

Progress and Revision of the Mid- to Long-Term Management Plan “Vision 2020”

February 1, 2018

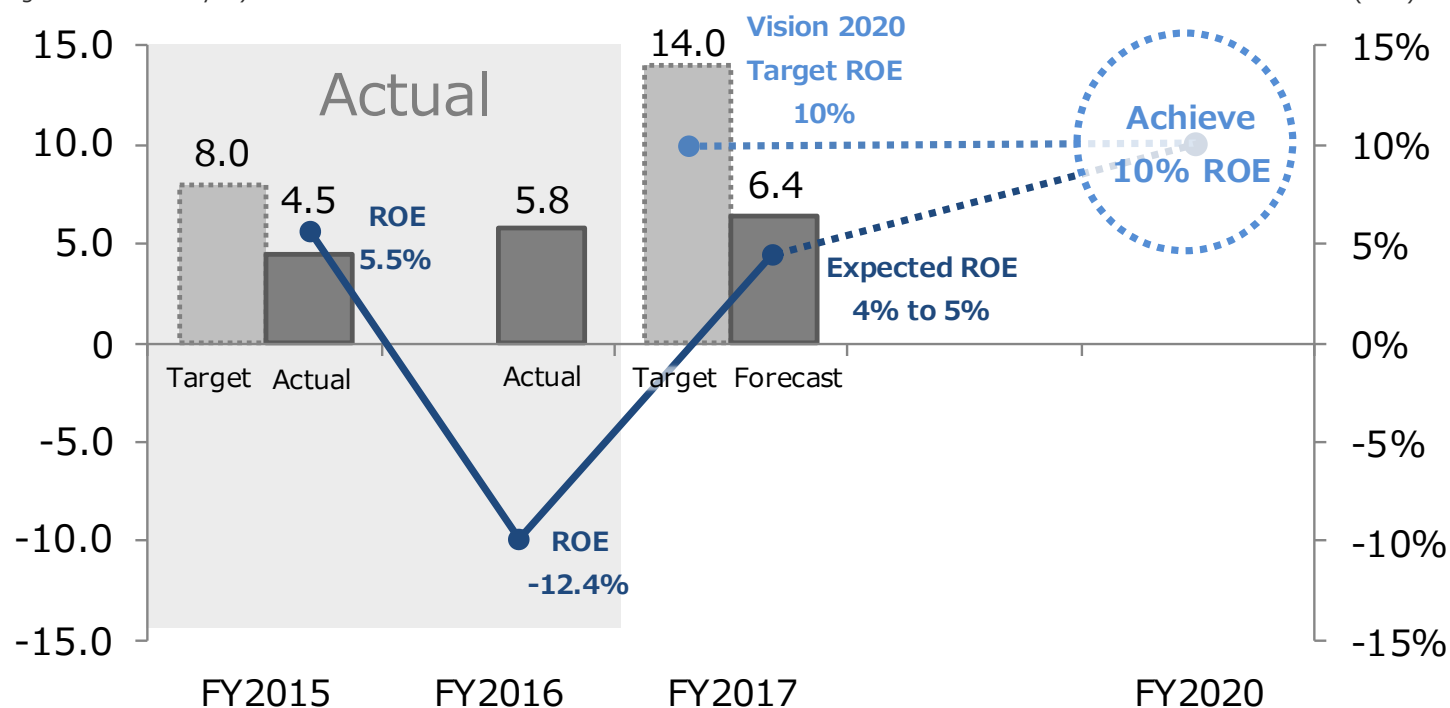
JVCKENWOOD Corporation

Current Status Toward Targets Under Vision 2020

The full-year earnings forecast fell below the targets for FY2017 under Vision 2020, but the Company will maintain the basic policy of Vision 2020 and work toward achieving ROE of 10% in the final year of the plan.

- Both operating income and ROE for FY2017 are expected to fall below the targets under Vision2020.
- Operating income has been showing a constant upward trend since FY2016.
- Aim to achieve ROE of 10% in FY2020, the final year of the plan.

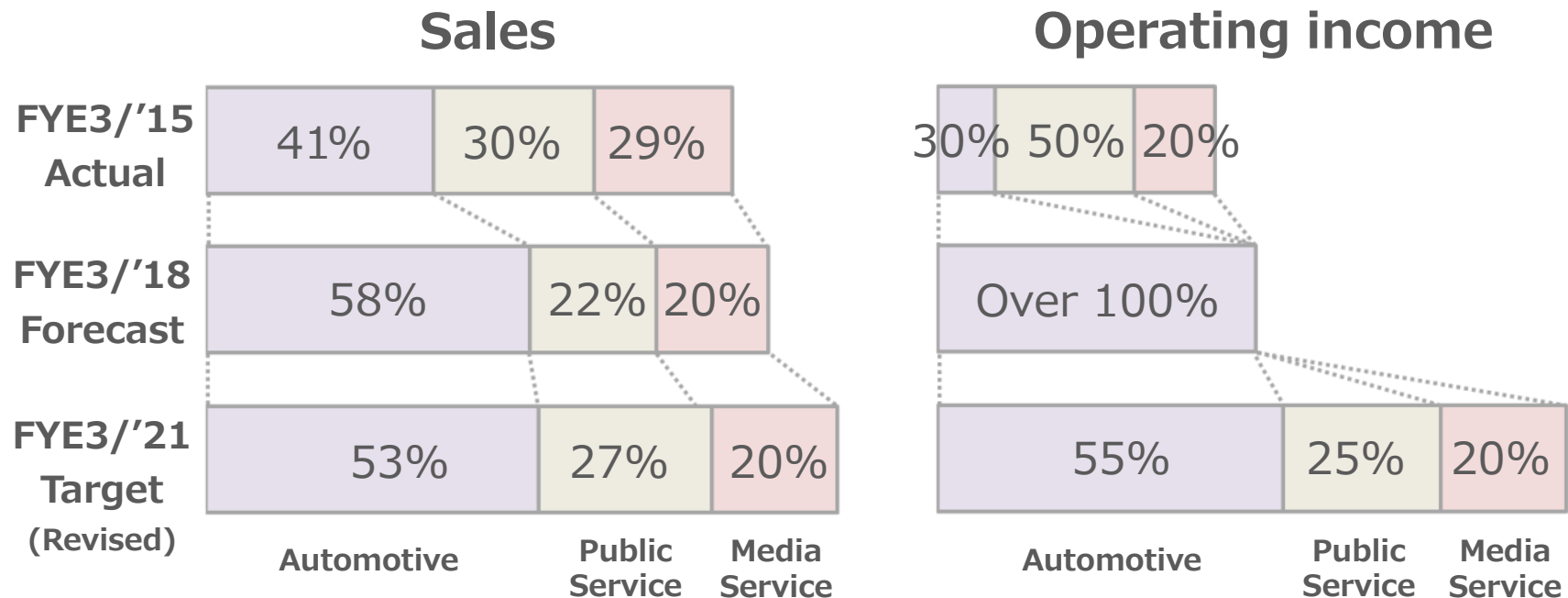
(Operating income: Billion yen)



Status of Revenue Composition by Customers' Industry Sector

A rapid transformation of revenue composition toward achieving the targets for FY2020.

- FY2017: Revenue in the AM Sector grew faster than the plan due to growth in the OEM Business including dealer installed option business, and the net sales and operating income composition ratios of the AM Sector are expected to exceed the target.
- FY2020: Recover profitability in the PS and MS Sectors toward a balanced profit composition.



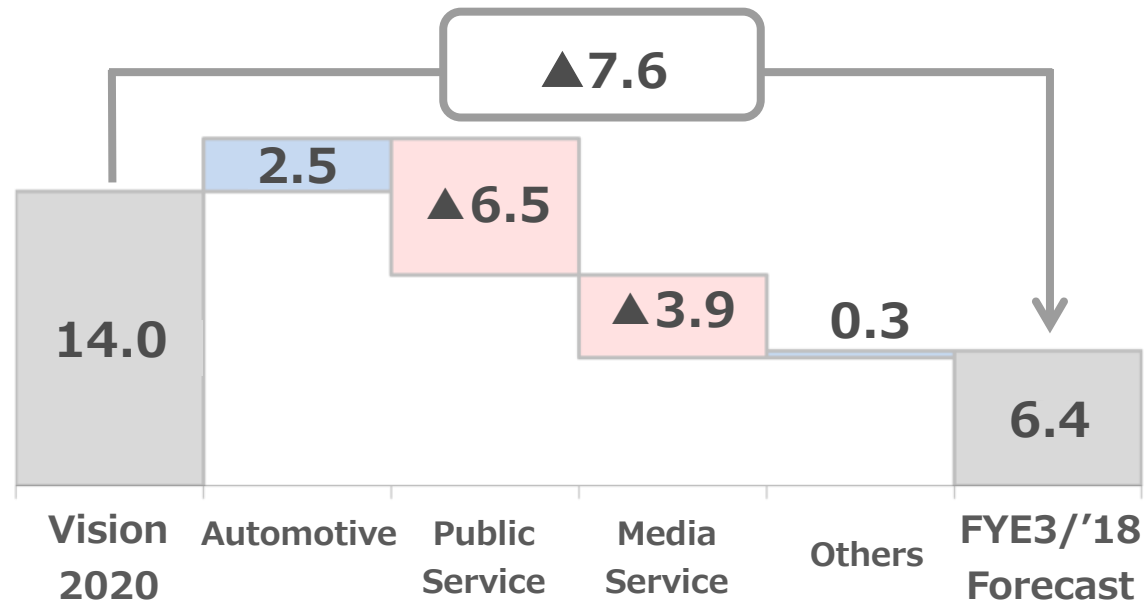
* Composition ratios of the three business sectors add up to 100%; Excluding the composition ratio of business that fall under "Others"

Review of Progress in Each Sector – Variance Between Expectations at the Time of Formulating the Plan (May 18, 2015) and the Current Expectations by Sector

- **Automotive Sector** Exceeded the targets as a result of the intensive investment. Firmly maintained our market position in the aftermarket and created strong growth in the dealer installed option business and the OEM Business.
- **Public Service Sector** Fell behind in responding to demand for DMR-compatible and IP-enabled solutions following the market's shift to digital solutions. Affected by upfront investment in the Healthcare Business.
- **Media Service Sector** Redefined the Victor brand through rebuilding the brand strategy. Slump in the product business and delay in the progress of the solution business.

Variance in operating income between the target under Vision 2020 and the full-year earnings forecast for fiscal year ending March 2018 (FY2017)

(Unit: billion yen)



Action Policy Toward Target Achievement

■ Action items to be kept unchanged from the action policy for Vision 2020

Initiatives designed to achieve evolution from a conventional manufacturer/distributor to a customer value creator that provides solutions to customers' issues.

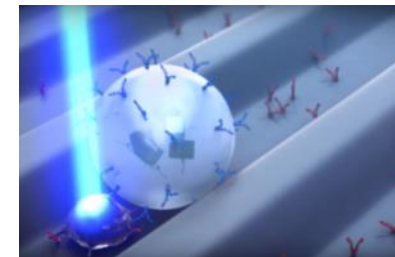
- From sale of products to provision of solutions
- From a sales company to an operating company
- From closed innovation to open innovation



Promote development of solutions through partnerships and collaborations with other companies

■ New action items to be introduced

- Evolution into a technology-based company founded on intellectual property
- Initiatives designed to increase the brand value
- Initiatives designed to solve social issues through business activities



Progress of Basic Strategy by Customers' Industry Sector

Shifting from intensive investment in the AM Sector to well-balanced investment in business fields with promise for growth.

Customer Industry Sector			Vision 2020 (2015)				Revised Vision 2020 (2017)					
			Basic Strategy	Level of Opportunity	Investment	Size of Profit	New Business Category	Basic Strategy	Level of Opportunity	Investment	Size of Profit	
Growth-leading business	Automotive Sector	Aftermarket	Focus on No.1 sales channel and maintaining brand power.	○	➡	➡	Aftermarket	Continue to expect profitability due to a smaller-than-expected market shrinking.	○	➡	➡	Investment on growing field of each sector
		Dealer-installed	Increase orders by diverting the platform of aftermarket products.	○	➡	➡	OEM	Expand business domains mainly in ASK and Shinwa despite a downward-revised forecast of iADAS. Increase orders in OEM by utilizing assets acquired in factory-installed option business.	◎	➡	➡	
		Factory-installed	Make full-scale entry with next-generation products by leveraging optical technology.	◎	➡	➡			◎	➡	➡	
Profit-base business	Public Service Sector	Safety	Commercialize total solutions in the public safety sector.	○	➡	➡	Safety	Enhancing IP solution-based business through M&A.	○	➡	➡	
		Healthcare	Focus on niche sectors where optical technology can be used.	△	➡	➡	Healthcare	Make an investment in various fields instead of limiting to the field of optics to enhance growing domains.	○	➡	➡	
	Media Service Sector	Media	Divert consumer product technology to professional, semi-professional and industrial use.	△	➡	➡	Media	Continue to pursue an aggressive growth path.	○	➡	➡	
		Entertainment	Supplement shrinking of existing market with expansion of revenue source and products for professional use.	△	➡	➡	Entertainment	Continue to enhance entertainment content and expand into new business domains.	△	➡	➡	

Note: Direction of arrows indicates change from FY2014 to FY2020

※ : i-ADAS: A JVCケンウッド trademark that stands for "Innovative Advanced Driver Assistance System."



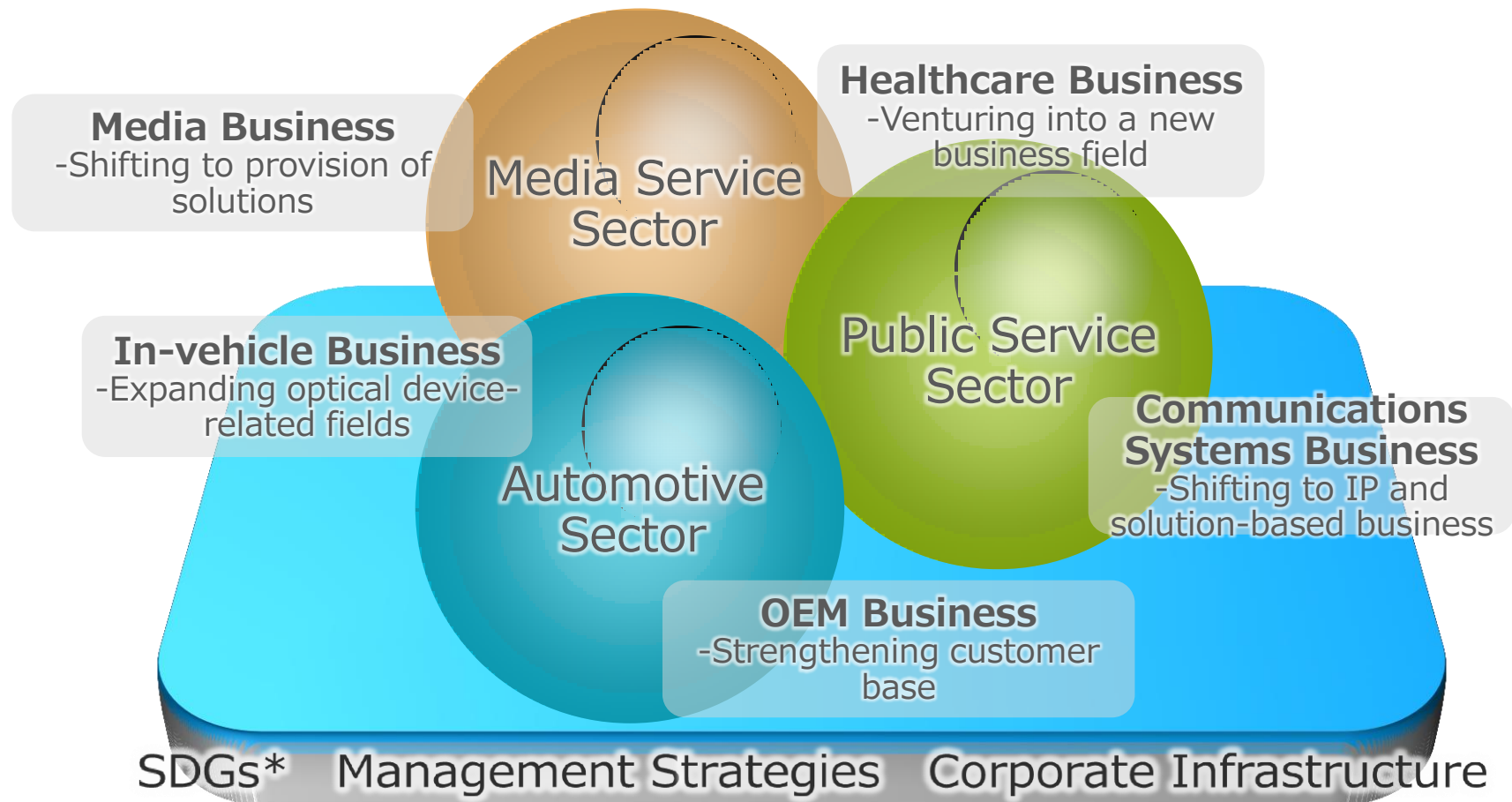
Revised to "growth"



Revised to "gradual growth"

Making Well-Balanced Investment in Business Fields with Promise for Growth

- **Automotive Sector** Continue to make investments, albeit in different areas, to strengthen the in-vehicle equipment business and the OEM Business.
- **Public Service Sector** Make investments for a transition to IP and solution-based business in the Communications Systems Business and for venturing into the medical field.
- **Media Service Sector** Venture to create a new market and shift to provision of solutions.



* SDGs: Sustainable Development Goals

AM Sector as a Growth-Leading Business: Review of Growth Strategies

The AM Sector as a whole achieved steady growth due to the contribution from rapid growth in the OEM Business through intensive investment and from the domestic Aftermarket Business.

- The Aftermarket Business maintained higher revenue than expected, and expansion of the dashcam business contributed to profits.
- Launched digital cockpit system for McLaren in March 2017, and utilized the know-how obtained through the development process as a stepping stone for achieving further growth in the OEM Business.
- ASK Industries S.p.A (Italy) continued to generate sales of about 28.0 billion yen and stable profits and growth.
- Shinwa International Holdings (China) continued to deliver stable revenue in the growing Chinese market.



**Saisoku-Navi
navigation system**



Dashcam



Speaker



Cable



Amplifier



Antenna

AM Sector: Growth Strategy for the Future

Make investments for strengthening the in-vehicle optical device-related business and expanding customer base in anticipation of greater demand for in-vehicle optical devices following the transition to self-driving vehicles and connected vehicle technologies.

Expansion of in-vehicle device business

■ In-vehicle optical device-related business

Aim to maintain the top market share in dashcams and capture the top position in in-vehicle cameras by leveraging our visual technologies.

■ Make proposals of next-generation vehicle interior space

Aim to expand business in the Human Machine Interface-related field by leveraging the strengths in audio and visual technologies.

Expansion of customer base in the OEM Business

■ ASK Industries (Italy)*

Aim to expand business to the U.S. market in FY2018 or thereafter to achieve further growth.

* Became a JVCケンウッド Group company from FY2015

■ Strategy for the Chinese market

Aim to increase the local-production-for-local-consumption business by utilizing Shinwa (China) and our production bases in China. Plan to expand the Chinese business centered on in-vehicle cameras, electronic mirrors, and premium sound systems.



360-degree view



Traffic lane recognition



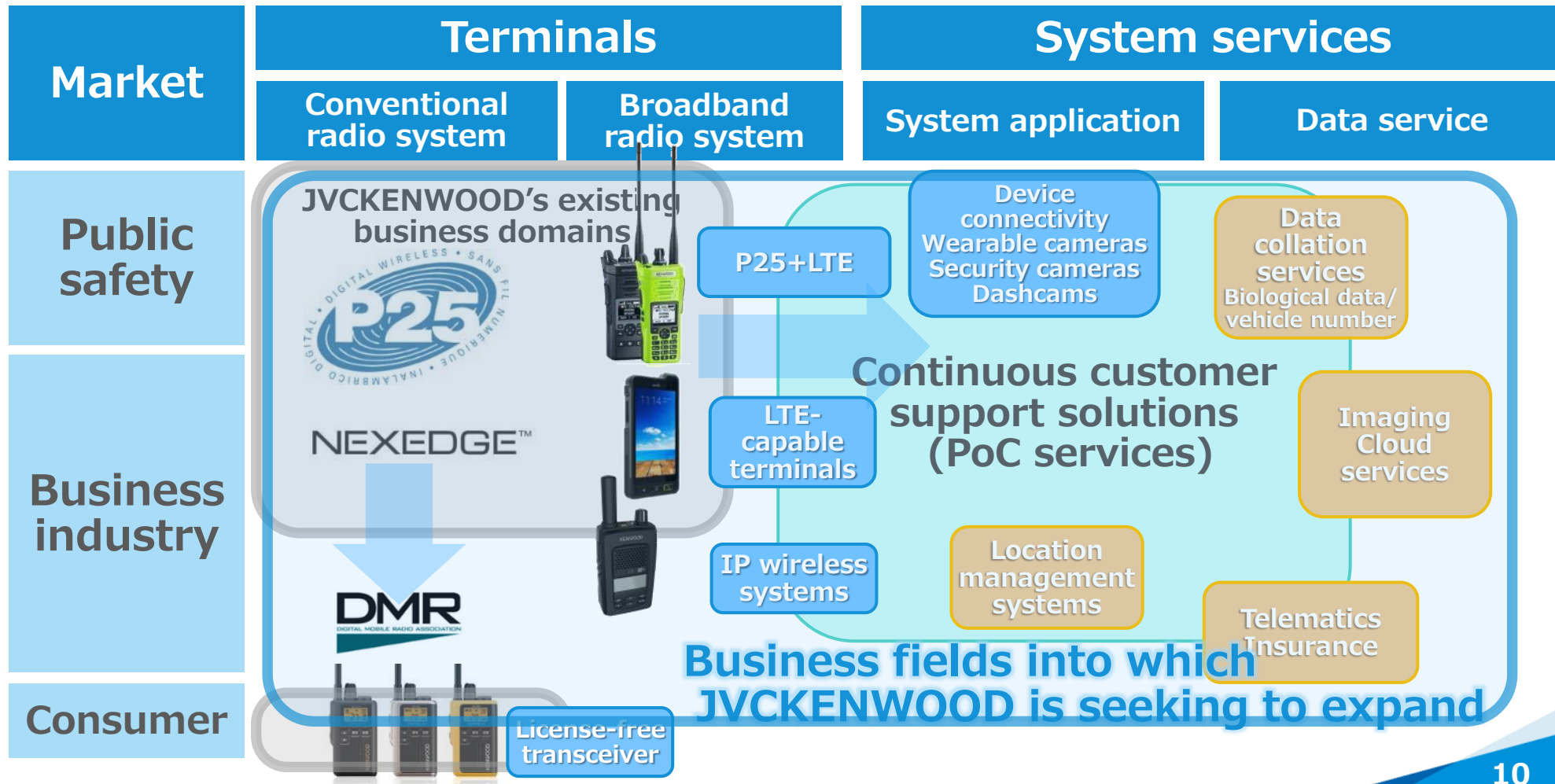
Electronic mirror

PS Sector: Growth Strategies for the Future (Communications Systems Business)

With an eye on the transition to IP and service-based business occurring in the communications industry, aim to shift away from business operations centered on sales of radio terminals to the provision of total system solutions.

Hardware

IP/Solution-based business



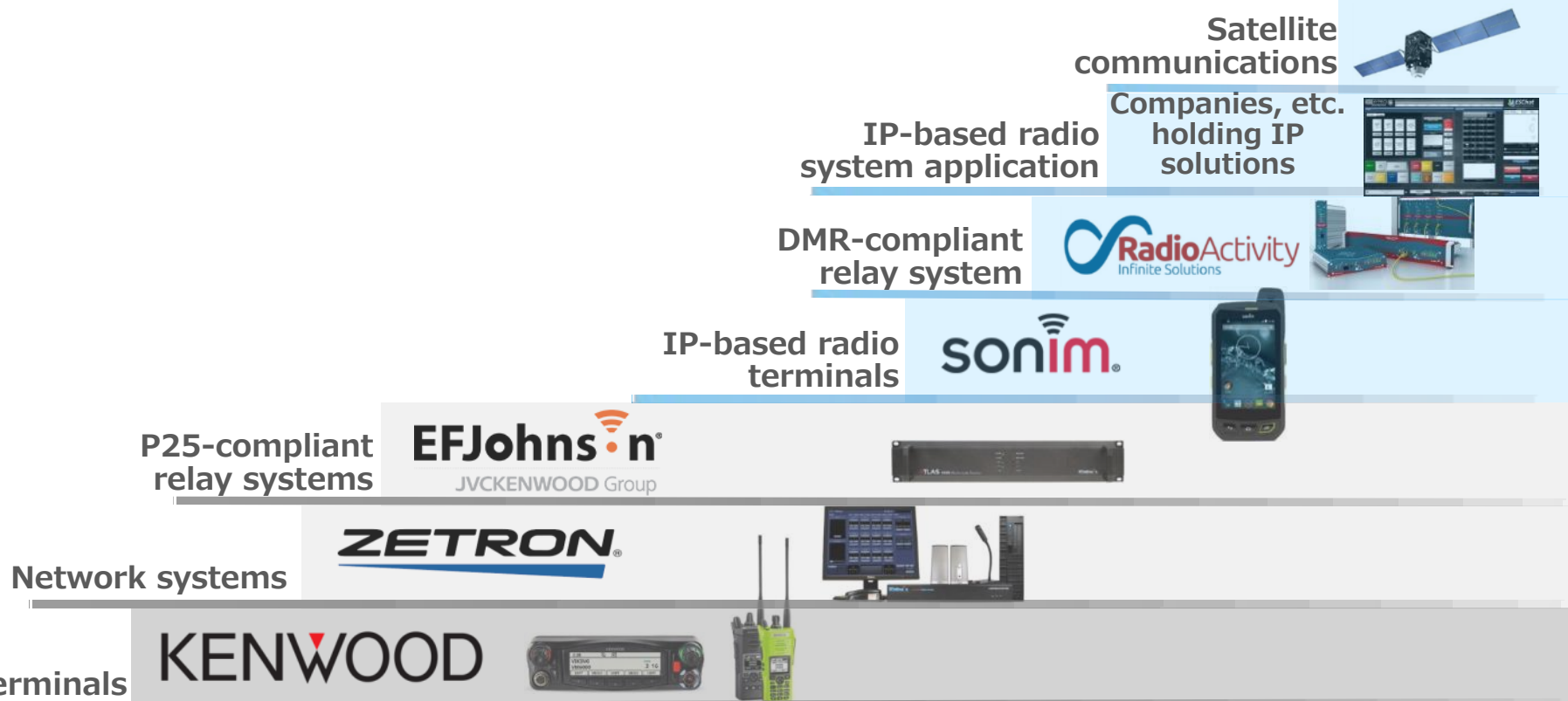
PS Sector: Growth Strategies for the Future (Communications Systems Business)

Accelerating the shift to IP-based solutions by strengthening cooperation with subsidiaries and through M&A toward expansion of business domains.

Promoting the integration of business between Zetron and EF Johnson, our subsidiaries, and our communications systems business. In addition, we formed a capital alliance with Sonim (U.S.) in March 2017 through further M&A investment and completed converting Radio Activity (Italy) into a consolidated subsidiary in January 2018.

Until 2015

From 2015 onward



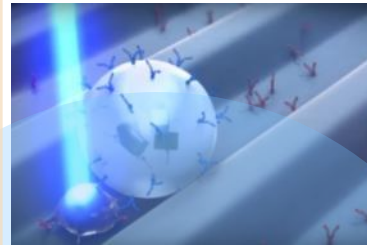
PS Sector: Growth Strategies for the Future (Healthcare Business)

Venturing into new business fields based on our medical monitor display solutions business by utilizing our technologies.

Medical monitor display business
(existing business)



Blood diagnostic solution



Promoting the development of a solution that enables early detection of cancer, etc. by applying the microfabrication technology cultivated through production of Blu-ray discs, jointly with the National Cancer Center Japan, Daiichi Sankyo Company Limited and Sysmex Corporation.

Visual/information solutions field

Preventive medical care/early diagnosis field

OR* system solution business

Promoting provision of system solutions for displaying and monitoring images and information of operating room to expand business from selling stand-alone medical displays.



* Abbreviation for operating room

Diagnostic system based on our gaze point sensing technology

Gozefinder



Developed a useful solution for early assessment of social developmental disabilities by utilizing our imaging technologies, jointly with research institutes. Currently working for its commercialization.

PS Sector: Growth Strategy for the Future (Healthcare Business)

Venturing into the OR* visual/information system solution business.

Exhibited at HOSPEX Japan 2017 through collaboration with Rein Medical (Germany).

Making efforts to move into the OR system solution market and commercialize solutions.



* Abbreviation for operating room

MS Sector: Growth Strategies for the Future

- Creating new markets by utilizing our technologies and assets (brands).
- Accelerating the shift toward the provision of solutions.

New market creation: EXOFIELD

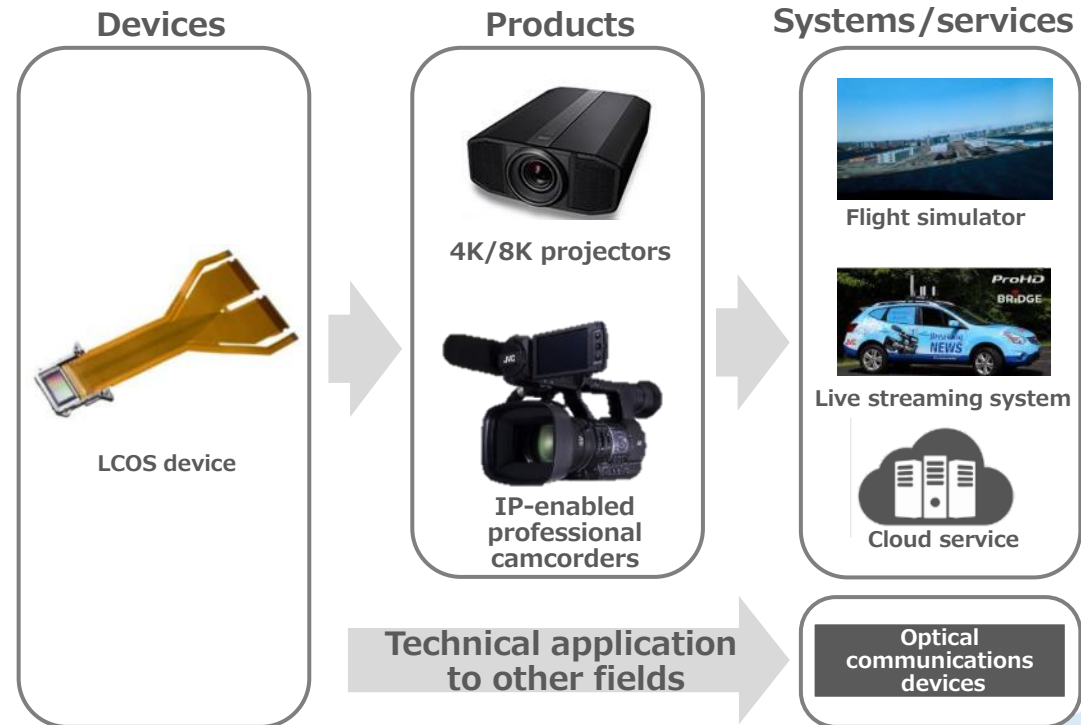
Released EXOFIELD and WiZMUSIC, the industry's first products that measure personal characteristics of users as well as acoustic characteristics of speakers. In this way, we provide sound fields optimized for individual users. These are the first products marketed under the new Victor brand.



Shift toward provision of solutions/ technical application to other fields

Shifting from selling products only to providing systems and solutions.

Expand business into other fields by utilizing the strengths of our technologies.



Management Strategies that Incorporate Both Business Strategies and Sustainability

- Aim to achieve the eight priority goals, extracted from among the 17 goals of the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in September 2015, through our corporate and business activities.
- Aim to develop management strategies, business strategies and sustainability that take ESG factors into consideration and link our business with Society 5.0.



Conceptual images of themes of sustainability strategy

Efforts for Solving Social Issues through Business Activities

Aim to achieve profitable growth by linking our businesses with achievement of SDGs



Framework for solving social issues through business activities

JVCKENWOOD

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