TRANSLATION - FOR REFERENCE ONLY -

JVCKENWOOD

October 31, 2022

Company	JVCKENWOOD Corporation
Representative	EGUCHI Shoichiro Representative Director of the Board, President and CEO (Code: 6632; Prime Market of the Tokyo Stock Exchange)
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Accounting Report for the 2Q of Fiscal Year Ending March 2023
(April 1, 2022 – September 30, 2022)

Operating Results

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

	2nd Quarter FYE 3/2022 April 1, 2021 to September 30, 2021	2nd Quarter FYE 3/2023 April 1, 2022 to September 30, 2022
Revenue	124,433	158,108
Operating profit	2,071	5,760
Profit before tax	1,731	5,784
Profit attributable to owners of parent company	-256	3,677
Comprehensive income	614	16,991
Basic net income per share	-1.56 yen	22.49 yen

FYE: Fiscal year ended / ending

1. Qualitative Information on Q2 Financial Results

(1) Description of Operating Results

Overview of the Second Quarter of the Fiscal Year under Review

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first half of the fiscal year under review increased significantly from a year earlier. This was mainly due to a significant increase in revenue resulting from the normalization of production and sales in the Mobility & Telematics Services Sector and strong sales in the Communications Systems Business in the Public Service Sector. Operating profit of the JVCKENWOOD Group also rose significantly from a year earlier as a result of the increased revenue.

A summary of consolidated operating results for the first half of the fiscal year under review is as follows.

(Million yen)

	1H of FYE3/'22	1H of FYE3/'23	Year-on-year comparison	Change
Revenue	124,433	158,108	＋33,674	＋27.1%
Core operating income*	-830	5,936	＋6,766	－
Operating profit	2,071	5,760	＋3,689	＋178.1%
Profit before income taxes	1,731	5,784	＋4,053	＋234.2%
Profit attributable to owners of the parent company	-256	3,677	＋3,933	－

* Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating profit, other expenses, and foreign exchange losses or gains. Operating performance by business segment is explained using core operating income.

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

		Q1	Q2	1H (for reference)
Profit-and-loss exchange rates	U.S. dollar Euro	Approx. 130 yen Approx. 138 yen	Approx. 138 yen Approx. 139 yen	Approx. 134 yen Approx. 139 yen
First half (for reference)	U.S. dollar Euro	Approx. 110 yen Approx. 132 yen	Approx. 110 yen Approx. 130 yen	Approx. 110 yen Approx. 131 yen

Revenue

During the first half of the fiscal year under review, the shortage of semiconductors and other components in the Mobility & Telematics Services Sector, which was severely affected in the same period of the previous fiscal year, was significantly improved through measures such as design changes. In addition, production and sales in the OEM Business went back to normal following the lifting of the lockdown in Shanghai, and the Aftermarket Business and the Telematics Service Business performed favorably. As a result, revenue increased significantly in the sector as a whole. Furthermore, sales in the Communications Systems Business in the Public Service Sector were stronger than expected, and sales in the Media Service Sector were also robust. As a result, revenue of the Group increased approximately 33,700 million yen, or 27.1%, from a year earlier to 158,108 million yen.

Core operating income

JVCKENWOOD Corporation defines core operating income as revenue less cost of sales and selling, general and administrative expenses.

In the first half of the fiscal year under review, core operating income of the Group significantly increased approximately 6,800 million yen from a year earlier to 5,936 million yen and turned profitable, reflecting a significant increase in revenue as described above. For the first half 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.

Operating Profit

Operating profit for the first half of the fiscal year under review significantly increased approximately 3,700 million yen, or 178.1%, from a year earlier to 5,760 million yen, mainly due to a significant increase in core operating income, despite a decrease in gain on the sales of a subsidiary and gain on valuation of financial assets recorded in the previous fiscal year.

Profit before income taxes

In the first half of the fiscal year under review, profit before income taxes significantly increased by approximately 4,100 million yen, or 234.2%, from a year earlier to 5,784 million yen, mainly due to a significant increase in operating profit.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company for the first half of the fiscal year under review significantly increased approximately 3,900 million yen from a year earlier to 3,677 million yen and turned profitable, reflecting a significant increase 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 Half of the Fiscal Year Ending March 2023 (from April 1, 2022, to September 30, 2022) (Million yen)

Segment		1H of FYE3/'22	1H of FYE3/'23	Year-on-year comparison
Mobility & Telematics Services Sector	Revenue	71,881	95,978	+24,096
	Core operating income	-1,411	2,090	+3,502
Public Service Sector	Revenue	25,760	32,760	+7,000
	Core operating income	-84	3,580	+3,665
Media Service Sector	Revenue	23,938	26,128	+2,189
	Core operating income	831	215	-616
Others	Revenue	2,852	3,240	+387
	Core operating income	-166	50	+216
Total	Revenue	124,433	158,108	+33,674
	Core operating income	-830	5,936	+6,766

Mobility & Telematics Services Sector

In the Mobility & Telematics Services Sector during the first half of the fiscal year under review, revenue increased approximately 24,100 million yen, or 33.5%, from a year earlier to 95,978 million yen, and core operating income significantly increased approximately 3,500 million from a year earlier to 2,090 million yen, and turned profitable. This was mainly due to an improvement in the shortage of semiconductors and other components, which were severely affected in the same period of the previous fiscal year, and a significant recovery in production and sales following the lifting of the lockdown in Shanghai.

➢ Revenue

In the OEM Business as a whole, revenue increased significantly from a year earlier as a result of higher sales of dealer-installed products due to a significant increase in the operation rate of our Shanghai Plant during the second quarter of the fiscal year under review following the lifting of lockdown in the Shanghai area, and a significant growth of sales of ASK Industries S.p.A., a European subsidiary.

In the Aftermarket Business, revenue increased from a year earlier due to an improvement in the shortage of semiconductors and other components and solid sales both in Japan and overseas for the second quarter of the fiscal year under review.

In the Telematics Service Business, revenue significantly increased from a year earlier mainly due to strong sales of telematics solution-related products including connected-type dashcams to non-life insurance companies, which continued from the first quarter of the fiscal year under review, in addition to the improvement in the shortages of components.

➢ Core Operating Income

Core operating income increased in the OEM, Aftermarket, and Telematics Service Business as a result of increased revenue. The Mobility & Telematics Services Sector as a whole also saw a significant increase in core operating income from a year earlier and turned profitable.

Public Service Sector

Revenue of the Public Service Sector for the first half of the fiscal year under review increased approximately 7,000 million yen or 27.2% from a year earlier to 32,760 million yen. Core operating income significantly rose approximately 3,700 million yen from a year earlier to 3,580 million yen, returning to profitability.

➢ Revenue

In the Communications Systems Business, revenue significantly increased approximately 7,100 million yen from a year earlier due to strong sales that continued from the first quarter of the fiscal year under review. This was the result of strong demand in the public safety market in the United States against the backdrop of a large government budget, the advancing acquisition of orders for our new tri-band-compatible radios, which are scheduled to be launched in January 2023 and will lead to our expanded presence in the United States, and expanding demand for radios due to the growing momentum for crisis management around the world.

In the Professional Systems Business, revenue remained almost flat from a year earlier, since JVCKENWOOD

Public & Industrial Systems Corporation showed signs of a recovery in sales in the corporate market during the second quarter of the fiscal year under review, but sales in the electric equipment market, where sales are large, were slow to recover.

➢ Core Operating Income

While losses in the Professional Systems Business increased from a year earlier, profit in the Communications Systems Business significantly grew from a year earlier as a result of increased revenue, and the Public Service Sector as a whole turned to a large profit.

Media Service Sector

Revenue of the Media Service Sector for the first half of the fiscal year under review increased approximately 2,200 million yen or 9.1% from a year earlier to 26,128 million yen. Core operating income fell approximately 600 million yen or 74.2% from a year earlier to 215 million yen.

➢ Revenue

In the Media Business, revenue increased approximately 1,100 million yen from a year earlier mainly due to a recovery trend of sales of professional video cameras, projectors, and other products during the second quarter of the fiscal year under review, which were affected by a decrease in production resulting from the transfer of production during the first quarter of the fiscal year under review, and steady sales of portable power sources and full-wireless headphones.

In the Entertainment Business, revenue rose approximately 1,100 million yen from a year earlier, mainly due to steady sales in the Content Business that continued from the first quarter of the fiscal year under review.

➢ Core Operating Income

Core operating income for the Entertainment Business increased from a year earlier due to higher revenue. However, the Media Business saw a decrease in core operating income from a year earlier mainly due to a drop in production of professional video cameras and projectors as a result of the transfer of production during the first quarter of the fiscal year under review, and the Media Service Sector as a whole suffered a decrease in core operating income from a year earlier.

(2) Description of Financial Position

Analysis of Assets, Liabilities, and Equity, Etc.

Assets

Total assets grew approximately 24,500 million yen from the end of the previous fiscal year to 305,280 million yen. This was mainly due to an increase in the value of assets in Japanese yen at overseas subsidiaries as a result of the depreciation of the yen against major currencies that advanced from the end of the previous fiscal year, and an increase in inventories as a result of supply chain problems, despite a decrease in cash and cash equivalents due to further repaying bank borrowings.

Liabilities

Total liabilities increased approximately 8,500 million yen from the end of the previous fiscal year to 205,301 million yen, mainly due to an increase in trade and other payables, despite a decrease in borrowings as a result of further repaying bank borrowings.

Equity

Total equity increased approximately 16,000 million yen from the end of the previous fiscal year to 99,978 million yen, mainly due to an increase of approximately 2,700 million yen in retained earnings and an increase in other components of equity.

The ratio of equity attributable to owners of the parent company increased 2.7 percentage points from the end of the previous fiscal year to 31.0% due to an increase in equity attributable to owners of the parent company.

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash earned in operating activities for the first half of the fiscal year under review was 8,037 million yen, which is an increase of approximately 10,500 million yen from the same period of the previous fiscal year. This is mainly due to higher profit before income taxes and a drop in working capital as a result of an increase in trade and other payables.

Cash Flow from Investing Activities

Net cash used in investing activities for the first half of the fiscal year under review was 7,851 million yen, which is an increase of approximately 6,600 million yen from the same period of the previous fiscal year. This was mainly due to the absence of revenue from the sale of a subsidiary that took place in the same period of the previous fiscal year and an increase in expenditures for the acquisition of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities for the first half of the fiscal year under review was 7,798 million yen, which is an increase of approximately 3,100 million yen from the same period of the previous fiscal year. This was mainly due to further repaying bank borrowings.

Cash and cash equivalents at the end of the second quarter of the fiscal year under review fell approximately 6,500 million yen from the same period of the previous fiscal year to 44,897 million yen.

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

Earnings Forecast for FYE3/'23

Earnings of the Group for the first half of the fiscal year under review significantly exceeded the beginning forecasts. This was mainly since the Communications Systems Business in the Public Service Sector performed better than expected as a result of steady demand in the public safety market in the United States backed by a large government budget, the advancing acquisition of orders for our new tri-band-compatible radios, which are scheduled to be launched in January 2023 and will lead to the expansion of our presence in the United States, and expanding demand for radios due to the growing momentum toward crisis management worldwide.

From the third quarter of the fiscal year under review onwards, the performance of the Communications Systems Business is expected to exceed the initial plan significantly, since the acquisition of orders for large projects will have an effect against the backdrop of continued strong market conditions. In the Mobility & Telematics Services Sector, profit is expected to be as forecasted at the beginning of the fiscal year as a result of the recovery of production in the OEM Business and other factors. Accordingly, revenue and core operating income of the Group are expected to exceed the beginning forecasts.

In addition, as described in the "Notice Regarding Transfer of Fixed Assets" separately disclosed today, a gain on transfer of fixed assets (approximately 9,600 million yen) is expected to be recorded in the third quarter of the fiscal year under review. Therefore, the items of profits and losses below operating profit are expected to exceed the consolidated earnings forecast for the fiscal year ending March 2023 announced on April 27, 2022 as shown below.

[Full-year consolidated earnings forecast]

(Million yen)

		Earnings for the fiscal year ended March 2022	Previously announced forecast for the fiscal year ending March 2023 (Announced on April 27, 2022)	Revised forecast for the fiscal year ending March 2023 (Announced on October 31, 2022)	Change from the previous forecast	Year-on-year comparison
Revenue		282,088	300,000	330,000	＋30,000	＋47,911
Core operating income (for reference)		7,144	9,500	12,700	＋3,200	＋5,555
Operating profit		9,054	8,000	20,800	＋12,800	＋11,745
Profit before income taxes		8,515	7,000	19,800	＋12,800	＋11,284
Profit attributable to owners of the parent company		5,873	4,000	15,200	＋11,200	＋9,326
Exchange rate	(U.S. dollar)	112 yen	122 yen	140 yen	+18 yen	+28 yen
	(Euro)	131 yen	130 yen	140 yen	+10 yen	+9 yen

The revised forecasts of the items of profits and losses below operating profit are the highest profits since the management integration in 2008.

The earnings forecasts shown above were prepared by JVCKENWOOD Corporation based on information available as of the date of the announcement of this document. Actual results may differ from the forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	48,707	44,897
Trade and other receivables	59,570	60,359
Contract assets	1,826	2,520
Other financial assets	4,761	8,775
Inventories	55,585	71,194
Right to recover products	213	272
Income taxes receivable	748	816
Other current assets	5,386	6,246
Total current assets	176,799	195,083
Non-current assets		
Property, plant and equipment	56,249	59,831
Goodwill	2,231	2,323
Intangible assets	18,601	19,528
Net defined benefit assets	2,582	2,378
Investment property	3,626	3,993
Investments accounted for using the equity method	4,604	5,081
Other financial assets	10,072	10,198
Deferred tax assets	5,385	6,345
Other non-current assets	654	514
Total non-current assets	104,008	110,196
Total assets	280,807	305,280

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	49,431	56,005
Contract liabilities	2,852	3,983
Refund liabilities	4,416	5,448
Short-term borrowings	17,918	16,091
Other financial liabilities	4,453	4,903
Income taxes payable	1,685	2,011
Provisions	1,838	1,957
Other current liabilities	23,617	23,807
Total current liabilities	106,213	114,208
Non-current liabilities		
Long-term borrowings	51,920	49,781
Other financial liabilities	10,925	13,056
Net defined benefit liabilities	22,517	21,968
Provisions	1,167	1,175
Deferred tax liabilities	3,080	4,332
Other non-current liabilities	1,020	778
Total non-current liabilities	90,632	91,093
Total liabilities	196,846	205,301
Equity		
Capital stock	13,645	13,645
Capital surplus	42,112	42,126
Retained earnings	13,346	16,014
Treasury stock	- 140	- 140
Other components of equity	10,530	22,933
Equity attributable to owners of the parent company	79,495	94,581
Non-controlling interests	4,465	5,397
Total equity	83,961	99,978
Total liabilities and equity	280,807	305,280

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	124,433	158,108
Cost of sales	92,218	114,476
Gross profit	32,215	43,632
Selling, general and administrative expenses	33,045	37,695
Other income	3,506	803
Other expenses	346	512
Foreign exchange gains (losses)	- 258	- 466
Operating profit	2,071	5,760
Finance income	96	186
Finance expenses	528	626
Share of profit (loss) of investments accounted for using the equity method	92	464
Profit before income taxes	1,731	5,784
Income tax expenses	1,684	1,816
Profit	46	3,968
Profit (loss) attributable to:		
Owners of the parent company	- 256	3,677
Non-controlling interests	302	290
Profit	46	3,968
Earnings (loss) per share (attributable to owners of the parent company)		
Basic earnings (loss) per share	- 1.56 yen	22.49 yen
Diluted earnings (loss) per share	- 1.56 yen	22.47 yen

(Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	46	3,968
Other comprehensive income ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through OCI	- 94	- 130
Changes in fair value of investment property	- 90	—
Share of OCI of investments accounted for using the equity method	1	4
Total of items that will not be reclassified subsequently to profit or loss	- 183	- 125
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	496	10,656
Cash flow hedges	286	2,777
Share of OCI of investments accounted for using the equity method	- 30	- 285
Total of items that may be reclassified subsequently to profit or loss	751	13,148
OCI, net of income tax	568	13,023
Comprehensive income	614	16,991
Total comprehensive income attributable to:		
Owners of the parent company	281	16,052
Non-controlling interests	333	939
Comprehensive income	614	16,991

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,731	5,784
Depreciation and amortization	8,922	8,669
Increase (decrease) in net defined benefit liabilities	- 696	- 934
Decrease (increase) in net defined benefit assets	226	203
Finance income	- 96	- 186
Finance expenses	528	626
Gain on valuation of financial assets measured at fair value through profit and loss	- 1,695	- 298
Gain on sales of subsidiaries	- 1,494	—
Loss on disposal of property, plant and equipment	11	22
Decrease (increase) in trade and other receivables	9,315	3,013
Decrease (increase) in inventories	- 10,764	- 10,839
Increase (decrease) in trade and other payables	- 1,838	4,233
Increase (decrease) in other current liabilities	- 2,627	- 140
Other, net	- 2,367	- 357
Subtotal	- 845	9,796
Interest received	46	107
Dividend received	49	45
Interest paid	- 456	- 518
Income taxes paid	- 1,262	- 1,394
Net cash provided by (used in) operating activities	- 2,468	8,037
Cash flows from investing activities		
Purchases of property, plant and equipment	- 2,676	- 3,242
Proceeds from sales of property, plant and equipment	35	206
Purchases of intangible assets	- 4,400	- 4,443
Proceeds from sales of equity instruments	230	2
Purchases of investments accounted for using the equity method	—	- 300
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	4,913	—
Proceeds from distribution of debt instruments	593	—
Other, net	39	- 74
Net cash used in investing activities	- 1,265	- 7,851
Cash flows from financing activities		
Proceeds from short-term borrowings	6,226	4,516
Repayment of short-term borrowings	- 5,097	- 4,927
Proceeds from long-term borrowings	6,853	12,088
Repayment of long-term borrowings	- 9,411	- 15,947
Repayment of lease liabilities	- 2,000	- 1,848
Cash dividends paid	- 819	- 980
Other, net	- 426	- 699
Net cash used in financing activities	- 4,676	- 7,798
Effect of exchange rate changes on cash and cash equivalents	182	3,803
Net increase (decrease) in cash and cash equivalents	- 8,227	- 3,809
Cash and cash equivalents at beginning of year	59,644	48,707
Cash and cash equivalents at end of quarter	51,416	44,897