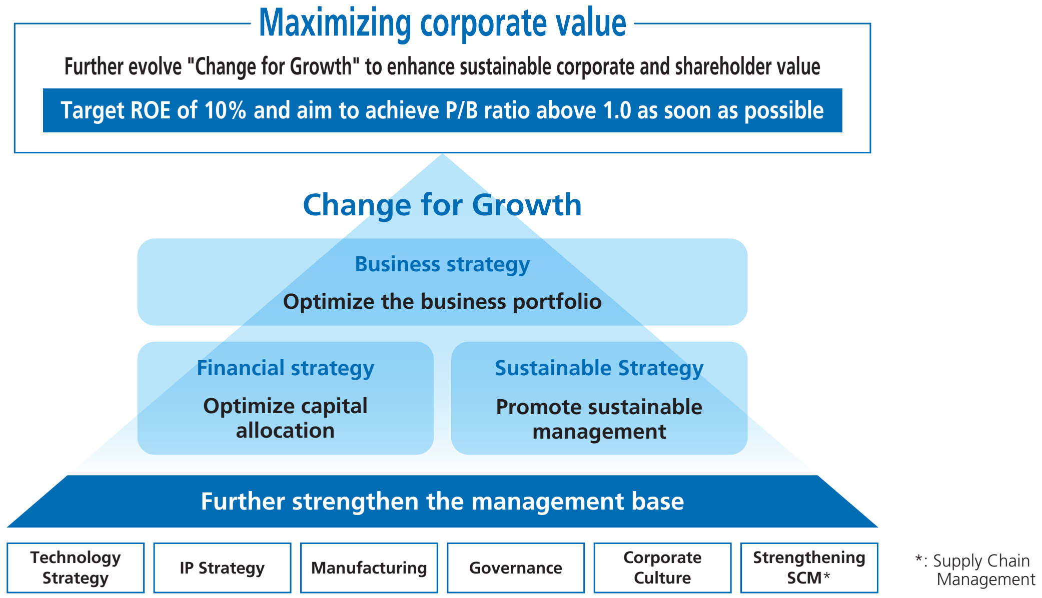
Value Creation Strategy 1

New Medium-Term Management Plan "VISION 2025"

Basic strategies

In the new medium-term management plan “VISION 2025” we will further strengthen the management base to maximize corporate value with “Change for Growth” as the basic strategy. Specifically, we will optimize our business portfolio and capital allocation and promote sustainability management. Through the promotion of "VISION 2025," we will establish a structure that ensures a stable ROE of 10% and early realization of a P/B ratio above1.0.



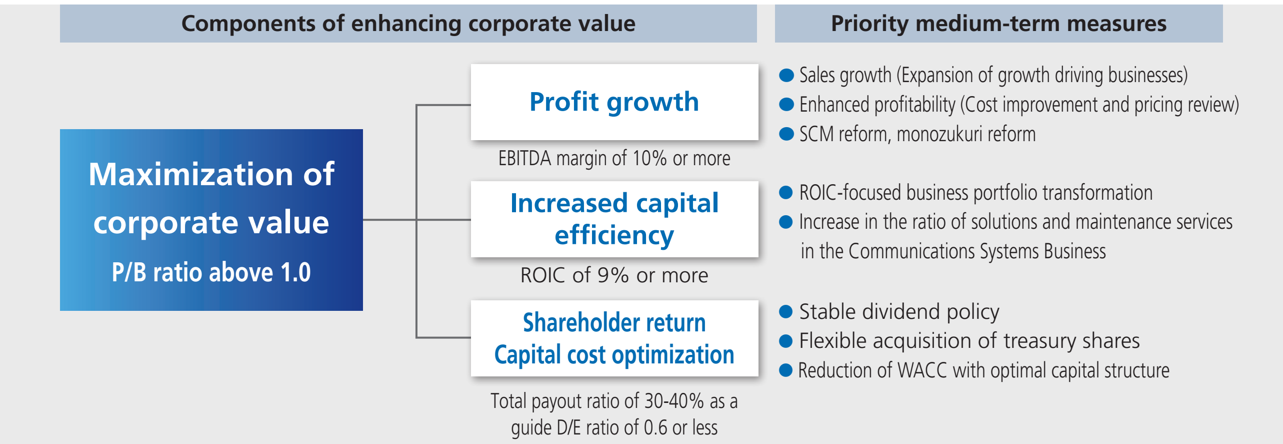
Priority medium-term measures

As the components for maximizing corporate value and achieving a P/B ratio of more than 1.0 times, we set forth “profit growth,” “increased capital efficiency,” “shareholder return” and “capital cost optimization.” For each component, we set a target for FY2025 and established priority medium-term measures to achieve those targets.

For “profit growth,” with a target of an EBITDA margin of 10% or more, we will achieve sales growth and better profitability simultaneously, mainly in the Communications Systems Business, which is positioned as a growth driving business.

For “increased capital efficiency,” with a target of an ROIC of 9% or more, we will transform our business portfolio through growth potential and capital efficiency with an emphasis on capital costs, and aim to improve the quality of profits by increasing the ratio of sales of solutions and maintenance services in the Communications Systems Business.

For “shareholder return,” we will target a total payout ratio of 30 to 40% by promoting stable dividend policy and agile acquisition of treasury shares. For “capital cost optimization,” with a target of a D/E ratio of 0.6 times or less, we will promote reducing WACC through optimal equity components.

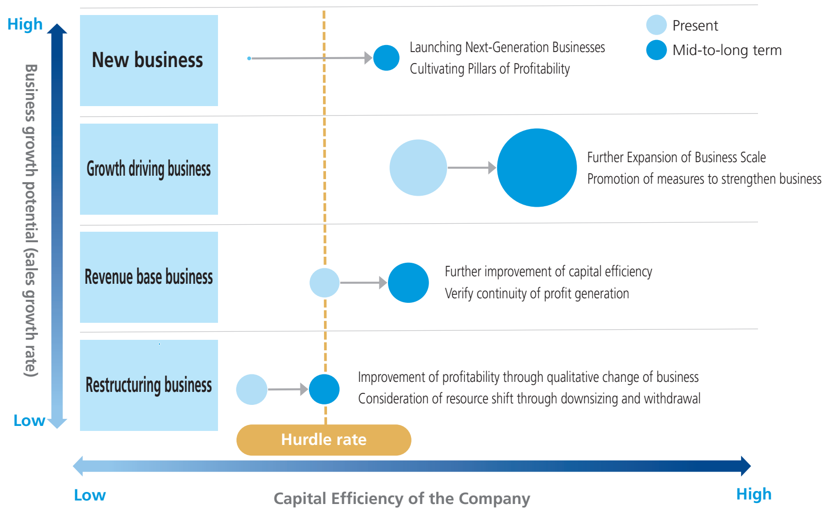


Redefinition and optimization of the business portfolio

"VISION 2025" redefined our business portfolio for “Change for Growth.” In redefining the portfolio, we took into account the net sales growth rate over 3 years from FY2023 to FY2025 (the medium-term growth potential of our business) and our own capital efficiency from the perspective of maximizing corporate value.

In order to analyze how the net sales growth rate, capital efficiency, and earning power of our businesses will change from the current position over the medium to long term, and to build a business portfolio that can demonstrate strengths over the medium to long term, we categorized businesses into “growth driving business,” "revenue base businesses," "new business" and “restructuring business.”

● Business portfolio analysis

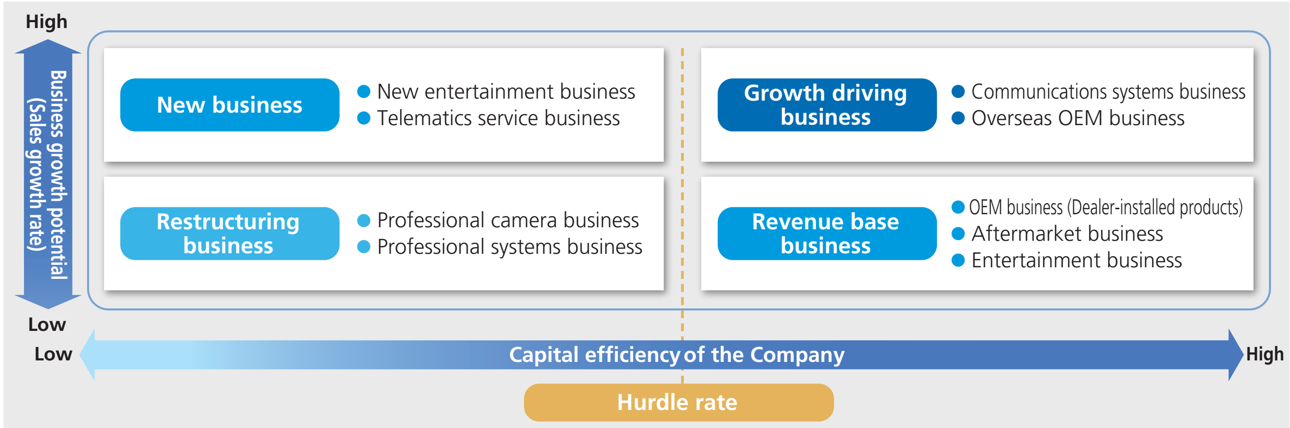


“New business”: In the new entertainment business, we will take on the challenge of expanding markets worldwide, such as games, animation and metaverse. In the telematics service business, we will expand not only into the mobility sector but also into ships, construction equipment, and other areas, centering on the connected-type dashcam.

“Restructuring business”: In the professional camera and professional systems businesses, which currently suffers from low profitability, we will drastically revise our strategies to improve profitability, keeping withdrawal from the business and reduction in the size of the business in mind.

“Growth driving business”: In the Communications Systems Business, we will further strengthen our business in North America, which is a growing market. In the Overseas OEM business, we will strengthen the sale of products that meet market changes mainly caused by the shift of automobiles to EVs, such as in-vehicle speakers, amplifiers, antennas and cables.

“Revenue based business”: In the OEM business (dealer-installed products) and the aftermarket business, we expect markets to shrink in the future, but will take advantage of positions we have established so far in those markets as a strength to capture the benefit of survivors with the minimum necessary development investment. The entertainment business supports the Group as a stable business.



Value Creation Strategy 1

New Medium-Term Management Plan "VISION 2025"

Direction for strategy enhancement

In "VISION 2025," we revised the direction for strategy enhancement from the previous medium-term management plan "VISION 2023," from the perspective of changes in the business environment surrounding the Company and maximization of corporate value. And we changed the name of sectors in order to more clearly express the business strategies the Company aims at.

In the Mobility & Telematics Services Sector, we will direct the direction for strategy enhancement to the expansion of our overseas OEM business in light of changes in the business environment, such as the expansion of the EV market and the reduction of aftermarket.

In the Safety & Security Sector, we will position the Communications Systems Business as a growth driver and aim to maximize profits, particularly in the North American market.

In the Entertainment Solutions Sector, we will promote the qualitative transformation of our traditional media business, strengthen our game and animation businesses, which are expanding globally, and aim to create synergies with our existing businesses.

	Changes in the business environment	Direction for strategy enhancement	
Mobility & Telematics Services	● Expansion and increase of shift to EV ● Reduction of aftermarket ● Expansion of telematics data service business	■ Business expansion centered on in-vehicle speakers, amplifiers, antennas, cables and lenses in response to market changes	Expansion of overseas OEM
Safety & Security	● Globally expansion of the professional radio market due to BCP* measures ● Limited competitors and low threat of new entry	■ Maximization of profits with the Communications Systems Business as a growth driver, mainly in North America	Profit-generating driver
Entertainment Solutions	● Globally expansion of game, animation, metaverse and other entertainment markets	■ Strengthening of game and animation businesses ■ Promote qualitative transformation of existing Media Business	Qualitative transformation of business

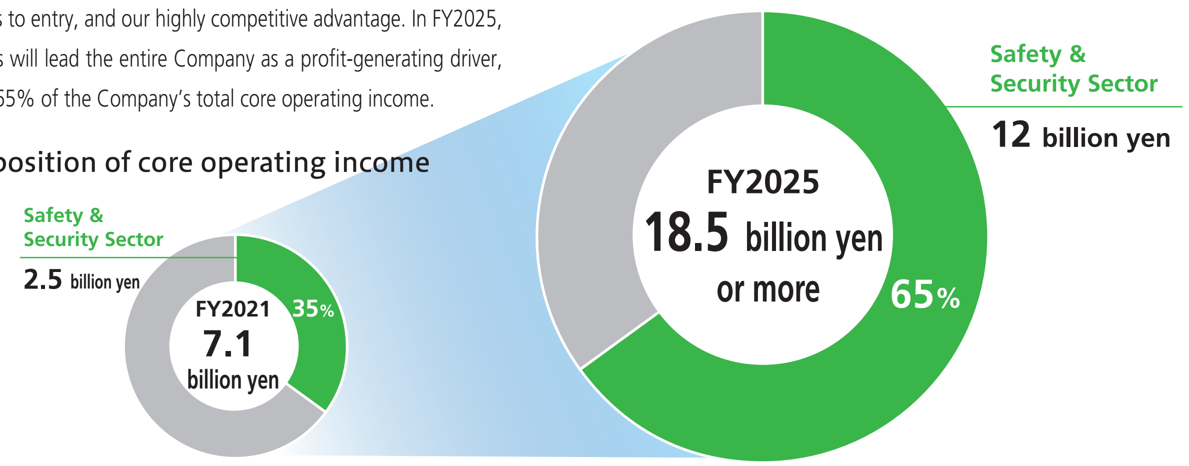
*Business Continuity Plan

Change in profit-generating drivers due to business portfolio review

In the Communications Systems Business, which is the main business in the Safety & Security Sector, we expect the continuous generation of stable profits, because of the limited number of global competitors, high barriers to entry, and our highly competitive advantage. In FY2025, this business will lead the entire Company as a profit-generating driver, generating 65% of the Company's total core operating income.

The Communications Systems Business will generate 65% of the core operating income of the entire Company

■ Composition of core operating income



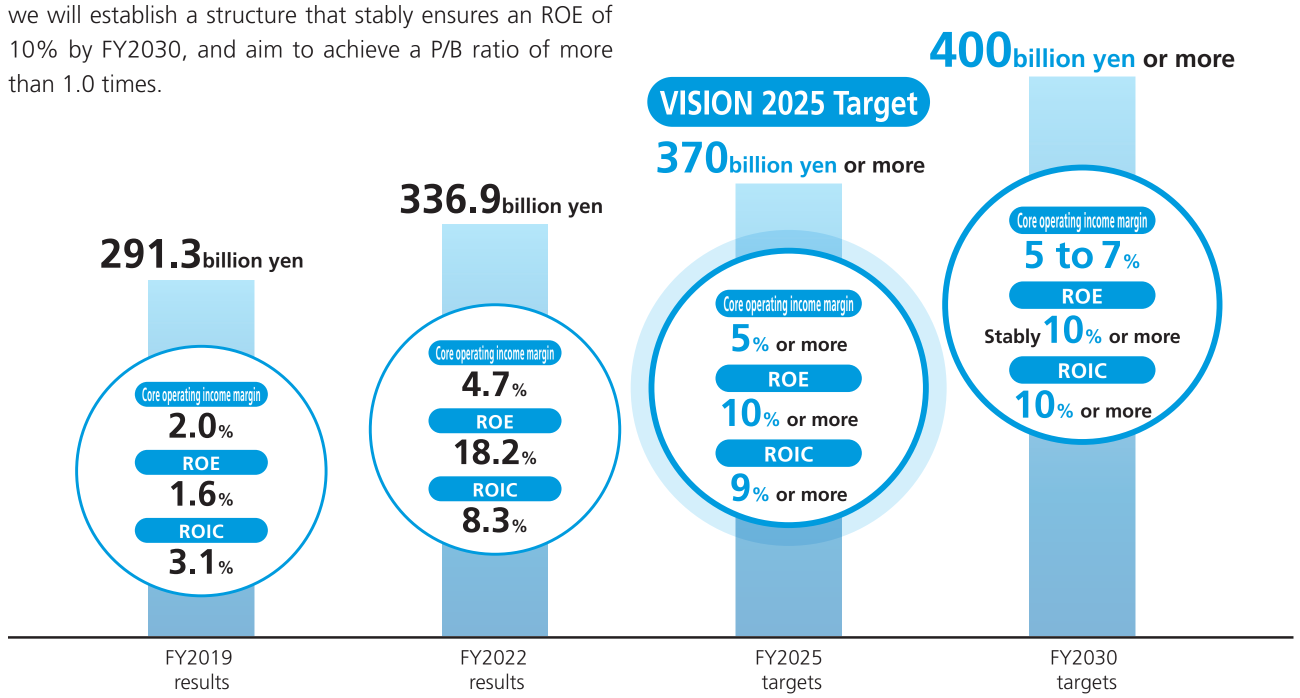
Quantitative target

In "VISION 2025," we target a revenue of 370 billion yen or more, a core operating income margin of 5% or more, and an ROE of 10% or more for FY2025, the final year. With an emphasis on the generation of cash flow, we also target an EBITDA margin of 10% or more, as well as an operating cash flow of 90 billion yen or more in total for 3 years during the applicable period. In addition, we have set a new target of an ROIC of 9% or more, aiming to improve capital efficiency with an emphasis on capital costs.

	FY2022 (Result)	FY2023 (Announced on April 27, 2023)	FY2025 (Target)
Revenue	336.9 billion yen	350 billion yen	370 billion yen or more
Core operating income margin	4.7%	4.2%	5.0% or more
EBITDA margin	12.5%	10.3%	10% or more
Operating cash flow	26.6 billion yen	32.5 billion yen	90 billion yen or more Cumulative total of three years from 2023 to 2025
ROE	18.2%	8.0%	10% or more
ROIC	8.3%	7.6%	9% or more

Medium- to long-term business growth image toward FY2030

As the image of medium- to long-term business growth, we will establish a structure that stably ensures an ROE of 10% by FY2030, and aim to achieve a P/B ratio of more than 1.0 times.



Value Creation Strategy 1

Message from Our CFO: Financial Strategy

Aim to achieve a P/B ratio above 1.0 by improving capital efficiency and enhancing shareholder return

Representative Director of the Board,
Senior Managing Executive Officer and Chief Financial Officer (CFO)
Masatoshi Miyamoto

Toward P/B ratio above 1.0

The new medium-term management plan "VISION 2025" has a basic strategy of achieving a P/B ratio above 1.0 by improving capital efficiency and enhancing shareholder returns.

Under the previous medium-term management plan "VISION 2023," we aimed to achieve revenue of 320 billion yen or more, core operating income of 12 billion yen or more, ROE of 10% or more, and a ratio of equity attributable to owners of the parent company to total assets of 30% or more by FY2023, the final year of the plan, by steadily implementing the business strategies set forth in "Change for Growth." In light of the fact that we were able to achieve these targets one year ahead of schedule in FY2022 and the significant changes in the business environment surrounding the Company, we decided to formulate the "VISION 2025," whose first year is FY2023.

Under the "VISION 2025," toward management that is aware of share prices, we will aim to strengthen our business foundation by improving business performance, to improve capital efficiency by implementing financial and equity strategies, and to maximize corporate value by promoting sustainability management, in order to achieve a P/B ratio above 1.0.

Realization of management with awareness of capital costs

Under "VISION 2025," we set forth targets of ROE of 10% or more, a ratio of interest-bearing debts to equity (D/E ratio) of 0.6 or less, and a ratio of equity attributable to owners of the parent company to total assets of 35% or more in FY2025, the final year. This way, we will further promote the improvement of our business structure that we promoted in the "VISION 2023." In addition, in order to realize management with awareness of capital costs, we will implement more aggressive measures for shareholder return and improve capital efficiency by adding ROIC as a new financial indicator.

For the purpose of the Company, ROIC is defined as "the fiscal-year average of (core operating income after tax + equity method profit or loss)/invested capital (shareholders' equity + interest-bearing debts)." By setting a simplified ROIC target for each business sector, however, we will promote business operation with awareness of capital costs also for each business sector, in order to achieve an ROIC of 9% or more in FY2025.

Hedging foreign exchange risk to avoid profit/loss impact

As the Company operates globally, its revenue and profits are affected by exchange rate fluctuations. At present, a depreciation by one yen against the U.S. dollar causes a loss of about 300 million yen. In order to avoid (hedge) the impact of such exchange rate fluctuations on earnings, we conclude exchange contracts.

The purpose of exchange contracts is to stabilize earnings by reducing the impact of exchange rate fluctuations. For orders such as ones in the OEM Business in the M&T*1 Sector, we conclude exchange contracts at the time orders are confirmed. For the Communications Systems Business in the S&S*2 Sector and the Aftermarket Business in the M&T Sector, we conclude contracts about one year ahead on a regular basis. This means that even if there is a large immediate change in the exchange rate, there will be little impact on earnings during the period of those exchange contracts. By taking measures against foreign exchange during that period, including changing production locations and taking price measures, we hedge future foreign exchange risks.

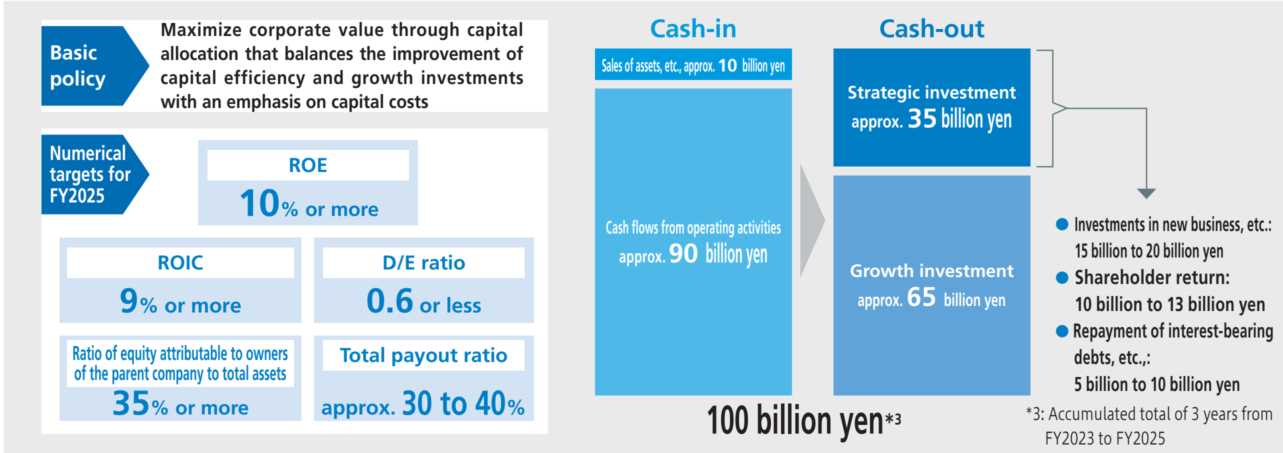
*1: Mobility & Telematics Services Sector
*2: Safety & Security Sector

Capital allocation optimization

Under "VISION 2025" we will continue to focus on generating cash flow and ensure an effective outflow of cash after making the use of funds clear. Inflows of cash over 3 years are expected to be 100 billion yen, including cash of about 10 billion yen resulting from the sale of businesses and assets, in addition to about 90 billion yen in operating cash flow. On the other hand, with respect to outflows of cash, we plan to use about 65 billion yen as growth investments to expand and maintain our existing businesses, and about 35 billion yen as strategic investments.

Strategic investments are expected to include 15 billion to 20 billion yen as investments in new businesses, 10 billion to 13 billion yen as shareholder returns, and 5 billion to 10 billion yen as loan repayments. We intend, however, to make flexible investments within the framework of strategic investments, such as prioritizing investments in new businesses when investments are needed for growth such as M&As, and appropriating funds for shareholder returns and repayment of interest-bearing debts when there are no specific growth investment projects.

■ Capital Allocation Concept



New shareholder return policy

In formulating "VISION 2025," we changed our shareholder return policy based on the expectations of shareholders and investors, as well as the Company's business environment and status of equity.

Under the new shareholder return policy, we will flexibly acquire treasury shares while balancing the utilization of equity for medium- to long-term profit growth and the effect of improvement of capital efficiency, in addition to the existing dividends. In so doing, we will change the guidelines for shareholder return from the conventional dividend payout ratio to the total payout ratio, and set the standard for the total payout ratio at 30 to 40%, in order to enhance shareholder return more than ever. For the time being, we plan to allocate approximately 40% of the total return to dividends and approximately 60% to acquisition of treasury share.

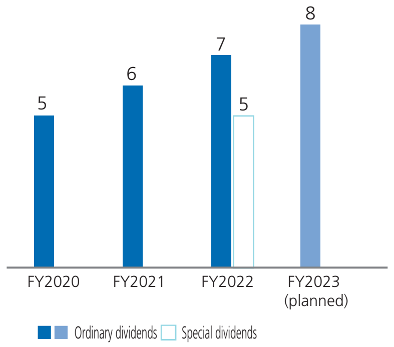
Based on this concept, the dividend for FY2022 was 12 yen in total, including 7 yen of the ordinary dividend and 5 yen of the special dividend resulting from the highest-ever business performance for the period since the management integration in 2008 and the gains on the transfer of non-current assets. In addition, as a result of acquiring 4 billion yen in treasury shares between May 8 and June 8, 2023, the total return amount was approximately 6 billion yen, and the total payout ratio to profit (loss) attributable to owners of the parent company in FY2022 was approximately 37%.

The Company plans an ordinary dividend of 8 yen for FY2023, and plans to continue increasing the dividend by 1 yen each year from the ordinary dividend of 5 yen in FY2020.

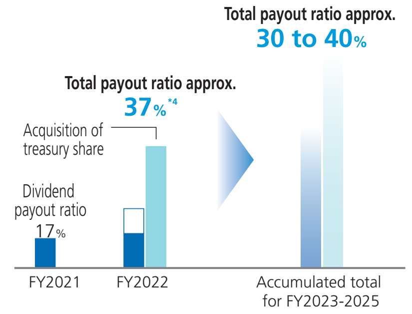
■ Shareholder return policy

- **Return policy: Total payout ratio of approx. 30 to 40%**
- **Dividends: Aim for stable dividends and continuous dividend increase**
- **Acquisition of treasury shares: Agile implementation within the limit of the total payout ratio while maintaining financial soundness and ensuring investment in growth businesses**

● Changes in dividends per share (yen)



● Dividend payout ratio and total payout ratio (%)



*4:Total payout ratio to profit (loss) attributable to owners of the parent company for FY2022

● Shareholder return ratio