

# **JVCKENWOOD**

# **Results and Forecast Briefing**

## **Fiscal Year Ended March 2014**

JVC KENWOOD Corporation

April 30, 2014

# [Abbreviations]

Car Ele: Car Electronics (Segment)  
Consumer (Business)  
OEM (Business)

Pro: Professional Systems (Segment)  
P&H: Professional and Healthcare (Business)  
COM: Communications (Business)

Optical Audio: Optical & Audio (Segment)  
Audio (Business)  
Imaging (Business)  
Image & Optical Device (Business)

Soft: Entertainment Software (Segment)  
Content (Business)  
OEM (Business)

- 1. Overview of full-year financial results for the fiscal year ended March 31, 2014**
- 2. Results of priority measures**
  - 1) Results of business restructuring measures**
  - 2) Structural reform (Status of progress and results of the previous period)**
  - 3) Shift from BtoC to BtoB**
- 3. Issues to be addressed and Measures**
  - 1) Restructuring of management organizational structure**
  - 2) Building up the foundation for growth by centering around next-generation businesses**
  - 3) Enhancing profit reform of the current businesses**
- 4. Full-year earnings forecast for FYE 3/'15**

# **1. Overview of full-year financial results for the fiscal year ended March 31, 2014**

## **2. Results of priority measures**

- 1) Results of business restructuring measures
- 2) Structural reform (Status of progress and results of the previous period)
- 3) Shift from BtoC to BtoB

## **3. Issues to be addressed and Measures**

- 1) Restructuring of management organizational structure
- 2) Building up the foundation for growth by centering around next-generation businesses
- 3) Enhancing profit reform of the current businesses

## **4. Full-year earnings forecast for FYE 3/'15**

# Summary of Full-Year Financial Results for FYE 3/'14

- ❖ Company-wide net sales increased backed by sales growth in Car Ele and Pro.
- ❖ Company-wide operating income dropped mainly due to a rise in domestic product costs resulting from the weak yen and a decrease in overseas sales.
- ❖ In terms of the second half of the fiscal year alone, both operating and ordinary incomes increased in association with the business restructuring measures.

(Billion Yen)

Full Year		Net Sales	Operating Income	Ordinary Income	Net Income
	FYE3/'14	316.3	4.4	(0.1)	(6.6)
	FYE3/'13	306.6	9.6	3.1	1.1
	YoY	+9.8	(5.2)	(3.2)	(7.7)

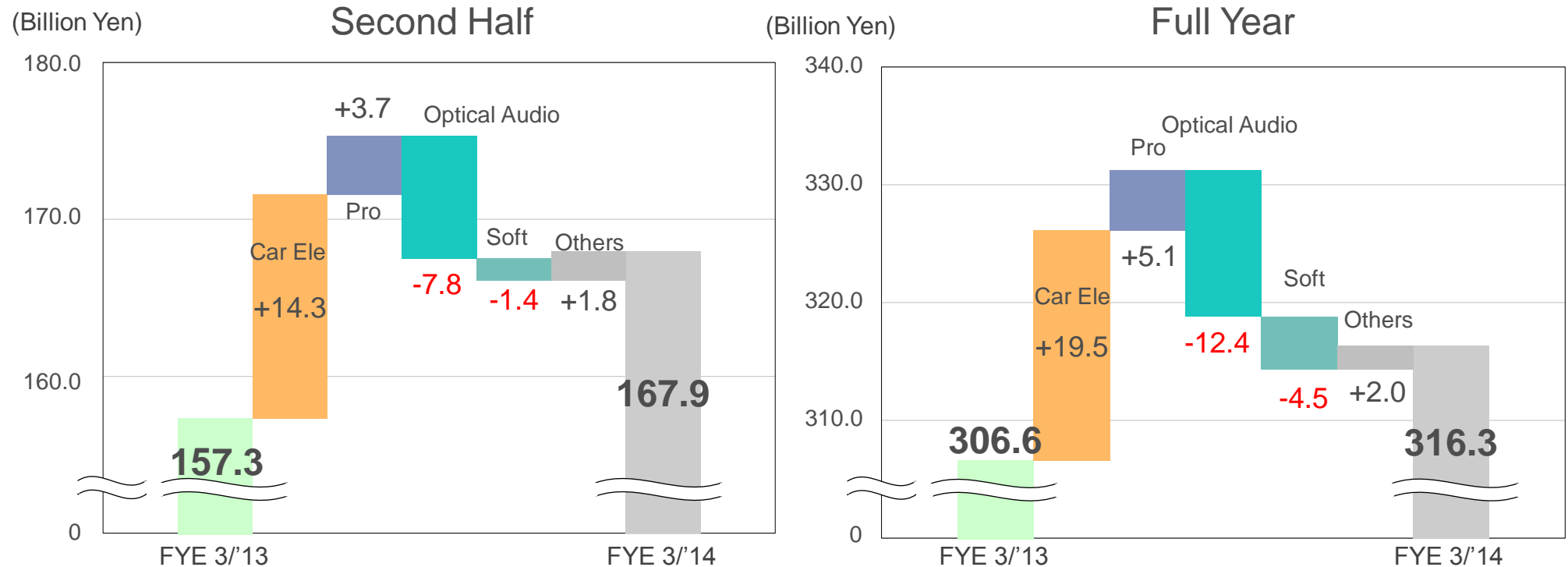
Second Half		Net Sales	Operating Income	Ordinary Income	Net Income
	FYE3/'14	167.9	6.6	4.1	(1.5)
	FYE3/'13	157.3	5.2	0.1	(0.1)
	YoY	+10.6	+1.4	+4.0	(1.4)

# Full-Year Financial Results for FYE 3/'14 - Consolidated Net Sales (By Segment)

## ❖ Full-year results: 316.3 B (Up 3.2% YoY)

- Consolidated net sales rose mainly due to (1) incorporating Shinwa of Car Ele into the consolidated subsidiary; (2) domestic and overseas sales increases in COM; (3) the information equipment business succession of TOTOKU Electric Co. in the Pro segment, and (4) Offsetting Sales decline on Optical Audio caused by the contraction in the imaging segment.

Net Sales (YoY)

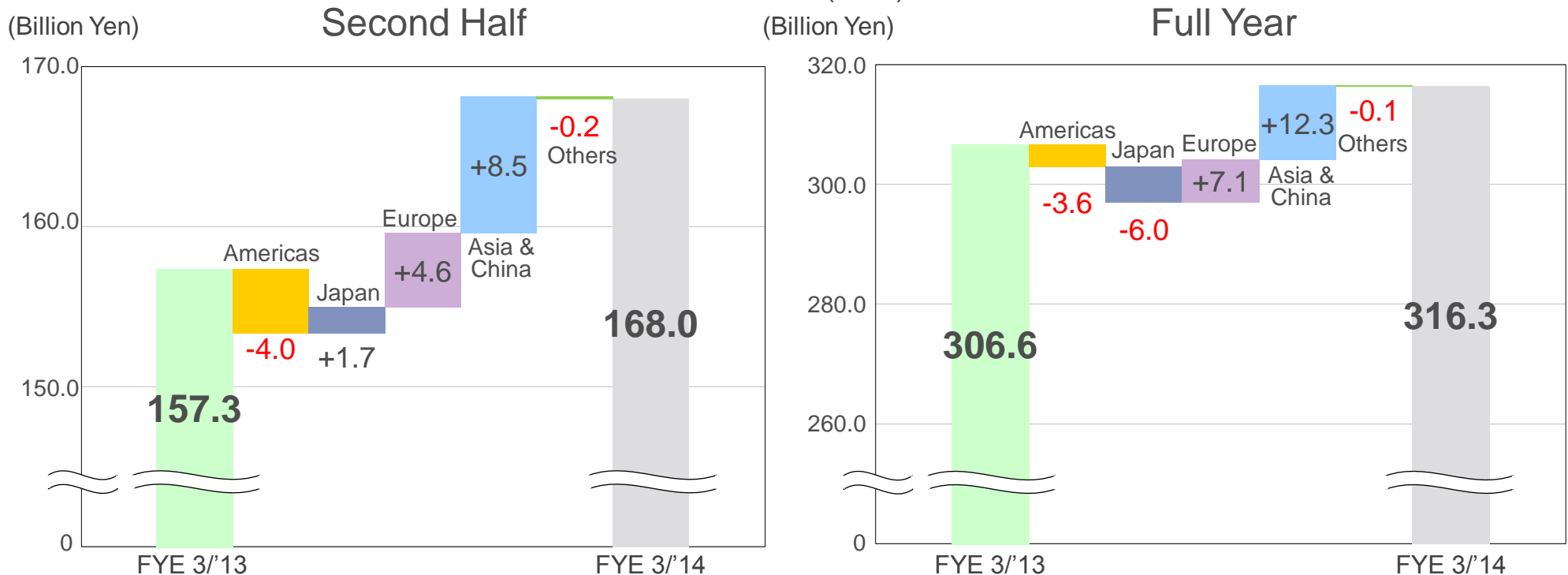


# Full-Year Financial Results for FYE 3/'14 - Consolidated Net Sales (By Region)

## ❖ Year-on-year net sales by region:

- (1) Americas: decline due to weak performance in Optical Audio
  - (2) Japan: decline resulting from sluggish sales in Optical Audio and Soft
  - (3) Asia & China: robust growth through incorporating Shinwa into a consolidated subsidiary
  - (4) Europe: increase in yen terms (despite decrease in local currency terms)
- As a result, consolidated net sales posted a year-on-year increase.

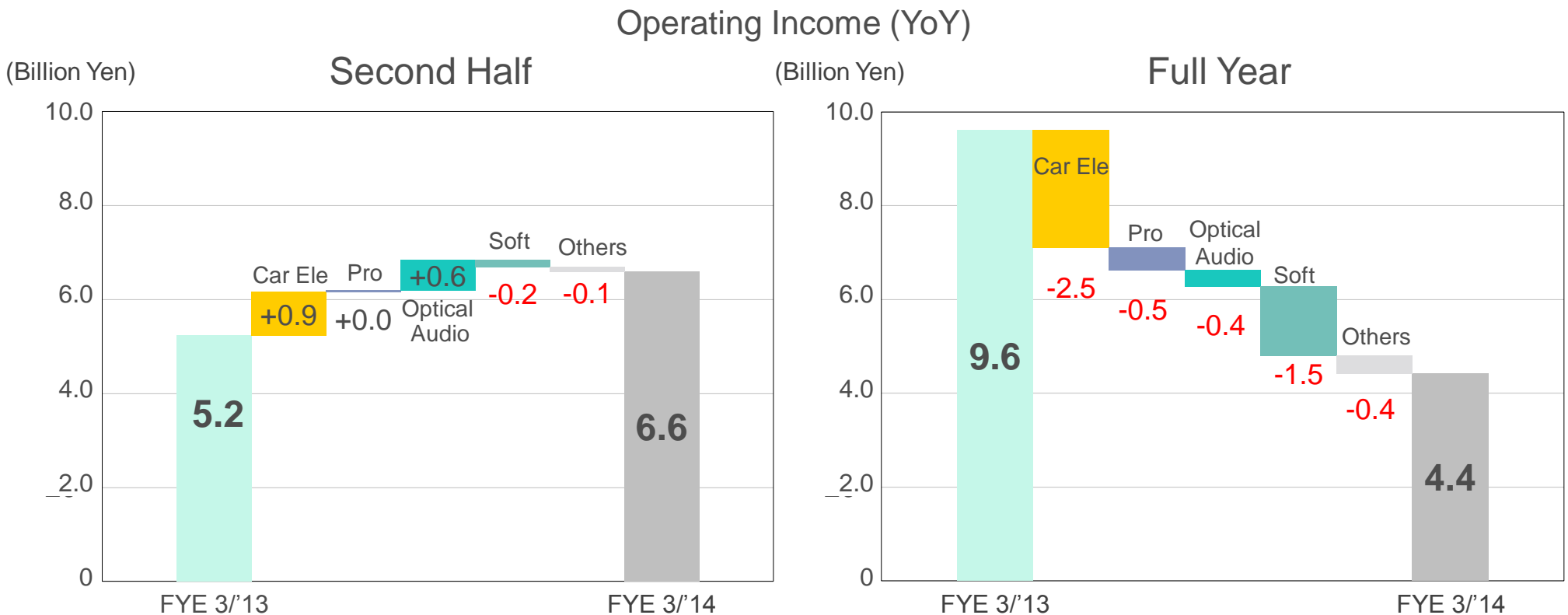
### Net Sales (YoY)



# Full-Year Financial Results for FYE 3/'14 - Consolidated Operating Income (By Segment)

## ❖ FYE 3/'14 Results: JPY4.4 B (Down 54.0% YoY)

- Consolidated operating income decreased mainly due to a surge in domestic product costs in Car Ele driven by the weak yen against the dollar, and a fall in profits caused by sluggish sales in the OEM business.
- In terms of the second half of the fiscal year alone, all segments were in the black backed by the business restructuring measures.

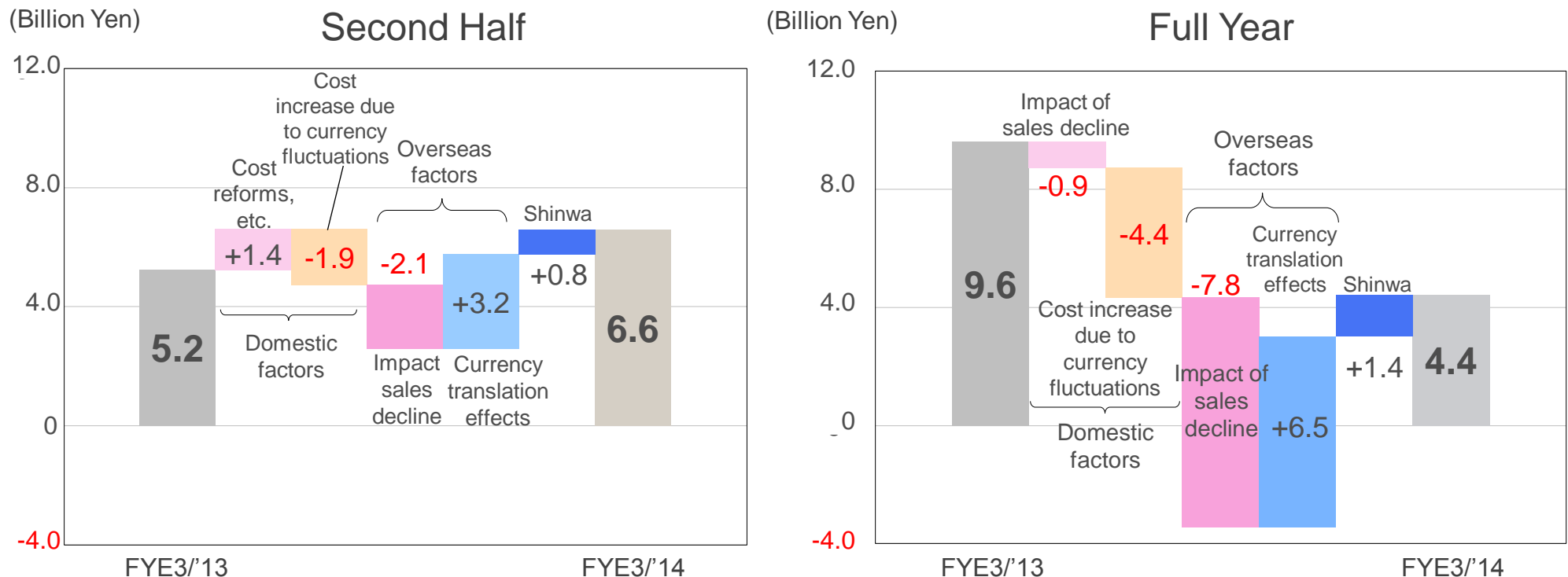




# Full-Year Financial Results for FYE 3/'14 - Consolidated Operating Income (By Factor)

- ❖ Consolidated operating income dropped due to a rise in domestic product costs driven by the weak yen and a sales decline in local-currency terms incurred from the contraction of overseas markets, offsetting the positive effect of the weak yen.
- ❖ In terms of the second half of the fiscal year alone, the negative impact of the weak yen was overcome by the implementation of cost reform.

## Operating Income (YoY)



# Full-Year Financial Results for FYE 3/'14 - Consolidated Ordinary Income

## ❖ FYE3/'14 Results: -JPY0.07 B (Down JPY 3.2 B YoY)

- Consolidated ordinary income posted a significant decline due to a plunge in operating income, while non-operating profit & expenses improved with the decline in foreign exchange losses\*\* through foreign exchange management restructuring.

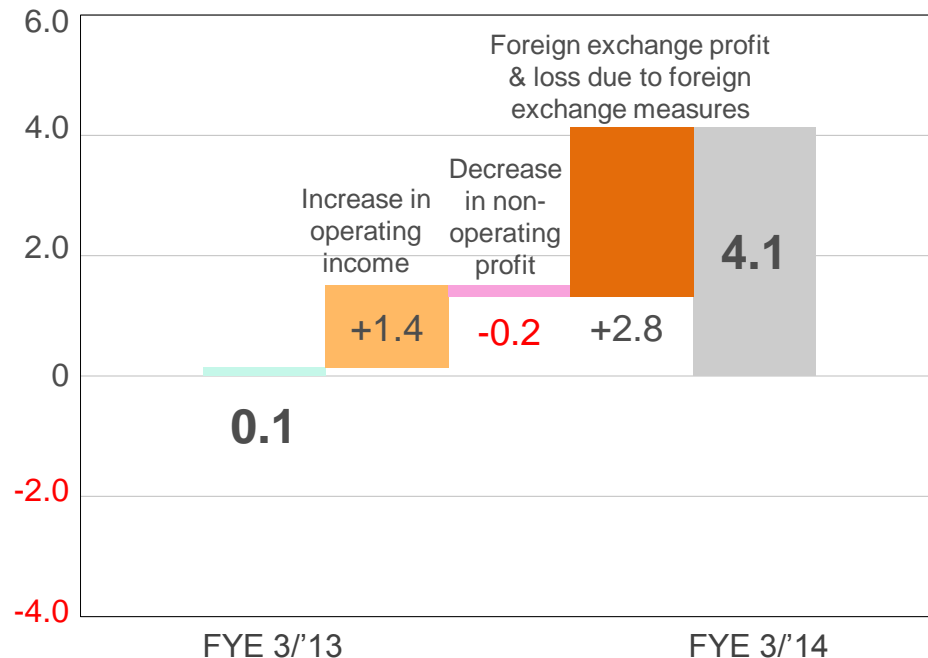
\*\* The loss amount is the increment yen equivalent of foreign currency-denominated loans

- In terms of the second half of the fiscal year alone, consolidated ordinary income showed a sharp increase owing to a boost in operating profit and the improvement of foreign exchange losses.

### Ordinary Income (YoY)

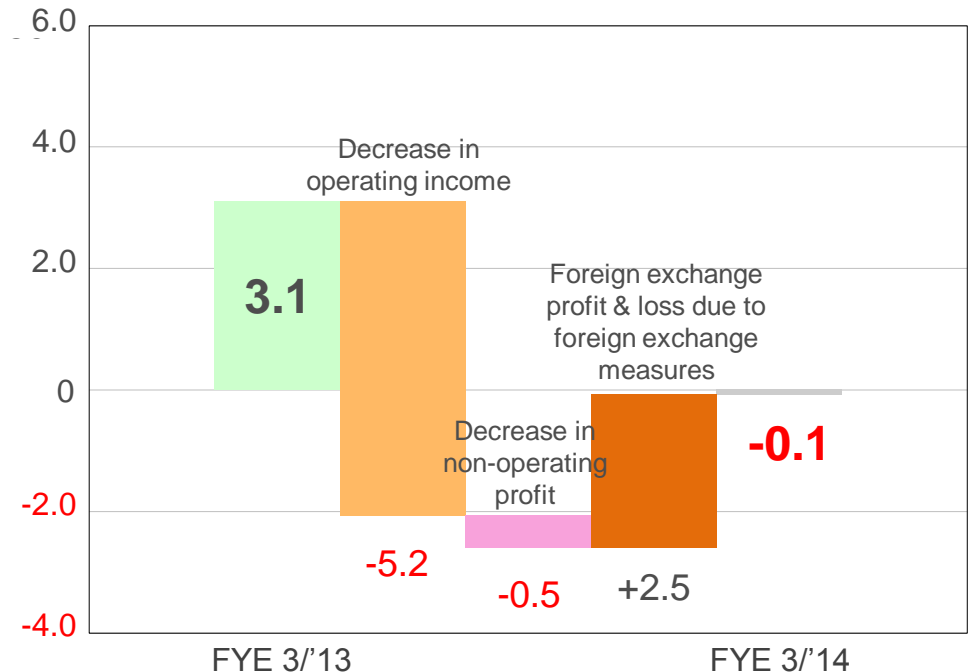
(Billion Yen)

#### Second Half



(Billion Yen)

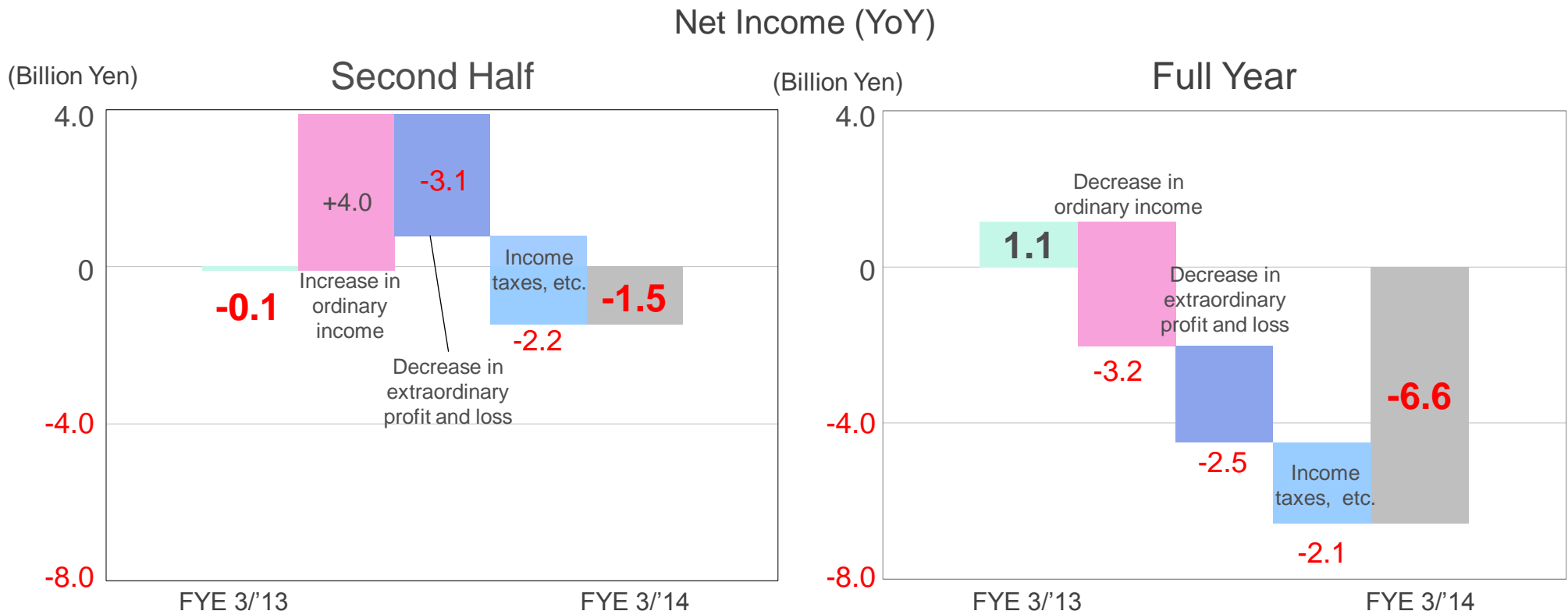
#### Full Year



# Full-Year Financial Results for FYE 3/'14 - Consolidated Net Income

## ❖ FYE3/'14 Results: -JPY6.6 B (Down 7.7B YoY)

- Consolidated net income declined mainly due to a fall in ordinary income and the extraordinary losses posting accompanied by the structural reform commenced from 3Q, although sales of the subsidiary generated extraordinary income.
- Income taxes rose 1.5 billion yen because of higher tax expenses while minority interest in net income resulting from the acquisition of Shinwa as a consolidated subsidiary also increased 0.6 billion yen.



# Details of Extraordinary Profit & Loss and Income Taxes

## ❖ Extraordinary Profit & Loss: Approx. -JPY 2.5B

- Extraordinary profit: Approx. JPY 3.9B
  - Gains from sales of the affiliated company's stocks: approx. JPY 2.4B
  - Gains from negative goodwill: approx. JPY 0.6B
- Extraordinary loss: Approx. JPY 6.4B
  - Employment Structural Reform Expenses: approx. JPY 4.5B including approx. JPY3.3B for domestic early retirement plan
  - Business Structural Reform Expenses: Approx. JPY 0.7B mainly incurred overseas

## ❖ Total Income Taxes: Approx. JPY 3.3B

- Corporate taxes: Approx. JPY 1.5B
- Adjustments for corporate taxes: Approx. JPY 1.8B

## ❖ Minority Interest in Net Income: Approx. JPY 0.6B (Shinwa, etc.)

# Full-Year Financial Results for FYE 3/'14 - Balance Sheet Summary

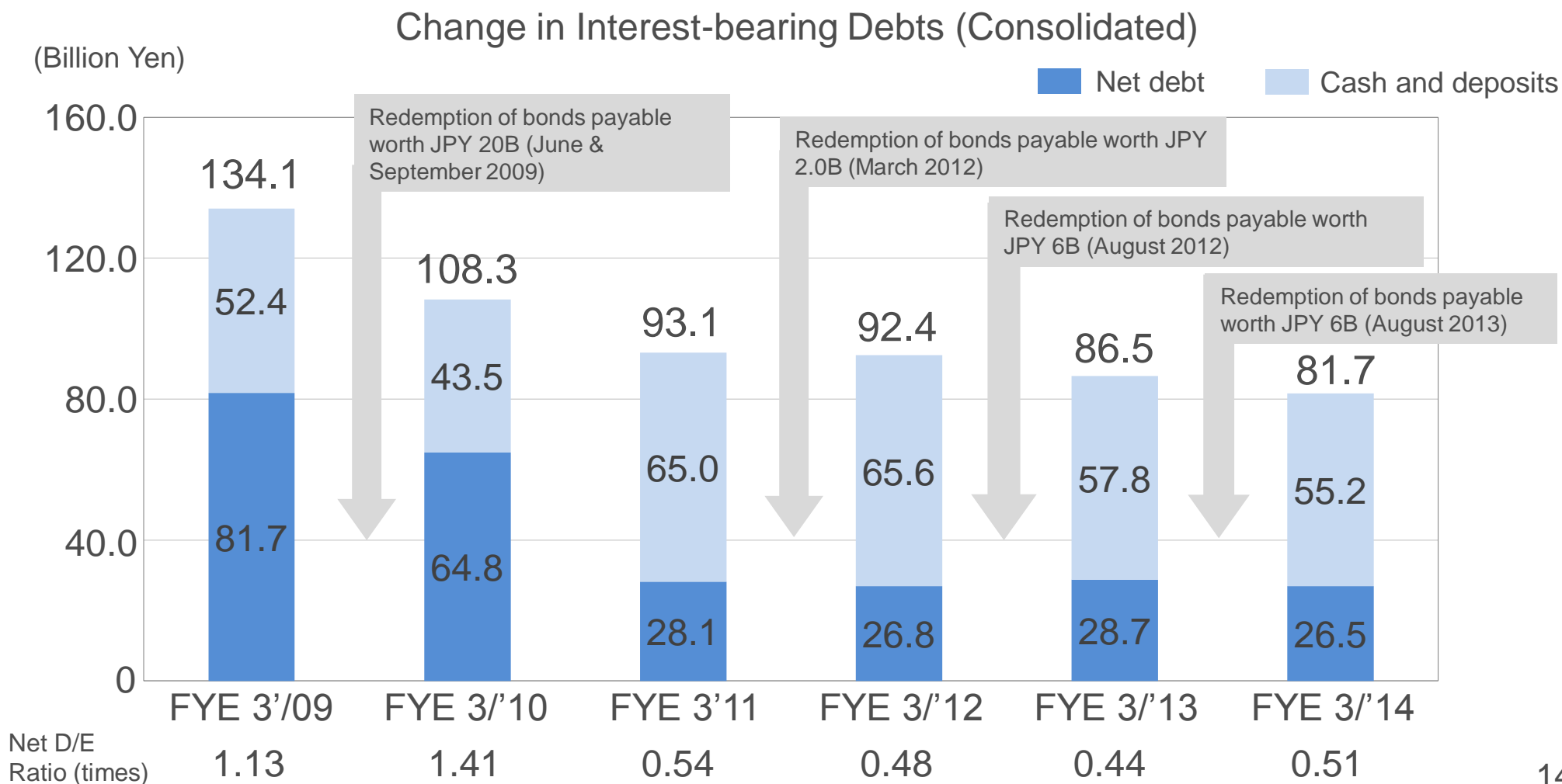
- ❖ Total Assets posted a year-on-year increase of JPY 20.5 billion, reflecting the effects of business acquisitions and such.
- ❖ Continued to maintain financial soundness
  - Interest-bearing debts (total of borrowings and bonds payable) decreased approx. JPY4.8 billion resulting from the redemption of bonds payable.
  - Net debt fell JPY 2.2 billion through the reduction in interest-bearing debts.
  - Shareholders' equity ratio declined due to impacts of changes in accounting standards, deterioration of operating results, etc.

(Billion Yen)

	End of FYE 3/'13	End of FYE 3/'14	Change from End of FYE 3/'13
Total assets	246.6	<b>267.2</b>	<b>+20.5</b>
Interest-bearing debts	86.5	<b>81.7</b>	<b>(4.8)</b>
Net debt	28.7	<b>26.5</b>	<b>(2.2)</b>
Net debt / Equity ratio (times)	0.44	<b>0.51</b>	<b>+0.07</b>
Capital surplus	45.9	<b>45.9</b>	<b>+0</b>
Retained earnings	24.7	<b>17.4</b>	<b>(7.3)</b>
Net assets	67.2	<b>59.8</b>	<b>(7.4)</b>
Shareholders' equity ratio (%)	26.6	<b>19.4</b>	<b>(7.2)</b>

# Full-Year Financial Results for FYE 3/'14 - Interest-bearing Debts (Down JPY4.8B YoY)

- ❖ Interest-bearing debts are being reduced in a phased manner through promoting the redemption of bonds payable.
- ❖ Extending borrowing periods is also in progress.



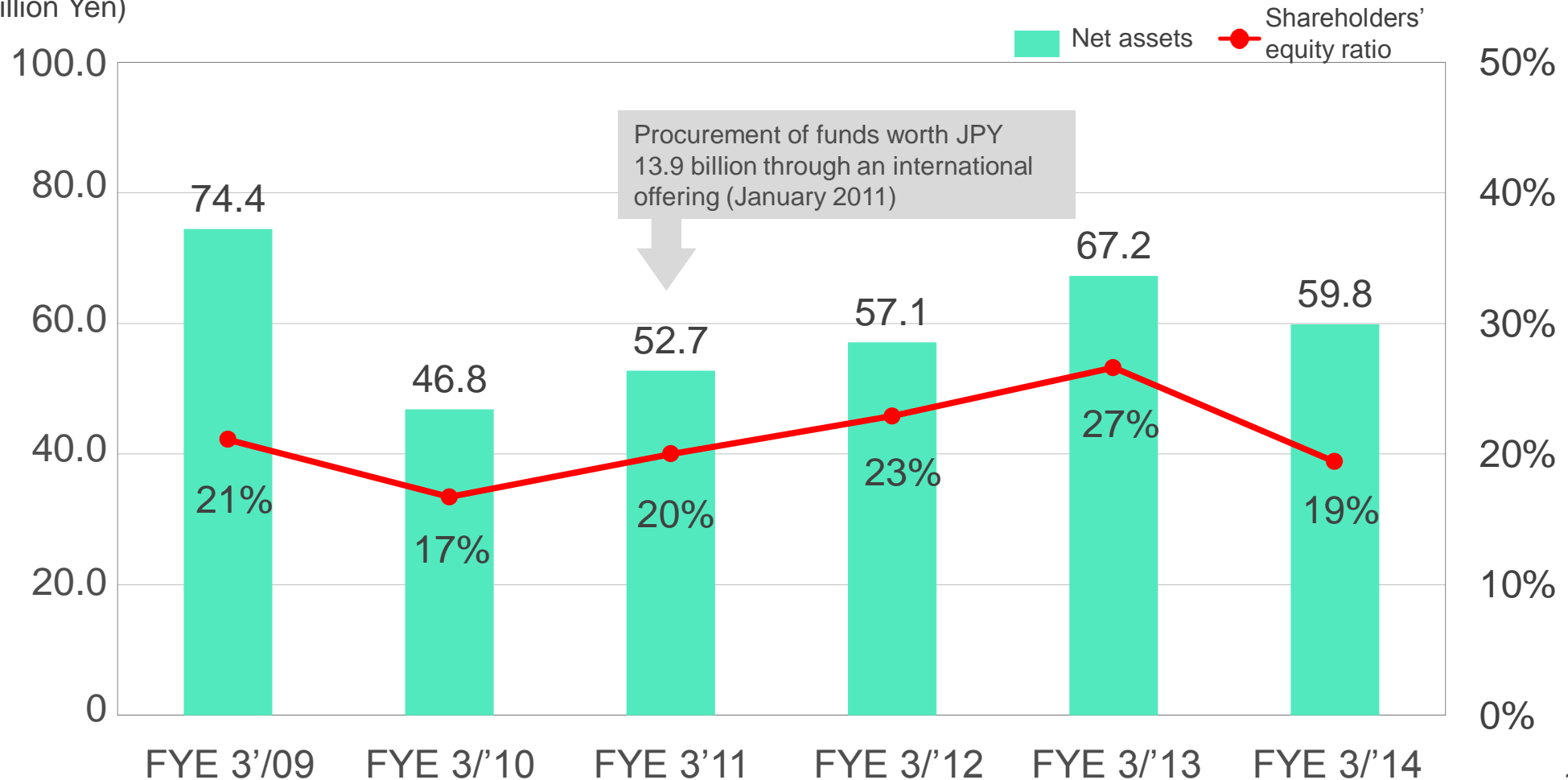
# Full-Year Financial Results for FYE 3/'14 -

## Shareholders' Equity Ratio (Down 7.2 percentage points YoY)

- ❖ Shareholders' Equity Ratio declined, being affected by the impact of accumulated adjustment posting (5.8 percentage points) related to retirement allowance in accordance with the accounting standard revision, as well as to the deterioration of net income.

### Change in Shareholders' Equity Ratio (Consolidated)

(Billion Yen)



# Full-Year Financial Results for FYE 3/'14 - Cash Flow Summary

## ❖ Free cash flow recovered a positive level.

- Operating cash flow improved due to an increase in income through a decrease in inventory assets. Investment cash flow improved due to a rise in revenue through the sale of the subsidiary, etc.

(Billion Yen)

	FYE 3'11	FYE 3'12	FYE 3'13	FYE 3'14
Cash flow from operating activities	20.0	8.9	9.8	14.9
Cash flow from investment activities	5.4	(6.5)	(13.4)	(10.7)
Cash flow from financing activities	(2.3)	(1.5)	(8.6)	(9.6)
Free cash flow	25.3	2.4	(3.6)	4.3

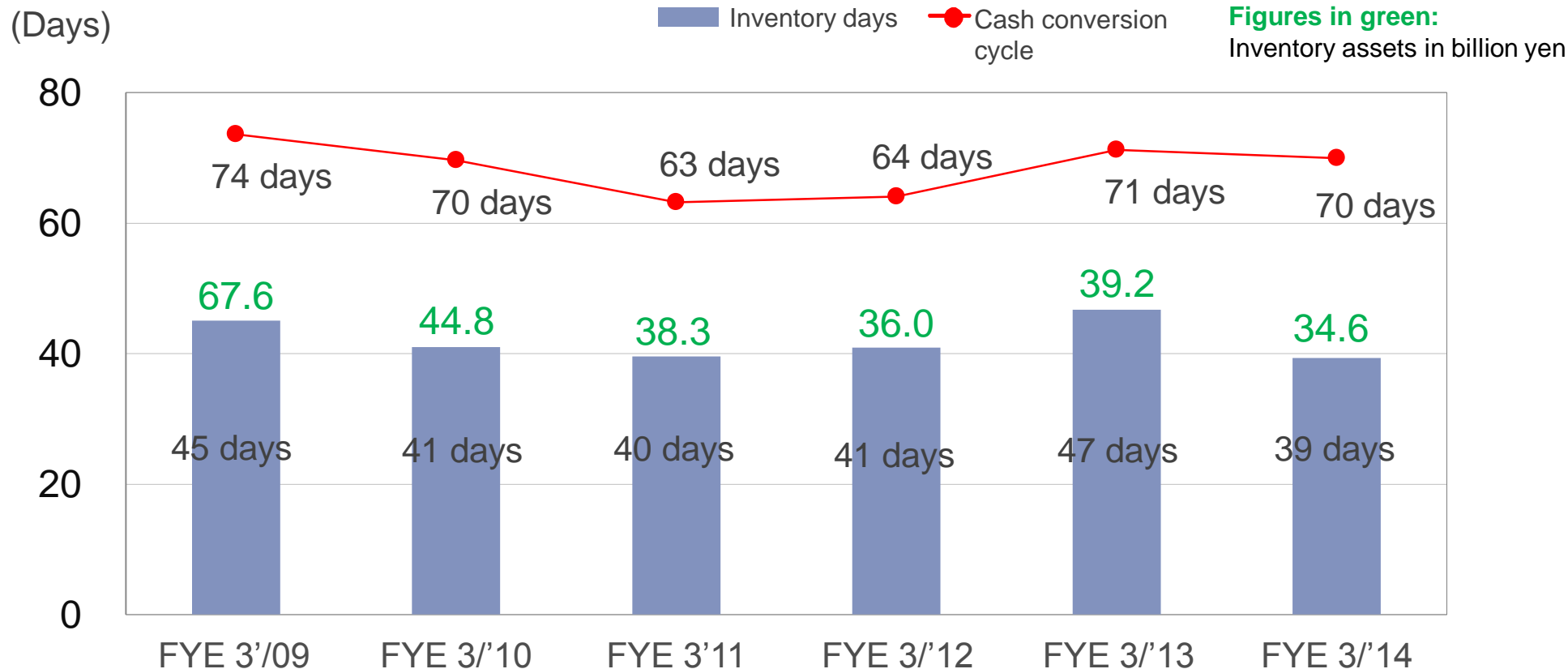
\* Free Cash Flow = Cash flow from operating activities + Cash Flow from investment activities



## Cash Conversion Cycle and Number of Days in Inventory

- ❖ Cash conversion cycle and number of days in inventory are improving as a result of increased sales and reduction of inventory.

### Changes in cash conversion cycle and number of days in inventory (consolidated)



# **(Reference) Information by Segment**

# Net Sales and Profits & Losses by Business Segment - JVCKENWOOD

creates excitement & peace of mind

## Summary

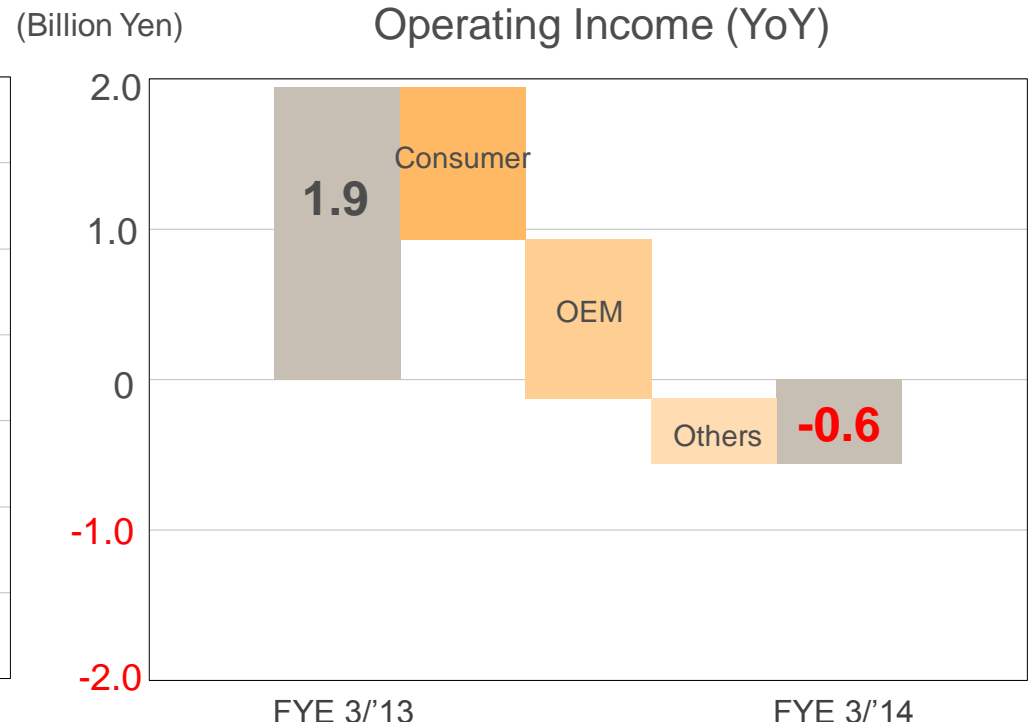
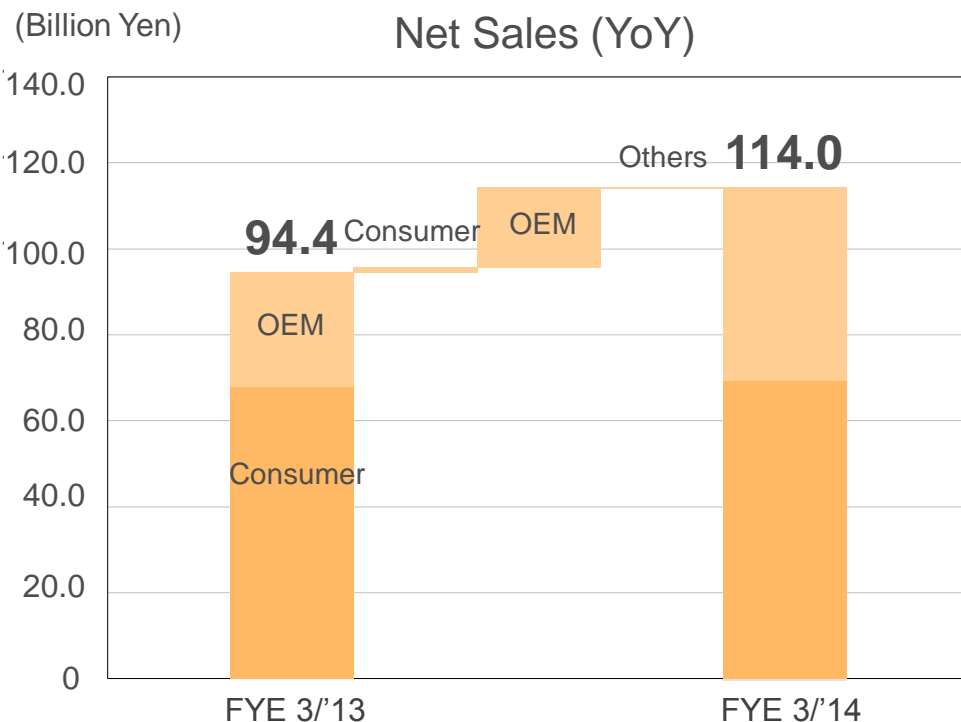
- ❖ In the first half, while the Car Ele and Pro posted a growth in sales due partly to the positive effect by the weak yen, operating income other than Pro fell into the red affected by a surge in yen-equivalent costs as well as a fall in overseas sales. As a result, operating income declined across the segments.
- ❖ In the second half of the fiscal year, operating income returned to the surplus due to the emergence of positive effects in business restructuring and the structural reform.

(Billion Yen)

Segment		First half			Second half			Full year		
		FYE 3/'14	FYE 3/'13	YoY Change	FYE 3/'14	FYE 3/'13	YoY Change	FYE 3/'14	FYE 3/'13	YoY Change
Car Electronics	Net sales	53.7	48.4	+5.2	60.3	46.0	+14.3	114.0	94.4	+19.5
	Operating income	(1.6)	1.8	(3.4)	1.0	0.1	+0.9	(0.6)	1.9	(2.5)
Professional Systems	Net sales	44.0	42.6	+1.4	53.0	49.3	+3.7	97.0	91.8	+5.1
	Operating income	0.2	0.7	(0.5)	3.4	3.3	+0.04	3.5	4.0	(0.5)
Optical & Audio	Net sales	36.5	41.1	(4.6)	38.1	46.0	(7.8)	74.7	87.1	(12.4)
	Operating income	(0.7)	0.3	(1.0)	1.6	0.9	+0.6	0.9	1.2	(0.4)
Entertainment Software	Net sales	17.0	20.1	(3.1)	19.4	20.8	(1.4)	36.4	40.9	(4.5)
	Operating income	(0)	1.3	(1.3)	0.6	0.7	(0.2)	0.6	2.0	(1.5)
Others	Net sales	3.0	2.9	+0.1	3.1	3.1	+0.03	6.1	6.0	+0.1
	Operating income	(0)	0.2	(0.3)	0.1	0.2	(0.1)	0	0.4	(0.4)
Inter-segment eliminations	Net sales	(5.8)	(5.9)	+0.1	(5.9)	(7.8)	+1.8	(11.8)	(13.6)	+1.9
Total	Net sales	148.4	149.3	(0.9)	167.9	157.3	+10.6	316.3	306.6	+9.8
	Operating income	(2.2)	4.4	(6.4)	6.6	5.2	+1.4	4.4	9.6	(5.2)

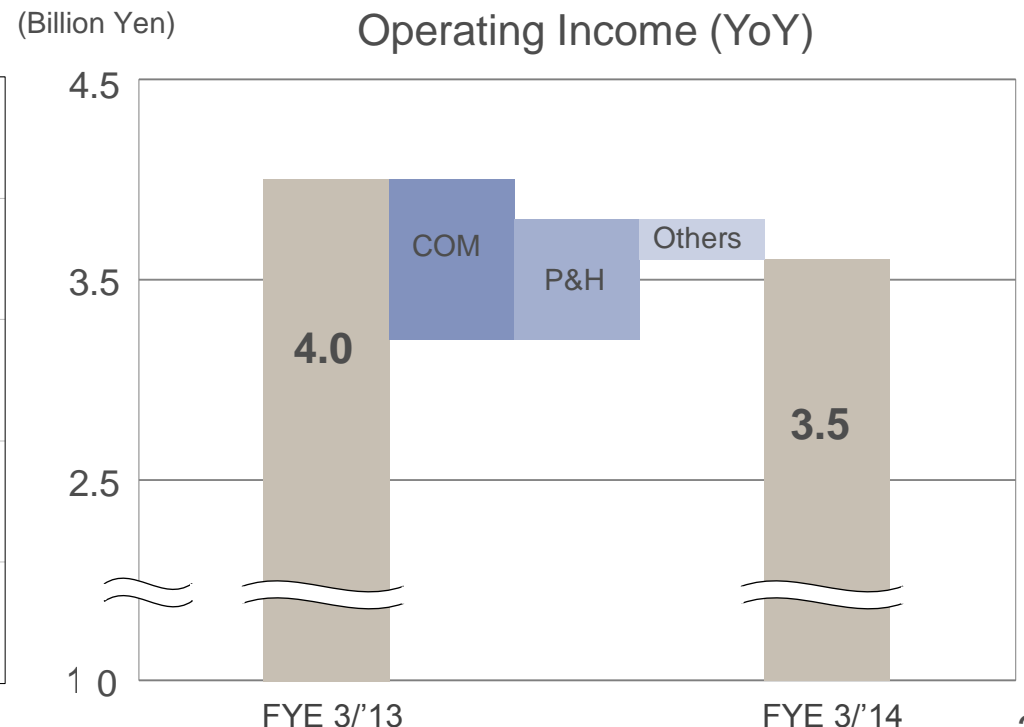
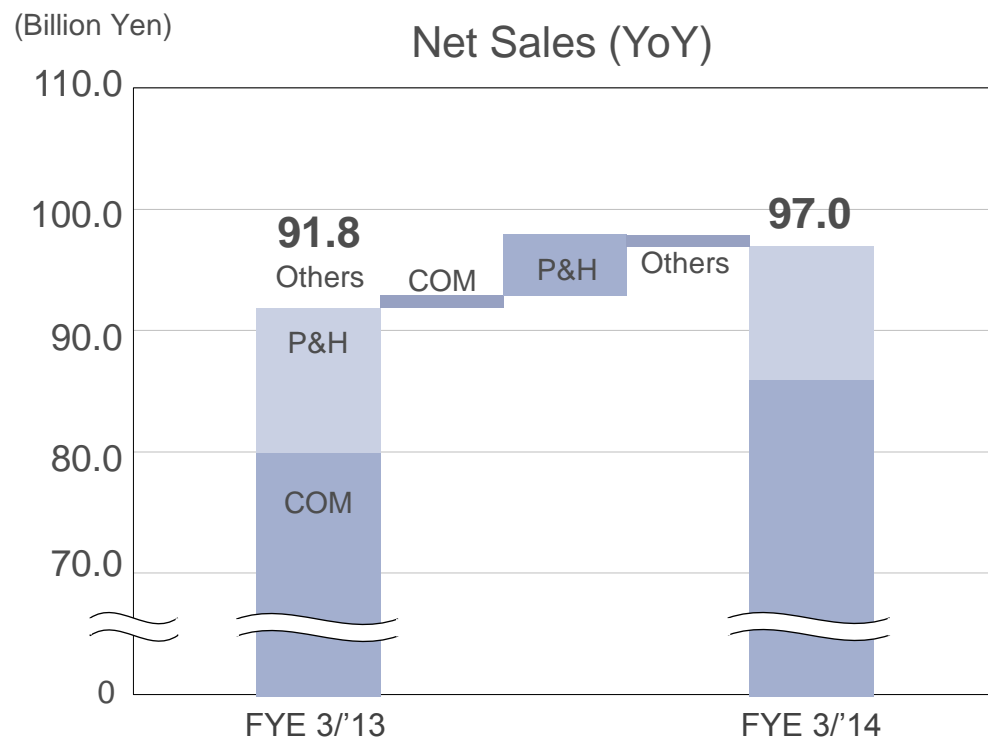
# Full-Year Financial Results for FYE 3/'14 - Car Electronics

- ❖ Net sales rose mainly due to the consolidation of Shinwa and a boost in the yen equivalent amount resulting from foreign exchange fluctuations.
- ❖ Operating income went down mainly affected by overseas sales drop in Consumer and yen-equivalent cost increase due to the weak yen the first six months in Consumer & OEM.
- ❖ In the second half, both net sales and operating income rose, reflecting the positive effects of the cost reform implemented in 3Q, the consolidation of Shinwa, and growing sales in domestic navigation systems.



# Full-Year Financial Results for FYE 3/14 - Professional Systems

- ❖ Net sales rose mainly due to P&H's recovery in the first six months from the negative impact of the Thai floods as well as the sales growth in COM resulting from the weak yen.
- ❖ Although P&H marked a boost in operating income through the recovery of domestic sales, COM struggled with sluggish sales caused by the U.S. government's fiscal retrenchment, resulting in a decline in operating income at the overall segment level.
- ❖ In the second half, both net sales and operating income increased, driven by a rebound in P&H and the weak yen.

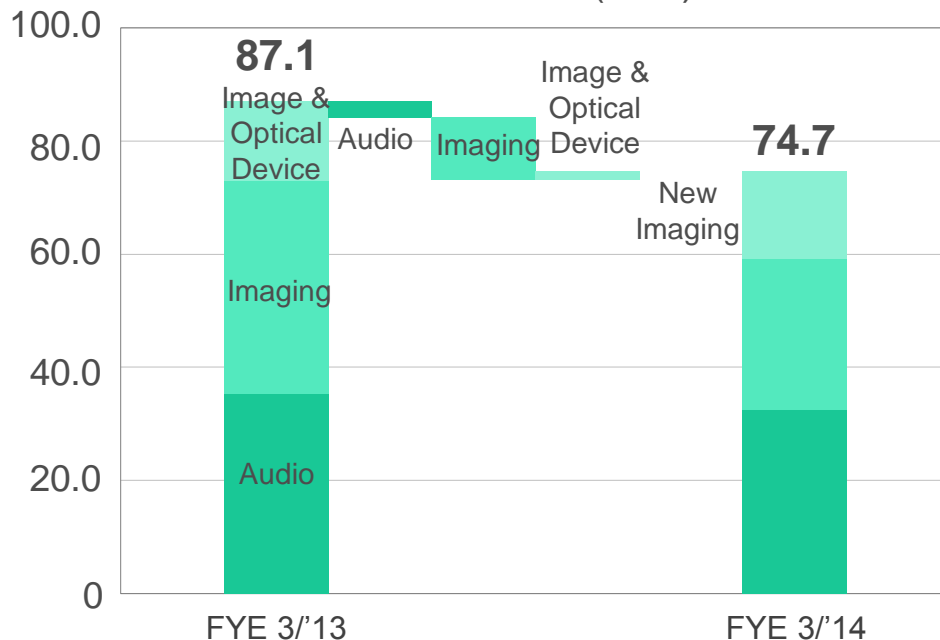


# Full-Year Financial Results for FYE 3/'14 - Optical & Audio

- ❖ Net sales in Image & Optical Device increased due to growing sales in projectors and optical pickup, while net sales in Imaging and Audio declined, pushing down combined net sales at the overall segment level.
- ❖ Operating income dropped, driven by a sharp decline in Imaging, although Audio showed profit growth with the launch of high-value-added products.
- ❖ In the second half, net sales decreased while operating income increased, reflecting the combined impact of the contracted sales in Imaging, the positive effects of the cost reform being implemented since 3Q, and the growing income in the Audio business.

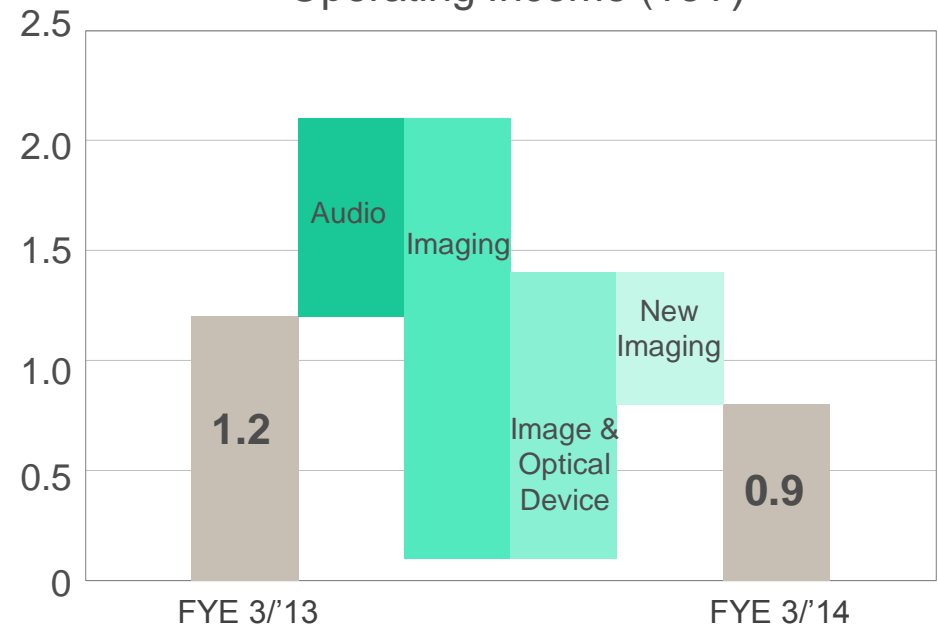
(Billion Yen)

Net Sales (YoY)



(Billion Yen)

Operating Income (YoY)

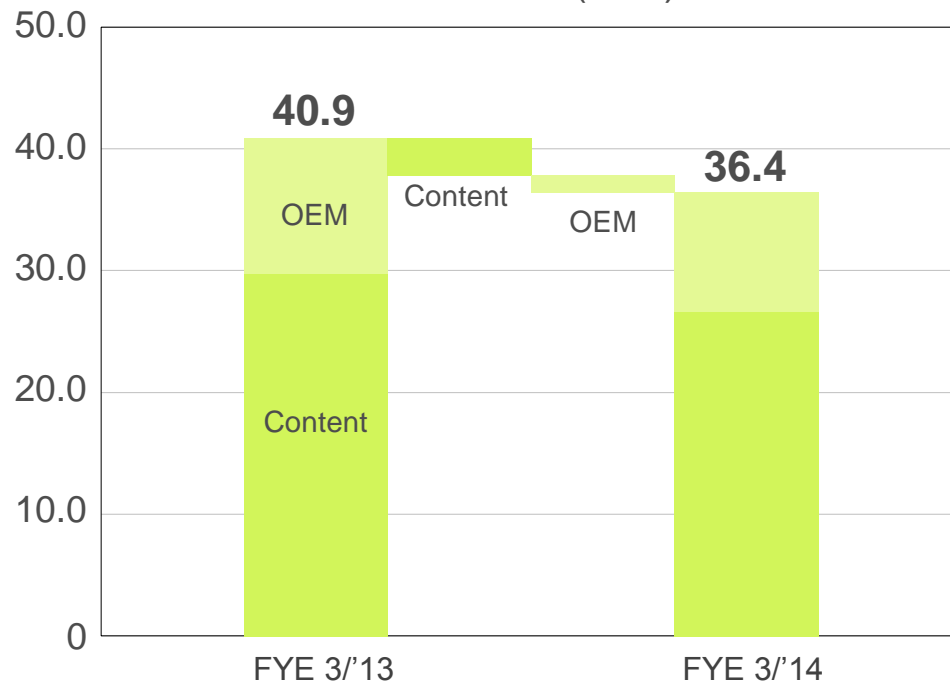


# Full-Year Financial Results for FYE 3/'14 - Entertainment Software

- ❖ Both net sales and operating income declined, mainly due to postponing the release of some major Content products and weak sales in OEM caused by the contraction of the package media markets in overseas.

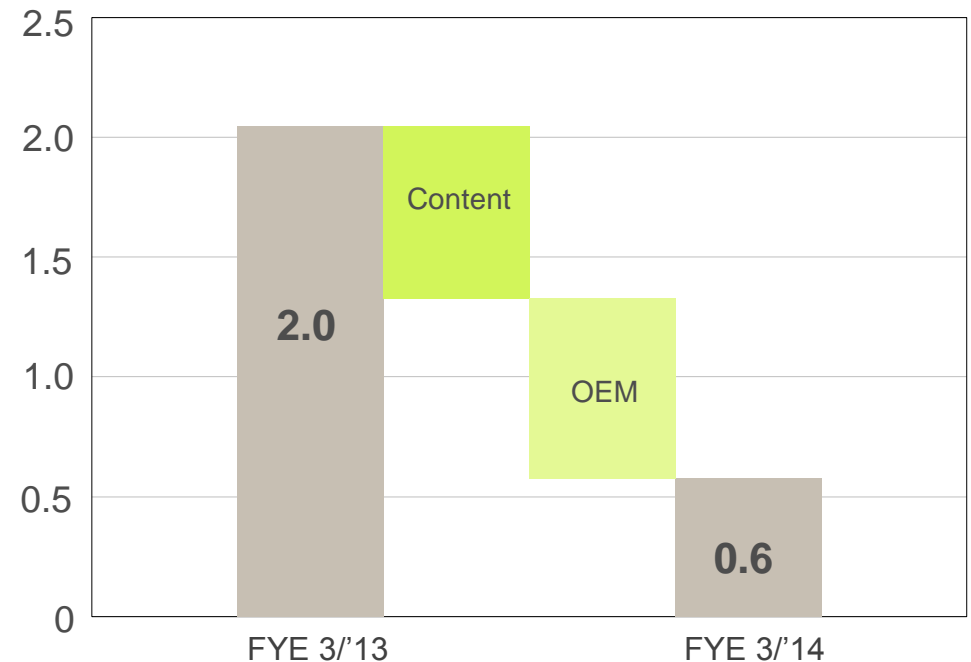
(Billion Yen)

Net Sales (YoY)



(Billion Yen)

Operating Income (YoY)



1. Overview of full-year financial results for the fiscal year ended March 31, 2014
- 2. Results of priority measures**
  - 1) Results of business restructuring measures
  - 2) Structural reform (Status of progress and results of the previous period)
  - 3) Shift from BtoC to BtoB
3. Issues to be addressed and Measures
  - 1) Restructuring of management organizational structure
  - 2) Building up the foundation for growth by centering around next-generation businesses
  - 3) Enhancing profit reform of the current businesses
4. Full-year earnings forecast for FYE 3/'15



## ❖ Total Cost Reform

### ■ Car Ele (Domestic Consumer Navigation)

- Launch of six navigation systems in advance:  
February → December (two systems)  
June → March (four systems)
- Cost for 2014 model decreased by up to 24% compared with 2013 model.

### ■ Optical Audio (Camcorder)

- Launch of one camcorder in advance:  
January → December
- Various measures conducted: review of sales price of unprofitable models, review of profitability by model, restructuring of sales structure, etc.

### ■ Pro (P&H)

- Parts commonization across the group, promoting design revision and cost reduction of current models  
→ Achieved roughly 10% cost-down in the second half of fiscal year
- Achieved cost improvement by withdrawing from sales of unprofitable products such as analog monitoring cameras in overseas.

## ❖ Inventory Reduction

- Achieved a year-on-year decrease of roughly 12% in inventory assets

## ❖ Other various measures implemented

- Emergency Measures
  - Reductions in personnel costs (directors' remuneration, employees' salaries and bonuses, etc.)
  - Full review to ensure thorough implementation of cost reductions and investments, etc.
- Strengthening of the sales front line, etc.

## 2) Structural Reform (Status of Progress and Results of the Previous Period) (1)

### ❖ Domestic Employment Structural Reform: Solicitation of applicants for early retirement

- Date of retirement: March 31, 2014
  - No. of applicants: 368 (planned number of solicitation: 400)
  - Eligibility: Employees in managerial positions aged 45 or above as of the date of retirement
  - Eligible Unit: JVCKENWOOD and a part of domestic affiliates
- ➔ Domestic Employment Structural Reform expenditures in FYE 3/'14: approx. JPY3.3 billion



**Anticipated effects in FYE 3/'15: Reduction of fixed costs totaling approx. JPY 4.5 billion**

## 2) Structural Reform (Status of Progress and Results of the Previous Period) (2)

### ❖ Restructuring of overseas sites

- **Restructuring of sales companies: organizational consolidation and manpower reallocation mainly in the U.S. and Europe**
    - Americas: Promote integration of sales companies in the U.S. and Canada and reduce overall fixed costs
    - Europe: Promote integration of sales companies in the U.K., France, etc., and reduce overall fixed costs
    - Asia: Expand business centering on Car Ele, including integration of two sales companies in Thailand, establishing sales company in Indonesia, etc.
    - China: Respond to growing social infrastructure investments; expand BtoB business
  - **Restructuring of overseas production plants (consolidating 7 major sites into 6)**
    - COM: Close EMS plant in Indonesia; transfer and consolidate functions into Malaysia plant
    - Car Ele: Transfer production from plant in Malaysia to plant in Indonesia
    - P&H: Transfer production from plant in Malaysia to plant in Thailand (currently being carried out)
- ➔ Structural Reform Expenditures in FYE 3/'14: Approx. JPY 1.2 billion

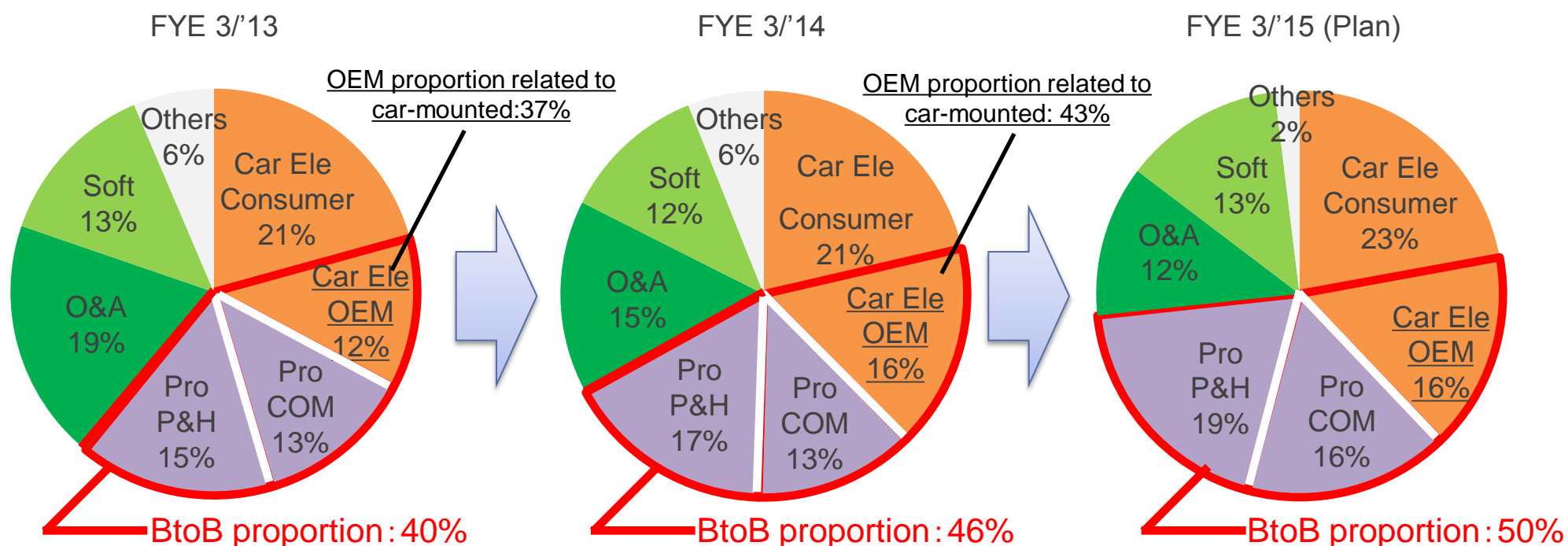


Anticipated effects in FYE 3/'15: Reduction of fixed costs totaling approx. JPY 2 billion

### 3) Shift from BtoC to BtoB

- ❖ Of total sales, the proportion of OEM sales related to car-mounted products including optical devices for Shinwa, dealer options, and vehicle equipment, **increased to 43% in FYE 3/14** from 37% in FYE 3/13.
- ❖ Net sales in both COM and P&H rose through M&A strategies in Pro (i.e. the acquisition of EF Johnson Technologies in the U.S. and the succession of information equipment business of TOTOKU Electric Co.)
- ❖ In FYE 3/15, we will increase the proportion of sales in BtoB to approximately 50% and achieve the mid-term business plan goal one year ahead of the planned date

#### Change in Sales Composition Ratios



1. Overview of full-year financial results for the fiscal year ended March 31, 2014
2. Results of priority measures
  - 1) Results of business restructuring measures
  - 2) Structural reform (Status of progress and results of the previous period)
  - 3) Shift from BtoC to BtoB
- 3. Issues to be addressed and Measures**
  - 1) Restructuring of management organizational structure
  - 2) Building up the foundation for growth by centering around next-generation businesses
  - 3) Enhancing profit reform of the current businesses
4. Full-year earnings forecast for FYE 3/'15

❖ Strongly push further the various reform measures, focusing on the three priority measures toward significant leap forward from FYE 3/'15 onward:

- 1. Restructuring of management organizational structure**
- 2. Building up the foundation for growth by centering around next-generation businesses**
- 3. Enhancing profit reform of current businesses**

# 1) Restructuring of Management Organizational Structure (1)

- ❖ In response to a substantial decline in overseas sales and growing business in professional segment, shift the operational structure from product-oriented to market / customer-oriented.
  - Creation of regional CEO positions for a market-oriented structure
    - Establish a structure in which each region plans product and service designs carefully by incorporating regional market characteristics and diverse customer needs, while domestic business divisions develop and commercialize such plans into products. Push forward sales expansion and consolidated performance reform, and commit consolidated performance accountability.
    - Place overseas sales companies and domestic sales divisions under control.
  - Large-scale reorganizations by business
    - Discontinue the division-based structure and replace with large-scale organizations by business segment to reinforce collaboration among products.
    - Develop and commercialize products based on the regional CEOs' plans and requests.
  - Acceleration of shifting resources to growth areas
    - Shift from consumer product business to in-car and professional segment, and also from current businesses to next-generation businesses.
    - Further streamlining of staff resources in the head office.



## 1) Restructuring of Management Organizational Structure (2) **JVCKENWOOD** (as of May 14, 2014) creates excitement & peace of mind

- ❖ Appointment of Mr. Takao Tsuji as President and Chief Operating Officer (COO) to deal with substantial declines in overseas sales and sales expansion in professional segment. He is knowledgeable about the industry and has diverse management experience.
- ❖ Implementation of a market-oriented structure by creating regional CEO positions assigned to directors with extensive business experience.
- ❖ To Act promptly with an responsibility as JVCKENWOOD's representatives, the CEOs of Europe and the U.S. are appointed representative directors.
- ❖ Appointment of next-generation resources as new management members

# 1) Restructuring of Management Organizational Structure (2) **JVCKENWOOD** (as of May 14, 2014) creates excitement & peace of mind

## ❖ Accelerate reform under the new management structure

■ Haruo Kawahara	Representative Director of the Board Chairman CEO	■ Akira Suzuki	Senior Vice President & Executive Officer General Executive Professional Systems Segment
■ Takao Tsuji	Representative Director of the Board President COO CRO CIO	■ Yasuyuki Tanida	Senior Vice President & Executive Officer General Executive Optical & Audio Segment
■ Shoichiro Eguchi	Representative Director of the Board CEO Europe	■ Masaaki Saito	Senior Executive Vice President & Executive Officer General Executive Entertainment Software Segment
■ Kazuhiro Aigami	Representative Director of the Board CEO Americas	■ Satoshi Fujita	Senior Vice President & Executive Officer General Executive of Strategic Finance & Accounting Division General Executive of Finance & Accounting Division
■ Naokazu Kurihara	Director of the Board CEO Japan	■ Masaki Imai	Senior Vice President & Executive Officer General Executive of Human Resources Management Division (also responsible for general affairs)
■ Seiichi Tamura	Director of the Board CSO	■ Toshiaki Matsuzawa	Executive Vice President & Executive Officer Co-leader of CVC Taskforce
■ Kazuki Oi	Executive Officer CEO Asia & Emerging Region	■ Fabien Gregoire	Senior Vice President & Executive Officer General Executive of Global Brand Experience Division
■ Masatoshi Miyamoto	Senior Vice President & Executive Officer General Executive Car Electronics Segment		

## 2) Building up the Foundation for Growth by centering around Next-generation Businesses

### ❖ Car Optronics and Advanced Vehicle Technologies

- Develop and commercialize the car optronics business with [head-up displays](#), [electronic mirrors](#), etc. through JVCKENWOOD's core technologies such as audio, image, and optical.

### ❖ Broadband Multimedia Systems

- Promote development and commercialization of professional wireless multi-media systems including [image transmission and high-capacity data](#) for public institutions such as fire-fighting, medicine and emergency services, with the leverage of the strategic alliance with AIRBUS DEFENCE & SPACE and the acquisitions of EFJT and Zetron, Inc.

### ❖ Next-generation imaging (Cameras)

- [Divert](#) of the unique technologies accumulated in the consumer business to [in-vehicle cameras](#). Also, develop and commercialize new products centering on [professional video camera systems](#), [surveillance cameras](#), [CMOS sensors](#), etc.

### 3) Enhancing Profit Reform of Current Businesses

#### ❖ Innovation of Consolidated Value Chain:

- Direct order systems from sales companies to plants
- Speedy alternative production systems in case of emergency

#### ❖ Continuing promotion of structural reforms:

- Reduction in fixed costs in overseas sales companies; reorganization and consolidation
- Consolidation of the plants; improvement of operation rate; production innovation

#### ❖ Strengthening of profit controls:

- Enhancement of product cost reforms such as VA/VE and procurement reforms
- Strengthening of cost management by products, inventory management by products, and profit management by products

1. Overview of full-year financial results for the fiscal year ended March 31, 2014
2. Results of priority measures
  - 1) Results of business restructuring measures
  - 2) Structural reform (Status of progress and results of the previous period)
  - 3) Shift from BtoC to BtoB
3. Issues to be addressed and Measures
  - 1) Restructuring of management organizational structure
  - 2) Building up the foundation for growth by centering around next-generation businesses
  - 3) Enhancing profit reform of the current businesses
- 4. Full-year earnings forecast for FYE 3/'15**

# Full-year Earnings Forecast for FYE 3/'15

- ❖ **Net sales are expected to decline** due to the pre-harvest season in OEM and disposition of Kenwood Geobit Corp, while **Operating income is anticipated to increase** due to the reduction in fixed costs through structural reforms.
- ❖ Both ordinary income and net income are forecast to rise along with a boost in operating income.

(Billion Yen)

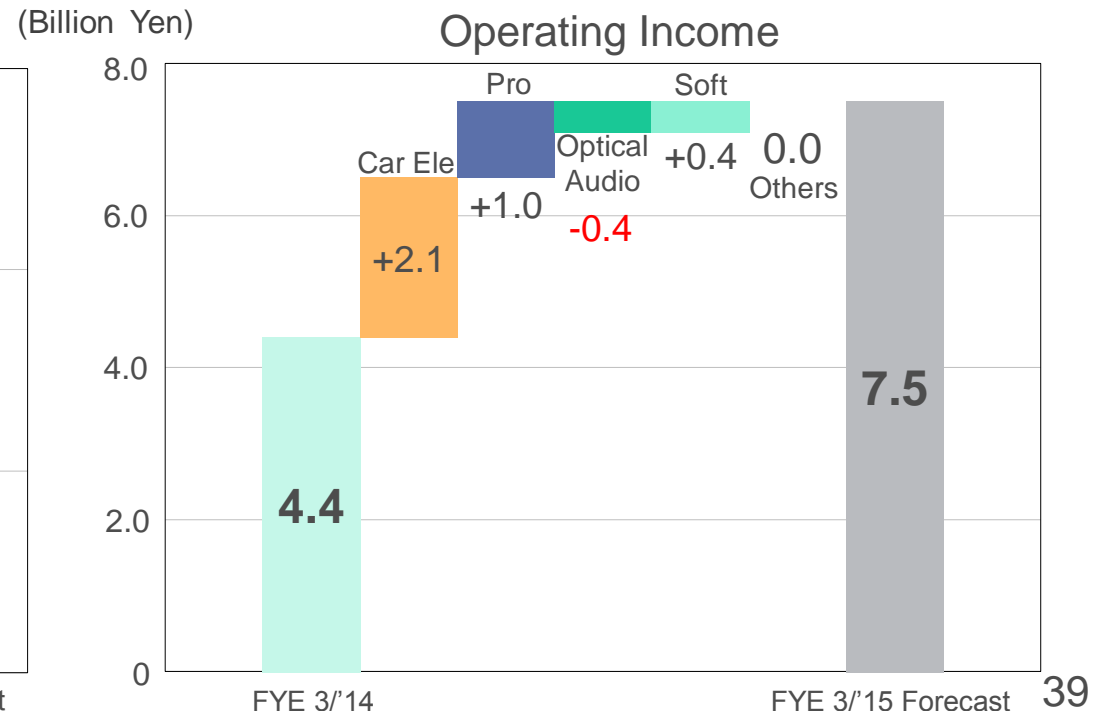
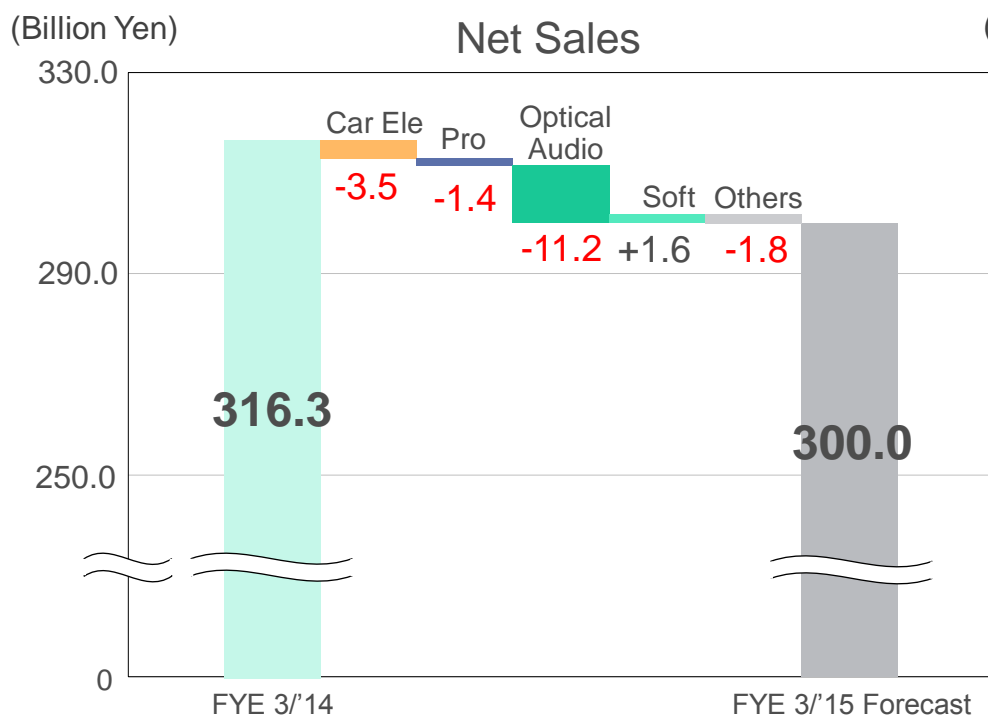
	Net Sales	Operating Income	Ordinary Income	Net Income
FYE 3/'15	300.0	7.5	4.5	0.5
FYE 3/'14	316.3	4.4	(0.1)	(6.6)
YoY	(16.3)	+3.1	+4.6	+7.1

\* Assumed FX rate for FYE 3/'15: 1 USD = JPY 105, 1 Euro = JPY 135

Actual FX rate for FYE 3/'14: 1 USD = JPY 100, 1 Euro = JPY 134

# Full-year Earnings Forecast for FYE 3/'15 (YoY)

- ❖ Car Ele: **Net sales to decline and operating income to increase**: Despite pre-harvest season in OEM, it is anticipated an positive effect of Shinwa consolidation, as well as domestic profit improvement in Consumer segment.
- ❖ Pro: **Net sales to decline and operating income to increase**: COM's growing sales through the acquisition of EFJT, domestic sales expansion in P&H, and the succession of TOTOKU'S information equipment business would contribute to a boost in sales throughout the fiscal year. These positive effects, however, are anticipated to be offset by the negative effect of the sale of Kenwood Geobit Corp.
- ❖ Optical Audio: **Both net sales and operating income are expected to decline** due to anticipated market contraction in the Imaging business.
- ❖ Soft: **Both net sales and operating income are forecast to increase** due to the positive effects of structural reforms in OEM and stable profit in Content.



# JVC KENWOOD

*creates excitement & peace of mind*

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 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 (in 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 dollar, euro, and such against the yen; (4) marked fluctuations in exchange rates in capital markets; and (5) changes in social infrastructure due to short term changes in technology and such. Please note however, that the above is not a comprehensive list of all the factors which may exert a significant influence on the Company's performance.