

**JVCKENWOOD**

**Translation for Reference Only**

**JVCKENWOOD**

# **Results and Forecast Briefing**

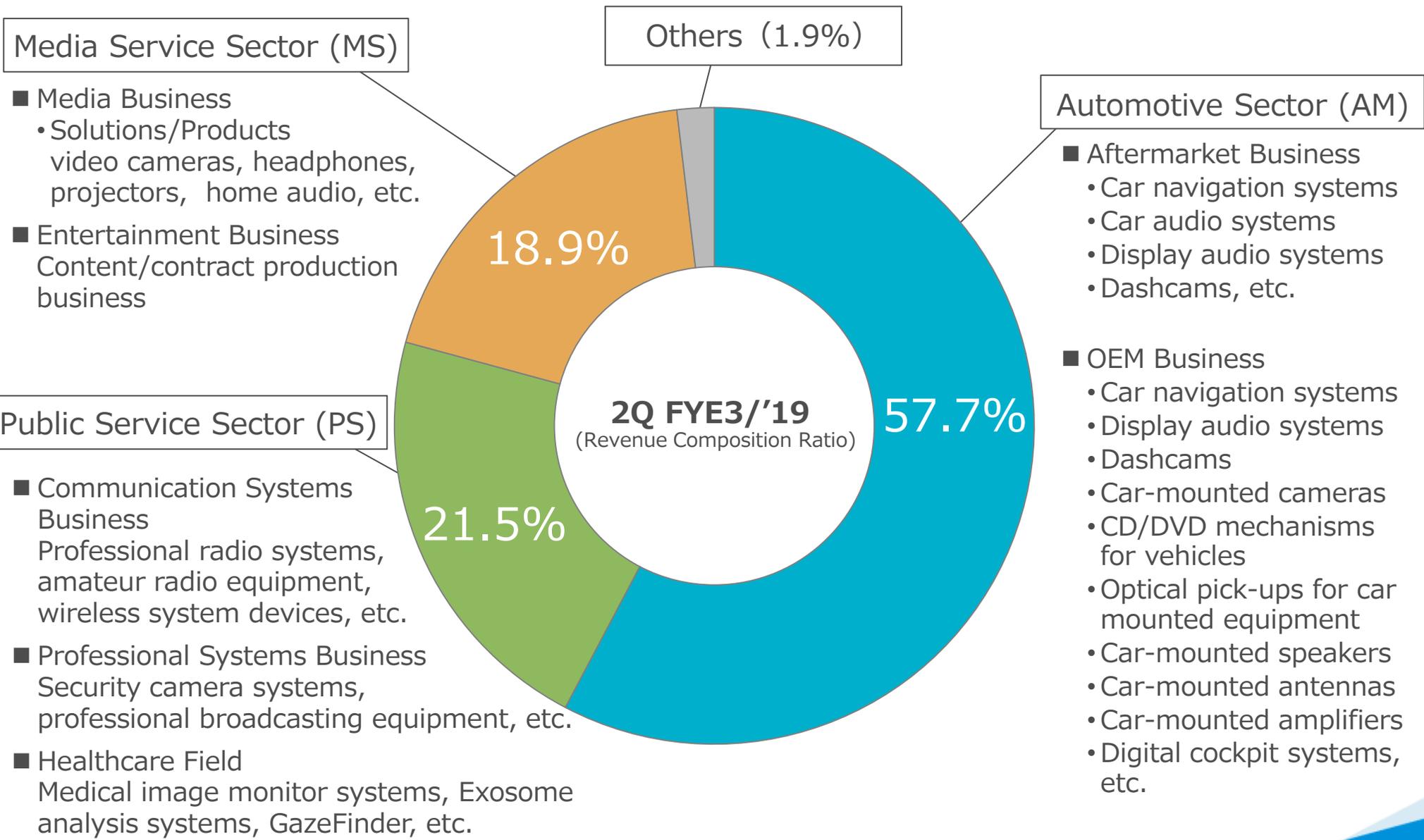
**Second Quarter of Fiscal Year Ending March 2019**

November 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 2Q of FYE3/'19**
- 2. Full-year Earning Forecast  
for FYE3/'19**
- 3. Topics**

**1. Overview of Financial Results  
for 2Q of FYE3/'19**

2. Full-year Earning Forecast  
for FYE3/'19

3. Topics

# Financial Results for 2Q(1-2Q) of FYE3/'19 - Highlights

- Revenue increased, driven by sales growth in the Automotive Sector and the Public Service Sector.
- Core operating income increased significantly, due to profit increases in all three operating segments—the Automotive Sector, the Public Service Sector, and the Media Service Sector. Operating income also increased.
- Income before income taxes increased, due mainly to operating income growth.
- Net income increased, reflecting higher income before income taxes.

(Billion yen)

	2Q(1Q-2Q) FYE3/'18		2Q(1Q-2Q) FYE3/'19		
		Composition ratio		Composition ratio	YoY comparison
Revenue	141.5	100.0	149.1	100.0	+ 7.6
Cost of sales	104.2	73.7	108.6	72.8	+ 4.4
Gross profit	37.2	26.3	40.5	27.2	+ 3.3
Core Operating Income*	1.2	0.9	3.4	2.3	+ 2.2
Operating Income	2.4	1.7	3.5	2.4	+ 1.2
Income Before Income Taxes	1.9	1.3	3.2	2.1	+ 1.3
Profit Attributable to Owners of Parent	0.8	0.6	1.8	1.2	+ 0.9

\* 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	111yen	—	—	—
Exchange Rates	Euro	122yen	130yen	133yen	133yen	130yen	130yen	130yen	—	—	—

# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Trends in Quarterly Results



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

(Billion yen)

	1H	2H	1H	2H
Revenue	141.5	159.2	149.1	-
Operating Income	1.2	5.1	3.4	-

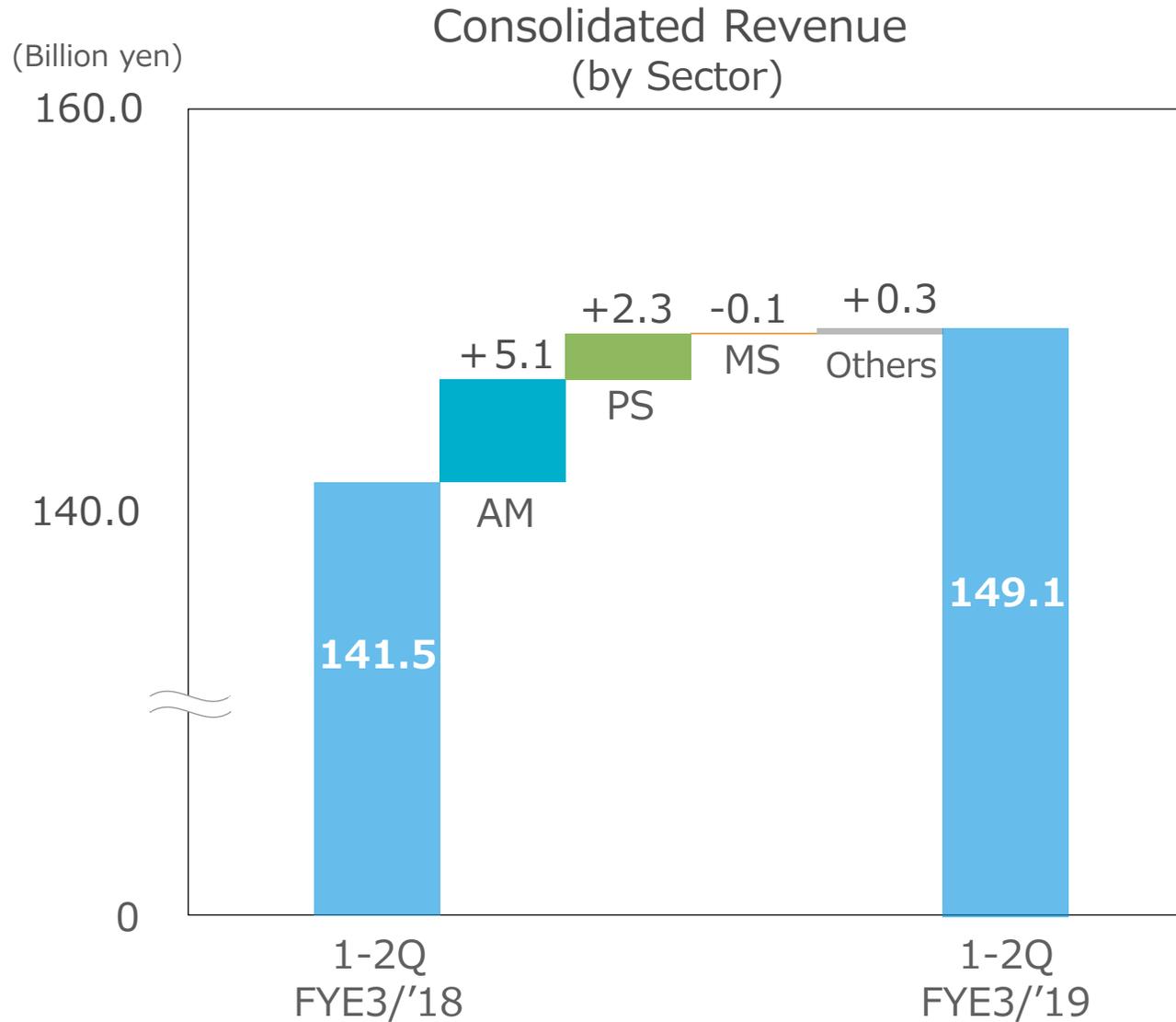
# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Results by Sector

		(Billion yen)				Factors
		2Q FYE3/'18	2Q FYE3/'19	YoY change (amount)	YoY change (percentage)	
AM Sector	Sales	81.0	86.1	+ 5.1	+6.3%	*Sales increased in the AM Sector as a whole due to a substantial increase in sales in the OEM Business. *Profit increased in the AM Sector as a whole due to a substantial increase in profit in the OEM Business.
	Operating income	3.2	4.2	+ 1.0	+31.4%	
PS Sector	Sales	29.8	32.1	+ 2.3	+7.7%	*Sales increased in the AM Sector as a whole due to a substantial increase in sales in the OEM Business. *Profit increased in the AM Sector as a whole due to a substantial increase in profit in the OEM Business.
	Operating income	-1.8	-1.4	+ 0.4	—	
MS Sector	Sales	28.2	28.2	-0.1	-0.2%	*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. *Profit decreased in the PS Sector as a whole due to a decrease in profit in both communications systems and professional systems.
	Operating income	-0.1	0.7	+ 0.8	—	
Others	Sales	2.5	2.8	+ 0.3	+12.1%	
	Operating income	-0.1	-0.1	-0.1	—	
Total	Sales	141.5	149.1	+ 7.6	+5.4%	
	Operating income	1.2	3.4	+ 2.2	+178.4%	

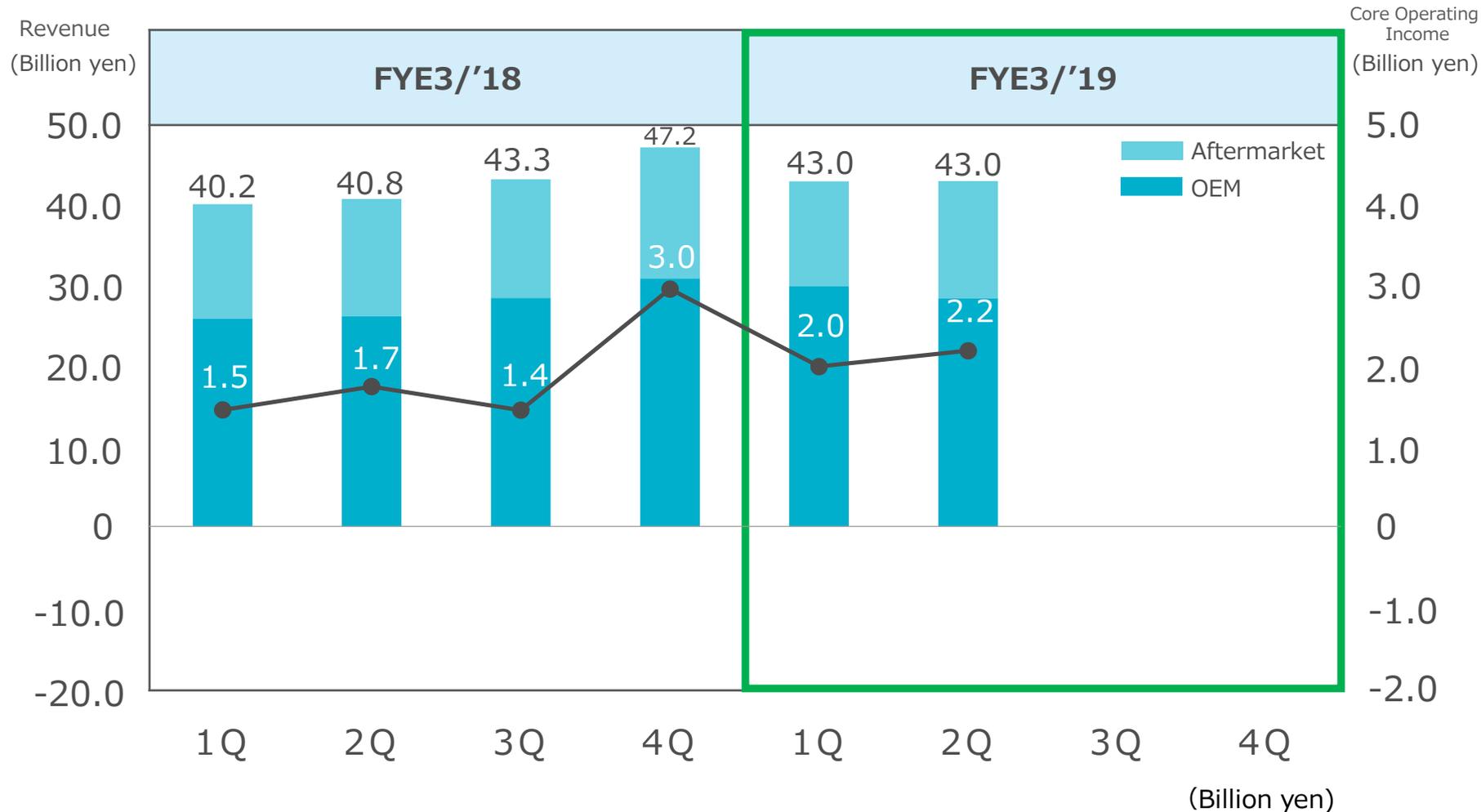
# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Consolidated Revenue (by Sector)



# Financial Results for 2Q(1-2Q) of FYE3/'19

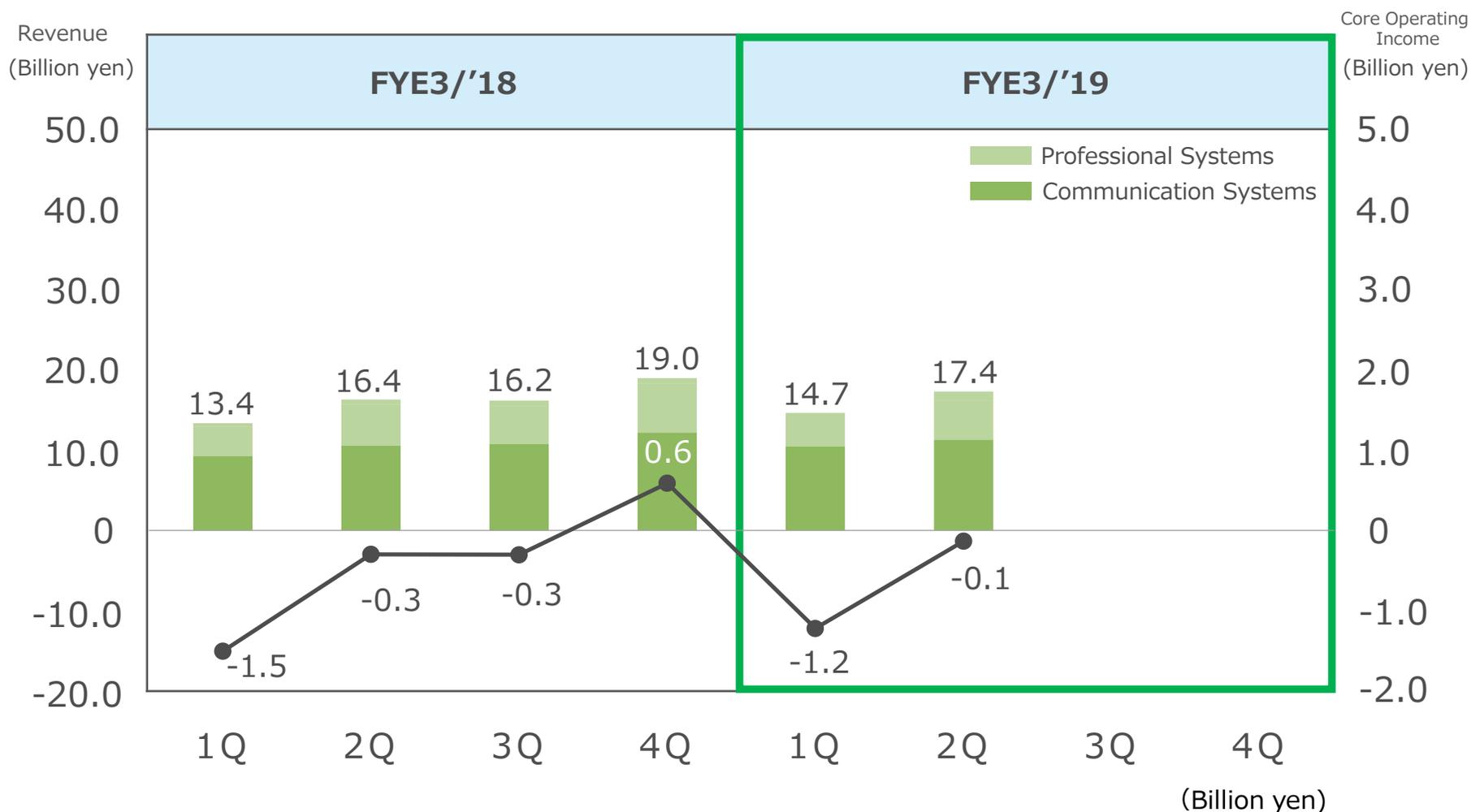
## - Quarterly Results (AM Sector)



	1H	2H	1H	2H
Revenue	81.0	90.5	86.1	
Core Operating Income	3.2	4.4	4.2	

# Financial Results for 2Q(1-2Q) of FYE3/'19

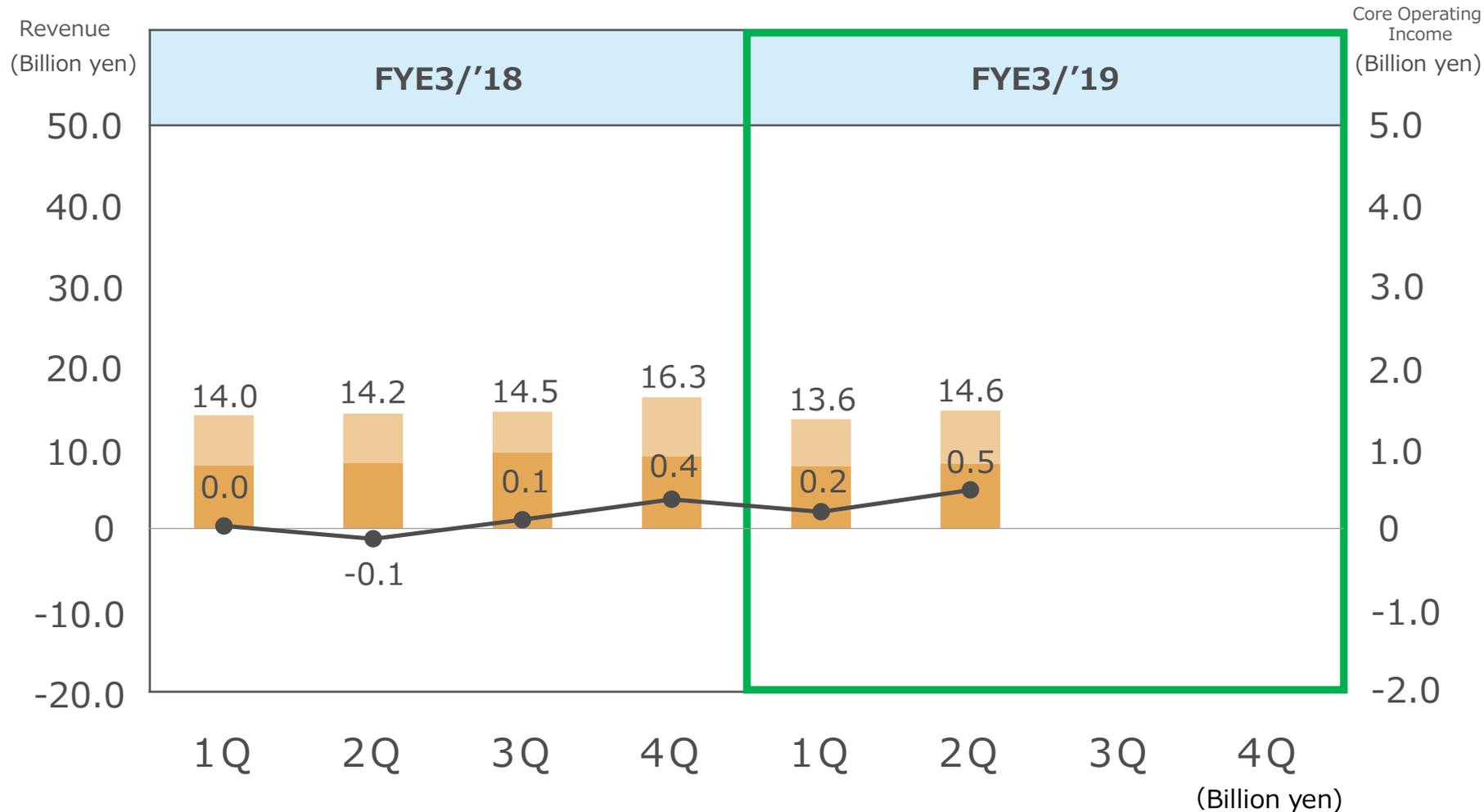
## - Quarterly Results (PS Sector)



	1H	2H	1H	2H
Revenue	29.8	35.3	32.1	
Core Operating Income	-1.8	0.3	-1.4	

# Financial Results for 2Q(1-2Q) of FYE3/'19

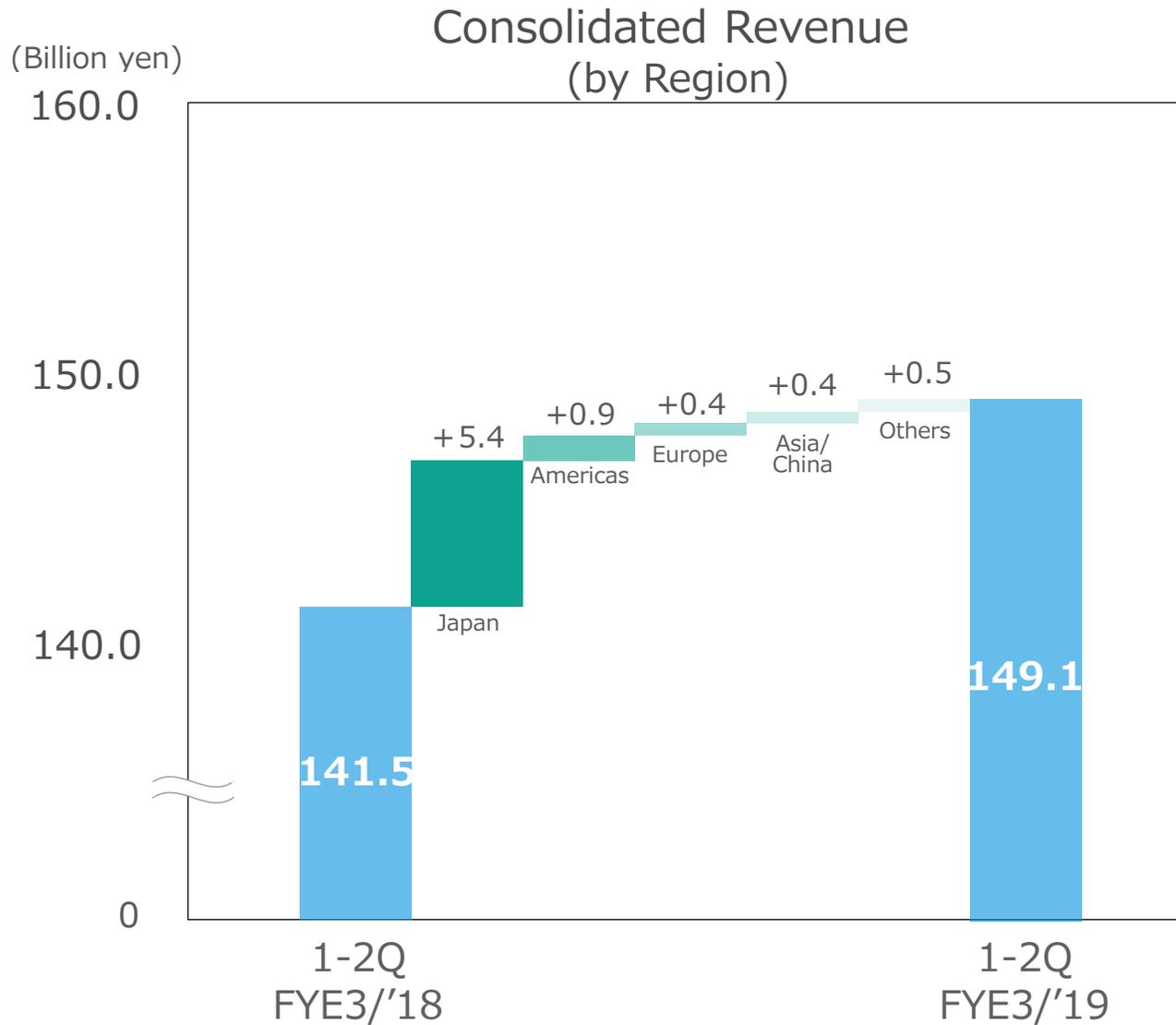
## - Quarterly Results (MS Sector)



	1H	2H	1H	2H
Revenue	28.2	30.7	28.2	
Core Operating Income	-0.1	0.5	0.7	

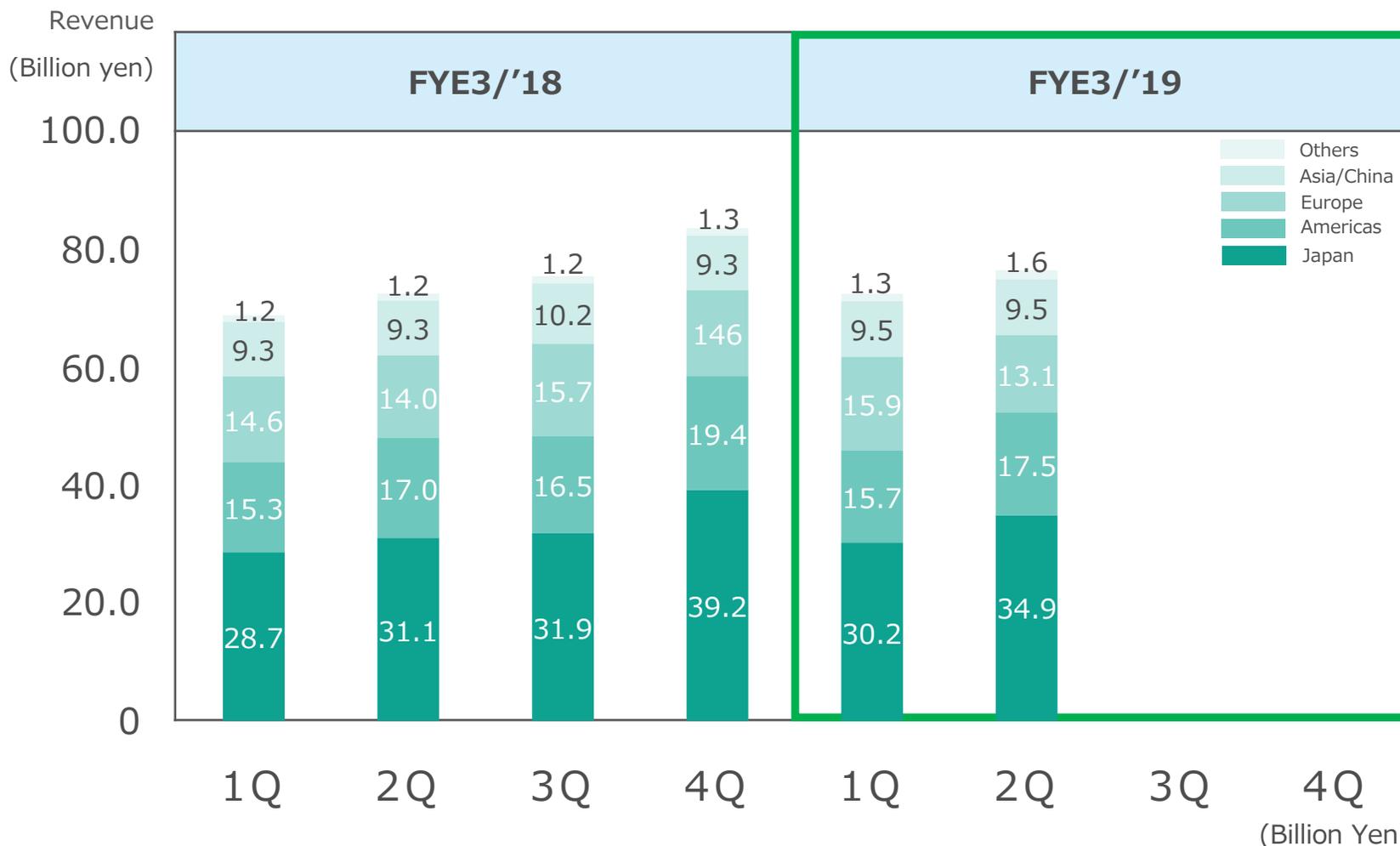
# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Consolidated Revenue (by Region)



# Financial Results for 2Q(1-2Q) of FYE3/'19

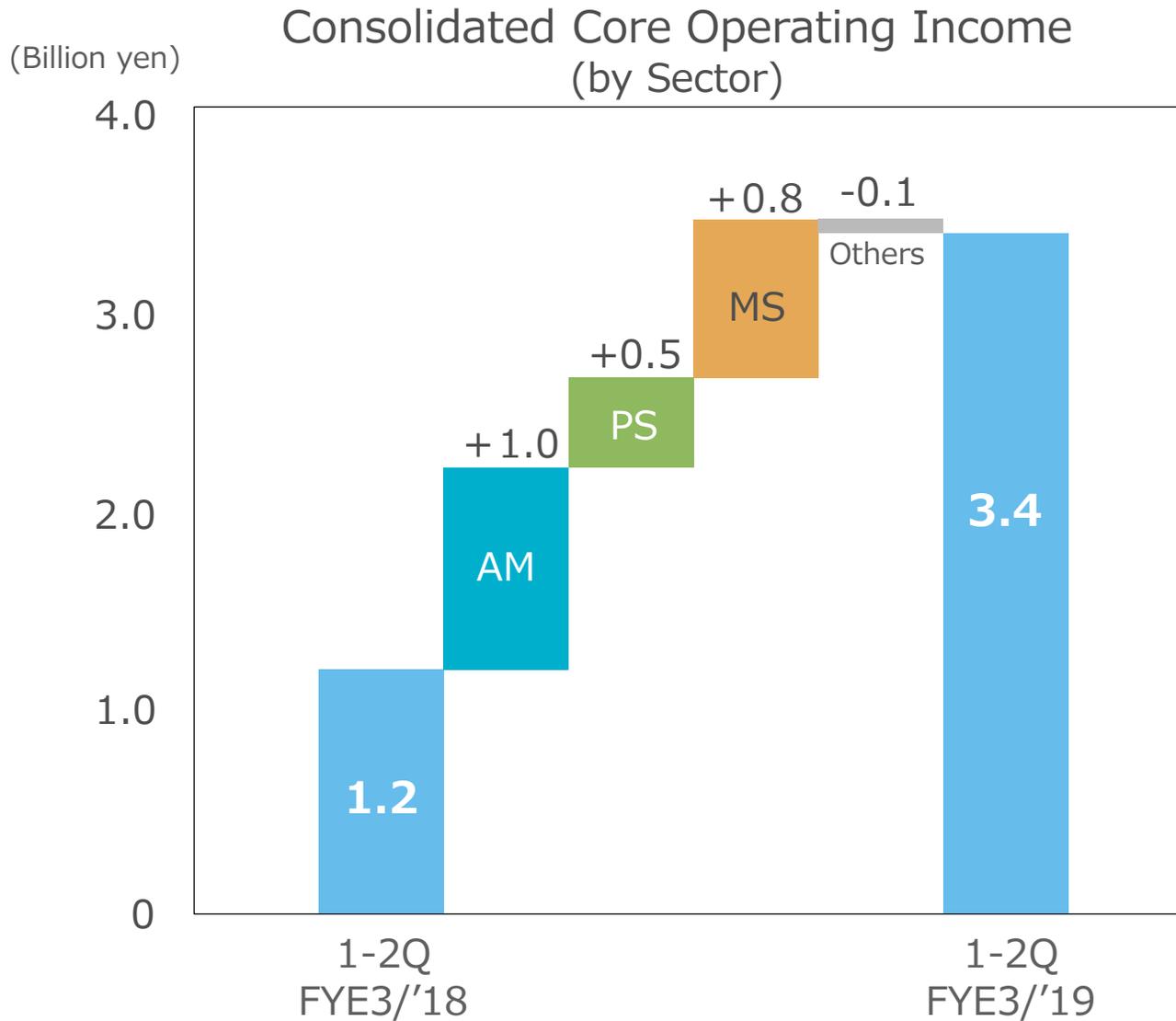
## - Consolidated Revenue by Region



	1H	2H	1H	2H
Japan	59.8	71.1	65.1	
Americas	32.3	35.9	33.2	
Europe	28.5	30.3	29.0	
Asia/China	18.6	19.5	19.0	
Others	2.4	2.5	2.8	

# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Consolidated Core Operating income (by Sector)



# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Consolidated Profit and Loss (Summary)

- Operating income increased despite a decrease in gains on sales of assets.
- Income before income taxes increased, reflecting higher operating income.
- Profit attributable to owners of parent increased, reflecting higher income before income taxes.

(Billion yen)

	2Q(1Q-2Q) FYE3/'18	2Q(1Q-2Q) FYE3/'19	YoY Change
Core Operating Income*	1.21	3.37	+ 2.16
Other Income, Other Expenses, Foreign Exchange Loss, etc.	1.15	0.14	-1.00
Operating Income	2.36	3.52	+ 1.16
Finance Income, Finance Expenses, etc.	-0.45	-0.35	+ 0.10
Income Before Income Taxes	1.91	3.17	+ 1.26
Income tax expenses	0.57	1.14	+ 0.57
Non-controlling interests	0.50	0.25	-0.25
Profit Attributable to Owners of Parent	0.84	1.77	+ 0.94

\* 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 2Q(1-2Q) of FYE3/'19

## - Consolidated Statement of Financial Position Summary

(Billion yen)

	FYE3/'18	2QFYE3/'19	YoY Change
Total Assets	239.9	251.4	+ 11.5
Total Liabilities	186.1	186.7	+ 0.5
Total Equity	53.8	64.7	+ 11.0
Interest-Bearing Debts	67.8	71.3	+ 3.5
Net Debt	30.7	27.8	-2.8
Net Debt/Equity Ratio (times)	0.61	0.46	-0.15
Equity Attributable to Owners of the Parent	50.6	61.1	+ 10.5
Stockholder's Equity Ratio (%)	21.1	24.3	+ 3.2

# Financial Results for 2Q(1-2Q) of FYE3/'19

## - Cash Flow Summary

- Net cash provided by operating activities increased, reflecting higher income before income taxes.
- Net cash used in investing activities increased, due to an increase in development investment, the conversion of Rein Medical into a subsidiary, and a decrease in proceeds from sales of non-current assets.
- Net cash provided by financing activities increased, due mainly to proceeds from the exercise of subscription rights to shares.

(Billion yen)

	2Q(1-2Q) FYE3/'18	2Q(1-2Q) FYE3/'19	YoY Change
Cash Flow from Operating Activities	10.6	11.7	+ 1.1
Cash Flow from Investing Activities	-6.0	-12.2	-6.2
Free cash flow	4.6	-0.6	-5.2
Cash Flow from Financing Activities	-2.7	6.3	+ 9.0
Total	1.9	5.7	+ 3.8

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

1. Overview of Financial Results  
for 2Q of FYE3/'19

**2. Full-year Earning Forecast  
for FYE3/'19**

3. Topics

# Full-year Earnings Forecast for FYE3/'19

- Consolidated earnings for the first six months of the fiscal year under review were solid and exceeded period-start projections, due to strong performance in the Automotive Sector, the Public Service sector, and the Media Service Sector.
- In 3Q and beyond, we expect sales growth in the Group's US communication system subsidiaries in the Public Service Sector and earnings improvement in the Media Business of the Media Service Sector. However, we will not revise the full-year earnings forecast at this time in view of uncertainty over the impacts of changes in the external environment.

(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 2Q of FYE3/'19

2. Full-year Earning Forecast  
for FYE3/'19

**3. Topics**

# Automotive Sector

- Aftermarket
  - Launched new dual-camera dashcams that allow recording of vehicle front, rear views, and inside the car from October (two models).
  - Launched a new display audio system that supports a wide range of media formats, such as wireless audio reproduction via Bluetooth® and music streaming services, from October.
- OEM (dealer-installed)
  - Dashcam (rear camera) that achieves high-quality recording, high reliability, and high durability through a special design has been adopted as a Honda factory-installed accessory from September.



Dual camera dashcam enabling high-quality recording of front and rear views simultaneously



Dashcam (rear camera) adopted for Honda Motor's 19 major car models

# Expansion of Telematics Solutions Business

- For insurance companies
  - JVCKENWOOD's dashcam with communication capabilities will be adopted by contractors of *Mimamoru* auto insurance provided by Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance from January 2019, following its adoption by auto fleet insurance contractors.
- For taxi service operators
  - Developed a taxi dispatch system for Sanwa Koutsu, our collaboration partner in the development of a next-generation taxi dispatch system, and started providing the system from September.



Dashcam with communication capabilities adopted by Mitsui Sumitomo and Aioi Nissay Dowa Insurance



App for Sanwa Koutsu Premium Passport, the first monthly membership-based service in the taxi industry

# Various Dashcam Initiatives (Optical related)

## Automotive



- Ranked top in sales volume\* in the domestic aftermarket for two years in a row from FY2016-2017\*\*
- Expanded orders from domestic automakers in the OEM (dealer-installed) business from FY2017.

\* Market size data estimated from the sales results of car accessory mass retailers, electrical appliance mass retailers, and online sales, etc. in Japan/Survey by GfK Japan

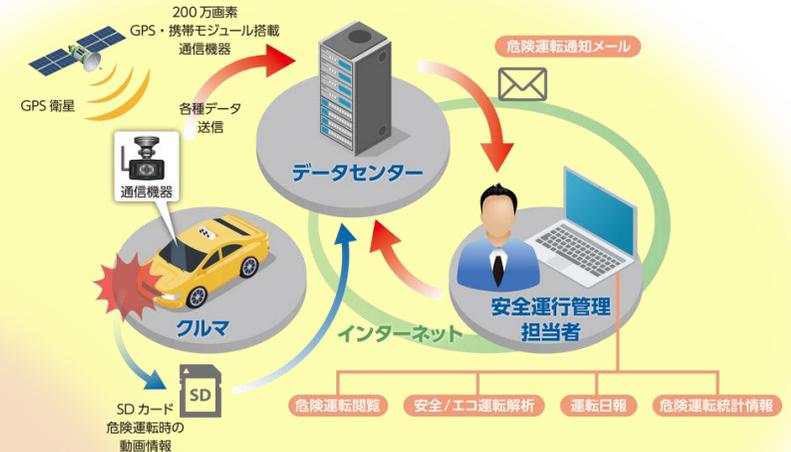


Dashcams  
(Optical technologies)

## Public Service

- Developed body-worn camera and wireless communication system through the application of optical technologies developed for dashcams.

## IoT solutions



- Developed a next-generation taxi dispatch system jointly with Sanwa Koutsu.
- Dashcam with communication capabilities adopted for a new auto insurance of Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance etc.

Development/production support

## Media Service

- Started sales of JVC brand dashcams for electrical appliance mass retailers and online sales, etc. from 2017.



# Automotive Sector

- In-Vehicle Optical Related Business
  - Completed investment in WayRay, a developer and manufacturer of next-generation AR-HUD<sup>※</sup> units that integrate car-mounted cameras, AR (augmented reality) technologies, and connected functions in September.
  - Aim to expand the car-mounted optical related business by working toward collaborative development with WayRay in the AR technology field.

※AR-HUD: AR-technology based next-generation in-vehicle head-up displays

## Overview of WayRay

Company name	: WayRay AG
Established	: Sept., 2012
Head Office	: Switzerland ※Main R&D center in Russia ※Sales companies in the US and China and a new factory to be constructed in Germany
Business description	: Development, manufacture, and sale of AR-HUD units



WayRay's AR-HUD

# Public Service Sector

- Communication Systems
  - Delivered NEXEDGE digital communications systems to the new Istanbul Airport—the world’s largest—from July to October.
  - Received an order for DMR digital radio systems from the Andhra Pradesh State Police Department in Southeastern India, with delivery scheduled for November.



ANDHRA PRADESH  
POLICE



NEXEDGE digital communications system delivered to new Istanbul Airport



DMR digital radio system for which we received an order from the Andhra Pradesh State Police Department

# Public Service Sector

- Communication Systems
  - Planning to invest in Tait International, a company operating LTE-based solutions business and draw on the capital and business alliance, with the aims of strengthening the public safety business and achieving the early launch of the broadband solution business.
  - Supplied handy-type rugged, all-weather professional IP radio systems that support LTE to SoftBank (scheduled for launch from November).

**tait**  
communications



Aiming for early launch of the broadband solution business through a collaboration with Tait International



Handy-type professional IP radio system that supports LTE and has rugged features such as water and dust resistance

# Public Service Sector

- Professional Systems
  - Received an order for Japan's first 4-value FSK digital radio systems from Kitakyushu Urban Monorail (scheduled for delivery next March).
  - Sales increased (2Q) on rising Olympic-related demand, such as repairs to electric facilities of a convention center facility and delivery of multilingual broadcasting systems to a railway company.
- Healthcare
  - Established Creative Nanosystems Corporation, a developer and manufacturer of in vitro diagnostic device Biodevice, jointly with Sysmex in October (JVCKENWOOD's ownership ratio: 49%)



Received an order for 4-value FSK digital radio-based traffic control communication system



In Vitro Diagnostic Device  
(conceptual drawing)

# Media Service Sector

- Media
  - Sales of Bluetooth® headphones are strong and are increasing at a higher rate than the rate of market growth, despite a growing number of emerging new brands.
  - Launched three models of D-ILA projectors, featuring the world's first 8K high-definition image display as home projectors, from October.

 **Bluetooth®**



A variety of Bluetooth® headphone models are available for different usage situations



Achieved the world's first 8K high-definition image display for home projectors

# Media Service Sector

- Media
  - The shift to 8K resolution in the market for projectors of flight simulator displays holds great promise for providing JVCKENWOOD with a tailwind.
  - Unveiling the second iteration of CONNECTED CAM™ in Japan at the International Broadcasting Equipment Exhibition 2018 (InterBee 2018) to be held in November.



Flight simulator display (conceptual drawing)

## CONNECTED CAM™



CONNECTED CAM™ offers IP live video transmission and streaming solutions

# Media Service Sector

- Entertainment
  - “Umi no Oh, Yeah!!!!,” a premium album from Southern All Stars released in August, was a smash hit.
  - “POP VIRUS,” a long-awaited new album from Gen Hoshino, will be released in December, holding promise for contributing to 2H earnings.



“Umi no Oh, Yeah!!!!,” a premium album from Southern All Stars



“POP VIRUS,” a new album from Gen Hoshino

# Media Service Sector

- Entertainment
  - Planning to open Live & Cafe Space in Shibuya in late September next year, as part of a transformation into a total entertainment group.
  - Co-hosted Victor Rock Festival Osaka x MBS Music Festival 2018—supported by uP!!! with MBS Mainichi Broadcasting System.



Live & Cafe Space  
(exterior perspective)



Victor Rock Festival Osaka, the third annual event following 2016 and 2017.

# Brand Strategy

- Co-sponsoring Global Challenge, a new global racing participation plan of KONDO Racing Team, headed by Team Director Masahiko Kondo.



NISSAN GT-R NISMO GT3 2018 model, the participating racecar, and racing suit of the driver will bear the KENWOOD logo.

# Brand Strategy

- Co-sponsoring 2018 FIA World Touring Car Cup (WTCR) Race of Japan as the Event Presenting Partner (title sponsor).



Displaying the JVCKENWOOD logo at key points on the race track to promote exposure and penetration of the JVCKENWOOD brand

# Brand Strategy

- Clarified brand identity in the audio sector as part of innovations for the Victor brand.
- Based on dedication to “exploring original sounds,” which is the audio development philosophy handed down by the former Victor Company of Japan, announced the flagship model commemorating the 10th anniversary of the release of the WOOD series of inner-ear headphones that adopt a wood dome diaphragm, with release scheduled for November.



Releasing flagship model commemorating the 10th anniversary of the WOOD series of inner-ear headphones under the Victor brand in November

# 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.