

Translation for Reference Only

JVCKENWOOD
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JVCKENWOOD

Results and Forecasts Briefing

Fiscal Year Ended March 2016

JVCKENWOOD Corporation

May 2, 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. Zetron: Zetron, Inc.
MS	Media Service sector Media (Business) Entertainment (Business)

- 1. Overview of financial results for FYE 3/'16**
- 2. Post-management integration business review and our new management structure**
- 3. Full-year earnings forecast for FYE 3/'17**
 - **Priority measures for FYE 3/'17**
 - **Examples of resource utilization initiatives**

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 - Priority measures for FYE 3/'17
 - Examples of resource utilization initiatives

Financial Results for FYE 3/'16 Summary

- ❖ **Net sales:** Increased due to business acquisition effect. (approx. JPY 17.5 billion)
- ❖ **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 start of the term plan, in addition to other factors such as foreign exchange fluctuations.
- ❖ **Ordinary income:** Decreased mainly due to lower operating income.
- ❖ **Net income:** Decreased due to lower ordinary income and the recording of extraordinary loss resulting from impairment recognition in spite of the posting of income taxes-deferred arising from the posting of deferred tax assets.
- ❖ **Dividend:** Pay a dividend of 5 yen per share (year-end dividend), unchanged from the previous fiscal year.

	(Billion yen)			
	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
FYE3/'16	292.2	4.2	1.0	3.2
FYE3/'15	285.0	6.6	3.2	4.7
YoY	+7.2	(2.3)	(2.2)	(1.5)

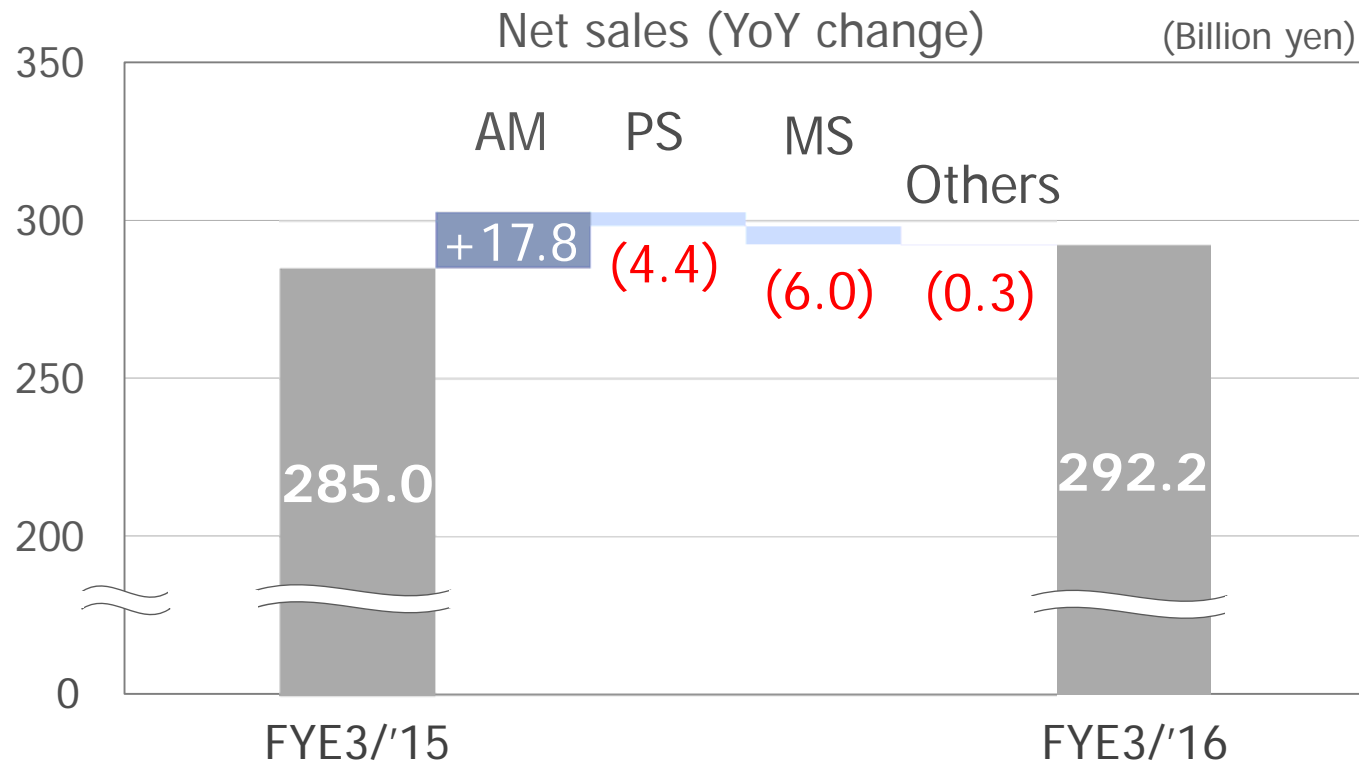
Profit-and-loss exchange rates		1Q	2Q	3Q	4Q	1-4Q		1Q	2Q	3Q	4Q	1-4Q
FYE3/'15	USD	JPY 102	JPY 104	JPY 114	JPY 119	JPY 110	FYE3/'16	JPY 121	JPY 122	JPY 121	JPY115	JPY120
(Approx. rate)	EUR	JPY 140	JPY 138	JPY 143	JPY 134	JPY139	(Approx. rate)	JPY 134	JPY 136	JPY 133	JPY127	JPY133

Financial Results for FYE 3/'16

Consolidated Net Sales (By Segment)

❖ Results for FYE 3/'16: JPY 292.2 billion
(increase of 2.5% YoY) [Increase in sales]

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

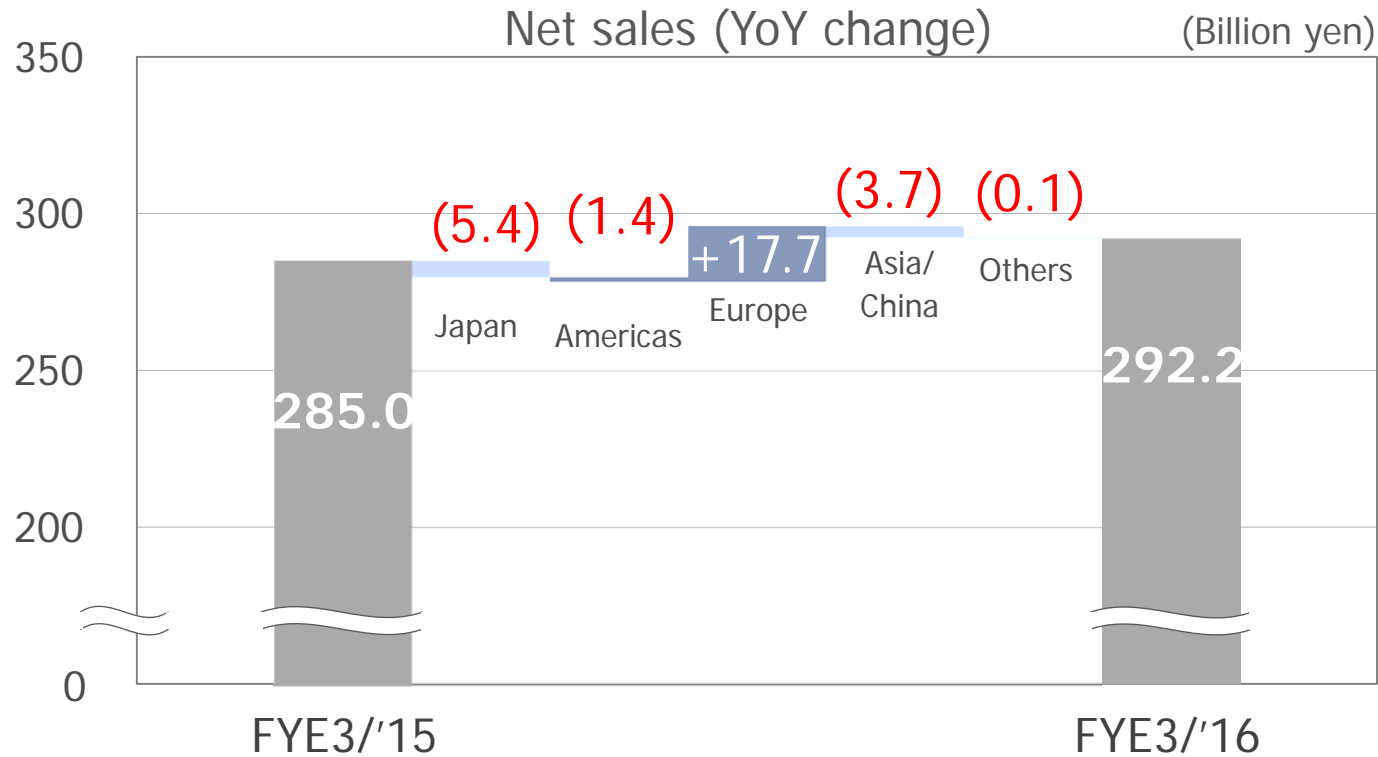


Financial Results for FYE 3/'16

Consolidated Net Sales (By Region)

❖ Results for FYE 3/'16: JPY 292.2 billion (increase of 2.5% YoY) [Increase in sales]

- **Japan:** Sales decreased due to the effects of transferring all shares of Teichiku although sales of AM dealer-installed options increased.
- **Americas:** Sales decreased due to the declining sales of communication devices in spite of a strong performance by AM consumer products and a recovery in business performance of the U.S. communication systems subsidiary.
- **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 amid an economic downturn in the Middle and Near East.

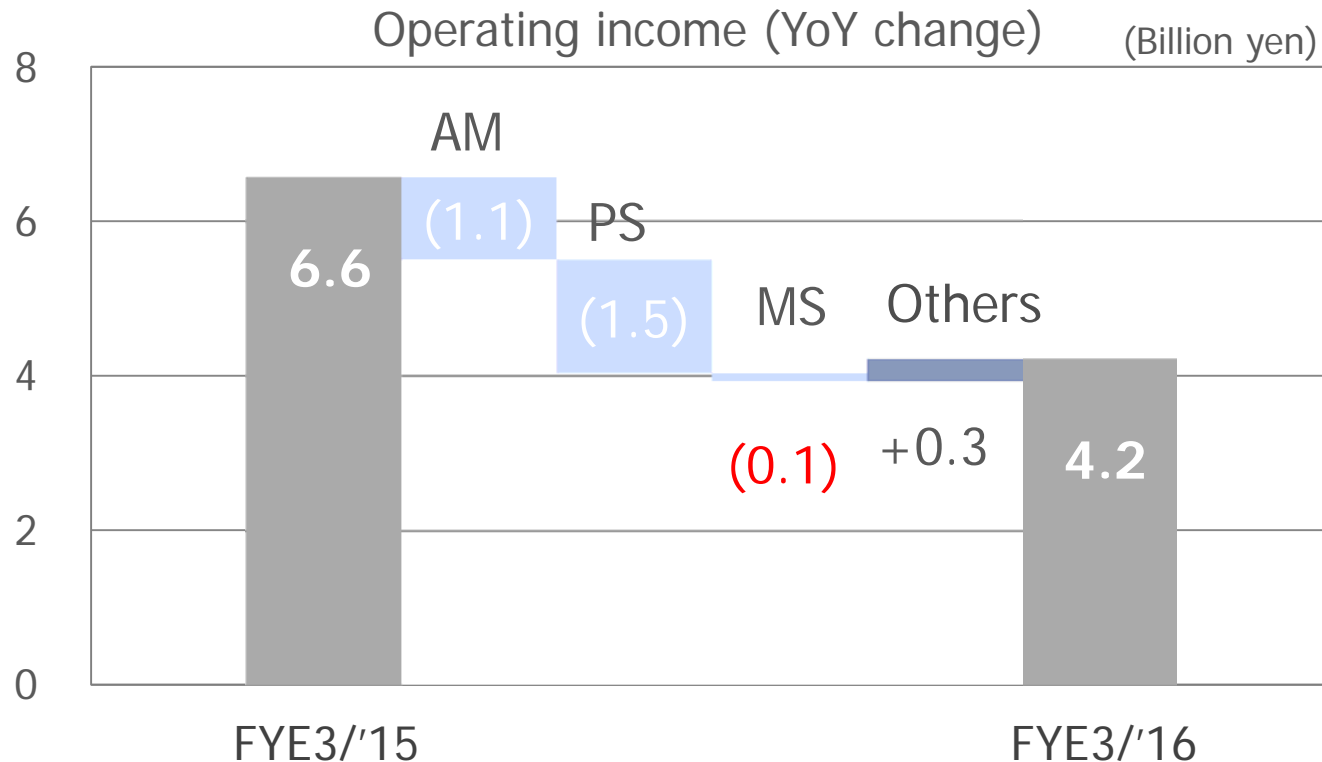


Financial Results for FYE 3/'16

Consolidated Operating Income (By Segment)

❖ Results for FYE 3/'16: JPY 4.2 billion
(decrease of JPY 2.3 billion YoY) [Decreased income]

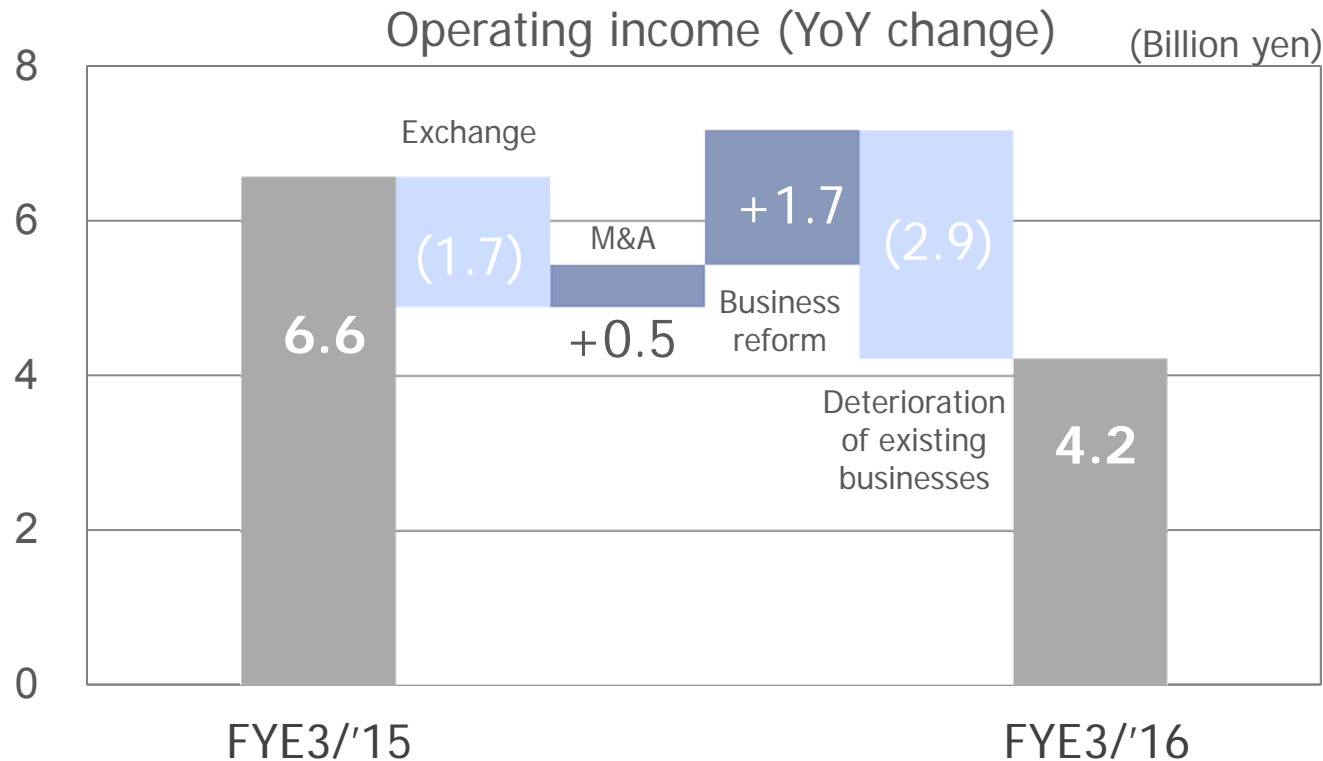
- **AM**: Income decreased due to such factors as an increase in advanced development costs for dealer-installed and factory-installed options, which were not included in the plan set at the beginning of the term.
- **PS**: Income of the entire PS business decreased due to the decline in income of COM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



Financial Results for FYE 3/'16

Consolidated Operating Income (By Factor)

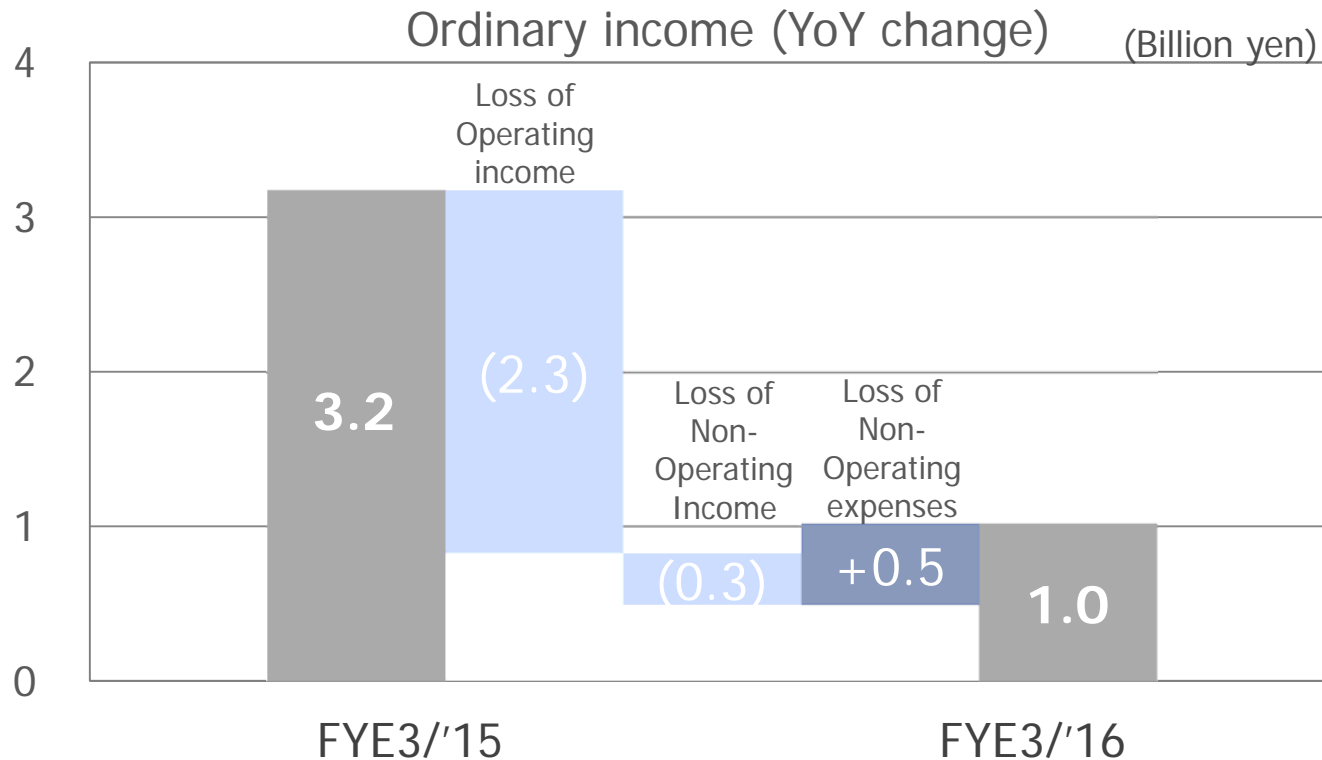
- ❖ Operating income from existing businesses decreased by approx. JPY 2.9 billion due to factors other than those included in the plan set at the beginning of the term, such as effects of foreign exchange fluctuations and M&As.
 - **AM:** Affected by increased development costs for AM dealer-installed 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 PS COM business including the U.S. communication systems subsidiary



Financial Results for FYE 3/'16

Consolidated Ordinary Income

- ❖ Results for FYE 3/'16: JPY 1.0 billion
(decrease of JPY 2.2 billion YoY) [Decreased income]
 - Ordinary income decreased mainly due to decreased operating income.

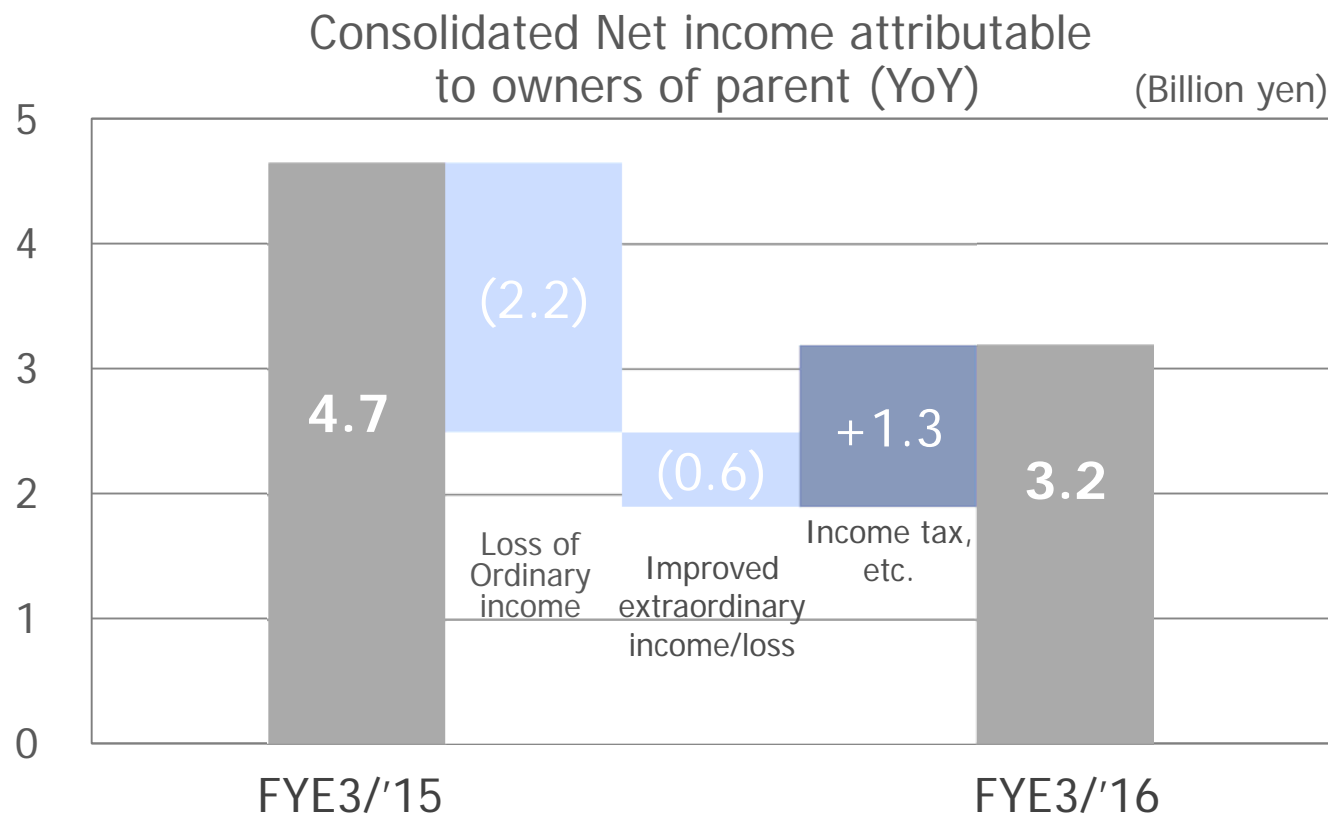


Consolidated Net Income Attributable to Owners of Parent

❖ Results for FYE 3/'16: JPY 3.2 billion yen

(decrease of JPY 1.5 billion YoY) [Decreased income]

- Net income decreased due to a decline in ordinary income and to the recording of extraordinary loss resulting from impairment recognition for a Japan-based plant. This was despite the posting of income taxes-deferred arising from posting of deferred tax assets for the U.S. subsidiary.



Financial Results for FYE 3/'16

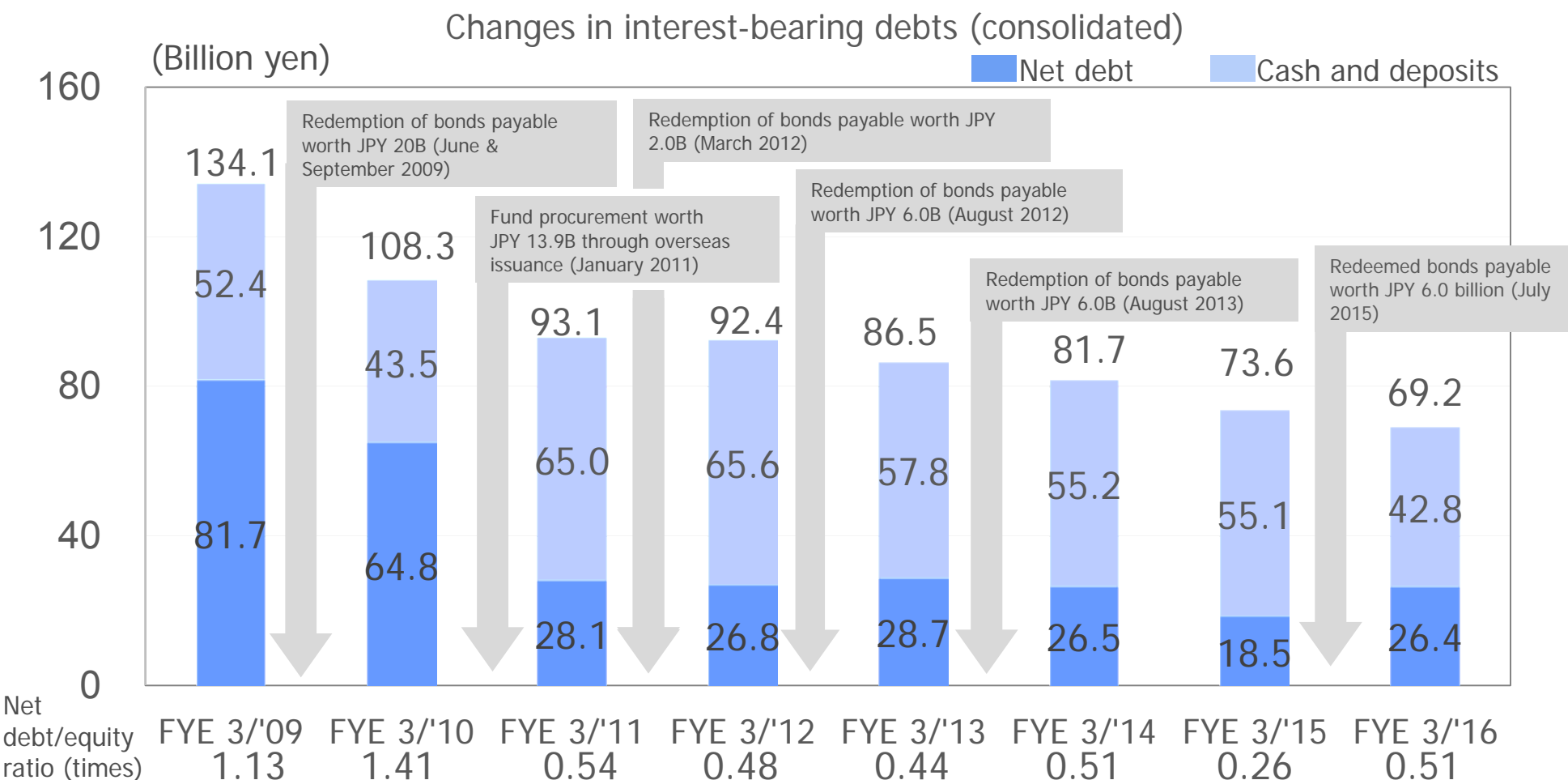
Balance Sheet Summary

- ❖ **Total assets:** Decreased due to: 1) a decline in cash and deposits as a result of an acquisition of ASK shares and additional acquisition of Shinwa shares as well as a redemption of bonds payable; 2) a decline in assets for retirement benefit.
- ❖ **Interest-bearing debts (sum of borrowings and bonds payable):** Decrease of JPY 4.4 billion
- ❖ **Shareholders' equity ratio:** Dropped 5.6 percentage points to 20.2% due to a decrease in net assets, and other reasons

	End of FYE3/'15	End of 3Q FYE3/'16	(Billion yen) Change from the previous year-end
Total assets	278.7	255.9	(22.8)
Interest-bearing debts	73.6	69.2	(4.4)
Net debt	18.5	26.4	+7.9
Net debt/equity ratio (times)	0.26	0.51	+0.25
Capital surplus	45.6	45.3	(0.3)
Retained earnings	22.2	24.7	+2.5
Net assets	79.2	56.8	(22.4)
Shareholders' equity	71.8	51.6	(20.2)
Shareholders' equity ratio (%)	25.8	20.2	(5.6)

Interest-bearing Debts

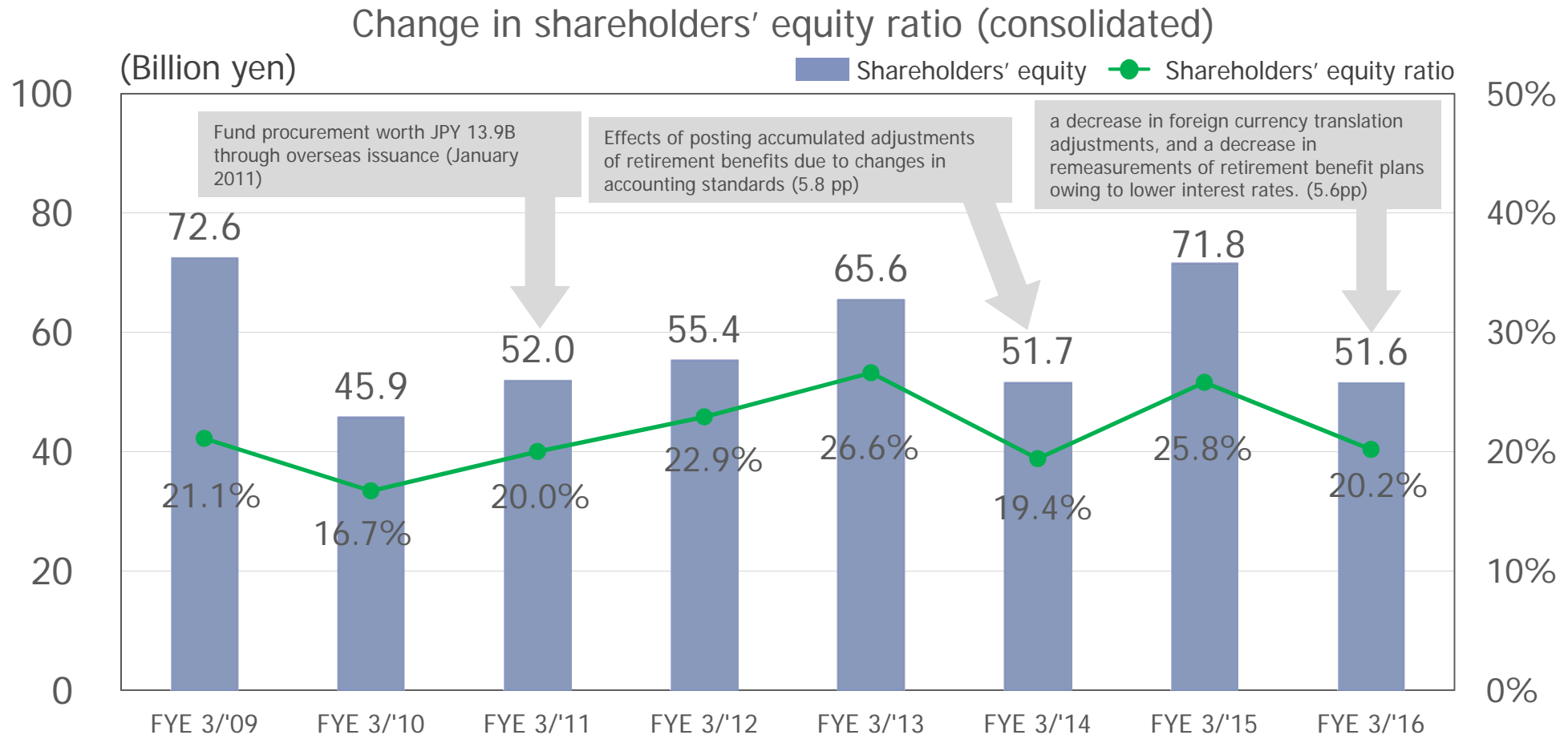
- ❖ Interest-bearing debts decreased due to the completion of redemption of bonds payable.
- ❖ Balance of long-term and short-term debts improved due to refinancing that was conducted. Financial expenses are expected to decrease by half in the next term.
- ❖ Net debt increased as a result of decreased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



Financial Results for FYE 3/'16

Shareholders' Equity Ratio

- ❖ Although shareholders' equity increased year on year, shareholders' equity ratio dropped 5.6 percentage points. This was due to a decrease of JPY 7.4 billion in foreign currency translation adjustments, as a result of the yen's appreciation, as well as to a decrease of JPY 14.3 billion yen in remeasurements of retirement benefit plans owing to lower interest rates.



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

Financial Results for FYE 3/'16

Cash Flow Summary

- ❖ Although cash flows from operating activities increased, cash flows from investing activities decreased due to increases in expenditures for purchases of property, plant and equipment in addition to making ASK a subsidiary.

(Billion yen)

	FYE 3/'14	FYE 3/'15	FYE 3/'16
Cash flow from operating activities	14.9	8.6	12.3
Cash flow from investing activities	(10.7)	(3.9)	(8.4)
Cash flow from financing activities	(9.6)	(7.5)	(15.0)
Free cash flow	4.3	4.7	3.9

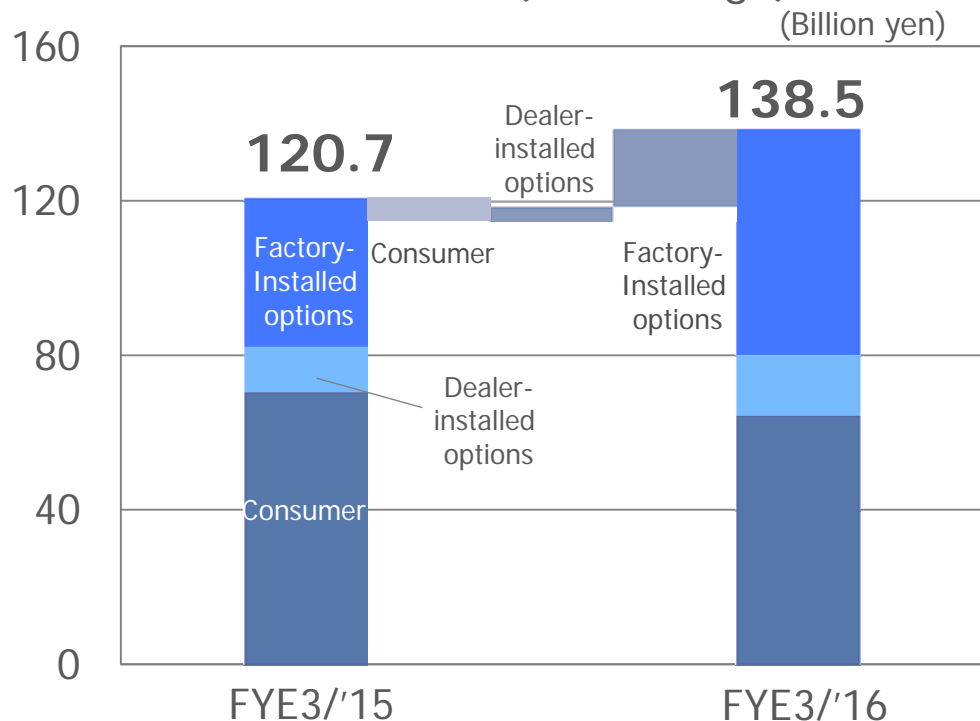
* Free cash flow = Cash flow from operating activities + Cash flow from investing activities

(Reference)

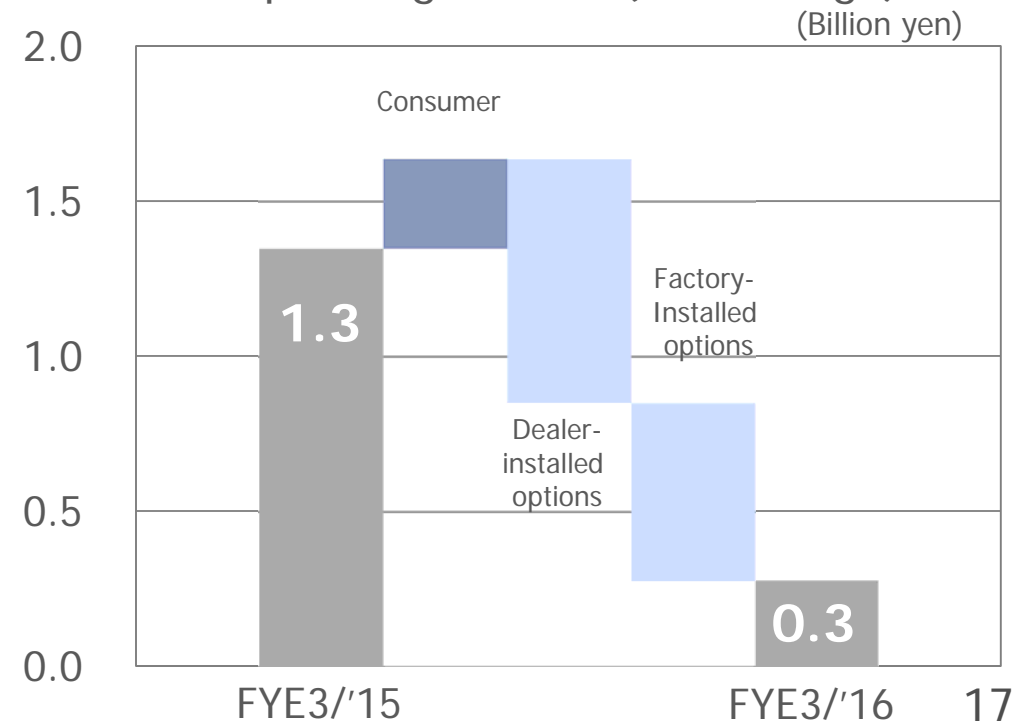
information for FYE 3/'16 by Sector

- ❖ **Net sales:** Increased due to the start of shipment of dealer-installed products for new customers and to higher sales of factory-installed products owing to converting ASK into a consolidated subsidiary.
- ❖ **Operating income:** Increased due to strong performance in Japan and the Americas although income from the consumer business was affected by lower sales. Income from dealer-installed products decreased due to an increase in costs for advanced development. Income from factory-installed products decreased due to increased development costs incurred owing to next-generation businesses and new orders received.

Net sales (YoY change)



Operating income (YoY change)

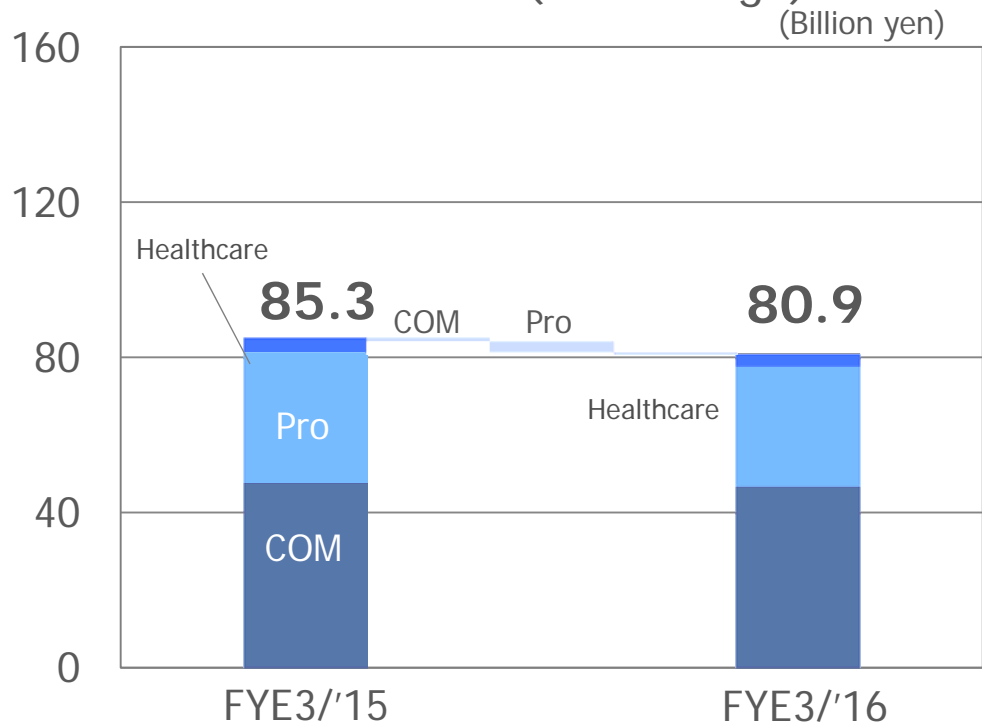


Financial Results for FYE 3/'16

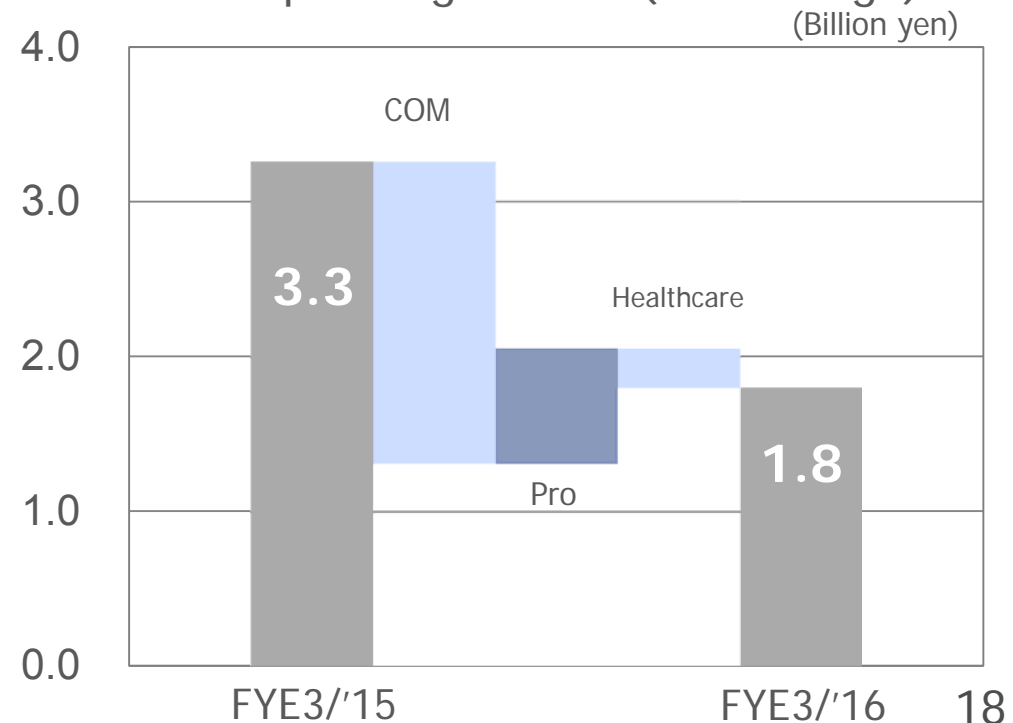
Public Service sector

- ❖ **Net sales:** Sales from the COM business decreased due to lower sales of professional communication devices. 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 the COM business decreased due to the effects of lower sales caused by a decline in sales of professional communication devices in spite of a recovery by the U.S. communication systems subsidiary. Income from professional systems rose due to a reduced lineup of unprofitable products and to the effects of cost reduction.

Net sales (YoY change)

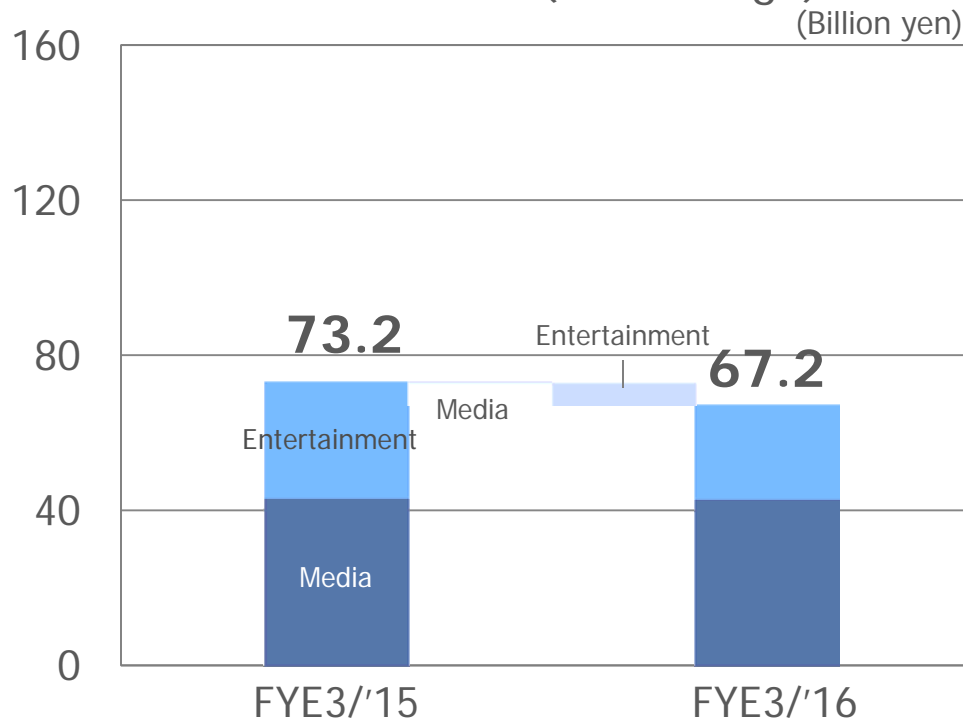


Operating income (YoY change)

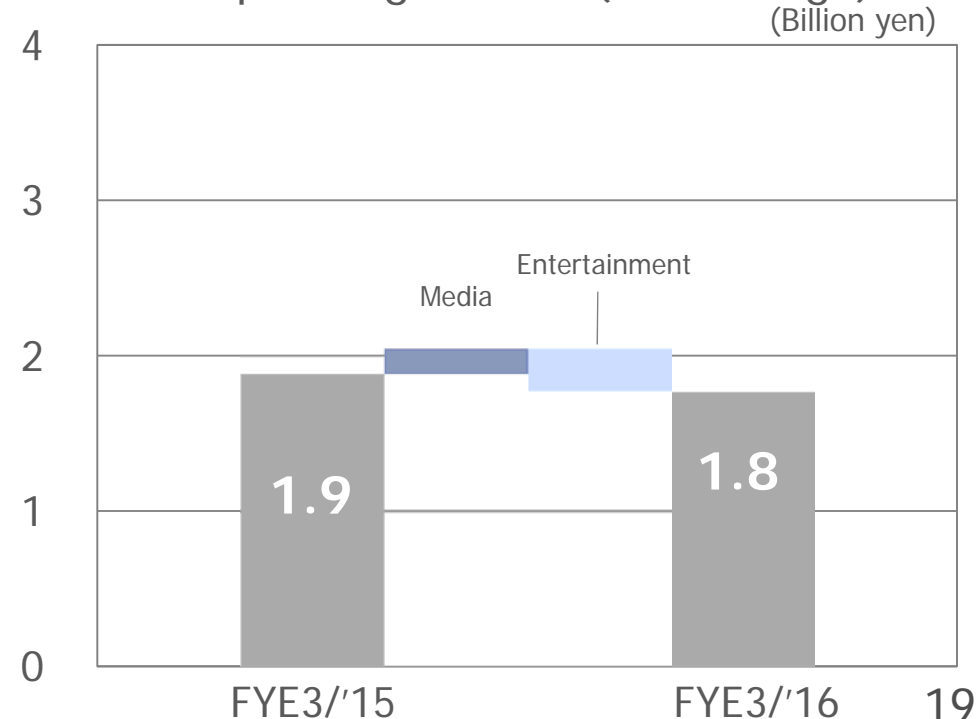


- ❖ **Net sales:** Sales in the Media Service sector were flat year on year due to lower sales of consumer camera products as a result of a product lineup reduction, although sales of projectors recovered in the second half of the term. Sales decreased in the Entertainment segment due to the transfer of all shares of Teichiku, among other factors.
- ❖ **Operating income:** Income in the Media Service sector increased due to an improving mix for consumer cameras and reduced loss for video devices resulting from higher sales. Income decreased in the Entertainment segment due to the effects of transferring all shares of Teichiku.

Net sales (YoY change)



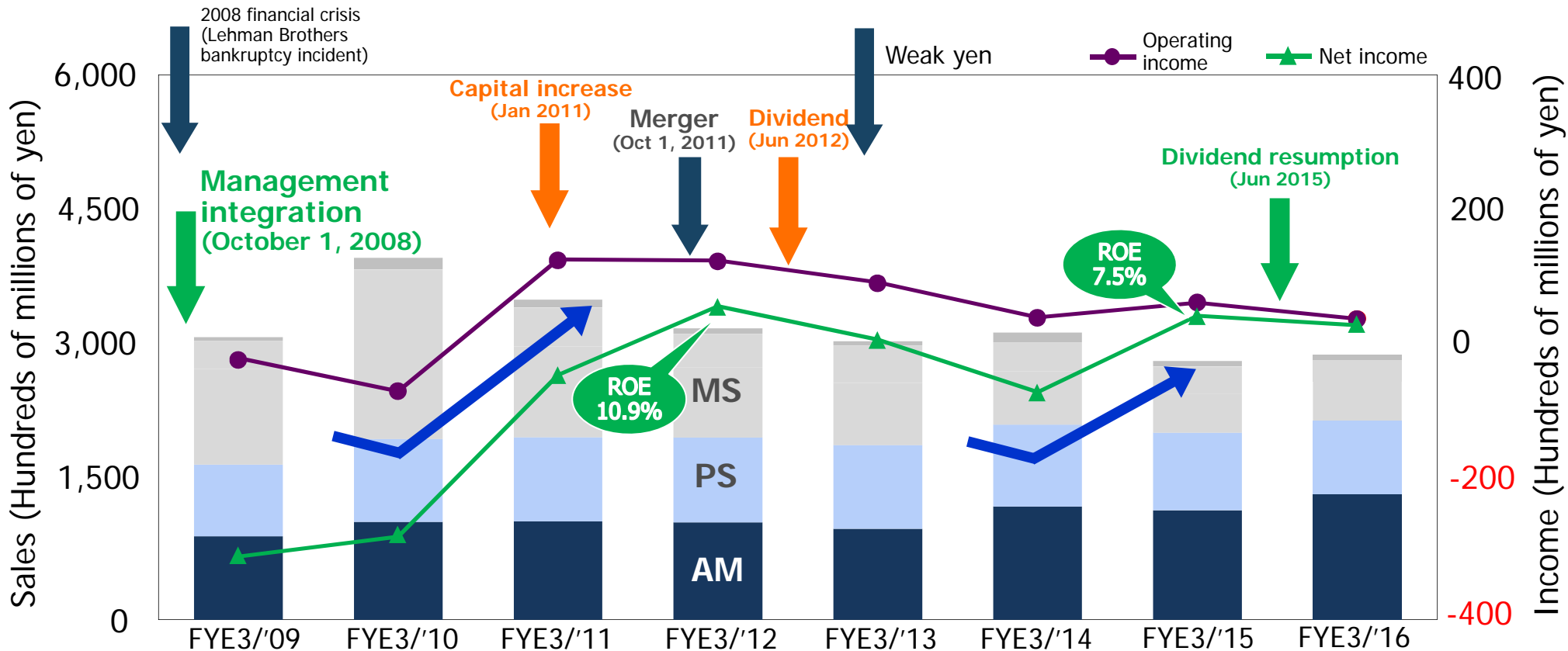
Operating income (YoY change)



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Post-management integration business performance

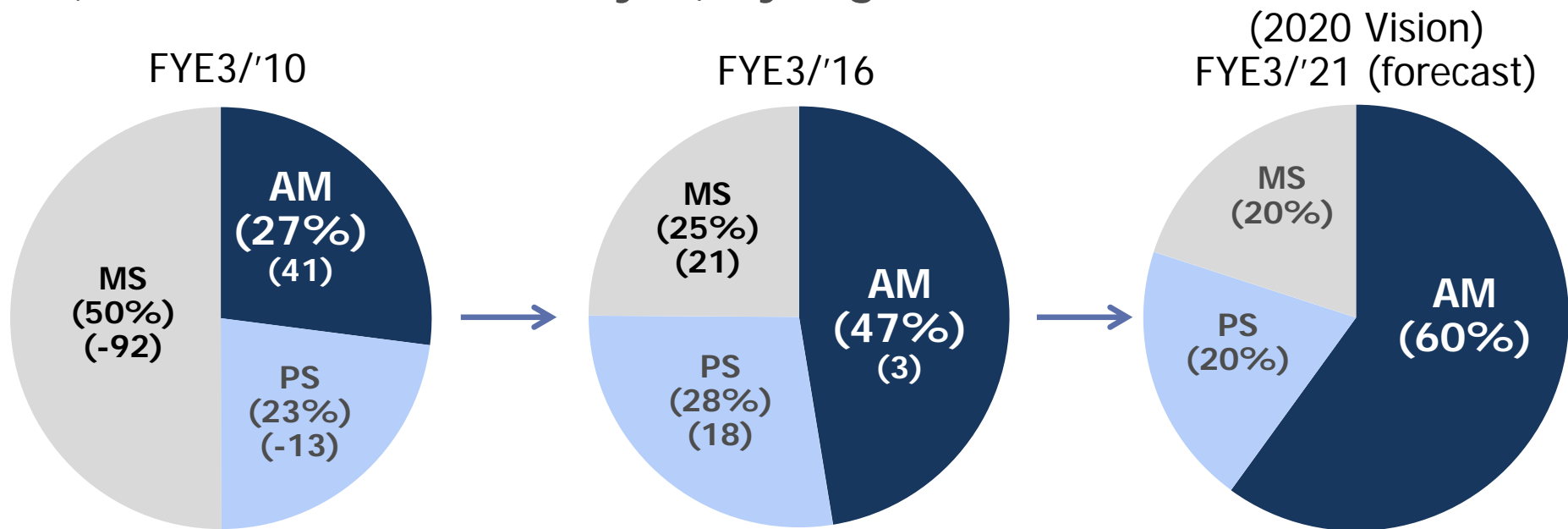
- ❖ Completion of structural reform, V-shaped recovery (FYE 3/'11) and merger (October 1, 2011)
- ❖ Achievement of net profitability, start of dividend payment and completion of our turnaround initiative (FYE 3/'12)
- ❖ Takeoff towards further growth upon a global structural reform and through such initiatives as a business structure shift from (analog) consumer electronics products to (digital) solutions as well as development of next-generation businesses and M&A activities



Change in business structure (effects of management integration and merger)

- ❖ From analog consumer electronics products to a new era of optronics, broadband and digital solutions
- ❖ We have almost completed shifting our business structure to a new “shape of the company”, with a view to attaining the “2020 Vision”

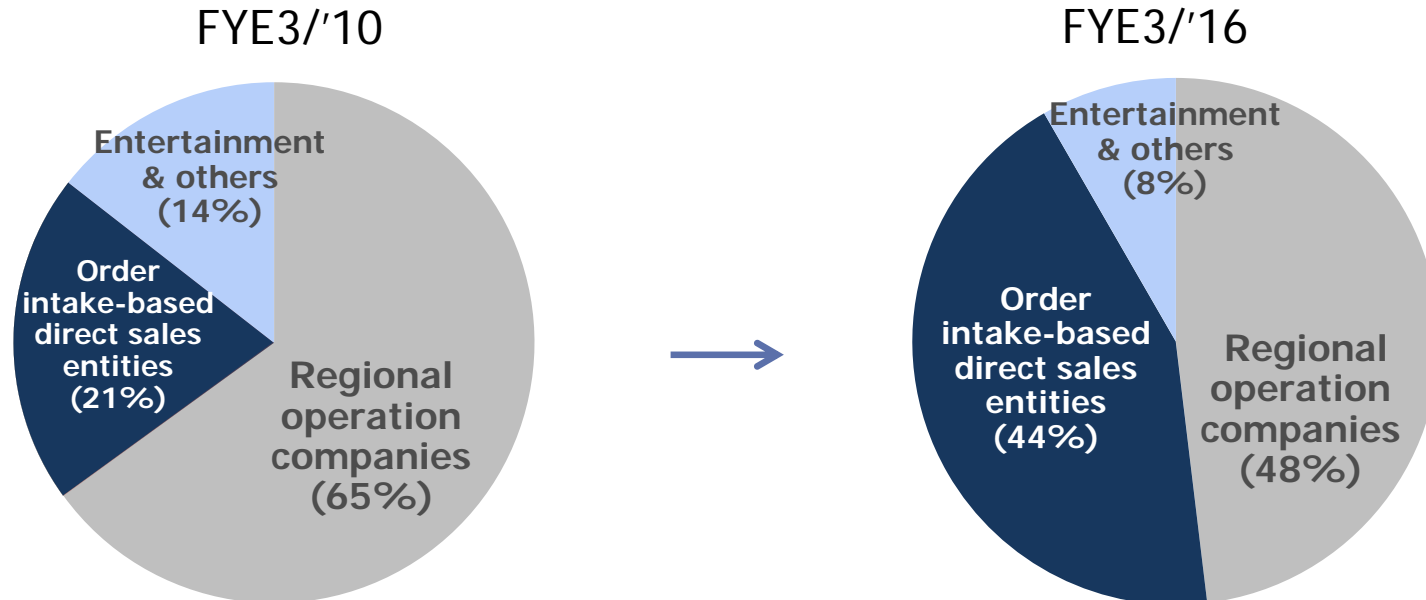
Changes in sales breakdown (percentage) and income (hundreds of millions of yen) by segment



Changes in the proportions of regional operation companies and order intake-based direct sales entities

- ❖ The proportion of order intake-based direct sales has increased
 - Moving closer to becoming a Customer Value Creator Company, with a view to attaining the “2020 Vision”

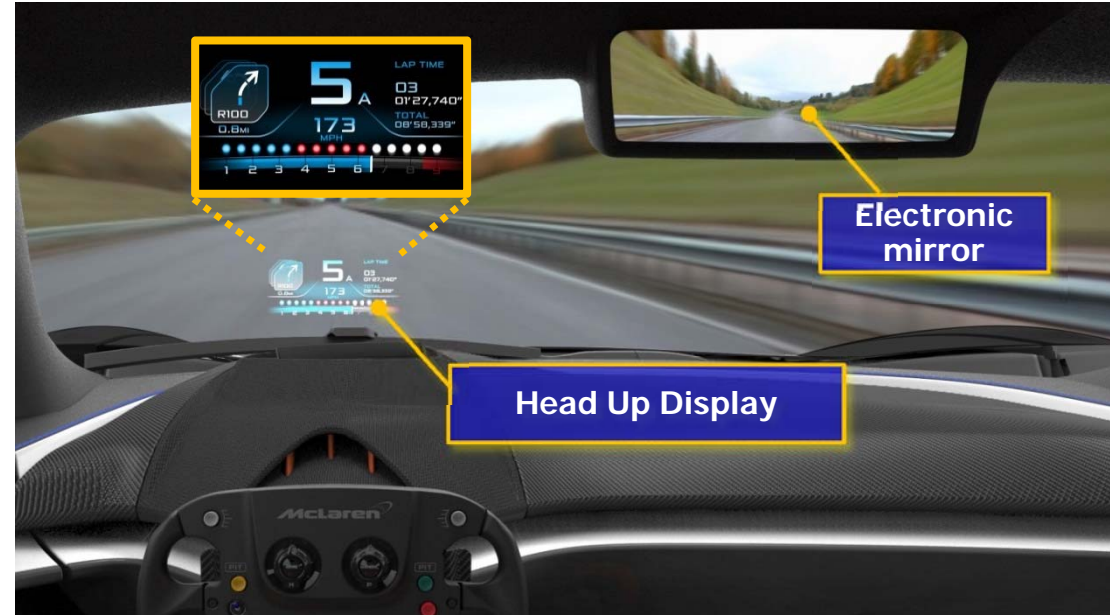
Changes in the proportions of regional operation companies and order intake-based direct sales entities



- ❖ Developing innovative digital cockpit systems
 - Unveiled and exhibited a new concept-based model at the CES 2016
 - 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 of devices and their use for practical cars
 - Will start mass production during FYE 3/'18



Show car based on McLaren 675LT



Digital cockpit system using the All in One Head Up Display feature

- ❖ Short- to medium-term view: Use NXDN and P25-based products as flagship offerings to cater for customer demand for replacing analog devices with digital devices
 - Use NXDN, an independently developed product, to cater for private-sector companies' demand for digital communication devices
 - Expand sales of digital systems for the market for public security device products compliant with North American standards (P25) on the back of the acquisition of EFJT (March 2014)

- ❖ Medium- to long-term view: Accelerate the development and commercialization of next-generation businesses in the market for broadband professional communication devices for public security in North American and European markets
 - Business partnership with Airbus Group companies of France
 - Development of broadband multimedia solutions in collaboration with Zetron



- ❖ Apply skills accumulated through consumer device business to car-mounted camera products, a category that is now in a rapid growth stage
 - Established a mass production platform with the completion of a new Thailand plant (July 2015)



- ❖ Accelerate the development and commercialization of new products in the professional video camera field
 - Developed 4K-enabled remote camera system for the video production field jointly with Bradley of the UK
 - Develop and deliver coaching and decision aid systems as a new business line for top-level sports
 - Propose an IoT service concept in collaboration with our business partners at NAB 2016, the world's biggest broadcasting hardware exhibition

- ❖ Move key device production in-house
 - Achieve differentiation by moving in-house CMOS sensor, a core technology for optical devices
 - Commence mass production of large-sized sensor products



Video production-field 4K-enabled remote camera system developed jointly with Bradley of the UK

Reform our Company Profile via M&A deals

- ❖ Net sales: Up approx. JPY68.0 billion via acquired businesses and down approx. JPY 26.0 billion via business sales

Sector	Description	Timing	Purpose
AM (540)	Converted Shinwa International Holdings Limited into a subsidiary	'13/6	Expand and bolster our car-mounted mechatronics and device businesses
	Established cartomo inc. as a joint venture with ZMP	'13/7	Promote our car telematics business and the like
	Took equity participation in ZMP	'13/12	
	Converted ASK of Europe into a subsidiary	'15/4	Obtain a platform for expanding our factory-installed option business
PS (±0)	Converted Zetron of the US into a subsidiary	'07/5	Reinforce our wireless communication total system business
	Succeeded to the information equipment business of Totoku Electric Co., Ltd.	'13/7	Enter the healthcare business market on a full scale. EMS in the AM sector
	Converted EF Johnson of the US into a subsidiary	'14/3	Step up the North American P25 professional wireless communication business
	Sold Kenwood Geobit Corporation	'14/3	Develop next-generation businesses and reform our Company Profile
MS (-120)	Converted AltaSens of the US into a subsidiary	'12/8	Acquire CMOS image sensor technology
	Sold JAI	'14/6	Develop next-generation businesses and reform our Company Profile
	Sold Teichiku	'15/4	New partnership with XING Inc.
Overall company	Took equity participation in venture capital company WIL Fund	'14/1	Reinforce our partnership with promising venture companies in and outside Japan

■ : Acquisition and equity participation □ : Sales

() Change in sales: Hundreds of millions of yen

New management team (after the June 2016 Ordinary General Shareholders' Meeting)

- ❖ Strive to turn our vision into reality through our future growth by transitioning to a next-generation management given that our integration, merger and rebuilding processes have been completed and our operations have been stabilized

■ Director of the Board (External), Chairman of the Board	Yasuyuki Abe	
■ President, Representative Director of the Board and CEO*1	Takao Tsuji	
■ Representative Director of the Board, Deputy President & Executive Officer	Kazuhiro Aigami	(In charge of Public Services Sector and Regional CEO, America)
■ Representative Director of the Board, Deputy President & Executive Officer	Shoichiro Eguchi	(CEO, Europe)
■ Representative Director of the Board, Deputy President & Executive Officer	Seiichi Tamura	(In charge of Media Services Sector and CSO*2)
■ Director of the Board, Executive Vice President & Executive Officer	Yasuyuki Tanida	(In charge of Automotive Sector, CIO*3 and CPO*4)
■ Director of the Board (External)	Junichi Hikita	
■ Director of the Board (External)	Masanori Yoshiumi	
■ Director of the Board, Advisor	Haruo Kawahara	

*1 CEO: Chief Executive Officer, *2 CSO: Chief Strategy Officer, *3 CIO: Chief Innovation Officer, *4 CPO: Chief Production Officer

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Full-year earnings forecast for FYE 3/'17

- ❖ For FYE 3/'17, sales and profits of the AM sector, a growth-leading business, will likely increase due to a full-scale launch of product shipments to new customers in the OEM business.
- ❖ Sales and profits of the PS sector, a profit-base business, are likely to increase as the U.S. communication systems subsidiary will probably achieve higher sales although professional communication devices sales are expected to decline due to reduced crude oil prices.
- ❖ As a result, the Company's overall sales and profits will likely grow for FYE 3/'17 despite the effects of potential foreign exchange fluctuations and higher retirement benefit expenses, coupled with lower sales and profits for the MS sector.

(Billion yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
FYE3/'17	295.0	4.8	3.3	0.3
FYE3/'16	292.2	4.2	1.0	3.2
YoY	+2.8	+0.6	+2.3	(2.9)

* Assumed FX rate for FYE 3/'17:
Actual FX rate for FYE 3/'16:

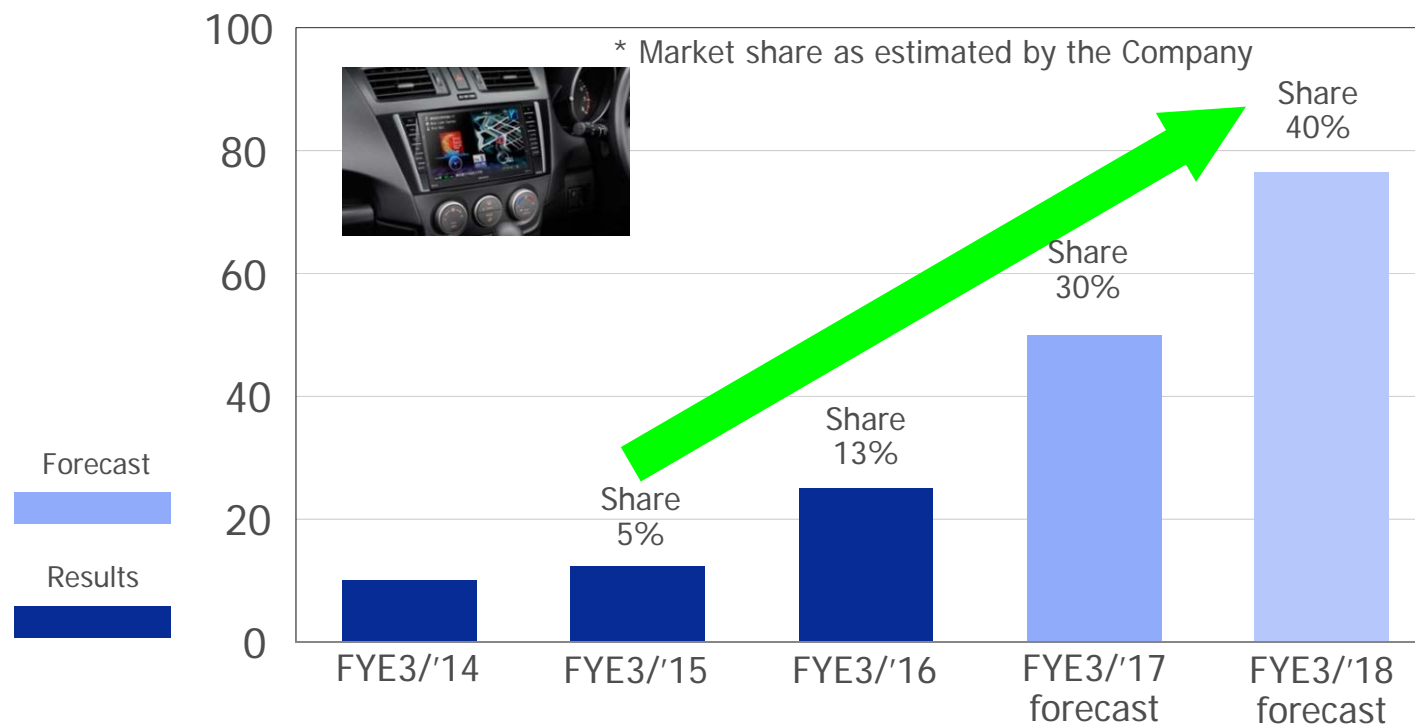
1 USD = JPY 115, 1 Euro = JPY 125
1 USD = JPY 120, 1 Euro = JPY 133

- ❖ AM consumer business
 - Expand market share by reinforcing navigation and drive recorder product lineup in the strong domestic market
 - Secure a superior position in overseas markets by expanding display audio products

- ❖ OEM business
 - Accelerate the efforts to further develop the OEM business by expanding dealer-installed options products that drive short- to medium-term growth
 - Achieve improved efficiency by running dealer-installed and factory-installed options businesses as an integrated set of OEM operations
 - Save on development costs by unifying platforms
 - Accelerate the efforts to commercialize car optronics business with a view to attaining long-term growth

- ❖ Dealer-installed options OEM business
 - Expand our share in the dealer-installed options market to 30% in FYE 3/'17. Do so based on the assumption that this will likely stand at approx. 1.8 million units, more or less flat year on year, before achieving a share of 40% for FYE 3/'18 by continuing order intake activities

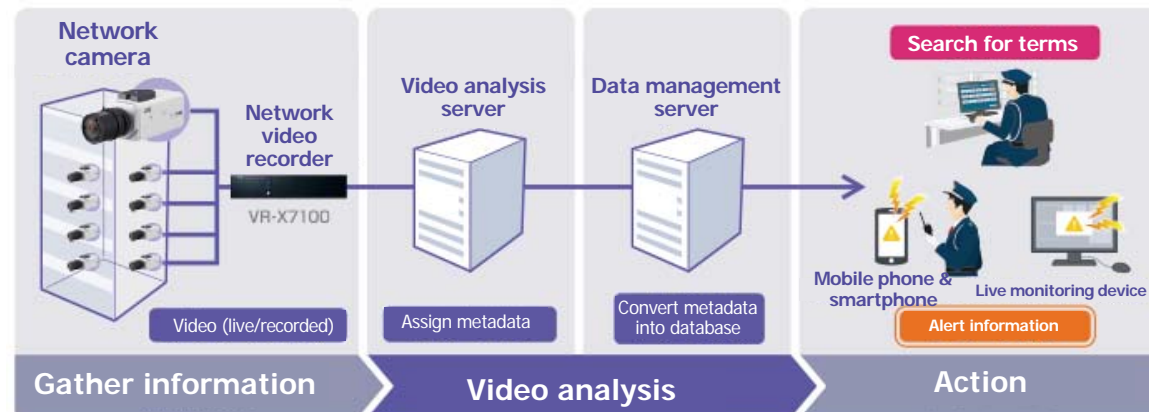
Dealer-installed navigation device products: Results and forecast (tens of thousands of units)



- ❖ COM business
 - Bolster the development of integrated COM systems through close collaboration among the Company, Zetron and EFJT
 - Step up sales of digital COM products targeting the North American public security device market and private-sector economical-price product market
 - Have EFJT expand its system business and Zetron reinforce its sales
- ❖ Professional systems business
 - JVCKENWOOD Public & Industrial Systems Corporation, a new company set up through a company split, expand its solution business

IVA= Intelligent Video Analytics Intelligent video analysis system

Analyze camera video on a real-time basis, and manage various types of information in the form of event metadata



- ❖ Media business
 - Secure an earnings platform by accelerating the shift from technology and product deployment, coupled with standalone sales, for industrial uses to solution sales
 - Enter the next-generation creation (camera) business and video device business segments on a full-scale basis

- ❖ Entertainment business
 - Expand our artist lineup consisting chiefly of pop talent
 - Step up “Service Delivery-based Business” comprising live event service and goods sales
 - Streamline disk pressing subsidiary JVCKENWOOD Creative Media Corporation by relocating it to the Yokosuka Plant

Examples of resource utilization initiatives

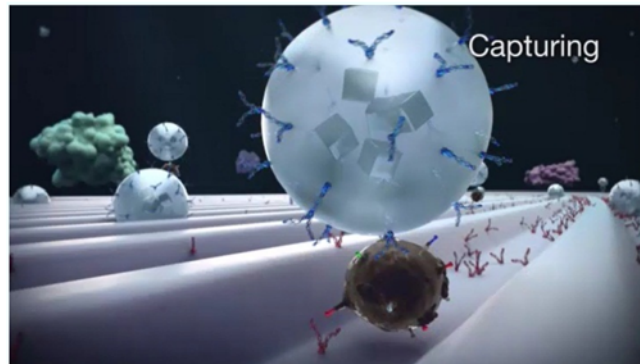
(1) Joint development of diagnostics device with Sysmex Corp.

Disk technology of **JVCKENWOOD** and high sensitivity measuring technology of **sysmex**

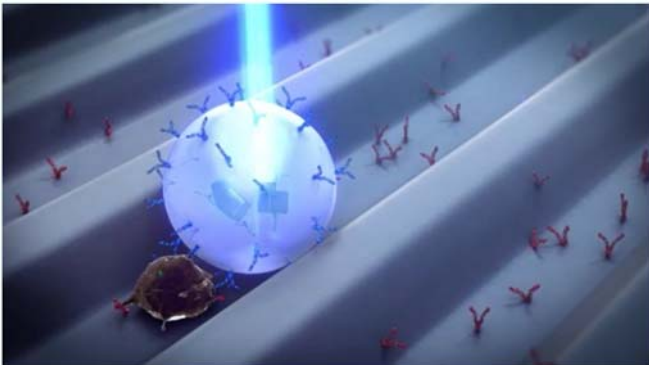
- ❖ Aim to create a minimally invasive system to detect cancer and the like at an early stage by using blood and so on
 - Capture, count and measure vesicle granules called exosomes
 - Create advanced and innovative testing/diagnostic technologies



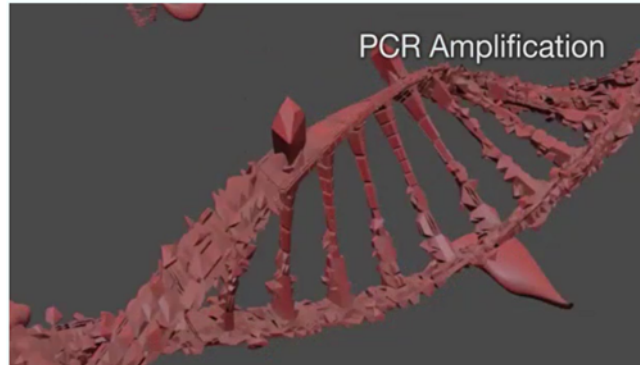
(1) Exosomes (particles secreted by a cell)



(2) Sort out exosomes associated with a disease



(3) Measure the number using the optical disk technology



(4) Measure substances contained in exosomes by employing an advanced measuring technology (Sysmex)



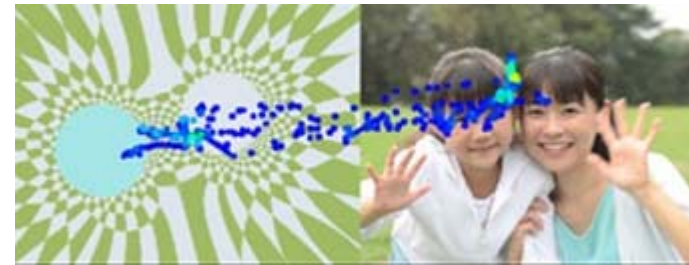
Conceptual image of diagnostic device

Examples of resource utilization initiatives

(2) Gazefinder

Gaze point detection device Gazefinder (now under development)

- ❖ Assist in the early detection of a development disorder
 - Assess the target person objectively and quantitatively by measuring his/her gaze points
- ❖ To be used in a wide range of areas as a driving aid and danger avoidance device



Concept of video of assessment result



Use concept

JVCKENWOOD

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.