TRANSLATION - FOR REFERENCE ONLY -

JVCKENWOOD

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Company	JVCKENWOOD Corporation
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Accounting Report for the 1Q of Fiscal Year Ending March 2021 (April 1, 2020 – June 30, 2020)

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2021 (April 1, 2020 – June 30, 2020)

Operating Results

(JPY in Million, except Basic net income per share)

	1st Quarter FYE 3/2020 April 1, 2019 to June 30, 2019	1st Quarter FYE 3/2021 April 1, 2020 to June 30, 2020
Revenue	73,596	51,145
Operating profit	1,771	-3,073
Profit before tax	1,635	-3,102
Profit attributable to owners of parent company	882	-3,584
Comprehensive income	-509	-2,504
Basic net income per share	5.39 yen	-21.86 yen

FYE: Fiscal year ended / ending

1. Qualitative Information on 1Q Financial Results

(1) Description of Operating Results

<u>**Overview of the First Quarter of the Fiscal Year under Review**</u>

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first three months of the fiscal year under review declined sharply from the same period a year earlier. This was due to a significant impact caused by the further spread of the novel coronavirus infection, which began in the fourth quarter of the previous fiscal year. Operating profit of the JVCKENWOOD Group as a whole declined sharply from a year earlier due to the decrease in revenue.

An overview of the impact of the spread of the novel coronavirus infection on consolidated earnings of the JVCKENWOOD Group for the first three months of the fiscal year under review by sector is as provided below.

- **Automotive Sector**
  In the Aftermarket Business, market conditions are gradually recovering in North America and Europe following the resumption of economic activities. However, revenue was affected by a slowdown in sales activities caused by stay-at-home regulations in other regions. The OEM Business saw a contraction in sales due to the continued deterioration in automobile sales globally despite the resumption of production by automobile manufacturers in/after May in the overseas market.
- **Public Service Sector**
  The Communications Systems Business saw a contraction in sales due to the impact of a shutdown of a plant in Malaysia, where one of the Company's main plants is located, from the end of March to the end of April. The Professional Systems Business saw a contraction in sales due to the impact that a decline in capital investment, caused by the declaration of a state of emergency in Japan, had on JVCKENWOOD Public & Industrial Systems Corporation, which plays a central role in the business.
- **Media Service Sector**
  In the Media Business, sales declined not only in the BtoC market but also in the BtoB market due to the impact of a shutdown of distribution outlets caused by global stay-at-home regulations. The Entertainment Business was affected by cancellation, etc. of artists' events, including live performance events, due to the declaration of a state of emergency in Japan.
- **Others**
  Sales related to telematics solutions in the DX* Business remained strong.
  *Digital Transformation

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

		1Q
Profit-and-loss exchange rate	U.S. dollar Euro	Approx. 108 yen Approx. 119 yen
FY2019 (for reference)	U.S. dollar Euro	Approx. 110 yen Approx. 124 yen

Revenue

Revenue for the first three months of the fiscal year under review declined approximately 22,500 million yen, or 30.5%, from a year earlier to 51,145 million yen.
As stated above, revenue at the Automotive Sector, Public Service Sector, and Media Service Sector decreased from a year earlier due to the impacts of the spread of the novel coronavirus infection. Revenue of the Other segment as a whole decreased due to a decline in other sales by sales company in Europe despite the continued strong sales at the DX Business Division.

Operating Profit

Operating profit for the first three months of the fiscal year under review declined approximately 4,800 million yen from a year earlier to a loss of 3,073 million yen, reflecting the decrease in revenue. For the first three

months of the fiscal year under review, government subsidies for employing employees, etc. were recognized as net profit or loss and subtracted from cost of sales and selling, general and administrative expenses.
Core operating income, which is calculated by subtracting other income, other expenses, foreign exchange losses (gains), etc. from operating profit, declined approximately 4,300 million yen from a year earlier to a loss of 3,123 million yen. This happened because, although the Media Service Sector and Others maintained profitability, profit fell at all sectors.

Profit Before Income Taxes
Profit before income taxes for the first three months of the fiscal year under review declined approximately 4,700 million yen from a year earlier to a loss of 3,102 million yen, reflecting a decline in operating profit.

Profit Attributable to Owners of the Parent Company
Profit attributable to owners of the parent company for the first three months of the fiscal year under review declined approximately 4,500 million yen from a year earlier to a loss of 3,584 million yen, reflecting a decline in profit before income taxes.

Revenue and Core Operating Income (Loss) by Business Segment
Revenue and core operating income (loss) by business segment are as follows.
First Three Months of the Fiscal Year Ending March 2021 (from April 1, 2020 to June 30, 2020 (Million yen)

Segment		1Q of FYE3/'20	1Q of FYE3/'21	Year-on-year comparison
Automotive Sector	Revenue	40,066	26,258	-13,808
	Core operating income	1,050	-2,011	-3,061
Public Service Sector	Revenue	15,353	10,538	-4,815
	Core operating income	-625	-1,517	-892
Media Service Sector	Revenue	14,200	10,614	-3,586
	Core operating income	450	92	-358
Others	Revenue	3,976	3,734	-242
	Core operating income	325	313	-12
Total	Revenue	73,596	51,145	-22,451
	Core operating income	1,200	-3,123	-4,323
	Operating profit	1,771	-3,073	-4,844
	Profit before income taxes	1,635	-3,102	-4,737
	Profit attributable to owners of the parent company	882	-3,584	-4,466

Automotive Sector
Revenue of the Automotive Sector for the first three months of the fiscal year under review decreased approximately 13,800 million yen, or 34.5%, from a year earlier to 26,258 million yen. Core operating income declined approximately 3,100 million yen from a year earlier to a loss of 2,011 million yen.
➢ Revenue
In the Aftermarket Business, revenue decreased from a year earlier due to the impacts of the stay-at-home order and closure of distribution outlets caused by the spread of the novel coronavirus infection in the overseas market. This occurred even though sales of Saisoku-Navi series car navigation systems in the domestic market were strong despite the impact of the declaration of a state of emergency in Japan.

In the OEM Business, revenue decreased from a year earlier. This was due to the impacts of lower sales of factory-installed products and the impact of a decline in the number of new cars sold by automobile manufacturers caused by the spread of the novel coronavirus infection on sales of dealer-installed products in Japan and ASK Industries S.p.A. by a subsidiary in Europe.

- Core Operating Income

In the Aftermarket Business and OEM Business, core operating income declined from a year earlier due to the aforementioned decrease in revenue.

Public Service Sector

Revenue of the Public Service Sector for the first three months of the fiscal year under review decreased approximately 4,800 million yen, or 31.4%, from a year earlier to 10,538 million yen. Core operating income declined approximately 900 million yen from a year earlier to a loss of 1,517 million yen.

- Revenue

Revenue at the Communications Systems Business declined approximately 3,500 million yen from a year earlier. This reflected the impact of a shutdown of a plant in Malaysia, where one of the Company's main plants is located, caused by the Malaysian government's movement control order, in addition to the impacts of stay-at-home order and shutdown of distribution outlets following the spread of the novel coronavirus around the world.

Revenue at the Professional Systems Business declined approximately 1,400 million yen from a year earlier due to the impact of a decline in capital investment caused by the declaration of a state of emergency in Japan.

- Core Operating Income

In the Communications Systems Business and Professional Systems Business, core operating income declined from a year earlier due to the aforementioned decrease in revenue.

Media Service Sector

Revenue of the Media Service Sector for the first three months of the fiscal year under review decreased approximately 3,600 million yen, or 25.3%, from a year earlier to 10,614 million yen. Core operating income declined approximately 400 million yen, or 79.5%, from a year earlier to 92 million yen.

- Revenue

Revenue at the Media Business declined approximately 1,800 million yen from a year earlier. This reflected the impacts of the stay-at-home order and shutdown of distribution outlets following the spread of the novel coronavirus infection around the world although sales of imaging devices were strong and sales of home audio and neck speakers were strong, attributed to an increase in people working from home.

Revenue at the Entertainment Business declined approximately 1,800 million yen from a year earlier due to the impact of lower sales caused by the declaration of a state of emergency in Japan.

- Core Operating Income

In the Media Business and Entertainment Business, core operating income declined from a year earlier due to the aforementioned decrease in revenue.

In the DX Business, which is included in Others, revenue achieved year-on-year growth while core operating income remained at the same level as a year earlier due to strong sales of telematics solutions despite the impact of the declaration of a state of emergency in Japan.

(2) Description of Financial Position

<u>Analysis of Assets, Liabilities, and Equity, etc.</u>

Assets

Total assets declined approximately 15,400 million yen from the end of the previous fiscal year to 234,309 million yen. This was due to a decrease in trade and other receivables as well as property, plant and equipment caused by a decrease in revenue, reflecting the impacts of the spread of the novel coronavirus.

Liabilities

Total liabilities declined approximately 11,800 million yen from the end of the previous fiscal year to 177,888 million yen, due to a decrease in current liabilities, such as trade and other payables.

Equity

Total equity decreased approximately 3,600 million yen from the end of the previous fiscal year to 56,420 million yen. This was because of a decrease in retained earnings as a result of posting a quarterly loss.

The ratio of equity attributable to owners of the parent company remained at the same level as the end of the previous fiscal year at 22.6%. This was because although equity attributable to owners of the parent company declined, total assets also declined.

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash provided by operating activities for the first three months of the fiscal year under review was 3,481 million yen, which is a decrease of approximately 4,700 million yen from the same period of the previous fiscal year. This was mainly attributable to the posting of a quarterly loss before taxes despite a decrease in working capital.

Cash Flow from Investing Activities

Net cash used in investing activities for the first three months of the fiscal year under review was 3,226 million yen, which is a decrease of approximately 1,800 million yen from the same period of the previous fiscal year. This was mainly due to a decrease in cash outflows for purchases of property, plant and equipment and intangible assets.

Cash Flow from Financing Activities

Net cash used in financing activities for the first three months of the fiscal year under review was 2,037 million yen, which is a decrease of approximately 1,000 million yen from the same period of the previous fiscal year. This was mainly due to a decrease in cash outflows for repayment of long-term loans payable.

Cash and cash equivalents at the end of the first three months of the fiscal year under review decreased approximately 1,900 million yen from the same period of the previous fiscal year to 38,286 million yen.

(3) Description of Forward-Looking Information Such as Consolidated Earnings Forecast

Earning Forecast for FYE3/'21

During the first three months of the fiscal year under review, both revenue and operating profit experienced a sharp year-on-year decline due to a significant impact caused by the spread of the novel coronavirus infection. Revenue and operating profit of the JVCKENWOOD Group as a whole are expected to decline since uncertainty caused by the spread of the novel coronavirus infection is expected to continue in the second quarter of the fiscal year under review and thereafter.

Under these circumstances, the JVCKENWOOD Group will continue facilitating the emergency measure project, which was launched in April, and implement specific initiatives focusing on controlling cash outflows to maintain financial soundness throughout the Group in order to carefully select capital investment, development expenses, and investments and thoroughly reduce costs. In addition, solid efforts will be made to resolve the JVCKENWOOD Group's management issues in consideration of changes in the market environment and a paradigm shift in behavioral patterns and the social structure in the environment of the world after COVID-19 environment.

By sector, the following initiatives will be implemented.

In the Automotive Sector, we will expand sales of new car navigation which will be released in the second quarter of the fiscal year under review and thereafter as dealer installed products in the OEM Business. We will also boost sales of Saisoku-Navi, which has been robust in the domestic market, in the Aftermarket Business and release new dashcam products, including a dual-camera model with AI sensing features and 360° view.

In the Public Service Sector, we will expand sales at the Group's U.S. communication system subsidiaries in the public safety market where demand has been relatively stable amid the novel coronavirus pandemic due to normalization of production at a plant in Malaysia, where one of the Company's main plants is located, in the

Communications Systems Business. We will also expand orders for digital radio systems in the North American business industry market. In the Professional Systems Business, we will strengthen order intake for short lead time projects through proposals for products and systems to support BCP which ensures continuation of business activities amid the novel coronavirus pandemic.
In the Media Service Sector, we will secure sales in the Media Business through such measures as release of new products related to the world after COVID-19 and in the Entertainment Business through such measures as online distribution and proposing new operation of live music clubs with an eye to the world after COVID-19.
In the Other segment, we will promote the new “Space & Service” solution business for stores and plants in addition to securing sales related to automotive telematics solutions, which have been robust at the DX Business Division.

Based on the above, as reported in “Notice Regarding Consolidated Earnings and Dividend Forecasts for the Fiscal Year Ending March 2021” released separately today, the consolidated earnings forecast for the fiscal year ending March 2021 has been decided as follows.

	Consolidated earnings forecast for the fiscal year ending March 2021
Revenue	260,000 million yen
Operating profit	2,000 million yen
Profit before income taxes	850 million yen
Profit attributable to owners of the parent company	-1,400 million yen

Profit-and-loss exchange rates used as assumptions in the aforementioned earning forecast are: USD 1=JPY 107 and EUR 1=JPY 120.

The aforementioned earning forecast was prepared by the JVCKENWOOD Group based on information available at the time of announcement of this document. Actual business results may differ from the forecast values due to various factors.

Dividend Forecast for the Fiscal Year Ending March 2021
With regards to dividends for the fiscal year ending March 2021, as reported in “Notice Regarding Consolidated Earnings and Dividend Forecasts for the Fiscal Year Ending March 2021” released separately on August 3, the annual dividend forecast is 5 yen per share (year-end dividend).

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated statement of financial position

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2020)	End of current consolidated first quarter (as of June 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	39,933	38,286
Trade and other receivables	51,892	39,200
Contract assets	1,617	1,796
Other financial assets	861	754
Inventories	46,194	45,349
Right to recover products	255	258
Income taxes receivable	1,089	1,432
Other current assets	3,985	4,688
Total current assets	145,830	131,765
Non-current assets		
Property, plant and equipment	53,993	52,946
Goodwill	3,268	3,280
Intangible assets	20,149	20,016
Net defined benefit assets	3,229	3,105
Investment property	2,274	2,250
Investments accounted for using the equity method	3,330	3,805
Other financial assets	11,406	11,358
Deferred tax assets	5,178	4,806
Other non-current assets	997	974
Total non-current assets	103,830	102,543
Total assets	249,660	234,309

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2020)	End of current consolidated first quarter (as of June 30, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	39,086	30,326
Contract liabilities	2,489	2,724
Refund liabilities	4,179	3,906
Short-term borrowings	24,460	25,354
Other financial liabilities	5,091	4,713
Income taxes payable	1,303	1,055
Provisions	1,309	1,217
Other current liabilities	23,123	21,047
Total current liabilities	101,043	90,345
Non-current liabilities		
Long-term borrowings	50,144	49,294
Other financial liabilities	7,983	7,761
Net defined benefit liabilities	26,008	25,932
Provisions	1,187	1,189
Deferred tax liabilities	1,878	1,927
Other non-current liabilities	1,415	1,437
Total non-current liabilities	88,617	87,543
Total liabilities	189,661	177,888
Equity		
Capital stock	13,645	13,645
Capital surplus	42,086	42,086
Retained earnings	5,547	1,143
Treasury stock	-39	-39
Other components of equity	-4,755	-3,772
Equity attributable to owners of the parent company	56,485	53,064
Non-controlling interests	3,513	3,355
Total equity	59,999	56,420
Total liabilities and equity	249,660	234,309

(2) Quarterly Consolidated statement of financial position
(Quarterly Consolidated Statement of Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2019 – June 30, 2019)	Accumulated period for current consolidated first quarter (Apr.1, 2020 – June 30, 2020)
Revenue	73,596	51,145
Cost of sales	54,197	38,665
Gross profit	19,398	12,479
Selling, general and administrative expenses	18,197	15,603
Other income	700	289
Other expenses	112	277
Foreign exchange profit (loss)	-18	37
Operating profit (loss)	1,771	-3,073
Finance income	112	89
Finance expenses	267	259
Share of profit of investments accounted for using the equity method	20	140
Profit (loss) before income taxes	1,635	-3,102
Income tax expenses	644	349
Profit (loss)	991	-3,452
Profit (loss) attributable to:		
Owners of the parent company	882	-3,584
Non-controlling interests	108	131
Profit (loss)	991	-3,452
Earnings per share (attributable to owners of the parent company)		
Basic earnings (loss) per share	5.39 yen	-21.86 yen
Diluted earnings per share	－yen	－yen

(Quarterly Consolidated Statement of Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2019 – June 30, 2019)	Accumulated period for current consolidated first quarter (Apr.1, 2020 – June 30, 2020)
Profit (loss)	991	-3,452
Other comprehensive income ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Net changes in financial assets measured at fair value through OCI	1,132	515
Remeasurement of defined benefit plans	109	—
Share of OCI of investments accounted for using the equity method	0	0
Total of items that will not be reclassified subsequently to profit or loss	1,242	515
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	-1,970	273
Cash flow hedges	-652	-78
Share of OCI of investments accounted for using the equity method	-119	237
Total of items that may be reclassified subsequently to profit or loss	-2,742	432
OCI, net of income tax	-1,500	948
Comprehensive income	-509	-2,504
Total comprehensive income attributable to:		
Owners of the parent company	-504	-2,601
Non-controlling interests	-4	97
Comprehensive income	-509	-2,504

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2019 – June 30, 2019)	Accumulated period for current consolidated first quarter (Apr.1, 2020 – June 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	1,635	-3,102
Depreciation and amortization	4,979	4,684
Decrease in net defined benefit liabilities	-8	-9
Decrease in net defined benefit assets	149	124
Finance income	-112	-89
Finance expenses	267	259
Gain (loss) on revaluation of financial assets measured at fair value through profit and loss	-427	50
Loss on disposal of property, plant and equipment	4	6
Decrease in trade and other receivables	5,655	12,796
Decrease (increase) in inventories	-2,088	965
Increase (decrease) in trade and other payables	344	-8,454
Decrease in other current liabilities	-742	-1,742
Other, net	-778	-1,642
Sub-total	8,878	3,846
Interest received	67	34
Dividend received	44	54
Interest paid	-236	-232
Income taxes paid	-540	-221
Net cash provided by operating activities	8,213	3,481
Cash flows from investing activities		
Withdrawal of time deposit with original maturity of more than three months	—	9
Purchases of property, plant and equipment	-2,145	-1,611
Proceeds from sales of property, plant and equipment	247	4
Purchases of intangible assets	-3,153	-2,148
Distribution from debt instruments	—	622
Other, net	-15	-93
Net cash used in investing activities	-5,067	-3,226
Cash flows from financing activities		
Proceeds from short-term borrowings	2,820	3,238
Repayment of short-term borrowings	-1,381	-1,707
Repayment of long-term borrowings	-2,489	-1,668
Repayment of lease liabilities	-969	-1,079
Cash dividends paid	-983	-819
Other, net	-61	-0
Net cash used in financing activities	-3,064	-2,037
Net decrease in cash and cash equivalents	-631	-1,647
Cash and cash equivalents at beginning of year	40,844	39,933
Effect of exchange rate changes on cash and cash equivalents	-713	134
Cash and cash equivalents at end of quarter	40,213	38,286