HARMAN INTERNATIONAL INDUSTRIES INC /DE/
Form 10-K
August 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2016

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-09764

Harman International Industries, Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Delaware	11-2534306
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Atlantic Street, Suite 1500	
Stamford, CT	06901

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (203) 328-3500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of December 31, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was $6,664,593,936 based upon the closing price of the shares on the New York Stock Exchange on that date.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 69,783,053 shares of common stock, par value $.01 per share, as of July 31, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III.

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The page numbers in this Table of Contents reflect actual page numbers, not EDGAR page tag numbers.

References to “Harman,” “Company,” “we,” “us” and “our” in this Form 10-K refer to Harman International Industries, Incorporated and its subsidiaries unless the context requires otherwise.

Harman, the Harman logo, and Harman products and brand names referred to herein are either the trademarks or the registered trademarks of Harman. All other trademarks are the property of their respective owners.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You should not place undue reliance on these statements. Forward-looking statements include information concerning possible or assumed future results of operations, cash flows, capital expenditures, the outcome of pending legal proceedings and claims, goals and objectives for future operations, including descriptions of our business strategies and purchase commitments from customers. These statements are typically identified by words such as “believe,” “anticipate,” “expect,” “plan,” “intend,” “estimate,” “should,” “will” and similar expressions. We base these statements on particular assumptions that we have made in light of our industry experience, as well as our perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider the information in this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. In light of these risks, uncertainties and assumptions, we cannot assure you that the results and events contemplated by the forward-looking statements contained in, or incorporated by reference into, this report will in fact transpire.

You should carefully consider the risks described below and the other information in this report because they identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Our operating results may fluctuate significantly and may not meet our expectations or those of securities analysts or investors. The price of our stock would likely decline if this occurs. Factors that may cause fluctuations in our operating results include, but are not limited to, the following:

- the loss of one or more significant customers, the loss of a significant platform with an automotive customer or the in-sourcing of certain services by our automotive customers;
- our ability to maintain a competitive technological advantage through innovation and leading product designs;
- our ability to maintain profitability if there are delays in our product launches or increased pricing pressure from our customers;
- fluctuations in currency exchange rates, particularly with respect to the value of the U.S. Dollar and the Euro;
- the inability of our suppliers to deliver materials, parts and components including, without limitation, microchips and displays, at the scheduled rate and disruptions arising in connection therewith;
- fluctuations in the price and supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- our failure to protect the security of our products and systems against cyber crime; and
- our failure to maintain the value of our brands and implementing a sufficient brand protection program.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission. For additional information regarding certain factors that may cause our actual results to differ from those expected or anticipated see the information under the caption “Risk Factors” which is located in Item 1A of Part I of this report. We undertake no obligation to publicly update or revise any forward-looking statement (except as required by law). This report also makes reference to our awarded business, which represents the estimated future lifetime net sales for all our automotive customers. Our awarded business does not represent firm customer orders. We report our awarded business primarily based on written award letters from our customers. To validate these awards, we use various assumptions including global vehicle production forecasts, customer take rates for our products, revisions to product life-cycle estimates and the impact of annual price reductions and exchange rates, among other factors. The term “take rate” represents the number of units sold by us divided by an estimate of the total number of vehicles of a specific vehicle line produced during the same timeframe. The assumptions we use to validate these awards are updated and reported externally on an annual basis.

Market, ranking and other data

In this report, we refer to information regarding market data obtained from internal sources, market research, publicly available information and industry publications. Estimates are inherently uncertain, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption “Risk Factors” which is located in Item 1A of Part I of this report.

Part I

Item 1. Business
Our Company

We believe we are a leader in the design and engineering of connected products and solutions for automakers, consumers and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions and connected services. We have developed, both internally and through a series of strategic acquisitions, a broad range of product offerings sold under renowned brand names in our principal markets. Our AKG®, AMX®, Crown®, Harman/Kardon®, Infinity®, JBL®, JBL Professional, Lexicon®, Mark Levinson®, Martin®, Revel®, Soundcraft® and Studer® brand names are well known worldwide for premium quality and performance. Our software solutions power mobile devices and systems that are designed to be connected, integrated, personalized and adaptive across all platforms, from work and home, to car and mobile.

Connected Car

Our Connected Car segment designs, manufactures and markets connected car systems for vehicle applications to be installed primarily as original equipment by automotive manufacturers. Our scalable connected car platforms deliver enhanced and connected capabilities to the car, including intelligent high-performance navigation with embedded solutions for multimedia, premium entertainment tuners, and on-board and off-board connectivity that address a wide range of vehicle categories. Leveraging a software-driven computer platform, we offer an integrated suite of technologies that extends beyond infotainment to encompass telematics, connected safety, and over-the-air update capabilities. We also offer a comprehensive suite of automotive cyber security solutions through a multi-layer architecture that can protect not only future vehicles, but connected cars on the road today. Global customers for our connected car systems include BMW, Daimler, Fiat Chrysler Automobiles, Ford, Geely, General Motors, Hyundai, Qoros, Subaru, Suzuki, TATA Group, Toyota/Lexus, Ssangyong, the Volkswagen Group and Yamaha. We also produce an infotainment system for Harley-Davidson touring motorcycles.

Lifestyle Audio

Our Lifestyle Audio segment designs, manufactures and markets car audio systems for vehicle applications to be installed primarily as original equipment by automotive manufacturers, as well as a wide range of consumer audio products including mid-to high-end loudspeakers and electronics, headphones, embedded audio products for consumer electronics and branded portable wireless speakers. We believe that we continue to redefine audio excellence for the home, the car and on-the-go listening. Our Lifestyle Audio products are marketed worldwide under renowned brand names including AKG, Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson, JBL Synthesis® and Revel. We also have rights to use the Bowers & Wilkins®, Bang & Olufsen® and Canton® brand names within the automotive space. Global customers for our premium car audio systems include Aston Martin, BMW, Daimler, Fiat Chrysler Automobiles, Ford, Geely, General Motors, Great Wall, Hyundai, McLaren, PSA Peugeot Citroën, SAIC, Subaru, Tesla, Toyota/Lexus and the Volkswagen Group. Our car audio products feature innovative technologies such as Clari-Fi™, HALOsonic™ and Quantum Logic Surround™.

Professional Solutions

Our Professional Solutions segment designs, manufactures and markets an extensive range of audio, lighting, video and control, and automation solutions for entertainment and enterprise applications, including live concerts and festivals, stadiums, airports, hotels and resorts, conference centers, educational institutions, command centers and houses of worship. We offer a variety of products, including loudspeakers, amplifiers, digital signal processors, microphones, headphones, mixing consoles, guitar pedals, lighting, video and control, and enterprise automation solutions. Our Professional Solutions audio products are used at important events and in prestigious venues, such as the GRAMMY® Awards, the Emmy® Awards, the Super Bowl®, the Oscars®, the MTV® Video Music Awards, the Country Music Awards® and Yankee Stadium. Our Professional Solutions products are marketed globally under a number of well-established brand names, including AKG, AMX, BSS®, Crown, dbx®, DigiTech®, JBL Professional, Lexicon, Martin, Soundcraft and Studer.

Connected Services

Our Connected Services segment includes the operating results of Symphony Teleca Corporation ("STC"), Red Bend Ltd. ("Redbend"), and our automotive services businesses. Our Connected Services segment creates innovative software solutions that integrate design, mobility, cloud and analytics and brings the benefits of the connected world to the automotive, retail, mobile, healthcare, media and consumer electronics markets. Our Connected Services segment offers services and solutions in order to help customers understand and visualize their data so they can make faster and more informed decisions, cloud-enable their businesses, support technical agility and exploit omni-channel strategies. Our Connected Services segment customers include BMW, Daimler, the Volkswagen Group, Jaguar Land Rover, Microsoft, British Telecom and Polycom.

Other

Other includes compensation, benefits and occupancy costs for corporate employees, net of reporting segment allocations, expenses associated with new technology innovation and our corporate brand identity campaign.

Results of Operations

Our results of operations depend on our sales in the connected car, car audio, consumer audio, professional solutions and connected services industries. Our products and services are sold worldwide, the largest markets of which are the United States and Germany.

Our Strengths

World-class brand portfolio

We believe that our brands and the innovative technologies they represent, many of which Harman pioneered, have helped establish our Company as a leader in the primary markets we serve. We have successfully leveraged our brands across our Connected Car, Lifestyle Audio, Professional Solutions and Connected Services segments to increase awareness and build brand equity to the benefit of all of the markets we serve.

Innovation and technological expertise

We believe that innovation is an important element to gaining market acceptance of our products and strengthening our market position. We have a history of leveraging our continuous technological innovation across all of the markets we serve. We have a well-deserved reputation for delivering premium audio and connected car solutions across a full spectrum of applications. We believe that our technological innovation, the quality of our products and our reputation for on-time delivery have resulted in Harman being awarded a substantial amount of Connected Car and Lifestyle Audio automotive business. As of June 30, 2016, we have a cumulative estimated $24.1 billion of awarded Connected Car and Lifestyle Audio automotive business, which represents the estimated future lifetime net sales for all our automotive customers. This amount does not represent firm customer orders. We report our awarded business primarily based on award letters from our customers. To validate these awards, we use various assumptions, including global vehicle production forecasts, customer take rates for our products, revisions to product life-cycle estimates and the impact of annual price reductions and exchange rates, among other factors. The term “take rate” represents the number of units sold by us divided by an estimate of the total number of vehicles of a specific vehicle line produced during the same timeframe. The assumptions we use to validate these awards are updated and reported externally on an annual basis. We believe our awarded automotive business will position us well for follow-on and new business with these existing customers. However, our estimates of awarded automotive business are forward-looking statements and may not actually be achieved. See the risk factor “We may not realize sales represented by awarded business” in Item 1A “Risk Factors” of Part I of this report.

Seasoned management team with extensive global experience

Our senior management team possesses substantial experience leading technology-oriented companies, promoting profitable growth through continuous value-added innovation and providing guidance, leadership and cost-discipline through challenging economic conditions.

Our Growth Strategy

Continued growth through innovation

We design and engineer connected products and solutions for automakers, consumers, and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions, and connected services. Our talented workforce and innovation strength create value for our stakeholders by enabling seamless, connected lifestyles across all platforms.

Our innovative and highly integrated embedded connected car technologies offer automakers the most complete solutions for advanced navigation, intuitive user interfaces, integrated audio, device connectivity, cyber security, and connected safety. We are delivering a dynamic in-car experience for an increasingly connected world.

We have developed entry-level and mid-range connected car systems that we believe will deliver industry-leading performance at an affordable price that will allow us to penetrate the emerging entry-level and mid-range automotive market.

We have developed advanced solutions for the connected car with our next-generation scalable infotainment platform based on an innovative system architecture that offers rapid development of connected car apps and advanced safety and security features. Our Life-Enhancing Intelligent Vehicle Solution ("LIVS") compute platform brings together previously discreet or separate connectivity and operational domains under a new, holistic automotive computing platform. We believe LIVS is the industry's most complete end-to-end system to provide drivers intelligent, adaptable and personal solutions in the car.

We are addressing the continued demand for connectivity in the car with advanced telematics platform solutions, as well as secure over-the-air ("OTA") software management solutions to ensure a variety of vehicle networks and electronic control units are kept up-to-date.

With over 60 years of deep expertise in acoustic design, tuning and signal processing, we are leading the way in elevating the entire in-cabin listening experience. Our brands have been introducing important innovations in home entertainment for more than 50 years, and we continue to develop new solutions that best meet consumer needs for more seamless and personalized listening experiences in the home and on-the-go.

We have developed new car audio technologies which leverage next generation connectivity capabilities. The Summit Car Audio system addresses the growing demand for personalization and adaptability through flexible software solutions. This scalable platform integrates the best of our sound processing and management technologies, such as Quantum Logic Surround Sound™, Individual Sound Zones ("ISZ"), HALOsonic and Clari-Fi with new features like Connected Jukebox and Virtual Venues to create a highly personalized in-car audio experience for drivers. We have also developed, through our GreenEdge™ initiative, environmentally friendly technologies to reduce power consumption and product weight, a growing area of opportunity for environmentally conscious customers.

We have developed audio, lighting, video and control and automation solutions for the world's best entertainment venues, cinemas, recording studios, enterprises and public spaces. Our integrated product suites and go-to-market approach maximizes our reach to address the increasingly inter-connected requirements of the enterprise and entertainment markets.

We are focused on expanding our partnerships with key technology leaders such as Google, Microsoft and Under Armor to capitalize on the opportunities presented by the Internet of Things ("IoT") for automotive, enterprise and consumer electronics.

We have introduced a cloud-based Service Delivery Platform for the connected car which allows automakers and service providers to introduce and easily deploy new enterprise cloud services to connected vehicles. The new platform facilitates the integration of a variety of enterprise and vehicle-centric applications and services from leading providers. The new platform enables the launch of a variety of services including uploading new software features after vehicle sale, using vehicle data to predict part failures, forecasting for preventative maintenance, and analysis of warranty claims.

Continued growth through acquisitions

On March 10, 2016 (the "TowerSec Acquisition Date"), Harman Becker Automotive Systems Manufacturing Kft, our indirect wholly-owned subsidiary, acquired all of the outstanding shares of TowerSec Ltd. ("TowerSec"), a leader in automotive cyber security. TowerSec's products, featuring intrusion detection and prevention systems, will be integrated into our 5+1 cybersecurity framework, which we believe will position us as the de facto standard for automotive cyber security. The operating results of TowerSec are included in our consolidated financial statements from the TowerSec Acquisition Date within our Connected Car segment.

Continued growth through diversification of our business portfolio

Approximately 65% of our consolidated net sales were to automotive customers with our three most significant customers accounting for approximately 40% of our consolidated net sales for the fiscal year ended June 30, 2016. Although we work to maintain and grow our business with our existing portfolio of customers, we also seek to further diversify our customer base as profitable opportunities arise. Over the years, we have diversified our customer portfolio by expanding the proportion of our business with customers outside of our largest three customers, such as the addition of Ford, GM and Subaru.

Expansion into emerging markets

We believe opportunities exist to grow our business in all of our business segments in emerging markets, such as Brazil, Russia, India and China (“BRIC”). Our BRIC revenue has grown over the last five years, and we expect our market share to continue to grow in the BRIC countries. We have repositioned our research and development and production capabilities and have developed distribution channels to be able to meet the demand for our products in these markets.

Products

Connected Car

We believe that we are a leader in the development and manufacture of high-quality, digitally-integrated connected car systems for automobiles. In recent years, the automotive industry has experienced increased demand for information and entertainment in vehicles. We have developed leading technical competencies to address this demand. In fiscal year 2016, we supplied connected car systems for vehicles manufactured by BMW, Daimler, Fiat Chrysler Automobiles, Geely, Hyundai, Qoros, Suzuki, TATA Group, Toyota/Lexus, Ssangyong, and the Volkswagen Group. We also produce an infotainment system for Harley-Davidson touring motorcycles.

Lifestyle Audio

We believe that we are a leader in the development and manufacture of high-quality, high-fidelity, digitally-integrated premium branded car audio systems and components for automobiles. We continue to leverage our expertise in the design and manufacture of premium branded car audio systems and components, as well as our reputation for quality associated with our brand names. As a result of our well-established relationships with automobile manufacturers, our engineers are engaged early in the vehicle design process to develop systems that optimize acoustic performance and minimize weight and space requirements. In fiscal year 2016, we supplied branded car audio systems and components using our portfolio of brand names including Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson and Revel for vehicles manufactured by Aston Martin, BMW, Daimler, Fiat Chrysler Automobiles, Ford, Geely, General Motors, Great Wall, Hyundai, McLaren, PSA Peugeot Citroën, SAIC, Subaru, Tesla, Toyota/Lexus and the Volkswagen Group. We also have rights to use the Bowers & Wilkins, Bang & Olufsen and Canton brand names within the automotive space.

In the consumer audio market, we manufacture loudspeakers under the Harman/Kardon, Infinity, JBL and Revel brand names. We also offer a broad range of consumer audio electronics under the Harman/Kardon, Lexicon, JBL Synthesis, Mark Levinson and Lexicon brand names. We also sell headphones, embedded audio products for consumer electronics and branded portable wireless speakers under the AKG, JBL, Harman/Kardon and Infinity brand names.

Professional Solutions

Our Professional Solutions products include audio, lighting, video and control, and enterprise automation solutions that are marketed under what we believe are some of the most respected brand names in the industry including AKG, AMX, BSS, Crown, dbx, DigiTech, JBL Professional, Lexicon, Martin, Soundcraft and Studer. Our integrated product suites and go-to-market approach maximizes our reach to address the increasingly inter-connected requirements of the enterprise and entertainment markets. The professional market is increasingly moving to digital technology, and we believe that we are a leader in this space. Our Professional Solutions segment derives value from our ability to share research and development, engineering talent, technical expertise and other resources among our business units. Our loudspeakers, amplifiers, digital signal processors, mixing consoles, microphones, headphones, lighting, video and control systems, and enterprise automation solutions all have substantial engineering resources who work together to achieve common goals.

Connected Services

Our Connected Services segment creates innovative software solutions that integrate design, mobility, cloud and analytics. We believe we are a leader in software design and development which includes our end-to-end software engineering, IoT and data analytics services for our customers in the automotive, mobile, and communications and software-enabled businesses. Our software management solutions keep mobile, automotive and IoT devices of all sizes and complexity continuously and reliably relevant with over-the-air software updates, and with virtualization and device management services.

Manufacturing

We believe that our manufacturing capabilities are essential to maintaining and improving product quality and performance. Our manufacturing facilities are located in North America, Europe, Asia and South America. Our facilities have been designed to emphasize worker safety and compliance with environmental, health and safety regulations.

Our manufacturing facilities for our Connected Car segment are located in Hungary, Mexico, China, India, Brazil and the U.S. These facilities are used to manufacture connected car systems.

Our manufacturing facilities for our Lifestyle Audio segment are located in Hungary, Mexico, China, India and the U.S. These facilities are used to manufacture our car audio systems. Our Lifestyle Audio segment primarily uses original design manufacturers for the manufacture of our consumer audio products to generate cost efficiencies, deliver products faster and better serve our customers. These manufacturers are primarily based in China.

Our manufacturing facilities for our Professional Solutions segment are located in Hungary, Mexico, China, Brazil, and the U.S. These facilities are used to manufacture our audio, lighting, video and control, and enterprise automation solutions.

Suppliers

Although most components essential to our business are generally available from multiple suppliers, a number of components are currently obtained from limited sources. We use rare earth minerals in our products, specifically rare earth neodymium magnets. We also use externally sourced microchips and displays in many of our products. Several independent suppliers manufacture loudspeakers and electronic products for us.

Distribution Channels

Connected Car

We primarily sell our connected car systems directly to automobile manufacturers in the U.S., Europe, Japan, South Korea, China and India, where they are installed as original equipment.

Lifestyle Audio

We primarily sell our car audio systems directly to automobile manufacturers in the U.S., Europe, India, Japan, China and South Korea, where they are installed as original equipment. In both our foreign and domestic markets, we sell our consumer audio products to dealers who sell directly to the end user and to distributors who resell our products to retailers. We market our products to the consumer who chooses what brand of sound system to purchase for their home or their automobile. Our goal is to make Harman brands the preferred brands in both consumer audio and car audio applications. Our consumer audio products are offered through mass-market retail stores, specialty audio stores, Harman stores, and through online retailers including our website Harmanaudio.com.

Professional Solutions

In the enterprise market we primarily sell our solutions through third parties, including dealers, consultants, architects and systems integrators in the U.S. and through a distributor network in other countries. In the entertainment market, we primarily sell our products to dealers via manufacturers' representatives or through distributors. Both manufacturers' representatives and distributors have defined geographic regions. We also solicit business directly with end users and offer our products in retail stores or direct to customers over the Internet.

Connected Services

Our Connected Services segment is a global provider of product and platform engineering services with software development and market analytics services groups located in China, Germany, India, Poland, Russia, Ukraine, and the U.S. Our Connected Services segment revenues are primarily derived from commercial software services, mainly sold via our internal sales force, directly to the customer.

Trademarks and Patents

We market our products under numerous brand names that are protected by both pending and registered trademarks around the world. Our trademark registrations cover use of trademark rights in connection with various products, such as loudspeakers, speaker systems, speaker system components and other electrical and electronic devices. We have registered or taken other protective measures for many of these trademarks in substantially all major industrialized countries. As of June 30, 2016, we had 2,424 trademark registrations and 477 pending trademark applications around the world.

We have a history of innovation and, with more than 3,670 patents and 2,490 pending patent applications at June 30, 2016, covering various audio, connected car and software technologies and products, we continue to take our technology and products into new areas. While we consider our patents on the whole to be important, we do not consider any single patent, any group of related patents or any single license essential to our operations in the aggregate.

Seasonality

We experience seasonal fluctuations in sales and earnings. Historically, our first fiscal quarter ending September 30th is generally the weakest due to automotive model year changeovers and the summer holidays in Europe. Sales of our consumer audio products are generally significantly higher in the second quarter of our fiscal year, due to increased demand for these products during the holiday buying season. Our sales and earnings also vary due to the timing of the release of new products, customer acceptance of our products, product offerings by our competitors and general economic conditions. Our video and control and enterprise automation solutions business also experiences seasonality with sales being historically low during the third quarter of our fiscal year.

Industry Concentration/Key Customers

For the fiscal year ended June 30, 2016, approximately 65 percent of our net sales were to automobile manufacturers. Net sales to BMW, Fiat Chrysler Automobiles and the Volkswagen Group accounted for 13 percent, 15 percent and 12 percent, respectively, of our total consolidated net sales for the fiscal year ended June 30, 2016. Accounts receivable, net due from BMW, Fiat Chrysler Automobiles and The Volkswagen Group accounted for 9 percent, 17 percent, and 8 percent, respectively, of total consolidated accounts receivable, net at June 30, 2016. Our automotive customers, however, are not contractually obligated to any long-term purchase of our products. For a description of the risks related to our key customers and industry concentration, see “Risk Factors” located in Item 1A of Part I of this report.

Backlog Orders

We manufacture our connected car and car audio systems on a just-in-time basis. We maintain sufficient inventories of finished goods to promptly meet customer orders for our consumer audio and Professional Solutions customers. As a result, we do not consider the level of backlog to be an important indication of our future performance. Our backlog, which represents firm orders for all our customers, was approximately $197.5 million at June 30, 2016. We expect to deliver these products within the next 12 months.

Warranty Liabilities

We warrant our products to be free from defects in materials and workmanship for periods ranging from six months to six years from the date of purchase, depending on the business segment and product. Our dealers and warranty service providers normally perform warranty service in field locations and regional service centers, using parts and replacement finished goods we supply on an exchange basis. Our dealers and warranty service providers also install updates we provide to correct defects covered by our warranties. Estimated warranty liabilities are based upon past experience with similar types of products, the technological complexity of certain products, replacement cost and other factors. If estimates of warranty provisions are no longer adequate based on our analysis of current activity, incremental provisions are recorded as warranty expense in our Consolidated Statement of Income. We take these factors into consideration when assessing the adequacy of our warranty provision for periods still open to claim.

Competition

The industries that we serve are fragmented and competitive and include numerous service providers and manufacturers offering services and products that vary widely in price, quality and distribution methods.

Connected Car

In the connected car market, we compete with Alpine, Bosch, Panasonic, Continental, Visteon, Mitsubishi Electronics, Aisin Seiki, Delphi and Denso in the sale of connected car systems to automobile manufacturers. We believe our competitive position is enhanced by our technical expertise in designing and integrating navigation, speech recognition and human-machine interfaces into complete connected car systems uniquely adapted to the specific requirements of each vehicle model.

Lifestyle Audio

In the car audio market, we compete with Bose, Pioneer, ASK, Foster Electric, Sony, Lear and Panasonic in the sale of car audio systems to automotive manufacturers. We believe our competitive position is enhanced by our technical expertise in designing and integrating car audio systems uniquely adapted to the specific requirements of each vehicle model. The consumer audio market is characterized by the short life cycle of its products and a need for continuous design and development efforts. We continue to develop new solutions that best meet consumer needs for more seamless and personalized listening experiences. In the consumer audio and electronics market our principal competitors include Beats, Bose, Sony, Philips, Samsung and Sonos. We also offer embedded audio products for consumer electronics where our principal competitors are Creative Labs, Altec Lansing, Logitech, Klipsch and Cyber Acoustics.

Professional Solutions

The market for professional sound systems is highly competitive. We believe that we have historically held a leading market position in the professional loudspeaker market and complemented our professional loudspeaker line by adding digital professional electronic products, lighting solutions, video and control, and enterprise automation solutions. We compete by using our ability to provide complete system solutions to meet all of the audio requirements of our professional customers.

Our principal competitors in the entertainment market include Electro Voice, QSC, Meyer Sound Laboratories, Sennheiser, Peavey, Shure, Audio Technica, Yamaha, Loud Technologies, Inc., Lawo, DigiDesign/M-Audio and Sony. Our principal competitors in the enterprise market include Siemens, Tannoy, Clay Paky, Robe Lighting, Lawo, Stagetec, Telex, Extron and Crestron.

Connected Services

In our Connected Services segment, we compete with a wide range of global and regionally-based companies such as Tata Consultancy Services Limited, Cognizant Technology Solutions, the Aricent Group and WiPro Limited. The specific nature of who we compete with depends on the market segment being served and the specific customer requirements. We believe our market standing and competitive advantages are anchored in our unique combination of cloud, mobility and analytics solutions which help businesses accelerate the transformation to the connected world. Our global team of engineers enables companies to create new digital business models, enter new markets, enhance customer experiences and become more responsive companies. We believe our competitive position is enhanced by our combination of design, device and data through a set of software capabilities and value-added services making the connected car, home, lifestyle and enterprise a reality.

Environmental Regulation

We are subject to various Federal, state, local and international environmental laws and regulations, including those governing the manufacture, import, use, discharge and disposal of hazardous materials, labeling and notice requirements related to potential consumer exposure to certain chemicals and, increasingly, energy efficiency rules and requirements for the recycling of our products and their packaging.

In Europe, we are subject to the European Union's ("EU") Directive on the Restriction of Use of Certain Hazardous Substances in Electrical and Electronics Equipment ("EU RoHS"). This directive restricts the placement into the EU market of electrical and electronic equipment containing certain hazardous materials, including lead, mercury, cadmium and chromium. We are also subject to the EU Waste Electrical and Electronic Equipment Directive, the EU Packaging Directive and the EU Battery Directive, which require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products.

We are also subject to the EU's Directive on Energy-related Products (the "ErP Directive"), which aims to encourage manufacturers and importers to produce products designed to minimize overall environmental impact. Under the ErP Directive, manufacturers must ensure that their energy-related products comply with applicable requirements, issue a declaration of conformity and mark the product with the 'CE' mark. The ErP Directive does not have binding requirements for specific products, but does define conditions and criteria for setting, through subsequent implementing measures, requirements regarding environmentally relevant product characteristics. We believe that our products are in substantial compliance with the applicable requirements. Similar requirements exist in the four member states of the European Free Trade Association (Iceland, Norway, Liechtenstein and Switzerland). Such requirements are substantially met by compliance with the ErP Directive. We continue to modify the design and energy-use profiles of our products as needed to comply with applicable laws and regulations.

The EU has also enacted the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") regulation. REACH requires manufacturers and importers of articles to register the substances contained in the articles if the substances are intended to be released under normal or reasonably foreseeable conditions of use. Because the substances contained in our products are not intended to be released under normal or reasonably foreseeable conditions of use, we do not believe we or the importers of our products have an obligation under REACH to register those substances under the EU's current interpretation of the Directive.

In the United States, certain substances used in the manufacture or design of our products are subject to regulation under the federal Toxic Substances Control Act ("TSCA") as well as state chemical control and disclosure laws. In June 2016, TSCA was amended to give federal regulators greater authority to impose testing and use restrictions on substances and materials that enter U.S. commerce. While the law contains specific exemptions for substances in articles that are not expected to pose exposure hazards, federal interpretation and implementation of this new law could affect our ability, or our suppliers' ability, to obtain or use chemicals and materials needed for our products. We are also subject to California's Safe Drinking Water and Toxic Enforcement Act (also known as Proposition 65 or "Prop 65"), which requires that clear and reasonable warnings be given individuals (including consumers) who are exposed to certain chemicals deemed by the state of California to be dangerous.

Additionally, the U.S. Department of Energy has promulgated a regulation pertaining to external power supplies and compliance with the energy efficiency standards that were established under the Energy Independence and Security Act of 2007. We will address these requirements as necessary. We are also subject to laws in various Canadian provinces and U.S. states that impose fees to cover the cost of end of life responsible disposal and recycling of packaging, products and batteries. These laws require producers of electrical goods, packaging and batteries to be financially responsible for costs of specified collection, recycling, treatment and disposal of covered products. Our products may also become subject to further energy efficiency requirements if and when required under U.S. climate change legislation.

In China, we are subject to China's law on Management Methods on the Control of Pollution Caused by Electronic Information Products ("China RoHS"), which is substantially similar to the EU RoHS. The China RoHS requires the disclosure and marking of certain substances, including lead, mercury, cadmium and chromium in certain electronic products.

We believe that our facilities and products are in substantial compliance with current laws and regulations. We expect further laws similar to the EU RoHS and China RoHS, and those governing product and packaging recycling, to be introduced in other jurisdictions, many or most of which could impose additional costs, including fees to cover recycling costs. The need for and cost of our compliance with such legislation cannot yet be determined but it could be substantial.

Research and Development

We believe that continued investment in product research and development is critical to our success. Net expenditures for research and development were $433.1 million, $380.2 million and $343.8 million for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. We expect to continue to devote significant resources to research and development to sustain our competitive position.

Number of Employees

At June 30, 2016, we had approximately 26,000 full-time employees, including approximately 7,300 employees located in North America and approximately 18,700 employees located outside of North America.

Foreign Operations

Information about our foreign operations is set forth in Note 18—Business Segment Data in the Notes to the Consolidated Financial Statements located in Item 8 of Part II of this report.

Corporate Information

We were incorporated in the state of Delaware in 1980. Our principal executive offices are located at 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901. Our telephone number is (203) 328-3500.

Subsequent Events

Dividend Declaration

On August 4, 2016, we declared a cash dividend of $0.35 per share for the quarter ended June 30, 2016. The quarterly dividend will be paid on August 29, 2016 to each stockholder of record as of the close of business on August 15, 2016.

Website Information

Our corporate website is located at www.harman.com. We make available free of charge on our investor relations website under "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission ("SEC"). Our website also provides access to reports filed by our directors, executive officers and certain significant stockholders pursuant to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, our Corporate Governance Guidelines, Codes of Ethics and Business Conduct, and the charters for the four committees of our Board of Directors are available on our website. The information on our website is not incorporated by reference into this report. In addition, the SEC maintains a website, www.sec.gov, that contains reports, proxy and information statements and other information that we file electronically with the SEC.

Item 1A. Risk Factors

In addition to the other information included in this report, you should carefully consider the risk factors described below.

We may not realize sales represented by awarded business.

Our current estimate of $24.1 billion of awarded business at June 30, 2016 in our Connected Car and Lifestyle Audio segments is calculated using certain assumptions from our customers, including projected future sales volumes and take rates with respect to the applicable platforms. Orders from our customers with respect to these platforms are not made pursuant to contractual obligations and our customers can terminate arrangements with us at any time without penalty. Therefore, our actual platform sales volumes, and thus the ultimate amount of revenue that we derive from such platforms, are not committed. If actual production orders from our customers are not consistent with the projections we use in calculating the amount of our awarded business, we could realize substantially less revenue and profit over the life of these projects than the currently projected estimate.

Failure to maintain relationships with our largest customers and failure by our customers to continue to purchase expected quantities of our products would have an adverse effect on our operations.

We anticipate that our automotive customers will continue to account for a significant portion of our sales for the foreseeable future. Our three largest automotive customers accounted for 40 percent of our consolidated net sales for fiscal year 2016. However, none of our automotive customers is obligated to any long-term purchases of our products. For example, although sales to Fiat Chrysler Automobiles accounted for approximately 15 percent of our consolidated net sales for fiscal year 2016, sales to Fiat Chrysler Automobiles may decline to under 10 percent of our consolidated net sales by fiscal year 2018 due to changes in their sourcing strategies. While we have taken in recent years, and will continue to take, steps to diversify our awarded business to include new automotive customers in an effort to reduce our exposure to significant customer risk, there is no assurance that we will be successful. If we do not succeed in diversifying our automotive customer base, the loss of sales to any of our significant automotive customers would have a material adverse effect on our consolidated net sales, results of operations and financial condition.

The demand for our connected car products may be eroded by replacement technologies becoming available on portable devices, such as mobile handsets and tablets, and other disruptive technological developments.

Sales of our connected car products represented approximately 45 percent of our net sales in fiscal year 2016. GPS/navigation technologies have been incorporated into portable devices, such as mobile handsets and tablets, and many companies offer navigation software for such devices. If automakers choose to replace embedded infotainment systems with portable devices, or other disruptive technologies, the acceptance of an alternative technology by consumers may negatively impact the demand for our connected car products. If we do not continue to innovate to develop or acquire new and compelling products that capitalize upon new technologies, this could have a material adverse impact on our results of operations.

Pricing pressure from our customers in the automotive industry could have a material adverse effect on our liquidity, financial condition and results of operations.

Downward pricing pressures by automobile manufacturers is a characteristic of the automotive industry. Virtually all automakers have implemented aggressive price reduction initiatives and objectives each year with their suppliers, and such actions are expected to continue in the future. For example, our customer supply agreements generally provide for annual reductions in pricing ("APRs") of our products over the period of production. Accordingly, suppliers must be able to reduce their operating costs in order to maintain profitability. While we have taken steps to reduce our operating costs and otherwise offset APRs, price reductions have impacted our sales and are expected to continue to do so in the future. If we are unable to offset APRs in the future through improved

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operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, our liquidity, financial condition and results of operations may be materially adversely affected.

We have significant operations in Europe which may be adversely impacted by the continued economic challenges in Europe, including the impact of the referendum in the United Kingdom ("U.K") approving the exit of the U.K. from the European Union.

The global economic recession that began in 2008 resulted in significantly lower demand and decreased profitability across all of our segments and major markets. While North America and Asia have shown an improved, but somewhat uneven recovery, Europe remains stagnant with continued economic and financial challenges. Recent events in Europe, including the approval of the exit of the U.K. from the European Union, have elevated concerns that macroeconomic conditions will worsen and economic recovery will be delayed. If weak economic conditions persist or worsen, there could be a number of negative effects on our business, including our customers or potential customers reducing or delaying orders, the insolvency of one or more of our key suppliers, which could result in production delays, and our customers being unable to obtain credit. Approximately 44 percent of our net sales in fiscal year 2016 were made to our customers in Europe, five percent of which represents sales to our customers in the U.K. Should conditions worsen in these markets, customer demand for our products may deteriorate which would have a negative impact on our results of operations.

A significant portion of our sales are denominated in Euros, which sales may be adversely impacted by the eurozone crisis and the U.K.'s exit from the European Union.

Approximately 38 percent of our net sales in fiscal year 2016 were denominated in Euros, five percent of which represents sales in the U.K. Certain eurozone countries in which we operate have received financial aid packages from the European Union in the form of loans and restructuring of their sovereign debt and have introduced comprehensive fiscal austerity measures. It is unknown at this time what the relationship of the U.K. with the European Union will be following the implementation of the U.K.'s exit from the European Union, the long-term impact to the Euro currency as a result, or whether other countries in the eurozone may also seek to voluntarily approve an exit from the European Union. If dissolution and replacement of the Euro currency and the potential reintroduction of individual European Union currencies should occur as a result of the continued eurozone crisis, it could have a negative impact on our results of operations and could expose us to increased foreign exchange risk.

The loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a supplier could adversely affect our financial performance.

Although we receive award letters or contracts from our automotive customers, these award letters or contracts generally provide for the supply of a customer's requirements for a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of new vehicles by our automotive customers. The loss of business with respect to, or the lack of commercial success of, a vehicle model for which we are a supplier could reduce our sales and thereby adversely affect our financial condition, operating results and cash flows.

Strategic decisions by our automotive customers to expand dual sourcing arrangements could have an adverse effect on our operations.

Automakers customarily maintain dual sourcing arrangements and we cannot assure you that our customers will not further expand dual sourcing arrangements in the future, which could have a material adverse effect on our consolidated net sales, results of operations and financial condition.

The in-sourcing of the integration of connected car and car audio systems by our automotive customers could have a material adverse effect on our business.

A significant portion of revenue from our automotive customers depends on such customers utilizing our services for the integration of various components comprising connected car or car audio systems into the vehicles they manufacture. The in-sourcing of the integration of connected car and car audio systems by our automotive customers could have a material adverse effect on our business, financial condition and results of operations.

Failure to deliver products on time to our automotive customers could adversely affect our financial results.

In connection with the award of new business for an automotive customer, we often obligate ourselves to deliver new products and services that are subject to the customer's timing. Additionally, as a Tier 1 supplier, we must effectively coordinate the activities of numerous suppliers in order to launch programs successfully. We have products in various stages of development for our automotive customers. If we do not complete our development efforts and coordinate the activities of numerous suppliers in time to meet our customers' vehicle production requirements, we could be subject to monetary penalties and damage our customer relationships, which could have a material adverse effect on our consolidated net sales, results of operations and financial condition.

The financial distress or bankruptcy of a significant automotive customer could have a material adverse effect on our liquidity, financial condition and results of operations.

For the fiscal year ended June 30, 2016, approximately 65 percent of our net sales were to automobile manufacturers. As a result, our financial performance depends, in large part, on conditions in the automotive industry, which is highly dependent on general economic conditions and periodically has experienced significant difficulty. As a result, we have experienced, and may continue to experience, reductions in orders from our original equipment manufacturer customers. If one or more of our significant automotive customers experiences increased financial difficulty, including bankruptcy, as a result of a prolonged economic downturn or otherwise, this would have an adverse effect on our business due to decreased demand for our products, the potential inability of these companies to make full payment on amounts owed to us, or both. As part of the bankruptcy process, our pre-petition receivables may not be realized, customer manufacturing sites may be closed or contracts voided. The bankruptcy of a significant customer could have a material adverse effect on our liquidity, financial condition and results of operations.

We may lose market share if we are unable to compete successfully against our current and future competitors.

We operate in intensely competitive industries that experience rapid technological developments, changes in industry standards and changes in customer requirements, and are characterized by intense price competition. Some of our existing competitors have, and future competitors may have, financial, technical and other resources greater than ours. We cannot assure you that we will continue to compete effectively against existing or new competitors that may enter our markets or that certain of our products will not become obsolete due to technological developments. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of market share. Our failure to compete successfully against current or future competitors could have a material adverse impact on our results of operations.

If we do not continue to develop, introduce and achieve market acceptance of new and enhanced products, our sales may decrease.

The market for our products is characterized by rapidly changing technology, evolving industry standards and changes in customer needs. In order to increase sales in current markets and gain entry into new markets, we must continue to make significant investments in research and development in order to maintain and improve existing products, while successfully developing and introducing distinctive new and enhanced products that anticipate changing consumer preferences and capitalize upon emerging technologies. We may experience difficulties that delay or prevent the development, introduction or market acceptance of new or enhanced products. Development and manufacturing schedules for technology products are difficult to predict, and there can be no assurance that we will achieve timely launch of new products. Also, there can be no assurance that development stage products will be successfully completed. The timely availability of these products is important to our future success. Furthermore, we may need to license or acquire new technologies to respond to technological change. These licenses or acquisitions may not be available to us on terms that we can accept or may materially change the gross profits that we are able to obtain on our products. Even after introduction, our new or enhanced products may not satisfy consumer preferences and product failures may cause consumers to reject our products. As a result, these products may not achieve market acceptance and our brand image could suffer. Any future challenges related to new products, whether due to product development delays, manufacturing delays, lack of market acceptance, or otherwise, could have a material adverse effect on our results of operations.

A decrease in consumer discretionary spending would likely reduce our sales.

Our sales are dependent on discretionary spending by consumers, which could be materially adversely impacted by economic conditions affecting disposable consumer income and retail sales. In addition, our sales of audio, electronic and connected car products to automotive customers are dependent on the overall success of the automotive industry, and of premium automobiles in particular, as well as the willingness of automobile purchasers to pay for the option of a premium branded car audio system or a multi-function digital connected car system. Global demand for, and production of, premium vehicles, including certain vehicle models that incorporate our products, could decline in a difficult economic environment. This decline could have a negative impact on our results of operations.

The macroeconomic environment may adversely affect consumer spending patterns and the availability and cost of credit.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions. Disruptions in the financial markets may adversely impact the availability and cost of credit in the future. The historical disruptions in the financial markets that occurred within the past eight years, coupled with uncertainty created as a result of the U.K.'s exit from the European Union, have had and will continue to have an adverse effect on the global economy, which has and will continue to negatively impact consumer spending patterns. This may result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit.

Sophisticated and targeted cyber crime could pose a risk to the security of our products and services.

Sophisticated and targeted cyber crime could pose a risk to the security of our products and services. We may incur significant costs related to the threat of, and to address any damages caused by, unauthorized access to or intentional malfunctions in our products, including but not limited to, costs to protect our products and address defective products, costs or penalties related to regulatory investigations and litigation costs. Our reputation and brand names could be materially damaged by the threat or perpetration of cyber crime and the sales of our products and services may decrease, which in turn could adversely affect our competitive position, relationships with our customers, financial condition and results of operations.

Privacy concerns relating to our products and services could damage our reputation and deter current and potential users from using our products and services.

In connection with our services and as we develop new products, we may gain access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Concerns about our practices with regard to the collection, use, disclosure, or security of personal information or other privacy related matters, even if unfounded, could damage our reputation and adversely affect our operating results. Furthermore, regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws in the U.S., Europe and elsewhere are often uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs.

Warranty claims, product liability claims and product recalls could adversely affect our financial results.

We warrant our products to be free from defects in materials and workmanship for periods ranging from six months to six years. We also face the inherent business risk of exposure to product liability claims in the event that any of our products fail to perform as expected and such failure results, or is alleged to result, in bodily injury or property damage (or both). In addition, if any of our designed products are defective or are alleged to be defective, we may be required to participate in a recall campaign. Warranty claims in excess of our estimates, a successful product liability claim or a requirement that we participate in a product recall campaign may adversely affect our reputation, results of operations and financial condition.

A disruption in our information technology systems could adversely affect our business and financial performance.

We rely on the accuracy, capacity and security of our information technology systems. Despite our efforts to protect data or information, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could potentially lead to the compromising of sensitive, confidential or personal data or information, including our intellectual property or trade secrets, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. To the extent that our business is interrupted or data is lost, destroyed or inappropriately used or disclosed, such disruptions could adversely affect our reputation, competitive position, relationships with our customers, financial condition and results of operations.

We have invested substantial resources in markets where we expect growth and we may be unable to timely alter our strategies should such expectations not be realized.

Our future growth is dependent on our making the right investments at the right time to support product development and manufacturing capacity in areas where we can support our customer base. We have identified certain regions, including China, Brazil, Russia and India, as key markets likely to experience substantial growth, and accordingly have made and expect to continue to make substantial investments, both directly and through participation in partnerships and joint ventures, in manufacturing operations, technical centers and other infrastructure to support anticipated growth in these regions. If we are unable to deepen existing and develop additional customer relationships in these regions, we may not only fail to realize expected rates of return on our existing investments, but we may incur losses on such investments and be unable to timely redeploy the invested capital to take advantage of other markets, potentially resulting in lost market share to our competitors. Our results of operations and financial condition will also suffer if these regions do not grow as quickly as we anticipate.

Our cash flow and ability to service debt is dependent, in part, upon distributions from our subsidiaries.

Our ability to service our debt and pay dividends is dependent, in part, upon the operating earnings of our subsidiaries. The distribution of those earnings, or advances or other distributions of funds by those subsidiaries to Harman International Industries, Incorporated, all of which could be subject to statutory or contractual restrictions, are contingent upon the subsidiaries' earnings and are subject to various business considerations, including tax consequences.

Our success depends upon our ability to attract and retain key employees and the succession of senior management.

Our success largely depends on the performance of our management team and other key employees. If we are unable to attract and retain talented, highly qualified senior management and other key people, our future operations could be adversely affected. In addition, if we are unable to effectively provide for the succession of senior management, including our chief executive officer, our business may be materially adversely affected. While we follow a disciplined, ongoing succession planning process and have succession plans in place for senior management and other key executives, these do not guarantee that the services of qualified senior executives will continue to be available to us at particular moments in time.

Natural disasters, geo-political events and the failure of our information technology and communication systems could adversely affect our financial performance.

The availability of our products and services depends on the continuing operation of our information technology and communications systems. The occurrence of one or more natural disasters, such as hurricanes, cyclones, typhoons, floods, earthquakes and tsunamis, geo-political events, such as civil unrest or terrorist attacks, or power loss, telecommunications failures, computer viruses, computer denial of service attacks, or other attempts to harm our systems, in a country in which we operate or in which our suppliers are located, could adversely affect our operations and financial performance. Such events could result in physical damage to, or the complete loss of, one or more of our properties, the lack of an adequate work force in a market, the inability of our customers to reach or have transportation to our channel partners directly affected by such events, the evacuation of the populace from areas in which channel partners are located, changes in the purchasing patterns of consumers and in consumers' disposable income, the temporary or long-term disruption in the supply of materials and products from our local and overseas suppliers, the disruption or delay in the transport or delivery of goods from overseas to our facilities or to our channel partners, the disruption of utility services to our facilities, the disruption of our information technology, including databases containing sensitive information, and disruption in our communications with our facilities customers and suppliers. If we failed to implement and maintain a comprehensive disaster recovery program and any of the foregoing events occurs, such events and their impacts could have a material adverse effect on our consolidated net sales, results of operations and financial condition.

We depend on our suppliers for key production materials and any disruption in the supply of such materials could interrupt product manufacturing and increase product costs.

Many of our suppliers have in the past, and could in the future decrease their manufacturing capacity and inventory levels. If these steps are taken by our suppliers, it could make us more vulnerable to disruptions in the supply chain. In the near term, an increase in our demand for parts may place an undue strain on our suppliers. Additionally, the supply of raw materials including, without limitation, petroleum, copper, steel, aluminum, synthetic resins, rare metals and rare earth minerals, such as neodymium used in the production of loudspeakers, has been and could continue to be significantly constrained, which is likely to result in continued elevated price levels. Furthermore, our continued compliance with the SEC's annual disclosure and reporting requirements regarding the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries could adversely affect the sourcing, supply and pricing of materials used in our products. As a result of any of these disruptions, we may not be able to obtain the materials necessary to manufacture our products, which could force us to cease production or search for alternative supply sources, possibly at a higher cost, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our success depends substantially on the value of our brands and our implementation of a sufficient brand protection program.

Our success is dependent in large part upon our ability to maintain and enhance the value of our brands, and our customers' connection to our brands. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to our growth strategies, our development efforts in domestic and foreign markets, or the ordinary course of our business. Other incidents may arise from events that are or may be beyond our ability to control and may damage our brands, such as counterfeit and knock-off products, litigation and claims, and illegal activity targeted at us or others. Consumer demand for our products and our brands' value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our products, and if we do not implement a brand protection program that sufficiently addresses the issue of counterfeit and knock-off products, among other things, either of which would likely result in lower net sales and, ultimately, lower income, which in turn could materially and adversely affect our business and results of operations.

If we are unable to enforce or defend our ownership and use of our intellectual property rights, our business may decline.

Our future success will depend, in substantial part, on our intellectual property. We seek to protect our intellectual property rights, but our actions may not adequately protect the rights covered by our patents, patent applications, trademarks, trademark applications and other proprietary rights, and prosecution of our claims could be time consuming and costly. In addition, the intellectual property laws of some foreign countries do not protect our proprietary rights as do the laws of the United States. Despite our efforts to protect our proprietary information, third parties may obtain, disclose or use our proprietary information without our authorization, which could adversely affect our business. From time to time, third parties have alleged that we infringe their proprietary rights. These claims or similar future claims could subject us to significant liability for damages, result in the invalidation of our proprietary rights, limit our ability to use infringing intellectual property or force us to license third-party technology rather than dispute the merits of any infringement claim. Even if we prevail, any associated litigation could be time consuming and expensive and could result in the diversion of our time and resources.

We may be adversely affected by future laws or regulations.

We are subject to various U.S. Federal, state and local, and non-U.S. laws and regulations. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretations thereof, could increase the cost of doing business for us or our customers or suppliers or restrict our actions and adversely affect our financial condition, operating results and cash flows. A recent example of such changing regulation is the adoption by the SEC of annual disclosure and reporting requirements for those SEC reporting companies who manufacture or contract to manufacture products that contain conflict minerals, and such minerals are necessary to the production or functionality of such product. There are historical and continued future costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals in our products and other potential changes to products, processes or sources of supply as a consequence of such diligence activities.

We are engaged in ongoing litigation and may be the subject of additional litigation that may result in payments to third parties, which could harm our business and financial results.

We are currently involved in litigation arising out of or relating to the events leading up to the termination of the proposed acquisition of our Company in October 2007 and certain earnings guidance provided by us. In addition, similar litigation has been and may be initiated against us and others based on the alleged activities and disclosures at issue in the pending litigation. We cannot predict the outcome of any such proceeding or the likelihood that further proceedings will be instituted against us. In the event that there is an adverse ruling in any legal proceeding, we may be required to make payments to third parties that could harm our business or cash flows or financial results. Furthermore, regardless of the merits of any claim, the continued maintenance of these legal proceedings may result in substantial legal expense and could also result in the diversion of our management's time and attention away from our business.

Currency fluctuations may reduce profits on our foreign sales or increase our costs, either of which could adversely affect our financial results.

A significant amount of our assets and operations are located, and the majority of our revenue is derived from, sales outside the United States. Consequently, we are subject to fluctuations in foreign currency exchange rates, especially the Euro. Translation losses or a decrease in foreign sales of our products sold in United States dollars, each resulting from currency fluctuations, may adversely affect the profits from our foreign operations and have a negative impact on our financial results. In addition, we purchase certain foreign-made products. Although we hedge a portion of our foreign currency exposure and, due to the multiple currencies involved in our business, foreign currency positions partially offset and are netted against one another to reduce exposure, we cannot assure you that fluctuations in foreign currency exchange rates will not make these products more expensive to purchase. Increases in our cost of purchasing these products could negatively impact our financial results if we are not able to pass those increased costs on to our customers.

Covenants in our existing debt agreements limit our ability to undertake certain types of transactions.

Our existing debt agreements contain provisions that limit our operating and financing activities. Our credit agreement contains certain negative covenants that limit, among other things, our ability to permit certain of our subsidiaries to incur debt and the ability of us and our subsidiaries to incur liens, make fundamental changes (including selling all or substantially all of our assets), undertake transactions with affiliates and undertake sale and leaseback transactions. Our indentures contain covenants that, subject to certain exceptions, limit our ability to incur indebtedness secured by principal properties, enter into certain sale and leaseback transactions with respect to principal properties and enter into certain mergers, consolidations and transfers of all or substantially all of the assets of our Company. In addition, our credit agreement contains more restrictive financial covenants that require us to maintain compliance with specified financial ratios. We may have to curtail some of our operations to maintain compliance with the covenants in our existing debt agreements. A violation of any of these covenants could result in a default under our debt agreements, which could permit the lenders to accelerate the repayment of any borrowings outstanding and/or the holders of the notes to direct the trustee to accelerate repayment of amounts outstanding under the notes. A default or acceleration under our debt agreements would result in increased capital costs and could adversely affect our ability to operate our business and our results of operations and financial condition.

Any acquisitions we make could disrupt our business and we may be unable to integrate such acquisitions effectively, which may adversely affect our financial condition, results of operations and cash flows.

Acquisitions are an important element of our corporate growth strategy and use of capital, and these transactions could be material to our financial condition, results of operations and cash flows. We expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The process of integrating an acquired company, business, or technology has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas of risk we face include, but are not limited to, difficulties in the integration of the acquired businesses, the diversion of our management’s attention from other business concerns, the assumption of unknown liabilities, undisclosed risks impacting the target and potential adverse effects on existing business relationships with our current customers and suppliers. In addition, our recent acquisitions have resulted in the incurrence of a significant amount of debt. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of additional debt, contingent liabilities, or amortization expenses, impairment of goodwill or purchased long-lived assets, and restructuring charges, any of which could be material in amount and harm our financial condition or results. We cannot provide any assurances that we will be able to successfully integrate any acquisitions that we have recently undertaken or will undertake in the future or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flows. Any such failure could materially harm our financial condition, results of operations and cash flows.

Our operations could be harmed by factors including political instability and changes in regulations that govern international transactions.

The risks inherent in international trade may reduce our international sales and harm our business and the businesses of our distributors and suppliers. These risks include:

- changes in tariff regulations;
- political instability, war, terrorism and other political risks;
- establishing and maintaining relationships with local distributors and dealers;
- lengthy shipping times and accounts receivable payment cycles;
- import and export licensing requirements;
- compliance with foreign laws and regulations, including unexpected changes in taxation and regulatory requirements;

- greater difficulty in safeguarding intellectual property rights than in the United States; and
- difficulty in staffing and managing geographically diverse operations.

These and other risks may, among other things, increase the relative price of our products compared to those manufactured in other countries, reducing the demand for our products.

Our business could be adversely affected by a strike or work stoppage at one of our manufacturing plants or at a facility of one of our significant customers or at a common carrier or major shipping location.

Workers at certain of our facilities and those of our automotive customers are unionized and may incur work stoppages or strikes. A work stoppage at our facilities or those of our automotive customers, or at a common carrier or major shipping location, could have a material adverse effect on our net sales, results of operations and financial condition. The risk of issues of this type at our facilities may be exacerbated by the implementation of our current or future cost reduction initiatives, which may involve significant staff reductions and facility relocations.

We have deferred tax assets in our consolidated financial statements.

Our consolidated financial statements include net deferred tax assets of $108.1 million as of June 30, 2016, which relate to temporary differences between the assets and liabilities in the consolidated financial statements and the assets and liabilities in the calculation of taxable income. The valuation of deferred tax assets is based on various projections for future taxable income reversing taxable temporary differences and tax planning strategies. Thus, when actual taxable income differs from projections, it may become necessary to adjust the valuation of our deferred tax assets, which would impact our results of operations and financial condition.

Impairment charges relating to our goodwill and long-lived assets could adversely affect our financial performance.

We regularly monitor our goodwill and long-lived assets for impairment indicators. We perform either a qualitative or quantitative assessment of goodwill for impairment at the reporting unit level on an annual basis. In conducting the impairment analysis of long-lived assets, we compare the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of goodwill or long-lived assets. In the event that we determine that our goodwill or long-lived assets are impaired, we may be required to record a significant charge to earnings that could materially adversely affect our results of operations and financial condition in the period(s) recognized.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located at 400 Atlantic Street, Suite 1500, Stamford, Connecticut 06901. Certain information regarding our principal facilities are described in the table below.

Location	Segment	Square Feet	Owned or Leased	Percentage Utilization	
Bangalore, India	Connected Services	654,000	Leased	100	%
Ittersbach, Germany	Connected Car Lifestyle Audio	551,000	Owned	100	%
Nova Santa Rita, Brazil	Professional Solutions Lifestyle Audio	432,000	Owned	100	%
Pécs, Hungary	Professional Solutions	367,000	Leased	100	%
Dandong, China	Lifestyle Audio Professional Solutions	346,000	Leased	85	%
Queretaro, Mexico	Connected Car Lifestyle Audio	328,000	Leased	70	%
Moreno Valley, California	Lifestyle Audio Professional Solutions	301,000	Leased	100	%
Székesfehérvár, Hungary	Connected Car Lifestyle Audio	292,000	Owned	100	%
Tijuana, Mexico	Professional Solutions Lifestyle Audio	282,000	Leased	100	%
Székesfehérvár, Hungary	Lifestyle Audio	268,000	Leased	100	%
Fontana, California	Lifestyle Audio	267,000	Leased	100	%
Northridge, California	Lifestyle Audio Professional Solutions	238,000	Leased	80	%
Straubing, Germany	Connected Car Lifestyle Audio	235,000	Owned	100	%
Elkhart, Indiana	Professional Solutions	223,000	Owned	100	%
Novi, Michigan	Connected Car Lifestyle Audio	188,000	Leased	100	%
Franklin, Kentucky	Connected Car Lifestyle Audio	152,000	Owned	100	%
Suzhou, China	Connected Car	145,000	Owned	100	%

	Lifestyle Audio				
Manaus, Brazil	Professional Solutions				
	Connected Car	137,000	Owned	100	%
Richardson, Texas	Professional Solutions	129,000	Owned	100	%
Juarez, Mexico	Lifestyle Audio	109,000	Leased	100	%

We also own or lease other facilities that are not considered principal properties. We believe that our facilities are suitable and adequate for our present needs and that suitable additional or substitute facilities will be available, if required.

Item 3. Legal Proceedings

At June 30, 2016, we were subject to legal claims and litigation arising in the ordinary course of business, including the matters described below. The outcome of these legal actions cannot be predicted with certainty; however, management, based upon advice from legal counsel, believes such actions are either without merit or will not have a material adverse effect on our financial condition, results of operations or cash flows.

In re Harman International Industries, Inc. Securities Litigation

On October 1, 2007, a purported class action lawsuit was filed by Cheolan Kim (the “Kim Plaintiff”) against Harman and certain of our officers in the United States District Court for the District of Columbia (the “Court”) seeking compensatory damages and costs on behalf of all persons who purchased our common stock between April 26, 2007 and September 24, 2007 (the “Class Period”). The original complaint alleged claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

The complaint alleged that the defendants omitted to disclose material adverse facts about Harman’s financial condition and business prospects. The complaint contended that had these facts not been concealed at the time the merger agreement with Kohlberg, Kravis, Roberts & Co. and Goldman Sachs Capital Partners was entered into, there would not have been a merger agreement, or it would have been at a much lower price, and the price of our common stock therefore would not have been artificially inflated during the Class Period. The Kim Plaintiff alleged that, following the reports that the proposed merger was not going to be completed, the price of our common stock declined, causing the plaintiff class significant losses.

On November 30, 2007, the Boca Raton General Employees’ Pension Plan filed a purported class action lawsuit against Harman and certain of our officers in the Court seeking compensatory damages and costs on behalf of all persons who purchased our common stock between April 26, 2007 and September 24, 2007. The allegations in the Boca Raton complaint are essentially identical to the allegations in the original Kim complaint, and like the original Kim complaint, the Boca Raton complaint alleges claims for violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.

On January 16, 2008, the Kim Plaintiff filed an amended complaint. The amended complaint, which extended the Class Period through January 11, 2008, contended that, in addition to the violations alleged in the original complaint, Harman also violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder by “knowingly failing to disclose “significant problems” relating to its PND sales forecasts, production, pricing, and inventory” prior to January 14, 2008. The amended complaint claimed that when “Defendants revealed for the first time on January 14, 2008 that shifts in PND sales would adversely impact earnings per share by more than $1.00 per share in fiscal 2008,” that led to a further decline in our share value and additional losses to the plaintiff class.

On February 15, 2008, the Court ordered the consolidation of the Kim action with the Boca Raton action, the administrative closing of the Boca Raton action, and designated the short caption of the consolidated action as In re Harman International Industries, Inc. Securities Litigation, civil action no. 1:07-cv-01757 (RWR). That same day, the Court appointed the Arkansas Public Retirement System as lead plaintiff (“Lead Plaintiff”) and approved the law firm Cohen, Milstein, Hausfeld and Toll, P.L.L.C. to serve as lead counsel.

On May 2, 2008, Lead Plaintiff filed a consolidated class action complaint (the “Consolidated Complaint”). The Consolidated Complaint, which extended the Class Period through February 5, 2008, contended that Harman and certain of our officers and directors violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, by issuing false and misleading disclosures regarding our financial condition in fiscal year 2007 and fiscal year 2008. In particular, the Consolidated Complaint alleged that defendants knowingly or recklessly failed to disclose material adverse facts about MyGIG radios, personal navigation devices and our capital expenditures. The Consolidated Complaint alleged that when Harman's true financial condition became known to the market, the price of our common stock declined significantly, causing losses to the plaintiff class.

On July 3, 2008, defendants moved to dismiss the Consolidated Complaint in its entirety. Lead Plaintiff opposed the defendants' motion to dismiss on September 2, 2008, and defendants filed a reply in further support of their motion to dismiss on October 2, 2008.

On April 12, 2012, In re Harman International Industries, Inc. Securities Litigation, civil action no. 1:07-cv-01757 (D.D.C.) was reassigned to Judge Rudolph Contreras.

On September 5, 2012, the Court heard oral arguments on defendants' motion to dismiss. At the request of the Court, on September 24, 2012, each side submitted a supplemental briefing on defendants' motion to dismiss. On January 17, 2014, the Court granted a motion to dismiss, without prejudice, in the In re Harman International Industries, Inc. Securities Litigation. The Lead Plaintiff appealed this ruling to the U.S. Court of Appeals for the District of Columbia Circuit (the "Court of Appeals") and, on June 23, 2015, the District Court's ruling was reversed and remanded for further proceedings. On July 23, 2015, the defendants filed a motion for a rehearing en banc before the Court of Appeals, which was denied on August 26, 2015. The defendants filed a petition for a writ of certiorari seeking U.S. Supreme Court review on November 24, 2015, which was denied by the District Court on February 29, 2016. Discovery in this matter is ongoing.

Item 4. Mine Safety Disclosures
None.

Executive Officers of the Registrant

Executive officers are appointed by our Board of Directors and hold office at the pleasure of the Board until the next annual meeting of shareholders or until their successors are appointed and qualified. Each of our current executive officers is identified below together with information about each officer's age, position and employment history for the last five years.

Name	Position	Age
Dinesh C. Paliwal	Chairman, President and Chief Executive Officer	58
Sandra E. Rowland	Executive Vice President and Chief Financial Officer	45
Sanjay Dhawan	Executive Vice President and President, Connected Services Division	52
Phillip Eyler	Executive Vice President and President, Connected Car Division	45
Michael Mauser	Executive Vice President and President, Lifestyle Audio Division	53
Mohit Parasher	Executive Vice President and President, Professional Solutions Division	47
Herbert K. Parker	Executive Vice President, Operational Excellence	58
Ralph Santana	Executive Vice President and Chief Marketing Officer	48
David Slump	Executive Vice President, Operations	48
John Stacey	Executive Vice President and Chief Human Resources Officer	51
Todd A. Suko	Executive Vice President and General Counsel	49
Henry Tirri		59

Executive Vice President and Chief Technology Officer

Dinesh C. Paliwal became Chairman, President and Chief Executive Officer on July 1, 2008. Mr. Paliwal joined our Company on July 1, 2007 as President, Chief Executive Officer and Vice Chairman and was elected a director on August 13, 2007.

Sandra E. Rowland became Executive Vice President and Chief Financial Officer on January 1, 2015. Ms. Rowland joined our Company in October 2012 as Vice President, Investor Relations. In June 2013, she also took on the responsibility of Corporate Development, which included Strategy and Mergers and Acquisitions. Prior to joining our Company, from 2000 to 2012, Ms. Rowland served in positions of increasing responsibility at Eastman Kodak Company, including Controller of the Consumer Segment, Director of Corporate Financial Planning and Analysis, Assistant Treasurer, Director of Investor Relations, and Chief Financial Officer of the Commercial Segment.

Sanjay Dhawan joined our Company on April 8, 2015 as the Executive Vice President and President, Connected Services Division. Prior to joining our Company, Mr. Dhawan was the chief executive officer of Symphony Teleca Corporation (“STC”) from 2010, until we acquired STC on April 8, 2015.

Phillip Eyler joined our Company in 1997, and was appointed Executive Vice President, President, Connected Car Division effective July 21, 2015. From April 1, 2011 through July 20, 2015, Mr. Eyler served as our Senior Vice President and General Manager, Car Audio, Lifestyle Division.

Michael Mauser joined our Company in 1997, and has served as Executive Vice President and President, Lifestyle Audio Division since July 1, 2013. From July 1, 2011 through June 30, 2013, Mr. Mauser served as Co-President, Infotainment and Lifestyle Divisions. From April 2010 through June 30, 2011, Mr. Mauser served as Executive Vice President and Co-President—Automotive Division.

Mohit Parasher became Executive Vice President and President, Professional Solutions Division in May 2016. Mr. Parasher joined our Company in May 2014 as Vice President and General Manager, Consumer Audio for Asia Pacific. In February 2016, he assumed additional responsibility in our Asia Pacific region for Professional Solutions. Prior to joining our Company, Mr. Parasher was the Chief Executive Officer of Retail at Bharti Airtel from April 2013 until January 2014. He also served as Chief Executive Officer and Executive Director for Beetel Teletech, a Bharti enterprise, from March 2012 until April 2013. Prior to that, from May 1992 until August 2011, Mr. Parasher held various positions with Sony Corporation with his last position being Senior Vice President, Marketing Europe and Managing Director UK.

Herbert K. Parker became Executive Vice President, Operational Excellence on January 1, 2015. Mr. Parker joined our Company in June 2008 as Executive Vice President and Chief Financial Officer and he served in such capacity until December 31, 2014. From August 15, 2008 until October 1, 2008, Mr. Parker also served as our principal accounting officer.

Ralph Santana joined our Company in April 2013 as Executive Vice President and Chief Marketing Officer. Prior to joining our Company, he served as Senior Vice President and Chief Marketing Officer for Samsung North America from 2010 to 2012.

David Slump became Executive Vice President, Operations in March 2015. Prior to that he served as Executive Vice President and President, Services from July 1, 2013 until March 2015. Mr. Slump served as our Executive Vice President, Corporate Development from July 1, 2011 through June 30, 2013. From January 2009 through June 30, 2011, he served as President—Consumer Division. From January 2009 to May 2010, he also served as our Vice President, Corporate Development.

John Stacey joined our Company in February 2008 as Executive Vice President and Chief Human Resources Officer.

Todd A. Suko joined our Company in October 2008 as Executive Vice President and General Counsel. From October 2008 through December 2011 he also served as Secretary. Mr. Suko is a member of the bar in Washington, DC and Virginia.

Henry Tirri joined our Company in June 2016 as Executive Vice President and Chief Technology Officer. Prior to joining our Company, he held technology leadership roles of increasing responsibility at Nokia from 2004 until 2015, including Chief Technology Officer of Nokia from 2011 until 2014.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following graph compares changes in cumulative total returns (assuming reinvestment of cash dividends) on shares of our common stock for the five-year period ending on June 30, 2016 against the S&P Composite-500 Stock Index and the S&P Consumer Discretionary Index. The stock price performance graph assumes an initial investment of $100 at the market close on June 30, 2011. Dates on the chart represent the last trading day of the indicated fiscal year. The stock price performance shown on the graph below is not necessarily indicative of future performance of the shares of our common stock.

Our common stock is listed on the New York Stock Exchange and is reported on the New York Stock Exchange Composite Tape under the symbol HAR. As of July 31, 2016, there were approximately 89 record holders of our common stock.

The table below sets forth the reported high and low sales prices for our common stock, as reported on the New York Stock Exchange, for each quarterly period for the fiscal years ended June 30, 2016 and 2015.

	Years Ended June 30,			
	2016		2015	
Market Price	High	Low	High	Low
First quarter ended September 30	$120.48	$91.50	$117.15	$98.04
Second quarter ended December 31	111.03	88.83	111.35	85.36
Third quarter ended March 31	96.00	67.46	142.43	95.87
Fourth quarter ended June 30	88.90	66.22	146.49	117.80

During fiscal year 2016, we declared and paid cash dividends of $1.40 per share, with dividends of $0.35 per share declared in each quarter. During fiscal year 2015, we declared and paid cash dividends of $1.32 per share, with dividends of $0.33 per share declared in each quarter. During fiscal year 2014, we declared and paid cash dividends of $1.20 per share, with dividends of $0.30 per share declared in each quarter.

On October 28, 2014, our Board of Directors authorized the repurchase of up to $500.0 million of our common stock over a three year period (the "2014 Buyback Program"). The 2014 Buyback Program allows us to purchase shares of our common stock in accordance with applicable securities laws on the open market or through privately negotiated transactions during the authorized three year period. The 2014 Buyback Program may be suspended or discontinued at any time. We will determine the timing and the amount of any repurchases based on an evaluation of market conditions, share price, other growth opportunities and other factors. We have and may repurchase shares on the open market or, from time to time, through repurchase plans with one or more external brokers that provide a structure for execution of share repurchases under the 2014 Buyback Program. During the fiscal year ended June 30, 2016, we repurchased 1,631,748 shares at a cost of $140.0 million for a total cumulative buyback of 1,631,748, shares at a cost of $140.0 million under the 2014 Buyback Program. There were no share repurchases in fiscal year 2015.

On October 26, 2011, our Board of Directors authorized the repurchase of up to $200.0 million of our common stock (the “2012 Buyback Program”), which expired on October 25, 2013. On June 26, 2013, our Board of Directors authorized the repurchase of up to an additional $200 million of our common stock (the “2013 Buyback Program”) which expired on June 26, 2014. During the fiscal year ended June 30, 2014, we repurchased 1,327,693 shares at a cost of $90.8 million for a total cumulative buyback of 4,719,968 shares at a cost of $220.1 million under the 2012 Buyback Program and the 2013 Buyback Program. The 2012 Buyback Program and the 2013 Buyback Program have expired and therefore no additional shares may be repurchased under such programs.

The following table provides information about shares acquired in connection with our share buyback program during the three months ended June 30, 2016:

	Total Number of Shares Acquired During Period	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Program
April 1 – April 30, 2016	304,358	83.12	304,358	399,978,507
May 1 – May 31, 2016	269,730	74.15	269,730	379,973,840
June 1– June 30, 2016	254,316	78.64	254,316	359,969,355
Total	828,404		828,404	359,969,355

For a description of limitations on repurchases of shares and on the payment of dividends, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” located in Item 7 of Part II of this report.

Item 6. Selected Financial Data

The following table presents selected historical financial data derived from the audited Consolidated Financial Statements for each of the five fiscal years presented. The information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” located in Item 7 of Part II of this report, and the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements located in Item 8 of Part II of this report.

(In thousands except per share data)	2016[1] [2]	2015[1] [2]	2014[1] [2]	2013[1] [2]	2012[1] [2] [3]
Net sales	$6,911,676	$6,155,297	$5,348,483	$4,297,842	$4,364,078
Operating income	$580,027	$469,594	$329,727	$201,251	$300,246
Net income	$362,451	$342,989	$234,579	$142,407	$329,541
Net income attributable to Harman International Industries, Incorporated	$361,734	$342,680	$234,692	$142,407	$329,541
Earnings per share from continuing operations attributable to Harman International Industries, Incorporated:					
Basic	$5.03	$4.89	$3.40	$2.06	$4.62
Diluted	$4.99	$4.84	$3.36	$2.04	$4.57
Weighted average shares outstanding:					
Basic	71,866	70,147	69,073	68,990	71,297
Diluted	72,532	70,870	69,889	69,736	72,083
Total assets	$6,054,042	$5,865,900	$4,125,590	$3,235,685	$3,169,464
Total debt	$1,403,147	$1,086,238	$555,768	$289,973	$395,688
Total equity	$2,452,473	$2,392,826	$1,793,021	$1,644,871	$1,529,611
Dividends per share	$1.40	$1.32	$1.20	$0.60	$0.30

(1) The results of operations for all acquired companies are included in our Consolidated Statements of Income starting from the date of the respective acquisition. Refer to Note 2—Acquisitions in the Notes to the Consolidated Financial Statements for more information on acquisitions.

(2) Includes restructuring expenses of $24.9 million, $51.9 million, $84.2 million, $83.1 million and $9.1 million in fiscal years 2016, 2015, 2014, 2013 and 2012, respectively.

(3) Net income includes a non-cash benefit of $124.2 million related to a reduction of our deferred tax valuation allowance on certain of our net U.S. deferred tax assets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Effective July 1, 2015, we revised our business segments in order to better align them with our strategic approach to the markets and customers we serve. Our former Infotainment segment is now known as Connected Car, our former Lifestyle segment is now known as Lifestyle Audio, our former Professional segment is now known as Professional Solutions and our former Services segment is now known as Connected Services. Our Connected Services segment includes Symphony Teleca Corporation ("STC"), as previously reported, and also now includes Red Bend Ltd. ("Redbend") and our automotive services businesses. Redbend had previously been included within Other. Our automotive services businesses had previously been included within our Infotainment and Lifestyle segments. Other includes compensation, benefits and occupancy costs for corporate employees, net of reporting segment allocations and expenses associated with new technology innovation and our corporate brand identity campaign.

Prior period segment amounts throughout the consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations have been reclassified to conform to the current segment structure. The reclassification of historical business segment information had no impact on our basic financial statements.

The following discussion should be read in conjunction with the information presented in other sections of this Annual Report on Form 10-K, including "Item 1. Business," "Item 6. Selected Financial Data," and "Item 8. Financial Statements and Supplementary Data." This discussion contains forward-looking statements which are based on our current expectations and experience and our perception of historical trends, current market conditions, including customer acceptance of our new products, current economic data, expected future developments, foreign currency exchange rates, and other factors that we believe are appropriate under the circumstances. These statements involve risks and uncertainties that could cause actual results to differ materially from those suggested in the forward-looking statements. See "Risk Factors" included in Item 1A of Part I of this report. Unless otherwise indicated, "Harman," "Company," "we," "our," and "us" are used interchangeably to refer to Harman International Industries, Incorporated and its consolidated subsidiaries. All amounts are in thousands unless otherwise indicated.

Executive Overview

We believe we are a leader in the design and engineering of connected products and solutions for automakers, consumers and enterprises worldwide, including connected car systems, audio and visual products, enterprise automation solutions and connected services. We have developed, both internally and through a series of strategic acquisitions, a broad range of product offerings sold under renowned brand names in our principal markets. Our AKG, AMX, Crown, Harman/Kardon, Infinity, JBL, JBL Professional, Lexicon, Mark Levinson, Martin, Revel, Soundcraft and Studer brand names are well known worldwide for premium quality and performance. Our software solutions power mobile devices and systems that are designed to be connected, integrated, personalized and adaptive across all platforms, from work and home, to car and mobile.

We report our business on the basis of four segments. Our Connected Car, Lifestyle Audio, Professional Solutions and Connected Services segments are based on our strategic approach to the markets and customers we serve. Other primarily includes compensation, benefit and occupancy costs for corporate employees, net of reporting segment allocations, expenses associated with new technology innovation and our corporate brand identity campaign.

We believe that innovation is an important element to gaining market acceptance of our products and strengthening our market position. We have a history of leveraging our continuous technological innovation across all of the markets we serve. We have a well-deserved reputation for delivering premium audio and connected car solutions across a full spectrum of applications. We believe that our technological innovation, the quality of our products and our reputation for on-time delivery have resulted in Harman being awarded a substantial amount of Connected Car and Lifestyle Audio automotive business. As of June 30, 2016, we have a cumulative estimated $24.1 billion of awarded Connected

Car and Lifestyle Audio automotive business, which represents the estimated future lifetime net sales for all our automotive customers. This amount does not represent firm customer orders. We report our awarded business primarily based on award letters from our customers. To validate these awards, we use various assumptions, including global vehicle production forecasts, customer take rates for our products, revisions to product life-cycle estimates and the impact of annual price reductions and exchange rates, among other factors. The term "take rate" represents the number of units sold by us divided by an estimate of the total number of vehicles of a specific vehicle line produced during the same timeframe. The assumptions we use to validate these awards are updated and reported externally on an annual basis. We believe our awarded automotive business will position us well for follow-on and new business with these existing customers.

Our management uses the amount of our awarded business for short- and long-term budgeting and forecasting, development of earnings guidance and for planning future corporate investment and other activities, such as capital expenditures and restructuring. Our awarded business is also an input used to approximate our enterprise value. We believe our investors utilize this information for a number of reasons, including evaluating our future financial performance over time, to model our financial results of operations, to understand the risks inherent in our current operating plan, and as an input to approximate our enterprise value. However, our estimates of awarded automotive business are forward-looking statements and may not actually be achieved. See the risk factor "We may not realize sales represented by awarded business" in Item 1A "Risk Factors" of Part I of this report.

Our products are sold worldwide, with the largest markets located in the United States and Germany. In the United States, our primary manufacturing facilities are located in Kentucky, Indiana and Washington. Outside of the United States, we have manufacturing facilities in Austria, Brazil, China, Hungary, India, Germany, Mexico and the Netherlands.

Our sales and earnings may vary due to the production schedules and model year changeovers of our automotive customers, the holiday buying season for consumer audio products, customer acceptance of our products, the timing of new product introductions, product offerings by our competitors, fluctuations in the timing of contractual agreements for customer reimbursements for research, development and engineering expenses ("RD&E") and general economic conditions. Since most of our businesses operate using local currencies, our reported sales and earnings may also fluctuate due to fluctuations in foreign currency exchange rates, especially with respect to the value of the Euro and the U.S. Dollar.

We believe opportunities exist to grow our business in all of our business segments in emerging markets such as Brazil, Russia, India and China ("BRIC"). During the fiscal year ended June 30, 2016, sales increased in these emerging markets to $1.117 billion, an increase of $114.1 million, or 11.4 percent, over the prior fiscal year.

We continue to roll out our global marketing campaign featuring some of the world's most prominent organizations, artists, celebrities and athletes such as the National Basketball Association, Stephen Curry, Quincy Jones, Alex Rodriguez and Linkin Park, in order to increase brand awareness and support growth and market share gains across our entire business.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our accounting policies, in conformity with generally accepted accounting principles in the United States ("GAAP"), have a significant impact on the results we report in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The estimates affect the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Our accounting policies are more fully described in Note 1 – Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements located in Item 8 of Part II of this report. However, we believe the following policies merit discussion due to their higher degree of judgment, estimation, or complexity.

Revenue Recognition

Revenue from product sales is generally recognized at the time of product shipment or delivery, depending on when the passage of title to goods transfers to unaffiliated customers and when all of the following have occurred: a firm sales agreement is in place, pricing is fixed or determinable and collection is reasonably assured. Sales are reported net of estimated returns, discounts, rebates and incentives. A significant portion of our revenue transactions involve the delivery of a physical product.

Service revenue is recognized as the services are rendered for time-and-material contracts or, for fixed-fee arrangements, on a proportional performance basis based on actual direct labor hours in relation to total estimated hours. Losses on fixed-fee arrangements are recognized when probable. The majority of our service contracts are on a time-and-material basis.

Royalty income, which is not material, is recorded when earned based upon contract terms with licensees which provide for royalties.

Revenue from software licensed under perpetual arrangements is recognized using the residual method under the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification 985, “Software Revenue Recognition,” and all related interpretations, when vendor-specific evidence (“VSOE”) of fair value exists for undelivered elements, such as post-contract support services, consulting services and training, but does not exist for the delivered software. Otherwise, revenue is deferred until the earlier of when: (1) VSOE of fair value exists for the remaining undelivered elements, at which point the residual method is applied, or (2) the last element has been delivered, at which point all of the revenue is recognized.

We enter into incentive agreements with certain automotive customers which relate to a specific program award. These incentives are generally based on fixed payments paid by us to the automotive manufacturer, and are generally deferred, if certain criteria are met. The deferability criteria include the existence of legally enforceable rights, management’s ability and intent to enforce the recoverability clauses and the ability to generate future earnings from the agreement in excess of the deferred amounts. Capitalized amounts are amortized, generally as a reduction to revenue, over the related program award term based on our estimate of future volumes. Our estimates are reviewed regularly and the cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable.

Allowance for Doubtful Accounts

Our products are sold to customers in many different markets and geographic locations. Methodologies for estimating bad debt reserves include specific reserves for known collectability issues and percentages applied to aged receivables based on historical experience. We must make judgments and estimates regarding accounts receivable that may become uncollectible. These estimates affect our bad debt reserve and results of operations. We base these estimates on many factors including historical collection rates, the financial stability and size of our customers as well as the markets they serve and our analysis of aged accounts receivable. Our judgments and estimates regarding collectability of accounts receivable have an impact on our consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method. We establish reserves for our inventory which require us to analyze the aging and forecasted demand for our inventories, to forecast future product sales prices, pricing trends and margins, and to make judgments and estimates regarding obsolete, damaged or excess inventory. Markdown percentages are determined based on our estimate of future demand and selling prices for our products. Future sales prices are determined based on current and forecasted market expectations, as well as terms that have been established for future orders under automotive platform arrangements. Our inventory reserves primarily relate to our raw materials and finished goods. We calculate inventory reserves on raw materials by reviewing the levels of raw materials on-hand and comparing this to estimates of historical consumption and future demand in order to assess whether we have excess materials on-hand. If it is determined that excess materials are in inventory, an appropriate inventory reserve is established. Inventory reserves on finished goods are primarily determined through inventory turnover measures. Products showing low turnover rates are assigned a percentage reserve based on future estimates of sales volumes and margins. We make adjustments to our inventory reserves based on the identification of specific situations and increase our inventory reserves accordingly. As changes in future economic or industry conditions occur, we revise the estimates that were used to calculate our inventory reserves.

If actual conditions are less favorable than those we have projected, we may need to increase our reserves for excess and obsolete inventories. Any increases in our reserves will adversely impact our results of operations. Such reserves are not reduced until the product is sold.

At June 30, 2016 and 2015 our inventory reserves were $93.9 million and $79.6 million, respectively. The primary reason for the increase in our inventory reserves is due to specific reserves related to certain end of life products. Refer to Note 3—Inventories in the Notes to the Consolidated Financial Statements for more information.

Goodwill

We assess goodwill for potential impairments annually each April 30th, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying value of the asset. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. We estimate the fair value of each reporting unit using a discounted cash flow methodology. This requires us to use significant judgment, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, the useful life over which cash flows will occur, determination of our weighted average cost of capital, and relevant market data.

In evaluating goodwill for impairment, we may first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying value. If we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of the goodwill assigned to the reporting unit is required. However, if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we perform a two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any. In fiscal years 2016 and 2015, we did not elect to first assess the qualitative factors in evaluating our goodwill for impairment; therefore, we proceeded with our quantitative goodwill impairment test.

The first step compares the fair value of each reporting unit to its carrying value, with fair value of each reporting unit determined using established valuation techniques, specifically the market and income approaches. If the results of the first step indicate that the fair value of a reporting unit is less than its carrying value, the second step of this test is conducted wherein the amount of any impairment is determined by comparing the implied fair value of goodwill in a reporting unit to the recorded amount of goodwill for that reporting unit. The implied fair value of goodwill is calculated as the excess of fair value of the reporting unit over the amounts assigned to its assets and liabilities. Should the fair values of the goodwill so calculated be less than the carrying value, an impairment is recognized. We did not record any impairment charges for goodwill in fiscal years 2016, 2015 and 2014.

Intangible Assets, Net

Intangible assets, net primarily consist of customer relationships, trade names, non-compete agreements, technology, patents and software and are amortized over periods ranging from less than one year to 17 years, which are evaluated on an annual basis. Intangible assets, net are amortized on a straight-line basis over their estimated economic lives. We believe that the straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefits obtained annually by our Company. We also have indefinite-lived intangible assets of $74.4 million, primarily consisting of trade names, which we assess for potential impairments annually, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying value of the asset. We did not record any impairment charges for Intangible assets, net in fiscal years 2016, 2015 and 2014. Refer to Note 8—Goodwill and Intangible Assets, Net in the Notes to the Consolidated Financial Statements for more information.

Impairment of Long-Lived Assets

We review the recoverability of our long-lived assets, including buildings, equipment and other definite-lived intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows. We will continue to monitor the need for impairment tests, which could result in additional impairment charges. We recognized $2.0 million, $2.3 million and $0.7 million in impairment charges related to facilities that were held-for-sale in the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Pre-Production and Development Costs

We incur pre-production and development costs related to connected car and car audio systems that we develop for automobile manufacturers pursuant to long-term supply arrangements. Portions of these costs are reimbursable under separate agreements and are recorded as unbilled costs in our Consolidated Balance Sheets in Other current assets and Other assets, once an agreement is signed. We believe that the terms of our supply contracts and our established relationships with these automobile manufacturers reasonably assure that we will collect the reimbursable portions of these contracts.

Accrued Warranties

We warrant our products to be free from defects in materials and workmanship for periods ranging from six months to six years from the date of purchase, depending on the business segment and product. Our dealers and warranty service providers normally perform warranty service in field locations and regional service centers, using parts and replacement finished goods we supply on an exchange basis. Our dealers and warranty service providers also install updates we provide to correct defects covered by our warranties. Estimated warranty liabilities are based upon past experience with similar types of products, the technological complexity of certain products, replacement cost and other factors. If estimates of warranty provisions are no longer adequate based on our analysis of current activity, incremental provisions are recorded as warranty expense in our Consolidated Statement of Income. We take these factors into consideration when assessing the adequacy of our warranty provision for periods still open to claim. Refer to Note 6—Accrued Warranties in the Notes to the Consolidated Financial Statements for more information.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in our Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. We evaluate all available positive and negative evidence in each tax jurisdiction regarding the recoverability of any asset recorded in our Consolidated Balance Sheets and provide valuation allowances to reduce our deferred tax assets to an amount we believe is more likely than not to be realized. We regularly review our deferred tax assets for recoverability considering historical profitability, our ability to project future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If we continue to operate at a loss in certain jurisdictions or are unable to generate sufficient future taxable income within the defined lives of such assets, we could be required to increase our valuation allowance against all or a significant portion of our deferred tax assets. This increase in valuation allowance could result in substantial increases in our effective tax rate and could have a material adverse impact on our operating results. Conversely, if and when our operations in some jurisdictions become sufficiently profitable before what we have estimated in our current forecasts, we would be required to reduce all or a portion of our current valuation allowance and such reversal would result in an increase in our earnings in such period. Adjustments to our valuation allowance were recorded through charges to income tax expense, net, and were a benefit of $0.7 million, an expense of $17.0 million and a benefit of $1.6 million for the fiscal years ending June 30, 2016, 2015 and 2014, respectively. Refer to Note 13—Income Taxes in the Notes to the Consolidated Financial Statements for more information.

The calculation of our tax liabilities involves evaluating uncertainties in the application of complex tax regulations. We recognize liabilities for unrecognized tax positions in the U.S. and other tax jurisdictions based on our estimate of whether and the extent to which additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in additional tax benefits recognized in the period in which we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result. We recognize interest and penalties related to income tax matters in income tax expense.

Severance and Exit Costs

We recognize liabilities for severance and exit costs based upon the nature of the liability incurred. For involuntary separation programs that are conducted according to the guidelines of our written involuntary separation plan or according to the provisions of collective bargaining agreements or statutes, we recognize the liability when it is probable and reasonably estimable. For one-time termination benefits, such as additional severance pay, and other exit costs, such as lease and other contract termination costs, the liability is measured and originally recognized at fair value in the period in which the liability is incurred, with subsequent changes recognized in earnings in the period of change. Refer to Note 16—Restructuring in the Notes to the Consolidated Financial Statements for more information.

Share-Based Compensation

Share-based compensation expense is recognized based on the estimated fair value of stock options and similar equity instruments awarded to employees. Refer to Note 14—Shareholders' Equity and Share-Based Compensation in the Notes to the Consolidated Financial Statements for more information.

Results of Operations

Net Sales

Fiscal year 2016 net sales were $6.912 billion compared to $6.155 billion in the prior fiscal year, an increase of 12.3 percent, or an increase of 16.2 percent excluding foreign currency translation. Net sales increased due to growth in our Lifestyle Audio, Connected Services and Connected Car segments primarily due to the impact of our recent acquisitions partially offset by a decrease in net sales in our Professional Solutions segment and unfavorable foreign currency translation of $209.8 million. Refer to Note 2—Acquisitions in the Notes to the Consolidated Financial Statements for more information on our acquisitions.

Fiscal year 2015 net sales were $6.155 billion compared to $5.348 billion in the prior fiscal year, an increase of 15.1 percent, or an increase of 22.1 percent excluding foreign currency translation. Net sales increased in all of our segments. The increase was primarily due to the expansion of recently launched platforms, stronger automotive production and higher take rates, new product introductions and the expansion of global distribution channels in consumer audio, the impact of recent acquisitions, partially offset by unfavorable foreign currency translation of $308.7 million. Refer to Note 2—Acquisitions in the Notes to the Consolidated Financial Statements for more information on our acquisitions.

A summary of our net sales, by business segment, is presented below:

	Year Ended June 30,								
	2016	Percentage		2015	Percentage		2014	Percentage	
Connected Car	$3,101,838	44.9	%	$2,911,166	47.3	%	$2,626,354	49.1	%
Lifestyle Audio	2,137,752	30.9	%	1,812,579	29.4	%	1,576,789		