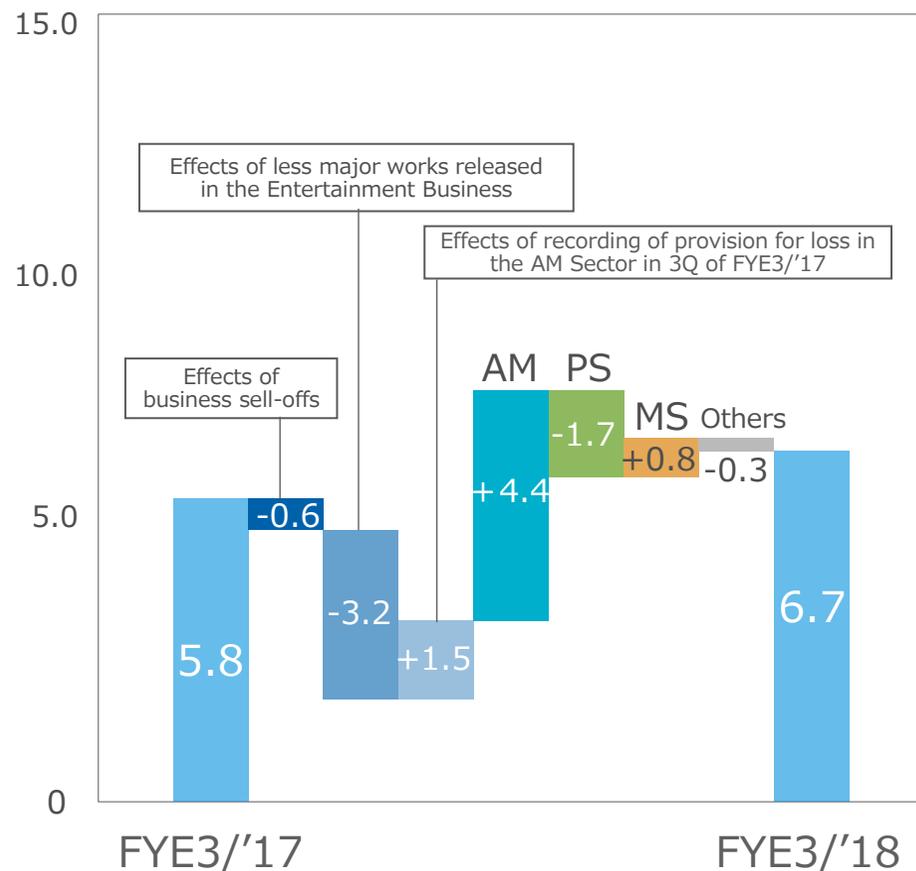
(by sector)



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

(Billion yen)

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



# Financial Results for FYE3/'18 – Consolidated Ordinary Income and Net Income Attributable to Owners of Parent

- Ordinary income increased due to an increase in operating income and an improvement in non-operating income and expenses.
- Net income attributable to owners of parent turned a loss into a profit due to factors such as an increase in ordinary income, an improvement in extraordinary income (loss), and a decrease in tax expenses.

(Billion yen)

	FYE3/'17	FYE3/'18	YoY Change
Operating income	5.78	6.68	+ 0.90
Non-operating income and expenses	-2.17	-0.88	+ 1.29
Ordinary income	3.62	5.80	+ 2.19
Extraordinary income (loss)	-6.36	1.70	+ 8.06
Income taxes, etc.	3.25	2.78	-0.47
Net income attributable to owners of parent	-6.73	3.94	+ 10.66

# Financial Results for FYE3/'18 – Non-operating Income and Expenses and Extraordinary Income (Loss)

(Million yen)

	FYE3/'17	FYE3/'18	YoY Change
Non-operating income and expenses	-2,165	<b>-879</b>	<b>+1,286</b>
Total non-operating income	873	<b>1,305</b>	<b>+432</b>
Interest income	151	163	+12
Dividend income	181	84	-97
Equity in earnings of affiliates	3	148	+145
Gain on investments in partnership	–	197	+197
Other non-operating income	537	710	+173
Total non-operating expenses	3,038	<b>2,184</b>	<b>-854</b>
Interest expenses	932	913	-19
Loans commission	181	348	+167
Foreign exchange loss	757	310	-447
Other non-operating expenses	1,166	611	-555
Extraordinary income (loss)	-6,358	<b>1,700</b>	<b>+8,058</b>
Total extraordinary profit	4,505	<b>3,144</b>	-1,361
Gain on sales of property, plant and equipment	207	1,024	+817
Gain on sales of investment securities	50	749	+699
Gain on sales of shares of subsidiaries and associated companies	560	–	-560
Gain on transfer of business	3,617	–	-3,617
Gain on revision of retirement benefit plan	–	1,143	+1,143
Other extraordinary profit	69	225	+156
Total extraordinary loss	10,864	<b>1,444</b>	<b>-9,420</b>
Loss on sales(disposal) of property, plant and equipment	1,551	128	-1,423
Impairment loss	6,314	1,057	-5,310
Business structural improvement expenses	525	14	-511
Employment structural improvement expenses	1,019	235	-784
Loss on liquidation of subsidiaries and associated companies	632	–	-632
Provision for loss on order received	711	–	-711
Other extraordinary loss	108	7	-101

## Financial Results for FYE3/'18 – Balance Sheet Summary

(Billion yen)

	FYE3/'17	FYE3/'18	YoY Change
Total assets	262.3	254.3	-8.0
Interest-bearing debts	70.3	67.4	-2.9
Net debt	28.5	30.1	+ 1.6
Net debt/equity ratio (times)	0.51	0.48	-0.03
Net Assets	61.5	65.8	+ 4.3
Shareholders' equity	56.0	62.8	+ 6.7
Shareholders' equity ratio (%)	21.4	24.7	+ 3.3

## Financial Results for FYE3/'18 – Cash Flow Summary

- Despite improved recording net income before income tax, operating cash flow decreased due to the working capital increase from a declined impairment loss and sales growth.
- Cash flow from investing activities decreased due to a decrease in cash outflows from purchasing property, plant and equipment and an increase in cash inflows from sales of property, plant and equipment.

(Billion yen)

	FYE3/'17	FYE3/'18	YoY Change
Cash flow from operating activities	15.4	13.7	-1.7
Cash flow from investing activities	-14.4	-10.8	+ 3.6
Free cash flow	1.0	2.9	+ 1.9
Cash flow from financing activities	-1.1	-6.5	-5.4
Total	-0.1	-3.5	-3.4

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

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# Full-Year Earnings Forecast for FYE3/'19

- Net sales of 310 billion yen and operating income of 7.1 billion yen are expected under IFRS due to increased net sales and operating income based on Japanese accounting standards from improved performance in PS and MS Sector.
- Net income\*1 is expected to decrease year on year due to non-operating income and extraordinary income from a gain on revision of retirement benefit plan that will not be reported this fiscal year.
- The year-end dividend forecast is 6 yen per share.

Profit-and-loss exchange rates	Results for FYE3/'18	Assumption for FYE3/'19
US dollar	111 yen	107 yen
Euro	130 yen	131 yen

(For reference)	Results for FYE3/'18 (Japanese accounting standards)	Forecast for FYE3/'19 (Japanese accounting standards)	YOY Change
Net sales	302.4	312.0	+9.6
Operating income	6.7	7.3	+0.6
Ordinary income	5.8	5.7	-0.1
Income before income taxes	7.5	5.6	-1.9
Net income ※2	3.9	2.4	-1.5



IFRS	Forecast for FYE3/'19 (IFRS)	Diff. from Japanese accounting standards	Major different items
Net sales	310.0	-0.2	1. adjustment to consignment sales, etc. 2. expansion of consolidation scope
Operating income	7.1	-0.2	3. non-amortization of goodwill 4. capitalization and amortization of development costs 5. change in calculation of retirement allowance 6. change in depreciation of non-current assets 7. allowance for paid holidays 8. rearrangement of accounts
Profit before income taxes	6.0	+0.4	9. effects from 3 to 7 are attributable to differences in accounting standards
Profit ※1	2.7	+0.3	10. effects from 3 to 7 are attributable to differences in accounting standards 11. adjustment of tax expenses

\*2 Net income attributable to owners of parent

\*1 Net income attributable to owners of parent

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# Current Situation by Business and Major Initiatives for FYE3/'18 – AM Sector

- **Aftermarket** Although the European and US markets continue to shrink, existing businesses such as navigation and car audio systems rear remain strong with new products such as rear monitors and ETC expanding.
- **OEM** Shipments of dealer-installed car navigation and factory-installed display audio systems are greater than anticipated. Sales of Dashcams and in-car cameras are increasing and remain.



Dashcams have ranked No. 1 domestic market share in sales quantity for two consecutive years



Dealer-installed car navigation systems continue to remain strong

\* Based on "Onboard Cams" sales quantity market share by manufacturers (market size data estimation based on sales records of domestic car accessories volume-sales retailers, home appliance volume-sales retailers, internet shopping, etc. / GfK Japan survey) for FYE3/'16 (April to March) and FYE3/'17 (April to March)

# Major Initiatives for FYE3/'19 – AM Sector

## ■ Aftermarket

Expand sales of Saisoku-Navi enjoying strong sales and enhance initiatives in creating a new market.

Secure domestic market share for Dashcams and acceleration of overseas expansion.

## ■ OEM

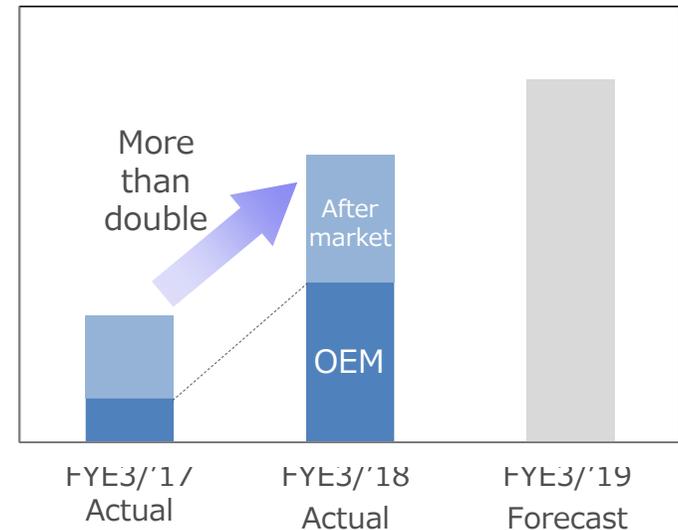
Acquire new orders for dealer-installed dashcams and expand overseas business.

Expand sales of factory-installed option display audio systems and enhance development for expansion of in-car optical-related business.



Expansion of optional products to create a new market through new products such as rear monitors and ETC

Volume of shipments of dashcams



# Current Situation by Business and Major Initiatives for FYE3/'18 – PS Sector

- Communications systems

Response has been late to an increase in demand for DMR, a digital radio international standard. US radio subsidiaries are on a recovery trend with the launch of new products and increased staffing resources.

Co-developed KENWOOD brands Push-to-Talk handset with Sonim Technologies Inc.

- Professional systems

Decrease in sales due to a declining slot arcade market and lack of solution proposal business.

- Healthcare

Market position of diagnostic imaging monitors is secured by launching a new series.

Progress is steady for initiatives for next-generation businesses.



VP6000 series launched in 2017 summer



Push-to-Talk handset co-developed with Sonim Technologies



Diagnostic imaging monitor "i3 series" adopting a new design

# Major Initiatives for FYE3/'19 – PS Sector

- Communications System      Enhance DMR-compliant products through acquired Radio Activity Srl.  
Respond to diverse means of voice communication using mobile telephone network such as LTE.
- Professional systems:      Increase order for video and audio equipment systems in social infrastructure development-related market through an organization integrating marketing, engineering and technology.
- Healthcare      Enter into the European OR\* solution market through acquired Rein Medical GmbH and launch the OR solution business in Japan.



Professional-use video and audio equipment system



OR\* Video solution of Rein Medical GmbH

\*Abbreviation for Operating Room

# Current Situation by Business and Major Initiatives for FYE3/'19 – MS Sector

- Media: Product Business has increased market share with best-seller BT-compliant headphones. Solutions Business has achieved an increase in both sales and profit year- on-year, shifting to an expansionary trend.
- Entertainment: Despite effects of less major works, the Entertainment Business achieved a stable profit by releasing a number of new hits.

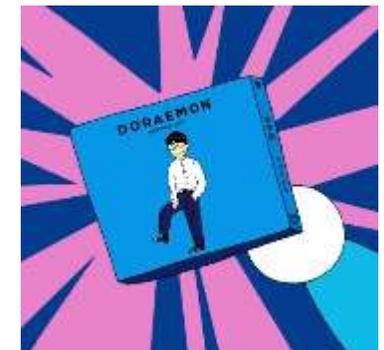


Wireless HA-FX27BT realizing high sound quality reproduction

<Releases contributed to FY2017>



Keisuke Kuwata  
(DVD/BD)「MVP」



Gen Hoshino  
Single 「Doraemon」

# Major Initiatives for FYE3/'19 – MS Sector

- Media: Enhance the projector business in the simulator market. Strengthening new genre of consumer video cameras in Lifestyle. Business expansion of professional-use video camera business by launching the new “CONNECTED CAM” concept in the Solution Business.
- Entertainment: Enhance flat-rate streaming music service, and discovery and cultivation of artists. Expansion of business areas including management, production of live concerts/events and sales of related goods.



Flight Simulator Image

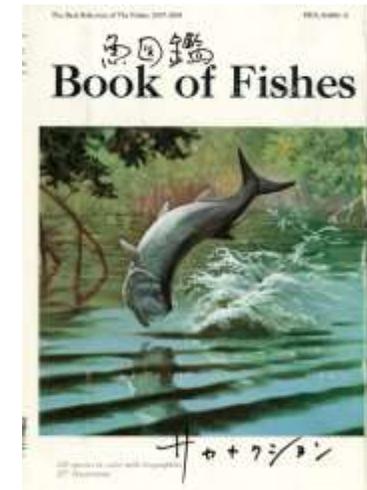
<New releases in FY2018>



Professional-use high-end camera recorder under the new concept of “CONNECTED CAM”



Keisuke Kuwata  
“Garakuta Live” (DVD/BD)



Sakanaction  
Greatest Hits “Book of Fishes”

# Leveraging Intellectual Property – Evolve as a Technology Based Company

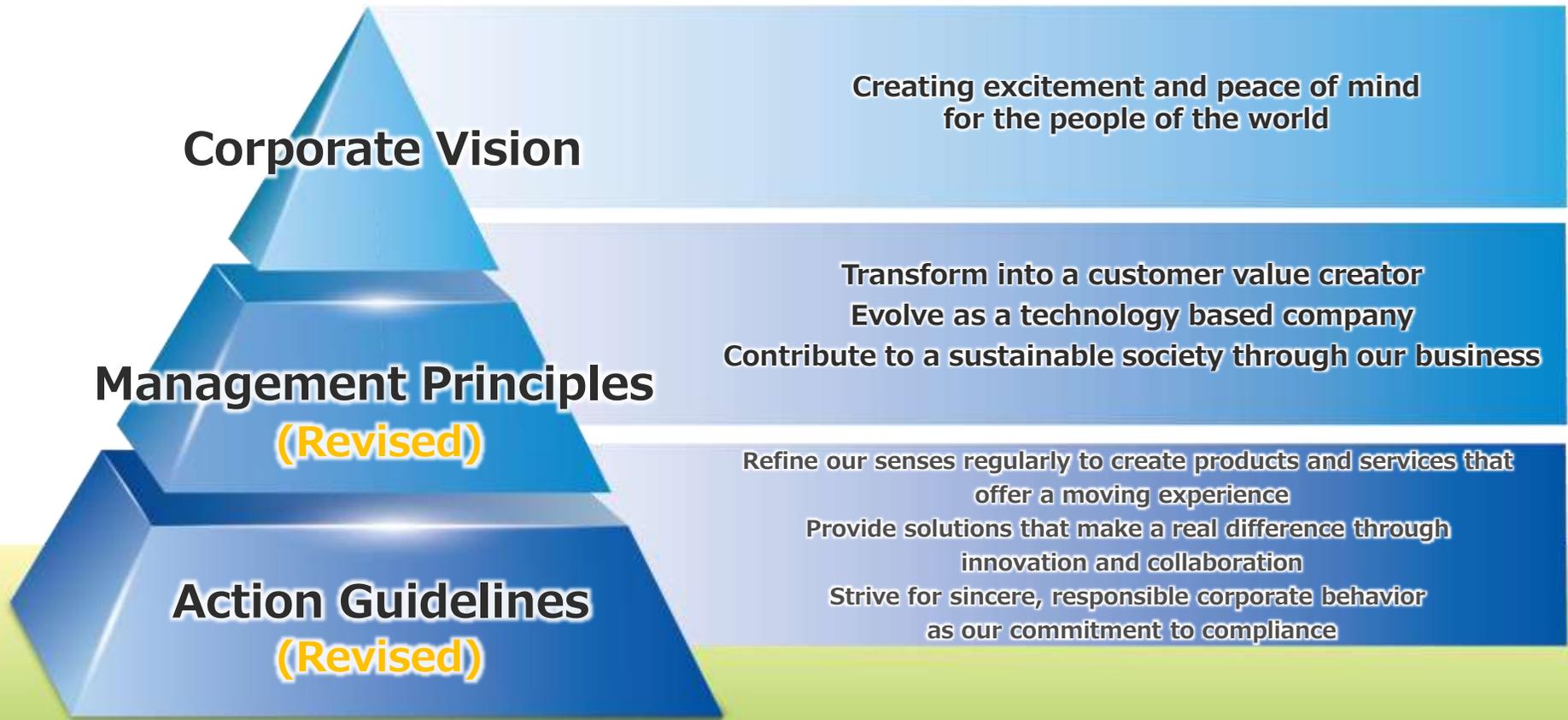
Venture into a new area by combining our own intellectual property (IP), technologies and know-how

- Leverage and earn from IP as business while protecting business with IP rights.
- Aim to monetize our 11,000 IP owned by JVCKENWOOD Group across the world from license, patent pools and selling of patent rights.
- Increased the number of patent applications as well as granted patents year on year. Aim to develop cutting-edge IP that creates the company's future.



# Revision of Management Principles and Action Guidelines

- Revised to new principles and guidelines in accordance with a growth strategy set out in Vision 2020



# Policies for Sustainability

- By upholding sustainability as a basic strategy, JVCKENWOOD will endeavor to solve social issues through its business activities by linking its businesses to achieving targets of SDGs\*. In addition, JVCKENWOOD aims to enhance sustainable corporate value through innovations that pre-empt the needs of society.
  - Top management will promote initiatives
  - Set targets and KPI in accordance with the “Vision 2020” mid- to long-term business plan
  - Promote the participation of all employees by linking the sustainability initiatives to all of its business activities
  - Achieve SDGs by contributing to Society 5.0
  - Proactively and comprehensively disclose initiatives to our stakeholders on the website, etc.
  - Established the Sustainability Management Office effective April 1, 2018, as the department responsible for promoting sustainability company-wide



Society 5.0 proposed in the Science and Technology Basic Plan developed by the Cabinet Office



SDGs Logo

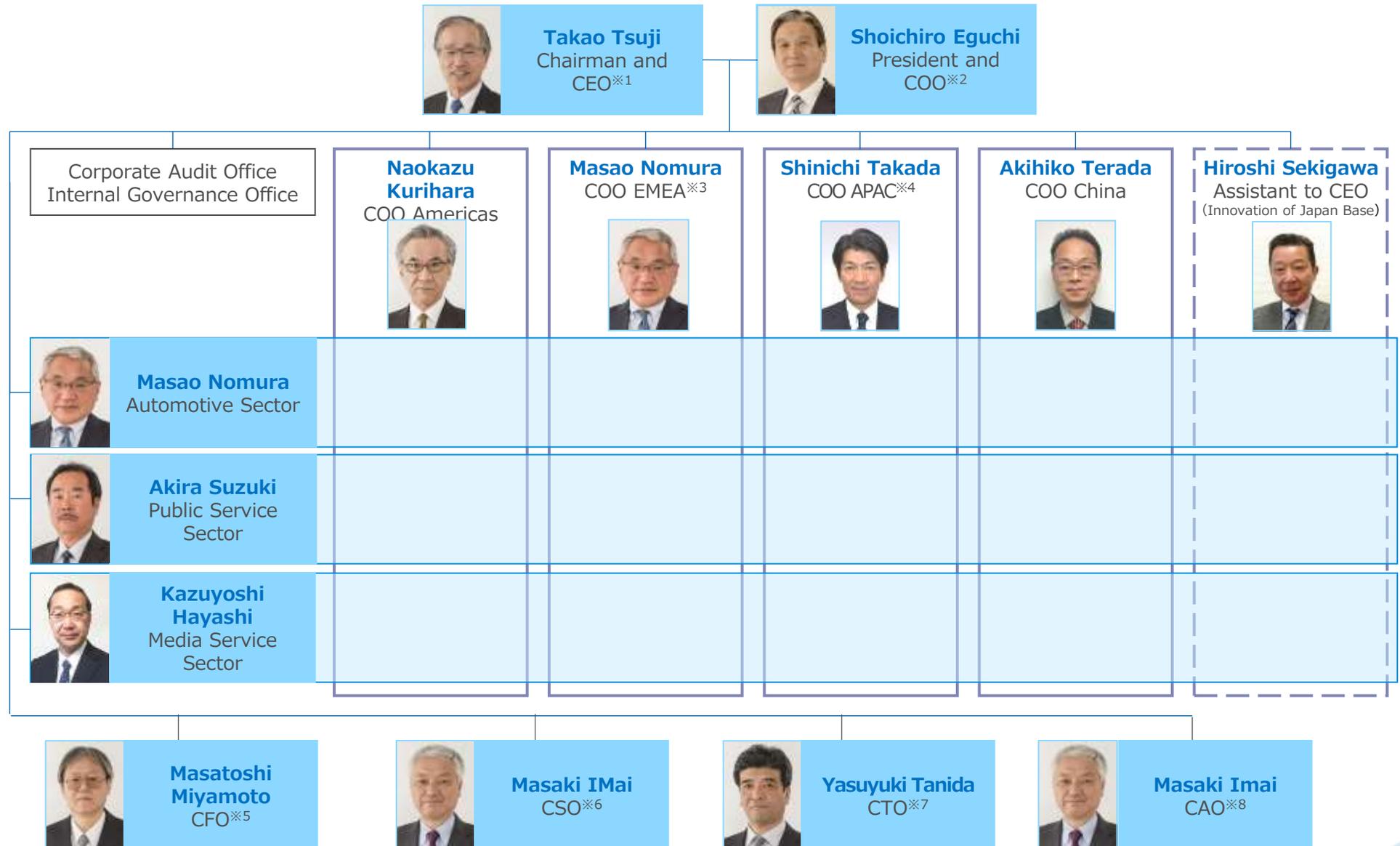
\*Sustainable Development Goals adopted by the UN General Assembly in September 2015

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# New Executive Structure Coming into Force After This Year's Ordinary General Meeting of Shareholders (Plan)

	Candidate	Position
Reappointed Outside	Yasuyuki Abe	Director of the Board, Chairman of the Board
Reappointed	Takao Tsuji	Representative Director of the Board, Chairman, Chief Executive Officer (CEO)
Reappointed	Shoichiro Eguchi	Representative Director of the Board, President, Chief Operating Officer (COO)
Reappointed	Masaki Imai	Director of the Board, Executive Vice President, Chief Strategy Officer (CSO), Chief Administration Officer (CAO)
Reappointed	Masatoshi Miyamoto	Director of the Board, Senior Managing Executive Officer, Chief Financial Officer (CFO)
Reappointed	Yasuyuki Tanida	Director of the Board, Managing Executive Officer, Chief Technology Officer (CTO)
New	Masao Nomura	Director of the Board, Managing Executive Officer in Charge of Automotive Sector
Reappointed Outside	Junichi Hikita	Director of the Board
Reappointed Outside	Shinjiro Iwata	Director of the Board

# New Executive Structure as of April 1



※1 : Chief Executive Officer ※2 : Chief Operating Officer ※3 : Europe, Middle East and Africa ※4 : Asia-Pacific  
 ※5 : Chief Financial Officer ※6 : Chief Strategy Officer ※7 : Chief Technology Officer ※8 : 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 (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) market price fluctuations 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.