

JVCKENWOOD

Translation for Reference Only

# JVCKENWOOD

## Results and Forecast Briefing

### Second Quarter(1-2Q) of Fiscal Year Ending March 2021 (IFRS)

October 30, 2020



JVCKENWOOD Corporation

# Business Domains

\*All figures in this document are prepared in accordance with International Financial Reporting Standards (IFRS).

## Media Service Sector (MS)

### ■ Media Business

- Solutions/Lifestyle/Brand video cameras, headphones, projectors, home audio, imaging devices, etc.

### ■ Entertainment Business

- Content/contract production business

## Others

- DX\* Business, etc.

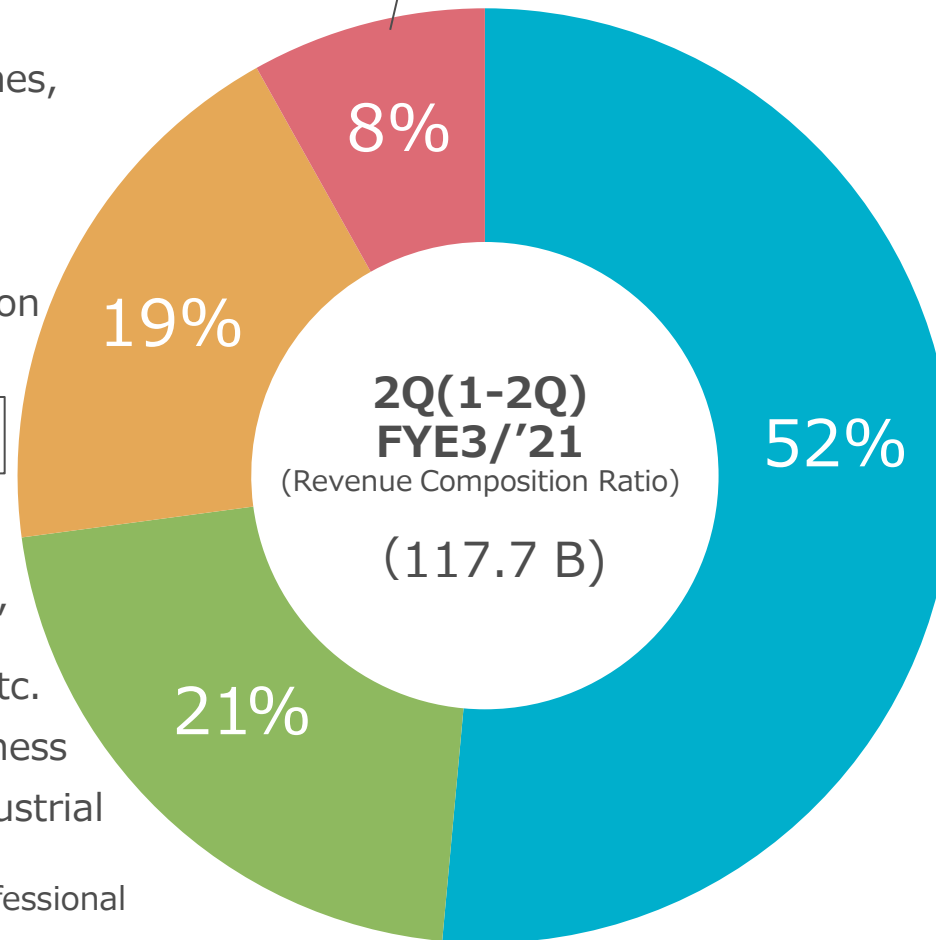
## Automotive Sector (AM)

### ■ Aftermarket Business

- Car navigation systems
- Car audio systems
- Display audio systems
- Dashcams, etc.

### ■ OEM Business

- Car navigation systems
- Display audio systems
- Dashcams
- Car-mounted cameras
- CD/DVD mechanisms for vehicles
- Optical pick-ups for car mounted equipment
- Car-mounted speakers
- Car-mounted antennas
- Car-mounted amplifiers, etc.



## Public Service Sector (PS)

### ■ Communication Systems Business

- Professional radio systems, amateur radio equipment, wireless system devices, etc.

### ■ Professional Systems Business

- JVCKENWOOD Public & Industrial Systems Corporation
- Security camera systems, professional broadcasting equipment, etc.

### • Healthcare Field

- Medical image display systems, Exosome analysis systems, GazeFinder, etc.

- 1. Overview of 2Q(1-2Q) Financial Results for FYE3/'21**
- 2. Full-Year Earnings Forecast for FYE3/'21**
- 3. Topics**

- 1. Overview of 2Q(1-2Q) Financial Results for FYE3/'21**
2. Full-Year Earnings Forecast for FYE3/'21
3. Topics

# Financial Results for 2Q (1-2Q) of FYE3/'21 – Highlights

- Although revenue was affected by the spread of COVID-19\*<sup>1</sup> in each sector, each sector returned to a recovery trend in 2Q. \*1 : Novel coronavirus infection
- Core operating income decreased, reflecting a decrease in revenue. However, it recovered sharply in 2Q due partly to the effects of improvement of business structure and returned to a profit of approximately 400 million yen.
- Operating profit, profit before income taxes, and profit attributable to owners of parent declined due to a decrease in core operating income.

(Billion yen)

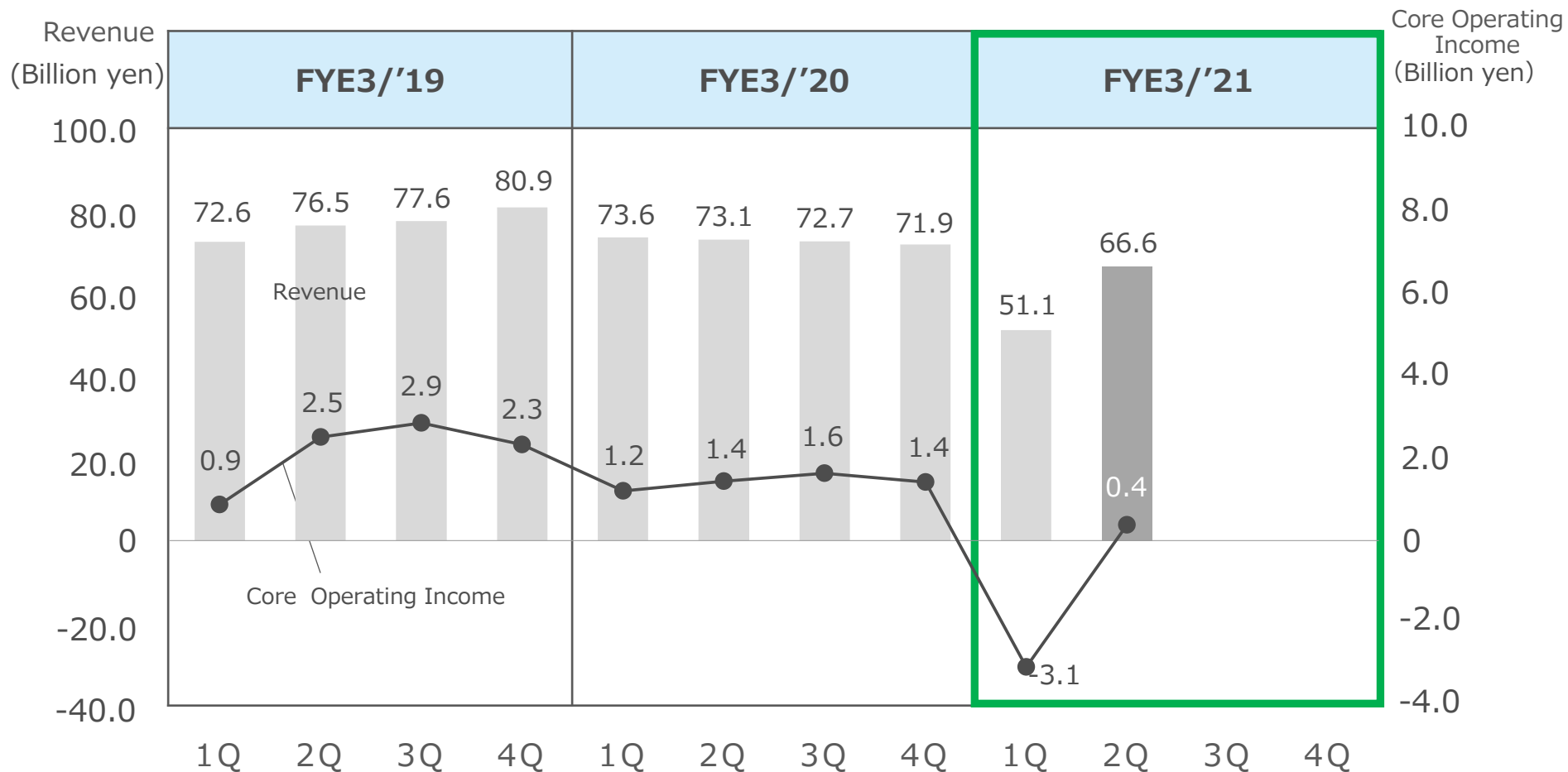
	2Q(1-2Q) FYE3/'20		2Q(1-2Q) FYE3/'21		
		Composition ratio(%)		Composition ratio(%)	YoY comparison
Revenue	146.7	100.0	117.7	100.0	-29.0
Cost of sales	107.8	73.5	88.7	75.4	-19.0
Gross profit	38.9	26.5	29.0	24.6	-10.0
Core operating income* <sup>2</sup>	2.6	1.8	-2.7	—	-5.3
Operating profit	3.2	2.2	-3.4	—	-6.5
Profit before income taxes	2.7	1.8	-3.6	—	-6.3
Profit attributable to owners of the parent company	1.2	0.8	-4.3	—	-5.5

\*2: Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating income, other expenses, and foreign exchange losses (gains).

		FYE3/'20					FYE3/'21				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Profit-And-Loss Exchange	U.S. dollar	110yen	107yen	109yen	109yen	109yen	108yen	106yen			
	Euro	124yen	119yen	120yen	120yen	121yen	119yen	124yen			

# JVCKENWOOD Group – Trends in Quarterly Results

- Revenue recovered to a year-on-year decrease of approximately 10% in 2Q and registered a quarter-on-quarter increase of approximately 30%. JVCKENWOOD Group as a whole returned to profitability.



		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Profit-And-Loss Exchange Rates	U.S. dollar	109yen	111yen	113yen	110yen	110yen	107yen	109yen	109yen	108yen	106円	-	-
	Euro	130yen	130yen	129yen	125yen	124yen	119yen	120yen	120yen	119yen	124円	-	-

# Impact of COVID-19 of FYE3/'21

---

## ■ Automotive Sector

The Aftermarket Business turned to a recovery trend and revenue increased in 2Q. OEM recovered steadily, mainly in Japan, and is expected to see earlier-than-expected recovery on a full year basis.

## ■ Public Service Sector

In the Communications Systems Business, in addition to the solid public safety market, the business industry market recovered gradually. In the Professional Systems Business, order intake in Japan faced more challenges than expected and the recovery is expected to be slower.

## ■ Media Service Sector

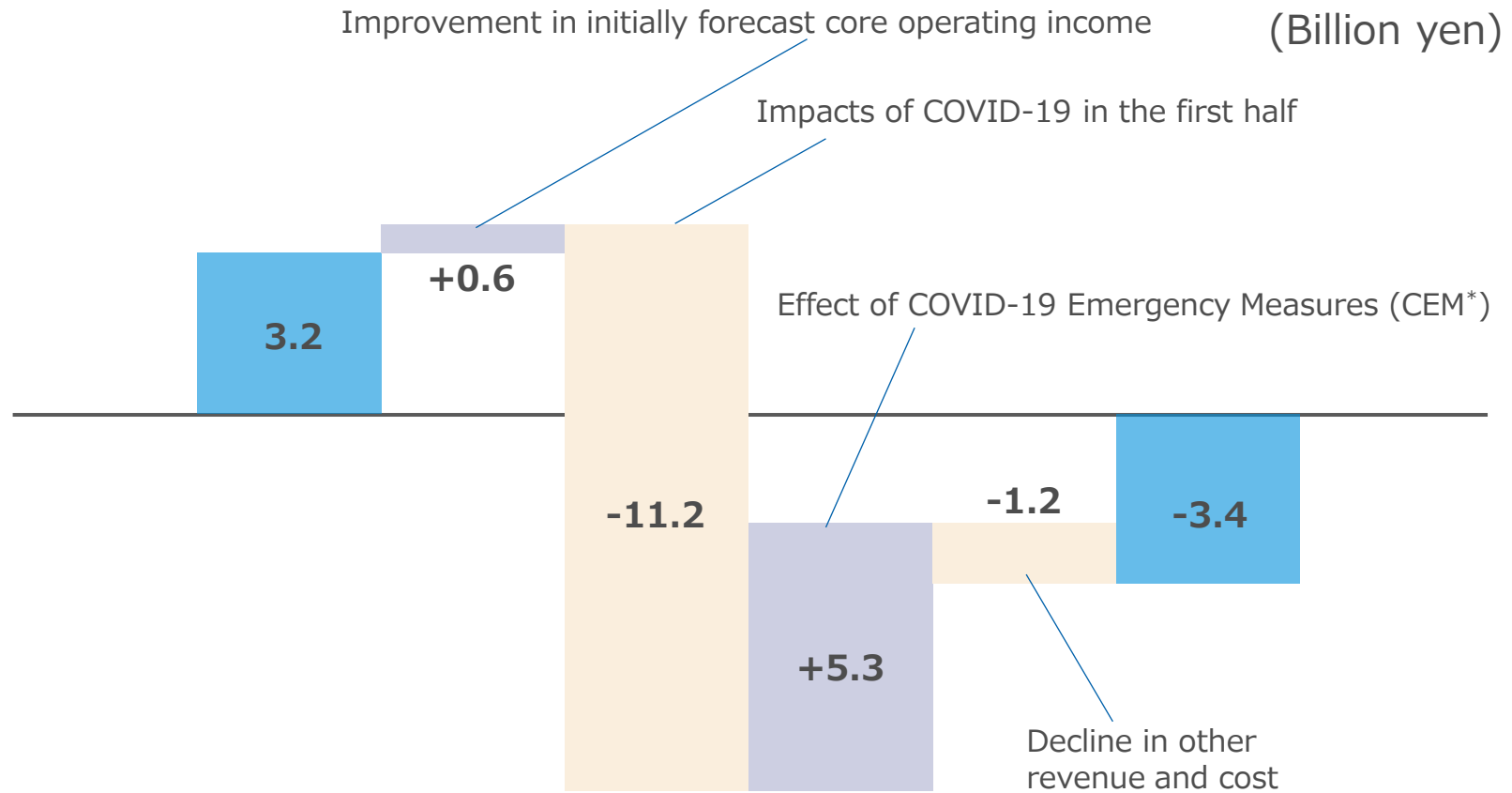
In the Media Business, the BtoC business saw steady sales of audio-related products due partly to demand for staying at home. However, the BtoB business continued to see a fall in demand and recorded a loss on retirement of approximately 800 million yen due to the cancellation of new product development in 2Q.

In the Entertainment Business, impact on the non-sound source business, including live performances, is expected to continue during the fiscal year.

## ■ Others

The DX Business remained largely steady despite facing some impact overseas.

# Financial Results for 2Q(1-2Q) of FYE3/'21 – Increase and Decrease of Operating Profit (by Factor)



FYE3/'20  
2Q(1-2Q)

Operating profit -6.5 billion yen

FYE3/'21  
2Q(1-2Q)

\*CEM...COVID-19 Emergency Measure



# Financial Results for 2Q(1-2Q) of FYE3/'21

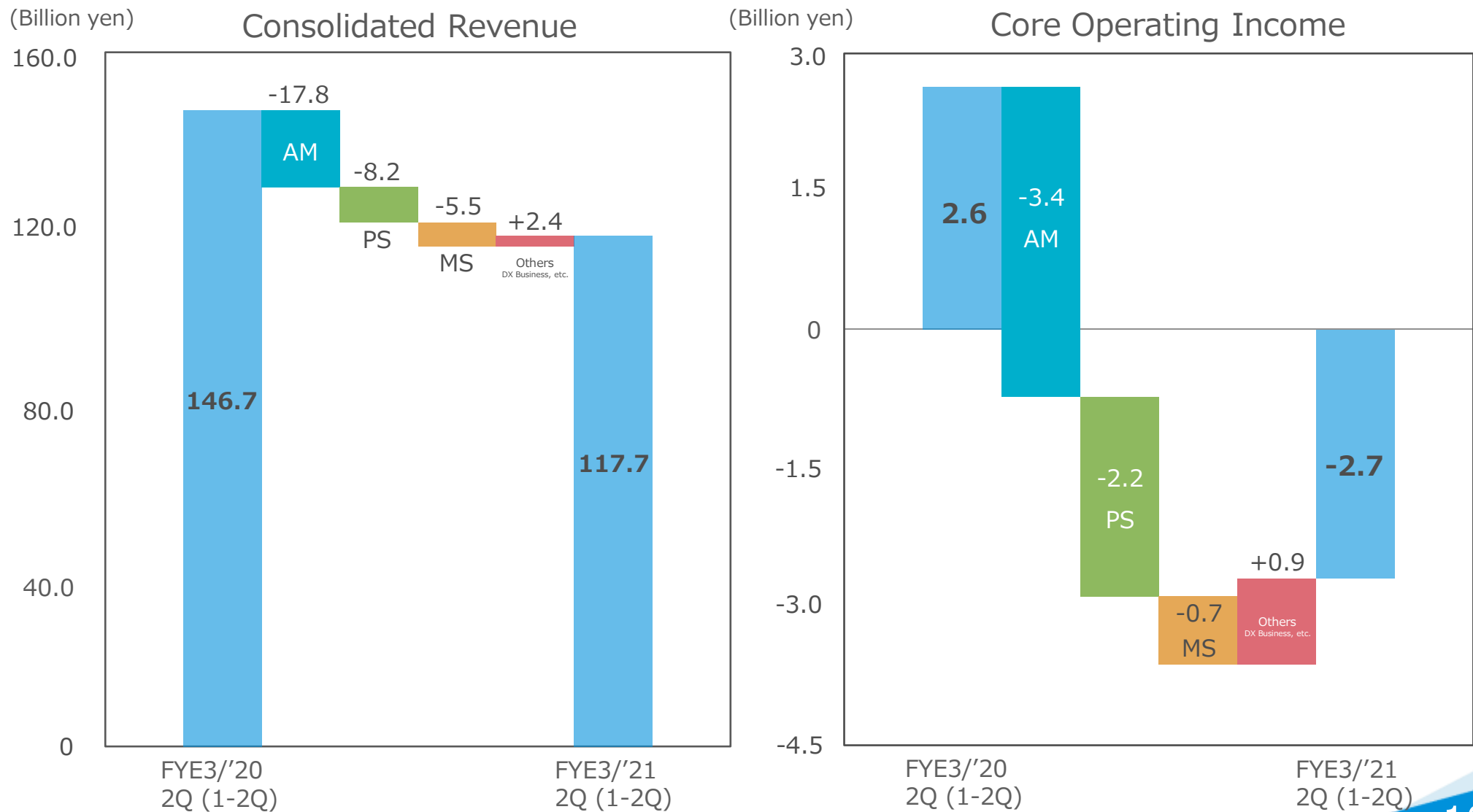
## – Results by Sector

(Billion yen)

		2Q(1-2Q) 'FYE3/'20	2Q(1-2Q) 'FYE3/'21	YoY change (amount)	YoY change (percentage)	Factors
AM Sector	Revenue	78.3	60.6	-17.8	-22.7%	*Revenue in Aftermarket increased in 2Q. However, revenue decreased in 2Q (1-2Q) due to the significant impact of COVID-19 in 1Q, although sales of Saisoku-Navi series car navigation systems and dashcams remained solid in the domestic market, and sales in Europe and the United States recovered in the overseas market. Revenue of the OEM Business decreased in 2Q (1-2Q) due to the significant impact of COVID-19 in 1Q despite the recovery trend of sales of dealer-installed products in Japan and sales by a subsidiary in Europe in 2Q in line with the recovery in the number of new cars sold. *Core operating income in Aftermarket and the OEM Business decreased in 2Q (1-2Q) due to the revenue decline but returned to profitability in 2Q.
	Core Operating Income	1.6	-1.8	-3.4	—	
PS Sector	Revenue	33.4	25.2	-8.2	-24.4%	*Revenue in the Communications Systems Business declined due to the impact of the shutdown of a plant in Malaysia, where one of the Company's main plants is located, in 1Q in addition to sluggish orders received in the business industry market caused by the impacts of stay-at-home orders and closure of distribution outlets around the world. Revenue in the Professional Systems Business declined due to the continued impact of a decline in capital investment in 2Q caused by the declaration of a state of emergency in Japan. *Core operating income of the Communications Systems Business and the Professional Systems Business decreased in 2Q (1-2Q) due to the revenue decline, but the Communications Systems Business returned to profitability in 2Q.
	Core Operating Income	0.3	-1.9	-2.2	—	
MS Sector	Revenue	27.8	22.3	-5.5	-19.7%	*Revenue in the Media Business declined. This reflected the impact of the deterioration in market conditions in the BtoB business, although sales of portable power sources and home audio increased attributing to an increase in teleworking and demand for staying at home, and sales of imaging devices remained strong due to the widespread use of 5G. Revenue in the Entertainment Business declined due primarily to the continued impact of the cancellation of artists' events, including live performance events, in 2Q following 1Q. *Core operating income of the Media Business and the Entertainment Business declined in 2Q (1-2Q) due to the revenue decline.
	Core Operating Income	0.4	-0.3	-0.7	—	
Others (DX Business, etc.)	Revenue	7.2	9.6	2.4	+33.2%	*Revenue in the DX Business increased sharply due to strong sales of telematics solutions despite the impact of the declaration of a state of emergency in Japan. *Core operating income also increased sharply.
	Core Operating Income	0.3	1.2	0.9	+301.9%	
Total	Revenue	146.7	117.7	-29.0	-19.8%	—
	Core Operating Income	2.6	-2.7	-5.3	—	

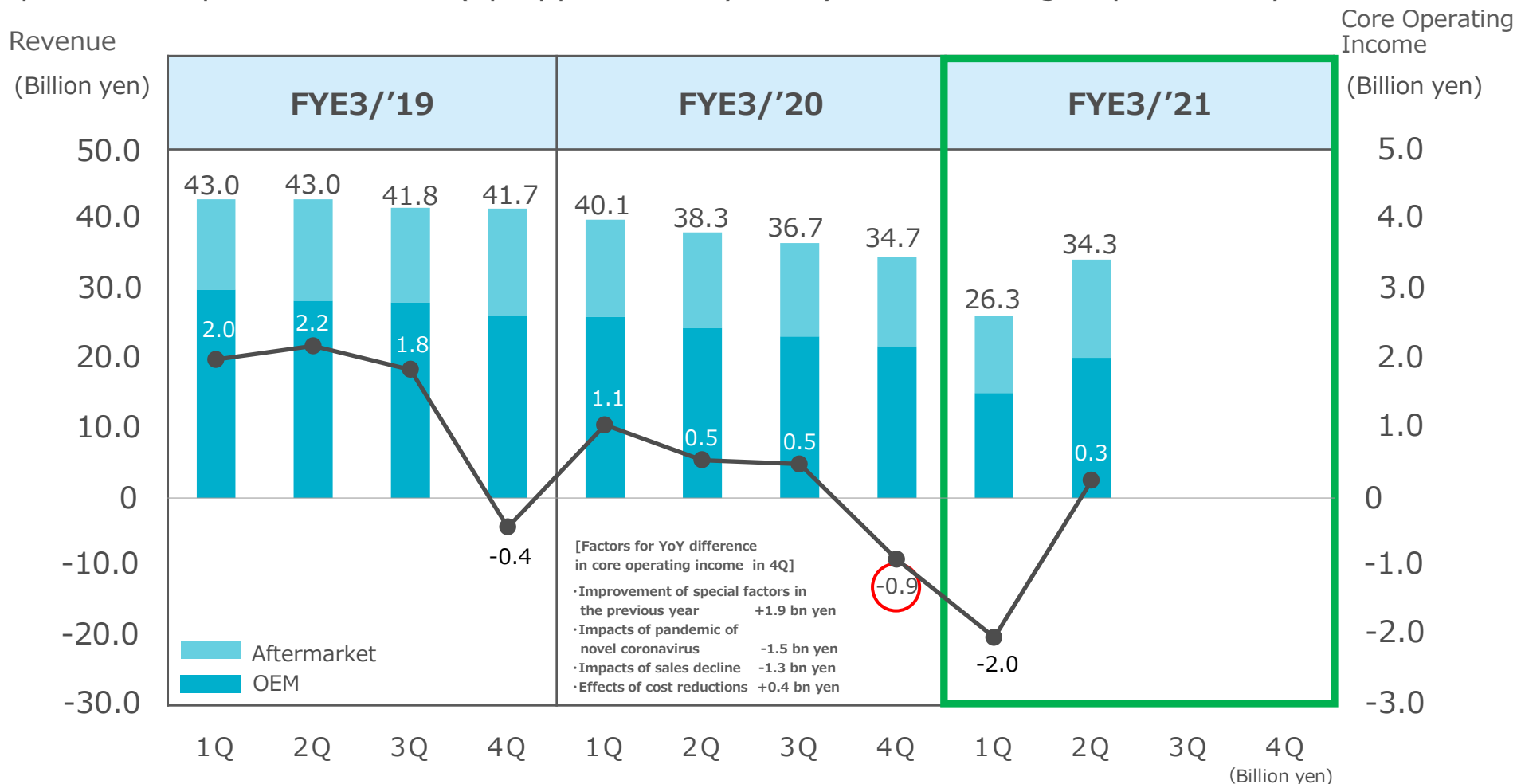
# Financial Results for 2Q(1-2Q) of FYE3/'21

## – Consolidated Revenue/Core Operating Income (by Sector)



# Quarterly Results (Automotive Sector)

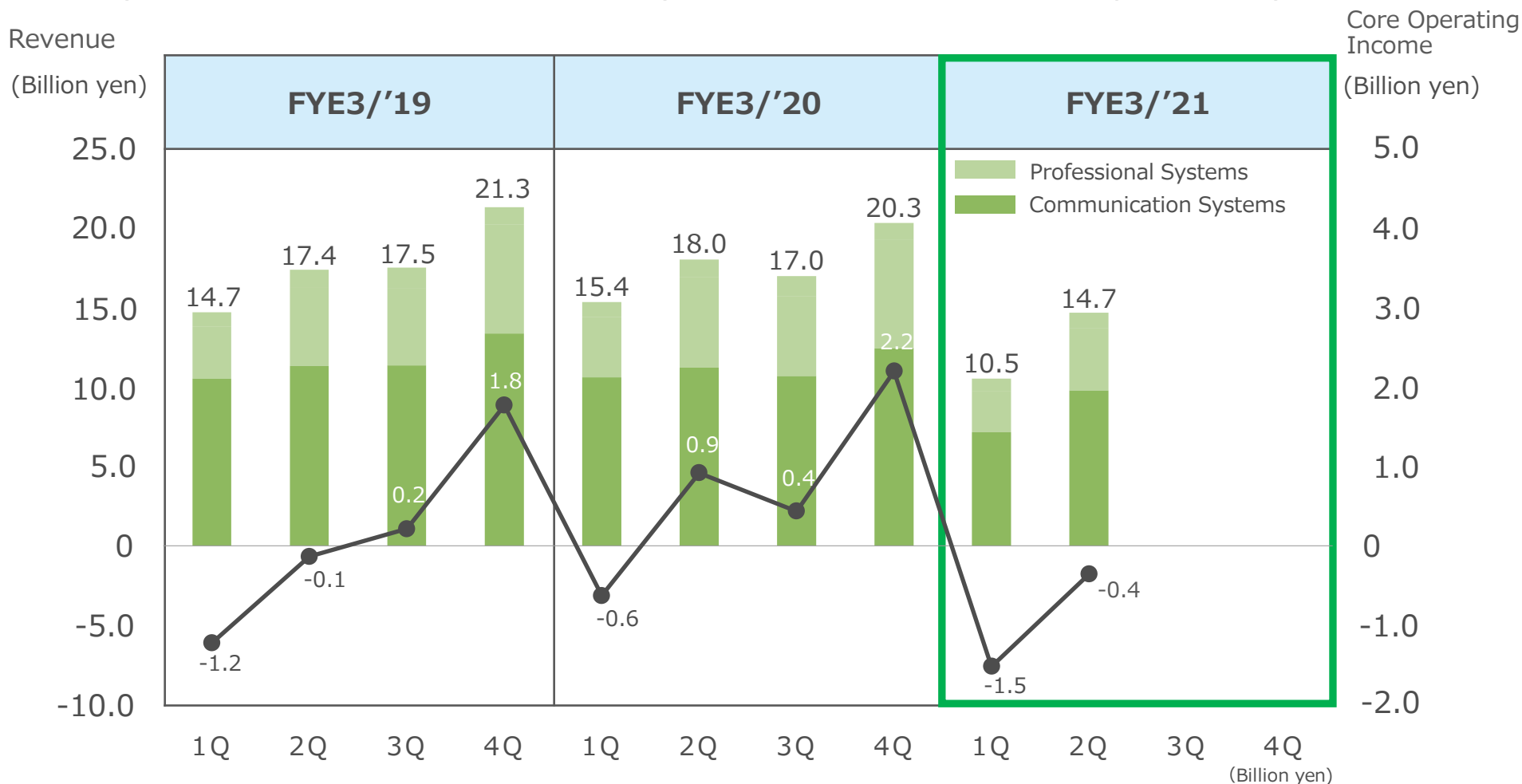
- Revenue in the Aftermarket and OEM Business was on a recovery trend in 2Q, achieving a quarter-on-quarter increase (up approximately 30%) and returning to profitability.



	FYE3/'19		FYE3/'20		FYE3/'21	
	1H	2H	1H	2H	1H	2H
Revenue	86.1	83.5	78.3	71.5	60.6	—
Core Operating Income	4.2	1.4	1.6	-0.4	-1.8	—

# Quarterly Results (Public Service Sector)

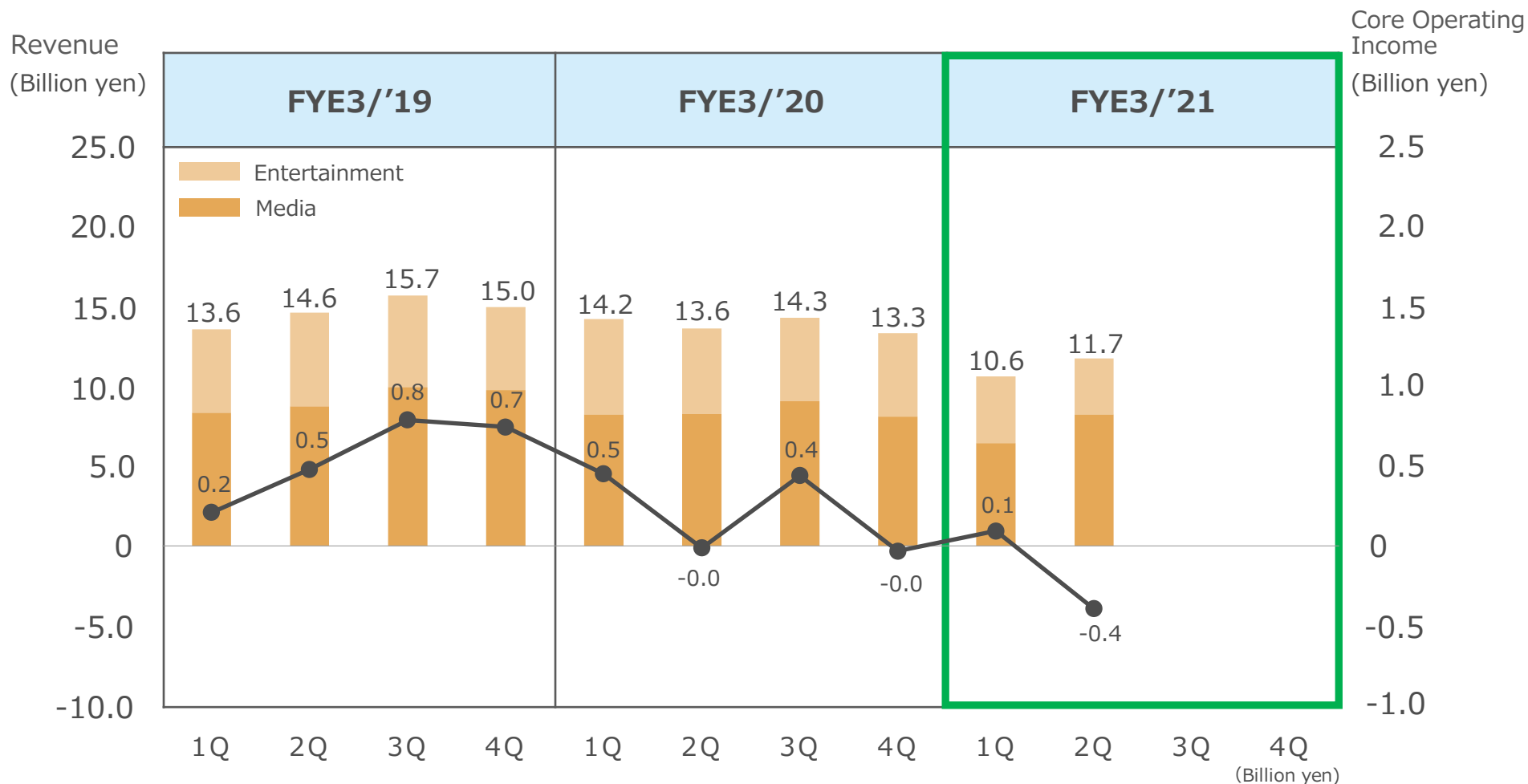
- In 2Q, revenue was down 19% year-on-year, but losses decreased as a result of a gradual recovery from 1Q. The Communications Systems Business returned to profitability in 2Q.



	1H	2H	1H	2H	1H	2H
Revenue	32.1	38.9	33.4	37.3	25.2	—
Core Operating Income	-1.4	2.0	0.3	2.6	-1.9	—

# Quarterly Results (Media Service Sector)

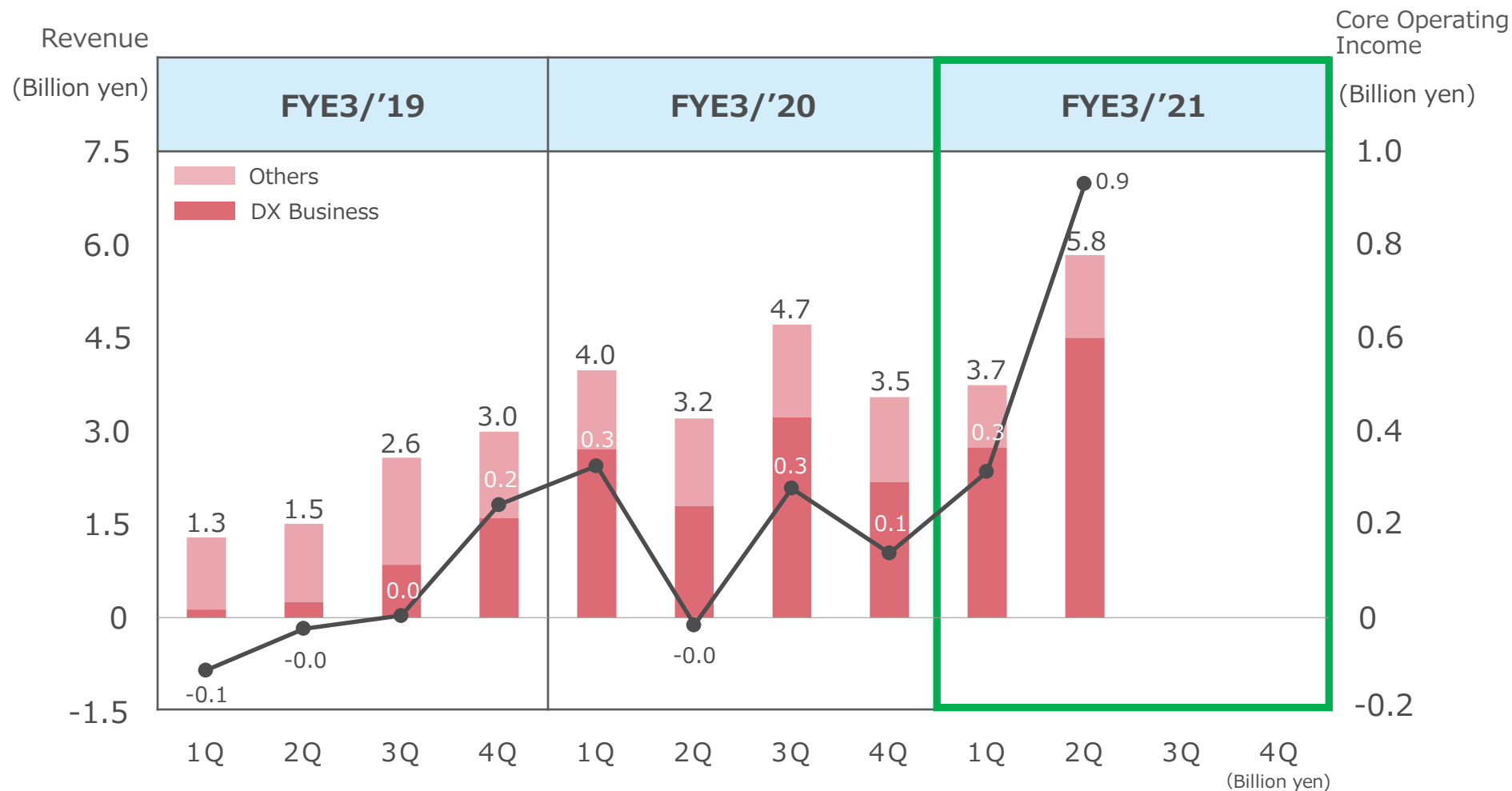
- In 2Q, losses increased due to a decline in core operating income of the Entertainment Business despite a contraction in losses in the Media Business.



	1H	2H	1H	2H	1H	2H
Revenue	28.2	30.6	27.8	27.6	22.3	—
Core Operating Income	0.7	1.5	0.4	0.4	-0.3	—

# Quarterly Results (Others)

- In 2Q, core operating income increased sharply in line with expansion of revenue in the DX Business.

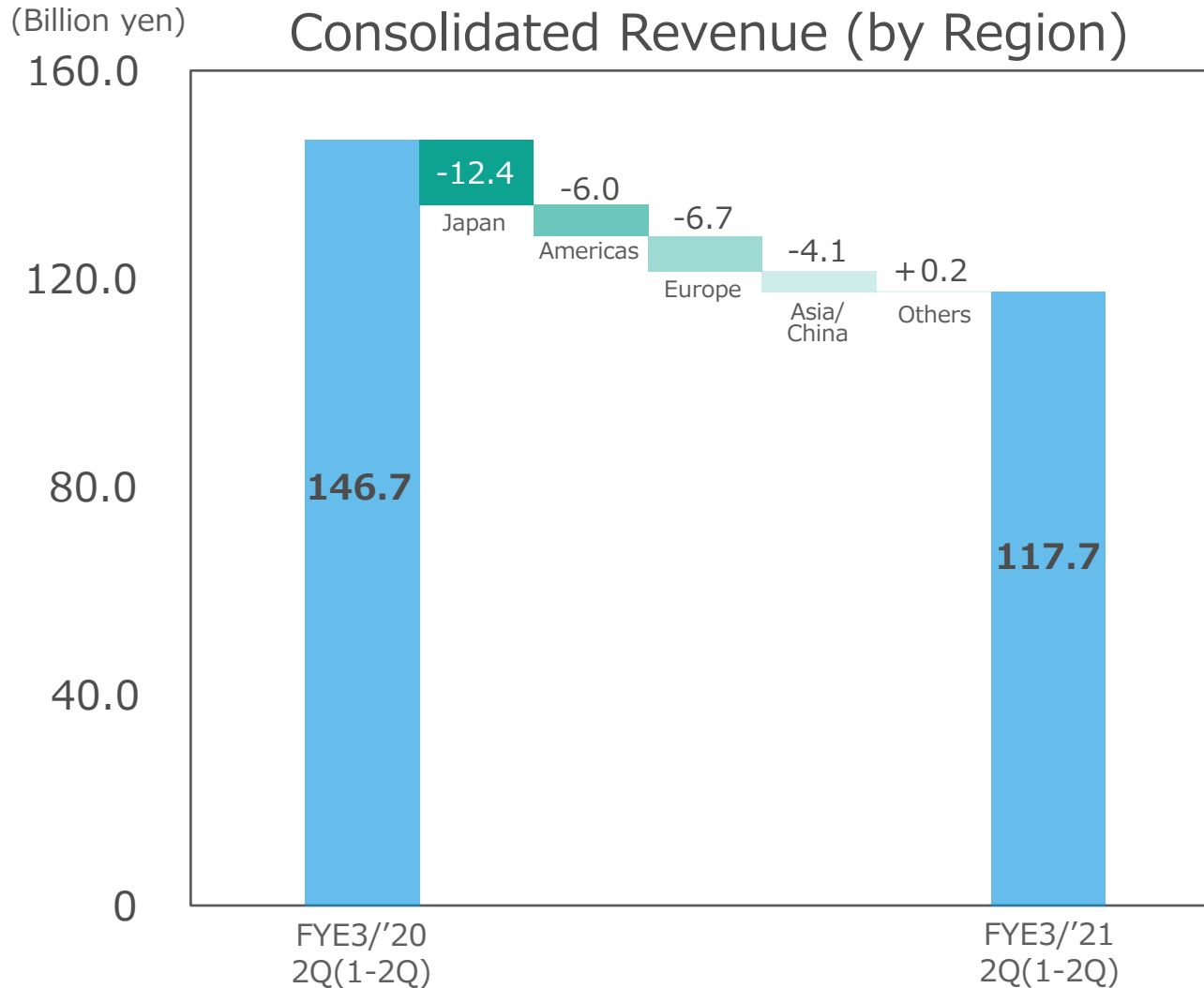


	1H	2H	1H	2H	1H	2H
Revenue	2.8	5.6	7.2	8.3	9.6	—
Core Operating Income	6.9	0.2	0.3	0.4	1.2	—

# Financial Results for 2Q (1-2Q) of FYE3/'21

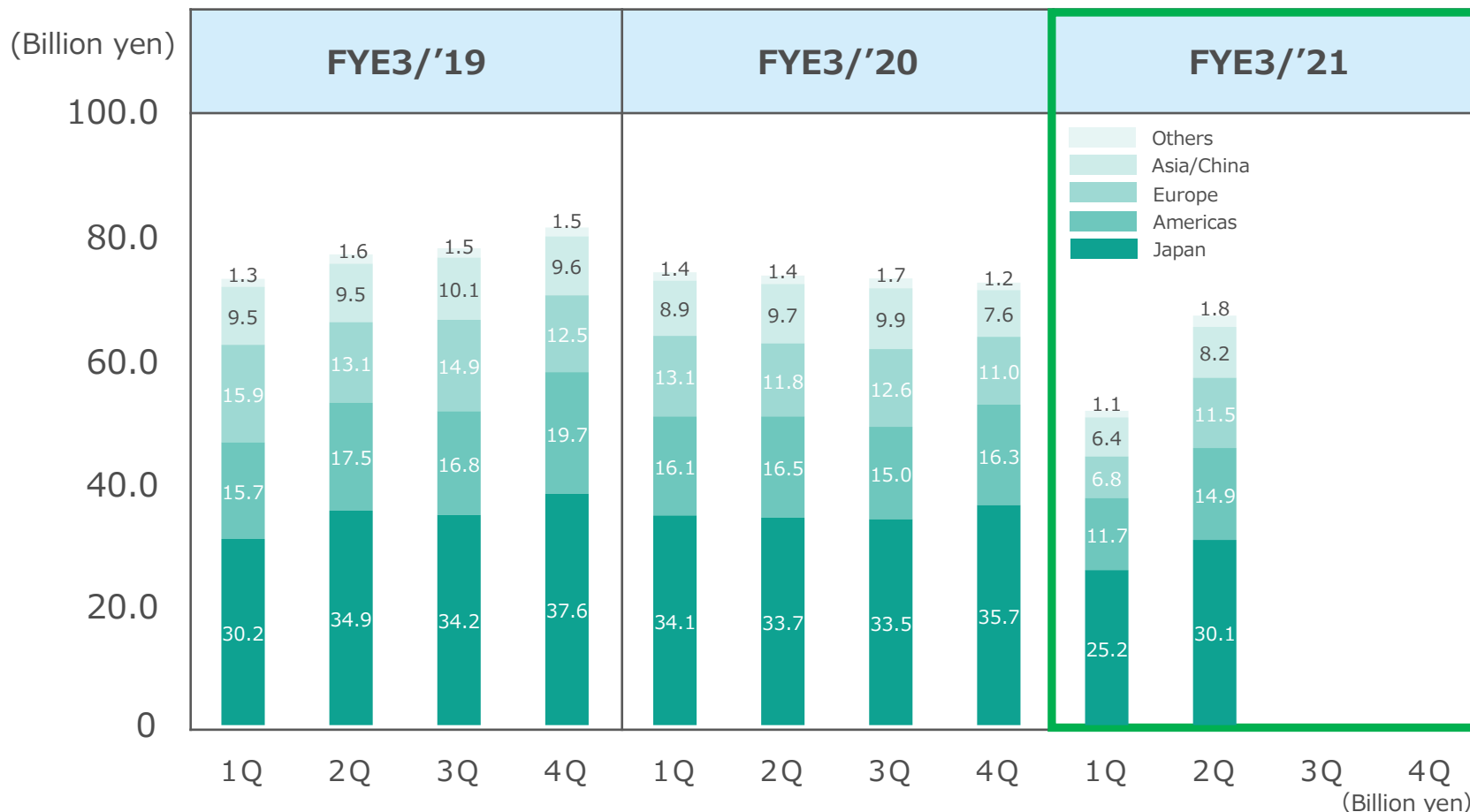
## - Consolidated Revenue (by Region)

- In 2Q(1-2Q), revenue declined in all regions excluding Others.



# Consolidated Revenue by Region

- In 2Q, revenue increased in all regions compared to 1Q, clearly indicating a recovery trend.



	1H	2H	1H	2H	1H	2H
Japan	65.1	71.8	67.8	69.2	55.4	-
Americas	33.2	36.6	32.6	31.4	26.6	-
Europe	29.0	27.4	24.9	23.6	18.2	-
Asia/China	19.0	19.7	18.7	17.5	14.6	-
Others	2.8	3.0	2.7	2.9	3.0	-



# Financial Results for 2Q(1-2Q) of FYE3/'21

## - Consolidated Profit/Loss (Summary)

- Operating profit decrease is attributed to an increase in other expenses caused primarily by the recording of a loss on retirement of approximately 800 million yen due to the cancellation of new product development in 2Q in addition to a decrease in core operating income.
- Profit before income taxes decreased despite an improvement in equity-method investment profit/loss.

(Billion yen)

	2Q(1-2Q) 'FYE3/'20	2Q(1-2Q) 'FYE3/'21	YoY Change
Core Operating Income*	2.63	-2.69	-5.33
Other Income, Other Expenses, Foreign Exchange Loss, etc.	0.54	-0.66	-1.20
Operating Profit	3.18	-3.35	-6.53
Finance Income, Finance Expenses, etc.	-0.49	-0.25	+ 0.23
Profit Before Income Taxes	2.69	-3.61	-6.30
Income Tax Expenses	1.26	0.41	-0.85
Non-Controlling Interests	0.23	0.28	+ 0.05
Profit Attributable to Owners of the Parent Company	1.20	-4.29	-5.50

\* Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating income, other expenses, and foreign exchange losses (gains).

# Financial Results for 2Q(1-2Q) of FYE3/'21

## - Financial Position (Summary)

- Cash and deposits as of the end of September 2020 amounted to 49.2 billion yen. Together with securities, on-hand liquidity of 52.0 billion yen was secured (on-hand liquidity ratio: 2.3 months).
- With the addition of new commitment lines of 5.0 billion yen, commitment lines of approx. 25.0 billion yen are unused.

(Billion yen)

	FYE3/'20	2Q FYE3/'21	YoY Change
Total Assets	249.7	245.8	-3.9
Total Liabilities	189.7	189.3	-0.4
Total Equity	60.0	56.5	-3.5
Interest-Bearing Debts	74.6	80.3	+ 5.7
Net Debt	34.7	31.1	-3.6
Net Debt/Equity Ratio (Times)	0.61	0.59	-0.02
Equity Attributable to Owners of the Parent Company	56.5	53.0	-3.5
Stockholder's Equity Ratio (%)	22.6	21.6	-1.0

# Financial Results for 2Q(1-2Q) of FYE3/'21

## - Cash Flow Summary

- Cash flow from operating activities remained nearly unchanged year-on-year due to a decrease in inventories despite the deterioration of profit before income taxes. Cash flow from investing activities increased, reflecting control of investments. As a result, free cash flow improved sharply year-on-year.
- Cash flow from financing activities increased year-on-year due to an increase in borrowings to secure funds on hand.

(Billion yen)

	2Q(1-2Q) FYE3/'20	2Q(1-2Q) FYE3/'21	YoY Change
Cash Flow from Operating Activities	14.3	13.7	-0.6
Cash Flow from Investing Activities	-9.2	-6.5	+ 2.7
Free cash flow <small>* Free cash flow: Cash flow from operating activities + Cash flow from investing activities</small>	5.1	7.2	+ 2.1
Cash Flow from Financing Activities	-1.1	2.1	+ 3.2
Total	4.0	9.3	+ 5.3

1. Overview of 2Q(1-2Q) Financial Results for FYE3/'21
- 2. Full-Year Earnings Forecast for FYE3/'21**
3. Topics

# Full-Year Earnings Forecast for FYE3/'21

- In 2Q(1-2Q), both revenue and operating profit decreased year-on-year due to the significant impact of COVID-19. However, core operating income returned to profitability in 2Q, attributed to solid performance in the DX Business and recovery in the Automotive Sector.
- In 3Q and thereafter, we will focus on expanding sales in the Automotive Sector backed by the earlier-than-expected recovery in the automobile market and continue to expand sales and implement urgent countermeasures in each sector.
- Although the impact of COVID-19 is gradually easing with the peak in 1Q, the outlook remains uncertain, including the second wave of infections overseas. Therefore, we will not revise our consolidated earnings forecast for FYE3/'21.

(Billion yen)

	Result for FYE3/'20	Forecast for FYE3/'21	YoY
Revenue	291.3	260.0	-31.3
Operating Profit	4.1	2.0	-2.1
Profit Before Income Taxes	2.9	0.9	-2.0
Profit Attributable to Owners of the Parent Company	1.0	-1.4	-2.4

		Result for FYE3/'20/3	Assumption for FYE3/'21
Profit-And-Loss Exchange Rates	U.S. dollar	109 Yen	107 Yen
	Euro	121 Yen	120 Yen

1. Overview of 2Q(1-2Q) Financial Results for FYE3/'21
2. Full-Year Earnings Forecast for FYE3/'21
3. Topics



To contribute to achieving the Sustainable Development Goals (SDGs), JVCKENWOOD Group has identified eight of the 17 SDGs connected particularly closely to our material issues as priority goals. The priority goals that we intend to achieve through the respective business activities are listed in each page.

# Progress of CEM\* Project and Promotion of Enhancement of Business Structure

\*CEM=COVID-19 Emergency Measure

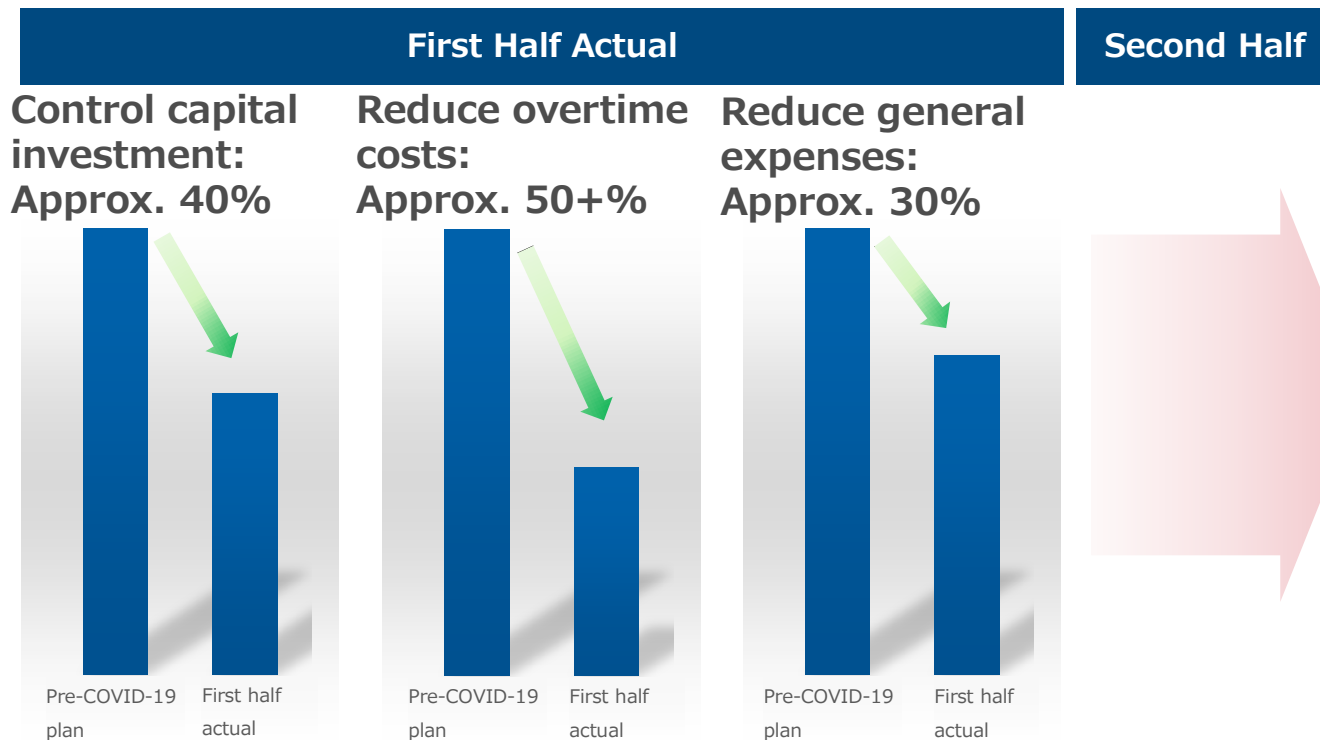
## CEM Project

Promote urgent countermeasures assuming the risk of a sales lower limit

- Achieved overall reduction goals in the first half.
  - Maintain activities in the second half.
- Reduced overtime costs through workstyle reform, including promotion of teleworking
  - Ensure continued effects in/after FYE3/'22 through development of a system

## Enhancement of business structure

Make strategic moves to enhance revenue base with an eye to the post COVID-19 world



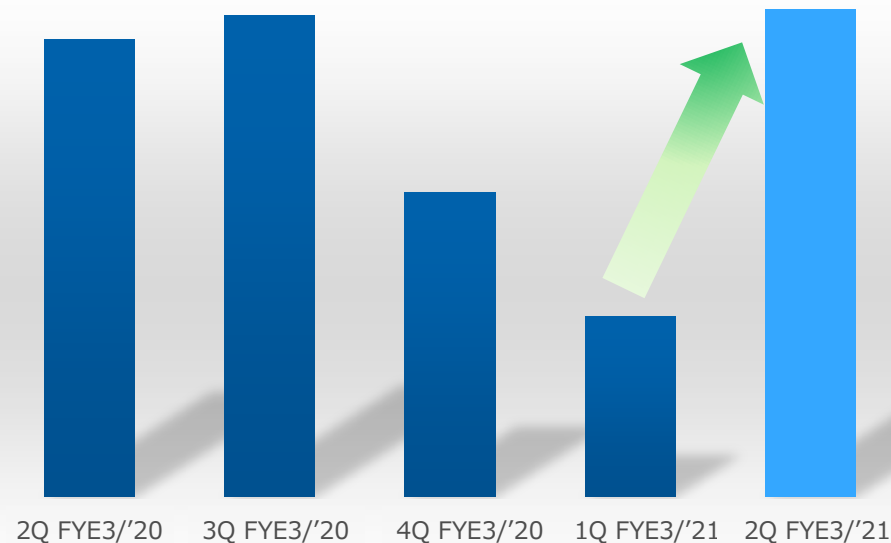
With the goal of enhancing corporate value in the mid- to long-term, management reform based on manufacturing reform will be maintained as a company-wide project by establishing Management Base Reform Office.

## ■ Aftermarket Business

- In Japan, sales of car navigation systems (e.g. the large-screen 9V model) and dashcams (e.g. AI-sensing features, 360° view model) whose product lines had been expanded remained solid.
- Efforts were made to proactively promote new products, including alcohol detectors with a scheduled release in November.
- Sales of entry-level display audio systems compatible with Apple CarPlay™ & Android Auto™ were strong in line with the recovery of the used car market in the Americas.

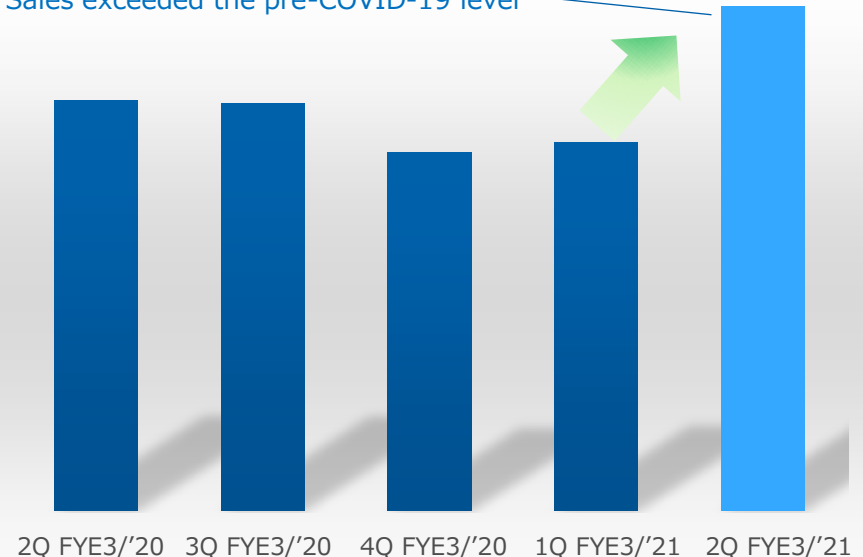
### Transition of dashcam sales (after market, Japan)

\*Sales returned to the pre-COVID-19 level



### Transition of the number of display audio systems sold in the Americas

\*Sales exceeded the pre-COVID-19 level





# Topics: Automotive Sector



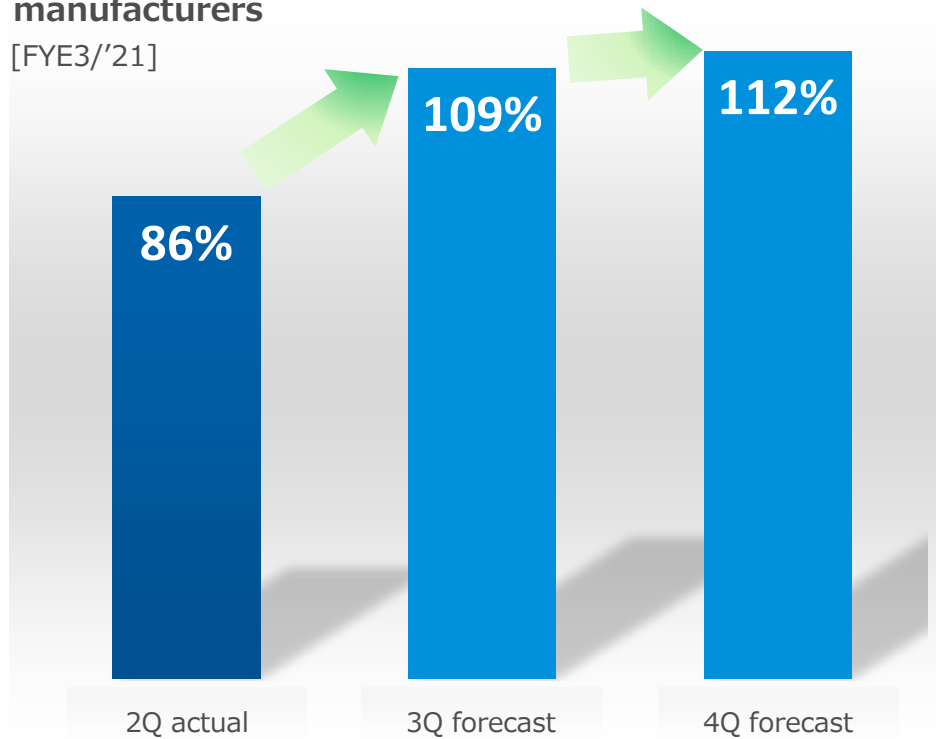
SDGs Goal 3  
Prevention of traffic accidents

## ■ OEM

- A recovery in dealer-installed products is expected in the second half by responding to the automobile market, in which earlier-than-expected recovery is expected. In addition, business negotiations for acquisition of new orders for car navigation systems and dashcams in FYE3/'22 onwards will be promoted.

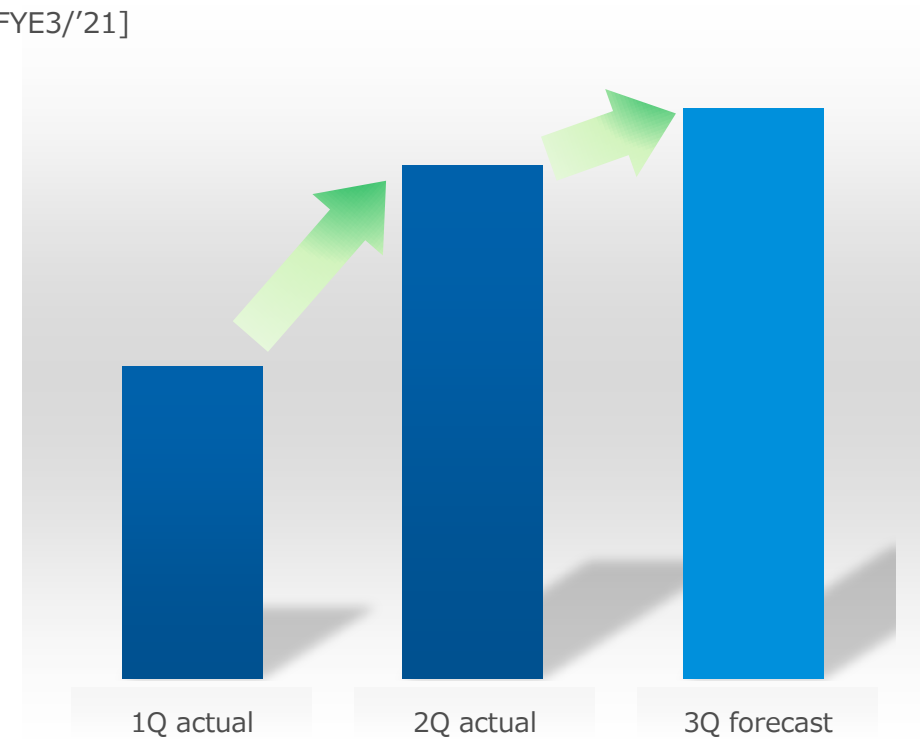
Year-on-year comparison of the number of vehicles registered in Japan by the Japanese automobile manufacturers

[FYE3/'21]



Transition of JVCKENWOOD's sales of dealer-installed products for mini cars

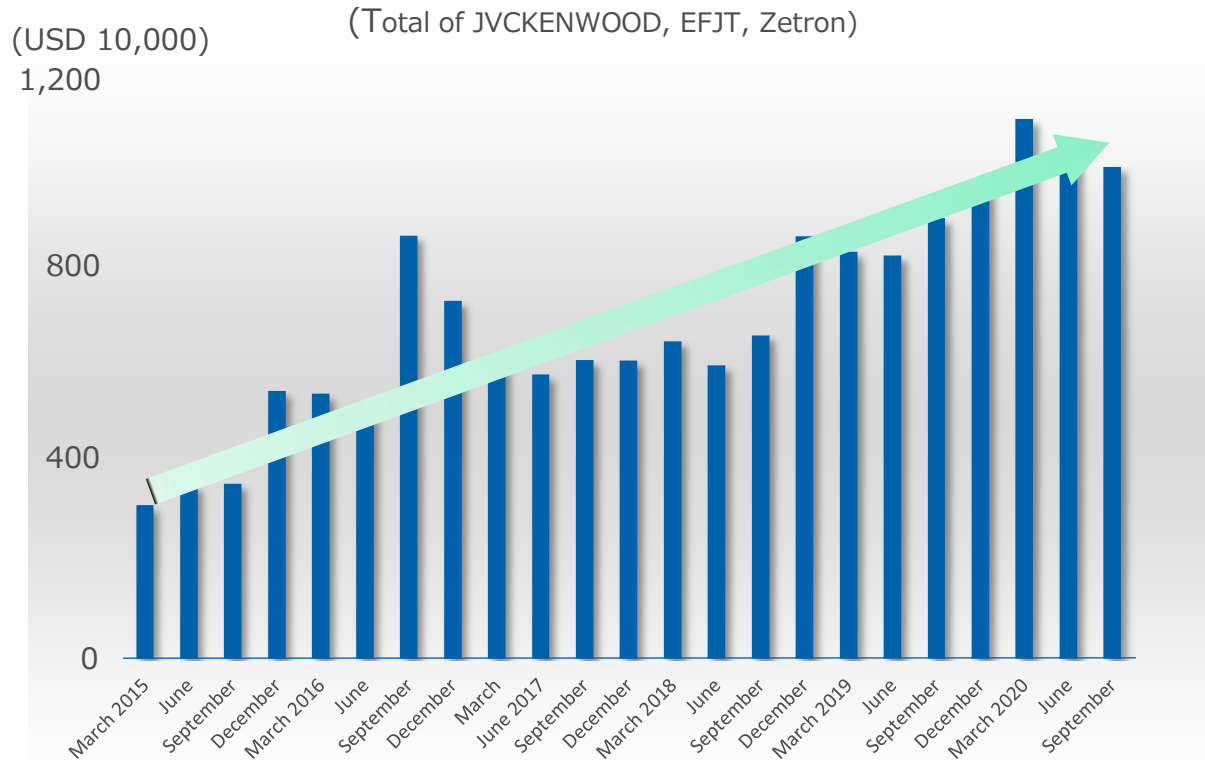
[FYE3/'21]



## ■ Communications Systems

- Solid performance is expected in the second half, including professional digital radio systems for the California Highway Patrol (CHP) in the United States and projects for Puerto Rico.
- Ongoing efforts will be made to increase backlogs of orders for large projects in the robust public safety market toward FYE3/'22 and onwards.

### Transition of order backlog for communications systems



EFJT's Viking series acquiring solid orders

## ■ Professional Systems

- Delivered and commenced operation of evacuation guidance support system, which displays emergency information in conjunction with emergency and professional-use broadcasting equipment, as well as multilingual messaging equipment in the building, at the new government building of Yokohama City Hall in the first half.
- To adapt to a new workstyle in the world after COVID-19, proposed imaging/audio solutions to continue business activities, including AI-enabled temperature check station using the security camera system.



Delivered an evacuation guidance support system that works with multilingual messaging equipment and corresponds to multilingual and multi-location broadcasting to Yokohama City.



AI-enabled temperature check station that measures body temperature within 0.3 seconds with the use of a security camera system and AI technologies.

# Topics: Public Service Sector



SDGs Goal 3  
Expansion of medical access

## ■ Collaboration with Sysmex Corporation (progress report)

- Completed mass production development of a compact immunity measurement system entrusted by Sysmex Corporation. Sysmex Corporation completed the notification of manufacture and sale of medical equipment. Preparations are underway for mass production and stable supply.\* Notification number of manufacture and sale: 28B1X1001000056
- Creative Nanosystems Corporation, a company established jointly with Sysmex Corporation and engaging in the development and manufacture of biodevices, is developing a testing cartridge that realizes COVID-19 antigen tests using nasopharynx swabs.

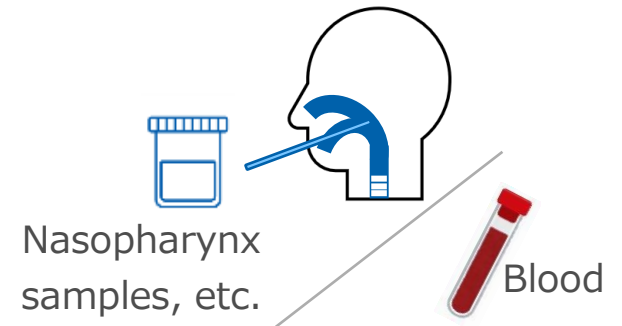


Compact immunity measurement system  
\*Co-developed with Sysmex Corporation



Testing cartridge  
φ120mm t1.2mm

- All reagents sealed
- No waste fluid



## On-site testing (clinics, etc.) COVID-19 Ag Test

- Simple, fast
- Inexpensive compared to PCR tests

# Topics: Media Service Sector



SDGs Goal 12  
Sustainable manufacturing

## Media Business

- Sales of portable power sources whose product lines had been expanded with the release of solar panels and large-capacity models were solid due to expansion of demand to secure power for teleworking and in emergency situations.
- The wireless theater system equipped with JVC/KENWOOD's proprietary out-of-head localization sound field processing technology "EXOFIELD," which won the Best Product of the Year Award at the EISA (Expert Imaging and Sound Association) Awards in Europe and was selected as "Best Buy 2020 Winter" by Stereo Sound in Japan, received higher-than-expected orders by capturing demand for staying at home.

### Transition of the number of portable power sources sold



Expanded sales channels of portable power sources whose product lines had been expanded, such as electronics retail stores, auto supply shops, and online stores.



Wireless theater system "EXOFIELD THEATER" that realizes a full-fledged home theater with headphones

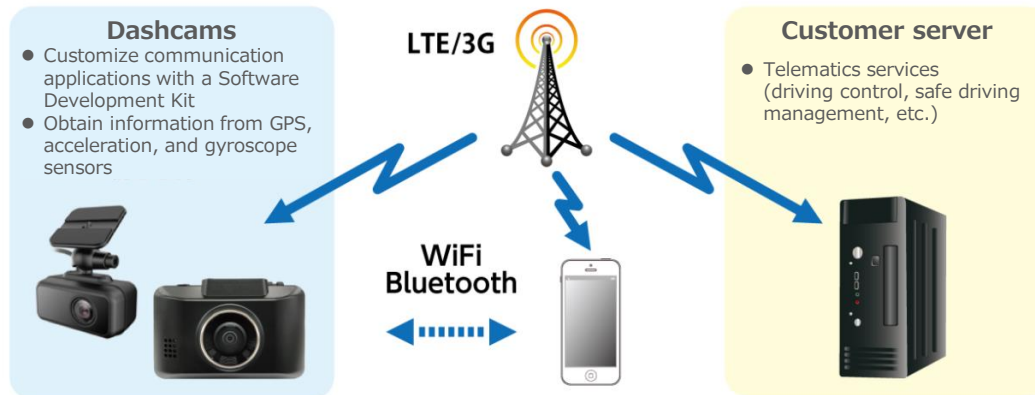


No.1  
Surround Sound System



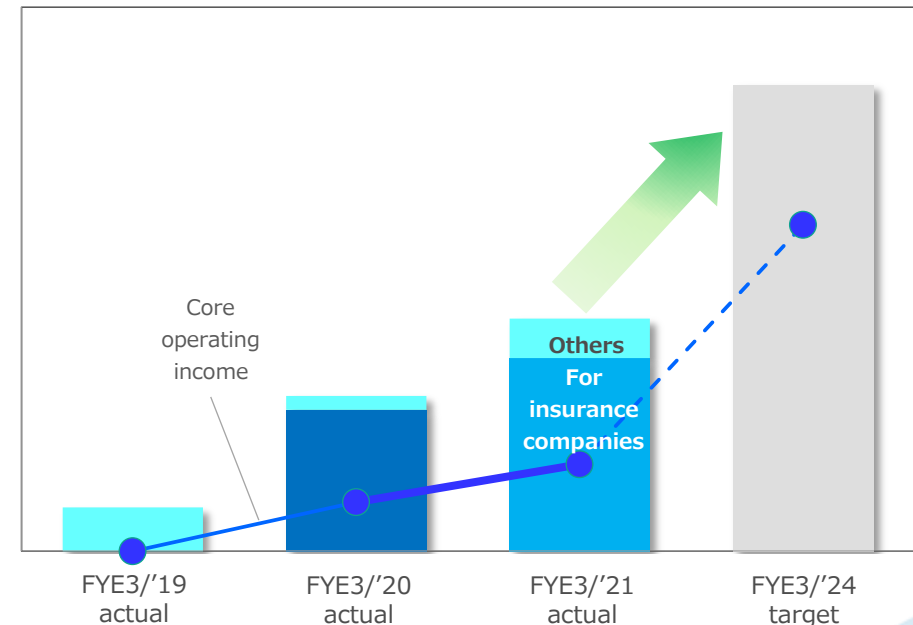
## DX Business

- Acquire new projects by developing dashcams with communication capabilities for telematics services that enable development of new IoT/AI-based telematics services in a short period of time.
- Further expand and grow business by introducing communication-based devices, including dashcams with communication capabilities, to various business areas, such as “Car” and “Space.”



Development of dashcams with communication capabilities to acquire new projects, such as by making them customizable according to customers' requests

Transition of revenue and core operating income in DX (Digital Transformation) Business Division



# JVCKENWOOD

The expressions contained in this presentation referring to the Company's future plans, intentions and expectations are categorized as future forecast statements. Such statements reflect management expectations of future events, and accordingly, are inherently susceptible to risk, uncertainty and other factors, whether known or unknown, and may be significantly different from future performance. These statements represent management's targets as of the time of issuance of these presentation materials, and the Company is under no obligation, and expressly disclaims any such obligation, to update, alter or publicize its future forecast statements in the event there are changes in the economic climate and market conditions affecting the performance of the Company. Risk factors and other uncertainty which may affect the Company's actual performance include: (1) violent fluctuations in economic circumstances and supply and demand systems in major markets (Japan, the U.S, the EU and Asia); (2) restrictions including trade regulations applicable to major markets including Japan and other foreign countries; (3) sharp fluctuations in the exchange rate of the U.S. dollar, euro, and such like against the yen; (4) market price fluctuations in capital markets; and (5) changes in social infrastructure due to short-term changes in technology and such like. Please note, however, that the above is not a comprehensive list of all the factors that may exert a significant influence on the Company's performance.