

Summary of Q&A session at the earnings results briefing (online) for the third quarter of the fiscal year ending March 2021

Q: The 3Q results, especially profits, are high compared to the past level. Should we regard them as the results of actual performance or is any one-time factor included?

A: Operating profit margin exceeded 5%, and for the 3Q under review, we posted extremely solid results. Main factors include the reduction of expenses through CEM* in addition to a year-on-year increase in sales. Meanwhile, since it is partly because of a decrease in depreciation caused by postponement and cancellation of development costs in 1Q and 2Q, and it will increase as we promote development in the future, we cannot necessarily say that the profit level of 3Q reflects our actual performance. However, as our performance is picking up steadily, we are determined to carry this momentum in 3Q to the next fiscal year and onward.

*CEM=COVID-19 Emergency Measure

Q: You have issued a press release on technological development of the in-vehicle FIR camera and Image Signal Processing IP "IPSILOS." What are your expectations for the technologies as well as the size and timing of their contribution to corporate earnings?

A: With regards to "IPSILOS," since we just issued a press release on January 26, we would like to refrain from mentioning specific numbers and the timing of contribution to corporate earnings at this time. However, as we are receiving an extremely large number of inquiries including those for an in-vehicle FIR camera, we expect that the technologies will make a profit contribution from a mid- to long-term viewpoint.

Q: In my understanding, you promoted development of cutting-edge technologies related to automatic driving in the past, including a digital cockpit, but changed course and shifted to focus on the area of in-vehicle space. Will there be any change in the future development strategy of the Automotive Sector with the use of your proprietary technologies such as the in-vehicle FIR camera and "IPSILOS"?

A: We will maintain our current stance. However, as we develop our mid- to long term vision, we are taking inventory of technologies that will be our strengths. Since we own a large number of technologies related to videos, we are considering various initiatives, including collaborating with other companies, in addition to promoting them internally. We are working to provide specific explanations in our next mid- to long-term vision.

Q: A press release was issued on changes to the management structure. What is the purpose of the new management structure?

A: I would encourage you to refer to the press release for basic information, but the new management structure is something to focus on to achieve the Mid- to Long-Term

Management Plan in/after FY2021. As we can't exactly say that we have achieved the numerical targets of our current Mid- to Long-Term Management Plan "Vision 2020" due partly to the impact of COVID-19, we are determined to fully fulfill our commitments for our next mid- to long-term vision.

Q: In 3Q, core operating income in the Automotive Sector showed a substantial improvement at 2.9 billion yen. Please break it down into subsegments such as the domestic aftermarket, overseas aftermarket, and domestic dealer-installed products.

A: While the Automotive Sector posted extremely robust results, the Aftermarket Business made the largest profit contribution. By region, core operating income in Japan was extremely strong, and it had been strong since the previous year. In terms of year-on-year change, the Americas and Europe grew very sharply from a year earlier. New products, whose release had been postponed due to the impact of COVID-19, were launched around May and June after the first wave of COVID-19. These products have been received very positively in the market, contributing to positive sales. The OEM Business is the second-largest contributor and ASK, a subsidiary in Italy, posted the highest revenue since its foundation in 3Q. The next is dealer-installed products which recovered sharply from 2Q in line with the recovery in the automobile industry.

Q: Car Navigation in the domestic Aftermarket Business in the Automotive Sector showed extremely high growth. Are we seeing a concentrated reaction to 1Q/2Q in 3Q or is the trend of demand changing in the market itself?

A: While we don't have the impression that the market itself is growing in Japan due to the world after COVID-19, it is true that our share is increasing steadily. With regards to the Automotive Sector, as we are working proactively both in the Aftermarket Business and the OEM Business, our attitude must have been regarded very highly by our business partners. Looking at the future, needs for private cars are increasing due to the impact of COVID-19 and the mini car market has especially been active. As this tendency is expected to continue in the future, we are working to offer competitive products in the Aftermarket Business and OEM Business (dealer-installed products and factory-installed products), respectively.

Q: The effects of CEM were reported at 7.8 billion yen in the nine months under review. How much excess did you achieve compared with the plan? Please provide a breakdown by segment.

A: With regards to the effects of CEM, we have produced better results than those incorporated in the earnings forecast for the fiscal year ending March 2021 announced on August 3. In 3Q, there are a few items such as logistics costs that were higher than our forecast. However, the effects of CEM seem to be higher by over 1.0 billion yen. Excluding those logistics costs and other factors, the effects of CEM are getting even better. While I don't have accurate figures

by sector on hand, the Automotive Sector has the highest fixed costs in terms of value. The Automotive Sector accounts for 50% in terms of sales and the rest is shared by the Public Service Sector and Media Service Sector.

Q: ASK seems to have posted solid results attributed to a recovery in the European market and orders received in China. What is the primary factor for the successful business expansion? Is there any particular factor such as product characteristics that has contributed to business performance?

A: While ASK had originally focused on automobile manufacturers in Europe, a growing number of orders received are for new projects from automobile manufacturers in China, including cables and antennas. We believe that a sense of safety and trust achieved from extensive track records centered on automobile manufacturers in Europe have led to orders received from automobile manufacturers in China. In addition, there has been a substantial increase in needs for higher sound quality in vehicles as vehicle grades become enhanced. We believe that this has contributed to stronger orders received for ASK's speakers and amplifiers which have received high marks for their sound quality and design. These are believed to be the primary cause of ASK's revenue increase.

Q: How much profit contribution did dashcams in the Automotive Sector make in 3Q? In line with an increase in the percentage of dual-camera models, did the effects of improvement of the mix make any contribution?

A: Dashcams have been growing significantly throughout the company. However, looking at the Automotive Sector alone, since 1Q was extremely challenging, the first nine months under review fell short of achieving year-on-year growth. While the percentage of dual-camera models has not reached 40% on a company-wide basis, it has exceeded 50% if we look at the Automotive Sector alone.

Q: How should we look at expenses in 4Q and FY2021, including sustainability of CEM and trends of development costs?

A: Since we are now formulating a budget for FY2021, we are unable to provide you with fixed details. However, development costs will change depending on what we are going to do with those we postponed or cancelled in 1Q and 2Q. Even so, we are not thinking about returning to last year's level. We hope to continue in the areas which have been streamlined in the midst of the impact of COVID-19. However, since areas where development was postponed or reduced in FY2020 will be potential sales opportunities in FY2021 and FY2022, development costs are expected to increase from FY2020. We will not make a sharp increase in costs other than development from the current level since selling, general and administrative expenses are decreasing significantly. Meanwhile, we need to come up with measures to let the world know about our products and technologies even if exhibitions that

attract visitors are not held, such as the Consumer Electronics Show which was held annually in Las Vegas in January. We will consider new expenditures, including from participating in online exhibitions.