

JVCKENWOOD

# JVCKENWOOD Integrated Report 2019





# Corporate Vision

## Creating excitement and peace of mind for the people of the world

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### Management Principles

- Transform into a customer value creator
- Evolve as a technology based company
- Contribute to a sustainable society through our business







**We will continue to provide value to realize “excitement and peace of mind” for stakeholders around the world utilizing the driving force of the three management principles.**

The JVCKENWOOD Group has adopted “Creating excitement and peace of mind for the people of the world” as its corporate vision. To realize this vision, the Group must manage its business in a balanced manner, responding flexibly and promptly to changes in market trends for each product and service it deals with, while at the same time, maintaining unchanging values, and making decisions from a medium- to long-term perspective.

To put this philosophy into practice, the Group established the Mid- to Long-Term Management Plan Vision 2020 in 2015, and launched reforms under the banner of “Transformation into a customer value creator.” In addition, in 2018, we conducted an interim report, adding “Evolve as a technology based company” and “Contribute to a sustainable society through our business.” We have set these three policies as our new management policies to realize our corporate vision and further enhance our corporate value.

“Customer value creator” means that the Company goes beyond manufacturing as a manufacturer to develop business concepts based on the needs of customers to whom the Company provides its products and services, and then to become a problem-solving company by providing solutions, bringing together the wisdom of both internal and external entities. “Technology based company” shows the Group’s strong commitment to introducing leading-edge elemental technologies spanning various businesses including AI, IoT and 5G, into the Group, utilizing both intellectual property and technology strategies centered on its core technologies of visual, audio and communications systems to create customer value. Furthermore, “Contribute to a sustainable society through our business” is a concept that focuses on social issues as well as customer needs, and seeks to identify opportunities for long-term growth through the technologies, products and services that emerge in the process of solving those issues. Professional radio systems, dashcams and healthcare equipment that utilize the Group’s core technologies are directly related to the “peace of mind” stated in our corporate vision. We are confident that these products will be a powerful solution for realizing the sustainability demanded by the international community and for achieving the United Nations’ SDGs.

The corporate manager’s mission is to create value that is unique to JVCKENWOOD utilizing these three management principles as the driving force, and to develop human resources with the eagerness and ability to continuously enhance that value, as well as knowledge about compliance, and other matters. We also believe that it is important to create a workplace that is, even if only slightly, more rewarding to employees and officers who perform well in the workplace sharing our corporate vision, and an organizational structure that enables transparent and effective governance and decision-making.

Through a variety of initiatives, the JVCKENWOOD Group consistently aims to build deep relationships of trust with all of our stakeholders, and to manage the corporate group so that we can share the joy of growth into the future.

**Shoichiro Eguchi**

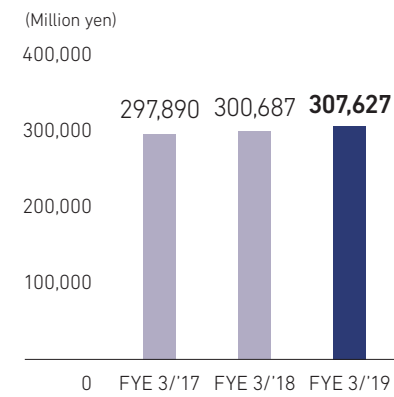
Representative Director of the Board, President and CEO



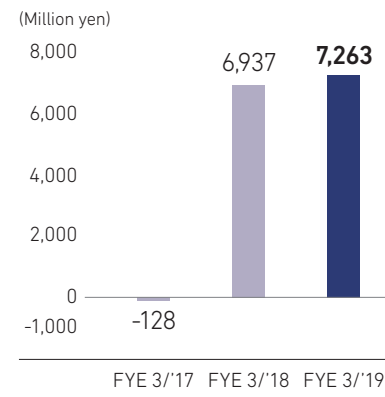
## We have constantly taken on the challenge of creating new value that transcends our history and domain.

JK 1.0	1920–2007	JK 2.0	2007–2016	JK 3.0	2016–2018	JK 3.1	2018–2019
	<p>The era of Victor Company of Japan (JVC) and Kenwood Corporation operating as separate companies</p> <p>Achieved growth as a global company through creation of technologies and cultures</p> <p><b>Victor Company of Japan, Limited</b></p> <p>1927 Established Victor Talking Machine Company of Japan, Limited</p> <p>1939 Produced the first TV receiver in Japan</p> <p>1958 Launched the STL-1S, the first stereo LP and stereo set in Japan</p> <p>1972 Established Victor Musical Industries, Inc. (current JVCKENWOOD Victor Entertainment Corp.)</p> <p>1976 Launched the HR-3300, the world's first VHS recorder</p> <p>1986 Launched the GR-C7, the world's smallest and lightest VHS-C video camera</p> <p>1995 Launched the GR-DV1, the world's first pocket-sized digital camcorder</p> <p>2003 Launched the EX-A1, compact home stereo component system</p> <p>2007 Launched the Everio GZ-HD7, the world's first full HD hard disk camcorder for consumers</p> <p><b>Kenwood Corporation</b></p> <p>1946 Established Kasuga Radio Co., Ltd.</p> <p>1957 Began exporting the FM-100 FM tuner for the first time as a Japanese manufacturer</p> <p>1960 Renamed Trio Electronics, Inc.</p> <p>1978 Entered the professional radio equipment field in Japan</p> <p>1980 Entered the car audio field in the U.S. and launched the KENWOOD brand's car audio system in Japan</p> <p>1986 Renamed Kenwood Corporation</p> <p>1991 Official supplier contract with McLaren F1 Team. Developed and began to supply communications systems for the McLaren F1 Team's exclusive use</p> <p>1992 Entered the car navigation system field, launching the KNV-100, the industry's first 1DIN-size GPS car navigation system</p> <p>2007 Converted Zetron, Inc., a U.S. systems-based communication company into a subsidiary</p>	<p>Management integration and structural reforms</p> <p>Developed corporate infrastructure and built a foundation for the future growth of the next generation</p> <p>2007 Jul. Victor Company of Japan, Limited (JVC) and Kenwood Corporation (Kenwood) entered into an agreement on a capital and business alliance</p> <p>2008 Oct. JVC and Kenwood established the joint holding company JVC KENWOOD Holdings, Inc. through a stock transfer (JVC KENWOOD's shares were listed on the First Section of the Tokyo Stock Exchange)</p> <p>2009 Dec. Launched the MDV-313, the first car navigation system for which the same JVC and Kenwood platform was adopted</p> <p>2011 Feb. Launched the MDV-727DT and MDV-626 DT, first-generation Saisoku-Navi devices that achieved high resolution and high-speed response</p> <p>Aug. JVC KENWOOD Holdings, Inc. changed its name to JVCKENWOOD Corporation</p> <p>Oct. Completed an absorption-type merger of its three subsidiaries : Victor Company of Japan, Limited, Kenwood Corporation, and J&amp;K Car Electronics Corporation</p> <p>2013 Mar. Launched the DLA-VS4800, the world's first mass-production model of the professional-use D-ILA projector, which features an 8K high-definition display</p> <p>Jun. Converted Shinwa International Holdings Limited (now JVCKENWOOD Hong Kong Holdings Ltd.), an in-car device manufacturing company in Hong Kong, into a consolidated subsidiary</p> <p>Jul. Took over all of the shares of TOTOKU Nagaoka Corporation through an absorption-type corporate split from TOTOKU Electric Co., Ltd., and changed the corporate name from TOTOKU Nagaoka to JVCKENWOOD Nagaoka Corporation</p> <p>2014 Mar. Obtained 100% ownership of EF Johnson Technologies, Inc., a company focused on delivering mission-critical, digital P25 communications solutions to the North American market</p> <p>Sep. Launched the NX-5000 series, the NEXEDGE series of multi-mode digital radio systems compliant with the P25 standard</p> <p>Dec. Launched the KNA-DR300, a full HD dashcam that enables high resolution entered into the dashcam market</p> <p>2015 Apr. Converted ASK Industries S.p.A., a European in-vehicle component company, into a consolidated subsidiary</p> <p>May. <b>Formulated Vision 2020, the new Mid- to Long-Term Management Plan that looks ahead to fiscal 2020</b></p> <p>2016 Mar. Commenced a joint development of diagnostic instrument for the measurement of exosomes with Sysmex Corporation</p> <p>Apr. Established JVCKENWOOD Public &amp; Industrial Systems Corporation, aiming to expand the Professional Systems Business</p>	<p>Evolved into a customer value creator by changing traditional methods including corporate cultures</p> <p>2016 Jul. Commenced a development assistant project for Multi Live Monitor wireless stereo headset by using crowdfunding</p> <p>Oct. Developed the world's smallest 0.69-inch 4K D-ILA device</p> <p>Oct. Launched the WOOD series of inner-ear headphone, which feature wooden dome diaphragms</p> <p>2017 Mar. Announced the development of EXOFIELD, an out-of-head localization sound field processing technology which enables reproduction and localization of the sound field of speakers in a listening room with headphones</p> <p>Mar. Redefined the Victor brand to commemorate the 90th anniversary of the founding of the former Victor Company of Japan, Limited (JVC)</p> <p>Mar. Acquired Certification as an Organization Contributing to National Resilience (Resilience Certification)</p> <p>Aug. Signed a memorandum of operational collaboration with Sanwa Koutsu toward the development and introduction of a taxi dispatch system</p> <p>Nov. Launched the DRV-830, a dashcam with a 3.7 megapixel resolution, approximately 1.8 times that of full Hi-Vision</p> <p>2018 Jan. Acquired all the shares issued by Italy-based Radio Activity S.r.l., a developer and seller of digital radio relay systems that are compliant with Digital Mobile Radio (DMR), an international digital radio standard</p> <p>Jan. <b>Announced Progress and Revision of the Mid-to Long-Term Management Plan Vision 2020 launched in 2015</b></p> <p>Mar. Recognized as a White 500 company under the 2018 Certified Health and Productivity Management Organization Recognition Program</p>	<p>Aim to achieve further development based on the new Management Principles under the new management structure</p> <p>2018 Mar. Awarded the highest level Eruboshi certification under the Act on Promotion of Women's Participation and Advancement in the Workplace</p> <p>Apr. Developed the new Management Principles and Action Guidelines under the new management structure</p> <p>Apr. Announced the GY-HC900, the first high-end professional camcorder under the new CONNECTED CAM™ concept</p> <p>May. Acquired all the shares issued by Germany-based Rein Medical GmbH, a developer and seller of Operating Room (OR) imaging solutions</p> <p>May. Developed a communication dashcam for the truck transportation industry in preparation for entering the commercial telematics field</p> <p>Jun. Reproduced a limited-edition high-grade RJ-3000 music box to commemorate the 90th anniversary of the founding of Victor Company of Japan, Limited (JVC)</p> <p>Aug. JVCKENWOOD dashcam with communication capabilities adopted by non-life insurance company for use with car insurance policies with dashcams</p> <p>Sep. Announced the DLA-V9R, the world's first D-ILA projector for home theaters with 8K display support (as of September 13, 2018)</p> <p>Oct. Established Creative Nanosystems Corporation, a company that develops and manufactures IVD biodevices using micro and nano-fabrication technology, jointly with Sysmex Corporation</p> <p>Oct. Announced the DRV-MR740, a front and rear 2-camera dashcam that supports simultaneous front and rear recording</p> <p>Oct. Received a Gold rating, the highest in the PRIDE Index, an evaluation index for initiatives regarding LGBT employees</p> <p>Oct. Provided SoftBank Corp. with tough, all-weather hand-held professional IP radios with LTE support</p> <p>Dec. Concluded agreement for a share acquisition and a capital and business alliance with Tait International Ltd., a professional radio communication systems company in New Zealand</p> <p>2019 Jan. Launched JVCKENWOOD Accelerator 2019, an open innovation program aimed at creating new businesses with startups</p> <p>Apr. Commercialized a security service for drivers that uses dashcams with communication capabilities for Grab, Southeast Asia's top car-hailing service</p>			

## Revenue



## Operating profit (loss)

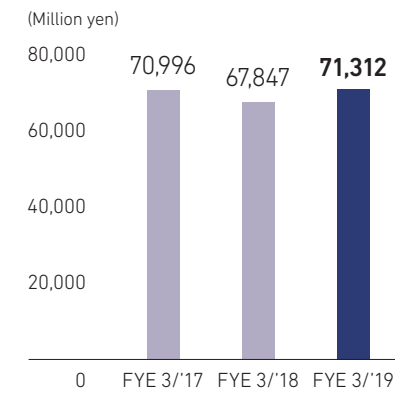


Revenue **¥307.6 billion**  
(+2.3%)

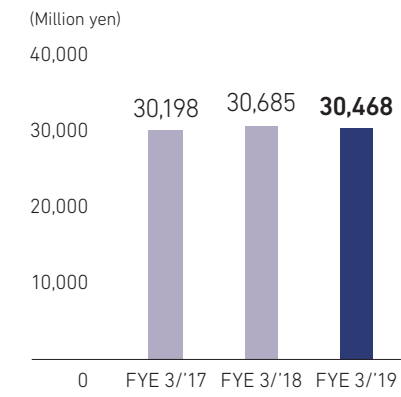
Operating profit **¥7.3 billion**  
(+4.7%)

Both revenues and profits increased for the second consecutive year.

## Interest-bearing debts

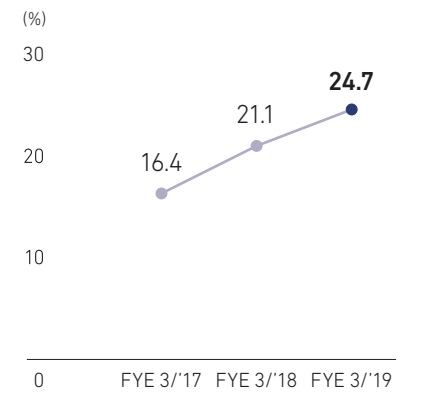


## Net debt



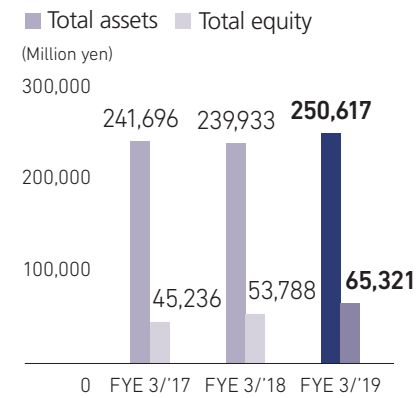
Although interest-bearing debts increased from the previous fiscal year due to an increase in long-term loans payable, net debts declined slightly.

## Ratio of equity attributable to owners of the parent company

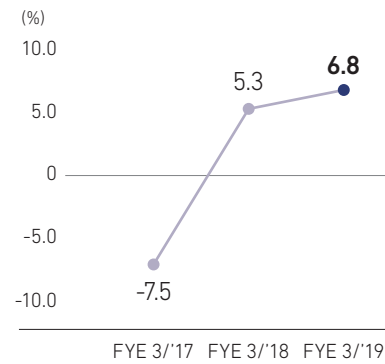


Ratio of equity attributable to owners of the parent company **24.7%**  
(+3.6point)

## Total assets / Total equity



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



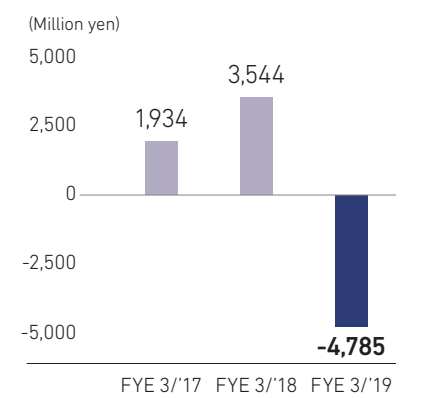
ROE **6.8%**  
(+1.5 point)

Both assets and equity increased, and ROE also rose for the second consecutive year.

## Cash flows

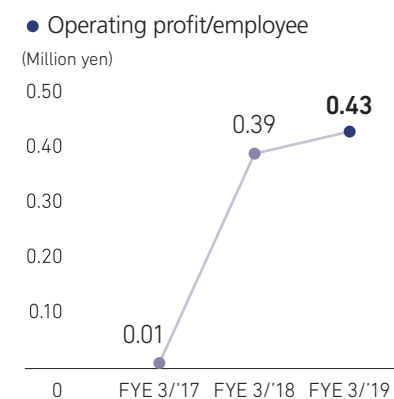
	(Million yen)		
	FYE 3/'17	FYE 3/'18	FYE 3/'19
Cash flow from operating activities	19,624	18,379	20,983
Cash flows from investing activities	-17,690	-14,835	-25,768
Cash flows from financing activities	-2,052	-7,043	8,479

## Free cash flows

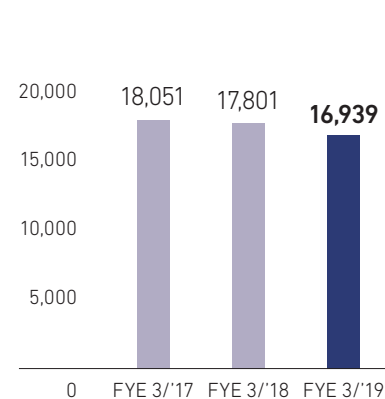


Cash flows from operating activities resulted in an increase in income, while cash flows from investing activities resulted in a negative free cash flow due to an increase in expenditures.

## Operating profit per employee



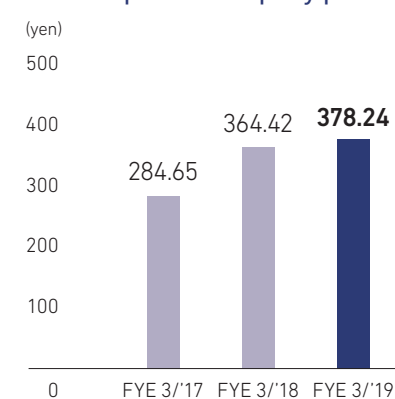
## Number of employees



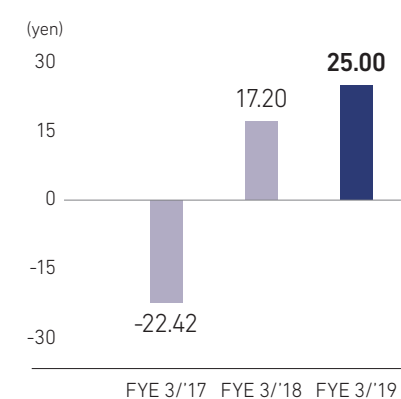
Operating profit per employee **¥0.43 million**  
(+10%)

Operating income per employee increased for the second consecutive year.

## Equity attributable to owners of the parent company per share



## Basic earnings (loss) per share (EPS)



Basic earnings per share (EPS) **¥25.00**  
(+45%)



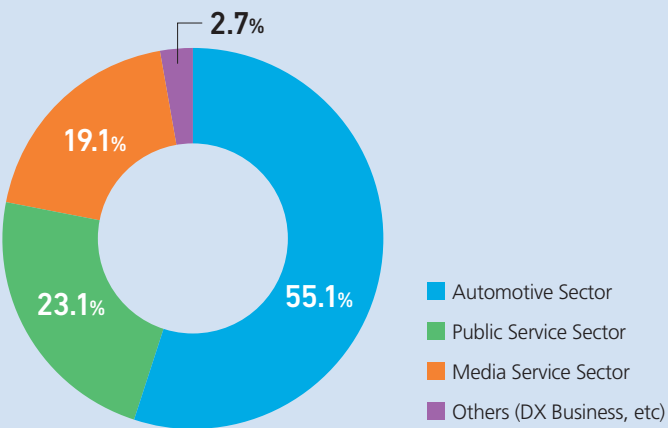
JVCKENWOOD Corporation will continue to evolve into a Customer Value Creator, which provides solutions to customers in the Automotive, Public Service, and Media Service sectors, as well as through the DX Business Division, which provides solutions that cut across the boundaries between business fields.

### Automotive Sector

(Aftermarket Business and OEM Business)



Sales Composition for FYE 3/'19



### Public Service Sector

(Communications Systems Business, Professional Systems Business and Healthcare Business)



### DX Business

(Digital Transformation)



### Media Service Sector

(Media Business and Entertainment Business)





## Promoting a multi-brand strategy to enhance the Group's corporate value by clarifying the role, ideals, and vision of each brand.

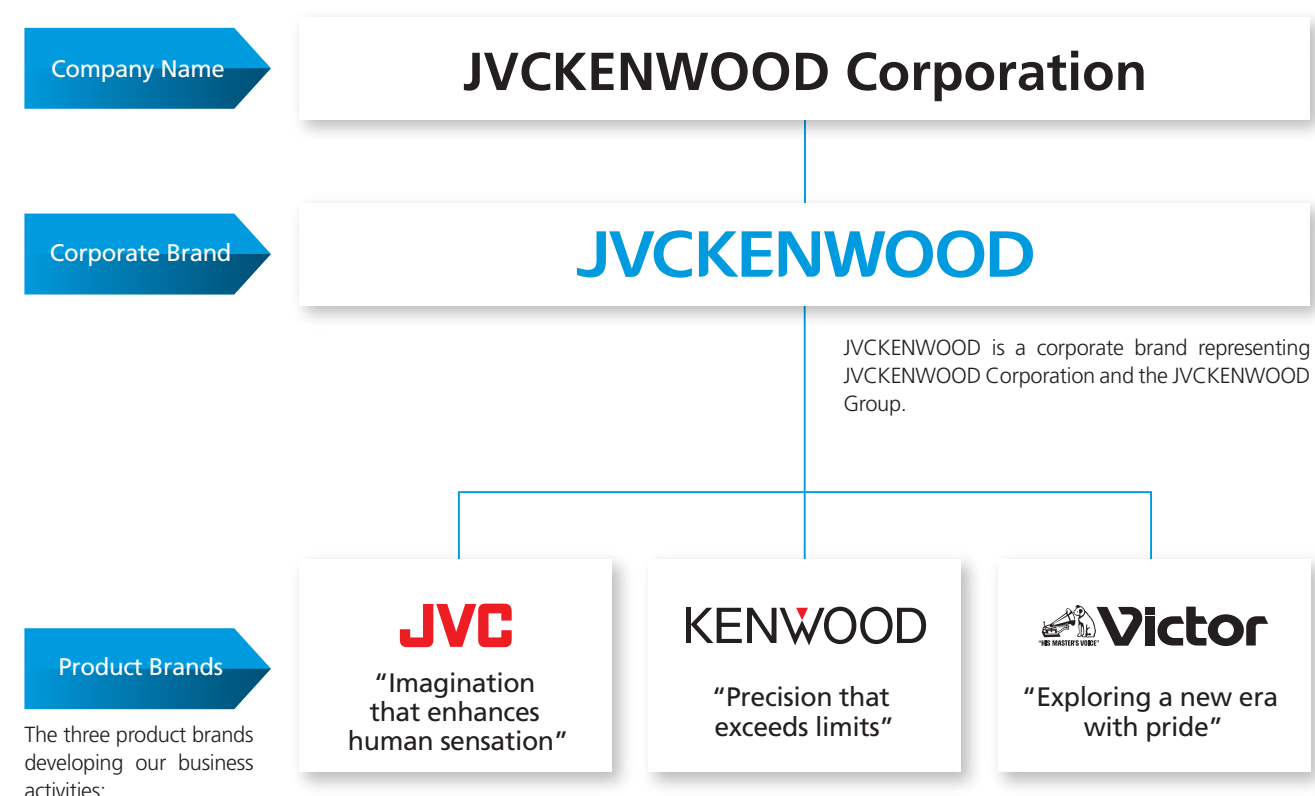
### Basic Concept

The JVCKENWOOD Group is shifting its stance as a conventional manufacturer/distributor to a Customer Value Creator that is more focused on solving customer issues. To achieve this level of customer value creation, each brand will be an important management resource in boosting the expectations, satisfaction and trust of various stakeholders including customers, shareholders/investors, business partners and job seekers.

With this concept, the JVCKENWOOD Group has several product brands under the corporate brand umbrella of JVCKENWOOD and is fostering a multi-brand strategy to clarify the role and value of each brand. Our aim is to enhance the corporate value of each brand, which will in turn raise that of the entire Group, through consistent demonstration of customer experiences that exhibit the values promised to our stakeholders.

### Brand System

The three brands under the corporate brand communicate the value of customer experience through each vision, "imagination that magnifies human senses," "precision that exceeds limits," and "exploring the new era with pride."



The three product brands developing our business activities:

The JVC brand is highly regarded for its distinctive products and technical proficiency in the areas of both audio and visual. JVC constantly strives to generate fresh ideas to heighten the senses and provide a richness of life.

The KENWOOD brand is highly regarded by the market for its sharpness, innovativeness, and high quality. It exceeds limits with a sharp pioneering sight and thinking.

The Victor brand develops products and services that transcend conventional frameworks. With great pride in our history of cultivated innovations and with our progressive curiosity in audio and visual, we can create a whole new era.

### Branding Activities

We appoint ambassadors and conduct sponsorship activities to promote the philosophies of each brand, in addition to our core products and services. Capitalizing on the strengths of our product brands allows us to maximize the corporate value of the entire Group.



#### Appointment of Ambassadors

Based on the brand vision "imagination that magnifies human senses," we will improve brand value by selecting active athletes to be our ambassadors.



Mario Mola



Kozue Ando

## KENWOOD

#### Sponsorship Activities for Motor Sports

We are currently promoting sponsorship activities around the world for top-class motor sports. With the refinement of our business and brand in the extreme environment of the racetrack, we are well on our way to achieving the brand vision, "precision that exceeds limits."

#### Official supplier for MotoGPT™

Our DMR digital radio system is used to facilitate management communication for the world's greatest motorcycle race, MotoGPT™. It has become an indispensable communication tool for 200 to 300 management staff at every Grand Prix and has overcome many obstacles to be recognized as a highly reliable brand.



#### Onboard camera developed for SUPER GT

We have supplied official onboard cameras to a total of 23 race cars for TV broadcasting since 2014, including all GT500 class cars of the SUPER GT series, the highest level GT car race in Japan. In 2019, we launched an even more compact and lightweight new camera that reduces distortions, offers higher definition video and ensures durability and sturdiness under severe environments.



#### Products and Services Created Based on Commitment

The Victor brand is evolving with the aspiration of "exploring a new era with pride." In the field of audio, we amaze customers with our products, services, and solutions that are created with a commitment to the development of sound based on the concept of searching for original sounds.



WOOD CONE premium model EX-HR10000 component system

## Delivering products and services rooted in local communities through our development, production, and sales networks in the five global regions.

● : Automotive Sector / ■ : Public Service Sector / ★ : Media Service Sector / ◆ : DX Business

### China

#### Operation Companies

- JVCKENWOOD (China) Investment Co., Ltd.
- JVCKENWOOD Hong Kong Ltd.

#### Manufacturing Companies

- Shanghai Kenwood Electronics Co., Ltd.
- : Automotive equipment

#### Principal Affiliated Companies

- JVCKENWOOD Hong Kong Holdings Limited
- : Manufacture and sales of automotive equipment, and contract manufacturing service of electronics devices

### EMEA

### EMEA (Europe, Middle East and Africa)

#### Operation Companies

- JVCKENWOOD Europe B.V.(Located in Holland)
- JVCKENWOOD U.K. Limited
- JVCKENWOOD Italia S.p.A.
- JVCKENWOOD Deutschland GmbH
- JVCKENWOOD RUS Limited Liability Company
- JVCKENWOOD Gulf Fze

#### Principal Affiliated Companies

- ASK Industries S.p.A.
- : Development, manufacture and sales of automotive equipment
- Radio Activity S.r.l.
- : Development and sales of professional radio systems
- Rein Medical GmbH
- : Development, sales and implementation of operating room imaging solutions

### China

### Asia-Pacific

### Japan

### Asia-Pacific

#### Operation Companies

- JVCKENWOOD Singapore Pte. Ltd.
- JVCKENWOOD Malaysia Sdn. Bhd.
- JVCKENWOOD (Thailand) Co., Ltd.
- PT. JVCKENWOOD Indonesia
- JVCKENWOOD Australia Pty. Ltd.

#### Manufacturing Companies

- JVCKENWOOD Electronics Malaysia Sdn. Bhd.
- : Communications equipment
- JVCKENWOOD Electronics (Thailand) Co., Ltd.
- ★ : Media equipment and professional products
- JVCKENWOOD Optical Electronics (Thailand) Co., Ltd.
- ★ ◆ : Automotive equipment
- PT. JVC Electronics Indonesia
- : Automotive equipment

#### Principal Affiliated Companies

- JVCKENWOOD Technologies Singapore Pte. Ltd.
- ■ : Design and evaluation of automotive equipment and communications equipment

### Japan

#### Business Centers and R&D Bases

- Head Office & Yokohama Business Center
- ★ ◆ : Projector, video cameras, AV accessories, home audio, etc.
- Hachioji Business Center
- : Automotive equipment
- Hakusan Business Center
- : Land mobile radio, video surveillance equipment, etc.
- Kurihama Business Center
- ★ : D-ILA devices, laser diodes, etc

#### Manufacturing Sites and Manufacturing Companies

- Head Office & Yokohama Business Center
- : Optical components
- Kurihama Business Center
- ★ : Optical components and projectors
- Yokosuka Business Center
- ★ : CD and DVD discs (prerecorded)
- JVCKENWOOD Yamagata Corporation
- : Communications equipment and professional products
- JVCKENWOOD Nagano Corporation
- : Automotive equipment
- JVCKENWOOD Nagaoka Corporation
- ■ : Medical equipment, medical image display monitors and in-vehicle substrates

#### Principal Affiliated Companies

- JVCKENWOOD Victor Entertainment Corporation
- ★ : Planning, production and sales of audio and video software, live concert business, game business, studio business, etc.
- JVCKENWOOD Creative Media Corporation
- ★ : Development, manufacture and sales of recorded optical disks, and manufacture and sales of medical machinery and appliances
- JVCKENWOOD Public & Industrial Systems Corporation
- : Development, manufacture, sales, installation, construction and maintenance of professional imaging, audio and communications equipment and system solution
- JVCKENWOOD Video Tech Corporation
- ★ : Production, editing, localizing and sales of audio and video, studio operation, and event planning and operation
- JVCKENWOOD Service (Japan) Corporation
- ★ : After-sales services of audio and imaging equipment
- JVCKENWOOD Engineering Corporation
- ★ : Development and design of software and hardware
- JVCKENWOOD Design Corporation
- ★ : Planning and production of designs
- JVCKENWOOD Partners Corporation
- Undertaking of welfare program, general, personnel, accounting and other affairs, sales of goods, tour business, and building construction and contract

### Americas

### Americas

#### Operation Companies

- JVCKENWOOD USA Corporation
- JVCKENWOOD Canada Inc.
- JVCKENWOOD Latin America, S.A.

#### Principal Affiliated Companies

- Zetron, Inc.
- : Development, production and sales of communications systems and equipment
- EF Johnson Technologies, Inc.
- : Development, manufacture and sales of professional radio systems