

JVCKENWOOD

April 27, 2023

Company JVCKENWOOD Corporation
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Accounting Report for the Fiscal Year Ended March 2023 (April 1, 2022 – March 31, 2023)

1. Operating results (% indicate year-on-year changes)

	Revenue		Core operating income*		Operating profit		Profit before tax		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
FYE3/23	336,910	19.4	15,836	121.6	21,634	138.9	21,161	148.5	16,229	176.3
FYE3/22	282,088	3.1	7,144	-4.4	9,054	85.0	8,515	87.8	5,873	172.6

*Core operating income is calculated by deducting cost of sales, selling and general administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

2. Financial positions

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets ratio	Equity attributable to owners of parent per share
	million yen	million yen	million yen	%	Yen
FYE3/23	299,355	103,731	98,807	33.0	604.39
FYE3/22	280,807	83,961	79,495	28.3	486.26

3. Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FYE3/23	26,607	-7,329	-14,032	56,186
FYE3/22	7,059	-9,804	-11,273	48,707

Dividends

	Annual dividends					Total amount of dividends (total)	Consolidated dividend ratio
	1st quarter	2nd quarter	3rd quarter	Year end	Total		
	Yen	Yen	Yen	Yen	Yen	million yen	%
FYE3/22	—	0.00	—	6.00	6.00	983	16.7
FYE3/23	—	0.00	—	12.00	12.00	1,967	12.1
FYE3/24(Forecast)	—	0.00	—	8.00	8.00		15.6

Year-end dividends in FYE3/22: Regular dividend 6.00 (yen)

Year-end dividends in FYE3/23: Regular dividend 7.00 (yen) and Special dividend 5.00 (yen)

Year-end dividends in FYE3/24 (Forecast): Regular dividend 8.00 (yen)

FYE3/24 full-year earnings forecast (April 1, 2023 – March 31, 2024) (% indicate year-on-year changes)

	Revenue		Core operating income*		Operating profit		Profit before tax		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Full-year	350,000	3.9	14,800	-6.5	13,400	-38.1	12,400	-41.4	8,000	-50.7

*Core operating income is calculated by deducting cost of sales, selling and general administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

Overview of Operating Results

The following is an overview of the financial position, operating results, and cash flows (“Operating Results”) for the JVCKENWOOD Group (JVCKENWOOD Corporation and its consolidated subsidiaries and equity-method companies) for the fiscal year under review. Forward-looking statements in this document are based on the Company’s judgment as of the publication date of this document.

Financial Position and Operating Results

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the fiscal year under review increased significantly in year-on-year comparison. This was mainly due to the increased revenue resulting from the normalization of production and sales in the Mobility & Telematics Services Sector and the significant increased revenue in the Communications Systems Business in the Public Service Sector from the stronger-than-expected sales. Operating profit of the JVCKENWOOD Group (the “Group”) also rose significantly from a year earlier as a result of the effect of increased revenue and the recording of a gain on transfer of fixed assets (approximately 9,700 million yen) in the third quarter of the fiscal year under review.

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

(Million yen)

	Fiscal year ended March 2022	Fiscal year ended March 2023	Year-on- year Comparison	Change
Revenue	282,088	336,910	+54,821	+19.4%
Core operating income*	7,144	15,836	+8,691	+121.6%
Operating profit	9,054	21,634	+12,579	+138.9%
Profit before income taxes	8,515	21,161	+12,646	+148.5%
Profit attributable to owners of the parent company	5,873	16,229	+10,356	+176.3%

* Calculated by deducting cost of sales, selling and general administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors. The evaluation of segment performance is explained using core operating income.

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

		Q1	Q2	Q3	Q4	Full year
Profit-and-loss exchange rate	U.S. dollar	Approx. 130 yen	Approx. 138 yen	Approx. 141 yen	Approx. 132 yen	Approx. 135 yen
	Euro	Approx. 138 yen	Approx. 139 yen	Approx. 144 yen	Approx. 142 yen	Approx. 141 yen
FY2021 (for reference)	U.S. dollar	Approx. 110 yen	Approx. 110 yen	Approx. 114 yen	Approx. 116 yen	Approx. 112 yen
	Euro	Approx. 132 yen	Approx. 130 yen	Approx. 130 yen	Approx. 130 yen	Approx. 131 yen

Revenue

During the fiscal year under review, revenue in the Mobility & Telematics Services Sector as a whole increased significantly. This was mainly due to an increase in sales of products such as speakers, amplifiers, and cables for automobiles, and the ending of the shortage of semiconductors and other components. Furthermore, sales in the Communications Systems Business in the Public Service Sector continued to be strong and significantly more than expected, and sales in the Media Service Sector continued to be robust. As a result, the revenue of the Group increased approximately 54,800 million yen, or 19.4%, from a year earlier to 336,910 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 fiscal year under review, core operating income of the Group significantly increased approximately 8,700 million yen, or 121.6%, from a year earlier to 15,836 million yen, reflecting the significant increase in revenue as described above. For 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 fiscal year under review was 21,634 million yen, a substantial increase of approximately 12,600 million yen (an increase of 138.9%) from a year earlier, due to a significant increase in core operating income and a gain on the transfer of fixed assets (approximately 9,700 million yen) recorded in the third quarter of the fiscal year, despite a decrease in gains on the sale of subsidiaries and revaluation of financial assets recorded in the previous fiscal year.

Profit before income taxes

In the fiscal year under review, profit before income taxes significantly increased approximately 12,600 million yen, or 148.5%, from a year earlier to 21,161 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 fiscal year under review significantly increased approximately 10,400 million yen, or 176.3%, from a year earlier to 16,229 million yen, mainly reflecting a significant increase in profit before income taxes.

Revenue and Profit (Loss) by Business Segment

Revenue and core operating income by business segment are as follows.

Fiscal Year Ended March 2023 (from April 1, 2022 to March 31, 2023)		(Million yen)		
		Fiscal year ended March 2022	Fiscal year ended March 2023	Year-on-year Comparison
Mobility & Telematics Services Sector	Revenue	164,251	197,564	+33,312
	Core operating income	2,246	4,396	+2,149
Public Service Sector	Revenue	58,089	74,652	+16,563
	Core operating income	2,467	10,675	+8,207
Media Service Sector	Revenue	53,432	57,265	+3,833
	Core operating income	2,703	798	-1,905
Others	Revenue	6,315	7,427	+1,112
	Core operating income	-273	-33	+239
Total	Revenue	282,088	336,910	+54,821
	Core operating income	7,144	15,836	+8,691

Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the fiscal year under review significantly increased approximately 33,300 million yen, or 20.3%, from a year earlier to 197,564 million yen, and core operating income significantly increased approximately 2,100 million yen, or 95.7%, from a year earlier to 4,396 million yen.

➤ Revenue

In the OEM Business, revenue increased significantly from a year earlier due to higher sales of in-vehicle speakers, amplifiers, and cables, as well as an increase in revenue of supplies as a result of the ending of shortage of semiconductors and other components.

In the Aftermarket Business, revenue increased significantly from a year earlier, mainly due to the ending of the shortage of semiconductors and other components and the continuous solid sales both in Japan and overseas.

In the Telematics Service Business, revenue also increased from a year earlier, mainly due to the continuous solid sales of telematics solution-related products, including connected-type dashcams for non-life insurance companies, in addition to the ending of the shortage of components.

➤ Core operating income

While core operating income decreased in the Telematics Service Business mainly due to the impact of a component price hike, income increased in the OEM, Aftermarket, and Telematics Service businesses due to the effect of increased revenue. As a result, income in the Mobility & Telematics Services Sector as a whole also increased significantly from a year earlier.

Public Service Sector

Revenue of the Public Service Sector for the fiscal year under review grew approximately 16,600 million yen, or 28.5%, from a year earlier to 74,652 million yen. Accordingly, core operating income dramatically increased approximately 8,200 million yen, or 332.6%, from a year earlier to 10,675 million yen.

➤ Revenue

In the Communications Systems Business, revenue significantly increased approximately 16,100 million yen from a year earlier

and showed continued strength. This was mainly due to robust demand in the public safety market in the United States backed by a large government budget, the advancing acquisition of orders with the introduction of our new tri-band-compatible radios with high performance, in addition to the increasing demand for professional radios from the growing global momentum for crisis management.

In the Professional Systems Business, revenue increased approximately 500 million yen from a year earlier. This was due to the increased revenue in healthcare, although JVCKENWOOD Public & Industrial Systems Corporation showed a slow recovery in sales of the electric equipment market with considerable sales volume.

➤ Core operating income

Income grew significantly in the Communications Systems Business from a year earlier due to the effect of increased revenue. As a result, core operating income in the Public Service Sector as a whole also increased significantly.

Media Service Sector

Revenue of the Media Service Sector for the fiscal year under review grew approximately 3,800 million yen, or 7.2%, from a year earlier to 57,265 million yen. Core operating income decreased approximately 1,900 million yen, or 70.5%, from a year earlier to 798 million yen.

➤ Revenue

In the Media Business, revenue increased by approximately 2,500 million yen from a year earlier mainly due to a recovery in projector sales from the second quarter of the fiscal year under review.

In the Entertainment Business, revenue rose approximately 1,300 million yen from a year earlier, mainly due to continuous steady sales in the Content Business throughout the year.

➤ Core operating income

While core operating income in the Entertainment Business increased from a year earlier due to the effect of increased revenue, income in the Media Business decreased from a year earlier due to surges in the purchase cost of headphones and earphones. As a result, income in the Media Service Sector as a whole decreased from a year earlier.

(2) Overview of Financial Position for the Fiscal Year under Review

Assets

Total assets increased approximately 18,500 million yen from the end of the previous fiscal year to 299,355 million yen. This was mainly due to an increase of cash and cash equivalents as well as an increase in inventories resulting from the impact of supply chain problems.

Liabilities

Total liabilities decreased approximately 1,200 million yen from the end of the previous fiscal year to 195,624 million yen. This was mainly due to a decrease in borrowings from further repayment of bank borrowings, despite an increase in trade and other payables.

Equity

Total equity increased approximately 19,800 million yen from the end of the previous fiscal year to 103,731 million yen. This was mainly due to an increase of approximately 15,500 million yen in retained earnings and an increase in other components of equity.

The ratio of equity attributable to owners of the parent company was up 4.7 points from the end of the previous fiscal year to 33.0% due to an increase in equity attributable to owners of the parent company.

(3) Overview of Cash Flow for the Fiscal Year under Review

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash provided by operating activities for the fiscal year under review was 26,607 million yen, which was an increase of approximately 19,500 million yen from the same period of the previous fiscal year. This was mainly due to increased profit before income taxes and decreased trade and other receivables.

Cash Flow from Investing Activities

Net cash used in investing activities for the fiscal year under review was 7,329 million yen, which was a decrease of approximately 2,500 million yen from the same period of the previous fiscal year. This was mainly due to the gain of proceeds from the sale of land of the Company's Hachioji Business Center, despite an increase in expenditures for the purchases of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities for the fiscal year under review was 14,032 million yen, which was an increase of approximately 2,800 million yen from the same period of the previous fiscal year. This was mainly due to further repayment of bank borrowings.

Cash and cash equivalents at the end of the fiscal year under review increased approximately 7,500 million yen from the same period of the previous fiscal year to 56,186 million yen.

(4) Outlook for the Future**Outlook for the Next Fiscal Year**

On April 1, 2023, JVCKENWOOD Corporation changed business sector names from “Public Service” to “Safety & Security” and from “Media Service” to “Entertainment Solutions” in order to transform its business portfolio into a more profitable market where the Company’s strengths can be leveraged to maximize corporate value.

For the next fiscal year (fiscal year ending March 2024), although the Mobility & Telematics Services Sector is expected to see an increase in revenue due to the start of shipments of new equipment, core operating income is expected to decline due to the significant negative impact of currency hedging. In the Safety & Security Sector, the Communications Systems Business is expected to increase revenue on the back of solid market conditions as in the previous fiscal year. However, earnings are expected to be at the same level as in the previous fiscal year due to strategic investments and the planned expansion of production facilities in anticipation of the achievement of the medium-term management plan. The Entertainment Solutions Sector is expected to increase both revenue and income due to the impact of price revisions in the Media Business and continued strong sales prospects in the Entertainment Business.

In addition, with regard to profits and losses below the operating profit, we have revised the forecast of consolidated financial results for the fiscal year ending March 2024 as follows. This is because of the expected decrease in the amount of gain on transfer of fixed assets (approximately 9,700 million yen) and other factors recorded in the fiscal year ended March 2023.

	(Million yen)		
	Fiscal year ended March 2023 Consolidated earnings	Fiscal year ending March 2024 Consolidated earnings forecast	Year-on-year Comparison
Revenue	336,910	350,000	+13,089
Core operating income*	15,836	14,800	-1,036
Operating profit	21,634	13,400	-8,234
Profit before income taxes	21,161	12,400	-8,762
Profit attributable to owners of the parent company	16,229	8,000	-8,229

*Calculated by deducting cost of sales, selling and general and administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

Policy of profit distribution and dividends for the fiscal year under review and the next fiscal year

JVCKENWOOD Corporation considers the stable return of profits and the securing of management resources for future growth as one of the most important management challenges. In addition to distributing dividends as a measure to return profits to shareholders in accordance with business performance based on a comprehensive consideration of profitability and financial conditions and the total return ratio as an indicator, the Company flexibly purchases treasury shares by resolution of the Board of Directors, taking into account the balance between the use of capital for medium- to long-term profit growth and the effect of improving capital efficiency.

For the fiscal year under review (fiscal year ended March 2023), the Company is scheduled to distribute a year-end dividend of 12 yen per share (regular dividend of 7 yen and special dividend of 5 yen) based on the profit performance and the above-mentioned dividend policy.

For the next fiscal year (fiscal year ending March 2024), the Company will strive to improve the business performance and financial condition and forecasts a year-end dividend of 8 yen per share (regular dividend of 8 yen) based on the above policy.

In addition, as stated in today’s separately disclosed “Resolution Regarding Share Repurchase,” the Company has set the total return ratio at a target of approx. 30–40%, based on which it will purchase treasury shares in the fiscal year ending March 2024.

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	48,707	56,186
Trade and other receivables	59,570	58,157
Contract assets	1,826	2,996
Other financial assets	4,761	3,552
Inventories	55,585	67,830
Right to recover products	213	261
Income taxes receivable	748	976
Other current assets	5,386	6,231
Subtotal	176,799	196,191
Assets classified as held for sale	—	995
Total current assets	176,799	197,187
Non-current assets		
Property, plant and equipment	56,249	54,721
Goodwill	2,231	2,379
Intangible assets	18,601	18,065
Net defined benefit assets	2,582	1,933
Investment property	3,626	3,817
Investments accounted for using the equity method	4,604	4,983
Other financial assets	10,072	9,758
Deferred tax assets	5,385	6,128
Other non-current assets	654	380
Total non-current assets	104,008	102,167
Total assets	280,807	299,355

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	49,431	52,868
Contract liabilities	2,852	4,088
Refund liabilities	4,416	5,084
Short-term borrowings	17,918	26,292
Other financial liabilities	4,453	4,643
Income taxes payable	1,685	2,995
Provisions	1,838	1,814
Other current liabilities	23,617	26,062
Total current liabilities	106,213	123,849
Non-current liabilities		
Long-term borrowings	51,920	36,190
Other financial liabilities	10,925	11,999
Net defined benefit liabilities	22,517	18,459
Provisions	1,167	1,252
Deferred tax liabilities	3,080	2,981
Other non-current liabilities	1,020	890
Total non-current liabilities	90,632	71,774
Total liabilities	196,846	195,624
Equity		
Capital stock	13,645	13,645
Capital surplus	42,112	42,029
Retained earnings	13,346	28,811
Treasury stock	- 140	- 140
Other components of equity	10,530	14,461
Equity attributable to owners of the parent company	79,495	98,807
Non-controlling interests	4,465	4,923
Total equity	83,961	103,731
Total liabilities and equity	280,807	299,355

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	282,088	336,910
Cost of sales	206,298	241,710
Gross profit	75,790	95,200
Selling, general and administrative expenses	68,645	79,363
Other income	4,104	11,342
Other expenses	1,857	4,971
Foreign exchange gains (losses)	- 337	- 573
Operating profit	9,054	21,634
Finance income	342	454
Finance expenses	1,051	1,221
Share of profit (loss) of investments accounted for using the equity method	169	293
Profit before income taxes	8,515	21,161
Income tax expenses	2,146	4,316
Profit	6,369	16,844
Profit attributable to:		
Owners of the parent company	5,873	16,229
Non-controlling interests	496	615
Profit	6,369	16,844
Earnings per share		
Basic earnings per share	35.89 yen	99.27 yen
Diluted earnings per share	35.86 yen	99.10 yen

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	6,369	16,844
Other comprehensive income ("OCI")		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through OCI	- 323	- 108
Remeasurement of defined benefit plans	565	243
Change in fair value of investment property	- 90	—
Share of OCI of investments accounted for using the equity method	3	1
Total of items that will not be reclassified subsequently to profit or loss	153	136
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	8,039	5,609
Cash flow hedges	1,848	- 1,211
Share of OCI of investments accounted for using the equity method	283	- 127
Total of items that may be reclassified subsequently to profit or loss	10,170	4,269
OCI, net of income tax	10,324	4,406
Comprehensive income	16,693	21,250
Total comprehensive income attributable to:		
Owners of the parent company	15,743	20,376
Non-controlling interests	949	874
Comprehensive income	16,693	21,250

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,515	21,161
Depreciation and amortization	17,120	17,615
Impairment losses	948	2,450
Increase (decrease) in net defined benefit liabilities	- 1,637	- 1,952
Decrease (increase) in net defined benefit assets	466	426
Finance income	- 342	- 454
Finance expenses	1,051	1,221
Gain on valuation of financial assets measured at fair value through profit or loss	- 1,792	- 428
Gain on sales of property, plant and equipment	- 36	- 9,772
Loss on disposal of property, plant and equipment	134	178
Loss (gain) on sales of subsidiaries	- 1,494	407
Decrease (increase) in trade and other receivables	- 5,623	3,002
Decrease (increase) in inventories	- 9,596	- 9,314
Increase (decrease) in trade and other payables	3,460	2,203
Increase (decrease) in other current liabilities	- 41	2,638
Other, net	- 1,378	999
Subtotal	9,754	30,382
Interest received	95	356
Dividend received	226	63
Interest paid	- 923	- 1,048
Income taxes paid	- 2,092	- 3,146
Net cash provided by operating activities	7,059	26,607
Cash flows from investing activities		
Purchases of property, plant and equipment	- 6,257	- 7,367
Proceeds from sales of property, plant and equipment	70	11,317
Purchases of intangible assets	- 9,705	- 8,445

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Purchases of investments accounted for using the equity method	—	- 300
Proceeds from (payment for) sales of subsidiaries resulting in change in scope of consolidation	4,913	- 2,541
Proceeds from distribution of debt instruments	593	—
Proceeds from sales of equity instruments	812	3
Other, net	- 232	5
Net cash used in investing activities	- 9,804	- 7,329
Cash flows from financing activities		
Proceeds from short-term borrowings	10,820	7,357
Repayment of short-term borrowings	- 13,804	- 10,254
Proceeds from long-term borrowings	11,853	17,190
Repayment of long-term borrowings	- 15,186	- 23,042
Repayment of lease liabilities	- 3,690	- 3,583
Cash dividends paid	- 819	- 980
Other, net	- 445	- 720
Net cash used in financing activities	- 11,273	- 14,032
Effect of exchange rate changes on cash and cash equivalents	3,080	2,266
Net increase (decrease) in cash and cash equivalents	- 10,937	7,511
Cash and cash equivalents at beginning of year	59,644	48,707
Cash and cash equivalents included in assets held for sale	—	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	- 32
Cash and cash equivalents at end of year	48,707	56,186