TRANSLATION - FOR REFERENCE ONLY -

JVCKENWOOD

April 26, 2018

Company	JVCKENWOOD Corporation
Representative	Takao Tsuji, Representative Director of the Board, Chairman & CEO (Code: 6632; First Section of the Tokyo Stock Exchange)
Contact	Masatoshi Miyamoto, Senior Managing Executive Officer, Chief Financial Officer (CFO) (Tel: +81-45-444-5232) (E-mail: prir@jvckenwood.com)

Accounting Report for the Fiscal Year Ended March 2018 (April 1, 2017 – March 31, 2018)

Consolidated Financial Highlights for the Fiscal Year Ended March 2018
(April 1, 2017 – March 31, 2018)

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

	FYE 3/2017 April 1, 2016 to March 31, 2017	FYE 3/2018 April 1, 2017 to March 31, 2018
Net sales	299,278	302,434
Operating income	5,781	6,682
Ordinary income	3,616	5,803
Net income attributable to owners of parent	-6,727	3,936
Net income per share	-48.42 yen	28.33 yen

FYE: Fiscal year ended / ending

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

		FYE 3/2017	FYE 3/2018	Year-on-year comparison
Automotive Sector	Net sales	149,033	172,760	+23,727
	Operating income	2,227	8,115	+5,888
Public Service Sector	Net sales	72,993	64,951	-8,042
	Operating income	1,127	-1,158	-2,285
Media Service Sector	Net sales	72,322	59,471	-12,851
	Operating income	2,273	-196	-2,469
Others	Net sales	4,928	5,251	+323
	Operating income	154	-78	-232
Total	Net sales	299,278	302,434	+3,156
	Operating income	5,781	6,682	+901
	Ordinary income	3,616	5,803	+2,187
	Net income attributable to owners of parent	-6,727	3,936	+10,663

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

Net sales of the JVCKENWOOD Group for the fiscal year under review increased from the previous fiscal year due to a significant increase in sales in the Automotive Sector, despite a decrease in sales in the Public Service Sector due to the effects of business sell-offs and a decline in sales in the Media Service Sector compared to the previous fiscal year when major works were released in the Entertainment Business. Operating income of the Group as a whole also increased from the previous fiscal year due to a sharp increase in profit in the Automotive Sector.

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

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Profit-and-loss exchange rate	US dollar	Approx. 111 yen	Approx. 111 yen	Approx. 113 yen	Approx. 108 yen	Approx. 111 yen
	Euro	Approx. 122 yen	Approx. 130 yen	Approx. 133 yen	Approx. 133 yen	Approx. 130 yen
FY2016 (for reference)	US dollar	Approx. 108 yen	Approx. 102 yen	Approx. 109 yen	Approx. 114 yen	Approx. 108 yen
	Euro	Approx. 122 yen	Approx. 114 yen	Approx. 118 yen	Approx. 121 yen	Approx. 119 yen

*Net Sales

Net sales for the fiscal year under review increased approximately 3,200 million yen, or 1.1%, year-on-year to 302,434 million yen.

Net sales in the Automotive Sector increased sharply from the previous fiscal year, reflecting a steep increase in sales of dealer-installed option products in the OEM Business. Net sales in the Public Service Sector, on the other hand, decreased from the previous fiscal year due to lower sales in the Professional Systems Business, reflecting business sell-offs. Net sales in the Media Service Sector declined from the previous fiscal year due to lower sales in the Media Business and the Entertainment Business compared to the previous fiscal year when major works were released.

*Operating Income

Operating income for the fiscal year under review increased approximately 900 million yen, or 15.6%, from the previous fiscal year to 6,682 million yen.

In the Automotive Sector, the OEM Business turned around a loss into a profit on a significant profit increase. As a result, the Automotive Sector recorded a sharp profit increase. In the Public Service Sector, on the other hand, profit decreased from the previous fiscal year due to lower profits recorded in the Communication Systems Business and the Professional Systems Business. Losses in the Media Business decreased, despite a decrease in sales, due to an improvement in the performance of professional video cameras and imaging devices, but profit in the Media Service Sector as a whole decreased due to a decrease in profit in the Entertainment Business.

*Ordinary Income

Ordinary income for the fiscal year under review increased approximately 2,200 million yen, or 60.5%, year-on-year to 5,803 million yen, reflecting the increase in operating income and an improvement in non-operating income.

*Net Income Attributable to Owners of Parent

Net income attributable to owners of parent for the fiscal year under review increased approximately 10,700 million yen from the previous fiscal year to 3,936 million yen, achieving a turnaround from a loss to a profit. This is primarily due to the increase in ordinary income and a decrease in extraordinary loss, as well as the following reasons.

- Extraordinary income was recorded as a gain on revision of retirement benefit plan as announced in "Notice on the Recording of Extraordinary Income and Reversal of Deferred Tax Liabilities of JVCKENWOOD, and Reversal of Deferred Tax Assets and Liabilities of US Subsidiaries" on January 24, 2018.
- Tax expenses decreased as announced in "Notice Regarding Revision of Consolidated Earnings Forecast for the Fiscal Year Ended March 2018" on April 23, 2018.

(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 first quarter of the fiscal year under review.

Business segment information for the fiscal year ended March 2017 shown below has been restated according to the new reporting segment after the change of organizational management classification. Net sales and operating income by business segment are as follows.

The total amount of operating income by business segment is consistent with the operating income shown in the consolidated statement of income.

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

Fiscal Year Ended March 2018 (from April 1, 2017 to March 31, 2018) (Million yen)

Segment		FYE3/'17	FYE3/'18	Year-on-year comparison
Automotive Sector	Net sales	149,033	172,760	+23,727
	Operating income	2,227	8,115	+5,888
Public Service Sector	Net sales	72,993	64,951	-8,042
	Operating income	1,127	-1,158	-2,285
Media Service Sector	Net sales	72,322	59,471	-12,851
	Operating income	2,273	-196	-2,469
Others	Net sales	4,928	5,251	+323
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Total	Net sales	299,278	302,434	+3,156
	Operating income	5,781	6,682	+901
	Ordinary income	3,616	5,803	+2,187
	Net income attributable to owners of parent	-6,727	3,936	+10,663

***Automotive Sector**

Net sales in the Automotive Sector for the fiscal year under review increased approximately 23,700 million yen, or 15.9%, year-on-year to 172,760 million yen. Operating income grew sharply by approximately 5,900 million yen, or 264.3%, year-on-year to 8,115 million yen.

(Net Sales)

In the Aftermarket Business, sales in overseas markets were affected by lower sales in the US market, but sales of Saisoku-Navi series car navigation systems and dashcams were strong in the domestic market. As a result, net sales in the Aftermarket Business as a whole were approximately at the same level as the previous fiscal year.

In the OEM Business, net sales increased from the previous fiscal year due to a sharp increase in sales of dealer-installed and factory-installed option products.

(Operating Income)

In the Aftermarket Business, operating income decreased from the previous fiscal year due to a decline in sales in the US market, despite robust performance in the domestic market.

In the OEM Business, operating income grew substantially on a sharp increase in net sales. As a result, the OEM Business turned around the operating loss recorded in the previous fiscal year and posted a positive operating income.

***Public Service Sector**

Net sales in the Public Service Sector for the fiscal year under review declined approximately 8,000 million yen, or 11.0%, year-on-year to 64,951 million yen due to the effects of business sell-offs, and operating income decreased approximately 2,300 million yen from the previous fiscal year to an operating loss of 1,158 million yen.

(Net Sales)

Net sales in the Communication Systems Business decreased from the previous fiscal year, despite an increase in sales at the Group's US communication system subsidiaries and in the domestic market, due to the effects of lower sales of professional wireless systems in the Asian and Chinese markets.

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

(Operating Income)

In the Communication Systems Business, operating income decreased from the previous fiscal year due to the effects of the aforementioned decrease in sales.

In the Professional Systems Business, operating income decreased from the previous fiscal year due to the effects of the aforementioned decrease in sales.

***Media Service Sector**

Net sales in the Media Service Sector for the fiscal year under review declined approximately 12,900 million yen, or 17.8%, year-on-year to 59,471 million yen, and operating income decreased approximately 2,500 million yen from the previous fiscal year to an operating loss of 196 million yen.

(Net Sales)

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

In the Entertainment Business, net sales declined from the previous fiscal year, reflecting lower sales of content compared to the previous fiscal year when major works were released.

(Operating Income)

In the Media Business, operating income for the fiscal year under review was affected by the abovementioned decrease in sales, but the performance of professional video cameras and imaging devices improved. As a result, a positive operating income was recorded in the second half of the period, and the operating loss for the fiscal year under review declined from the previous fiscal year.

In the Entertainment Business, operating income decreased due to the effects of the aforementioned decline in sales.

(2) Overview of Financial Position for the Fiscal Year under Review

*Assets

Total assets decreased approximately 8,000 million yen from the end of the previous fiscal year to 254,342 million yen. This was due to a decrease in net defined benefit assets caused by the transition to a defined contribution pension plan, despite an increase in non-current assets, such as notes and accounts receivable-trade.

*Liabilities

Total liabilities decreased approximately 12,300 million yen from the end of the previous fiscal year to 188,526 million yen, due to decreases in borrowings from financial institutions and net defined benefit liability, despite an increase in notes and accounts payable-trade.

Net debt (amount obtained by subtracting cash and deposits from interest-bearing debt) increased approximately 1,600 million yen from the end of the previous fiscal year to 30,063 million yen.

*Net Assets

During the fiscal year under review, total shareholders' equity increased approximately 4,300 million yen from the end of the previous fiscal year to approximately 77,600 million yen, as a result of recording net income attributable to owners of parent of approximately 3,900 million yen.

Total net assets increased approximately 4,300 million yen from the end of the previous fiscal year to 65,816 million yen due to an increase in shareholders' equity and a decrease in the debit balance of remeasurements of defined benefit plans.

As a result, the capital adequacy ratio rose 3.3 percentage points from the end of the previous fiscal year to 24.7%.

(3) Overview of Cash Flows for the Fiscal Year under Review

(Cash Flow Analysis)

*Cash flow from operating activities

Net cash provided by operating activities for the fiscal year under review was 13,678 million yen, which is a decrease of approximately 1,700 million yen from the previous fiscal year. This is mainly attributable to recording of an impairment loss and an increase in working capital accompanying the increase in sales, despite recording a positive net income before income taxes.

*Cash flow from investing activities

Net cash used in investing activities for the fiscal year under review was 10,752 million yen, which is a decrease of approximately 3,600 million yen from the previous fiscal year. This mainly reflected a decrease in cash outflows for the acquisition of property, plant and equipment and an increase in proceeds from the sale of property, plant and equipment.

*Cash flow from financing activities

Net cash used in financing activities for the fiscal year under review was 6,463 million yen, which is an increase of approximately 5,400 million yen from the previous fiscal year. This is mainly attributable to a decrease in proceeds from long-term borrowings and cash outflows for the additional acquisition of the shares of Shinwa International Holdings Ltd., a subsidiary of the Company.

Cash and cash equivalents at the end of the fiscal year under review decreased approximately 3,700 million yen from the end of the previous fiscal year to 37,006 million yen.

(4) Outlook for the Future

(Outlook for the Next Fiscal Year)

Regarding the outlook for the next fiscal year (fiscal year ending March 2019), the Company expects both sales and profits to increase on a company-wide basis due to an increase in sales and an improvement in income in the Public Service Sector and the Media Service Sector.

In the Public Service Sector, the Company expects an increase in sales and an improvement in income due to improved performance in the Communication Systems Business, driven by a sales increase in the Group's US communication system subsidiaries, and improved performance in the Professional Systems Business. In the Media Service Sector, the Company expects an increase in sales and an improvement in income due largely to improved performance in the Media Business.

The Automotive Sector is expected to continue securing significant earnings due to continued strong sales of Saisoku-Navi series car navigation systems and dashcams in the domestic market in the Aftermarket and robust performance in the OEM Business.

Consequently, the JVCKENWOOD Group's consolidated earnings forecast for the fiscal year ending March 2019 is as follows.

(IFRS)	Consolidated earnings forecast for the fiscal year ending March 2019
Revenue	310,000 million yen
Operating income	7,100 million yen
Profit before tax	6,000 million yen
Profit attributable to owners of parent	2,700 million yen

As announced in "Notice on the Voluntary Application of International Financial Reporting Standards (IFRS)" on February 23, 2018, the above earnings forecast was prepared based on IFRS, instead of the conventional JGAAP.

Exchange rates assumed in preparing the above earnings forecast were 107 yen to the dollar and 131 yen to the euro.

The above earnings forecast was prepared by the Company based on information available to the Company on the date of publication of this document. Actual earnings results may differ from the forecasted figures due to various factors.

(Comparison between IFRS and JGAAP)

Following the transition to IFRS, revenue is expected to be lower than net sales under JGAAP due to an adjustment of sales of goods on consignment, etc.

Operating income will increase due to the effects of discontinuing amortization of goodwill and capitalization and amortization of development costs, while it will decrease due to the restatement of items and the change of calculation method of retirement benefit obligations, etc. As a result, operating profit under IFRS is expected to be lower than operating income under JGAAP.

Profit before tax and profit attributable to owners of parent under IFRS are expected to be higher than those under JGAAP due to the effects of discontinuing amortization of goodwill, etc.

(Policy for Profit Distribution and Dividends for the Current and the Next Fiscal Year)

JVCKENWOOD's most important management priorities include stable distribution of profits and ensuring the necessary management resources for future growth. The amount of dividend of surplus and other amounts appropriated are determined by giving comprehensive consideration to the Group's profitability and financial position.

For the fiscal year under review (fiscal year ended March 2018), JVCKENWOOD is scheduled to distribute an annual dividend (year-end) of 6 yen per share based on its profit performance and above-mentioned dividend policy, as announced in "Notice Regarding Revisions of Forecasts for Earnings and Dividend of Surplus" on January 31, 2018.

Regarding the dividend for the next fiscal year (fiscal year ending March 2019), JVCKENWOOD has set an annual dividend (year-end) forecast at 6 yen per share based on the above-mentioned dividend policy and will focus on improving its performance and financial position.

2. Basic Approach to the Selection of Accounting Standards

JVCKENWOOD, as described above, will voluntarily adopt IFRS, instead of the conventional JGAAP, starting with the Securities Report for the fiscal year ended March 2018 (10th term).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2017)	Current Fiscal Year (as of Mar. 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	41,806	37,316
Trade notes and accounts receivable	56,706	59,789
Merchandise and finished goods	26,417	28,664
Work in process	4,794	5,018
Raw materials and supplies	10,679	12,914
Deferred tax assets	3,609	3,638
Other current assets	9,849	9,016
Allowance for doubtful accounts	-1,305	-1,175
Total current assets	152,557	155,182
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	13,031	12,582
Machinery and equipment, net	7,879	8,592
Tools, furniture and fixtures, net	6,107	6,744
Land	22,187	21,041
Construction in progress	1,222	1,255
Total property, plant and equipment, net	50,428	50,216
Intangible fixed assets		
Goodwill	3,868	4,483
Software	12,056	10,844
Other intangible fixed assets	2,573	2,429
Total intangible fixed assets	18,499	17,757
Investments and other assets		
Investment securities	8,064	8,808
Net defined benefit asset	24,741	16,555
Deferred tax assets	5,268	3,105
Other investments	3,261	3,207
Allowance for doubtful accounts	-524	-491
Total investments and other assets	40,811	31,185
Total fixed assets	109,739	99,159
Total assets	262,297	254,342

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2017)	Current Fiscal Year (as of Mar. 31, 2018)
Liabilities		
Current liabilities		
Trade notes and accounts payable	31,233	36,212
Short-term loans payable	6,208	4,429
Current portion of long-term loans payable	9,002	24,561
Other accounts payable	10,548	10,943
Accrued expenses	18,751	19,448
Income taxes payable	1,900	1,631
Warranty reserves	1,368	1,315
Sales return reserves	1,380	1,431
Reserves for loss on order received	1,852	678
Other current liabilities	9,630	9,668
Total current liabilities	91,878	110,321
Long-term liabilities		
Long-term loans payable	55,052	38,388
Deferred tax liabilities for land revaluation	1,516	1,461
Deferred tax liabilities	11,410	8,127
Net defined benefit liability	37,686	26,676
Other long-term liabilities	3,239	3,550
Total long-term liabilities	108,904	78,205
Total liabilities	200,783	188,526
Equity		
Shareholders' equity		
Common stock	10,000	10,000
Capital surplus	45,573	38,285
Retained earnings	17,722	29,353
Treasury stock	-37	-38
Total shareholders' equity	73,258	77,600
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,007	1,305
Deferred loss on derivatives under hedge accounting	445	-588
Land revaluation surplus	3,442	3,316
Foreign currency translation adjustments	-15,320	-16,203
Remeasurements of defined benefit plans	-6,794	-2,678
Total accumulated other comprehensive income	-17,219	-14,848
Non-controlling interests	5,474	3,063
Total equity	61,514	65,816
Total liabilities and equity	262,297	254,342

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

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2016 - Mar.31, 2017)	Current Fiscal Year (Apr.1, 2017 – Mar.31, 2018)
Net sales	299,278	302,434
Cost of sales	218,506	220,637
Gross profit	80,772	81,797
Selling, general and administrative expenses	74,990	75,114
Operating income	5,781	6,682
Non-operating income		
Interest income	151	163
Dividend income	181	84
Equity in earnings of unconsolidated subsidiaries and associated companies	3	148
Gain on investments in partnership	—	197
Other non-operating income	537	710
Total non-operating income	873	1,305
Non-operating expense		
Interest expense	932	913
Borrowing costs	181	348
Foreign exchange loss	757	310
Other non-operating expenses	1,166	611
Total non-operating expense	3,038	2,184
Ordinary income	3,616	5,803
Extraordinary profit		
Gain on sales of property, plant and equipment	207	1,024
Gain on sales of investment securities	50	749
Gain on sales of shares in subsidiaries and associated companies	560	—
Gain on transfer of business	3,617	—
Gain on revision of retirement benefit plan	—	1,143
Other extraordinary profit	69	225
Total extraordinary profit	4,505	3,144
Extraordinary loss		
Loss on sales of property, plant and equipment	10	6
Loss on disposal of property, plant and equipment	1,541	122
Loss on impairment of long-lived assets	6,314	1,057
Business structural improvement expenses	525	14
Employment structural improvement expenses	1,019	235
Loss on liquidation of subsidiaries and associated companies	632	—
Provision for loss on order received	711	—
Other extraordinary loss	108	7
Total extraordinary loss	10,864	1,444
Income (loss) before income taxes	-2,742	7,503
Income taxes - current	2,592	2,379
Income taxes - deferred	659	400
Total income taxes	3,252	2,779
Net income (loss)	-5,994	4,723
Net income attributable to non-controlling interests	733	787
Net income (loss) attributable to owners of parent	-6,727	3,936

(Consolidated Statement of Comprehensive Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2016 - Mar.31, 2017)	Current Fiscal Year (Apr.1, 2017 – Mar.31, 2018)
Net income(loss)	-5,994	4,723
Other comprehensive income		
Unrealized gain on available-for-sale securities	559	296
Land revaluation surplus	-15	-126
Deferred gain (loss) on derivatives under hedge accounting	1,520	-1,032
Foreign currency translation adjustments	-1,576	-948
Remeasurements of defined benefit plans	10,555	4,115
Share of other comprehensive income of unconsolidated subsidiaries and associated companies accounted for by the equity method	—	-0
Total other comprehensive income	11,042	2,305
Comprehensive income	5,048	7,028
Total comprehensive income attributable to:		
Owners of the parent	4,394	6,307
Non-controlling interests	653	721

(3) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2016 - Mar.31, 2017)	Current Fiscal Year (Apr.1, 2017 – Mar.31, 2018)
Cash flows from operating activities		
Income (loss) before income taxes	-2,742	7,503
Depreciation	12,628	13,543
Loss on impairment of long-lived assets	6,314	1,057
Amortization of goodwill	516	355
Increase in net defined benefit liability	3,731	3,045
Increase in net defined benefit asset	-2,084	-2,749
Decrease in allowance for doubtful accounts	-204	-147
(Decrease) increase in reserves for loss on order received	1,852	-1,173
Interest and dividend income	-333	-248
Interest expense	932	913
Gain on sales of investment securities	-50	-749
Gain on investments in partnership	-	-197
Gain on sales of shares of subsidiaries and associated companies	-560	-
Loss on liquidation of subsidiaries and associated companies	563	-
Gain on sales of property, plant and equipment	-196	-1,018
Loss on disposal of property, plant and equipment	1,541	122
Gain on transfer of business	-3,617	-
Gain on revision of retirement benefit plan	-	-1,143
Increase in trade notes and accounts receivable	-3,456	-3,095
Increase in inventories	-2,764	-4,376
Increase in trade notes and accounts payable	913	4,476
Increase in other accounts payable	1,889	484
Increase in accrued expenses	803	667
Other, net	3,152	-539
Sub-total	18,828	16,727
Interest and dividend received	333	248
Interest paid	-932	-915
Income taxes paid	-2,860	-2,382
Net cash provided by operating activities	15,369	13,678
Cash flows from investing activities		
Purchases of property, plant and equipment	-9,801	-7,814
Proceeds from sales of property, plant and equipment	1,192	2,715
Purchase of intangible fixed assets	-7,310	-6,132
Purchase of investment securities	-1,956	-338
Proceeds from sales of investment securities	140	818
Proceeds from transfer of business	2,958	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-1,147

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2016 - Mar.31, 2017)	Current Fiscal Year (Apr.1, 2017 – Mar.31, 2018)
Proceeds from sales of investments in subsidiaries resulting in change of scope of consolidation	476	-
Other, net	-88	1,148
Net cash used in investing activities	-14,390	-10,752

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2016 - Mar.31, 2017)	Current Fiscal Year (Apr.1, 2017 – Mar.31, 2018)
Cash flows from financing activities		
Decrease in short-term loans payable, net	-4,331	-2,184
Proceeds from long-term loans payable	19,675	10,536
Repayment of long-term loans payable	-13,662	-11,489
Cash dividends paid	-694	-694
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-1,770
Other, net	-2,069	-859
Net cash used in financing activities	-1,083	-6,463
Effect of exchange rate changes on cash and cash equivalents	-765	-137
Net decrease in cash and cash equivalents	-870	-3,674
Cash and cash equivalents at beginning of year	41,551	40,681
Cash and cash equivalents at end of year	40,681	37,006