

JVCKENWOOD

Translation for Reference Only

**JVCKENWOOD**

# **Results and Forecast Briefing**

**Second Quarter of Fiscal Year Ending March 2020  
(IFRS)**

November 1, 2019

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

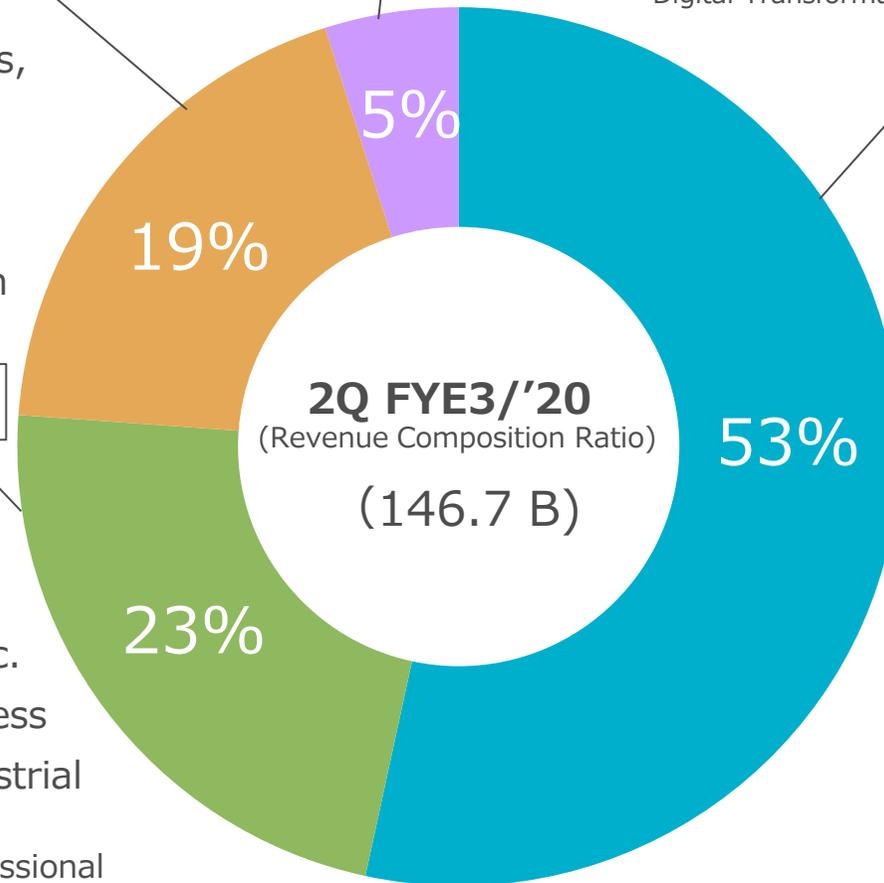
- DX\* Business, etc.
- \* Digital Transformation

## 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
  - Digital cockpit systems, 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 Financial Results for FYE3/'20**
- 2. Full-Year Earnings Forecast for FYE3/'20**
- 3. Major Initiatives**

**1. Overview of 2Q Financial Results  
for FYE3/'20**

2. Full-Year Earnings Forecast for  
FYE3/'20

3. Major Initiatives

# Financial Results for 2Q(1-2Q) of FYE3/'20 - Highlights

- Revenue of the JVCKENWOOD Group as a whole declined, but was at 100% of the previous year's level when excluding the impacts of foreign exchange.
- Core operating income of the JVCKENWOOD Group as a whole declined, due to profit decreases in the AM Sector and the MS Sector.
- Operating profit, profit before tax, and profit declined due to a decrease in core operating income.

(Billion yen)

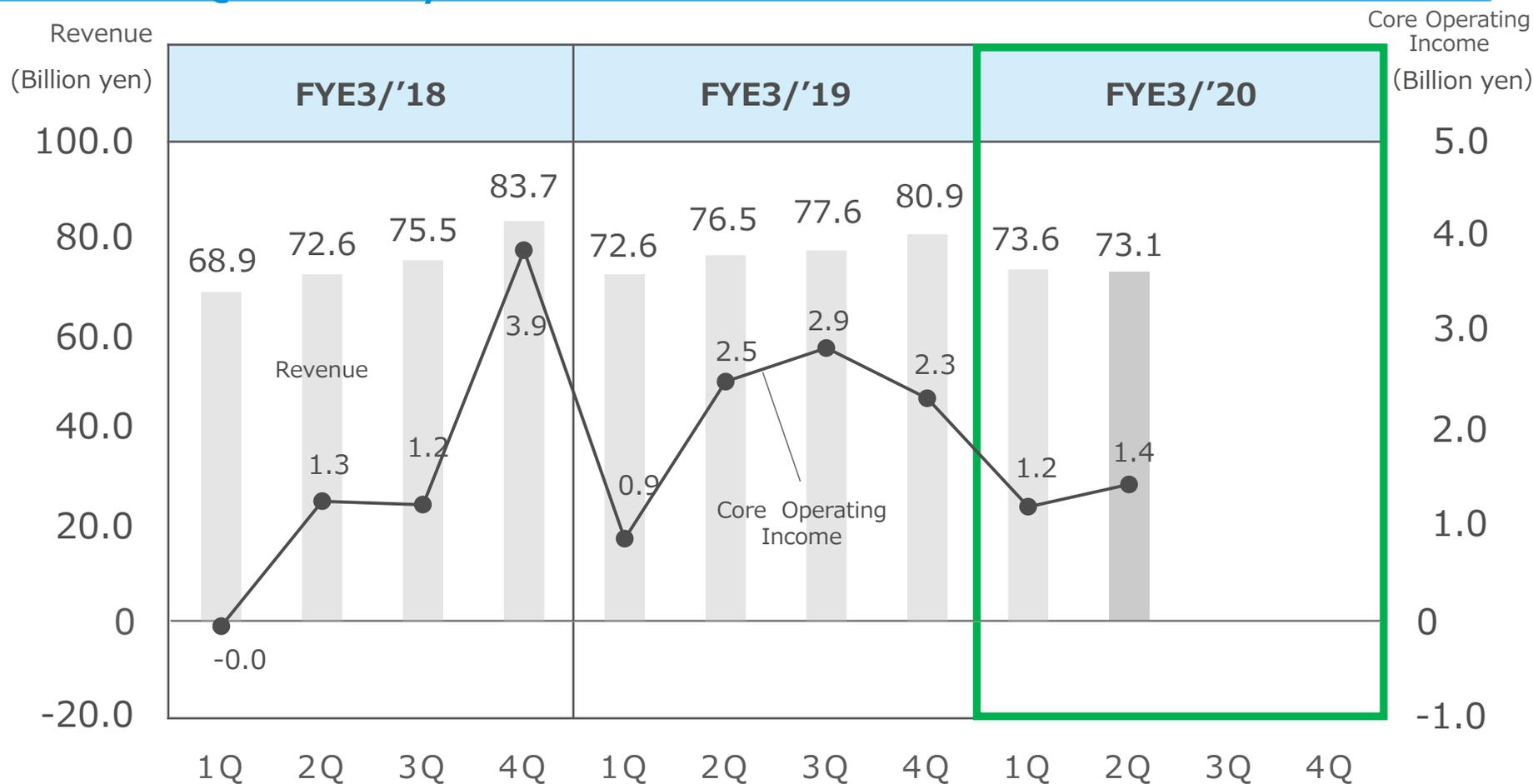
	2Q(1-2Q) FYE3/'19		2Q(1-2Q) FYE3/'20		
		Composition ratio(%)		Composition ratio(%)	YoY comparison
Revenue	149.1	100.0	146.7	100.0	-2.4
Cost of sales	108.6	72.8	107.8	73.5	-0.8
Gross profit	40.5	27.2	38.9	26.5	-1.6
Core Operating Income*	3.4	2.3	2.6	1.8	-0.7
Operating Profit	3.5	2.4	3.2	2.2	-0.3
Income Before Income Taxes	3.2	2.1	2.7	1.8	-0.5
Profit Attributable to Owners of the Parent Company	1.8	1.2	1.2	0.8	-0.6

\* 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/'19					FYE3/'20				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Profit-And-Loss	U.S. dollar	109yen	111yen	113yen	110yen	111yen	110yen	107yen	-	-	-
Exchange Rates	Euro	130yen	130yen	129yen	125yen	128yen	124yen	119yen	-	-	-

# Financial Results for 2Q(1-2Q) of FYE3/'20

## - Trends in Quarterly Results



Profit-And-Loss	U.S. dollar	111yen	111yen	113yen	108yen	109yen	111yen	113yen	110yen	110yen	107yen	-	-
	Euro	122yen	130yen	133yen	133yen	130yen	130yen	129yen	125yen	124yen	119yen	-	-
Exchange Rates													

(Billion yen)

	1H	2H	1H	2H	1H	2H
Revenue	141.5	159.2	149.1	158.5	146.7	-
Core Operating Income	1.2	5.1	3.4	5.2	2.6	-

# Financial Results for 2Q(1-2Q) of FYE3/'20

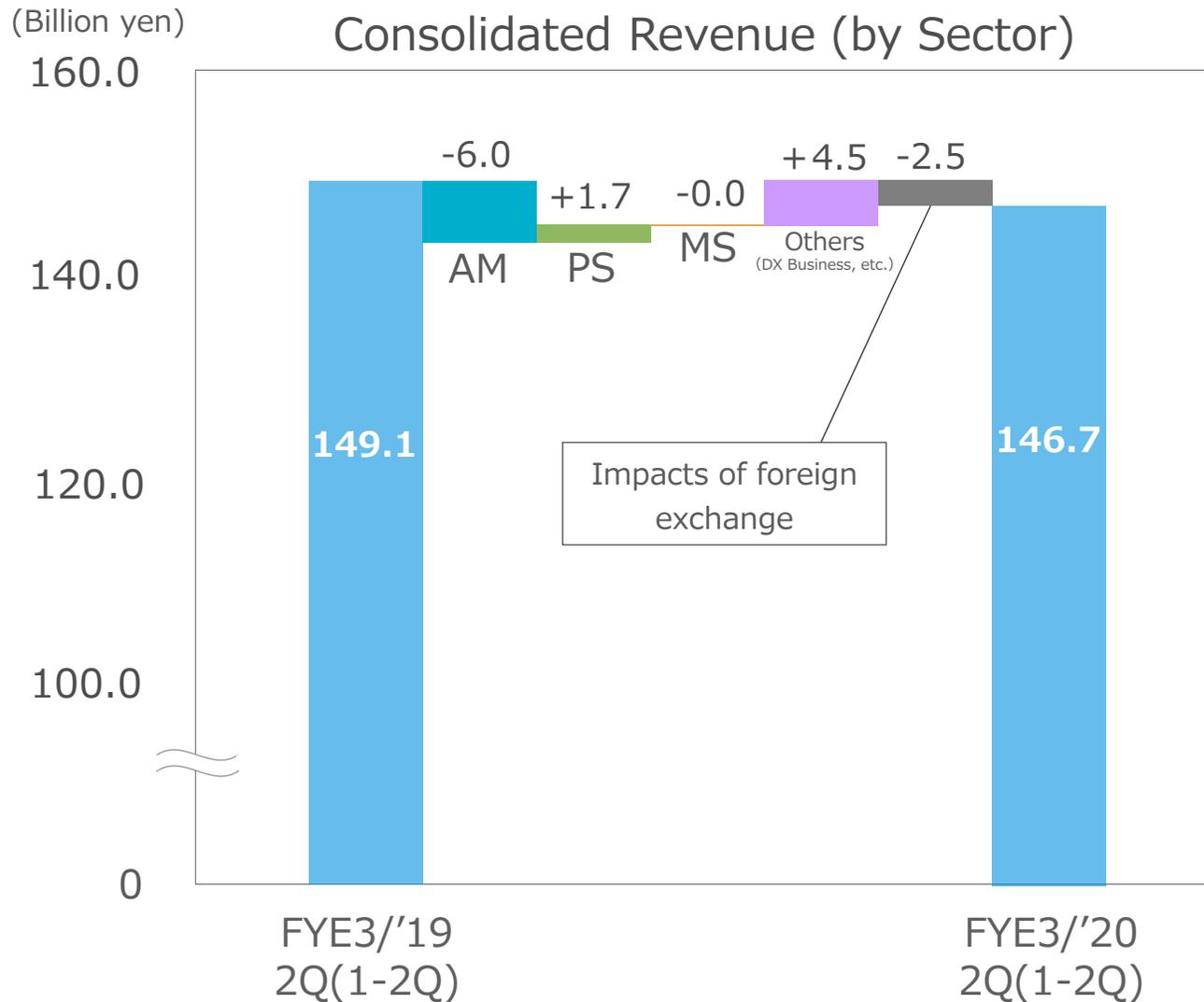
## - Results by Sector

(Billion yen)

		2Q(1-2 Q) FYE3/'19	2Q(1-2Q) FYE3/'20	YoY change (amount)	YoY change (percentage)	Factors
AM Sector	Revenue	86.1	78.3	-7.7	-9.0%	* Revenue of the AM Sector as a whole decreased, despite an increase in revenue of the Aftermarket Business supported by strong sales in the domestic market, due to the impacts of a decline in sales of factory-installed products in the OEM Business and the slowdown of China's economy. * Core operating income of the AM Sector as a whole decreased, due to the revenue decline as well as the impacts of a supply problem at a parts supplier in the OEM Business.
	Core Operating Income	4.2	1.6	-2.6	-61.9%	
PS Sector	Revenue	32.1	33.4	+ 1.3	+4.0%	* Revenue of the PS Sector as a whole increased, reflecting higher sales of the Group's U.S. communication system subsidiary and of the Professional Systems Business. * Core operating income of the PS Sector as a whole increased, due to the increased revenue and cost reduction effects. The Communication Systems Business posted a positive profit for the fifth consecutive quarter, showing that the positive profit trend is firmly in place.
	Core Operating Income	-1.4	0.3	+ 1.7	—	
MS Sector	Revenue	28.2	27.8	-0.4	-1.3%	* Revenue of the MS Sector as a whole decreased, despite a revenue increase of the Entertainment Business reflecting higher sales, due to a revenue decrease of the Media Business reflecting lower sales of video cameras. * Core operating income of the MS Sector as a whole decreased, due to the effects of the revenue decrease of the Media Business and an increase in investment in new fields in the Entertainment Business.
	Core Operating Income	0.7	0.4	-0.3	-36.4%	
Others	Revenue	2.8	7.2	+ 4.4	+156.9%	* Both revenue and core operating income of Others increased, due to the expansion of sales of the DX Business, reflecting strong sales related to telematics solutions.
	Core Operating Income	-0.1	0.3	+ 0.4	—	
Total	Revenue	149.1	146.7	-2.4	-1.6%	—
	Core Operating Income	3.4	2.6	-0.7	-21.7%	

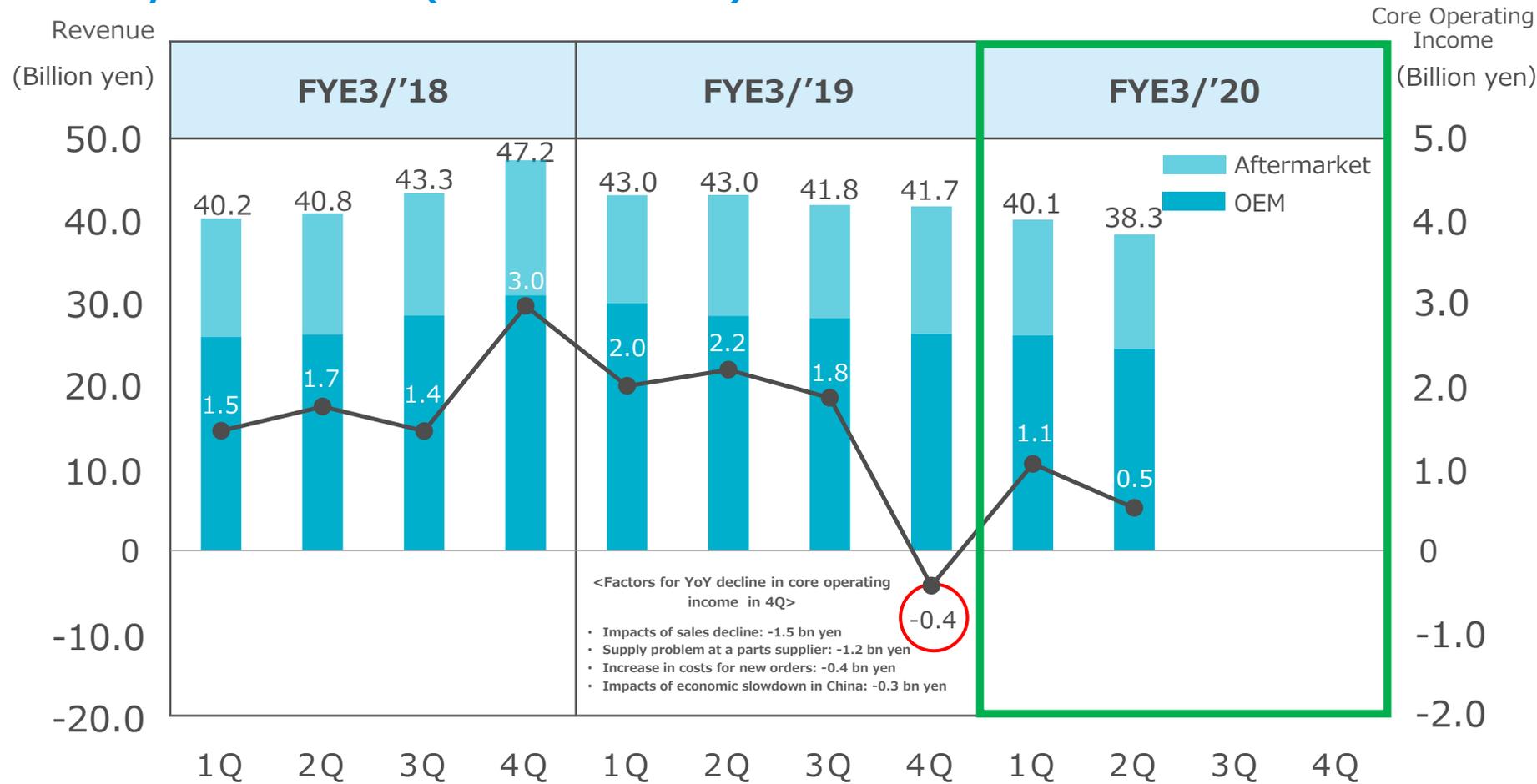
# Financial Results for 2Q(1-2Q) of FYE3/'20

## - Consolidated Revenue (by Sector)



# Financial Results for 2Q(1-2Q) of FYE3/'20

## - Quarterly Results (AM Sector)

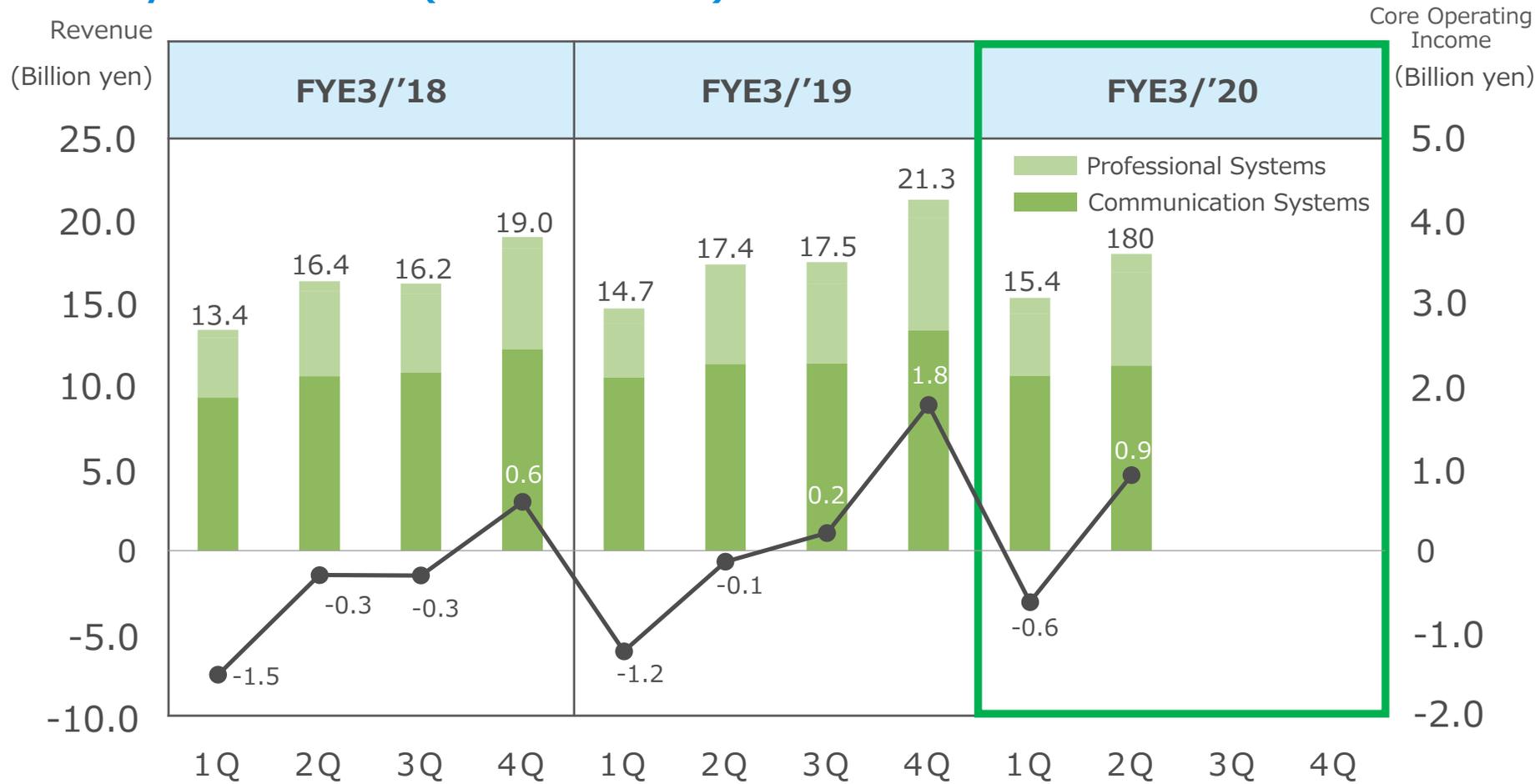


	FYE3/'18		FYE3/'19		FYE3/'20	
	1H	2H	1H	2H	1H	2H
Revenue	81.0	90.5	86.1	83.5	78.3	—
Core Operating Income	3.2	4.4	4.2	1.4	1.6	—

(Billion yen)

# Financial Results for 2Q(1-2Q) of FYE3/'20

## - Quarterly Results (PS Sector)

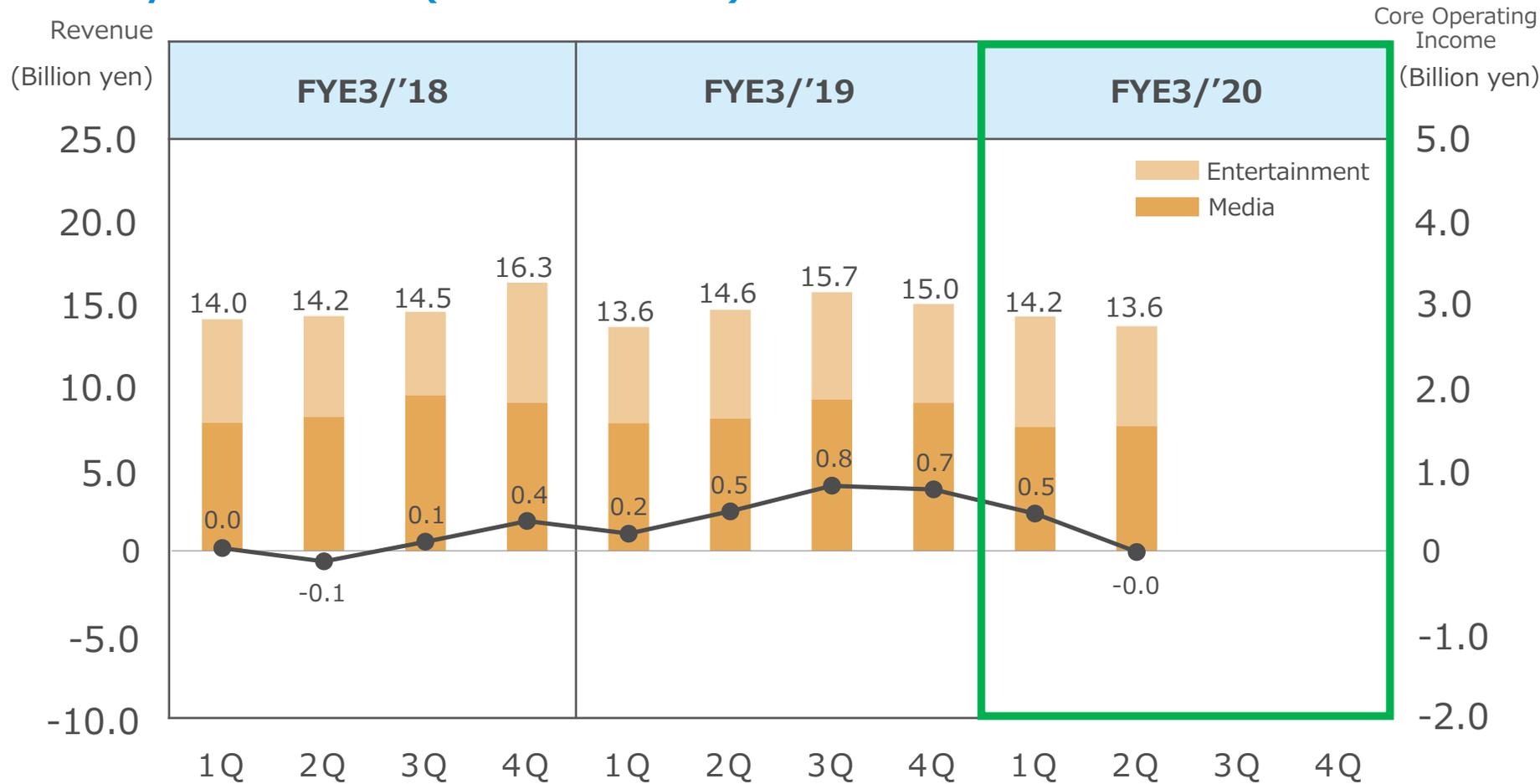


(Billion yen)

	1H	2H	1H	2H	1H	2H
Revenue	29.8	35.3	32.1	38.9	33.4	—
Core Operating Income	-1.8	0.3	-1.4	2.0	0.3	—

# Financial Results for 2Q(1-2Q) of FYE3/'20

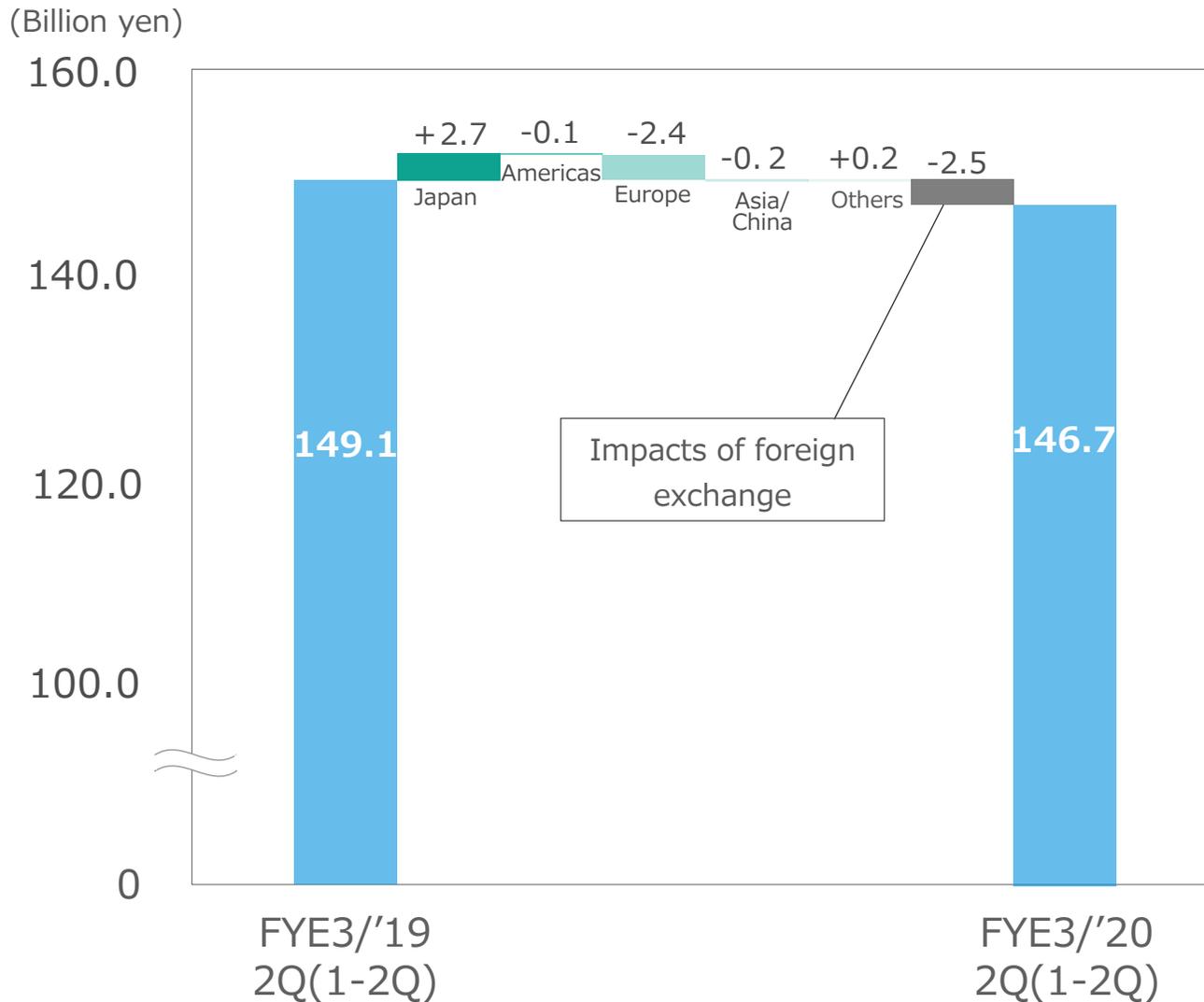
## - Quarterly Results (MS Sector)



	FYE3/'18		FYE3/'19		FYE3/'20	
	1H	2H	1H	2H	1H	2H
Revenue	28.2	30.7	28.2	30.6	27.8	—
Core Operating Income	-0.1	0.5	0.7	1.5	0.4	—

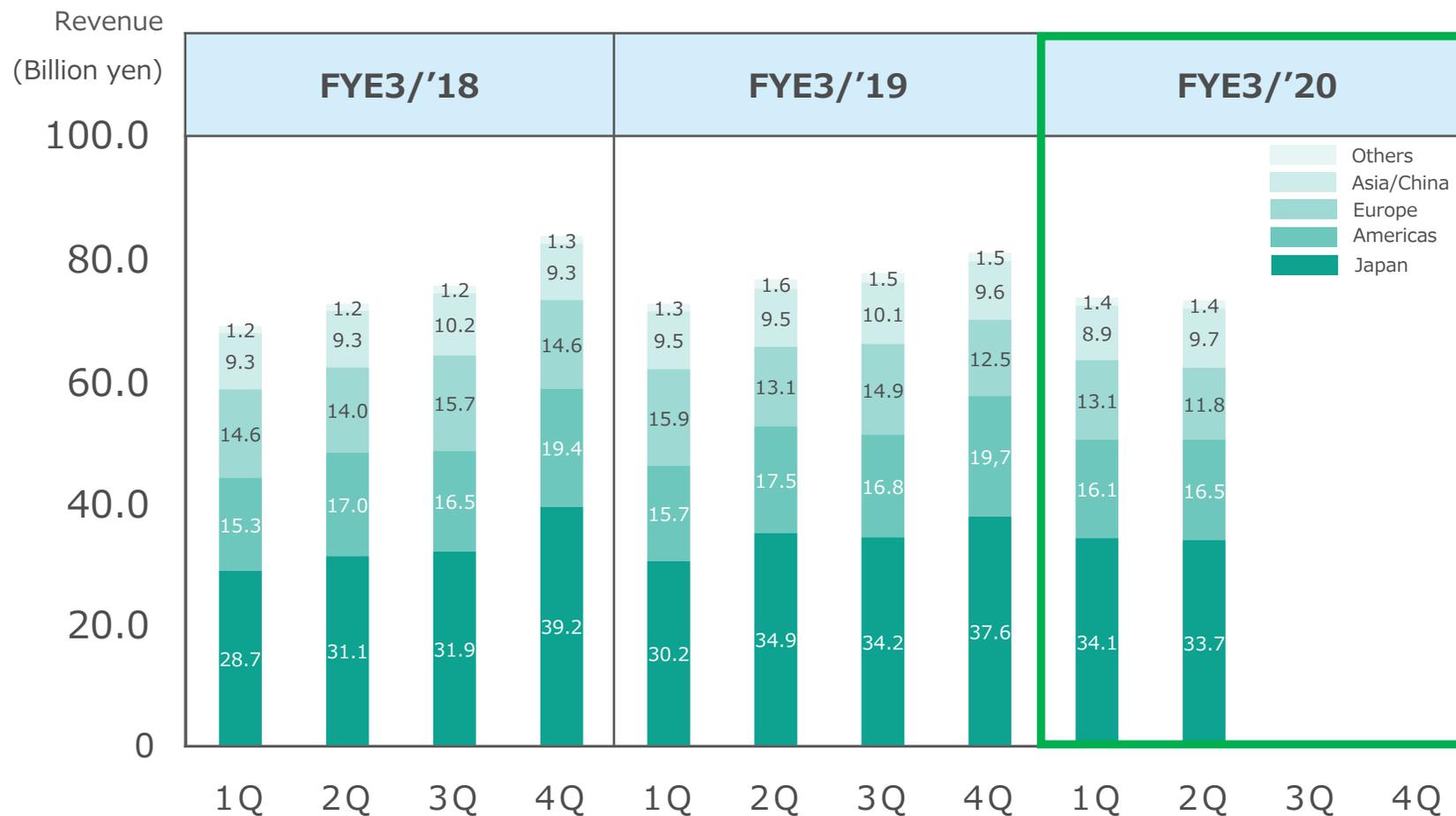
# Financial Results for 2Q(1-2Q) of FYE3/'20

## - Consolidated Revenue (by Region)



# Financial Results for 2Q(1-2Q) of FYE 3/'20

## - Trends in Consolidated Revenue by Region

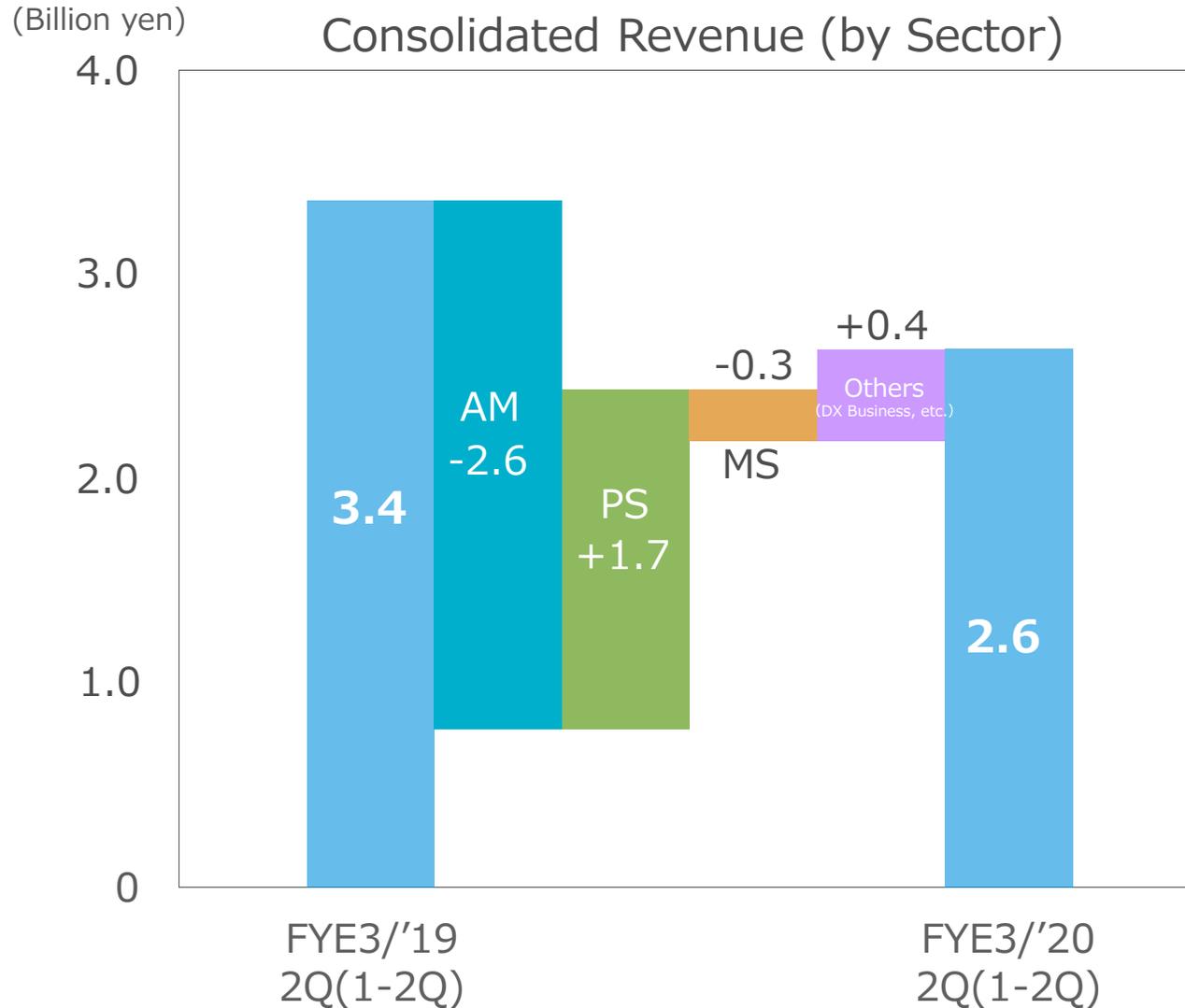


	FYE3/'18		FYE3/'19		FYE3/'20	
	1H	2H	1H	2H	1H	2H
Japan	59.8	71.1	65.1	71.8	67.8	—
Americas	32.3	35.9	33.2	36.6	32.6	—
Europe	28.5	30.3	29.0	27.4	24.9	—
Asia/China	18.6	19.5	19.0	19.7	18.7	—
Others	2.4	2.5	2.8	3.0	2.7	—

(Billion Wey)

# Financial Results for 2Q(1-2Q) of FYE 3/'20

## - Consolidated Core Operating income (by Sector)



# Financial Results for 2Q(1-2Q) of FYE 3/'20 - Consolidated Profit/Loss (Summary)

- Other income/expenses and foreign exchange gain/loss improved, reflecting a decrease in the foreign exchange loss.

(Billion yen)

	2Q(1-2Q) FYE3/'19	2Q(1-2Q) FYE3/'20	YoY Change
Core Operating Income*	3.36	2.63	-0.73
Other Income, Other Expenses, Foreign Exchange Loss, etc.	0.14	0.54	+ 0.40
Operating Profit	3.51	3.18	-0.33
Finance Income, Finance Expenses, etc.	-0.35	-0.49	-0.14
Profit Before Income Taxes	3.15	2.69	-0.46
Income Tax Expenses	1.14	1.26	+ 0.12
Non-Controlling Interests	0.25	0.23	-0.02
Profit Attributable to Owners of the Parent Company	1.76	1.20	-0.56

\* 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 FYE 3/'20

## - Financial Position Summary

- As a result of the application of IFRS 16 Leases, total assets and total liabilities increased 8,400 million yen and 9,800 million yen respectively, and equity decreased 1,400 million yen on the balance sheet at the beginning of the fiscal year ending March 2020.

(Billion yen)

	FYE3/'19	2Q FYE3/'20	YoY Change
Total Assets	250.6 (259.0)	255.4	+ 4.8 (-3.6)
Total Liabilities	185.3 (195.1)	194.7	+ 9.4 (-0.5)
Total Equity	65.3 (63.9)	60.7	-4.6 (-3.2)
Interest-Bearing Debts	71.3	73.3	+ 2.0
Net Debt	30.5	29.6	-0.9
Net Debt/Equity Ratio (Times)	0.49	0.52	+ 0.03
Equity Attributable to Owners of the Parent Company	62.0 (60.6)	57.3	-4.7 (-3.3)
Stockholder's Equity Ratio (%)	24.7 (23.4)	22.4	-2.3 (-0.9)

※The figures in parentheses reflect the impacts of the application of IFRS 16 Leases.

# Financial Results for 2Q(1-2Q) of FYE 3/'20

## - Cash Flow Summary

- Net cash provided by operating activities increased, reflecting an increase in depreciation expenses and improvement in working capital.
- Net cash used in investing activities decreased due to the absence of M&A investments.
- Net cash used in financing activities increased due to the absence of proceeds from new share issuances.

(Billion yen)

	2Q(1-2Q) FYE3/'19	2Q(1-2Q) FYE3/'20	YoY Change
Cash Flow from Operating Activities	11.7	14.3 (12.9)	+ 2.6 (+1.2)
Cash Flow from Investing Activities	-12.2	-9.2	+ 3.0
Free cash flow <small>* Free cash flow: Cash flow from operating activities + Cash flow from investing activities</small>	-0.6	5.1 (3.6)	+ 5.7 (+4.3)
Cash Flow from Financing Activities	6.3	-1.1 (0.4)	-7.4 (-5.9)
Total	5.7	4.0	-1.7

※The figures in parentheses reflect the impacts of the application of IFRS 16 Leases.

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# Full-year Earnings Forecast for FYE3/'20

- Revenue for the first six months of FYE3/'20 was in line with period-start projections and operating income exceeded projections.
- In 3Q and thereafter, strong sales of the AM Sector and the Aftermarket Business are expected to continue in the domestic market, and sales growth from the PS Sector and the MS Sector is expected. Meanwhile, there are risk factors, such as the impacts of the slowdown of China's economy and a shrinking device market. Accordingly, we are not revising the full-year earnings forecast at this time.

(Billion yen)

	Result for FYE3/'19	Forecast for FYE3/'20	YoY
Revenue	307.6	310.0	+ 2.4
Operating Profit	7.3	7.4	+ 0.1
Income Before Income Taxes	6.4	6.5	+ 0.1
Profit Attributable to Owners of the Parent Company	3.8	4.0	+ 0.2

		Result for FYE3/'19/3	Assumption for FYE3/'20
Profit-And-Loss Exchange Rates	U.S. dollar	111 Yen	113 Yen
	Euro	128 Yen	128 Yen

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# Impacts of Issues Related to China, Export Regulations on Korea, and Consumption Tax Increase

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- Impacts of the slowdown of China's economy and the U.S.-China trade conflict
  - China's economy is slowing down more rapidly than initial projections. As a result, profit/loss of JKHL (former Shinwa International Holdings Limited) in the AM Sector deteriorated. The impacts on other businesses in the AM Sector and other sectors are expected to be minor, but this trend is expected to continue through the current fiscal year.
  - As a result of the U.S. decision to postpone the imposition of additional tariffs on China for the time being, the impact of additional tariffs on profit/loss for the current fiscal year is expected to be minor.
- Impacts of the imposition of export regulations on Korea
  - There have been no problems related to the procurement of parts, and we do not expect any major impacts on production.
- Impacts of consumption tax increase
  - We expect some impacts in October, but no major impacts for the full year.

# Expansion of Deployment of Dashcams in All Directions

- Expand the Aftermarket, OEM, and Telematics businesses in all directions to acquire the position as No.1 manufacturer in the domestic dashcam market.
- Work to achieve adoption of in-line factory installation and expansion of solution/service provision using dashcams with communication capabilities to aim for the further expansion of applications.

Aftermarket

OEM

Telematics

KENWOOD

JVC



# Evolving Dashcams



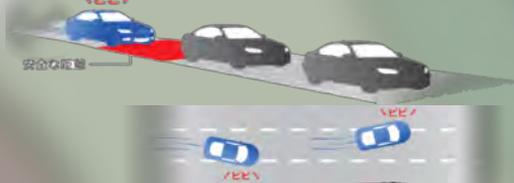
Safe driving support/services using telematics



CASE



Driver assistance



Video recording



640x480 Pixel recording



Debut of monitor-equipped model



Full HD video recording  
1920x1080 pixel recording  
Built-in G sensor  
Built-in GPS



2034x1296 pixel recording  
Built-in driver assistance features



2003

2005

2010

2014

2019

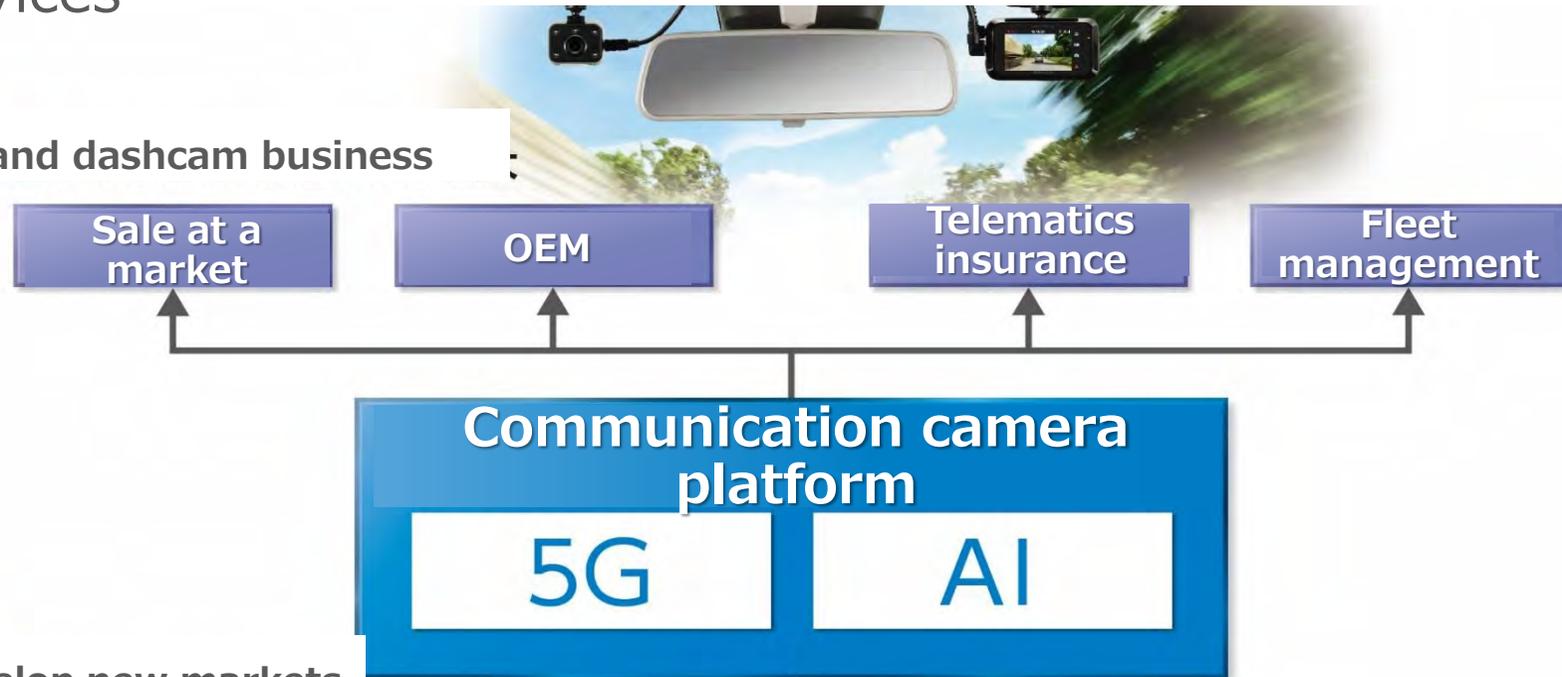
2020

JVCKENWOOD enters market

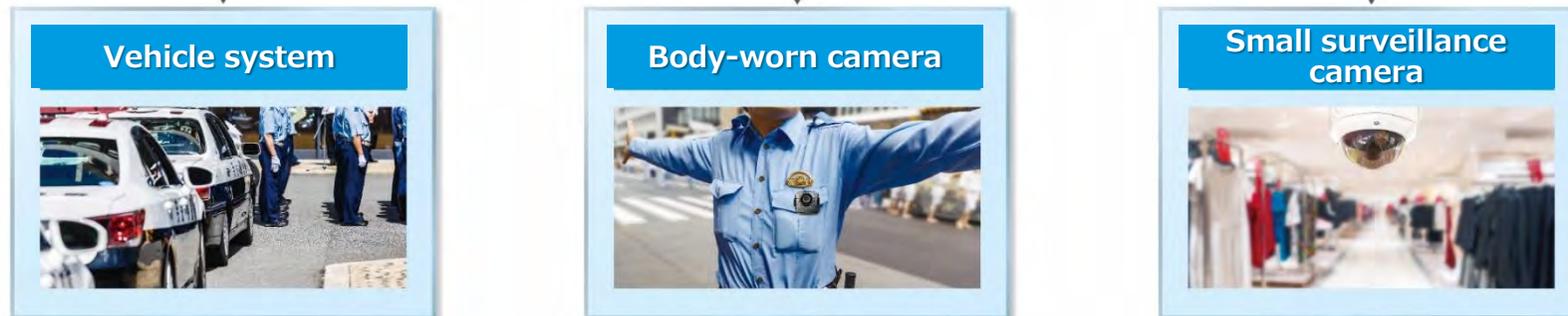
# Strategy for Dashcams - Technology Development

- Development of platforms for 5G communications/edge AI devices

- Expand dashcam business



- Develop new markets



# AM Sector: Aftermarket (Japan)

- In November, launching DRV-MR745 dual-camera dashcam, which supports rear-view video recording, in an effort to expand the lineup in response to rapid market expansion.
  - Newly equipped with tinted window see-through capability to allow vehicles with a tinted rear window to record bright and clear rear-view videos of tailgating, rear-end collisions, and other events.
- In November, launching DRV-650 and DRV-W650, a new lineup of single-camera dashcams, to further expand market share.
  - Adopted STARVIS™ imaging sensor, which can capture images in low-light conditions, allowing the recording of clear pictures in dark conditions, such as at night and at tunnel entrances and exits.



DRV-MR745 dual-camera dashcam can record bright and clear rear-view videos



DRV-650/W650 dashcams can record clear videos at night and at tunnel entrances and exits

# AM Sector: Aftermarket (Americas)

- Selected as regular items in the dashcam and rear-view camera category by Best Buy in the U.S. to be deployed at all of its 800 stores.
  - Modified specifications to meet the needs of the U.S. market by providing Wi-Fi connection to PCs and smartphones and detaching function allowing for use in two or more cars.
- Starting with full-scale launch in the U.S., accelerate expansion of business overseas, notably in Europe and Asia.



The DRV-A601W 4K dashcam



The KCA-R200 rear-view camera

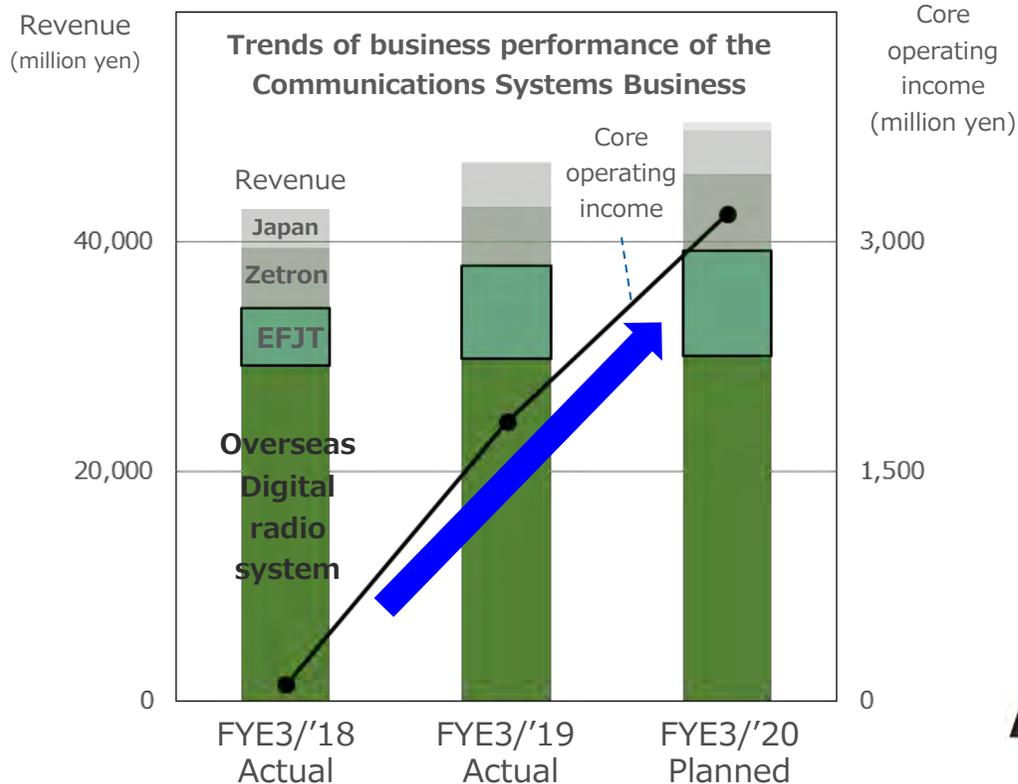


Convenient detaching function

# PS Sector: Communications Systems Business

- Due to revenue growth and establishment of sustainable profitability at EFJT, the Group's U.S. communication system subsidiary, and total cost reforms under T Project, the Communication Systems Business expects significant profit growth in the current fiscal year.

- Following the NX-5000 series and the NX-3000 series, which are being well received, launched the NX-1000 series of professional digital radio systems.
  - Improving profitability using a common platform
  - Multi-protocol digital radios that support both NXDN and DMR digital protocols aimed at expanding sales to private companies including factories and hotels and the public service market.



**NXDN™** **DMR**



# PS Sector: Communications Systems Business (Japan)

- Achieved sales expansion of digital convenience radios, driven by growth in demand for renting digital radio systems used at global sports events, and robust sales of disaster prevention digital radio systems to local governments.
- In December, launching professional digital radio systems with intrinsically safe explosion-proof structure that can be operated in an environment where there is a risk of explosion and fire, such as in petrochemical plants.
- Accommodating demand for digital transition arising from termination of analog band of UHF frequencies for digital convenience radio systems slated for the end of 2022.



TCP-D751CT digital convenience radio system



TCP-D609DP car-mounted disaster prevention digital radio system



NX-330EX intrinsically safe explosion-proof digital radio system

# PS Sector: Professional Systems Business

- Held solution fairs at seven major cities nationwide, attracting more than 2,000 visitors and offering prospects for increasing orders received in 2H and thereafter.
- Expanding orders received for full-function digital conference systems that support smooth operation of assembly meetings from prefectural and municipal assemblies.

JVCKENWOOD  
SOLUTION FAIR 2019

ソリューション内覧会 2019

社会の「安全」と「安心」を支え、お客様のビジネス課題解決をご提案



Full-function digital conference system that support smooth operation of proceedings and assembly meetings

# PS Sector: Healthcare

- Exhibiting ExoCounter high-accuracy exosome measurement system at BioJapan 2019 and other domestic and overseas exhibitions to promote its widespread use.



Exhibited a new model of ExoCounter high-accuracy exosome measurement system at BioJapan 2019

- Jointly developing cognitive function testing technology with Osaka University aimed at early diagnosis of dementia using Gazefinder gaze-tracking system targeting social implementation.

- A rapid increase of dementia patients has become a social issue around the world  
The number of dementia patients is forecasted to increase from 46.8 million in 2015 to 74.7 million in 2030\*.



Image of cognitive function testing

\*World Alzheimer Report 2015

# MS Sector: Media Business

- GY-HC900, the first iteration of the Connected Cam series of professional camcorders based on the concept of “offering connectivity with high-resolution and high-quality images,” became the first recipient of the CCDS\* IoT security certification mark.
- Launching GY-HC550/500, the second iteration of the CONNECTED CAM series, which were well-received at IBC 2019, in 2H.



GY-HC900 became the first recipient of CCDS IoT security certification mark

\*CCDS: Connected Consumer Device Security Council

- Launching LX-NZ3 4K HDR ready home theater projector for users to enjoy high-resolution 4K videos in their living rooms in 2H.
  - Proposing the appeal of large-screen video with home theater projector by offering a new lineup designed for readily enjoying high-resolution videos.



LX-NZ3 allows high-resolution videos to be enjoyed

# MS Sector: Media Business

- In October, launched three models of portable power stations with different battery capacities through joint development with Jackery, a company with an extensive sales track record mainly in North America.
  - Venturing into a new market through the launch of new product in response to the increasing popularity of outdoor leisure activities and rising awareness of disaster preparedness.
  - These products will be made available also at the disaster supplies section in car supplies shops, etc.

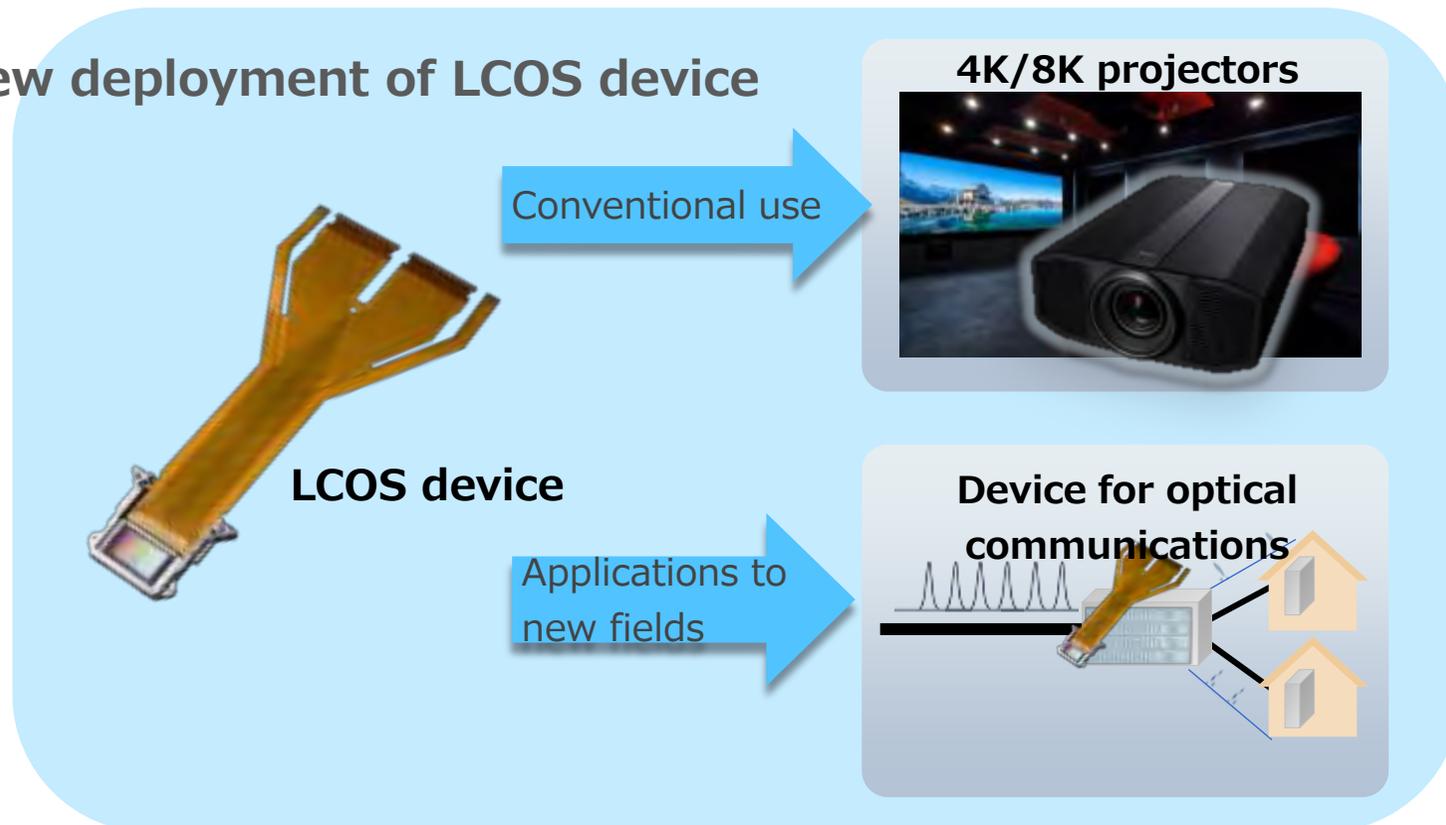


Three models of portable power station can reliably provide plenty of electricity outdoors and in the event of a power outage.

# MS Sector: Media Business

- We will work to increase applications of LCOS\* devices, which have been produced for use in projectors, and expand sales as optical communications devices, for which demand is expected to grow with the spread of 5G.
- Expand sales and significantly improve profits of the imaging device business.

## New deployment of LCOS device



\*LCOS: Liquid Crystal on Silicon

# MS Sector: Entertainment Business

## ■ Entry into game business

Victor Entertainment Games, launched in June 2019, will release “THE KING OF FIGHTERS for GIRLS,” the first iteration of its game apps, in 2H.



“THE KING OF FIGHTERS for GIRLS”

## ■ Promising works to be released in 2H

- “Go with the Flow:” Takuya Kimura (Album) (January 2020)
- “LIVE TOUR 2019: ‘KIMIWA MITEKUREGA WARUINDAKARA AHOMARUDASHIDE MAIKUWONIGITTERO’ DATO!? FUZAKERUNA!!”: Southern All Stars (BD/DVD) (November)
- “Same Thing:” Gen Hoshino (streaming only) (October)



“Same Thing”



“LIVE TOUR 2019:”  
‘KIMIWA MITEKUREGA  
WARUINDAKARA  
AHOMARUDASHIDE  
MAIKUWONIGITTERO!!’  
DATO!? FUZAKERUNA”

# DX Business

- JVCKENWOOD's dashcam with communication capabilities will be adopted by F-driving dashcam/telematics services for contractors of fleet insurance of Mitsui Sumitomo Insurance. It will be the first deployment of a dual-camera dashcam model with a vehicle interior recording capability in the non-life insurance industry (from January 2020).
- JVCKENWOOD's dashcam with communication capabilities will be adopted by the Pay How You Drive (PHYD) type insurance, in which insurance premiums vary based on driving behavior, to be launched by Aioi Nissay Dowa Insurance in January 2020.



Image of dashcam with communication capabilities

1. Dedicated dashcam detects the impact of the crash.



Users can directly talk with operators through a dedicated dashcam.

2. Automatically reports to the dedicated safety confirmation center and send location and other necessary data.

3. Operators assist users through a dedicated dashcam equipped with dedicated verbal communication functions.



Operator will call an ambulance and a tow truck in case of emergency. (only when users can prove that it is difficult for them to make an emergency call by themselves)

Emergency call function provided by F-driving dashcam/telematics services

# 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.