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Introduction of a Stock-Based Remuneration System for Officers

JVCKENWOOD Corporation (hereinafter the “Company”) hereby announces as follows that it has formulated a New Medium-Term Management Plan, VISION2023*1, with fiscal 2021 as the first year at the Board of Directors held today. In addition, the Company views that each officer’s awareness of the need to achieve the objective of VISION2023 will be enhanced by reviewing the remuneration system for officers in line with the formulation of VISION2023. Hence, the Company has also decided to introduce an effective incentive system so as to continuously improve performance over the short, medium and long term, in addition to the fixed remuneration paid according to management responsibilities and roles. Therefore, the Company has resolved to introduce a trust type stock-based remuneration system (hereinafter the “System”) for the Company's Directors of the Board (excluding External Directors of the Board and Directors of the Board concurrently not serving as Executive Officers as mentioned below) and deliberate the proposal regarding introducing the System at the 13th Ordinary General Meeting of Shareholders to be held on June 25, 2021 (hereinafter the “General Meeting of Shareholders”).

1. Introduction of the System

Remuneration for Directors of the Board of the Company is paid as monthly remuneration which takes into account performance-linked factors. Following the report from the Nomination and Remuneration Advisory Committee, in which the majority of the members are Independent External Directors, incentives are adjusted by multiplying the amount of individual basic remuneration determined in accordance with the internal rules set by the Board of Directors by a coefficient linked to profit and performance (the amount of change in core operating income and net income (loss)). In addition, a structure is formed where officers acquire shares by contributing a certain percentage of their monthly remuneration amount paid to the Executive Shareholding Association. In conjunction with the formulation of VISION2023, the Company will review the remuneration system for officers and newly introduce a stock-based remuneration system for the Company’s Directors of the Board.

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The new remuneration system will be a 3-tier structure consisting of fixed remuneration, short-term incentive (hereinafter “STI”^{*2}), and medium- and long-term incentive (hereinafter “LTI”^{*3}) to clarify the breakdown of remuneration^{*4}. The System, falling under the LTI, will further clarify the linkage between the remuneration for Directors of the Board and the Company's stock value. Aiming to raise awareness of the need to help improve performance and increase corporate value in the medium to long term, the System will have Directors of the Board share with all shareholders the profits and risks arising from stock price fluctuations.

Specifically, the new stock-based remuneration will be paid to Directors of the Board of the Company (excluding External Directors of the Board and Directors of the Board concurrently not serving as Executive Officers; the same applies hereinafter) who are in office during the five fiscal years (hereinafter the “Subject Period”). The initial Subject Period will be three fiscal years, from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024. This is apart from the revised limit of remuneration for Directors of the Board under the “Revision of Amount of Remuneration for Directors of the Board” to be put on the agenda as the Company’s proposal at the General Meeting of Shareholders (not exceeding 432 million yen per year (for External Directors of the Board not exceeding 96 million yen per year), and including remuneration for the employee portion for Directors of the Board concurrently serving as employees (remuneration, etc. for portion of Executive Officers)).

With the introduction of the System, remuneration for the Company's Directors of the Board will clearly consist of fixed remuneration (monetary remuneration), STI (Bonuses: monetary remuneration), and LTI (stock-based remuneration).

Introducing the System will be subject to approval and passage of a proposal at the General Meeting of Shareholders.

If introduction of the System is approved at the General Meeting of Shareholders, the System is planned to be introduced to Executive Officers concurrently not serving as Directors of the Board responsible for business performance. In such case, Executive Officers, like Directors of the Board of the Company, will also become beneficiaries of the trust under the System. The Company will also entrust funds for acquiring shares to be delivered to Executive Officers not concurrently serving as Directors of the Board.

*1: For details of VISION2023, please refer to “New Medium-Term Management Plan VISION 2023: Transformation & Growth” announced on May 14, 2021.

*2: STI: Abbreviation for Short Term Incentive.

*3: LTI: Abbreviation for Long Term Incentive.

*4: For an outline of the review of the remuneration system for officers, please refer to the (Reference 2) below.

2. Outline of the System

(1) Structure of the System

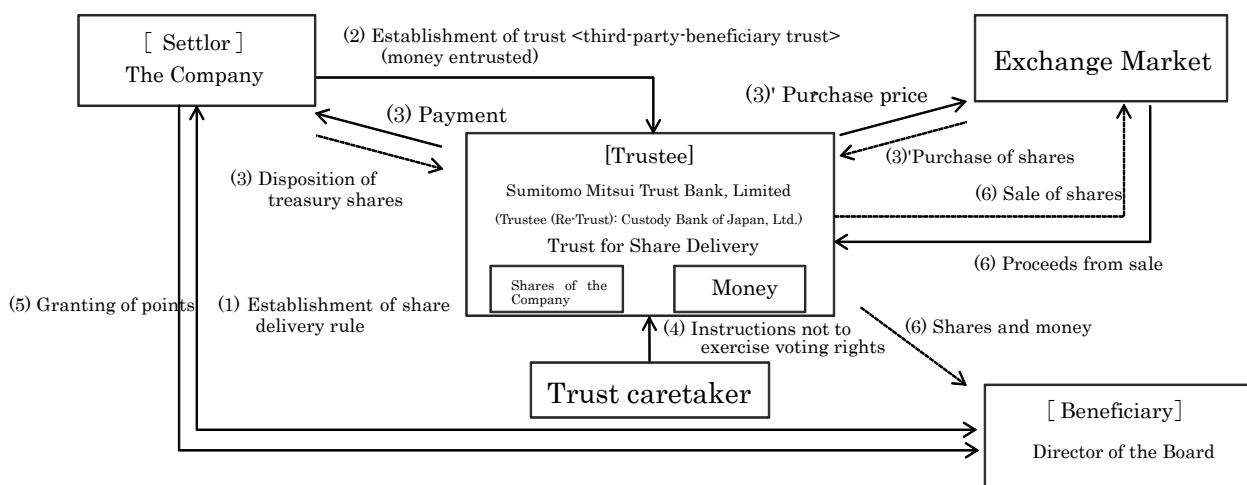
The System is a stock-based remuneration system under which shares of the Company are acquired through a trust established by the Company by monetary contribution (hereinafter the “Trust”). Through the Trust, shares of the Company equivalent to the number of points granted by the Company to each Director of the Board will be delivered, respectively.

Furthermore, under the System, shares of the Company will be delivered to Directors of the Board of the Company who are in office during the subject period. The initial Subject Period will be three fiscal years, from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024.

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In principle, Directors of the Board receive the delivery of shares of the Company when they retire from their positions as Directors of the Board or Executive Officers of the Company..

Outline of the structure of the System



- (1) The Company will establish a share delivery rule for Directors of the Board
- (2) The Company will establish a trust to deliver shares (third-party-beneficiary trust) with Directors of the Board as beneficiaries (Trust). When doing so, the Company will entrust the trustee with an amount equivalent to funds for acquiring shares for money (however, funds for acquiring shares to be delivered to Directors of the Board of the Company will be within the scope of amount approved by the general meeting of shareholders).
- (3) The trustee will acquire shares of the Company equivalent to the number of such shares expected to be delivered in the future in a lump sum (this will be performed by way of disposing of treasury shares or acquiring shares from the exchange market (including off-hours trading)).
- (4) A trust caretaker (independent from the Company and officers of the Company) will be assigned who will protect the interests of the beneficiary subject to the share delivery rule and supervise the trustee throughout the trust period. With respect to the shares of the Company held in Trust, the trust caretaker will give instructions to the trustee not to exercise voting rights, and the trustee will not exercise voting rights based on such instructions throughout the trust period.
- (5) The Company will grant points to Directors of the Board in accordance with the share delivery rule.
- (6) Directors of the Board who satisfy the requirements prescribed in the share delivery rule and the trust agreement of the Trust will, as beneficiaries of the Trust, receive the delivery of shares of the Company from the Trustee according to the points granted. If certain events provided for in the share delivery rule and the trust agreement in advance are applicable, a portion of shares of the Company to be delivered will be sold on the exchange market, and money will be delivered.

Of the residual property of Trust at the time of terminating the Trust, shares of the Company will all be acquired by the Company free of charge, and cancelled based on a resolution of the Board of Directors.

In addition, of the residual property of Trust at the time of terminating the Trust, a certain amount of money is planned to be donated to a specified public interest promotion corporation that has no interest in the Directors of the Board of the Company as stipulated in the share delivery rule and the trust agreement in advance.

Sumitomo Mitsui Trust Bank, Limited, which will serve as trustee under the System, will entrust (re-trust) the administration of the trust property to Custody Bank of Japan, Ltd.

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(2) Establishment of trust

Subject to obtaining approval to introduce the System at the General Meeting of Shareholders, the Company will establish the Trust by contributing funds necessary for the Trust to acquire the number of shares of the Company reasonably expected to be needed for delivery in accordance with (6) below in advance with respect to the portion of a certain period. As described in (5) below, the Trust will apply funds contributed by the Company as the source of funds to acquire the shares of the Company.

Sumitomo Mitsui Trust Bank, Limited, which will serve as trustee under the System, will entrust (re-trust) the administration of the trust property to Custody Bank of Japan, Ltd.

(3) Trust period

The trust period will be approximately three years from August 2021 (planned) to August 2024 (planned). The period, however, may be extended as described in (4) below.

(4) Maximum amount of trust fund to be contributed to the Trust as funds for acquisition of shares

During the initial Subject Period, the Company will contribute money as remuneration for Directors of the Board who are in office during the initial Subject Period not exceeding a total of 96 million yen. This will be used as funds to acquire shares of the Company necessary to deliver such shares to the Directors of the Board under the System. The Company will also establish the Trust with Directors of the Board who will obtain beneficiary rights as beneficiaries as described in (6) (3) below. The Trust will acquire shares of the Company from the money entrusted as the source of funds, by way of disposing of treasury shares or acquiring shares from the exchange market (including off-hours trading).

Note: The money which the Company will actually entrust to the Trust will be the aggregate amount of the above-mentioned funds for acquiring shares of the Company and the estimated amount of necessary expenses such as trust fees and trust caretaker fees.

Furthermore, based on the decision made by the Board of Directors of the Company, the System may be continued by extending the initial Subject Period by specifying a period of up to five financial years each time. In this way, the trust period of the Trust may be extended (including substantial extension of the trust period by transferring trust property held with the Trust to a trust established by the Company with the same purpose as the Trust; the same applies hereinafter). In such case, the Company will additionally contribute money to the Trust in an amount not exceeding the amount obtained by multiplying 32 million yen by the number of fiscal years under the Subject Period of such extended portion. The contribution will be applied to funds for acquiring additional shares of the Company necessary for the delivery to Directors of the Board under the System. The Company will continue to grant points and deliver shares of the Company as described in (6) below.

In addition, even in a case where the Subject Period is not extended and the System not continued as described above, if a Director of the Board has already been granted points but has yet to retire at the expiry of the trust period, the trust period of the Trust may be extended until such Director of the Board retires and the delivery of shares of the Company is completed.

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(5) Method of acquiring shares of the Company through Trust, etc.

The initial acquisition of shares of the Company by the Trust is planned to be done by disposing of treasury shares by the Company or acquiring shares from the exchange market within the scope of the upper limit of funds for acquisition of shares as described in (4) above. Details of the acquisition method will be determined and disclosed after it is resolved by the General Meeting of Shareholders.

If the number of shares of the Company held in Trust falls short of the number of shares corresponding to the number of shares corresponding to the number of points to be granted to Directors of the Board during the trust period as a result of factors such as an increase in the number of Directors of the Board during the trust period, additional money may be entrusted to the Trust and shares of the Company additionally acquired within the scope of the upper limit of the trust fund described in (4) above.

(6) Calculation method and upper limit of shares of the Company to be delivered to Directors of the Board

(1) Method of granting points to Directors of the Board, etc.

Based on the share delivery rule stipulated by the Board of Directors of the Company, the Company will grant points to each Director of the Board according to their position, etc. on the point granting date during the trust period set forth in the share delivery rule.

The total number of points granted by the Company to Directors of the Board, however, will be up to 290,000 per fiscal year.

(2) Delivery of shares of the Company according to the number of points granted

According to the number of points granted in (1) above, Directors of the Board will receive the delivery of shares of the Company in accordance with the procedures described in (3) below. If, however, a Director of the Board retires due to a reason other than the expiration of tenure of office (excluding due to job-related injuries and sickness, etc. deemed unavoidable by the Board of Directors of the Company) or in the event that a Director of the Board commits an illegal act or any other act that is detrimental or inconvenient to the Company, all or part of the points granted up to that date will expire. Shares of the Company corresponding to the points expired will not be delivered.

One point will represent one share of the Company. Therefore, the number of shares corresponding to the maximum number of points per fiscal year to be granted to Directors of the Board is 290,000 shares. If, however, a stock split or share consolidation, etc. occurs for the shares of the Company, the number of shares of the Company per point will be adjusted according to the split ratio, consolidation ratio, etc.

(3) Delivery of shares of the Company to Directors of the Board

In principle, each Director of the Board will, by carrying out the prescribed procedure upon retirement from any position as a Director of the Board or Executive Officer of the Company, acquire beneficiary rights of the Trust, and receive delivery of shares of the Company as described in (2) above from the Trust as beneficiary of the Trust.

A certain percentage of the shares of the Company, however, may be delivered as money in lieu of

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the shares of the Company after they are sold and converted in the Trust to have the Company withhold funds for tax payment such as the withholding income tax. In addition, if shares of the Company held in Trust are converted into money, such as when they are tendered and settled in a tender offer, money may be delivered in lieu of the shares of the Company.

(7) Exercise of voting rights

Voting rights pertaining to shares of the Company held in Trust will not be exercised uniformly in accordance with the instructions from the trust caretaker who is independent from the Company and officers of the Company. Such practice is intended to ensure neutrality of Company's management with respect to the exercise of voting rights pertaining to shares of the Company held in Trust.

(8) Handling of dividends

Dividends pertaining to shares of the Company held in Trust will be held by the Trust and appropriated to the acquisition cost of shares of the Company and trustee fees of the Trust.

(9) Handling of shares of the Company and money at the time of termination of Trust

Of the residual property of Trust at the time of terminating the Trust, shares of the Company will all be acquired by the Company free of charge, and cancelled based on a resolution of the Board of Directors.

In addition, of the residual property of Trust at the time of terminating the Trust, a certain amount of money is planned to be donated to a specified public interest promotion corporation that has no interest in the Directors of the Board of the Company as stipulated in the share delivery rule and the trust agreement in advance.

(Reference 1) Outline of Trust Agreement relating to the Trust

Settlor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Trustee (Re-Trust): Custody Bank of Japan, Ltd.)
Beneficiary	Directors of the Board of the Company (excluding External Directors of the Board and Directors of the Board concurrently not serving as Executive Officers) and Executive Officers
Trust caretaker	Plan to select a third party independent from the Company and officers of the Company
Exercise of voting rights	No voting rights pertaining to shares held in Trust will be exercised throughout the trust period.
Trust type	Money held in trust other than money trust (third-party-beneficiary trust)
Date of trust agreement	August 2021 (planned)
Trust period	From August 2021 to August 2024 (planned)
Purpose of trust	To deliver shares of the Company to beneficiaries in accordance with the share delivery rule

(Reference 2) Outline of Review of the Remuneration System for Officers (Comparison with the Current System)

Current System	(1) Fixed remuneration is paid within the scope of limit of remuneration for Directors of the Board (36 million yen per month).
(1) Fixed remuneration	<ul style="list-style-type: none"> • The individual amount of remuneration is determined by adjusting the previous fiscal year's performance evaluation (from a maximum reduction of 1.5 months to a maximum addition of 3 months) to the remuneration amount stipulated by internal regulations for each position and job title; paid as monthly remuneration. • A certain amount is contributed from the monthly remuneration to the Executive Shareholding Association to acquire shares of the Company. <p>*Paid in money by including STI and LTI factors in fixed remuneration.</p>
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After Revision (Planned)	(1) Fixed remuneration and (2) STI are paid within the scope of limit of remuneration for Directors of the Board (432 million yen per year*). (3) is paid separately. *Monthly equivalent amount 36 million yen (no change from current system)
(1) Fixed remuneration	<ul style="list-style-type: none"> • Amount of remuneration stipulated by internal regulations for each position (such as President, Deputy President, Senior Managing Executive Officer, Managing Executive Officer) and job title (such as authority of representation, Chairman of the Board and Nomination and Remuneration Advisory Committee Member). • Paid in money as monthly remuneration.
(2) STI	<ul style="list-style-type: none"> • Paid as bonus to reflect performance of the fiscal year under review in such fiscal year. • A certain percentage of amount calculated from the monthly remuneration amount will be the base amount for calculation. • Payment amount determined and paid in money is linked to the yearly performance (such as income and capital efficiency indicators) and is within the scope of 0% (no payment) to 200% of the base amount of calculation (double the base amount of calculation). • Directors of the Board concurrently not serving as Executive Officers and External Directors of the Board are not eligible for STI payment.
(3) LTI	<ul style="list-style-type: none"> • Share delivery trust system is adopted. • Shares will be delivered upon officer's retirement. • Points to be granted are determined by position and job title, and stable shares (points) are granted. • An increase in stock price serves as an incentive factor, and no additional points based on performance will be granted. • Directors of the Board concurrently not serving as Executive Officers and External Director of the Board are not eligible for LTI payment.
Remarks	The ratio of fixed remuneration, STI, and LTI will be resolved by the Board of Directors within the scope of 75:15:10 to 85:8:7.