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JVCKENWOOD

Results and Forecasts Briefing

Third Quarter of Fiscal Year Ending March 2016

JVCKENWOOD Corporation

February 3, 2016

【Abbreviations】

- AM Automotive sector
 - Consumer (Business)
 - Dealer-installed options (Business)
 - Factory-installed options (Business)
 - ASK: ASK Industries S.p.A.

- PS Public Service sector
 - COM: Communication systems (Business)
 - Pro: Professional Systems (Business)
 - Healthcare (Business)
 - EFJT: EF Johnson Technologies, Inc.

- MS Media Service sector
 - Media (Business)
 - Entertainment (Business)

- 1. Overview of financial results for the third quarter of the fiscal year ending March 2016**
- 2. Review of First Nine Months of Fiscal Year Ending March 2016 and Measures in the 4th Quarter and Beyond**
- 3. Full-year earnings forecast for FYE 3/'16**

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Financial Results for 3Q(1-3Q) of FYE3/'16-Summary

- ❖ Achieved operating profitability on a nine-month basis as expected by management
 - **Net sales:** Increased due to business acquisition effects (approximately JPY 12.7 billion), among other factors.
 - **Operating income:** Decreased due to an increase in advanced development costs for AM dealer-installed and factory-installed products, which were not included in the plan set at the beginning of the term, in addition to other factors such as impact from foreign exchange fluctuations.
 - **Ordinary income:** Loss increased due to decrease in operating income and wider non-operating loss.
 - **Net income:** Loss increased due to bigger ordinary loss and compared with the previous term when deferred tax assets were recorded; however, extraordinary income/loss improved compared with the previous term when loss on sales of subsidiaries and affiliates' stocks was posted.

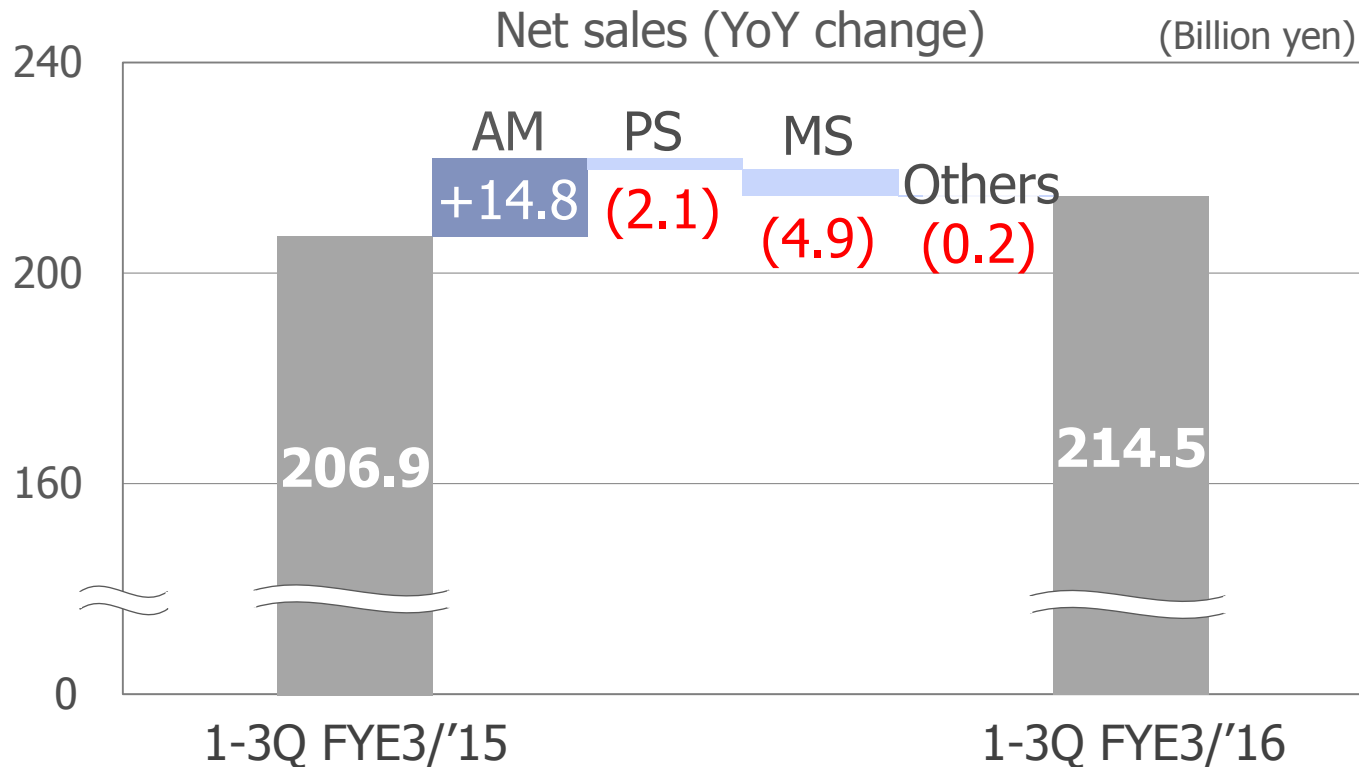
	(Billion yen)			
	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
1-3Q FYE3/'16	214.5	0.1	(2.4)	(5.7)
1-3Q FYE3/'15	206.9	2.5	0.1	(0.7)
YoY	+7.6	(2.3)	(2.5)	(5.0)
3Q FYE3/'16	75.2	1.1	0.7	(0.9)

Profit-and-loss exchange rates		1Q	2Q	3Q		1Q	2Q	3Q
FYE3/'15 (Approx. rate)	USD	JPY 102	JPY 104	JPY 114	FYE3/'16 (Approx. rate)	JPY 121	JPY 122	JPY 121
	EUR	JPY 140	JPY 138	JPY 143		JPY 134	JPY 136	JPY 133

- Consolidated Net Sales (By Sector)

❖ Results for first nine months: JPY 214.5 billion (increase of 3.7% YoY) [Increase in sales]

- **AM:** Sales increased owing to the effects of making ASK a subsidiary while its sales to European automotive companies were strong.
- **PS:** Sales decreased due to lower sales of communication systems although business performance of U.S. communication systems subsidiary recovered in first three quarters.
- **MS:** Sales decreased due to the transfer of all shares of Teichiku Entertainment, Inc. (Teichiku) (April 28, 2015).

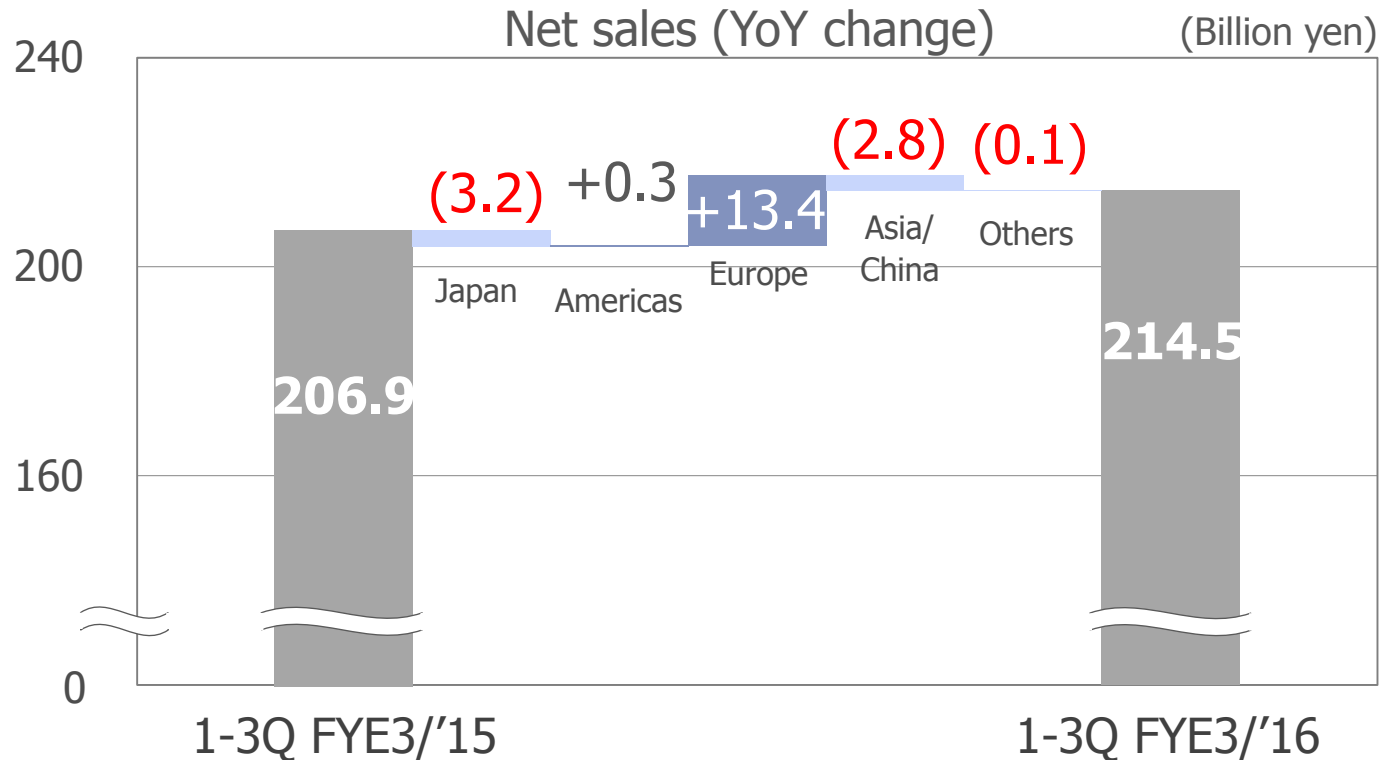


Financial Results for 3Q (1-3Q) of FYE 3/'16

- Consolidated Net Sales (By Region)

❖ Results for first nine months: JPY 214.5 billion (increase of 3.7% YoY) [Increase in sales]

- **Americas:** Sales increased owing to such factors as the effects of launching new AM consumer products as well as improvements in business performance of the U.S. communication systems subsidiary in the PS communication systems business.
- **Japan:** Sales decreased due to the effects of transferring all shares of Teichiku and lower sales of factory-installed options.
- **Europe:** Sales increased owing to the effects of making ASK a subsidiary.
- **Asia/China:** Sales decreased due to the adverse impact on sales of AM consumer products due to the economic downturn in the Middle and Near East.

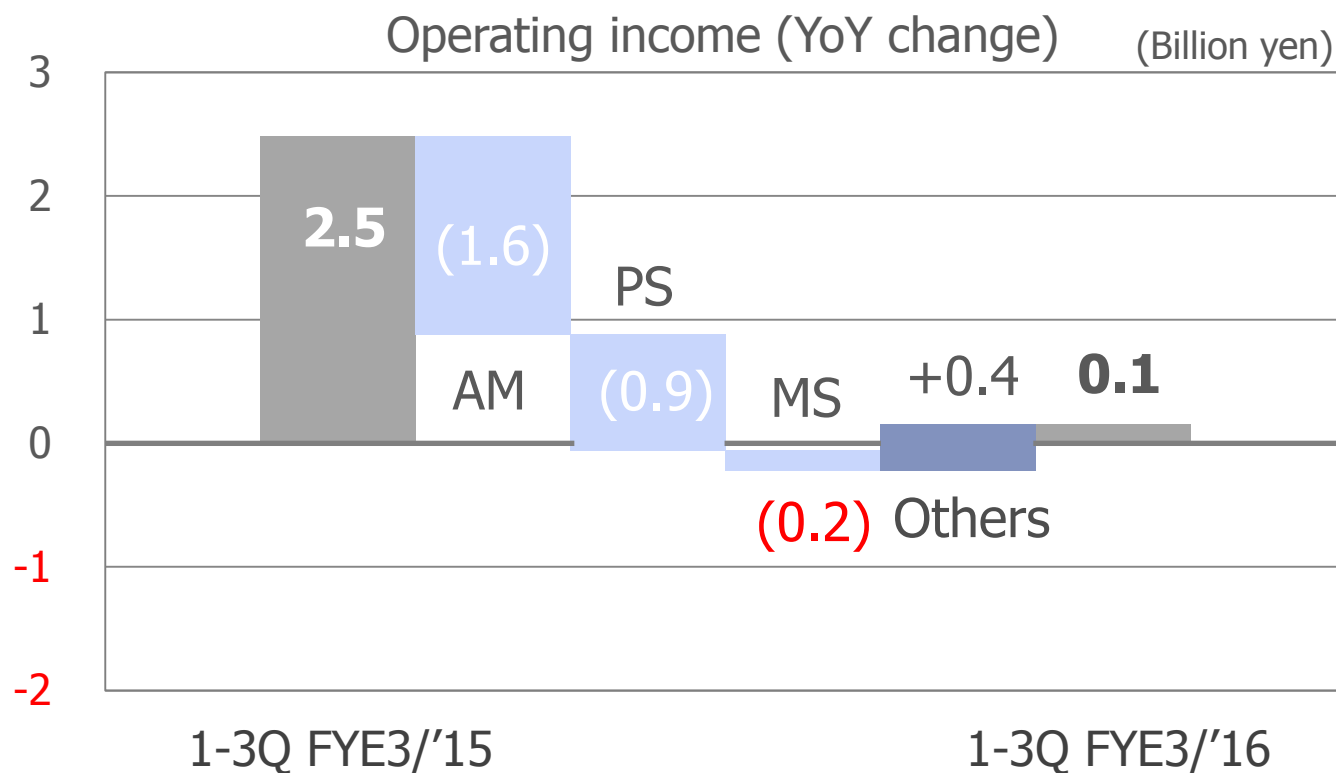


Financial Results for 3Q (1-3Q) of FYE 3/'16

- Consolidated Operating Income (By Sector)

❖ Results for first nine months: JPY 0.1 billion (decrease of 2.3 billion YoY) [Decreased income]

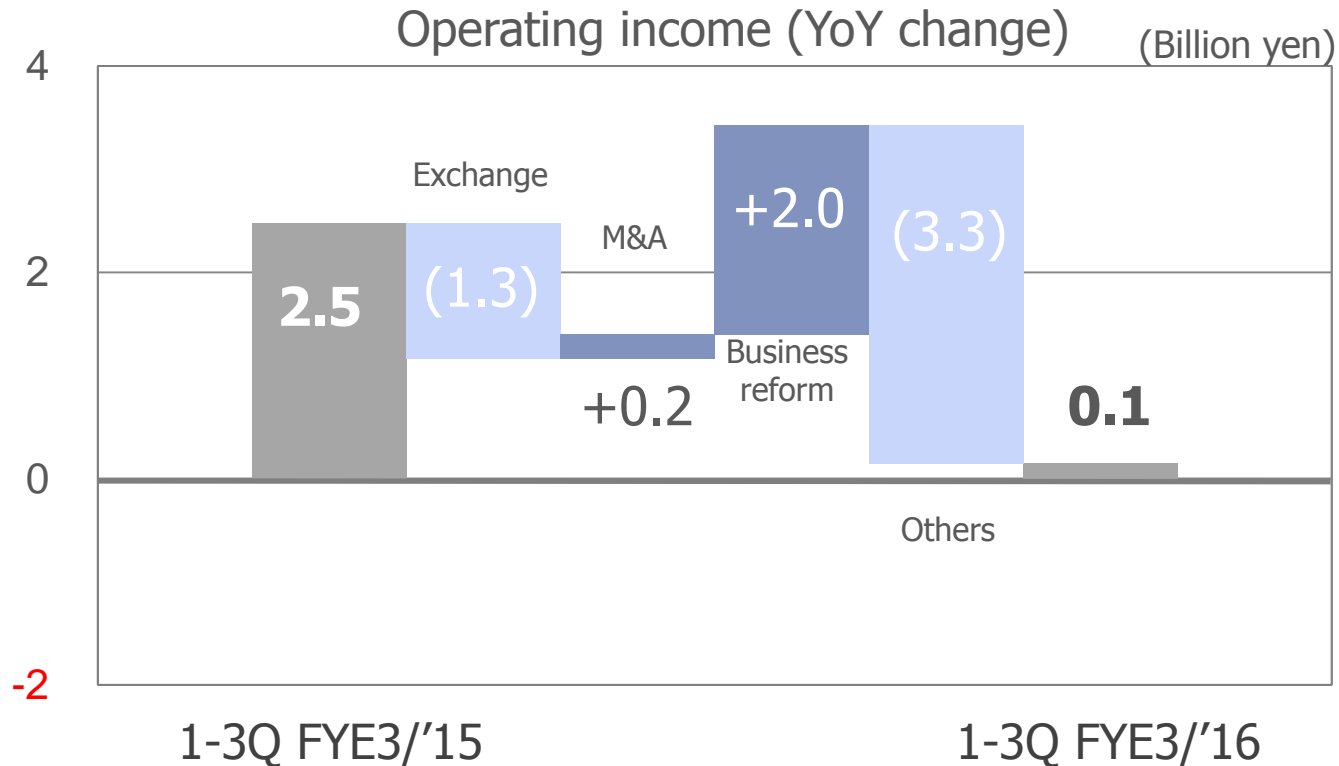
- **AM:** Income decreased due to such factors as a drop in consumer sales in the Middle and Near East and Europe as well as an increase in advanced development costs for dealer-installed and factory-installed options, which were not included in the plan set at the beginning of the term.
- **PS:** Income of the entire PS business decreased due to the decline in income of the communication systems, etc. although sales of professional systems increased.



Financial Results for 3Q (1-3Q) of FYE 3/'16

- Consolidated Operating Income (By Factor)

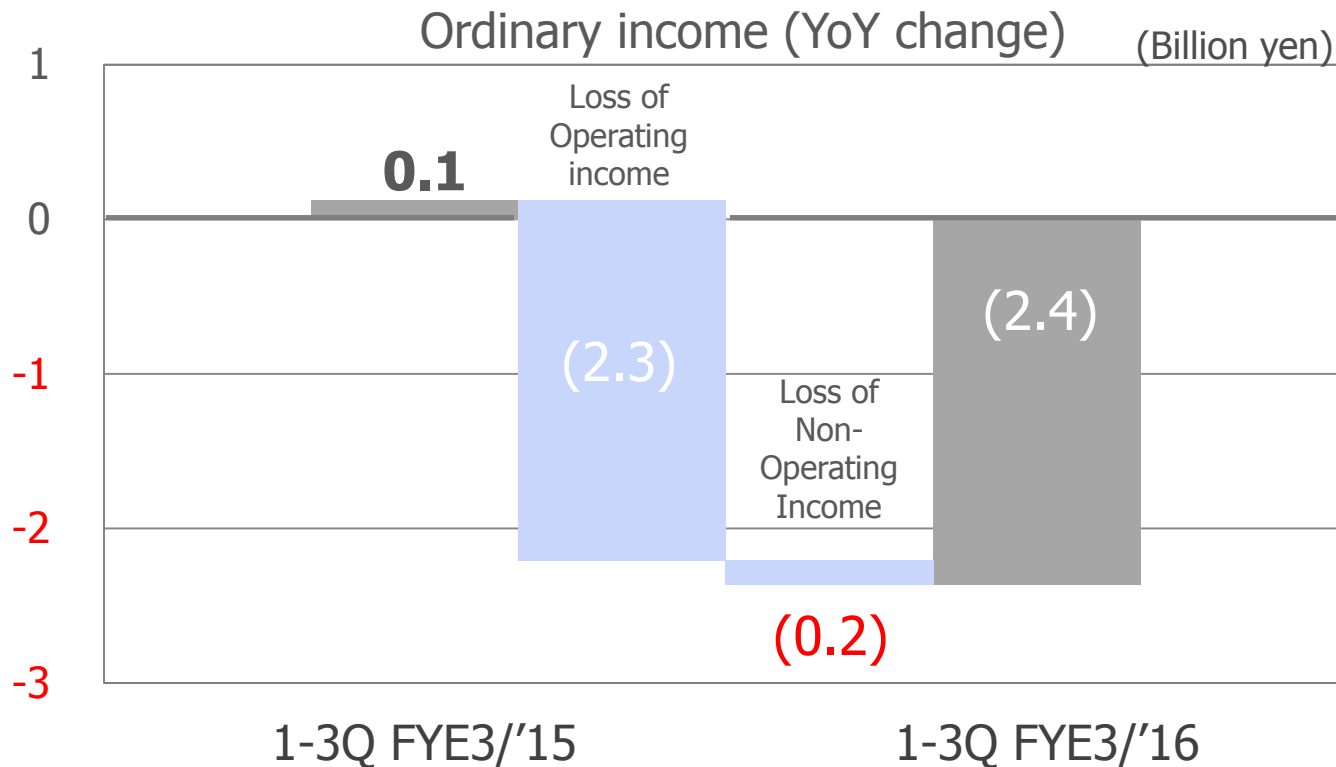
- ❖ Operating income decreased by approximately JPY 3.3 billion due to factors other than those included in the plan set at the beginning of the term such as effects of foreign exchange fluctuations and M&As.
 - **AM:** Affected by increased development costs for dealer-installed and factory-installed options as well as the continued weak market conditions for light motor cars
 - **PS:** Affected by ongoing realignment and reform of the communication systems business including the U.S. communication systems subsidiary



- Consolidated Ordinary Income

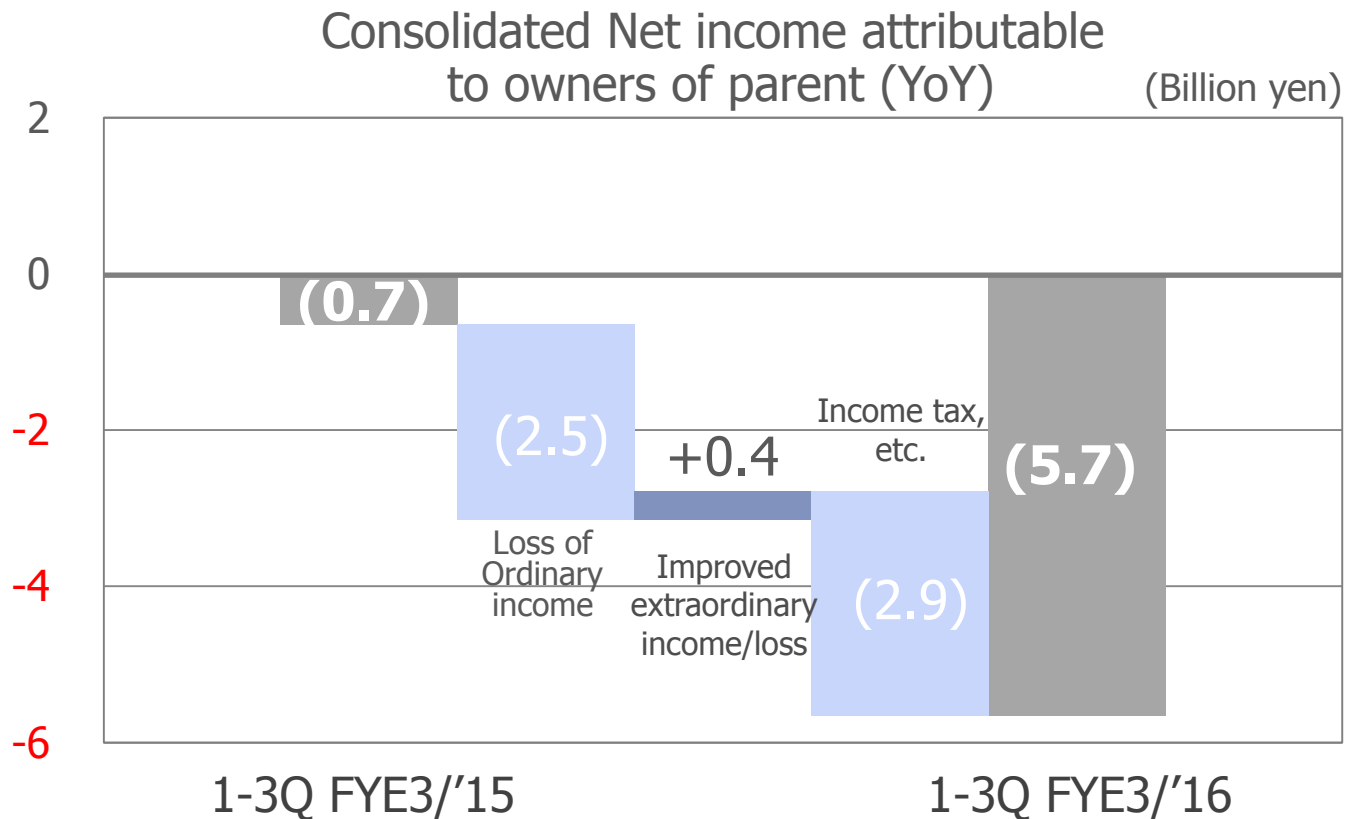
❖ Results for first nine months: loss of JPY 2.4 billion (decrease of 2.5 billion YoY)

- Ordinary income decreased mainly due to decreased operating income.



❖ Results for first nine months: loss of JPY 5.7 billion (decrease of 5.0 billion YoY)

- Extraordinary income/loss improved compared with the previous term when loss on sales of subsidiaries and affiliates' stocks was posted. Meanwhile, net income decreased due to an increase in ordinary loss and compared with the previous term when deferred tax assets were recorded.



- Balance Sheet Summary

- ❖ **Total assets:** Merchandise and finished products as well as property, plant and equipment increased as a result of making ASK a subsidiary. Meanwhile, cash and deposits decreased due to a decline in notes and accounts receivable – trade as well as repayment of loans payable, acquisition of ASK shares and additional acquisition of Shinwa shares.
- ❖ **Interest-bearing debts (sum of borrowings and bonds payable):** Decrease of JPY 1.1 billion
- ❖ **Shareholders' equity ratio:** Dropped 2.6 percentage points to 23.2%

(Billion yen)

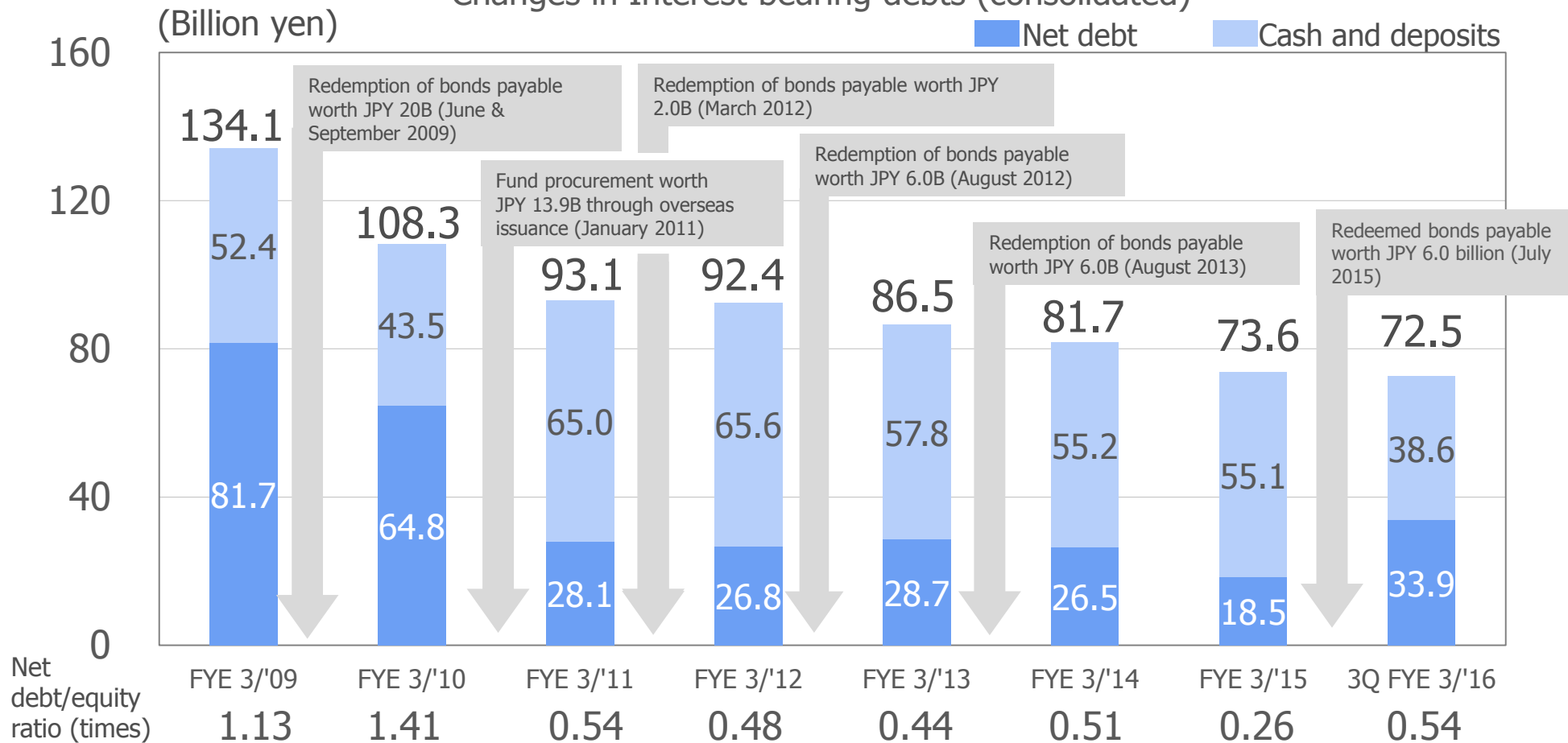
	End of FYE3/'15	End of 3Q FYE3/'16	Change from the previous year-end
Total assets	278.7	271.5	(7.2)
Interest-bearing debts	73.6	72.5	(1.1)
Net debt	18.5	33.9	+15.3
Net debt/equity ratio (times)	0.26	0.54	+0.28
Capital surplus	45.6	45.3	(0.3)
Retained earnings	22.2	15.8	(6.4)
Net assets	79.2	68.9	(10.4)
Shareholders' equity	71.8	62.9	(8.8)
Shareholders' equity ratio (%)	25.8	23.2	(2.6)

Financial Results for 3Q (1-3Q) of FYE 3/'16

- Interest-bearing Debts

- ❖ Interest-bearing debts decreased due to the completion of the redemption of bonds payable.
- ❖ Balance of long-term and short-term debts improved due to refinancing conducted. Financial expenses are expected to decrease by half in the next term.
- ❖ Net debt increased as a result of decreased cash and deposits due to strategic investment (ASK's conversion into a subsidiary).

Changes in Interest-bearing debts (consolidated)

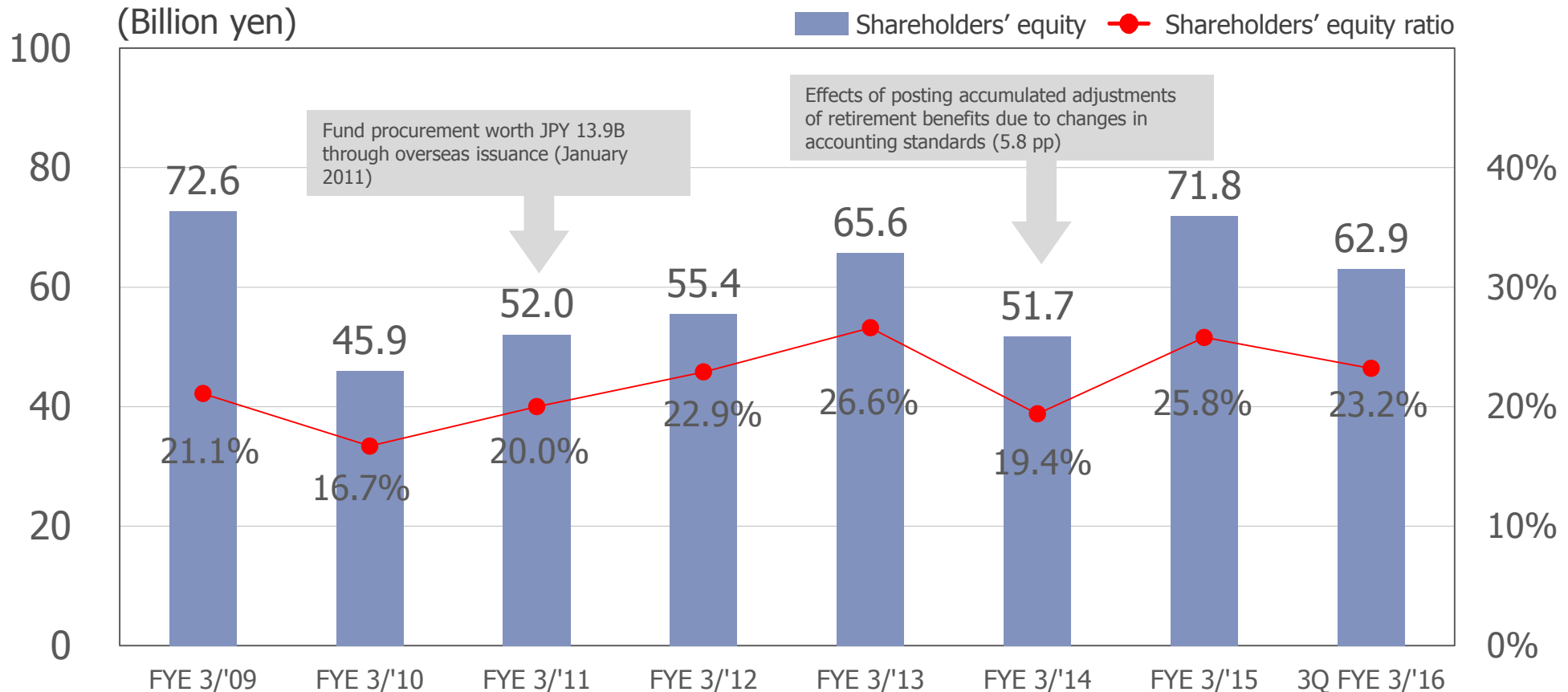


Financial Results for 3Q (1-3Q) of FYE 3/'16

- Shareholders' Equity Ratio

- ❖ Shareholders' equity declined due to a decrease in retained earnings, and net assets declined due to a decrease in foreign currency translation adjustments, among other factors. Shareholders' equity ratio dropped 2.6 percentage points.
- ❖ For the year ending March 2016, shareholders' equity ratio is expected to improve due to the posting of quarterly net income, among other factors.

Change in shareholders' equity ratio (consolidated)



* 1st stock acquisition rights issued on August 25, 2011: Already acquired and canceled entirely without compensation.

Financial Results for 3Q (1-3Q) of FYE 3/'16

- Cash Flow Summary

- ❖ Cash flows from operating activities increased. Meanwhile, cash flows from investing activities decreased due to increases in purchases of property, plant and equipment and purchase of intangible fixed assets in addition to making ASK a subsidiary

(Billion yen)

	FYE 3/'14	FYE 3/'15	1-3Q FYE 3/'16	Reference 1-3Q FYE 3/'15
Cash flow from operating activities	14.9	8.6	6.2	4.8
Cash flow from investing activities	(10.7)	(3.9)	(11.4)	(6.8)
Cash flow from financing activities	(9.6)	(7.5)	(10.7)	(8.7)
Free cash flow	4.3	4.7	(5.2)	(2.0)

* Free cash flow = Cash flow from operating activities + Cash flow from investing activities

(Reference)

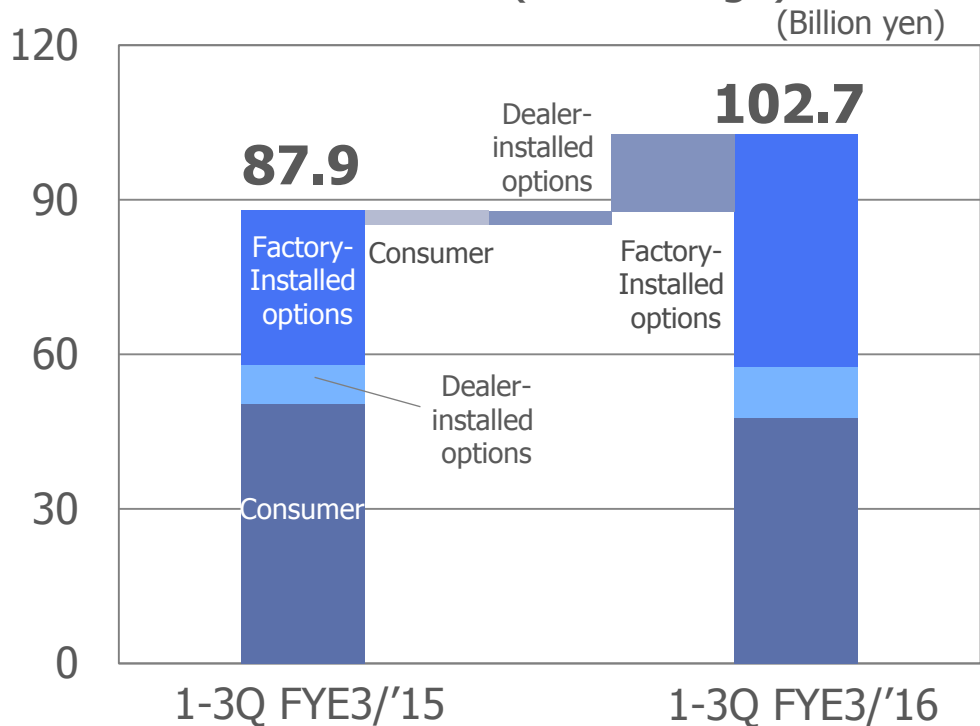
information for 1-3Q by Sector

Financial Results for 3Q (1-3Q) of FYE 3/'16

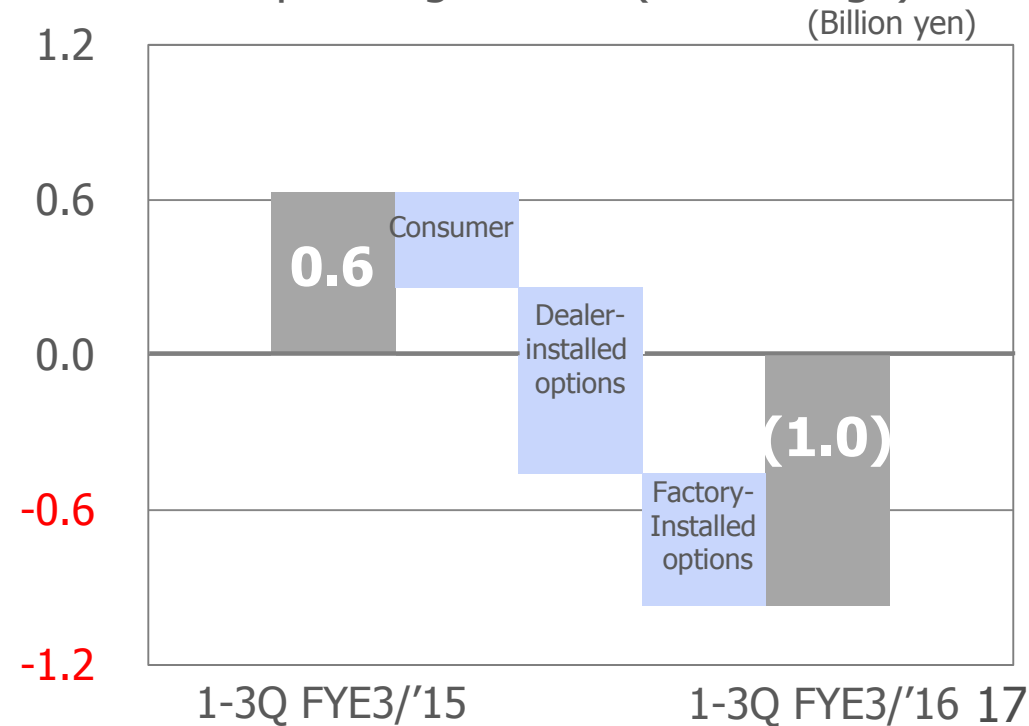
- Automotive sector

- ❖ **Net sales:** Increased due to the start of shipment of dealer-installed products and to higher sales of factory-installed products owing to converting ASK into a consolidated subsidiary.
- ❖ **Operating income:** Income from the consumer business decreased due to lower sales. Further, 3Q income from the consumer business increased owing to higher sales in Japan and achievement of profitability in Europe. Income from dealer-installed products decreased due to an increase in advanced development costs. Income from factory-installed products decreased due to increased development costs for next-generation businesses and new orders.

Net sales (YoY change)



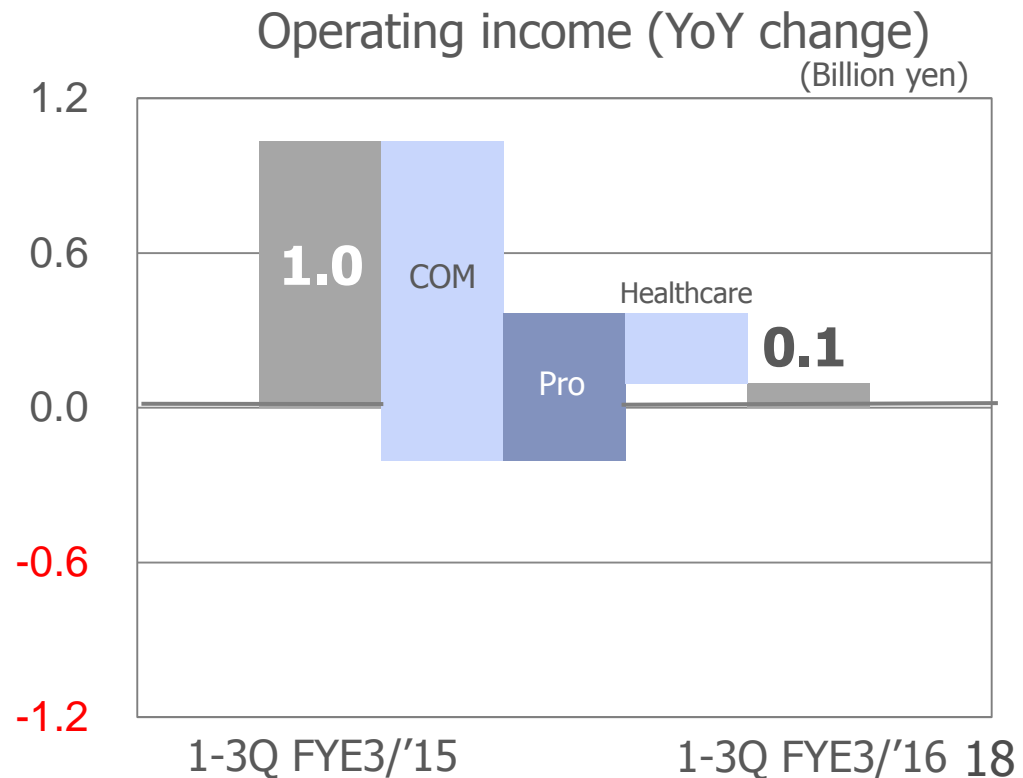
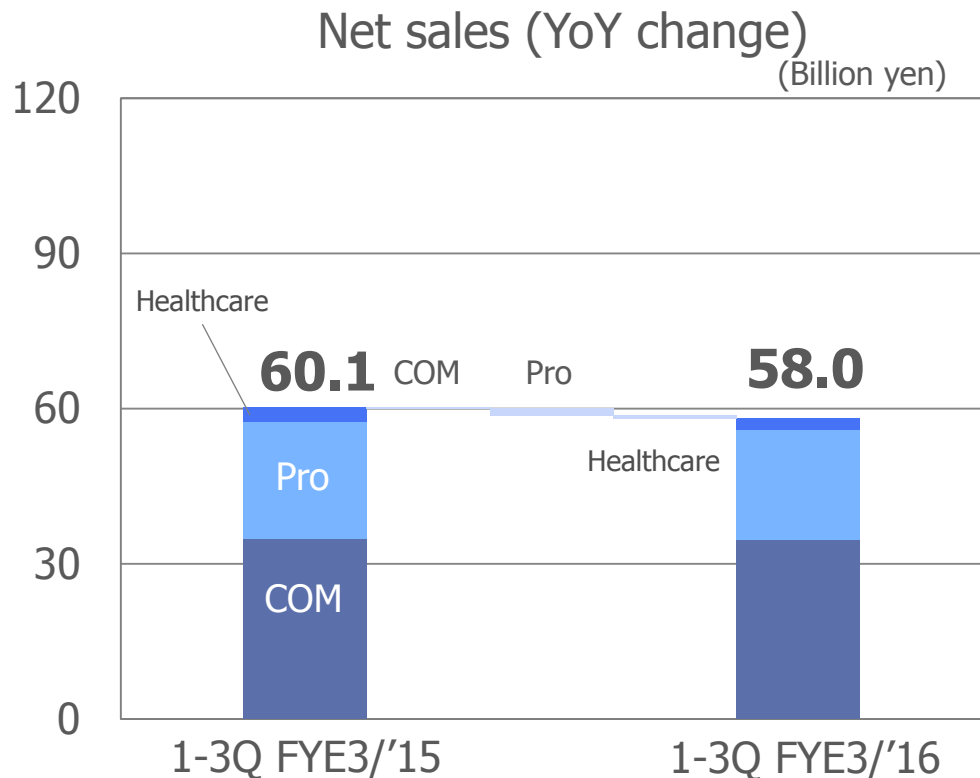
Operating income (YoY change)



Financial Results for 3Q (1-3Q) of FYE 3/'16

- Public Service sector

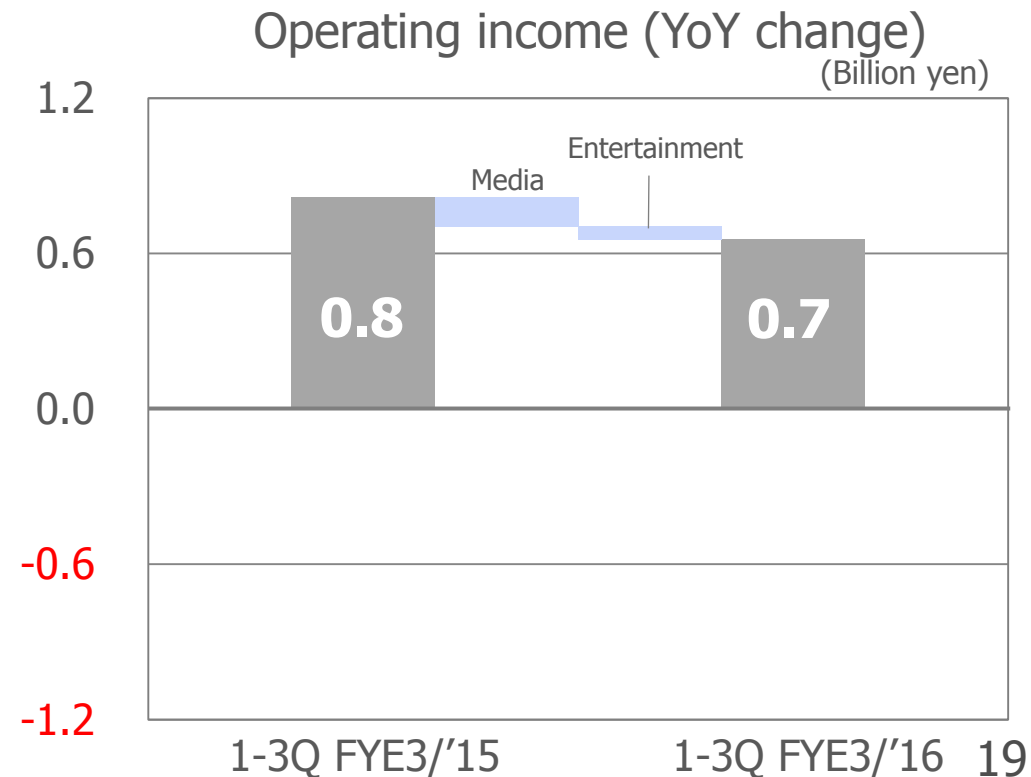
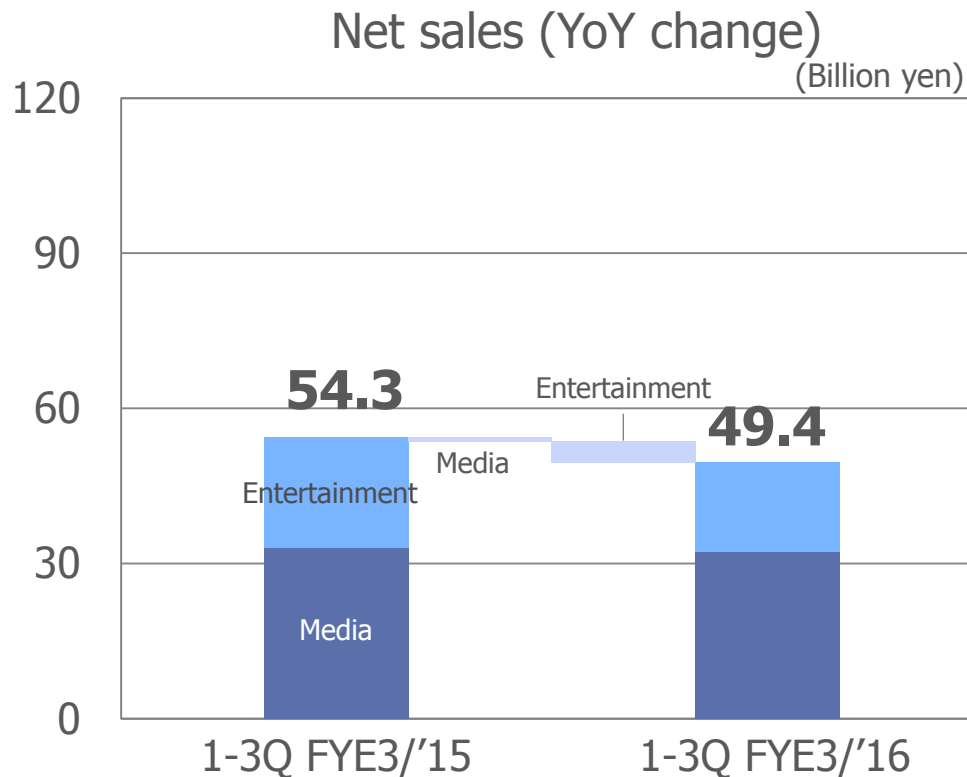
- ❖ **Net sales:** Sales from professional communication systems decreased. Sales from the professional systems business also fell due to the effects of a product lineup reduction for overseas markets, among other factors.
- ❖ **Operating income:** Income from communication systems decreased despite a business performance recovery by the U.S. communication systems subsidiary. Income from professional systems rose due to a reduced lineup of unprofitable products.



Financial Results for 3Q (1-3Q) of FYE 3/'16

- Media Service sector

- ❖ **Net sales:** Sales in the Media Service sector decreased due to lower sales of professional camera products, among other factors. Sales decreased in the Entertainment segment due to the transfer of all shares of Teichiku, among other factors.
- ❖ **Operating income:** Income in the Media Service sector decreased due to the effects of lower sales. Income decreased in the Entertainment segment due to the effects of transferring all shares of Teichiku.



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❖ Results

- Achieved overall operating profitability as expected by management
- As for AM consumer products, a strong performance was achieved by navigation systems in Japan as well as audio and display audio products in the U.S.
- In the AM factory-installed products category, a better-than-expected performance was recorded by ASK, enjoying strong sales to European automotive companies, and by Shinwa, posting strong sales to Chinese automotive companies
- Our U.S. communication systems subsidiary achieved a recovery in business performance (attaining non-consolidated profitability for the October-to-December 2015 quarter)

❖ Challenges

- Response to the increased development costs in the AM dealer-installed and factory-installed options and cost reductions
- Reconstruction of merchandise and sales strategy for PS communications systems

Measures in the fourth quarter

Measures to expand sales and increase profits in a significant manner

❖ AM consumer products

- Maximize sales through model changeovers for navigation and display audio products, including Apple CarPlay-compatible new navigation products unveiled at the CES 2016 event

❖ PS communications systems

- Fully introduce the general-use digital mobile radio devices launched in December 2015
- Expand sales of professional digital radio systems for the public safety sector (P25) via U.S. dealer networks, based on the initiative for rebuilding our sales structure done at the end of the second quarter
- Win new major orders by fully introducing the second-generation network system of the digital radio system for the private sector (NEXEDGE), among other efforts
- Maximize sales during the IWCE 2016 radio equipment exhibition event (March), the biggest sales opportunity of its kind in the U.S.

❖ MS entertainment

- Roll out large-scale works by major artists, among other steps

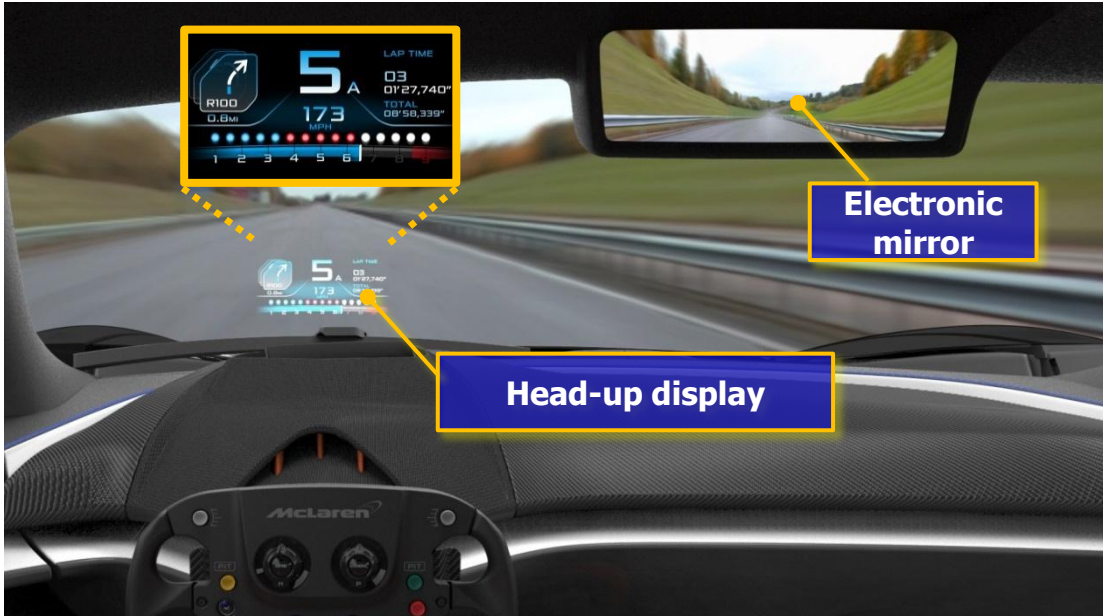
AM sector measures

❖ Developing innovative digital cockpit systems

- Unveiled and exhibited a new concept-based model at the CES 2016 event
 - Equipped with All in One Head Up Display, a function leveraging our various core technologies, as a means of minimizing the driver's line of sight movements while driving
- Contributing to creating a safe and secure motorized society through promoting mounting and use for practical cars
 - Shifting to mass production, starting from fiscal year ending March 2018



Show car based on the McLaren 675LT model



Digital cockpit system using All in One Head Up Display 23

AM sector measures

- ❖ The 10th anniversary of collaboration with Garmin Ltd., a major car navigation system company
 - Become more competitive in the consumer market
 - Provide products compatible with Apple CarPlay and Android Auto, thus delivering comfortable maneuverability and a superior entertainment environment
 - Pursue factory-installed and dealer-installed product operations while leveraging our product reliability and multi-language functions
 - Make solution proposals to automotive companies for combination with digital cockpit system



The DNX893S overseas model for 2016 that is compatible with Apple CarPlay and Android Auto



10th anniversary logo

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❖ Retain our full-year earnings forecast

- Achieved profitability for first nine months. Domestic sales of AM consumer products remained strong, as in the first half of FYE 3/'16, and the business performance of the U.S. PS communication systems subsidiary recovered, among other factors.
- For the fourth quarter of FYE 3/'16, the Company will likely maximize sales of AM consumer products through new product rollouts. It will also probably continue its measures to rebuild the PS communication systems business and see the U.S. communication systems subsidiary realize a steady earnings recovery, among other moves, each in line with its expectations.

	(Billion yen)			
	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
FYE3/'16 <small>(Announced on Oct. 30, 2015)</small>	295.0	4.5	1.0	1.5
FYE3/'15	285.0	6.6	3.2	4.7

* Assumed FX rate for FYE 3/'16: 1 USD = JPY 120, 1 Euro = JPY 128
Actual FX rate for FYE 3/'15: 1 USD = JPY 110, 1 Euro = JPY 139

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