

Growth Strategy

Based on our Vision 2020, we are promoting a growth strategy in three sectors as well as the commercialization of new businesses.



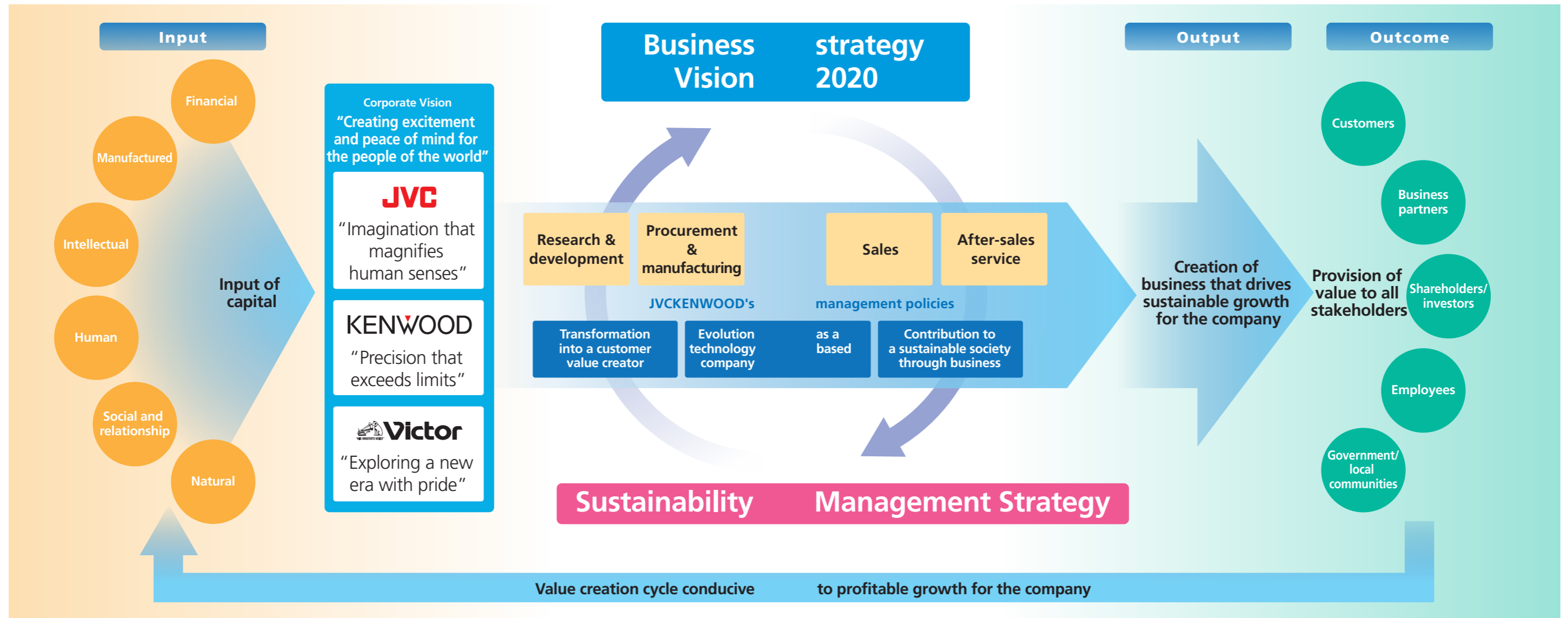
* SDGs: Sustainable Development Goals

The JVCKENWOOD Group developed the Mid- to Long-Term Management Plan Vision 2020 in 2015 and reviewed the same in consideration of its subsequent progress in 2018 in order to achieve sustainable growth while dealing with the contraction of the consumer electronics market and the convergence between industries caused by rapid technological innovation.

In our Vision 2020, we have set a goal of "transforming into a customer value creator." To achieve this goal, we are striving to "evolve as a technology-based company" by further strengthening investments in our core visual, audio and communications systems. In addition, with an eye to "contributing to a sustainable society through our business," we are pursuing balanced growth among three sectors: Automotive, Public Service and Media Service.

Moreover, in light of the trends in recent technological innovation, such as AI, 5G/IoT, VR/AR, and the future of our existing areas and businesses, we are focusing on commercializing the DX (Digital Transformation) Business as the fourth pillar of the Group and also newly established the DX Business Division in April 2019.

By maximizing the use of various management resources, we aim to increase our corporate value through both business and sustainability promotion strategies.



Strengthening Management Resources for the Future

The JVCKENWOOD Group aims to realize its corporate vision through sustainable growth that makes maximum use of tangible and intangible management resources such as finance, technology, intellectual property, brands and human resources. At present, we are steadily generating revenue in the three existing sectors and approaching the ideal balance of our portfolio. Accordingly, we are actively strengthening our intellectual capital, human capital and social capital through research and development for the creation of future value including the DX business, the acquisition and development of human resources, and the development of collaborative partners.

Implementing Three Management Principles to Become a Customer Value Creator

The JVCKENWOOD Group has a value chain in which our bases all over the world collaborate with each other, ranging from bases for research and development to those for production, sales and after-sales service. In order to grow based on this value chain, the Group has set "Transform into a customer value creator" and "Evolve as a technology based company" as management principles in our "Vision 2020" and we aggressively invest in core technologies, alliances with other companies, and M&A. We aim to evolve from a manufacturer/distributor into a company that solves customer problems. Furthermore, to put into practice "Contribute to a sustainable society

through our business," which is one of our management principles, we are promoting a sustainability strategy that centers on the establishment of material issues and KPIs (Key Performance Indicators), and contributions to SDGs. We intend to increase our corporate value through both business and sustainability promotion strategies.

Creating Diverse Value That Is Unique to JVCKENWOOD

Through our global value chain, the JVCKENWOOD Group is creating value such as maintaining and expanding continuous relationships with business partners and providing opportunities for employment and skill development of employees. In addition, in the three sectors and the DX

business, we provide communications, audio, and imaging solutions using BtoB channels such as local governments, public facilities, and companies. We also propose products and services that extend to the sensitivity field through BtoC channels targeting individual customers. We aim to improve the satisfaction of each and every customer. Through these activities, the Group strives to increase corporate value and, by continuing stable dividends to shareholders and investors and long-term business investments, we are committed to further growth and passing on the economic, social and environmental value we create to the next generation.



Achieving sustainable growth through the provision of a variety of solutions that realize customer value.

Shoichiro Eguchi

Representative Director of the Board, President and CEO

Q1 What strategies are being put in place for ROE 10%, one of the key indicators of the Mid- to Long-Term Management Plan Vision 2020?

By working on enhancing our ability to provide solutions as a company and supporting them with investment in ESG-focused core technologies, we aim to attain balanced growth across all three sectors.

Under our corporate vision of “Creating excitement and peace of mind for the people of the world,” we have been developing businesses within the following three sectors: Automotive (AM), Public Service (PS) and Media Service (MS). Hitherto, the Group’s structure meant our revenues were largely dependent on the Automotive Sector. While it is great to have a standout earner, it is essential that it be reviewed from the perspective of business portfolio management.

Under the Vision 2020 Mid- to Long-Term Manage-

ment Plan, the Company set the objective of implementing a revenue structure that achieves balanced input from all three sectors, and has established a business strategy and invested in growth so as to increase overall earnings. As part of the business strategy, we established the management principles to foster new value for customers, facilitating our shift from a conventional manufacturer/distributor to a customer value creator that can solve customer issues. We are endeavoring to create added value by providing solutions that optimize our internal and external resources, starting with hardware. Additionally, for our investment strategy, we are actively distributing resources toward products and services that utilize our core technologies of audio, visual and communications systems while also striving to increase revenues throughout the Group in an efficient and stable manner. As a result of these initiatives, our revenues and profits for the fiscal year

ended March 2019 increased and the business portfolio improved considerably compared to that of the last few years. Moreover, as an important indicator of the Vision 2020 Mid- to Long-Term Management Plan, ROE has increased from 5.3% of last year to 6.8%.

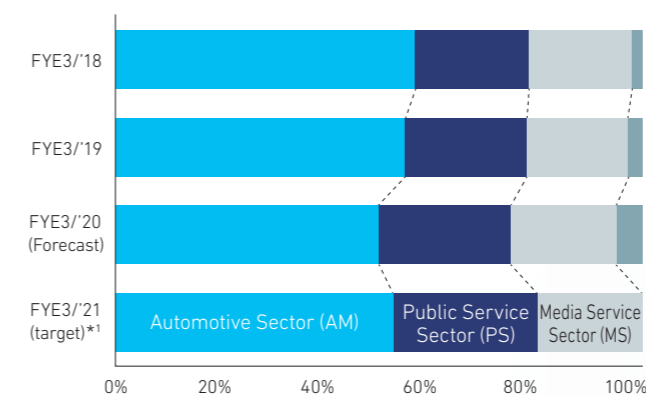
In the Automotive Sector, our level of safety and security has been highly praised by many users throughout Japan regarding car navigation systems and dashcams that employ our company’s strengths, including our core technologies in audio and visual fields, as well as in-vehicle technology and Human Machine Interface (HMI) technology founded on ergonomics. At present, they are industry-leading products in both the After-market Business and OEM Business. Looking to the future, we are working on enhancing the development of in-vehicle optical related field such as car-mounted cameras, which are expected to show growth as the field shifts towards electric vehicles (EVs), connected vehicles and vehicular automation. Furthermore, as vehicular automation continues to progress, the Group’s technology will be utilized for the creation of next-generation vehicle interiors. This allows us to focus on the development of products and services that boost our medium- to long-term growth while also reinforcing our current revenue base.

In terms of the Public Service Sector, the Communications Systems Business was struggling due to the steady conversion from analog to digital, but since 2015, M&A has been used to strengthen the construction system for professional wireless infrastructure for digital wireless and broadband in North America. This has resulted in an increasing trend from terminal sales to a total system solutions business, which is greatly contributing to the overall profitability of this sector. Profits/losses of the Professional Systems Business including security camera systems and commercial sound sys-

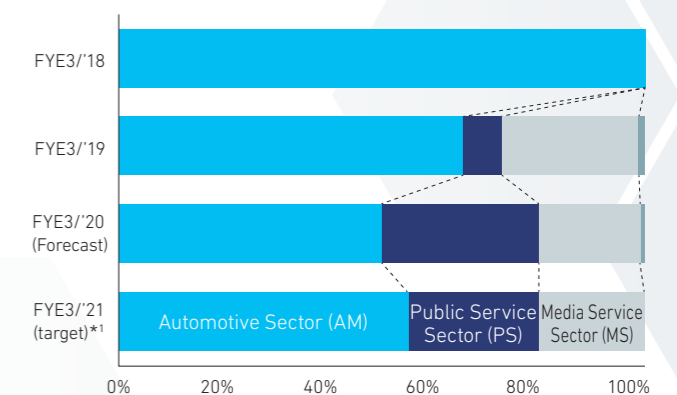
tems, managed by JVCKENWOOD Public & Industrial Systems Corporation, have also improved through focused efforts on proposing solutions that utilize both internal and external resources. At the same time, our accomplishments in the Healthcare Business have grown primarily through medical image display monitors that maximize our unique technologies. Affiliations with other companies have also aided in our expansion into the area of blood test solutions that enable the early detection of diseases such as cancer, and into the development of early diagnosis systems for dementia and autism spectrum disorder, which we expect will contribute significantly to business over the medium to long term.

With regards to the Media Service Sector, our products and services in the area of BtoB are promising, making them one of our key profit pillars. Such products include commercial projectors equipped with uniquely developed liquid crystal elements and network-compatible cameras for broadcast stations. However, the market of the BtoC area is experiencing drastic changes due to the spread of smartphones. While increasing our market presence through exceptional solutions, such as completely wireless headphones and earphones as well as video cameras intended for outdoor use, and custom services specific to the sound field that are equipped with unique out-of-head localization sound field processing technology, we intend to work proactively on environmentally friendly products by considering plant and paper alternatives for various product plastics.

■ Revenue (composition by sector)



■ Core operating income*2 (composition by sector)



*1 Target figures for FYE3/21 are figures published in “Notice Regarding Progress and Revision of the Mid- to Long-Term Management Plan ‘Vision 2020’,” released on January 31, 2018.

*2 Core operating income is a profit indicator calculated by subtracting cost of sales and selling, general and administrative expenses from revenue. Core operating income has been used for the purposes of constantly monitoring performance and future outlook of each segment and continuously assessing our business portfolio, and as a profit indicator replacing operating profit under Japanese GAAP. Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income, other expenses, and foreign exchange losses (gains) included in operating profit under IFRS.

Q2 | While enhancing the provision of solutions in three sectors, how does the Group ensure efficient progress across a wide range of businesses?

We are promoting a number of measures to facilitate efficient creation of solutions centered on technology, covering both “offensive” and “defensive” aspects.

I am aware that the scale of our company does not match the many business units we hold, but these businesses are all branches of our audio, visual and communications systems core technologies. As briefly mentioned under the previous investment strategy, we always make sure the synergies of the entire Group, based on core technologies and owned IP, can be demonstrated when investing in individual businesses.

In terms of actual business, however, the business environment, distribution channels, customers, and product cycles vary for each product and service. Despite drastic shifts in the business environment due to recent market changes and technological innovations, we believe the Group has retained independence owing to our engagement in a variety of businesses which has allowed us to adapt to these environmental changes well.

On the other hand, it has been difficult to formulate a long-term growth strategy with our multitude of diverse businesses. The Group is therefore promoting a number of measures to facilitate efficient creation of solutions centered on technology that cover both offense and defense aspects.

Firstly, the offensive aspect is part of our investment strategy, where we are concentrating on making the DX (Digital Transformation) Business the Group’s fourth pillar. Our aim is to create solutions that combine advanced technologies such as AI, IoT, and 5G to support future society, with our products, services and core technologies that have been cultivated within the three existing sectors, as the foundation. To accomplish this, under a policy to actively utilize open innovation and joint development with customers, we have begun collaborating with insurance companies and track companies in the field of commercial telematics

that already employ dashcams with communication capabilities, which is now growing into a big business. We are also in the process of developing a next-generation vehicle dispatch platform in cooperation with taxi companies and IT companies, which we hope to turn into a business that reaches tens of billions of yen in sales in the near future. Thus, we are reassessing our existing products and services, various distribution channels, trust relationships with customers, and brand power from a DX point of view to explore new possibilities. Then, by turning them into future core businesses, we believe our efforts in terms of the selection and focus on medium- to long-term businesses will progress, though it is currently still in its infancy stage.

Likewise, with regards to the technological strategy supporting these growth strategies, we have newly established a technology development roadmap premised on the transition of products and services to DX. Concurrently, we have been promoting cross-licensing and the selling of patents using owned IP while also integrating new technologies into the Group that befit the era of DX.

Then there is the defense aspect, which involves the promotion of the management reform, T-Project, as part of our manufacturing reform. The Group’s establishment of effective manufacturing methods including cost reductions and the elimination of losses, which are essential to the manufacturing industry, has enabled us to foster open innovation to support a shift in our focus from the selling of individual devices to the provision of solutions. Incidentally, our previous methods varied for each sector and business unit, and we now realize that our approach to the application of company-wide knowledge and know-how based on the expertise cultivated at each site was poor. Facing this issue head on, it is my hope that we can bring about manufacturing management reforms through the ongoing promotion of our consistent improvement activities, which include utilizing the latest shared tools and evaluation methods to improve the efficiency of each Group product and service, from the concept and development stage to application at production sites.

Q3 | How does the Group promote resource allocation and investment policies for regions and brands while also developing a global business?

We routinely discuss risk management and opportunity creation for each region with the growth strategy and brand strategy of each business at the core.

As mentioned above, our Group’s businesses are diverse and the BtoB, BtoC, and product cycles vary accordingly. For this reason, the formulation of a policy for the entire region would not be effective. For instance, the Aftermarket Business of the Automotive Sector has recently taken off in Japan, but in the OEM Business, which relies on automobile manufacturers and dealers to provide products, the primary products differ depending on the market trends and sales strategies of each region. At the head of the Public Service Sector in North America and Japan is the Communications Systems Business, while the Professional Systems Business is centered largely on Japan. The Media Service Sector primarily targets the global market. With this business structure, we ought to adopt a global strategy that prioritizes flexible decision-making, which we can ensure by gaining a thorough understanding of the world’s economic condition, market trends, exchange rates, and geopolitical risks while, at the same time, aligning the strengths of our products and services with the market.

Undoubtedly this method will cause a certain degree of inefficiency, but I believe that if the Group acknowledges these business characteristics and the Board of Directors verifies an investment balance in accordance with regional investment and accounts receivable at

quarterly meetings, then we will share the common goal of achieving solid risk management regarding exposure. Recently, the entire Japanese industry has been experiencing a shift away from China due to the effects of the trade war between China and the United States, but, as the level of impact on each business differs, we have decided to formulate separate strategies for each business unit while still closely monitoring overall movements.

Along with risk management, we are also discussing opportunities to share examples of successful cases, regarding specific products for each region, within Japan and on a global scale. One such example is brand management. Currently, we are promoting a multi-brand strategy with multiple product brands under the umbrella of our corporate brand so as to maximize the brand value amassed by the former JVC and KENWOOD, and to meet the value expectations of our customers, which vary for each product and service. A case in point is the KENWOOD brand of the Automotive Sector, which has been enhancing its brand image for over 20 years by sponsoring motor sports. JVC is also highly regarded by video professionals for products, such as cameras specifically designed for broadcasting stations. Additionally, Victor, which recently redefined its brand vision in 2017 to “Exploring a new era with pride,” is becoming a brand well-recognized for its high-quality products primarily centered in Japan. Though these product brands are not reflected in the balance sheet, the Group considers them to be management assets that are just as important as technology and IP.

Q4 What is the current status of and your views on the Group's assertion to make efforts to solve social issues through business activities?

Our aim is to contribute to the realization of a sustainable society and consistently improve our activities through initiatives that foster the growth of our company and employees.

Over the last few years, in terms of realizing a sustainable society, we have seen the potential in solving not only risk areas including environmental protection and governance, but also other societal issues, and are searching for ways to turn these into growth opportunities. In such a society, we decided to review Vision 2020 of our Mid- to Long-Term Management Plan in 2018, adding the assertion "efforts to solve social problems through business activities" to one of our basic policies. We then clarified whether our products and services were contributing to the achievement of the SDGs set by the UN. We also set specific KPIs to ensure the continuous improvement of these activities.

I believe the promotion of management founded on sustainability is particularly significant in two ways. The first is that it allows us to maintain a balance between contributing to a sustainable society and to our growth. The dashcam, as our primary product, is a perfect example of this as it provides safety and security for drivers while also preventing others from driving dangerously. Moreover, in the Healthcare Business, Gazefinder, a gaze tracking system, has been gaining traction as a system aiding the early detection of autism spectrum disease and dementia. The second is that it increases employee motivation through active engagement in the planning, development, production and sales stages of our products and services. The usefulness of our products around the world has also triggered a much deeper interest and sense of responsibility in work. I believe it has been very effective in increasing employee motivation and enhancing quality and compliance.

Q5 What is the vision for business after 2020, for instance 2030, and what measures will be taken to achieve this?

We aim to become a leading solution provider that expands the scope of safety, security, and comfort with a focus on the next generation.

We are striving to become a leading solution provider dedicated to boosting our shift from a manufacturer/distributor to a customer value creator and expanding the scope of safety, security, and comfort through our core technologies of audio, visual, and communications systems.

To that end, it is essential that we reinforce the manufacturing foundations mentioned above, conduct initiatives that employ innovative technology integrated with our technological and IP strategies, and maximize management techniques such as open innovation and M&A. Furthermore, we hope to gain a competitive advantage by adding those features that are expected of JVCKENWOOD to every solution; qual-

ity, design, and artisan skills responsible for the sensitive areas of audio and visual fields.

In anticipation of such a future, the most important point for us now is the development of next-generation personnel. Therefore, in addition to the creation of a succession plan for our management team, it is crucial that we reform a variety of comprehensive personnel strategies, including the methods for educating and promoting next-generation executives and young leaders.

To achieve Vision 2020 of the Mid- to Long-Term Management Plan, we will examine our current business results closely and implement the appropriate measures as needed, while at the same time, using a management strategy that incorporates sustainability as a basis from which to actively engage in the development of personnel for our future.

Achieving ROE of 10%

Internal dissemination of profit awareness and M&A strategy

Junko Koshino
Executive Officer and
General Manager of
Corporate Strategy
Department



Held ROE Caravan at All Business Sites to Disseminate Management Indices

The Corporate Strategy Department plays a central role in holding briefing sessions called ROE Caravan to familiarize employees with our Group's management index, ROE, and discuss specific improvement measures at individual workplaces in order to achieve the goal of ROE 10% in 2020. As of the end of June 2019, more than 600 employees had participated in the program. The caravan started with group managers who are the key persons in promoting each business and is gradually expanding the number of participants to all managerial and general level positions. In addition, last year, we conducted an e-learning program for all employees on our intranet to promote a basic understanding.

In order to improve net income to net sales, total asset turnover and financial leverage, which affect ROE, and based on the opinions of participants on awareness and actual conditions unique to each workplace, we are working to disseminate management indices at various times, such as by holding studying sessions during training for executives and training for promotion.

I am confident that by having each of us deeply understand the figure of ROE 10% that we have promised to our shareholders and applying it to our work by thinking about what the Company is aiming for on a daily basis, we will surely be able to change our awareness, and create it as a corporate culture.

Active Use of M&A to Create New Solutions and Expand Businesses

Achieving ROE of 10% requires a change of awareness and the development of new solutions based on high value-added products and services. Especially in business fields where technological change is intense, M&A is a powerful option for strengthening management in order to obtain innovative technologies and knowledge promptly. In the Automotive Sector, we expanded the OEM

Business by consolidating ASK Industries S.p.A. in Italy. In addition, in 2018, we invested in WayRay AG, a manufacturer of next-generation automotive Head Up Displays utilizing AR (augmented reality) technology. It conducts major R&D in Russia, and its technology is recognized and invested in by many major automakers. By combining its technology with various solutions in the Automotive Sector, we aim to expand our business for a next-generation automobile society.

In the Public Service Sector, in 2014, in order to strengthen the communications systems business we consolidated EF Johnson Technologies, Inc., a U.S. company with expertise in standards for digital radio "P25" for public safety that continues to expand the market in North America. In addition, we acquisition in Italy's Radio Activity S.r.l. in order to expedite development for standards for digital radio (digital mobile radio, or "DMR") for which the market has been remarkably expanding recently. Moreover, in December 2018, we invested in Tait International Ltd., a New Zealand company, and we were provided with the opportunity to quickly launch the broadband solution business for professional radio, where the market is expected to expand in the future.

Furthermore, in the healthcare market, in order to expand the business field by utilizing our video processing technology, we consolidated Rein Medical GmbH, a German company that runs the operating room visualization business in May 2018.

In the Media Service Sector, in December 2018, we invested in Slovakia's Streamstar, a.s. in order to increase the IP video-creation solutions business.

There is a limit to profit growth with the Group's existing businesses alone. We will strive to become a stronger company by firmly maintaining the backbone of our business and reinforcing areas that are lacking through M&As. I place the highest priority on clarifying the business strategic position of the Group in business alliances, including M&As, and on finding ways to further increase mutual value through integration with partner companies. Going forward, we will continue to actively use M&A to create new solutions and expand businesses.



Contributing to sustainable growth while realizing a balanced and sound revenue structure, as well as paying attention to investment efficiency.

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

Overview of Results for the Relevant Fiscal Year

The Group is promoting various revenue improvement measures by setting a target of ROE of 10% in Vision 2020 and ensuring the soundness of finance, including indicators such as the equity ratio. Reflecting on the excessive emphasis placed on the Automotive Sector in terms of profit up to the fiscal year ended March 2018, we are striving to invest in order to achieve balanced growth in each business sector.

As a result of our efforts under these policies, in the fiscal year ended March 2019, revenue increased by approximately 6.9 billion yen (2.3%) year on year to 307.627 billion yen and core operating income* increased by approximately 2.3 billion yen (35.7%) year on year to 8.562 billion yen. We achieved profitability in all three sectors: Automotive, Public Service and Media Service.

Although revenue decreased due to the impact of the economic downturn in China in the Automotive Sector and lower sales in the Aftermarket Business affected by supplier parts supply problems, a significant increase in revenue was recorded in the Communications Systems Business of the Public Service Sector, primarily due to increased sales at a U.S. wireless subsidiary, absorbing the impact of the decline in revenue in the Automotive Sector.

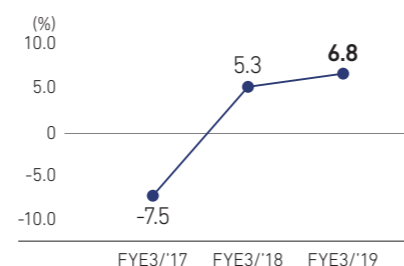
Core operating income increased significantly, absorbing the impact of the decline in income in the Automotive Sector, supported by a significant improvement in income/loss and moving into the black in the Public Service Sector, and a substantial increase in income in the Media Service Sector. As a result, profit before income taxes increased by approximately 0.5 billion yen (7.7%) year on year to 6.401 billion yen, and prof-

it attributable to owners of the parent company increased significantly by approximately 1.5 billion yen (61.0%) year on year to 3.847 billion yen. As a result, the return on equity attributable to owners of the parent company (hereinafter referred to as "ROE") rose from 5.3% in the previous fiscal year to 6.8%.

For the fiscal year ending March 2020, income in the Automotive Sector is expected to decrease due to the early termination of sales of existing products in the OEM Business and the sales of newly ordered products starting in the fiscal year ending March 2021 or thereafter. However, the income/loss for the Group is expected to remain at the same level as the same period of the previous fiscal year primarily due to further growth of the Public Service Sector and sales growth in the telematics business of the DX (Digital Transformation) Business Division, which became a division this fiscal year. We will realize a balanced and sound revenue structure and promote various measures to achieve an ROE of 10% in the next fiscal year, the final fiscal year of Vision 2020.

* Core operating income: Operating profit minus temporary factors such as "Other income," "Other expenses" and "Foreign exchange losses (gains)"

Ratio of profit (loss) attributable to owners of the parent company



Progress of basic strategy by customers' industry sector

Customer Industry Sector	Vision 2020 (2015)				New Business Category	Revised Vision 2020 (2017)					
	Basic Strategy	Level of Opportunity	Investment	Size of Profit		Basic Strategy	Level of Opportunity	Investment	Size of Profit		
Growth-Leading business	Automotive Sector	Aftermarket	Focus on No.1 sales channel and maintaining brand power.	○	➡	➡	Aftermarket	Continue to expect profitability due to a smaller-than-expected market shrinking.	○	➡	➡
		Dealer-Installed	Increase orders by diverting the platform of aftermarket products.	○	➡	➡	OEM	Expand business domains mainly in ASK and Shinwa despite a downward-revised forecast of iADAS*. Increase orders in OEM by utilizing assets acquired in factory-installed option business.	◎	➡	➡
		Factory-Installed	Make full-scale entry with next-generation products by leveraging optical technology.	◎	➡	➡					
Profit-Base Business	Public Service Sector	Safety	Commercialize total solutions in the public safety sector.	○	➡	➡	Safety	Enhancing IP solution-based business through M&A.	○	➡	➡
		Healthcare	Focus on niche sectors where optical technology can be used.	△	➡	➡	Healthcare	Make an investment in various fields instead of limiting to the field of optics to enhance growing domains.	○	➡	➡
	Media Service Sector	Media	Divert consumer product technology to professional, semi-professional and industrial use.	△	➡	➡	Media	Continue to pursue an aggressive growth path.	○	➡	➡
		Entertainment	Supplement shrinking of existing market with expansion of revenue source and products for professional use.	△	➡	➡	Entertainment	Continue to enhance entertainment content and expand into new business domains.	△	➡	➡

Note: Direction of arrows indicates change from FY2014 to FY2020

* i-ADAS: A JVCケンウッド trademark that stands for "Innovative Advanced Driver Assistance System."

Revised to "growth" (green box) Revised to "gradual growth" (orange box)

Direction of Growth Investment

I believe that the role of the CFO is to provide effective advice to the CEO in making major investment decisions on where to allocate management resources. In particular, in the case of the Group, which has three sectors and a wide range of businesses, it is necessary to pay attention to the fact that investment efficiency will deteriorate if we intend to stabilize management by investing evenly in each sector and business. In order to make optimal decisions under such circumstances, we always try to understand the growth strategy and progress of each business from a broad perspective and make decisions based on risks over the short, medium and long term. In recent years, we have been required to grow while contributing to the sustainability of society, and we are working to make investment decisions from a long-term perspective. For example, the widespread use of dashcams not only enhances the accuracy of investigations into the cause of an accident, but also helps control the unsafe driving of other vehicles and, at the same time, contributes to the Group's sustainable

growth. The Healthcare Business, which is positioned as an up-front investment, also contributes to people's healthy life expectancy and has the effect of reducing medical expenses. The Group is moving forward with these business activities with an eye toward profitability by around 2023.

Return to Shareholders and Reduction of Interest-Bearing Debts

As for distributions, we believe that a stable return of profits to shareholders and the securing of management resources for future growth are among the most important management issues, and we will make decisions based on comprehensive consideration of revenue power and financial conditions. As in the previous fiscal year, we plan to pay a dividend of 6 yen per share in this fiscal year. In the meantime, since our consolidated long-term borrowings exceed 70 billion yen, we will strive to reduce the balance of long-term borrowings in order to reduce the future interest burden.