

Summary of Q&A sessions at the earnings results briefing (Telephone conference) for 1Q of the fiscal year ending March 2021

Q: Core operating income decreased significantly by 6.3 billion yen in 1Q due to the impact of COVID-19. How will it be affected in and after 2Q? Also, while a 3.1 billion yen effect was created in 1Q by means of your COVID-19 Emergency Measures, the full-year effect seems to amount to 7.6 billion yen. Could you explain how to improve it in and after 2Q?

A: Impacts of COVID-19 in 1Q are a 19.4 billion yen decrease in revenue and a 6.3 billion yen decrease in core operating income. This means a decline of about 30% in revenue, compared with our initial estimate (pre-coronavirus forecast). 2Q revenue will also be about 20% lower than our initial estimate. However, we think in the second half we will be able to recover from the impact of COVID-19, and expect that the second half revenue will be only about 10% lower than our initial estimate. In terms of monetary amount, 2Q revenue and core operating income will be negatively affected by about 16 billion yen and 5 billion yen, respectively. This means 1H revenue and core operating income will be negatively affected by about 36 billion yen and 11 billion yen, respectively. The second half revenue and core operating income are expected to be negatively affected by about 14 billion yen and 4 billion yen, respectively, and therefore negative effects will be smaller in the second half.

Regarding the recovery measures, the effects of our COVID-19 Emergency Measures in 1Q are mostly created by the reduction of costs. In other words, this is a result of cost reduction amid Japan's declaration of a state of emergency. If we keep doing that all year long, we can create big effects. However, our future business activities will be largely affected. In and after 2Q, we are scheduled to restart development and sales promotion activities for the future, and therefore we think not many effects will be created during the year through the implementation of the Emergency Measures.

Q: Cost reduction by means of the Emergency Measures was done urgently. Do you think costs will increase to a certain level next year, or are you managing them as part of the effects of your ongoing business structure improvement measures?

A: Our ongoing Emergency Measure Project focuses mainly on the control of nonessential and nonurgent capital investment and development expenses. As soon as revenue has levelled off and is back on a growth track, we will make appropriate levels of investment, considering the amount of revenue. While promoting work-style reforms such as teleworking and the reduction of overtime hours, we have also found various tasks useless and identified some points to be improved. We want to eliminate these useless tasks and maintain the balance of business revenues.

Q: What do you project the volume of dashcam sales will be in the current year plan, including the product mix?

A: Our dashcam business is divided into three operations, the Aftermarket Business, OEM Business, and DX Business. The Aftermarket Business and OEM Business were significantly affected in 1Q by a plunge in the number of new vehicles sold. However, sales of dashcams for insurers operated by the DX Business were not affected by new vehicle sales and remained strong.

When it comes to the market environment, an active market will be returning. For example, the Aftermarket Business launched dashcams featuring a 360° view this summer and posted record monthly shipments in July 2020 after the enactment of the Revised Road Traffic Act that strictly punishes tailgating. Sales of OEM supply products are expected to grow in and after 2Q as entry models for compact cars will increase in particular. Likewise, the DX Business is also anticipated to remain solid. We think annual sales will be on a par with, or higher than, last year despite a decline in 1Q sales.

Q: Could you explain full-year revenue and core operating income prospects for the current year?

A: The Automotive Sector is anticipated to see a year-on-year revenue decline, with about 130 billion yen in revenue. A break-even level of core operating income will be achieved. The Public Service Sector posted a revenue of over 70 billion yen last year. This year, it will see a decline of about 10% in revenue with about 62 billion yen in revenue and about 1.5 billion yen in core operating income. The Media Service Sector posted a revenue of over 55 billion yen last year. This year, it will see a decline of about 10% in revenue with about 49 billion yen in revenue and about 0.3 billion yen in core operating income. Other Sectors posted a revenue of about 15.4 billion yen and core operating income of about 0.7 billion yen last year. This year's revenue and core operating income are expected to be about 18.5 billion yen and 1.1 billion yen, respectively, as the DX Business performance is growing, including its prospects. As a result, revenue and core operating income of the JVCKENWOOD Group as a whole are expected to be 260 billion yen and 3 billion yen, respectively.

Q: As a new mid- to long-term vision, these presentation materials contain a description of a review of the business portfolio. What are the issues you are aware of, including after COVID-19 issues?

A: There are various views on what the world will be like after COVID-19. We will be creating our vision based on the ideal situation we wish to realize in 10 years, rather than from short-term perspectives. When it comes to revenue indicators, we use key performance indicators (KPIs) as management indicators focusing on capital profit. Then we will maintain consistency with macro environments such as U.S.–China friction and strategies such as the hedging of

geopolitical risk. Regarding how to reflect them in our business, we will comprehensively proceed with our work by categorizing products based on whether or not they are in-vehicle devices or whether they are used for business purposes or by consumers. We are scheduled to announce our new vision in or after April next year. This is a big issue we need to handle this year.

Q: When the full-year financial results were announced, I heard that the Communication Systems Business of Public Service Sector would be a business receiving orders stably even amid the coronavirus pandemic. I have also heard that the business industry market is struggling to grow while the public safety market remains solid. Could you explain recent situations and the trends of receiving orders.

A: The business industry market includes that for restaurant services, etc., and therefore remains weak due to the coronavirus pandemic. On the other hand, the public safety market remains solid as it serves the public interest. We are dealing with back orders by operating our production facilities on a full-scale basis. It is currently impossible to anticipate the level of global recovery from the impact of COVID-19, but businesses targeting the public safety market will be at least those that remain strong. Regarding an increase of the market share of digital radio standard DMR in the North American business industry market, our performance will show a sign of recovery in and after 2Q despite a severe 1Q performance. This is because demand for our products is rising as users are choosing us as a result of switching their suppliers due to some movements toward the elimination of Chinese companies.

Q: Positive effects such as stay-at-home demand can be expected to be created. Could you explain the upsides created amid the coronavirus pandemic? I also think the 5G-related parts business is a business to be newly launched. Could you also give us an update on the current situation?

A: The Media Service Sector is broadly seeing stay-at-home demand. The audio/visual markets including headphone and home audio markets had continued to shrink, but have been rising since April. In June and July in particular, this Sector's sales increased year on year. People have no choice but to stay at home. Therefore, demand for music that is listened to at home is considered to continue for a while.

Sales of 5G-related video devices have continued to grow since last year. Orders received are valid until the end of this year. 5G infrastructure will expand undoubtedly in future, and therefore we believe demand for our video devices will grow.