JVCKENWOOD

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Company	JVCKENWOOD Corporation
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Accounting Report for the First Quarter of Fiscal Year Ending March 2019〔IFRS〕(April 1, 2018 – June 30, 2018)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2019
(April 1, 2018 – June 30, 2018)

Operating Results (JPY in Million, except Basic net income per share)

	1st Quarter of FYE 3/2018 April 1, 2017 to June 30, 2017	1st Quarter of FYE 3/2019 April 1, 2018 to June 30, 2018
Revenue	68,905	72,566
Operating income	103	1,000
Income before income taxes	-73	886
Profit attributable to owners of parent	-740	272
Comprehensive income	13	2,709
Basic net income per share	-5.33 yen	1.96 yen

FYE: Fiscal year ended / ending

Revenue and Core Operating Income by Customer industry sectors (JPY in Million)

		1st Quarter of FYE 3/2018	1st Quarter of FYE 3/2019	Year-on-year comparison
Automotive Sector	Revenue	40,169	43,015	+2,846
	Core Operating income	1,451	1,993	+542
Public Service Sector	Revenue	13,413	14,708	+1,295
	Core Operating income	-1,508	-1,223	+285
Media Service Sector	Revenue	14.026	13,557	-469
	Core Operating income	32	208	+176
Others	Revenue	1.296	1,284	-12
	Core Operating income	-23	-113	-90
Total	Revenue	68,905	72,566	+3,661
	Core Operating income	-47	865	+912
	Operating income	103	1,000	+897
	Income before income taxes	-73	886	+959
	Profit attributable to owners of parent	-740	272	+1,012

1. Qualitative Information on 1Q Financial Results

(1) Description of Operating Results

(Overview of the First Quarter of the Fiscal Year Under Review)

Revenue of the Company and its consolidated subsidiaries for the first three months of the fiscal year under review increased from the same period a year earlier, due to an increase in revenue in the Automotive Sector and the Public Service Sector. Operating income of the Group as a whole increased from the same period a year earlier, due to the impacts of revenue growth.

Profit-and-loss exchange rates used when preparing the financial statements for the first three months of the fiscal year under review are as follows.

		1st Quarter
Profit-And-Loss Exchange Rate	U.S. Dollar	About 109 yen
	Euro	About 130 yen
FY2017 (For Reference)	U.S. Dollar	About 111 yen
	Euro	About 122 yen

Revenue

Revenue for the first three months of the fiscal year under review increased approximately 3,700 million yen, or 5.3%, year-on-year to 72,566 million yen.

Revenue in the Automotive Sector increased from the same period a year earlier, due to an increase in revenue in the OEM Business, reflecting higher sales of factory-installed option products. Revenue in the Public Service Sector increased from the same period a year earlier, due to an increase in revenue in the Communication Systems Business, reflecting higher sales in the Group's US communication system subsidiaries. On the other hand, revenue in the Media Service Sector declined from the same period a year earlier, due to a decrease in revenue in the Entertainment Business.

Operating Income

Operating income for the first three months of the fiscal year under review increased approximately 900 million yen from the same period a year earlier to 1,000 million yen.

Operating performance by customer industry sector for the first three months of the fiscal year under review is explained by core operating income*, which is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.

Core operating income for the first three months of the fiscal year under review increased approximately 900 million yen from the same period a year earlier to 865 million yen, returning to positive core operating income, due to profit increases in the Automotive Sector, the Public Service Sector, and the Media Service Sector.

In the Automotive Sector, operating income increased from the same period a year earlier, due to profit growth in the OEM Business, reflecting higher sales of factory-installed option products. In the Public Service Sector, operating loss decreased, reflecting an increase in both revenue and profit in the Communication Systems Business. The Entertainment Business saw a decrease in both revenue and profit, but operating income in the Media Service Sector as a whole increased from the same period a year earlier, due to a smaller loss in the Media Business.

*Note: 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).

Income Before Income Taxes

Income before income taxes for the first three months of the fiscal year under review increased approximately 1,000 million yen from the same period a year earlier to 886 million yen, returning to positive profit, reflecting the growth in operating income.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent for the first three months of the fiscal year under review increased approximately 1,000 million yen from the same period a year earlier to 272 million yen, returning to positive profit, reflecting the growth in income before income taxes.

(Revenue and Core Operating Income by Customer Industry Sector)

Revenue and core operating income (loss) by customer industry sector are as follows.

Revenue by customer industry sector includes inter-segment revenue and transfers.
First three months of the fiscal year under review (from April 1, 2018 to June 30, 2018)

(Million yen)

Customer Industry Sector		First Three Months of FYE3/'18	First Three Months of FYE3/'19	Year-on-Year Comparison
Automotive Sector	Revenue	40,169	43,015	+2,846
	Core Operating Income	1,451	1,993	+542
Public Service Sector	Revenue	13,413	14,708	+1,295
	Core Operating Income	-1,508	-1,223	+285
Media Service Sector	Revenue	14,026	13,557	-469
	Core Operating Income	32	208	+176
Others	Revenue	1,296	1,284	-12
	Core Operating Income	-23	-113	-90
Total	Revenue	68,905	72,566	+3,661
	Core Operating Income	-47	865	+912
	Operating Income	103	1,000	+897
	Income Before Income Taxes	-73	886	+959
	Profit Attributable to Owners of Parent	-740	272	+1,012

Automotive Sector

Revenue in the Automotive Sector for the first three months of the fiscal year under review increased approximately 2,800 million yen, or 7.1%, year-on-year to 43,015 million yen. Core operating income grew approximately 500 million yen, or 37.4%, year-on-year to 1,993 million yen.

(Revenue)

In the Aftermarket Business, sales of Saisoku-Navi series car navigation systems and dashcams remained strong in the domestic market, but sales in overseas markets were affected by lower sales mainly in the Europe, Middle East, and Africa (EMEA) region. As a result, revenue in the Aftermarket Business as a whole decreased from the same period a year earlier.

In the OEM Business, revenue increased from the same period a year earlier, due mainly to a sharp increase in sales of factory-installed option products.

(Core Operating Income)

In the Aftermarket Business, core operating income was approximately at the same level as the same period a year earlier, despite the impacts of the aforementioned decrease in revenue.

In the OEM Business, core operating income increased on the aforementioned revenue growth.

Public Service Sector

Revenue in the Public Service Sector for the first three months of the fiscal year under review increased approximately 1,300 million yen, or 9.7%, year-on-year to 14,708 million yen. Core operating income turned to a loss of 1,223 million yen, but improved approximately 300 million yen from the same period a year earlier.

(Revenue)

Revenue in the Communication Systems Business increased approximately 1,200 million yen from the same period a year earlier, due mainly to the growth in sales in the Group's US communication system subsidiaries.

Revenue in the Professional Systems Business decreased from the same period a year earlier, reflecting a sales decrease in JVCKENWOOD Public & Industrial Systems Corporation in some markets. However, revenue in the Professional Systems Business as a whole was on the same level as the same period a year earlier, due mainly to the effects of the consolidation of Rein Medical GmbH ("Rein Medical"), which became a Group subsidiary in the healthcare field in May.

(Core Operating Income)

In the Communication Systems Business, core operating loss decreased, due to the effects of the aforementioned revenue growth.

In the Professional Systems Business, core operating income was on the same level as the same period a year earlier.

Media Service Sector

Revenue in the Media Service Sector for the first three months of the fiscal year under review declined approximately 500 million yen, or 3.3%, year-on-year to 13,557 million yen, and core operating income increased approximately 200 million yen from the same period a year earlier to 208 million yen.

(Revenue)
In the Media Business, revenue was on the same level as the same period a year earlier, despite lower sales in the Imaging Devices Business, due to higher sales of commercial video cameras resulting from new product launches.

In the Entertainment Business, revenue decreased approximately 400 million yen from the same period a year earlier, reflecting lower sales in the Content Business and the OEM Business.

(Core Operating Income)
In the Media Business, core operating loss decreased, due mainly to higher sales of commercial video cameras.

In the Entertainment Business, core operating income decreased, due to the effects of the aforementioned revenue decrease.

(2) Description of Financial Position

(Analysis of Assets, Liabilities, and Equity, etc.)

Assets

Total assets decreased approximately 4,300 million yen from the end of the previous fiscal year to 235,671 million yen, due to a decrease in current assets, such as trade and other receivables, as a result of seasonal factors.

Liabilities

Total liabilities decreased approximately 6,700 million yen from the end of the previous fiscal year to 179,414 million yen, due to a decrease in current liabilities, such as trade and other payables.

Equity

Total equity attributable to owners of parent increased approximately 2,200 million yen from the end of the previous fiscal year to 52,874 million yen, due to an increase in accumulated other comprehensive income.

Total equity increased approximately 2,500 million yen to 56,256 million yen, reflecting the increase in total equity attributable to owners of parent.

As a result, the ratio of equity attributable to owners of parent rose 1.3 percentage points from the end of the previous fiscal year to 22.4%.

(Cash Flow Analysis)

Cash Flow from Operating Activities

Net cash provided by operating activities for the first three months of the fiscal year under review was 3,524 million yen, which is a decrease of approximately 2,800 million yen from the same period a year earlier. This is mainly attributable to an increase in working capital accompanying the increase in revenue, despite recording a positive Income Before Income Taxes.

Cash Flow from Investing Activities

Net cash used in investing activities for the first three months of the fiscal year under review was 6,517 million yen, which is an increase of approximately 3,100 million yen from the same period a year earlier. This is mainly attributable to an increase in cash outflows for the acquisition of property, plant, and equipment and the conversion of Rein Medical into a subsidiary.

Cash Flow from Financing Activities

Net cash provided by financing activities for the first three months of the fiscal year under review was 515 million yen, which is an increase of approximately 800 million yen from the same period a year earlier. This is mainly attributable to proceeds from the exercise of subscription rights to shares.

Cash and cash equivalents at the end of the first quarter of the fiscal year under review decreased approximately 8,900 million yen from the end of the previous fiscal year to 34,815 million yen.

(3) Description of forward-Looking Information Such as Consolidated Earnings Forecast

Consolidated earnings for the first three months of the fiscal year under review exceeded the period-start projections, due to the outperformance of the Automotive Sector, the Public Service Sector, and the Media Service Sector.

Regarding the outlook for the second quarter of the fiscal year under review and thereafter, we expect that sales will continue to expand in the OEM Business in the Automotive Sector. In addition, we expect sales growth in the Group's US communication system subsidiaries, as well as the emergence of consolidation effects from Radio Activity S.r.l., which became a Group subsidiary in January, and Rein Medical, which became a Group subsidiary in May, in the Public Service Sector. In the Media Service Sector, we expect an earnings improvement in the Media Business and sales growth of major works in the Entertainment Business. At this time, however, JVCKENWOOD is not revising its consolidated earnings forecast for the fiscal year ending March 31, 2019, announced on April 26, 2018, as described in the following. The Company will promptly announce any revisions to its consolidated earnings forecast should any be deemed necessary in view of future market trends and its earnings trends.

	Consolidated Earnings Forecast for FYE3/'19
Revenue	310,000 million yen
Operating Income	7,100 million yen
Income Before Income Taxes	6,000 million yen
Profit Attributable to Owners of Parent	2,700 million yen

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated statement of financial position

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2018)	End of current consolidated first quarter (as of Jun. 30, 2018)
Assets		
Current assets		
Cash and cash equivalents	37,162	34,815
Trade and other receivables	59,160	54,093
Contract assets	1,930	1,698
Other financial assets	861	1,631
Inventories	44,120	43,989
Right of getting return goods	536	457
Income taxes receivable	847	1,218
Other current assets	5,762	5,779
Total current assets	150,381	143,684
Non-current assets		
Property, plant and equipment	44,118	43,927
Goodwill	1,999	3,638
Intangible assets	18,818	19,137
Net defined benefit asset	4,120	3,983
Investment property	2,055	2,091
Investments accounted for using the equity method	1,157	1,221
Other financial assets	10,649	11,550
Deferred tax assets	5,417	5,247
Other non-current assets	1,215	1,187
Total non-current assets	89,551	91,986
Total assets	239,933	235,671

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2018)	End of current consolidated first quarter (as of Jun. 30, 2018)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	47,035	43,743
Contract liabilities	3,643	2,411
Liabilities for sales return and customer bonus	4,673	4,375
Short-term loans payable	29,642	33,216
Other financial liabilities	1,993	1,571
Income taxes payable	1,667	1,483
Provisions	2,143	2,118
Other current liabilities	23,622	20,837
Total current liabilities	114,422	109,758
Non-current liabilities		
Long-term loans payable	38,204	36,097
Other financial liabilities	995	891
Net defined benefit liability	28,239	28,245
Provisions	1,695	1,672
Deferred tax liabilities	1,623	1,796
Other non-current liabilities	964	952
Total non-current liabilities	71,722	69,656
Total liabilities	186,145	179,414
Equity		
Capital stock	10,000	10,294
Capital surplus	38,466	38,758
Retained earnings	2,913	2,772
Treasury stock	-38	-38
Other components of equity	-707	1,087
Equity attributable to owners of the parent	50,634	52,874
Non-controlling interests	3,153	3,381
Total equity	53,788	56,256
Total liabilities and equity	239,933	235,671

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statement of Income)

【Accumulated period for consolidated first quarter】

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)	Accumulated period for current consolidated first quarter (Apr.1, 2018 - Jun.30, 2018)
Revenue	68,905	72,566
Cost of sales	51,071	53,320
Gross profit	17,834	19,246
Selling, general and administrative expenses	17,882	18,381
Other income	431	514
Other expenses	153	142
Foreign exchange loss	126	237
Operating income	103	1,000
Finance income	82	89
Finance expenses	325	228
Share of profit of investments accounted for using the equity method	65	24
Income (loss) before income taxes	-73	886
Income tax expenses	393	476
Net income (loss)	-467	409
Net income (loss) attributable to:		
Owners of the parent	-740	272
Non-controlling interests	272	137
Net income (loss)	-467	409
Net income (loss) per share (attributable to owners of the parent)		
Basic net income (loss) per share	-5.33 yen	1.96 yen
Diluted net income (loss) per share	－ yen	1.96 yen

(Quarterly Consolidated Statement of Comprehensive Income)

(JPY in Million)

	Note	Accumulated period for previous consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)	Accumulated period for current consolidated first quarter (Apr.1, 2018 - Jun.30, 2018)
Net income (loss)		-467	409
Other comprehensive income ("OCI")			
Items that will not be reclassified subsequently to profit or loss			
Net changes in financial assets measured at fair value through OCI		—	117
Remeasurement of defined benefit plan		—	4
Share of OCI of investments accounted for using the equity method		—	0
Total items that will not be reclassified subsequently to profit or loss		—	122
Items that may be reclassified subsequently to profit or loss			
Fair value gain on financial assets available for sale		280	—
Exchange differences arising on translation of foreign operations		822	704
Cash flow hedges		-623	1,472
Share of OCI of investments accounted for using the equity method		1	—
Total items that may be reclassified subsequently to profit or loss		480	2,177
Total other comprehensive income		480	2,299
Comprehensive income		13	2,709
Total comprehensive income attributable to:			
Owners of the parent		-262	2,487
Non-controlling interests		276	222
Comprehensive income		13	2,709

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)	Accumulated period for current consolidated first quarter (Apr.1, 2018 - Jun.30, 2018)
Cash flows from operating activities		
Income (loss) before income taxes	-73	886
Depreciation	3,890	4,282
Increase (decrease) in net defined benefit liability	-392	25
Decrease in net defined benefit asset	147	133
Finance income	-82	-89
Finance expenses	325	228
Gain on revaluation of financial assets measured at fair value through profit and loss	—	-285
Loss on disposal of property, plant and equipment	21	25
Increase in trade and other receivables	7,614	5,377
Decrease (increase) in inventories	-1,405	691
Decrease in trade and other payables	-893	-3,164
Increase in other current liabilities	-2,110	-4,139
Other, net	-13	215
Sub-total	7,028	4,186
Interest received	47	46
Dividend received	34	42
Interest paid	-223	-194
Income taxes paid	-558	-556
Net cash provided by operating activities	6,328	3,524
Cash flows from investing activities		
Withdrawal of time deposit with original maturity of over three months	418	23
Purchases of property, plant and equipment	-1,490	-2,015
Proceeds from sales of property, plant and equipment	125	33
Purchase of intangible assets	-2,496	-2,913
Purchases of debt instruments	—	-401
Purchase of subsidiaries resulting in change in scope of consolidation	—	-1,240
Other, net	-6	-2
Net cash used in investing activities	-3,449	-6,517
Cash flows from financing activities		
Proceeds from short-term loans payable	2,690	7,790
Repayment of short-term loans payable	-2,076	-3,913
Proceeds from long-term loans payable	2,536	—
Repayment of long-term loans payable	-2,429	-2,934
Cash dividends paid	-694	-833
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	—	586
Other, net	-325	-179
Net cash used in financing activities	-299	515
Net decrease in cash and cash equivalents	2,907	-2,346
Cash and cash equivalents at beginning of year	40,798	37,162
Effect of exchange rate changes on cash and cash equivalents	327	131
Cash and cash equivalents at end of quarter	43,705	34,815