TRANSLATION - FOR REFERENCE ONLY -

JVCKENWOOD

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Company:	JVCKENWOOD Corporation
Representative:	Takao Tsuji, Representative Director of the Board, President and CEO (Code: 6632; First Section of the Tokyo Stock Exchange)
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Accounting Report for the First Quarter of Fiscal Year Ending March 2018 (April 1, 2017 – June 30, 2017)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2018 (April 1, 2017 – June 30, 2017)

Operating Results (Millions of yen, except net income per share)

	1st Quarter of FYE 3/2017 April 1, 2016 to June 30, 2016	1st Quarter of FYE 3/2018 April 1, 2017 to June 30, 2017
Net sales	65,699	69,298
Operating income	(1,300)	(261)
Ordinary income	(1,406)	(300)
Net income attributable to owners of parent	(2,676)	(1,195)
Net income per share	(19.26) yen	(8.60)

FYE: Fiscal year ended / ending

Net Sales and Operating Income by Customer industry sectors (Millions of yen)

		1st Quarter of FYE 3/2017	1st Quarter of FYE 3/2018	Year-on-year comparison
Automotive Sector	Net sales	32,584	40,544	+7,960
	Operating income	(532)	1,344	+1,876
Public Service Sector	Net sales	15,812	13,267	(2,545)
	Operating income	(985)	(1,546)	(561)
Media Service Sector	Net sales	16,166	14,161	(2,005)
	Operating income	69	(65)	(134)
Others	Net sales	1,144	1,325	+181
	Operating income	147	6	(141)
Intersegment Sales or Transfer	Net sales	(8)	-	+8
Total	Net sales	65,699	69,298	+3,599
	Operating income	(1,300)	(261)	+1,039
	Ordinary income	(1,406)	(300)	+1,106
	Net income attributable to owners of parent	(2,676)	(1,195)	+1,481

1. Qualitative Information on 1Q Financial Results

(1) Description of Operating Results

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

Looking at the global economy during the first three months of the fiscal year under review, the U.S. economy continued to grow at a moderate pace. In Europe, the economy stayed on a modest recovery path although the outlook remained uncertain due to political risk after the UK's exit from the European Union. In China and other Asian countries, despite subsiding concerns about an economic slowdown, uncertainties arose due to geopolitical risks. In Japan, the economy saw a modest recovery on the back of improved corporate earnings driven by further depreciation of the yen and growth of exports.

Under these circumstances, for the first three months of the fiscal year under review, net sales for the JVCKENWOOD Group increased from the same period a year earlier, due to a significant increase in sales in the Automotive Sector. Profits and losses of the Group as a whole improved year-on-year due to a significant improvement in the Automotive Sector as it turned around from a loss to a profit. As a result, losses of the Group as a whole decreased from the same period a year earlier.

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 Euro	About 111 yen About 122 yen
FY2016 (for reference)	U.S. dollar Euro	About 108 yen About 122 yen

*Net Sales

Net sales for the first three months of the fiscal year under review increased by about 3,600 million yen, or 5.5%, year-on-year to 69,298 million yen.

Net sales in the Automotive Sector increased substantially from the same period a year earlier, reflecting higher net sales in the OEM Business due to a jump in sales. Net sales in the Public Service Sector decreased from the same period of the previous fiscal year, due mainly to lower sales in the Communication Systems Business and the Professional Systems Business. Net sales in the Media Service Sector declined from the same period a year earlier, due to lower sales in the Media Business resulting largely from a decline in sales of consumer video cameras.

*Operating Income

Operating income for the first three months of the fiscal year under review improved by about 1,000 million yen from the same period a year earlier to an operating loss of 261 million yen.

In the Automotive Sector, the OEM Business turned around from a loss to a profit on a significant profit increase. As a result, the Automotive Sector returned to profitability and recorded a substantial profit increase. In the Public Service Sector, operating loss increased from the same period a year earlier, due to lower profits recorded in the Communication Systems Business and the Professional Systems Business. The Media Service Sector recorded lower profits, affected by an increase in losses in the Media Business.

*Ordinary Income

Ordinary income for the first three months of the fiscal year under review improved by about 1,100 million yen year-on-year to an ordinary loss of 300 million yen, reflecting an improvement in operating income/loss.

*Net Income Attributable to Owners of Parent

Net income attributable to owners of parent for the first three months of the fiscal year under review improved by about 1,500 million yen year-on-year to a net loss of 1,195 million yen, due to the improvement in ordinary income/loss.

(Net Sales and Profits and Losses by Business Segment)

Following the change of organizational management classification implemented effective April 1, 2017, JVCKENWOOD transferred the Home Audio Business from the Automotive Sector to the Media Service Sector from the beginning of the first three months of the fiscal year under review.

Business segment information for the first three months of the previous fiscal year shown below has been restated according to the new reporting segment after the change of organizational management classification.

Net sales and operating income (loss) by business segment are as follows.

The total amount of operating income (loss) by business segment is consistent with operating income (loss) shown on the quarterly consolidated statements of income.

Net sales by business segment include inter-segment sales or transfer.

First three months of the fiscal year under review (from April 1, 2017 to June 30, 2017)

(Millions of yen)

Business Segment		First three months of FYE3/'17	First three months of FYE3/'18	Year-on-year comparison
Automotive Sector	Net sales	32,584	40,544	+7,960
	Operating income	(532)	1,344	+1,876
Public Service Sector	Net sales	15,812	13,267	(2,545)
	Operating income	(985)	(1,546)	(561)
Media Service Sector	Net sales	16,166	14,161	(2,005)
	Operating income	69	(65)	(134)
Others	Net sales	1,144	1,325	+181
	Operating income	147	6	(141)
Inter-segment Elimination	Net sales	(8)	-	+8
Total	Net sales	65,699	69,298	+3,599
	Operating income	(1,300)	(261)	+1,039
	Ordinary income	(1,406)	(300)	+1,106
	Net income attributable to owners of parent	(2,676)	(1,195)	+1,481

***Automotive Sector**

Net sales in the Automotive Sector for the first three months of the fiscal year under review increased by about 8,000 million yen, or 24.4%, year-on-year to 40,544 million yen. Operating income grew by about 1,900 million yen to 1,344 million yen, turning around from the loss recorded in the same period a year earlier and making a profit.

(Net Sales)

In the Consumer Business, sales of Saisoku-Navi series car navigation systems and dashcams were strong in the domestic market. However, sales in overseas markets were affected by lower sales in the U.S. market. As a result, net sales in the Consumer Business declined from the same period a year earlier.

In the OEM Business, net sales increased year-on-year due to a jump in sales.

(Operating Income)

In the Consumer Business, operating income decreased from the same period a year ago, affected by the aforementioned decrease in net sales.

In the OEM Business, operating income grew sharply on a substantial increase in net sales. As a result, the OEM Business turned around from the operating loss recorded in the previous corresponding period and posted an operating income.

***Public Service Sector**

Net sales in the Public Service Sector for the first three months of the fiscal year under review declined by about 2,500 million yen, or 16.1%, year-on-year to 13,267 million yen, and operating income decreased by about 600 million yen from the same period a year earlier to an operating loss of 1,546 million yen.

(Net Sales)

Net sales in the Communication Systems Business decreased from the same period a year earlier due to the effects of lower sales of professional wireless systems in the Asian and Chinese markets and the lagged sales recognition to the later quarter at the Group's U.S. communication systems subsidiary.

Net sales in the Professional Systems Business, operated mainly by JVCKENWOOD Public & Industrial Systems Corporation, decreased from the same period a year earlier due to factors such as sell-off of the card printer business in the previous fiscal year.

(Operating Income)

In the Communication Systems Business, operating loss increased due to the effects of the aforementioned decrease in sales, coupled with an increase in personnel at the Group's U.S. communication systems subsidiary to handle more orders.

In the Professional Systems Business, operating loss increased from the same period a year earlier due to the effects of the aforementioned decrease in sales.

*Media Service Sector

Net sales in the Media Service Sector for the first three months of the fiscal year under review declined by about 2,000 million yen, or 12.4%, year-on-year to 14,161 million yen and operating income decreased by about 100 million yen to an operating loss of 65 million yen.

(Net Sales)

In the Media Business, net sales decreased year-on-year, affected by lower sales of consumer video cameras and AV accessories.

In the Entertainment Business, net sales were on a par with the same period a year earlier as sales of content were strong, despite lower sales in the contract production business.

(Operating Income)

In the Media Business, operating loss increased from the same period a year earlier, affected by the aforementioned decrease in net sales.

In the Entertainment Business, operating income increased on strong sales of content.

(2) Description of Financial Position

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

*Assets

Total assets decreased by about 2,200 million yen from the end of the previous fiscal year to 260,083 million yen. This was because of a decrease in current assets such as notes and accounts receivable-trade due to seasonal factors, despite increases in cash and deposits and inventories such as work in process.

*Liabilities

Total liabilities decreased by about 1,200 million yen from the end of the previous fiscal year to 199,624 million yen, due largely to a decrease in accrued expenses resulting from seasonal factors, despite an increase in borrowings from financial institutions.

Net debts (amount obtained by subtracting cash and deposits from interest-bearing debts) decreased by approximately 1,200 million yen from the end of the previous fiscal year to 27,279 million yen.

*Net Assets

During the first three months of the fiscal year under review, total shareholders' equity decreased by approximately 1,900 million yen from the end of the previous fiscal year to 71,368 million yen, as a result of recording a net loss attributable to owners of parent. Total net assets decreased by about 1,100 million yen from the end of the previous fiscal year to 60,458 million yen. The capital adequacy ratio dropped by 0.3 percentage points from the end of the previous fiscal year to 21.1%, due to the decrease in net assets.

As announced in the press release issued on May 12, 2017, titled "Notice Regarding Appropriation of Surplus," JVCKENWOOD transferred capital surplus of about 7,300 million yen to retained earnings, and this did not affect the net assets of the Company.

(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 5,336 million yen, which is an increase of about 5,100 million yen from the corresponding period of the previous fiscal year. This was mainly attributable to a decrease in loss before income taxes and an increase in proceeds from collection of notes and accounts receivable-trade.

*Cash flow from investing activities

Net cash used in investing activities for the first three months of the fiscal year under review was 2,462 million yen, which is a decrease of about 900 million yen from the corresponding period of the previous fiscal year. This mainly reflected a decrease in cash outflow for the acquisition of intangible fixed assets.

*Cash flow from financing activities

Net cash used in financing activities for the first three months of the fiscal year under review was 292 million yen, which is a decrease of about 1,400 million yen from the corresponding period of the previous fiscal year. This was mainly attributable to an increase in borrowings from financial institutions.

Cash and cash equivalents at the end of the first three months of the fiscal year under review increased by about 9,100 million yen from the end of the previous fiscal year to 43,589 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 largely to strong sales in the OEM Business in the Automotive Sector.

As for the outlook for the first six months 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 an improvement in earnings in other businesses through the second half of the fiscal year under review, including a recovery in sales at the Group's U.S. communication systems subsidiary in the Public Service Sector. At this time, however, JVCKENWOOD is not revising its consolidated earnings forecast for the fiscal year ending March 31, 2018, announced on April 27, 2017, 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 the future market trends and its earnings trends.

	Consolidated earnings forecast for FYE3/'18
Net sales	295,000 million yen
Operating income	6,400 million yen
Ordinary income	4,400 million yen
Net income attributable to owners of parent	1,400 million yen

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2017)	End of current consolidated first quarter (as of Jun. 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	41,806	44,308
Trade notes and accounts receivable	56,706	49,295
Merchandise and finished goods	26,417	25,805
Work in process	4,794	5,826
Raw materials and supplies	10,679	12,338
Deferred tax assets	3,609	3,651
Other current assets	9,849	10,037
Allowance for doubtful accounts	(1,305)	(1,306)
Total current assets	152,557	149,955
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	13,031	13,006
Machinery and equipment, net	7,879	7,878
Tools, furniture and fixtures, net	6,107	5,873
Land	22,187	22,186
Construction in progress	1,222	1,529
Total property, plant and equipment, net	50,428	50,475
Intangible fixed assets		
Goodwill	3,868	3,835
Software	12,056	11,836
Other intangible fixed assets	2,573	2,535
Total intangible fixed assets	18,499	18,207
Investments and other assets		
Investment securities	8,064	8,332
Net defined benefit asset	24,741	25,073
Deferred tax assets	5,268	5,362
Other investments	3,261	3,200
Allowance for doubtful accounts	(524)	(523)
Total investments and other assets	40,811	41,444
Total fixed assets	109,739	110,127
Total assets	262,297	260,083

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2016)	End of current consolidated first quarter (as of Jun. 30, 2016)
Liabilities		
Current liabilities		
Trade notes and accounts payable	31,233	33,054
Short-term loans payable	6,208	7,128
Current portion of long-term loans payable	9,002	9,164
Other accounts payable	10,548	7,830
Accrued expenses	18,751	15,548
Income taxes payable	1,900	1,690
Warranty reserves	1,368	1,440
Sales return reserves	1,380	1,235
Reserves for loss on order received	1,852	1,670
Other current liabilities	9,630	11,718
Total current liabilities	91,878	90,482
Long-term liabilities		
Long-term loans payable	55,052	55,294
Deferred tax liabilities for land revaluation	1,516	1,516
Deferred tax liabilities	11,410	11,304
Net defined benefit liability	37,686	37,979
Other long-term liabilities	3,239	3,046
Total long-term liabilities	108,904	109,141
Total liabilities	200,783	199,624
Equity		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	45,573	37,596
Retained earnings	17,722	23,809
Treasury stock	(37)	(37)
Total shareholders' equity	73,258	71,368
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,007	1,193
Deferred loss on derivatives under hedge accounting	445	△179
Land revaluation surplus	3,442	3,442
Foreign currency translation adjustments	(15,320)	(14,597)
Remeasurements of defined benefit plans	(6,794)	(6,339)
Total accumulated other comprehensive income	(17,219)	(16,480)
Non-controlling interests	5,474	5,571
Total equity	61,514	60,458
Total liabilities and equity	262,297	260,083

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Accumulated period for consolidated first quarter)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2016 - Jun.30, 2016)	Accumulated period for current consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)
Net sales	65,699	69,298
Cost of sales	48,583	51,706
Gross profit	17,115	17,592
Selling, general and administrative expenses	18,416	17,853
Operating loss	(1,300)	(261)
Non-operating income		
Interest income	38	44
Dividend income	163	78
Dividend income of life insurance	82	107
Gain on reversal of onerous lease obligation	―	126
Other non-operating income	100	140
Total non-operating income	383	497
Non-operating expense		
Interest expense	258	226
Foreign exchange loss	61	126
Other non-operating expenses	169	182
Total non-operating expense	489	536
Ordinary loss	(1,406)	(300)
Extraordinary profit		
Gain on sales of property, plant and equipment	29	18
Other extraordinary profit	―	16
Total extraordinary profit	29	35
Extraordinary loss		
Loss on sales of property, plant and equipment	3	0
Loss on disposal of property, plant and equipment	16	21
Business structural improvement expenses	3	4
Employment structural improvement expenses	86	―
Loss on liquidation of subsidiaries and associated companies	272	―
Other extraordinary loss	2	9
Total extraordinary loss	384	36
Loss before income taxes	(1,761)	(301)
Income taxes - current	840	720
Income taxes - deferred	(61)	(91)
Total income taxes	779	629
Net loss	(2,540)	(930)
Net income attributable to non-controlling interests	136	264
Net loss attributable to owners of parent	(2,676)	(1,195)

(Consolidated Statements of Comprehensive Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2016 - Jun.30, 2016)	Accumulated period for current consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)
Net loss	(2,540)	(930)
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(192)	185
Deferred loss on derivatives under hedge accounting	(200)	(625)
Foreign currency translation adjustments	(7,085)	741
Remeasurements of defined benefit plans	752	454
Total other comprehensive income	(6,726)	756
Comprehensive income	(9,266)	(174)
Total comprehensive income attributable to:		
Owners of the parent	(8,950)	(457)
Non-controlling interests	(316)	282

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2016 - Jun.30, 2016)	Accumulated period for current consolidated first quarter (Apr.1, 2017 - Jun.30, 2017)
Cash flows from operating activities		
Loss before income taxes	(1,761)	(301)
Depreciation	2,813	3,163
Amortization of goodwill	143	87
Increase in net defined benefit liability	1,127	771
Increase in net defined benefit asset	(528)	(846)
(Decrease) increase in allowance for doubtful accounts	10	(6)
Decrease in reserves for loss on order received	-	(182)
Interest and dividend income	(201)	(122)
Interest expense	258	226
Loss on liquidation of subsidiaries and associated companies	272	-
Gain on sales of property, plant and equipment	(26)	(17)
Loss on disposal of property, plant and equipment	16	21
Decrease in trade notes and accounts receivable	5,025	8,032
Increase in inventories	(2,395)	(1,417)
Increase in trade notes and accounts payable	634	1,348
Decrease in other accounts payable	(1,223)	(2,268)
Decrease in accrued expenses	(2,394)	(3,387)
Other, net	(320)	907
Sub-total	1,450	6,008
Interest and dividend received	201	122
Interest paid	(247)	(223)
Income taxes paid	(1,197)	(571)
Net cash provided by operating activities	206	5,336
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,474)	(1,518)
Proceeds from sales of property, plant and equipment	81	125
Purchase of intangible fixed assets	(1,825)	(1,481)
Purchase of investment securities	(0)	(6)
Other, net	(124)	417
Net cash used in investing activities	(3,343)	(2,462)
Cash flows from financing activities		
Decrease in short-term loans payable, net	(169)	620
Proceeds from long-term loans payable	2,118	2,536
Repayment of long-term loans payable	(2,553)	(2,429)
Cash dividends paid	(694)	(694)
Other, net	(346)	(325)
Net cash used in financing activities	(1,645)	(292)
Effect of exchange rate changes on cash and cash equivalents	(2,252)	327
Net decrease in cash and cash equivalents	(7,035)	2,907
Cash and cash equivalents at beginning of year	41,551	40,681
Cash and cash equivalents at end of quarter	34,516	43,589