

**Translation for Reference Only**

**JVCKENWOOD**  
*creates excitement & peace of mind*

**(Delayed)**

# **JVCKENWOOD Group's Results and Forecast Briefing**

## **Fiscal Year Ended March 2013**

**April 26, 2013**

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**JVC KENWOOD Corporation**

## **[Abbreviations]**

**CE: Car Electronics (Business)**

**PS: Professional Systems (Business)**

**COM: Land Mobile Radio (Business)**

**BS: Business Solutions (Business)**

**HM: Home & Mobile Electronics (Business)**

**Sound & Acoustic: Audio Equipment (Business)**

**Imaging: Imaging Equipment (Business)**

**SE: Entertainment (Business)**

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## **[Financial Results for FYE 3/'13]**

- \* Operating income was recorded for the second consecutive term in the four main businesses because CE and HM continued to post operating income, despite being influenced by deteriorating competitive environments in Europe and Japan.**
- \* Recovery of PS and growth of SE boosted profit in lieu of CE.**
- \* Positive full-year income for the second straight term ensured a stable dividend with a distribution of 5 yen per share.**

## **[Business Forecast for FYE 3/'14]**

- \* Whereas CE is likely to post a decrease in profit as OEM enters a period of transition with intensive prior investment needed, both sales and profit are expected to increase slightly, driven by PS.**
- \* HM will increase profit by improving unprofitable businesses. SE aims to further boost profit by making a series of hit products.**
- \* Risks of exchange rate fluctuations affecting both operating and non-operating incomes/losses have been reduced.**

# Financial Results for FYE 3/'13

# FYE 3/'13 Financial Results - Summary

Consolidated net sales and each income category declined due to factors including a decrease of sales in Europe of three businesses: CE, PS, and HM, and exchange rate fluctuations.

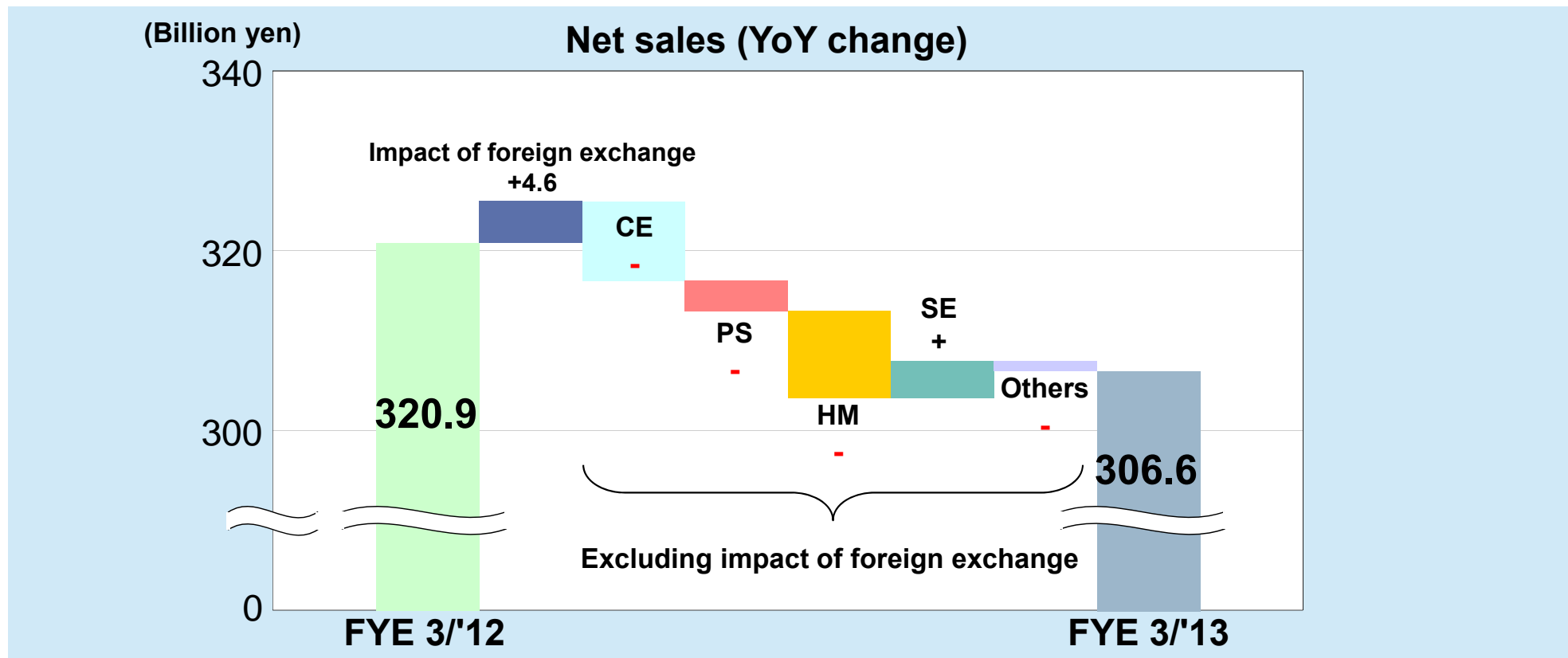
		(Billion yen)				
		Net sales	Operating Income	Ordinary income	Net income	Expected Dividend
Full-year	3/'13	306.6	9.6	3.1	1.1	JPY 5
	3/'12	320.9	12.8	6.4	6.0	JPY 5
	YoY change	-14.3 (+4.6)	-3.2 (-1.4)	-3.3 (-4.0)	-4.9 (-4.0)	

\*( ) indicates impacts of exchange rate fluctuations on a year-on-year basis.

4Q	3/'13	82.1	4.8	2.3	2.6
	3/'12	84.3	4.0	-0.1	1.6
	YoY change	-2.2	+0.8	+2.3	+1.0

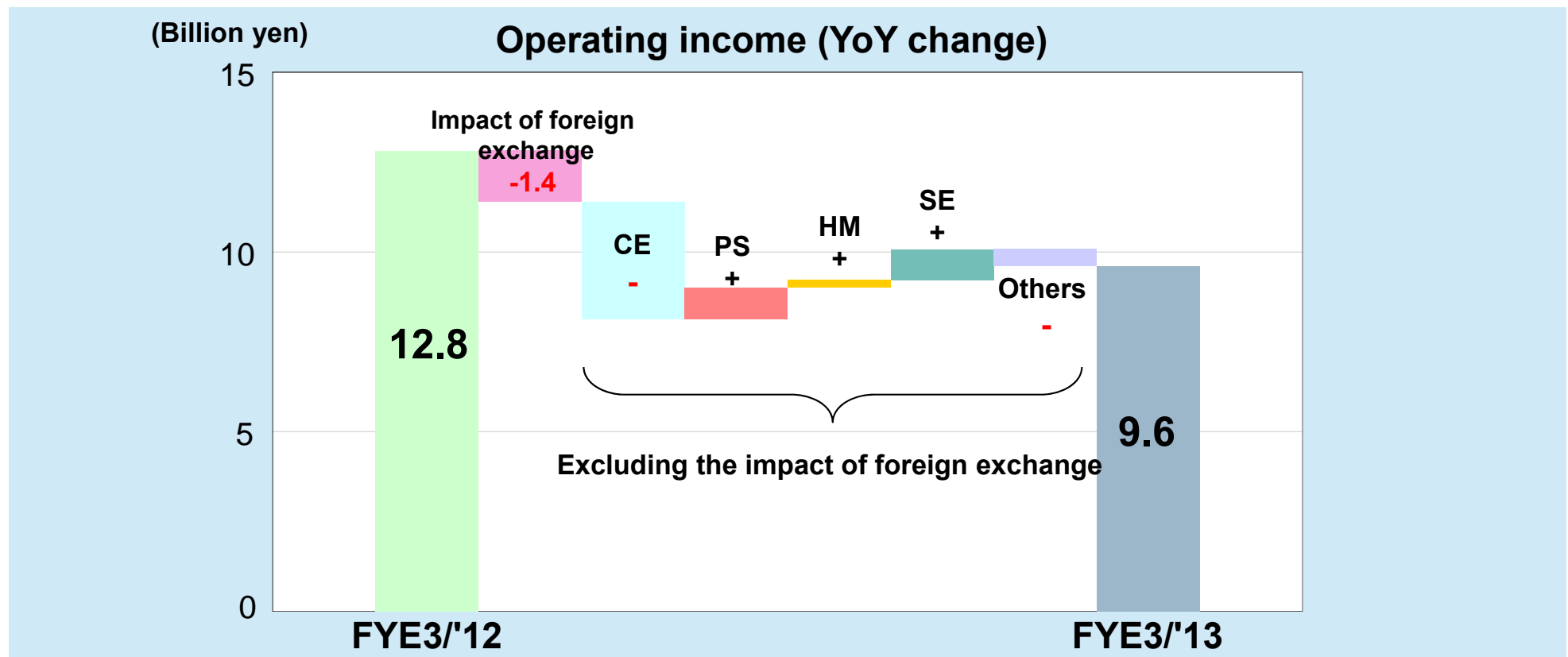
## FYE 3/'13 results: JPY 306.6B (Down 4.5% YoY)

- \* Consolidated net sales decreased, partly due to the effects of the partial contraction of HM, in addition to the influence of a decline of sales in Europe of each business amid a deterioration of Europe's economy.
- \* SE boosted net sales by producing many hit products.  
CE, PS, and HM maintained steady growth of sales in North America.



## FYE 3/'13 results: JPY 9.6B (Down JPY 3.2B YoY)

- \* Consolidated operating income declined, mainly due to the impact of fluctuating exchange rates during the first half, in addition to being affected by a decline of sales in Europe and intensified competition in CE's domestic market.
- \* SE increased profit by growing sales. PS boosted profit because the impact of the Great East Japan Earthquake and floods in Thailand receded. HM expanded profit, if the impact of foreign exchange is excluded.

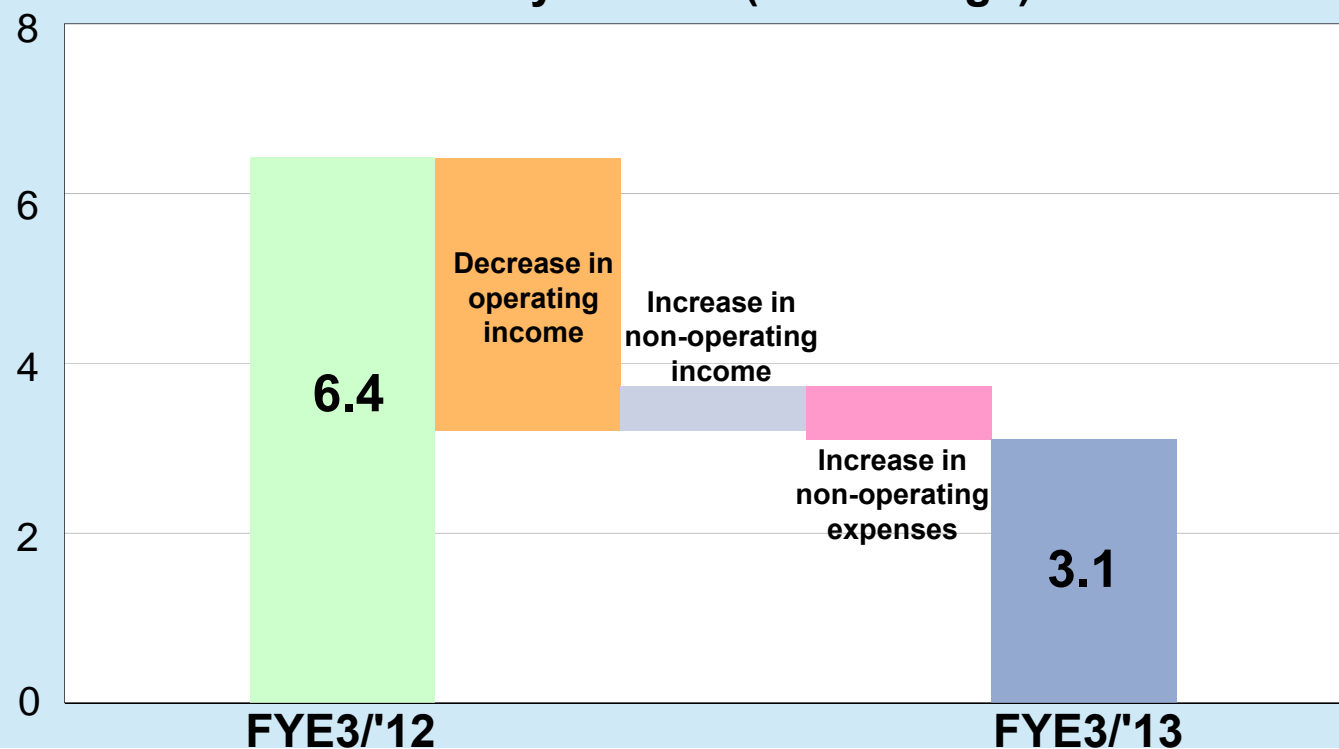


## FYE 3/'13 results: JPY 3.1B (Down JPY 3.3B YoY)

- \* Ordinary income decreased, mainly due to a drop in operating income.
- \* Non-operating income increased JPY 0.5B, primarily due to posting equity in earnings of Shinwa.
- \* Non-operating expenses increased JPY 0.6B, partly due to a foreign exchange loss of JPY 2.8B caused by a weaker yen against the US dollar from 3Q, although loans commission payable decreased.

(Billion yen)

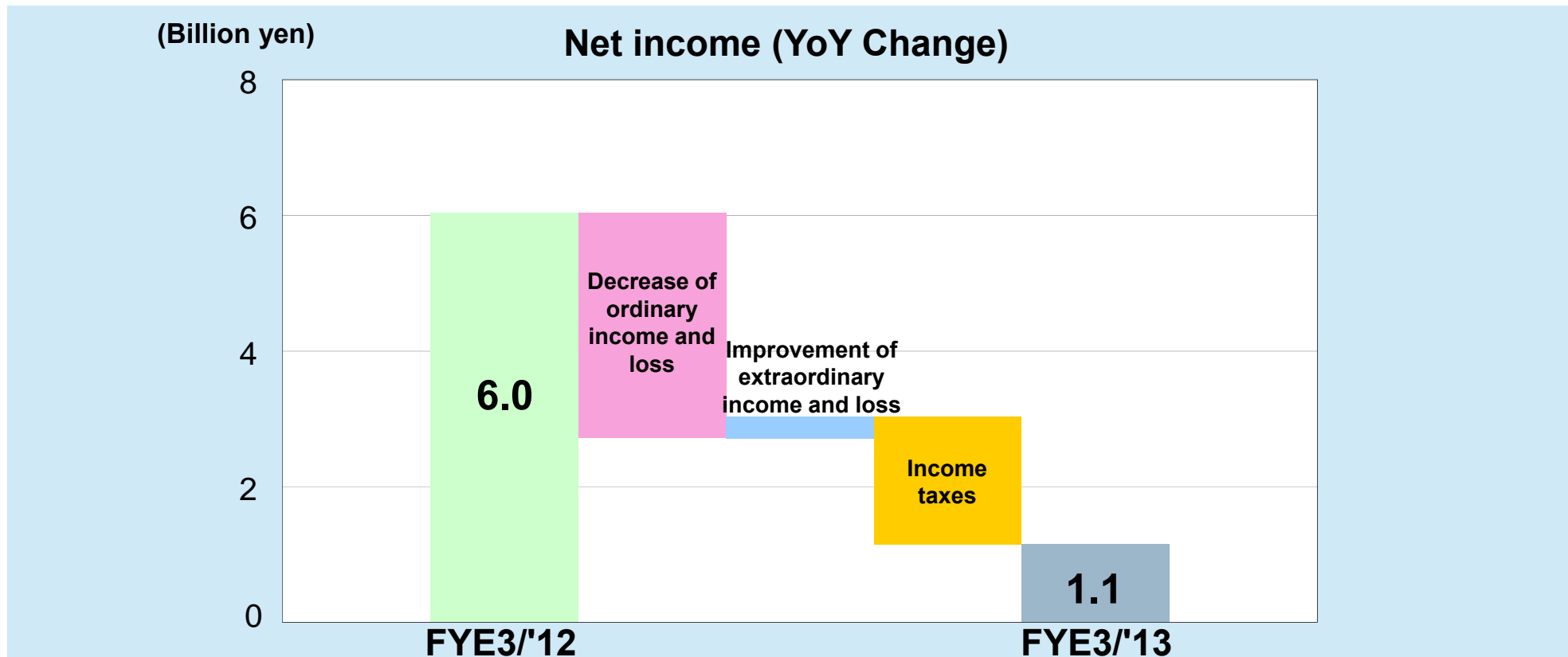
### Ordinary income (YoY change)





## FYE 3/'13 results: JPY 1.1B (Down JPY 4.9B YoY)

- \* Net income decreased, mainly due to a drop in ordinary income and an increase in income taxes.
- \* Extraordinary profit slipped JPY 0.4B, primarily due to a decline in insurance income related to the floods in Thailand.
- \* Extraordinary loss decreased JPY 0.7B, mainly due to a drop in losses caused by disasters including the floods in Thailand.
- \* Income taxes increased JPY 2.1B because income tax adjustments changed from a negative JPY 2.6B in FYE 3/'12 to a negative JPY 0.1B.



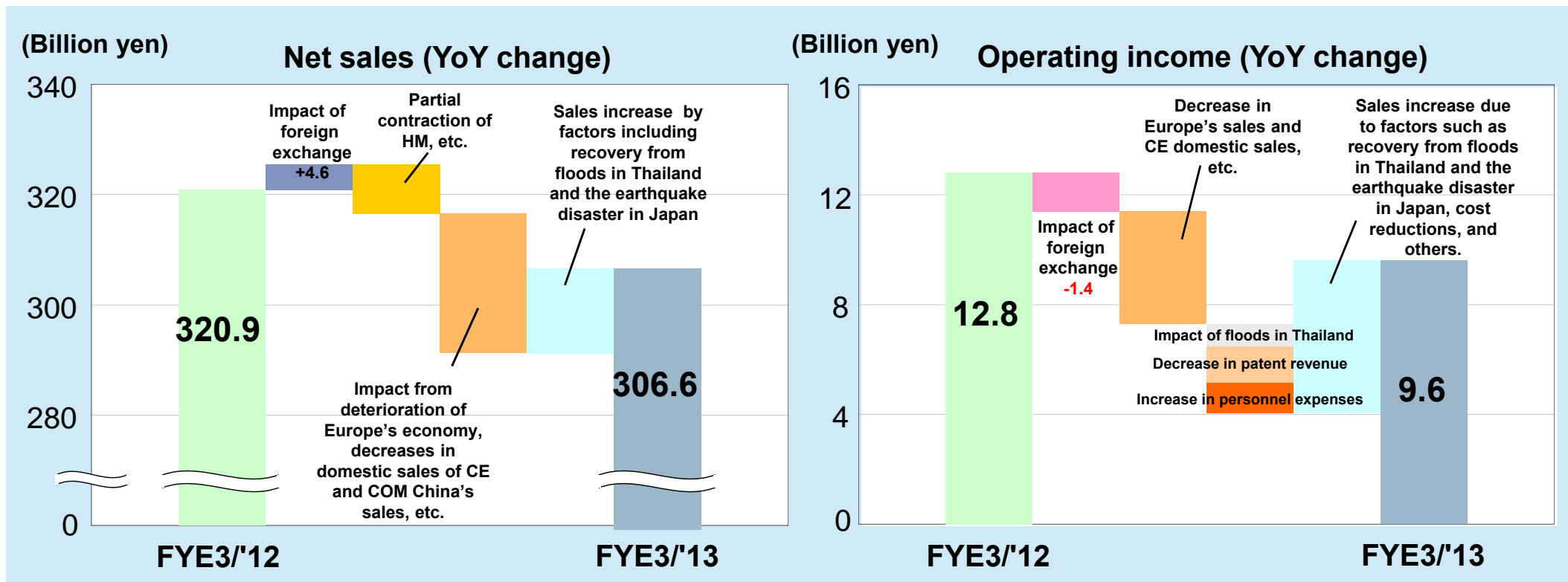
# FYE 3/'13 Financial Results - Change Analysis (YoY)

## <Net Sales>

- \* The main factors behind the sales decrease were the deterioration of Europe's economy and decreases in domestic sales of CE and COM China's sales, as well as the partial contraction of HM.

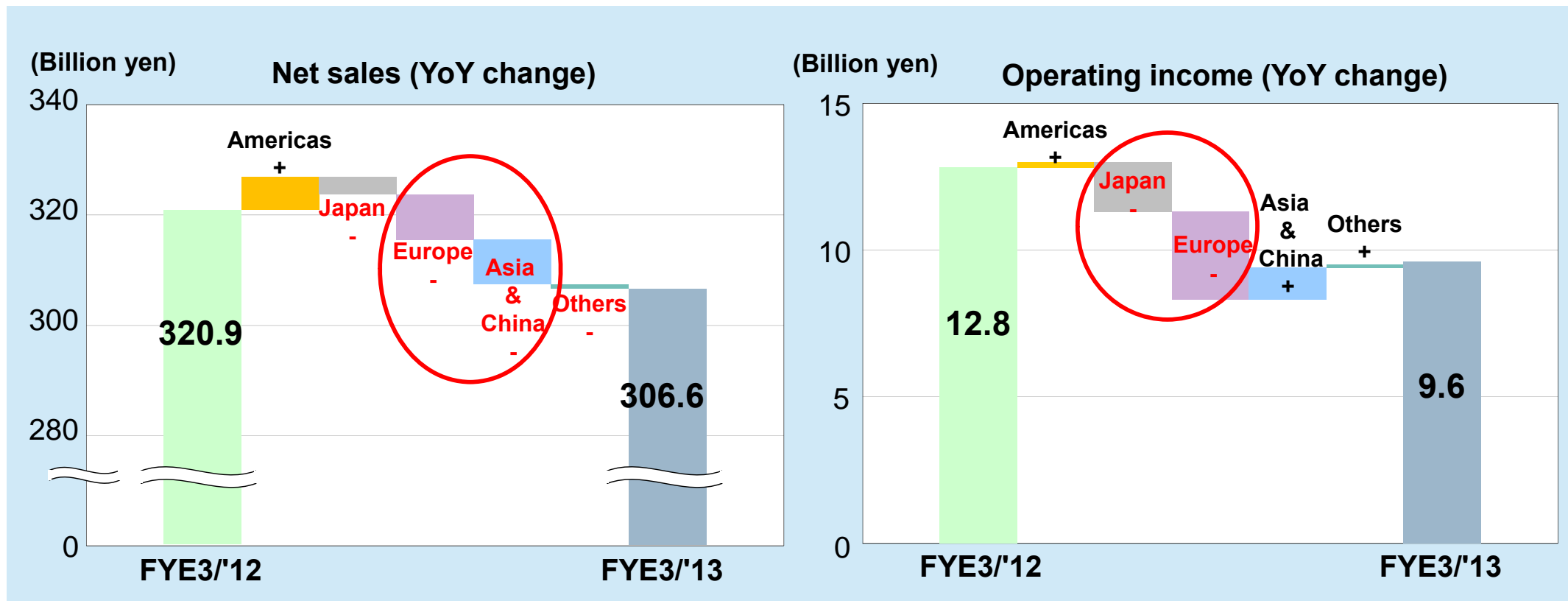
## <Operating Income>

- \* The main factors behind the profit decline were decreases in sales in Europe and domestic sales of CE, in addition to the impact of foreign exchange.
- \* Factors underlying the profit decline such as the impact of the floods in Thailand, a decrease in product licensing royalties and an increase in personnel costs were absorbed.



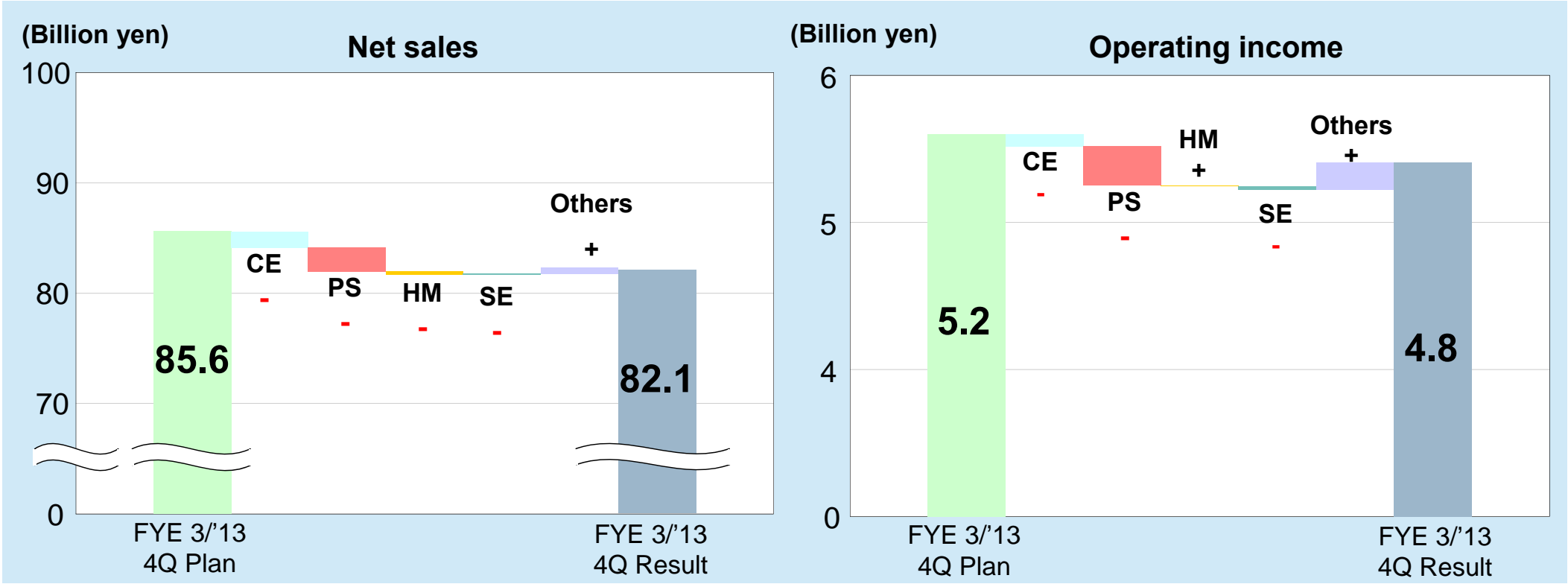
# FYE 3/'13 Financial Results - Regional Sales and Operating Income (Reference)

- \* Each business continued to grow steadily in the Americas.
- \* In **Europe**, each business suffered amid the economic downturn. In **Japan**, CE and HM struggled due to a deterioration of the competitive environment.
- \* In **Asia and China**, P&L improved, although sales declined due to the partial contraction of HM.



# FYE 3/'13 Financial Results - 4Q Results (Compared to Plan)

- \* Net sales and operating income, although affected by negative factors such as Europe's recession, almost met expectations by taking advantage of the effects of seasonal factors, concentrating on the CE after-market in Japan, introducing a CAM new product, and winning PS orders, as well as due to company-wide efforts to reduce expenses.
- \* Ordinary profit and current net income undershot expectations due to negative factors such as the impact of foreign exchange losses realized before measures were taken to reduce unrealized foreign exchange losses.



# Information by Business Segment

# Net Sales, Profits and Losses by Business Segment

- \* Main Four Businesses Continued to Deliver Operating Income, Marking the Second Straight Profitable Term.
- \* PS and SE Neutralized Part of Downturn of CE.

(Billion yen)

Segment		First three quarters			4Q			Full-year			
		FYE3/'13	FYE3/'12	YoY	FYE3/'13	FYE3/'12	YoY	FYE3/'13	FYE3/'12	YoY	Ratio
CE	Net sales	72.6	77.7	-5.1	27.9	29.6	-1.6	100.5	107.3	-6.7	32.8%
	Operating income	1.4	4.4	-3.0	1.1	2.0	-0.9	2.5	6.3	-3.9	26.0%
PS	Net sales	65.1	67.1	-2.0	26.7	26.4	+0.3	91.8	93.5	-1.7	30.0%
	Operating income	1.2	1.6	-0.4	2.8	1.5	+1.3	4.0	3.1	+0.9	41.9%
HM	Net sales	52.1	59.3	-7.1	16.7	18.3	-1.6	68.8	77.5	-8.8	22.4%
	Operating income	0.5	1.4	-0.9	0.5	0.3	+0.2	1.1	1.7	-0.7	11.0%
SE	Net sales	31.3	28.1	+3.1	9.6	8.6	+1.0	40.9	36.7	+4.1	13.3%
	Operating income	1.9	1.2	+0.7	0.2	0.1	+0.1	2.0	1.2	+0.8	21.3%
Others	Net sales	3.3	4.3	-1.0	1.2	1.5	-0.3	4.6	5.8	-1.2	1.5%
	Operating income	-0.2	0.2	-0.5	0.2	0.2	+0	-0.0	0.4	-0.4	-0.1%
Total	Net sales	224.5	236.5	-12.1	82.1	84.3	-2.2	306.6	320.9	-14.3	—
	Operating income	4.8	8.8	-4.0	4.8	4.0	+0.8	9.6	12.8	-3.2	—

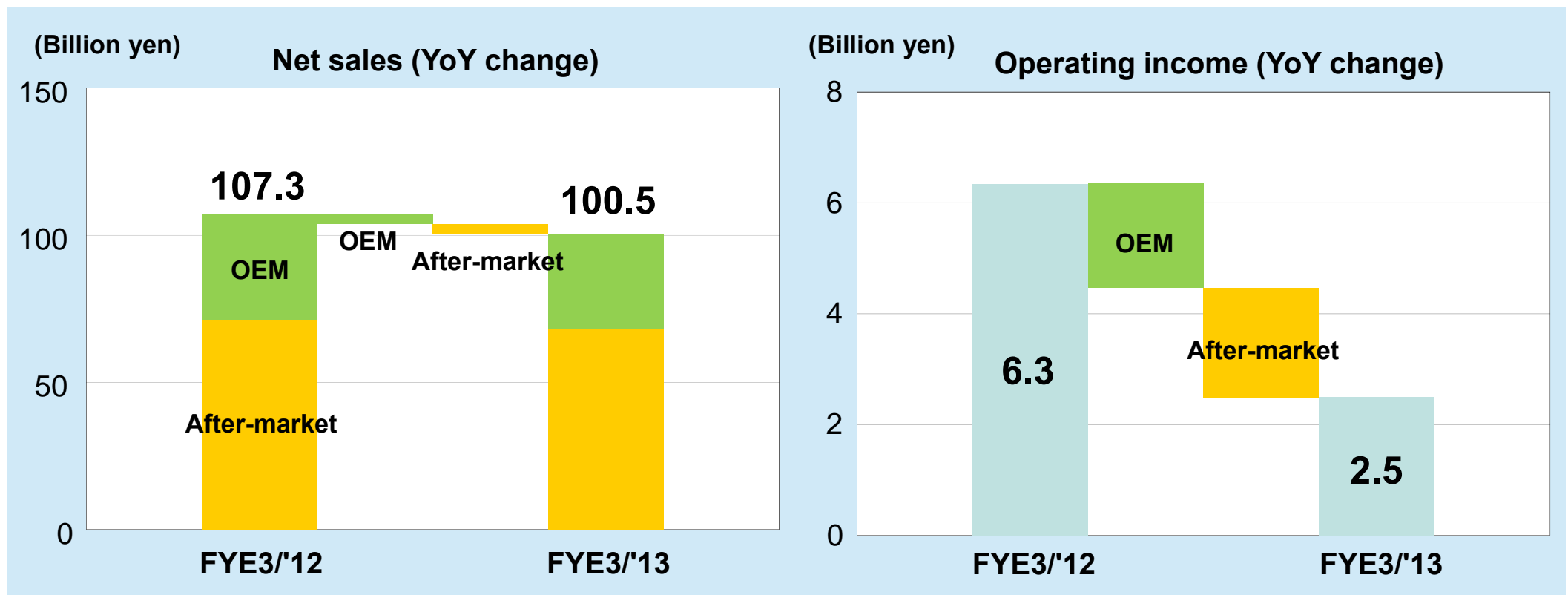
# FYE 3/'13 - Car Electronics Business

**Net sales: JPY 100.5B (Down 6.3%)      Operating income: JPY 2.5B (Down JPY 3.9B)**

**After-market:** Maintained steady sales growth in North America. Sales picked up in Asia. But, sales and profit declined with an economic turndown and unfavorable foreign exchange rates in Europe and a trend toward product lineups in lower price ranges in Japan.

**OEM:** Sales and profit slipped due to the impact of the DOP slowdown and sluggish sales of CD/DVD mechanisms for Europe. Optical pickups maintained strong sales.

Changes in the graphs include the impact of foreign exchange.



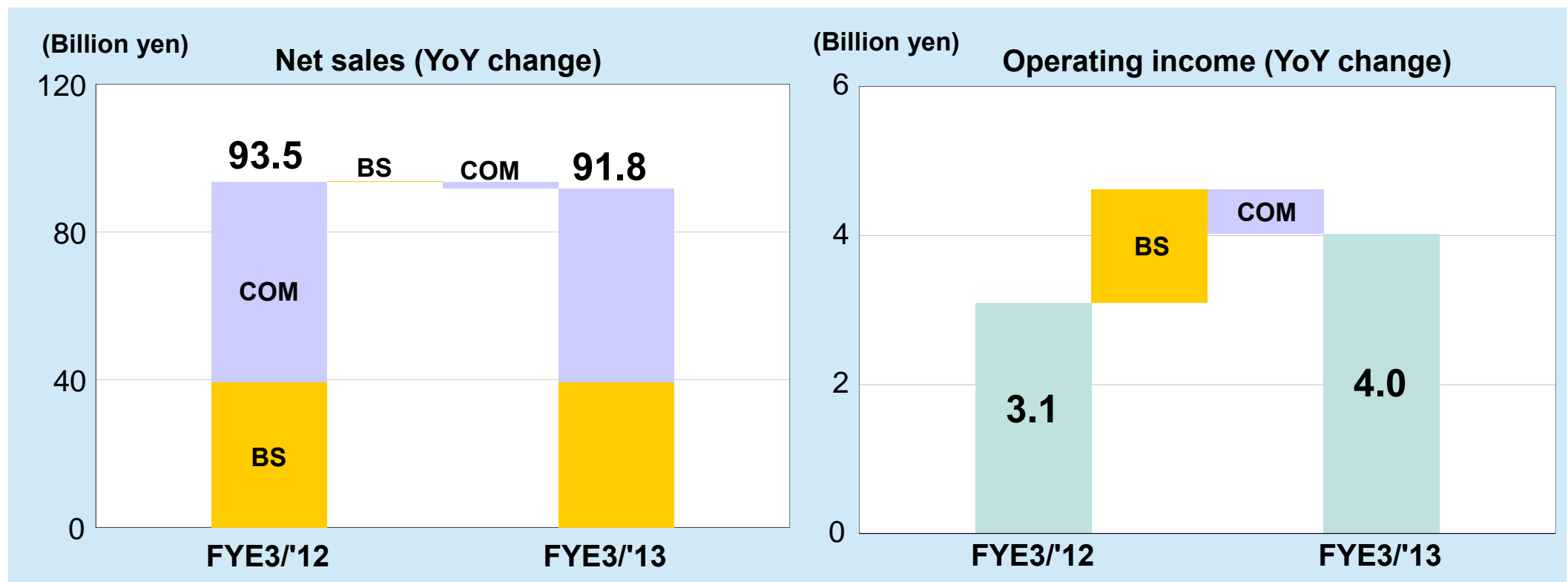
# FYE 3/'13 - Professional Systems Business

**Net sales: JPY 91.8B (Down 1.8%)      Operating income: JPY 4B (Up JPY 0.9B)**

**COM:** Digital radio systems continued to have strong sales in North America, and new orders were won in Japan.  
Nevertheless, sales and profit declined due to a sales decrease in Europe and a delayed sales recovery in China.

**BS:** Profit improved due to the normalization of production of plants in Thailand and a recovery of sales from 2Q, despite poor sales overseas and increased costs due to the floods in Thailand (in 1Q).

Changes in the graphs include the impact of foreign exchange and the floods.





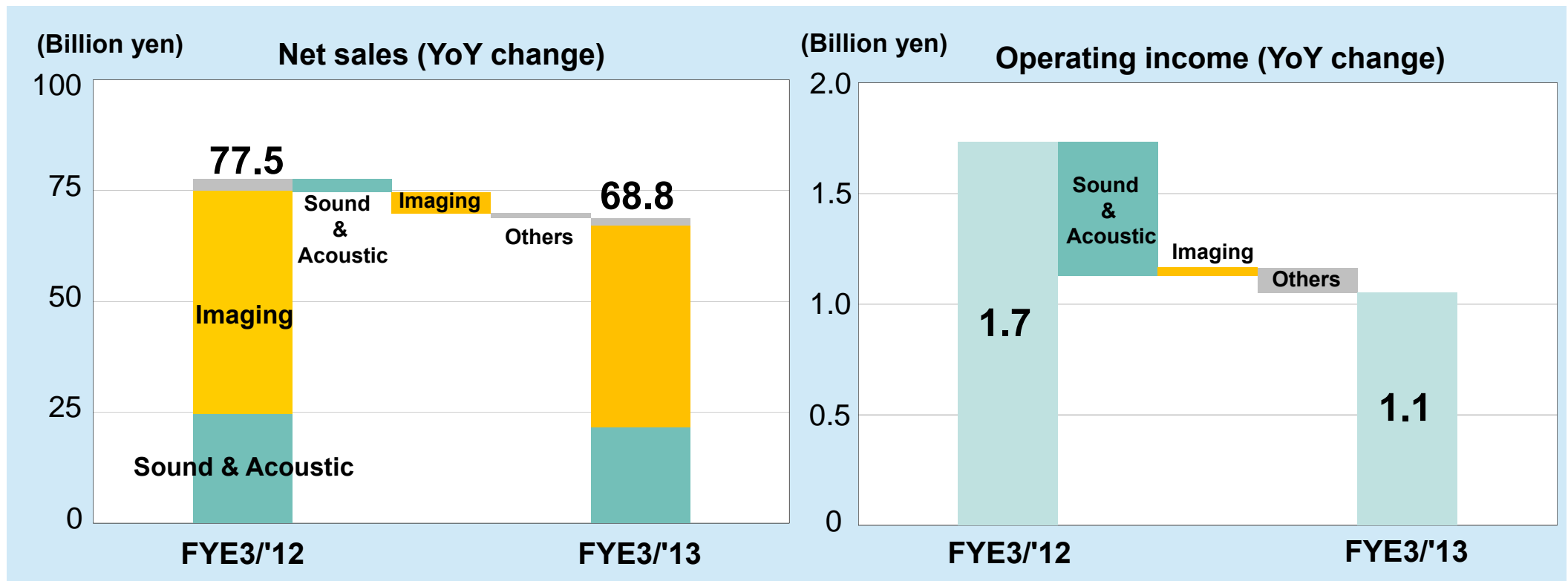
# FYE 3/'13 - Home & Mobile Electronics Business

**Net sales: JPY 68.8B (Down 11.3%)      Operating income: JPY 1.1B (Down JPY 0.7B)**

**Sound & Acoustic:** AV accessories maintained high profitability. Home Audio saw a deterioration of profit, mainly due to a contraction of the Japanese market and an economic downturn in Europe. Sound & Acoustic as a whole managed to stay in the black, even with declines in sales and profit.

**Imaging:** Camcorders experienced a slip in profit. Projectors increased sales and profit. Displays entered the black. Imaging as a whole had improved profit, despite a drop in sales.

Changes in the graphs include the impact of foreign exchange.

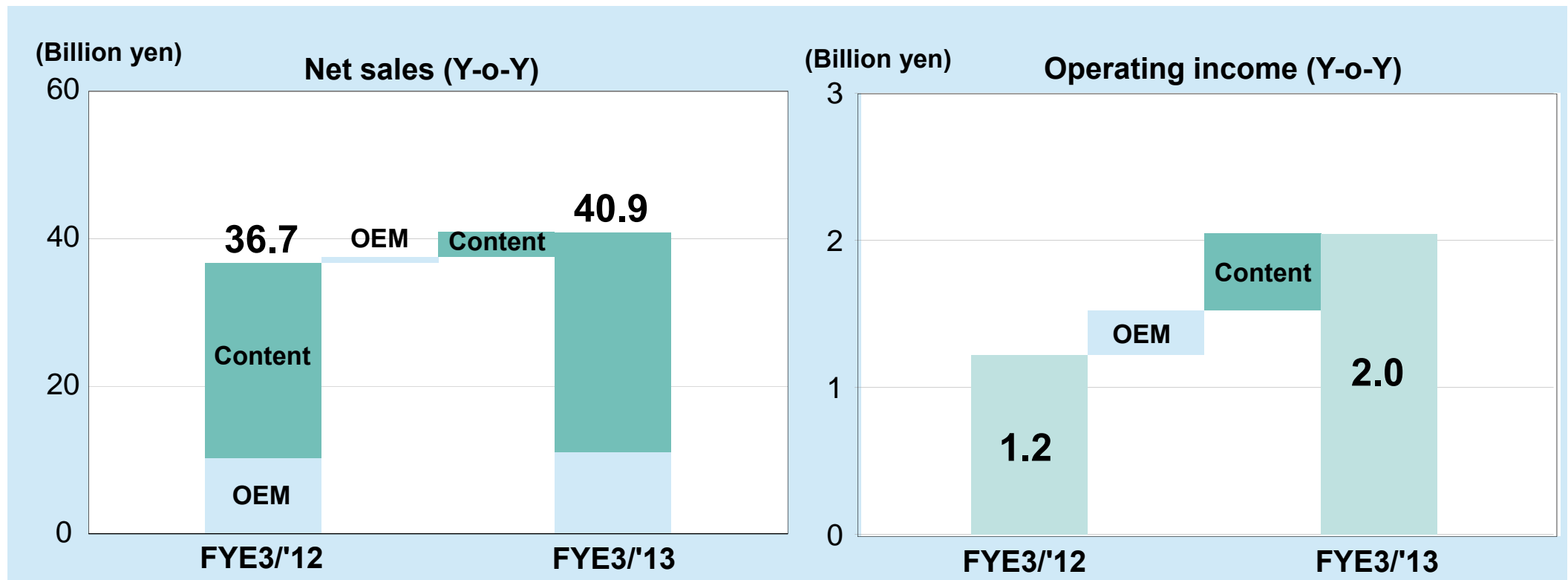


**Net sales: JPY 40.9B (Up 11.2%) Operating income: JPY 2B (Up JPY 0.8B)**

**Content:** Sales and profit expanded. Many TV drama theme songs and music albums became hit products.  
Animation products remained strong. Music-related rights also contributed to boosting sales and profit.

**OEM:** Profit/loss improved as a result of steady production of disks and effects of cost reductions.

Changes in the graphs include the impact of foreign exchange.



## Balance Sheets

- \* Total assets increased JPY 4.9B, due mainly to an increase in the yen-equivalent value of assets in foreign currency denominations, caused by a weaker yen.
- \* Liabilities decreased JPY 5.3B, primarily as a result of a decline in accrued expenses and redemption of bonds. Interest-bearing debt declined JPY 5.9B. Net debt increased JPY 1.9B, due to a decrease in cash and bank deposits associated with the acquisition of Shinwa shares.
- \* Capital surplus grew JPY 0.5B. Shareholders' equity also rose JPY 0.5B.  
Total net assets increased JPY 10.2B following a correction of foreign currency translation adjustments. Shareholder's equity ratio rose 3.7% to 26.6%.

	End of FYE3/'12	End of FYE3/'13	(Billion yen) Change from End of FYE3/'11
Total assets	241.8	246.6	+4.9
Interest-bearing debt	92.4	86.5	-5.9
(of which, long-term loans)	50.3	13.1	-37.3
Net debt	26.8	28.7	+1.9
Net debt / Equity Ratio (times)	0.48	0.44	-0.05
Capital surplus	45.9	45.9	±0
Retained earnings	24.2	24.7	+0.5
Net assets	57.1	67.2	+10.2
Shareholder's Equity ratio (%)	22.9	26.6	+3.7

## Cash Flow

### Cash flow from operating activities

**An increase of JPY 9.8B (Up JPY 0.9B YoY)**

- \* Mainly attributable to a sharp drop in employment structural reform expenses.**

### Cash flow from investing activities

**A decrease of JPY 13.4B (a spending increase of JPY 6.9B YoY)**

- \* Mainly attributable to the promotion of strategic investments in capital and business alliances, including the acquisition of Shinwa shares.**

### Cash flow from financing activities

**A decline of JPY 8.6B (a spending increase of JPY 7.1B YoY)**

- \* Mainly attributable to a decrease in income from long-term loans and an increase in expenses from the redemption of bonds.**

### Cash and cash equivalents at the fiscal year-end

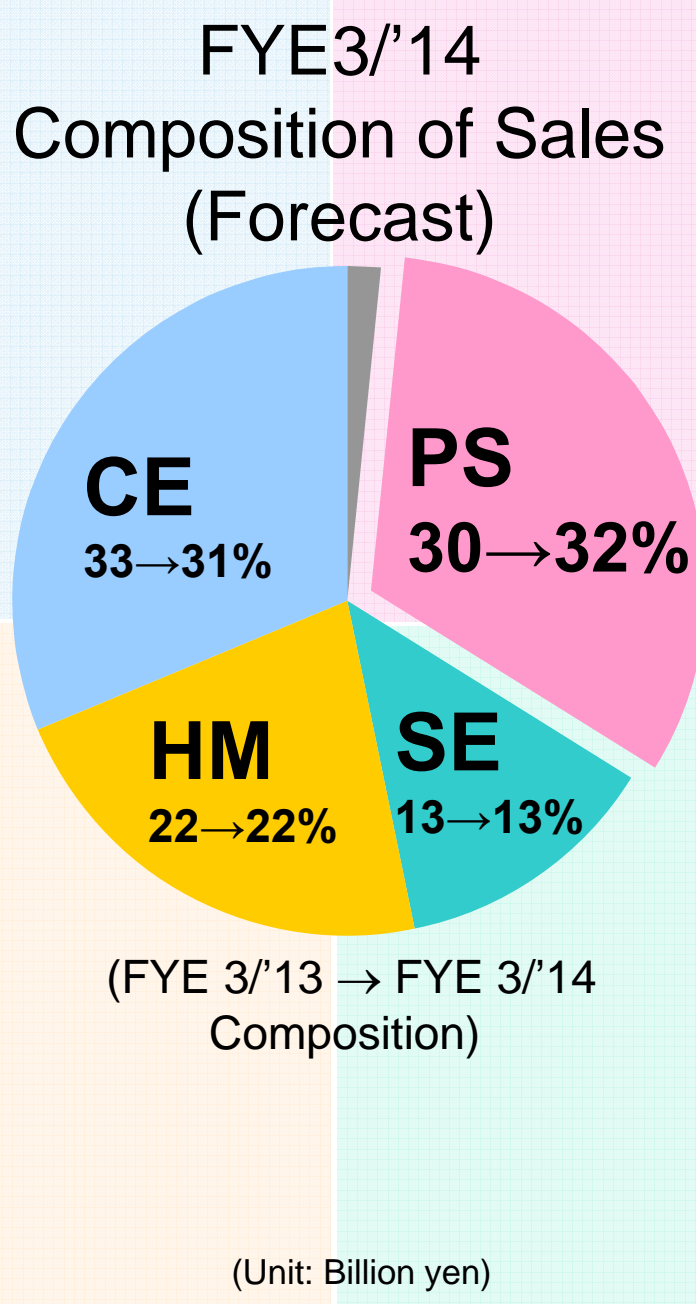
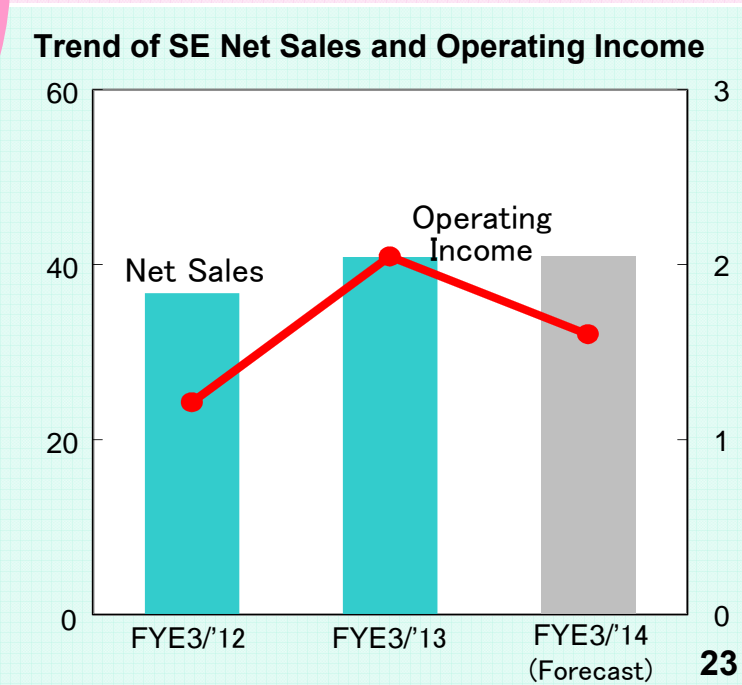
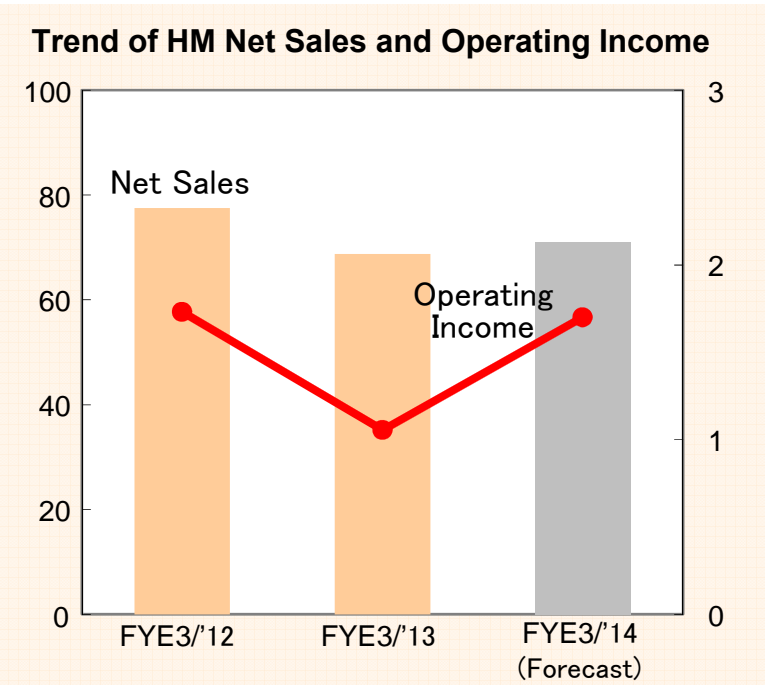
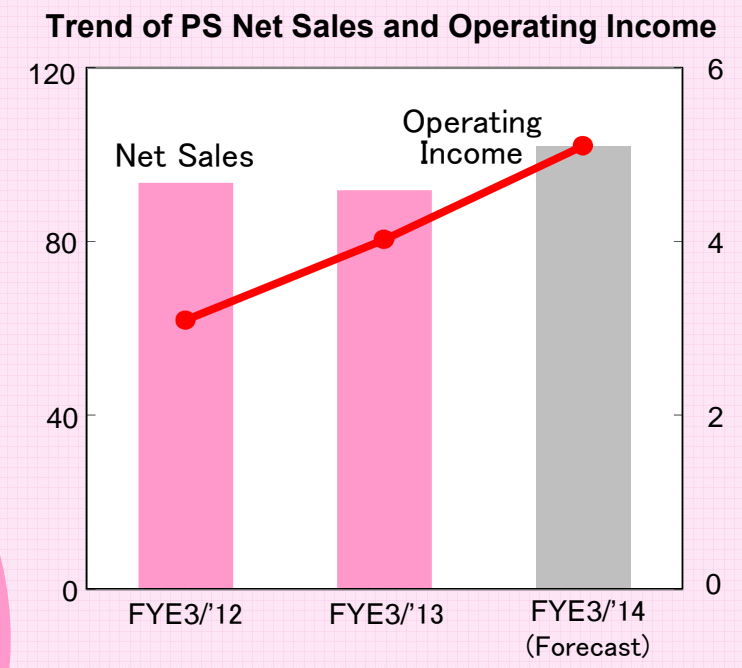
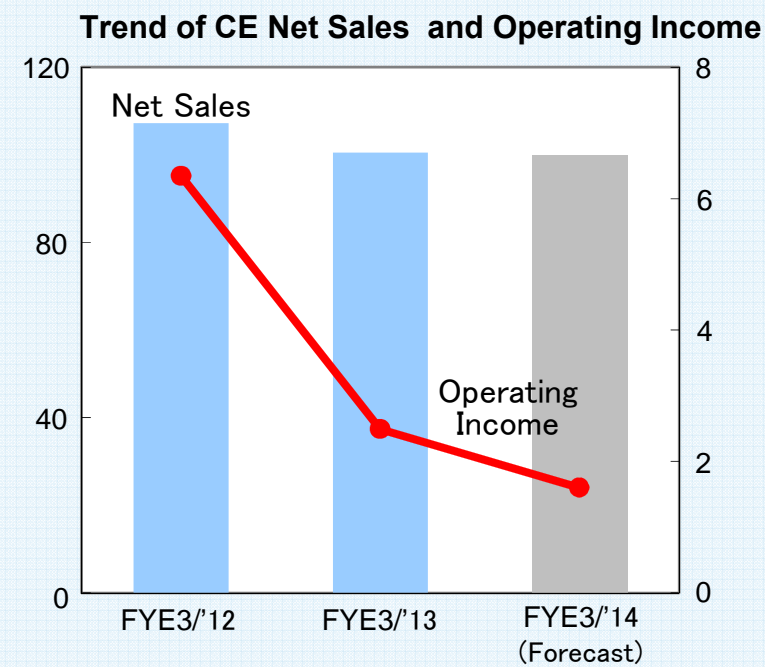
**JPY 57.5B (Down JPY 8B YoY)**

# **Key Measures for Fiscal Year Ending March 2014**

# **Full-year Earnings Forecast for FYE3/'14**

Earnings Forecast for FYE3/'14 - Forecast By Segment

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- \* Projection: Slight increases of both sales and income for FYE 3/'14 with Net Sales of JPY 310B and Operating Income of JPY 10B.
- \* Projection: Sizable Improvement of non-operating P/L by reducing risks of exchange rate fluctuations with ordinary income of JPY 5.5B and current net income of JPY 3.0B.
- \* Projection: FYE 3/'14 dividend of JPY 5per share, unchanged from FYE 3/'13, for the stable distribution of profit.

(Billion yen)

	Net sales	Operating income	Ordinary income	Net income
<b>FYE 3/'14</b>	<b>310.0</b>	<b>10</b>	<b>5.5</b>	<b>3.0</b>
<b>FYE 3/'13</b>	<b>306.6</b>	<b>9.6</b>	<b>3.1</b>	<b>1.1</b>
<b>YoY change</b>	<b>+3.4</b>	<b>+0.4</b>	<b>+2.4</b>	<b>+1.9</b>

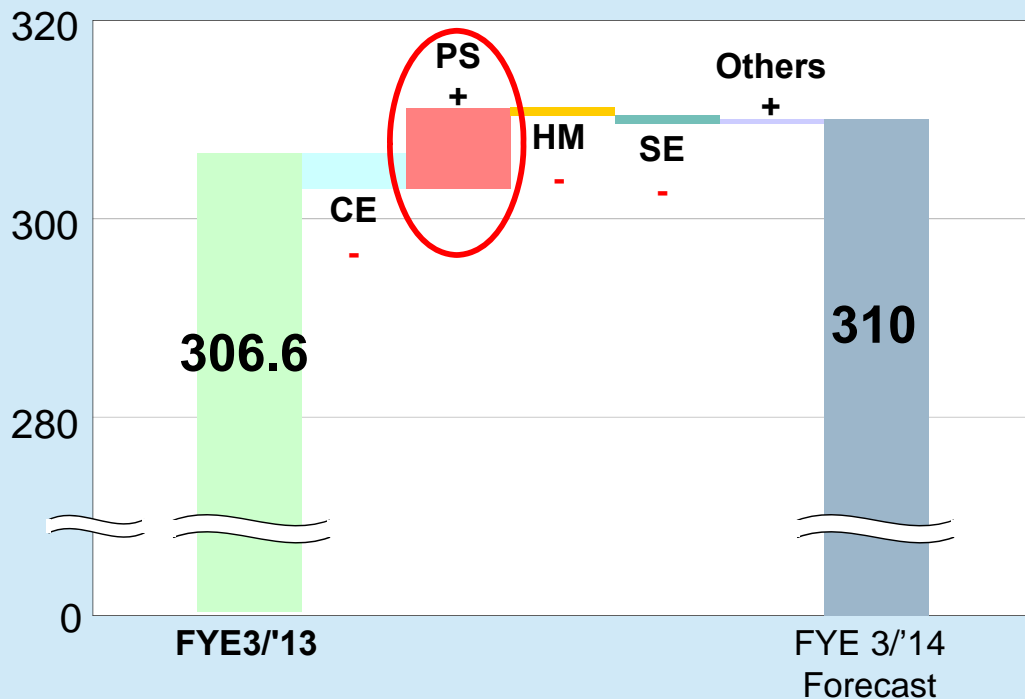


# Earnings Forecast for FYE3/'14 (YoY)

- \* Projection: Decline in profit for CE because OEM will enter a period of transition and focus on prior investment to win big orders from next term.
- \* Projection: Growth of PS, supported by twin pillars: continued strength of COM and sales of BS freed from the impact of floods in Thailand.
- \* Projection: Stable sales and profit to continue for HM and SE, as well.

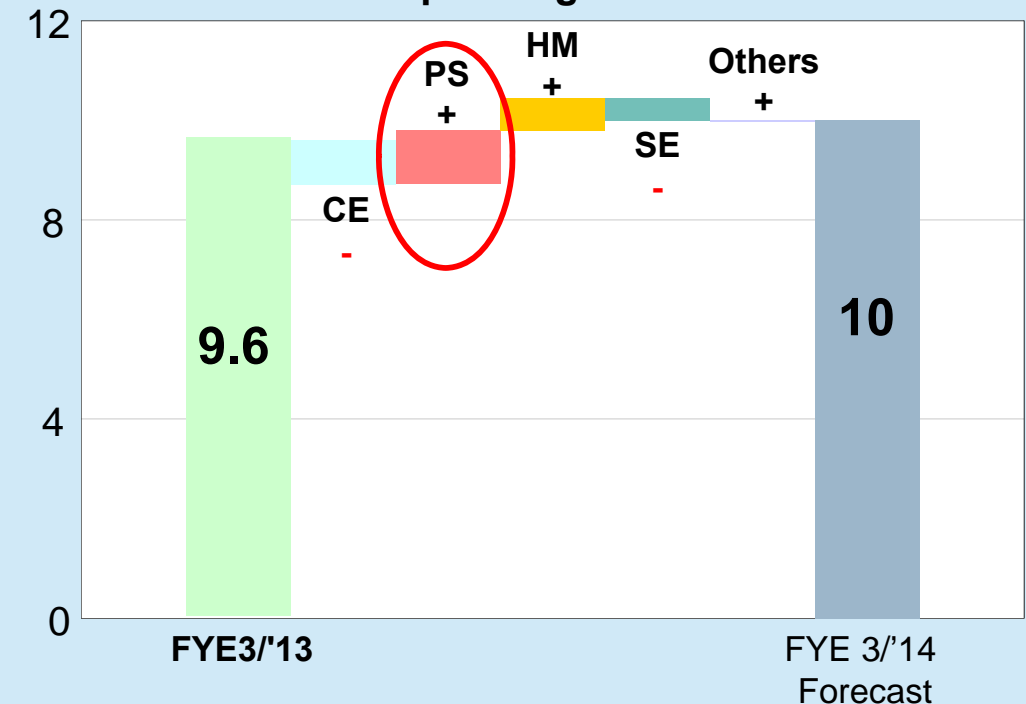
(Billion yen)

Net sales



(Billion yen)

Operating income



# **Key Measures for Fiscal Year Ending March 2014**

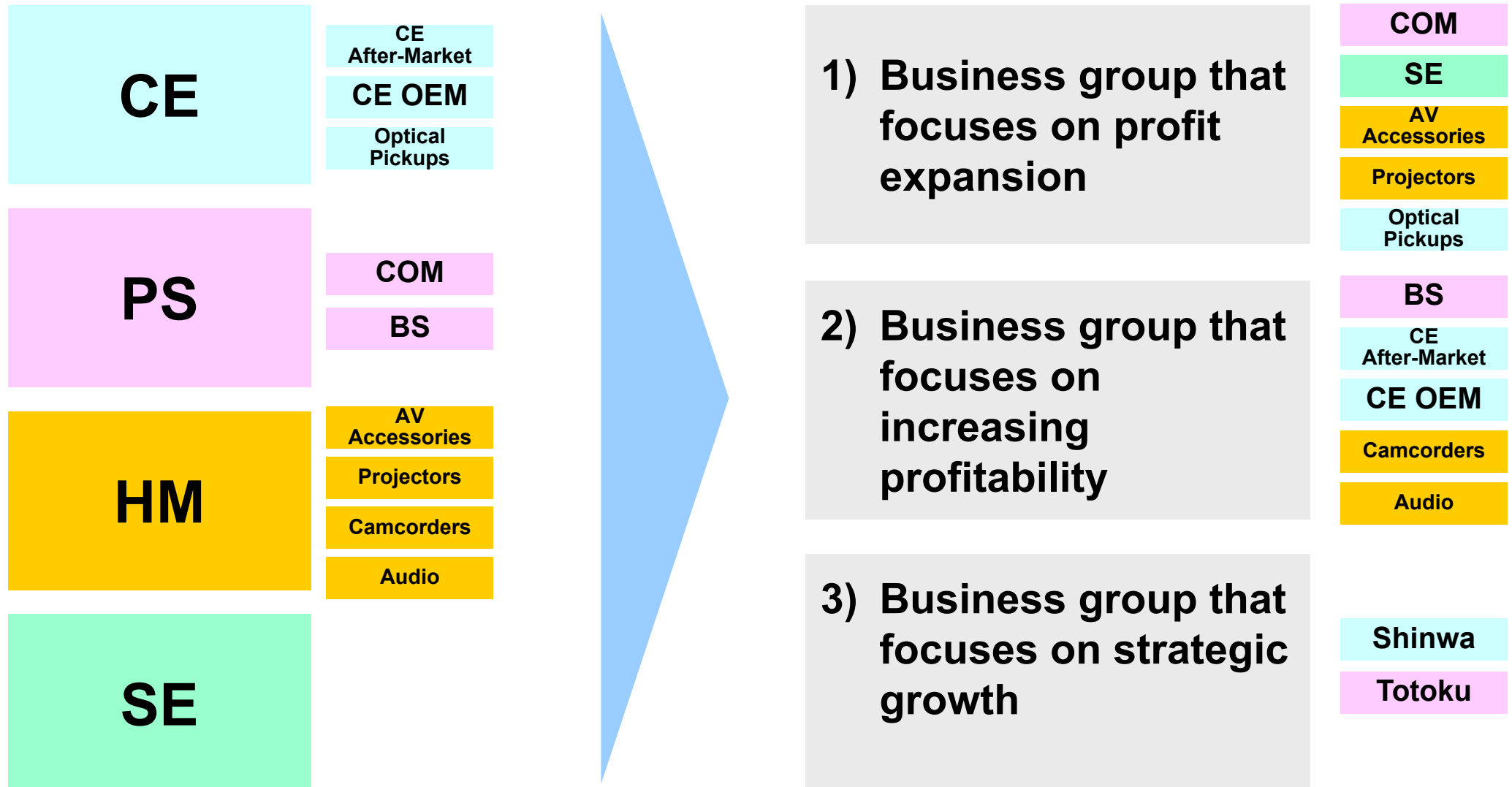
# **1. Enhancement of Business Portfolio**

- 1) Business group that focuses on profit expansion**
- 2) Business group that focuses on increasing profitability**
- 3) Business group that focuses on strategic growth**

# **2. Reduction in Foreign Exchange Fluctuation Risks**

# **3. Strengthening of Corporate Structure**

## Business Units in Four Segments to be Grouped into Three.



# **1. Enhancement of Business Portfolio**

**1) Business group that focuses on profit expansion**

2) Business group that focuses on increasing profitability

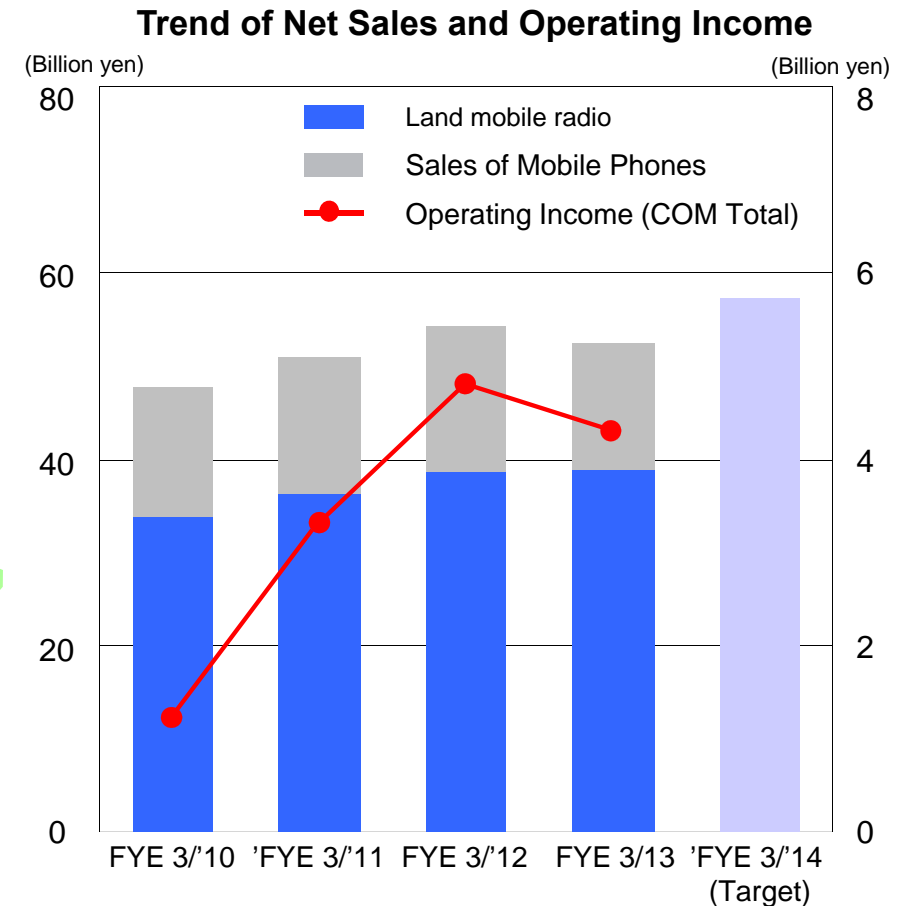
3) Business group that focuses on strategic growth

# 1. Enhancement of Business Portfolio

## 1) Business group that focuses on profit expansion

### (1) Land Mobile Radio Business (PS Business)

- \* Development and sales of professional digital radio equipment and systems that are compatible with communications protocols used in different regions of the world
- \* Optimization of production systems, and strengthening of sales networks

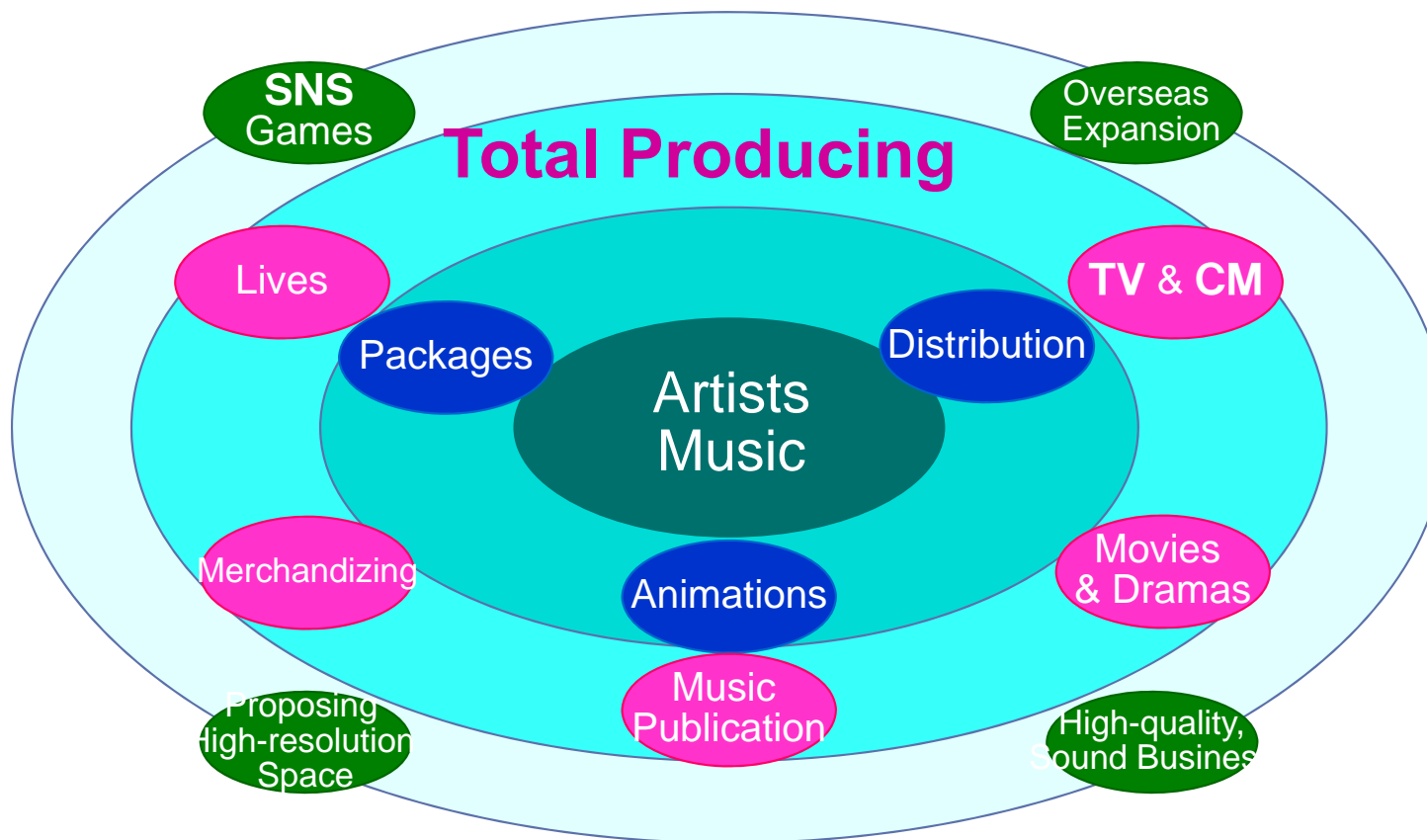


# 1. Enhancement of Business Portfolio

## 1) Business group that focuses on profit expansion

### (2) Entertainment Business

- \* Cultivating and nourishing of new and mid-catalog artists, and innovation of the business into comprehensive entertainment
- \* Increase in productivity of the OEM business



# 1. Enhancement of Business Portfolio

## 1) Business group that focuses on profit expansion

### (3) AV Accessory Segment (HM Business)

- \* Expansion of product line-ups including flagship models and models exclusively for emerging countries, and extension of sales areas



Live Beat Series that Reproduces Realistic Sound



Headphones for Hong Kong and China



New Concept – Headphone for Overseas Market “énsy”series

### (4) Projector Segment (HM Business)

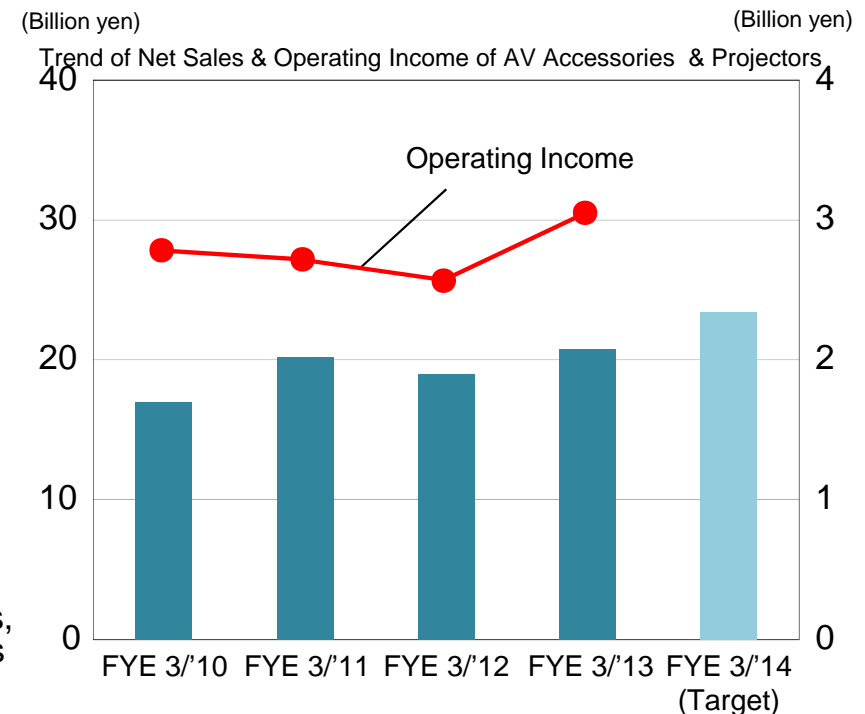
- \* Increase in sales volumes and channels of 4K projector, in which we are ahead of rivals



4K Projectors in Wide-ranging Lineups



Professional-use 8K Projectors, Making Good Use of PS Sales Channels



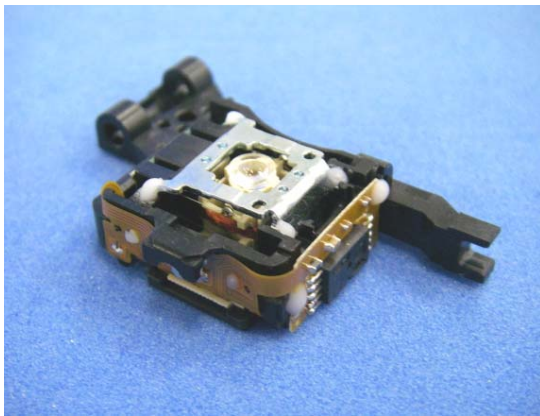


# 1. Enhancement of Business Portfolio

## 1) Business group that focuses on profit expansion

### (5) Segment of optical pickups for car-mounted equipment (CE Business)

**\* Expansion in full-scale mass production of newly-developed pickup, and acquisition of new customers for the product**

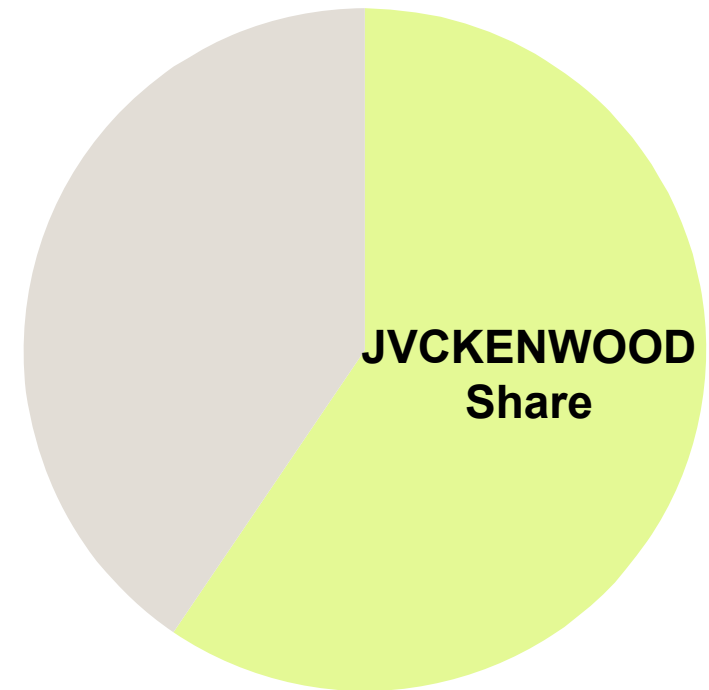


New CD Optical Pickup



New DVD Optical Pickup

JVCKENWOOD Market Share of Direct  
Sales of Optical Pickups  
(FYE 3/'13, researched by JVCKENWOOD)



# 1. Enhancement of Business Portfolio

1) Business group that focuses on profit expansion

**2) Business group that focuses on increasing profitability**

3) Business group that focuses on strategic growth

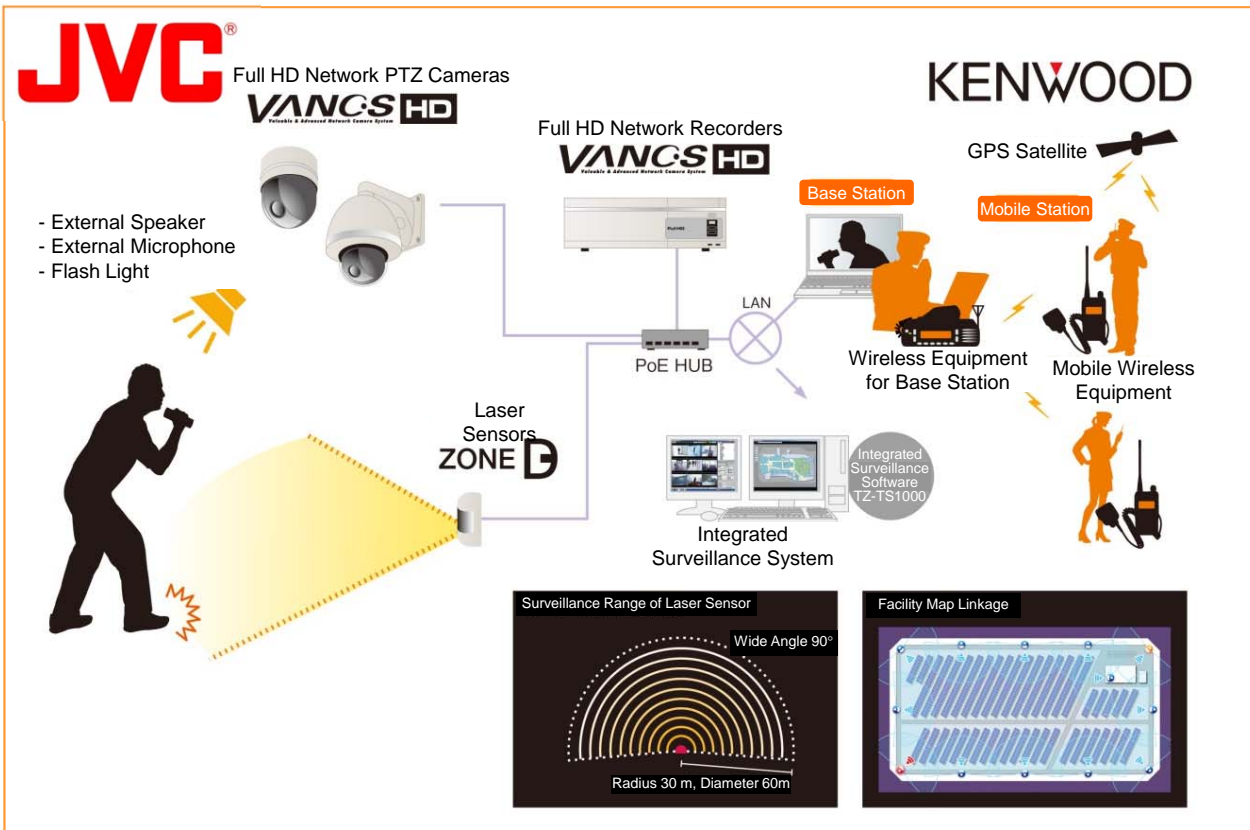
# 1. Enhancement of Business Portfolio

## 2) Business group that focuses on increasing profitability

### (1) Business Solutions (Business) (PS Business)

- \* Reinforcement of system development and design systems, and expansion of the solution business through partnership
- \* Increase in sales of professional video cameras and security cameras

#### Peripheral Surveillance System through Partnership with Denso



Professional-use Video Cameras adopted by many companies including major broadcast stations overseas.



Professional Broadcast Systems for Disaster Prevention and Minimization

# 1. Enhancement of Business Portfolio

## 2) Business group that focuses on increasing profitability

### (2) After-market Business (CE Business)

- \* Enhancement of marketability of SSD-type car navigation systems for the domestic market, expansion of sales of the systems and reduction of relevant costs
- \* Expansion of the line-up of display audio systems for overseas markets, and increase in their sales
- \* Development of emerging markets through products exclusively for emerging countries



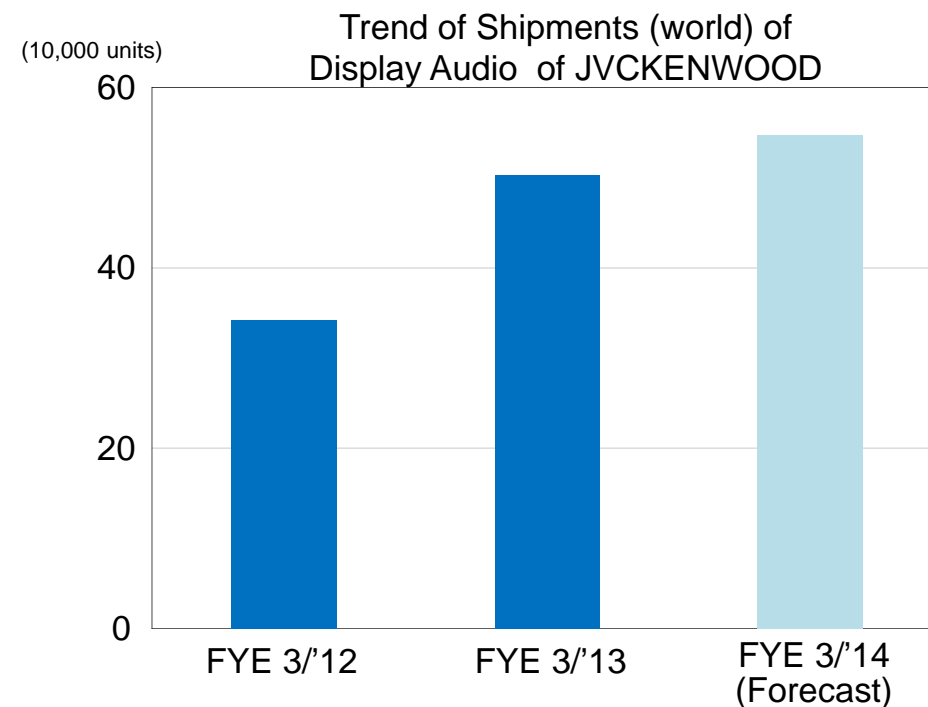
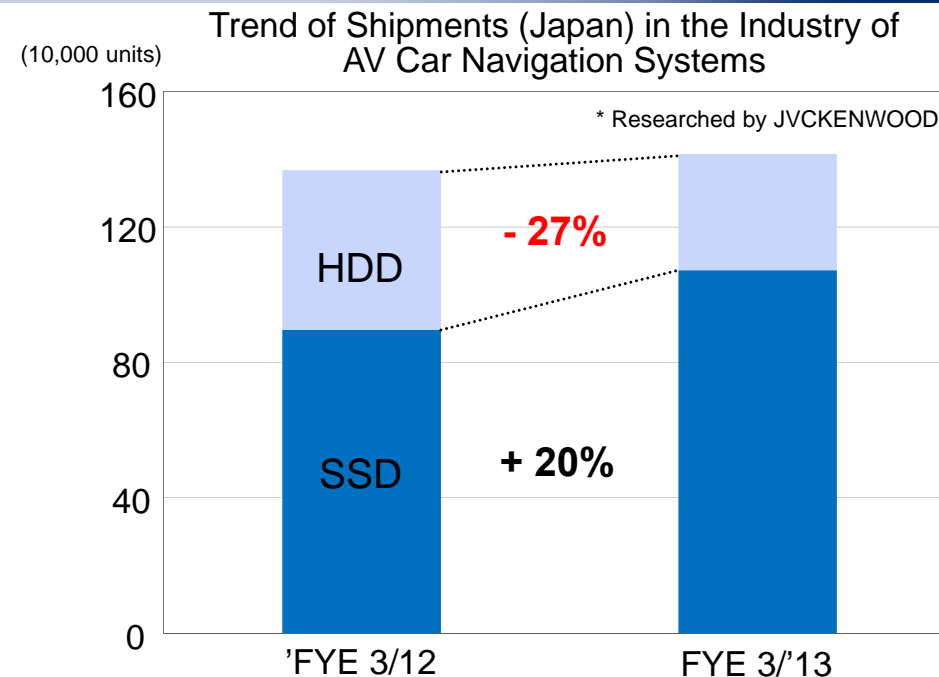
"Saisoku Navi" for Japanese Market



Display Audio for Overseas Market



CD Receiver for Emerging Markets





# 1. Enhancement of Business Portfolio

## 2) Business group that focuses on increasing profitability

### (3) OEM Business (CE Business)

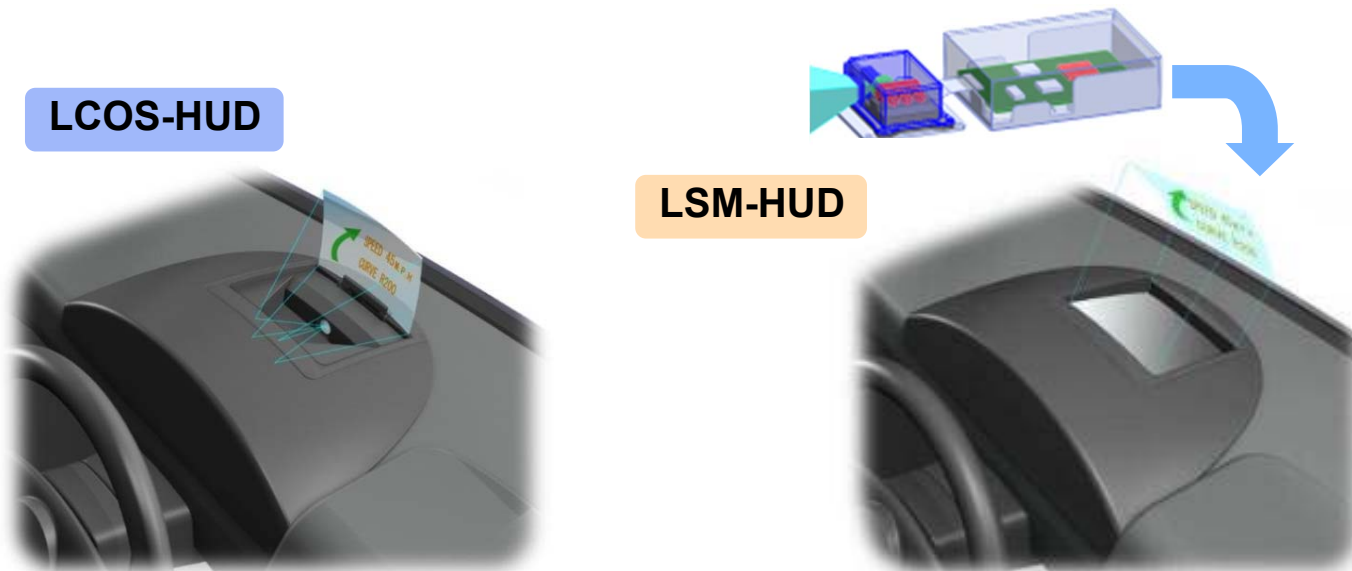
- \* Development and mass production of specially-designed car navigation systems and display audio systems, and winning of new orders received for their next models
- \* Increase in orders received for car navigation systems to be converted for the after-market models as dealer option products
- \* Commercialization of innovative products such as head-up displays



Special Design  
Car Navigation System



Converted-to-After-Market  
Car Navigation System



# 1. Enhancement of Business Portfolio

## 2) Business group that focuses on increasing profitability

### (4) Camcorder Segment (HM Business)

- \* Further shift to proposal-based and high-value-added product line-ups, such as sports camcorders and shoulder-mounted camcorders



Sports Camcorder  
[ADIXXION]



Coaching Camcorder,  
Specializing in Recording  
Sports



Shoulder-mounted Camcorder  
for Semi-Professionals

### (5) Audio Segment (HM Business)

- \* Realignment of sales areas and products, and further concentration on high-value-added product line-ups through the use of outsourcing



Network-compatible  
Wood-corn Audio



Bluetooth-compatible  
K- Series



Powered Woofer System to  
reproduce Deep Bass Sound

# **1. Enhancement of Business Portfolio**

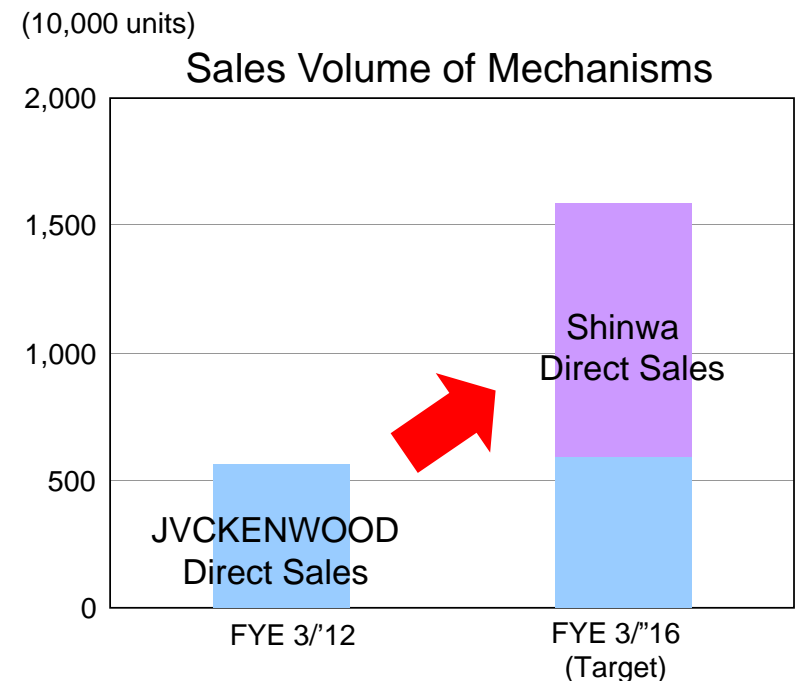
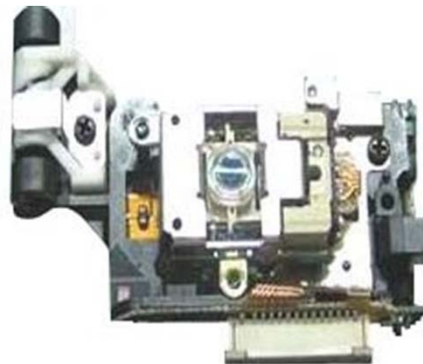
- 1) Business group that focuses on profit expansion
- 2) Business group that focuses on increasing profitability
- 3) Business group that focuses on strategic growth**

# 1. Enhancement of Business Portfolio

## 3) Business group that focuses on strategic growth

### (1) Shinwa (CE Business)

- \* Preparation for the conversion of Shinwa into a consolidated subsidiary of JVCKENWOOD at an early date
- \* Creation of synergies in the business of optical disk drive mechanism for car-mounted equipment, and expansion of the business of water-based paint plastic panels





# 1. Enhancement of Business Portfolio

## 3) Business group that focuses on strategic growth

### (2) Information equipment business of TOTOKU Electric Co., Ltd. (PS Business and CE Business)

- \* TOTOKU Electric's subsidiary engaged in information equipment business planned to be converted into a consolidated subsidiary of JVCKENWOOD effective July 1, 2013
- \* Full-scale entry into the medical/health care field, and creation of synergies in video technology



#### <Medical Image Displays>



Mammography, MRI, CT, and Roentgen Image  
Diagnostic Display

#### <EMS-related Production Items>

- ◆ Boards for cars
  - Control boards for blower motors
  - Sensor boards for power seats

- ◆ Boards for motorcycles
  - For meters
  - For ignition units

## **2. Reduction in Foreign Exchange Fluctuation Risks**

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### Reduction in foreign exchange fluctuation risks to operating/non-operating income and loss



Sensitivity to FX  
Gain or loss (Billion yen)  
for every 1 yen drop  
against US\$ and Euro

	FY 2012	FY 2013
<b>Operating P/L</b>	<p>Negative Factor with weak yen to US\$, strong yen to euro</p> <p><b>US\$ - 0.5/year, Euro +0.2/year</b></p>	<p>By correcting Sensitivity to FX, minimize impact on operating P/L</p> <p><b>US\$ -0.2/year, Euro +0.2/year</b></p>
<b>Non-Operating P/L</b>	<p>Negative Factor with Weak yen to US\$</p> <p><b>US\$ -0.1/year</b></p>	<p>By disposing of loans between parent and subsidiaries, reduce risks of unrealized FX losses</p> <p><b>US\$ 0/year</b></p>

### **3. Strengthening of Corporate Structure**

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#### **1) Reinforcement of financial foundation**

- **Unsecured loan to pay bonds of JPY 6B that will be redeemed in August 2013.**
- **Extend terms of loans and obtain better interest rates**

#### **2) Integration of overseas sales companies**

- **Integrate to form about 40 units at end of March '12 >> to form about 30 units at end of March '13 >> continue to integrate overseas sales companies and offices**

#### **3) Consolidated value chain innovations**

- **Through four business groups and group-wide task force, promote consolidated value chain innovations.**
- **Aim to reduce inventories and inventory write-downs, shorten lead times from order by sales departments to shipment from plants, reduce procurement costs and minimize market fault rates.**

#### **4) Environmental Conservation and Social Contribution Activities**

- **Participation in in the “Action Plan for Low Carbon Society” . Aim to achieve an annual average improvement rate of 1% of energy consumption through 2020.**
- **Establishment of control system in compliance with Act on the Rational Use of Energy, formulation of mid-& long-term plans, and others**





(1)



(2)



(1)



(3)

(1) JVC KENWOOD supports 2013 WTCC-FIA World Touring Car Championship. (2) JVC KENWOOD supplies wireless systems to the Vodafone-McLaren-Mercedes F1 team. (3) The large billboard at Times Square in New York was revamped. (The phones are for illustrative purposes.)



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*creates excitement & peace of mind*