

JVCKENWOOD

Translation for Reference Only

**JVCKENWOOD**

# **Results and Forecast Briefing**

**First Quarter of Fiscal Year Ending March 2019**

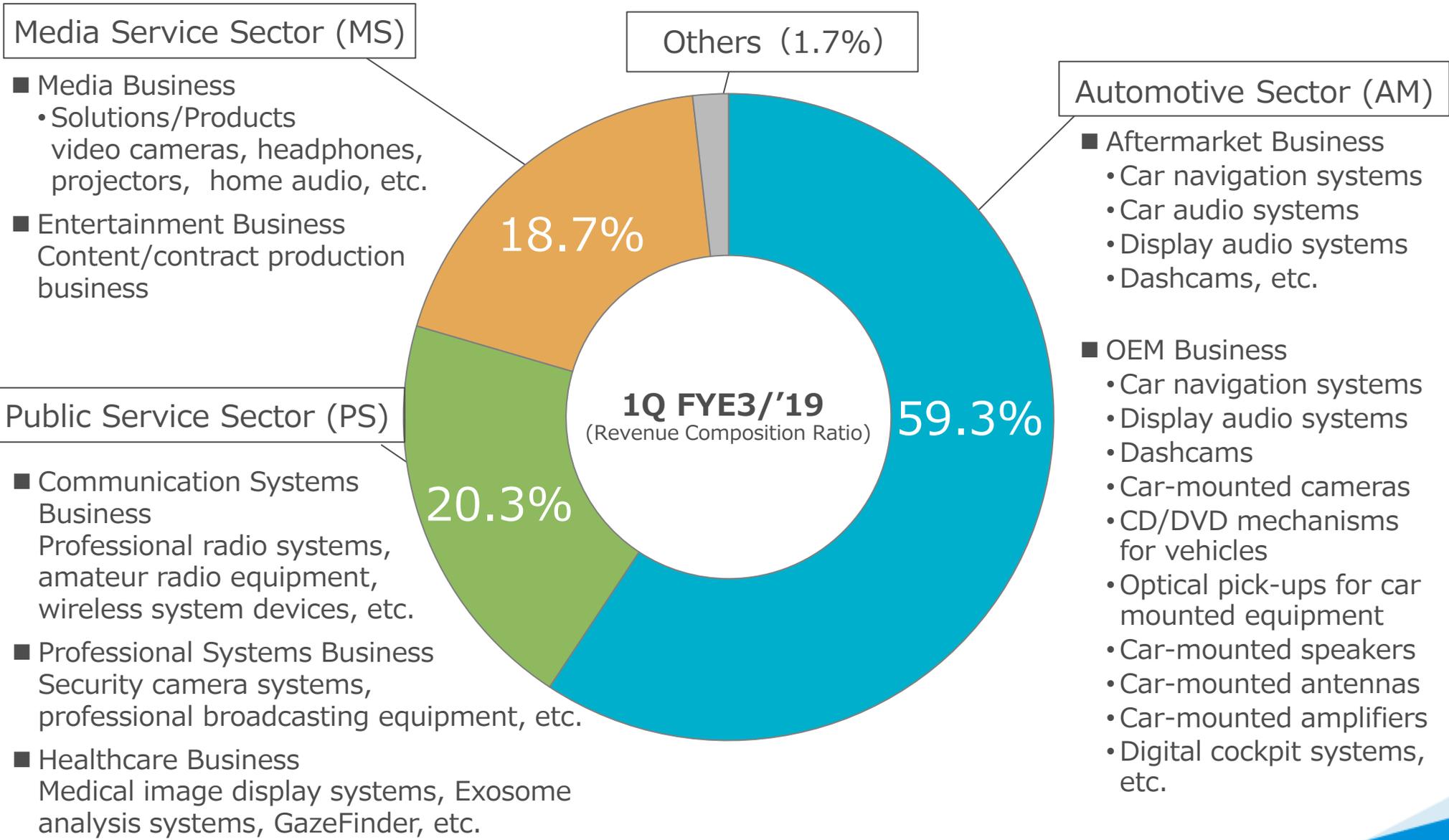
August 1, 2018

JVCKENWOOD Corporation

JVCKENWOOD has voluntarily applied International Financial Reporting Standards (IFRS) to replace Japanese Generally Accepted Accounting Principles (JGAAP), starting from the Securities Report for the fiscal year ended March 2018.

Accordingly, all figures for the fiscal years ending March 2019 and 2018 are prepared in accordance with IFRS.

# Business Domains



- 1. Overview of Financial Results  
for 1Q of FYE 3/'19**
- 2. Full-year Earnings Forecast for  
FYE 3/'19**
- 3. Topics**

**1. Overview of Financial Results  
for 1Q of FYE 3/'19**

2. Full-year Earnings Forecast for  
FYE 3/'19

3. Topics

# Financial Results for 1Q of FYE 3/'19 - Highlights

- Revenue increased due to higher sales in the AM and PS Sectors.
- Core operating income turned positive, due to profit increases in the AM, PS, and MS Sectors. Operating income also increased.
- Income before income taxes turned positive, reflecting higher operating income.
- Profit attributable to owners of parent turned positive, reflecting higher profit before tax.

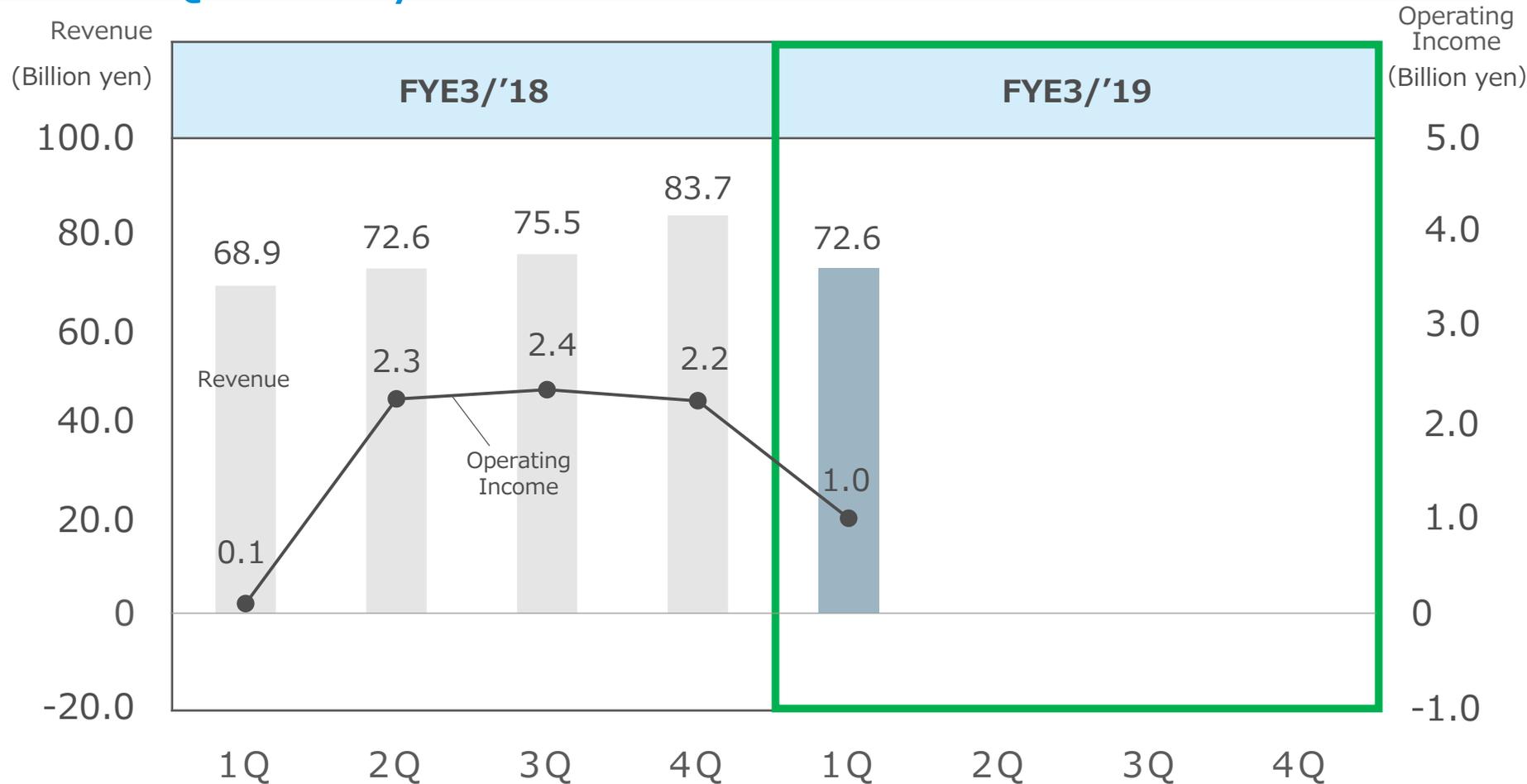
(Billion yen)

	1Q FYE3/'18		1Q FYE3/'19		
		Composition ratio		Composition ratio	YoY comparison
Revenue	68.9	100.0	72.6	100.0	+ 3.7
Cost of sales	51.1	74.1	53.3	73.5	+ 2.2
Gross profit	17.8	34.9	19.2	36.1	+ 1.4
Core Operating Income*	0.0	-0.1	0.9	1.2	+ 0.9
Operating Income	0.1	0.1	1.0	1.4	+ 0.9
Income Before Income Taxes	-0.1	-0.1	0.9	1.2	+ 1.0
Profit Attributable to Owners of Parent	-0.7	-1.1	0.3	0.4	+ 1.0

\* Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating income, other expenses, and foreign exchange losses (gains).

		FYE3/'18					FYE3/'19				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Profit-And-Loss	U.S. dollar	111yen	111yen	113yen	108yen	111yen	109yen	—	—	—	—
Exchange Rates	Euro	122yen	130yen	133yen	133yen	130yen	130yen	—	—	—	—

# Financial Results for 1Q of FYE 3/'19 – Trends in Quarterly Results



Profit-And-Loss Exchange Rates	U.S. dollar Euro	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
		111yen	111yen	113yen	108yen	111yen	109yen	–	–
		122yen	130yen	133yen	133yen	130yen	130yen	–	–

(Billion yen)

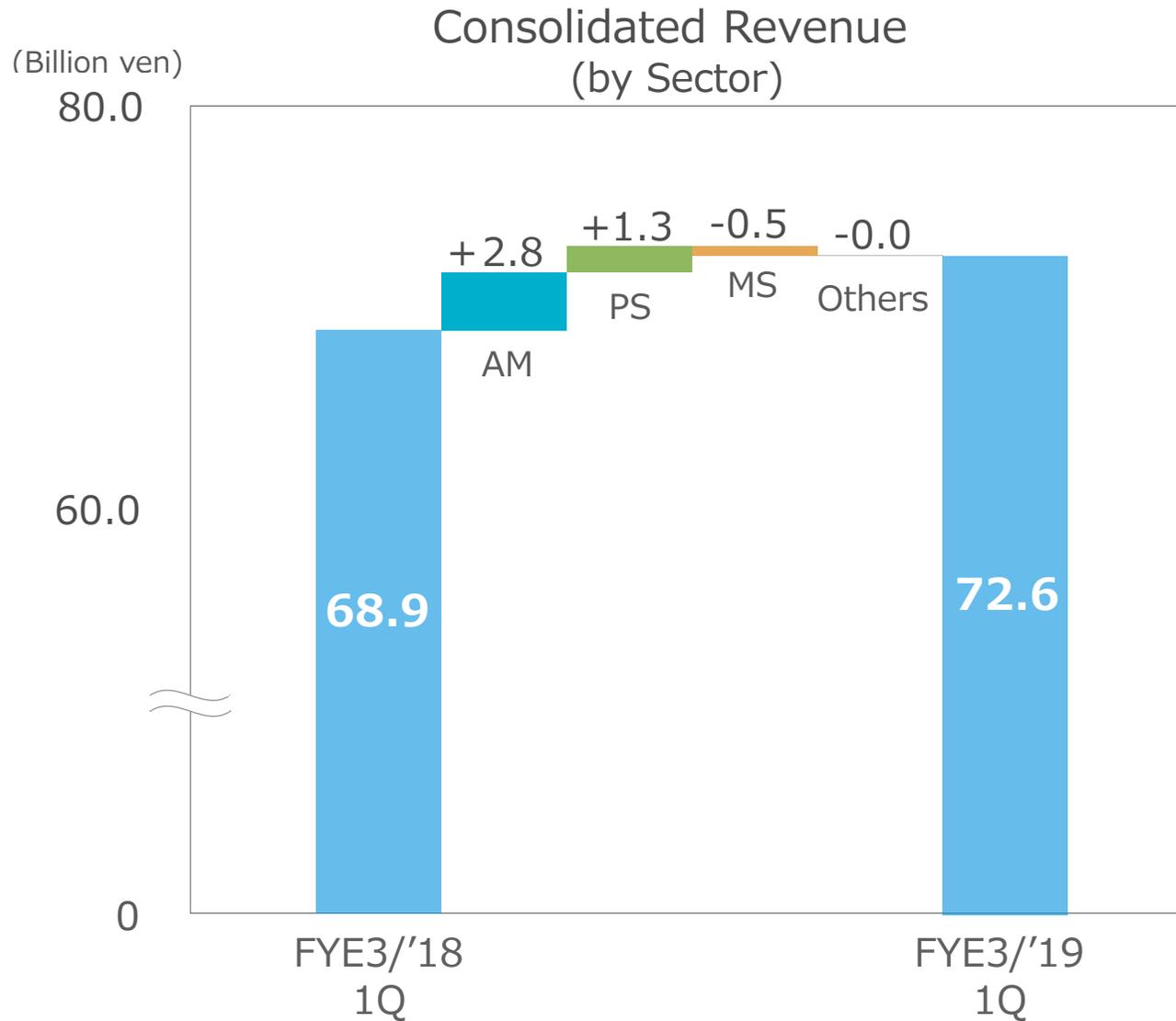
	1H	2H	1H	2H
Revenue	141.5	159.2		
Operating Income	2.4	4.6		

# Financial Results for 1Q of FYE 3/'19 - Results by Sector

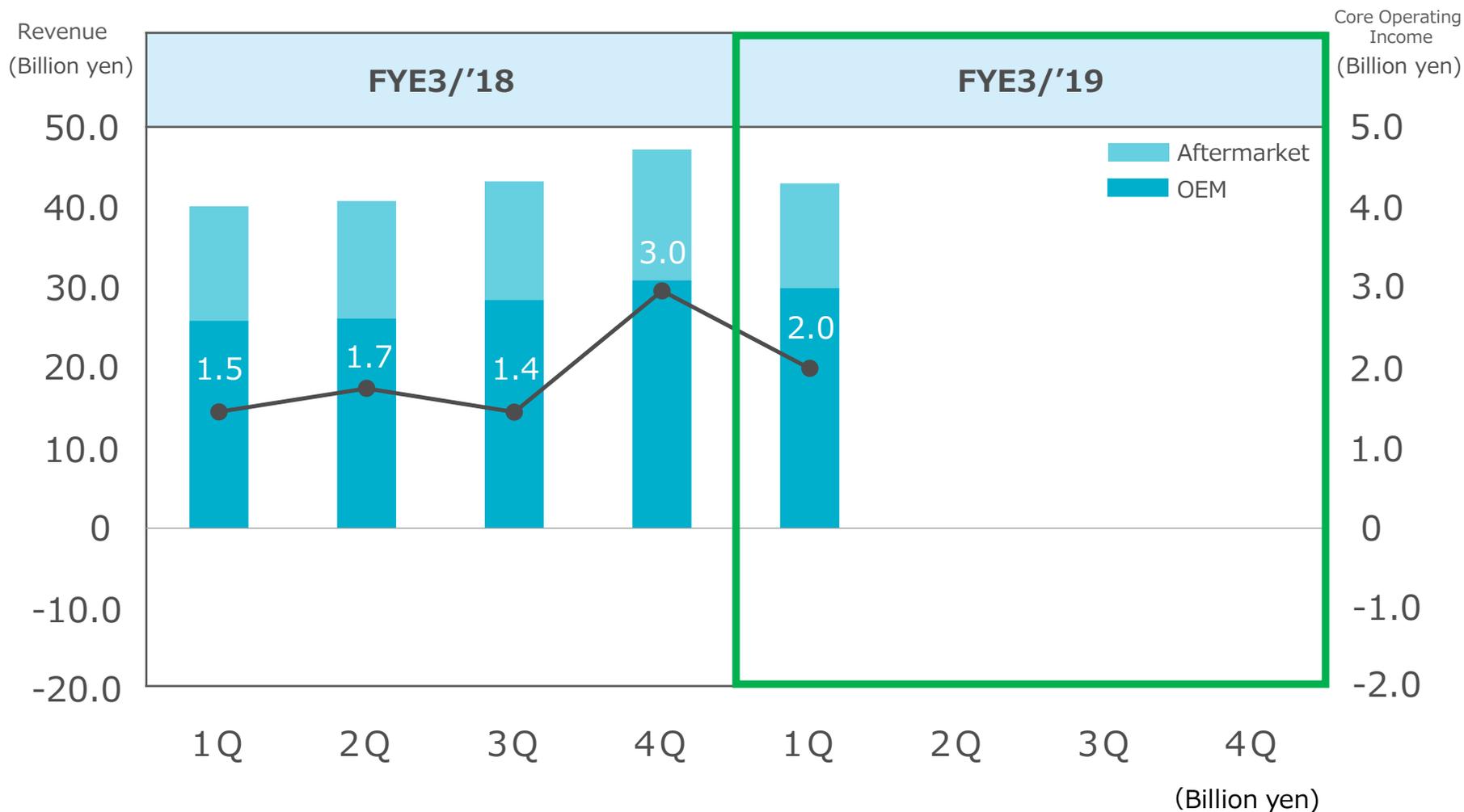
(Billion yen)

		1Q FYE3/'18	1Q FYE3/'19	YoY change (amount)	YoY change (percentage)	Factors
AM Sector	Revenue	40.2	43.0	+ 2.8	+7.1%	<ul style="list-style-type: none"> <li>Revenue in the AM Sector as a whole increased, due to higher sales in the OEM Business.</li> <li>Operating income in the AM Sector as a whole increased, due to higher operating income in the OEM Business.</li> </ul>
	Core Operating Income	1.5	2.0	+ 0.5	+37.4%	
PS Sector	Revenue	13.4	14.7	+ 1.3	+9.7%	<ul style="list-style-type: none"> <li>Revenue in the PS Sector as a whole increased, reflecting higher sales in the communication systems business and conversion of Rein Medical into our subsidiary.</li> <li>Loss decreased, due to an increase in revenue.</li> </ul>
	Core Operating Income	-1.5	-1.2	+ 0.3	—	
MS Sector	Revenue	14.0	13.6	-0.5	-3.3%	<ul style="list-style-type: none"> <li>Revenue in the MS Sector as a whole decreased, due to lower sales in the entertainment business.</li> <li>Operating income in the MS Sector as a whole increased, due to a smaller loss in the media business.</li> </ul>
	Core Operating Income	0.0	0.2	+ 0.2	+537.9%	
Others	Revenue	1.3	1.3	-0.0	-0.9%	
	Core Operating Income	-0.2	-0.1	+ 0.1	—	
Total	Revenue	68.9	72.6	+ 3.7	+5.3%	
	Core Operating Income	-0.5	0.9	+ 1.3	—	

# Financial Results for 1Q of FYE 3/'19 - Consolidated Revenue (by Sector)

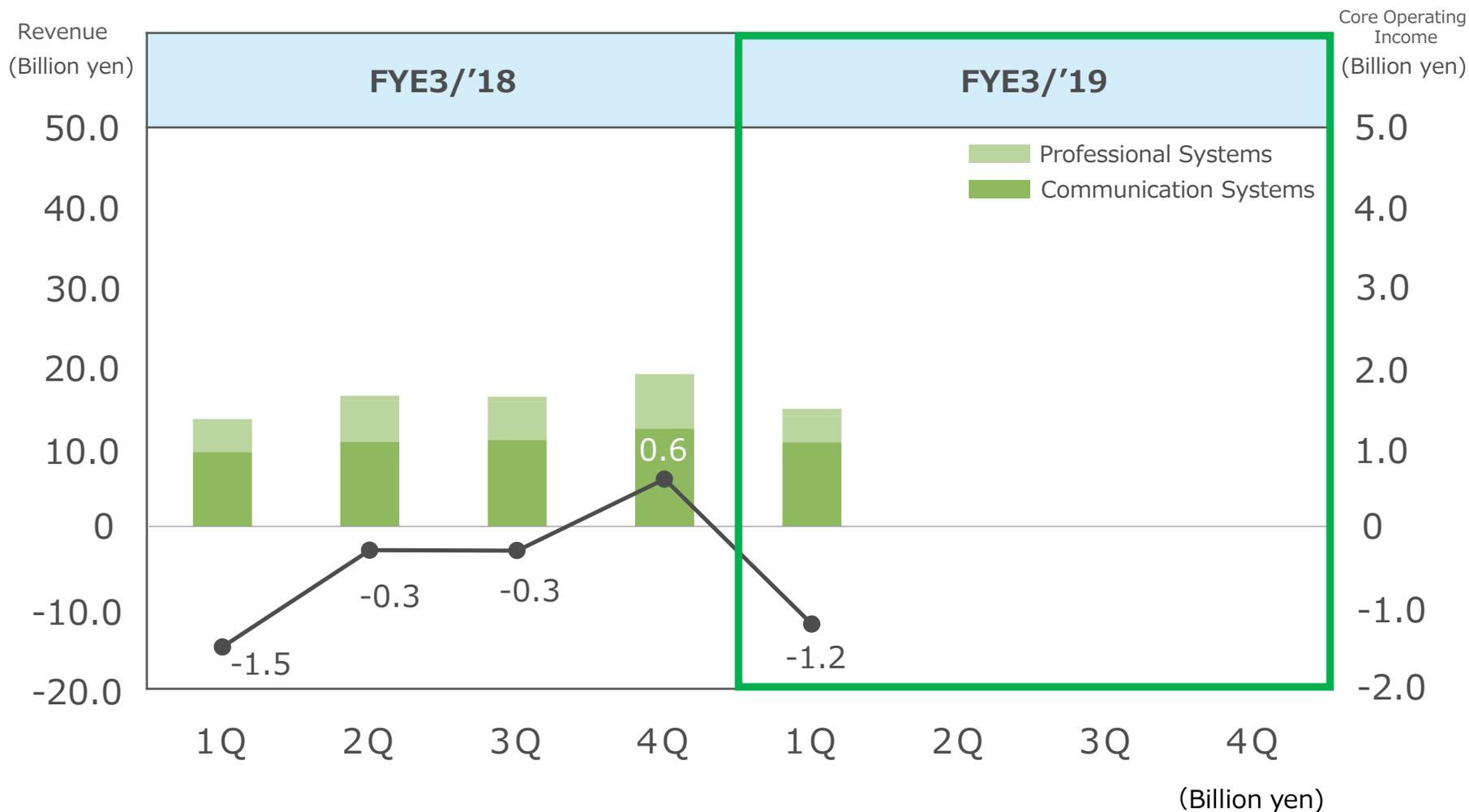


# Financial Results for 1Q of FYE 3/'19 - Quarterly Results (AM Sector)



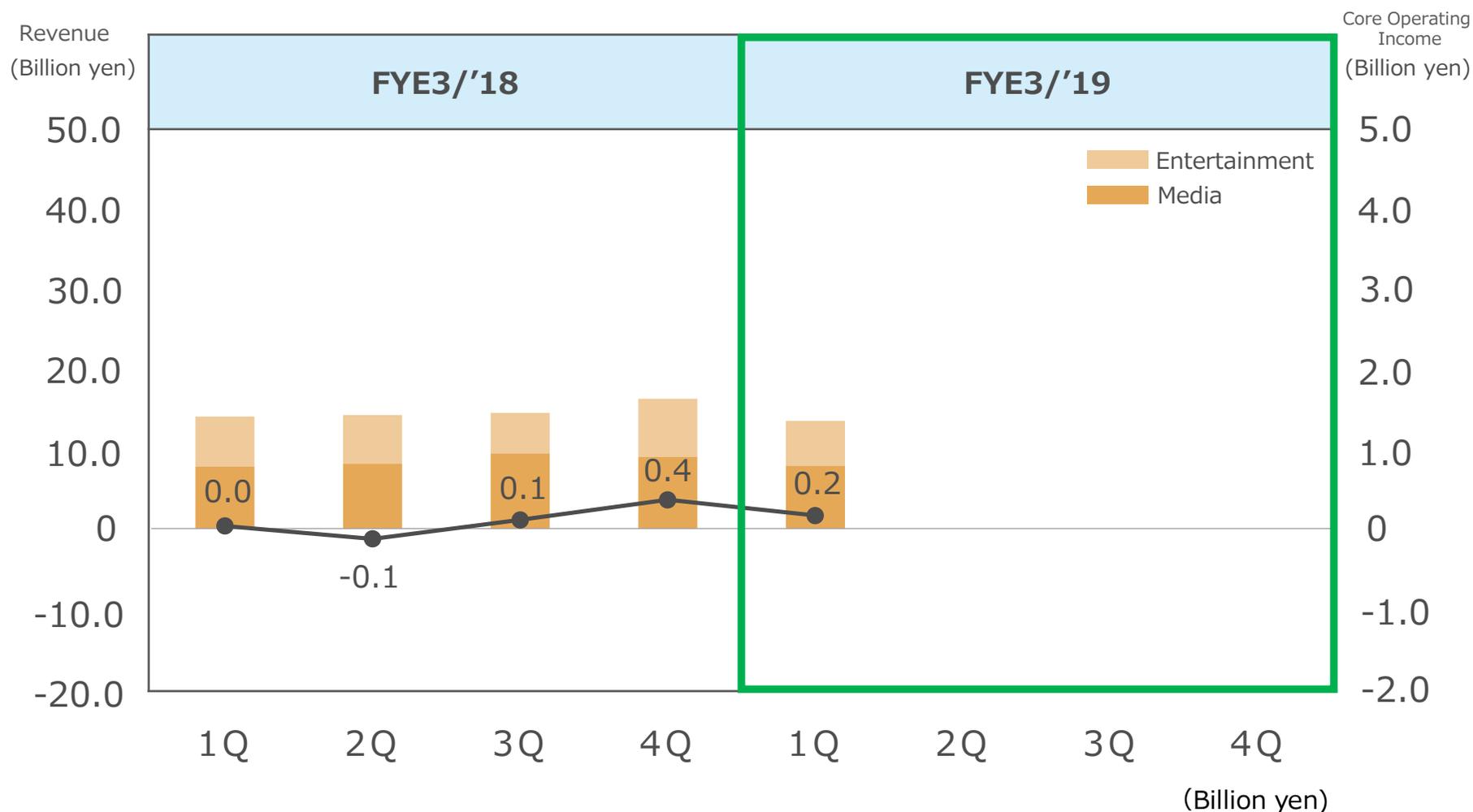
	1H	2H	1H	2H
Revenue	81.0	90.5		
Core Operating Income	3.2	4.4		

# Financial Results for 1Q of FYE 3/'19 - Quarterly Results (PS Sector)



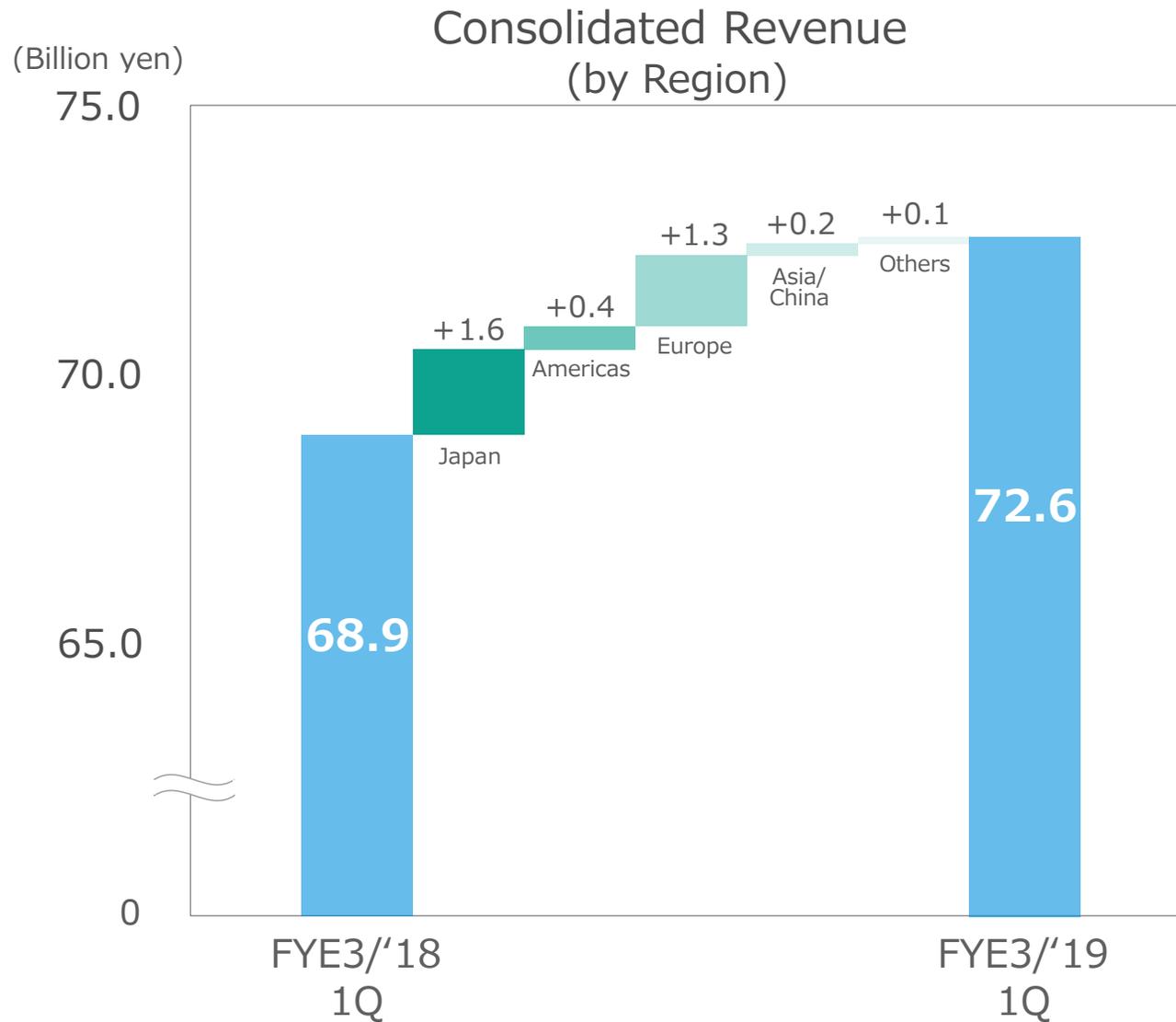
	1H	2H	1H	2H
Revenue	29.8	35.3		
Core Operating Income	-1.8	0.3		

# Financial Results for 1Q of FYE 3/'19 - Quarterly Results (MS Sector)

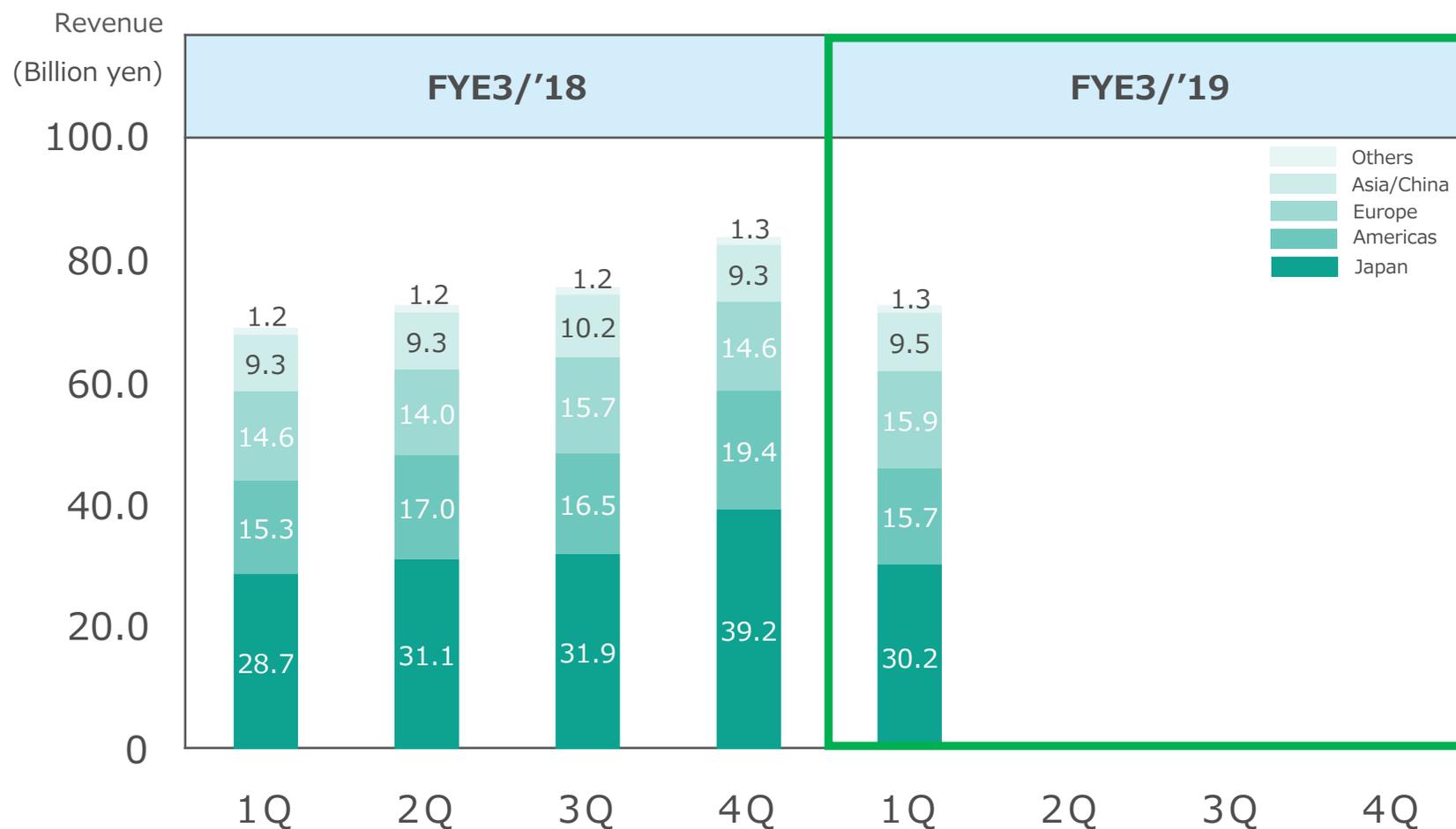


	1H	2H	1H	2H
Revenue	28.2	30.7		
Core Operating Income	-0.1	0.5		

# Financial Results for 1Q of FYE 3/'19 - Consolidated Revenue (by Region)



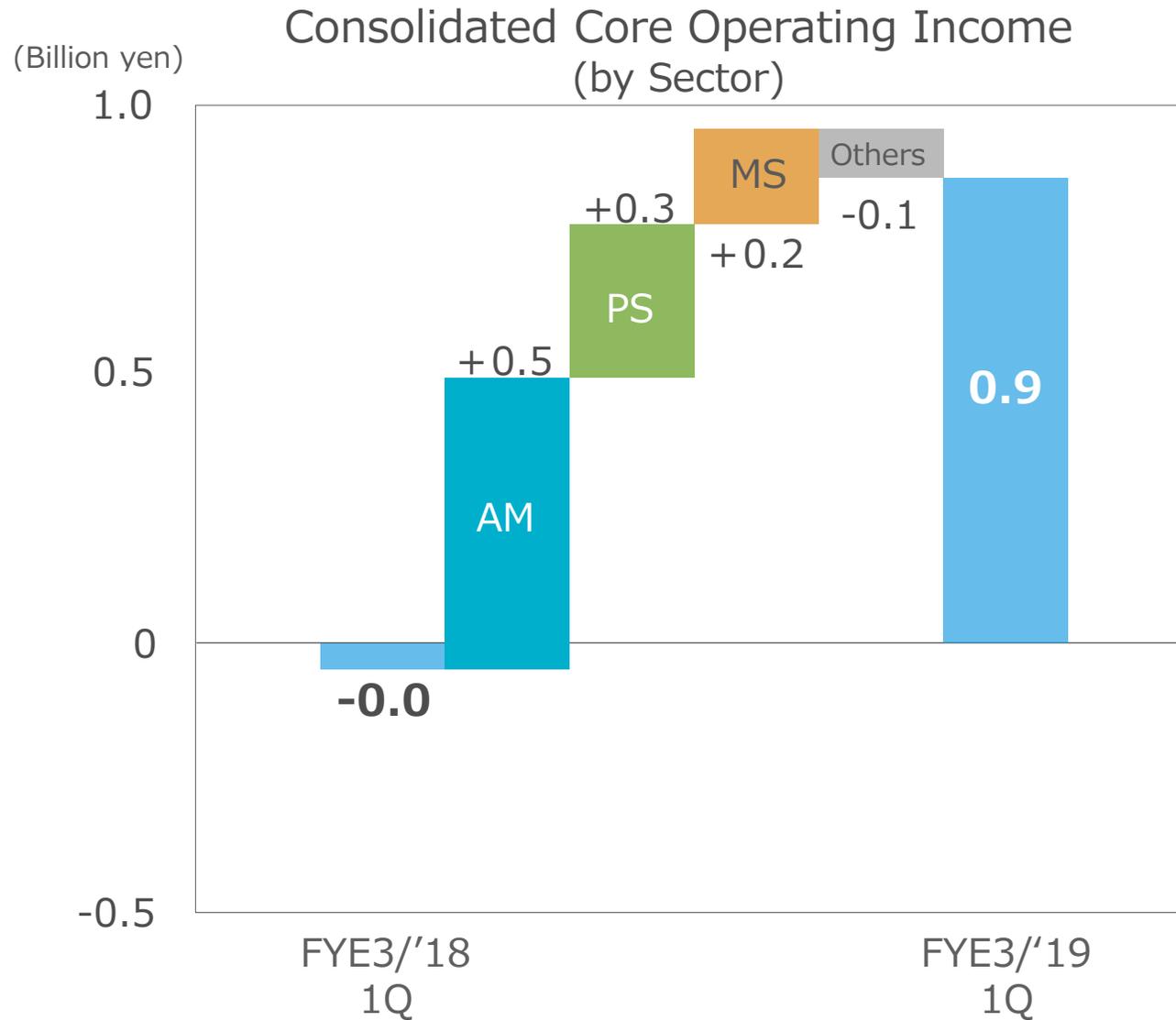
# Financial Results for 1Q of FYE 3/'19 - Consolidated Revenue by Region



	FYE3/'18		FYE3/'19	
	1H	2H	1H	2H
Japan	59.8	71.1		
Americas	32.3	35.9		
Europe	28.5	30.3		
Asia/China	18.6	19.5		
Others	2.4	2.5		

(Billion Yen)

# Financial Results for 1Q of FYE 3/'19 - Consolidated Core Operating income (by Sector)



# Financial Results for 1Q of FYE 3/'19 - Consolidated Profit or Loss (Summary)

- Income before income taxes turned positive, reflecting an increase in operating income.
- Profit attributable to owners of parent turned positive, reflecting the increase in income before income taxes.

(Billion yen)

	1Q FYE3/'18	1Q FYE3/'19	YoY Change
Core Operating Income*	-0.05	0.86	+ 0.91
Other Income, Other Expenses, Foreign Exchange Loss, etc.	0.15	0.14	-0.02
Operating Income	0.10	1.00	+ 0.90
Finance Income, Finance Expenses, etc.	-0.18	-0.11	+ 0.06
Income Before Income Taxes	-0.07	0.89	+ 0.96
Income tax expenses	0.39	0.48	+ 0.08
Non-controlling interests	0.27	0.14	-0.14
Profit Attributable to Owners of Parent	-0.74	0.27	+ 1.01

\* Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating income, other expenses, and foreign exchange losses (gains).

# Financial Results for 1Q of FYE 3/'19 - Consolidated Statement of Financial Position Summary

(Billion yen)

	FYE3/'18	1Q FYE3/'19	YoY Change
Total Assets	239.9	235.7	-4.3
Total Liabilities	186.1	179.4	-6.7
Total Equity	53.8	56.3	+ 2.5
Interest-Bearing Debts	67.8	69.3	+ 1.5
Net Debt	30.7	34.5	+ 3.8
Net Debt/Equity Ratio (times)	0.61	0.65	+ 0.05
Equity Attributable to Owners of the Parent	50.6	52.9	+ 2.2
Stockholder's Equity Ratio (%)	21.1	22.4	+ 1.3

# Financial Results for 1Q of FYE 3/'19 - Cash Flow Summary

- Cash flow from operating activities decreased, due mainly to an increase in working capital as a result of increased revenue, despite the increase in profit before tax.
- Cash flow from investing activities increased, due to an increase in cash outflows from purchasing property, plant and equipment and conversion of Rein Medical into a subsidiary.

(Billion yen)

	1Q FYE3/'18	1Q FYE3/'19	YoY Change
Cash Flow from Operating Activities	6.3	3.5	-2.8
Cash Flow from Investing Activities	-3.4	-6.5	-3.1
Free cash flow	2.9	-3.0	-5.9
Cash Flow from Financing Activities	-0.3	0.5	+ 0.8
Total	2.6	-2.5	-5.1

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

1. Overview of Financial Results  
for 1Q of FYE 3/'19

**2. Full-year Earnings Forecast for  
FYE 3/'19**

3. Topics

# Full-year Earnings Forecast for FYE 3/'19

- Earnings for 1Q were strong, exceeding the period-start projections for the Group as a whole, due to higher-than-projected performance in the AM, PS, and MS Sectors.
- In 2Q and thereafter, we expect continued strong performance in the OEM business in the AM Sector, higher sales from US communication system subsidiaries, and the emergence of consolidation effects from Radio Activity and Rein Medical in the PS Sector. We also expect improvements in the media business and higher sales from major works in the entertainment business in the MS Sector. At this time, however, we are not revising the full-year earnings forecast announced at the start of the fiscal year.

(Billion yen)

	Results for FYE3/'18	Forecast for FYE3/'19	YoY Change
Revenue	300.7	310.0	+ 9.3
Operating Income	6.9	7.1	+ 0.2
Income Before Income Taxes	5.9	6.0	+ 0.1
Profit Attributable to Owners of Parent	2.4	2.7	+ 0.3

1. Overview of Financial Results  
for 1Q of FYE 3/'19

2. Full-year Earnings Forecast for  
FYE 3/'19

**3. Topics**

# Automotive Sector

## ■ Aftermarket

- Deployed car accessories with superior designs and functionality, such as FM transmitter and cigar lighter socket for car charger, as new products.
- Scheduled to launch new display audio products in overseas markets, centering on Europe and the US.

## ■ OEM (dealer-installed)

- Steadily expanded orders from domestic automakers.
- Acquired large orders for projects overseas, in Asia, which are expected to contribute to earnings in 2H and thereafter.

## ■ OEM (factory-installed) Earnings were strong, due mainly to expanded sales of specially designed display audio systems.



Car accessories with superior design and functionality



Orders continued to expand steadily for dealer-installed option products

# Further Expanding Sales of Dashcams

- AM Aftermarket Maintained top market share\* in the Japanese market for the second consecutive year in FY2017, based on high evaluations of the industry-leading levels of “high quality” and “long time recording” camera. Sales remained strong in 1Q.
- AM OEM Orders for dealer-installed option products expanded steadily. Aim for scale deployment overseas and for factory-installed option products.
- MS Media JVC brand dashcams distributed through home appliance volume-sales retailers and Internet shopping.
- Solution Development
  - Started shipments of dashcams with Communication Capabilities for Aioi Nissay Dowa Insurance.
  - Developed a new dashcam with Communication Capabilities aiming to enter the commercial vehicle telematics field, and expanded sales channels mainly in the trucking industry.

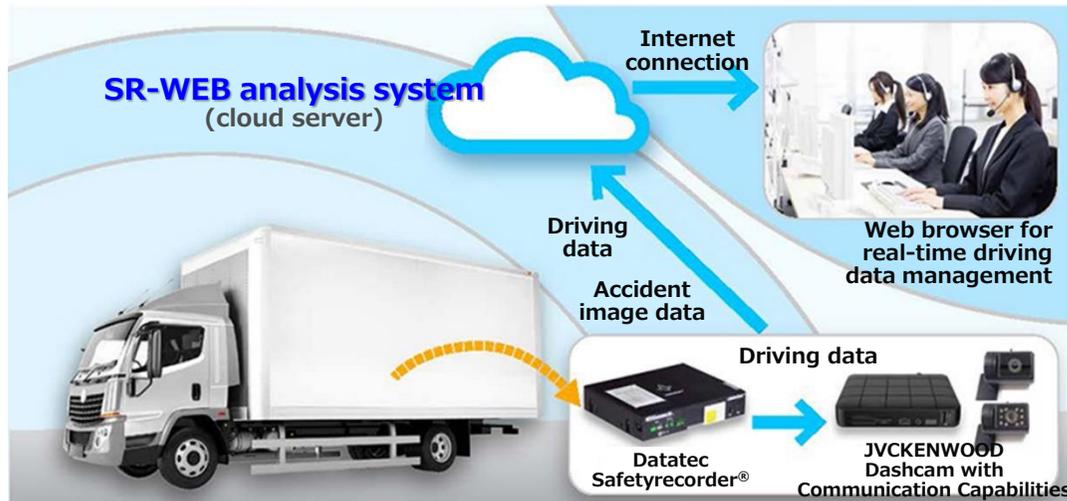


Illustration showing connection with Datatec's digital tachograph



Dashcams achieved No. 1 domestic market share in sales volume for two consecutive years

\*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)

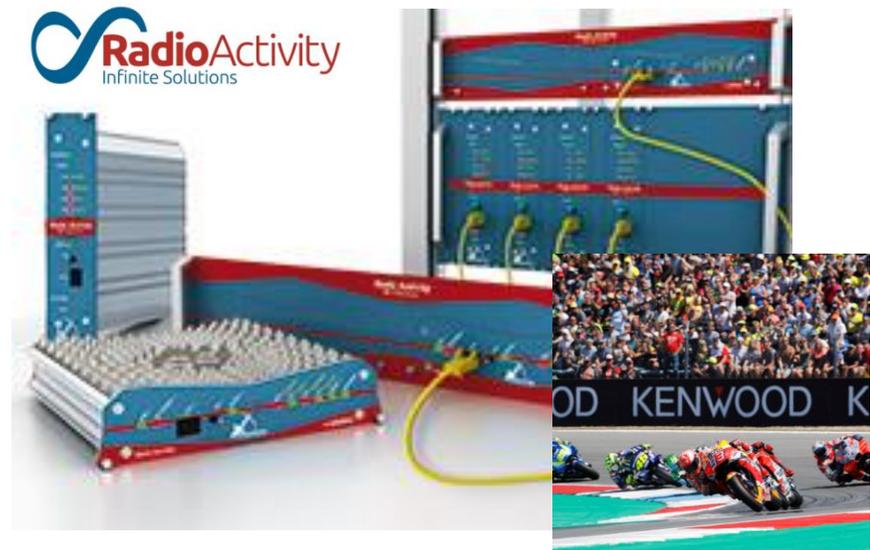
# Public Service Sector

## ■ Communication Systems

- NX-3000 series of multi-protocol digital radios received high evaluations and enjoyed strong sales mainly in the US.
- Won new large-volume orders from airports in EMEA\* and leading retail chains.  
\*Europe, Middle East, and Africa
- US radio subsidiaries are on a recovery trend, driven by strong sales of communication terminals.
- Promoted orders for DMR-compliant digital radios mainly through Radio Activity, which became a subsidiary. Adopted for operations of MotoGP™ (the world's top motorcycle racing series).



NX-3000 series of digital radios that support two digital communication protocols



DMR-compliant digital radio system solutions of Radio Activity, which became a subsidiary in January 2018

# Public Service Sector

## ■ Professional Systems

- Delivered operating system for centralized management of various information, such as disaster situation and weather information, to Ishinomaki City Disaster Prevention Center.
- Won a large order for railroad camera systems from a railroad company.

## ■ Healthcare

- To create synergies with Germany-based Rein Medical, which became a subsidiary in May 2018, started full-scale order-winning activities for OR\* imaging solutions at the International Modern Hospital Show.
- "ExoCounter" exosome counting system succeeded in measuring the number of exosomes specific to breast cancer in serum, and is a promising early diagnostics tool for cancer and other diseases.



Operation system delivered to Ishinomaki City Disaster Prevention Center



OR\*Imaging Solutions of Rein Medical  
\*Abbreviation for Operating Room

# Media Service Sector

## ■ Media (lifestyle)

- Earnings improved significantly year-on-year, due mainly to the expansion of the Bluetooth® headphones product line, including wireless headphones, and new camcorder products.

## ■ Media (solution)

- Contributions from solutions are expected from 2Q through the scale roll-out of the new “CONNECTED CAM” concept.



Wireless earphones scheduled for release in August



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

# Media Service Sector

- Entertainment  
Major promising works released in 2Q

## Umi no Oh, Yeah!!!!!!

A premium album from the  
Southern All Stars

**New release on August 1  
(Wed.)!**



# Brand Strategy - Sponsorship Activities



- Provided Radio Activity's digital radio systems compliant with DMR, a digital mobile radio standard, to MotoGP™, the world's top motorcycle racing series. Based on our reputation, we concluded a sponsorship agreement for the KENWOOD brand.



- WTCC became WTCC (FIA world touring car cup) from 2018 to offer more thrilling auto racing. JVCKENWOOD co-sponsors WTCC in a cooperative arrangement with EuroSports, the promotor, and other supporting companies, aiming to promote sales of our businesses as a whole and increase brand awareness in the automotive market. (October 28, 2018; Main sponsor for Suzuka GP)

# Brand Strategy - Brand Application



- Victor brand music box
  - ▣ Reproduced luxury music box "RJ-3000" to commemorate the 90th anniversary of Victor's establishment.

- KENWOOD brand UNIQLO T-shirt
  - ▣ T-shirt with motif of KENWOOD K's series mini component speaker system was released under "The Brands Graphic T (collection of popular long-standing brands)" series by UNIQLO.

# 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.