

JVCKENWOOD

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Company	JVCKENWOOD Corporation
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Accounting Report for the 2Q of Fiscal Year Ending March 2022
(April 1, 2021 – September 30, 2021)

Consolidated Financial Highlights for the Second Quarter of Fiscal Year Ending March 2022
(April 1, 2021 – September 30, 2021)

Operating Results

(JPY in Million, except Basic net income per share)

	2nd Quarter FYE 3/2021 April 1, 2020 to September 30, 2020	2nd Quarter FYE 3/2022 April 1, 2021 to September 30, 2021
Revenue	117,698	124,433
Operating profit	-3,352	2,071
Profit before tax	-3,605	1,731
Profit attributable to owners of parent company	-4,292	-256
Comprehensive income	-2,406	614
Basic net income per share	-26.18 yen	-1.56 yen

FYE: Fiscal year ended / ending

1. Qualitative Information on Q2 Financial Results

(1) Description of Operating Results

Overview of the Second Quarter of the Fiscal Year under Review

JVCKENWOOD Corporation incorporated the Telematic Service Business of the DX Business, which had been included in “Others,” into the Automotive Sector and reorganized the organization as the Mobility & Telematics Services Sector on July 1, 2021. The results for the fiscal year under review are explained in terms of the new sector after the reorganization.

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first half of the fiscal year under review increased from the same period a year earlier. This was partly due to the mitigation of the impact of COVID-19, compared with the previous year, although shortages of semiconductors and other components severely hit the Mobility & Telematics Services Sector, in particular. Operating profit of the JVCKENWOOD Group rose considerably from a year earlier and it turned profitable mainly due to the recording of a gain on the sale of a subsidiary and a gain on the valuation of financial assets in addition to the effect of the increased revenue.

Profit-and-loss exchange rates used when preparing the financial statements for the first half of the fiscal year under review are as follows.

		Q1	Q2
Profit-and-loss exchange rates	U.S. dollar	Approx. 110 yen	Approx. 110 yen
	Euro	Approx. 132 yen	Approx. 130 yen
FY2020 (for reference)	U.S. dollar	Approx. 108 yen	Approx. 106 yen
	Euro	Approx. 119 yen	Approx. 124 yen

Revenue

Revenue for the first half of the fiscal year under review increased approximately 6,700 million yen, or 5.7%, from a year earlier to 124,433 million yen.

Revenue for the second quarter of the fiscal year under review was impacted strongly by the curtailment and suspension of operations of plants as urgent restriction-of-movement orders were issued mainly in Southeast Asia in the face of COVID-19, on top of the expanding damage caused by shortages of semiconductors and other components. However, the three sectors of the Mobility & Telematics Services Sector, the Public Service Sector and the Media Service Sector each posted increases in revenue for the first half of the fiscal year under review partly because the markets were gradually recovering from the impact of COVID-19.

Operating Profit

Operating profit for the first half of the fiscal year under review grew largely by approximately 5,400 million yen from a year earlier to 2,071 million yen. We returned to profitability mainly due to an increase in other income through the recording of a gain on the sale of a subsidiary and a gain on the valuation of financial assets in addition to the effect of the increased revenue. For the first half of the fiscal year under review, government subsidies for employing employees, etc., were recognized as net profit or loss and subtracted from cost of sales and selling, general and administrative expenses.

Operating performance by business segment is explained using core operating income*, which is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.

Core operating income for the first half of the fiscal year under review fell in the Mobility & Telematics Services Sector due to a significant impact from shortages of semiconductors and other components in the second quarter of the fiscal year under review. However, it went up in the Public Service Sector and the Media Service Sector as a result of the higher revenues. As a result, core operating income of the Group rose approximately 1,900 million yen from the same period a year earlier to a loss of 830 million yen.

* Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating profit, other expenses, and foreign exchange losses or gains.

Profit Before Income Taxes

Profit before income taxes for the first half of the fiscal year under review increased significantly approximately 5,300 million yen from a year earlier to 1,731 million yen, returning to profitability, due in part to an increase in

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operating profit.

Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company for the first half of the fiscal year under review increased approximately 4,000 million yen from a year earlier to a loss of 256 million yen, reflecting an increase in profit before income taxes.

Revenue and Core Operating Income (Loss) by Business Segment

Revenue and core operating income (loss) by business segment are as follows.

First Half of the Fiscal Year Ending March 2022 (from April 1, 2021 to September 30, 2021)
(Million yen)

Segment		H1 of FYE3/21	H1 of FYE3/22	Year-on-year comparison
Mobility & Telematics Services Sector	Revenue	67,796	71,881	+4,085
	Core operating income	-365	-1,411	-1,046
Public Service Sector	Revenue	25,224	25,760	+536
	Core operating income	-1,873	-84	+1,789
Media Service Sector	Revenue	22,349	23,938	+1,590
	Core operating income	-302	831	+1,134
Others	Revenue	2,328	2,852	+524
	Core operating income	-151	-166	-14
Total	Revenue	117,698	124,433	+6,735
	Core operating income	-2,693	-830	+1,863
	Operating profit	-3,352	2,071	+5,424
	Profit before income taxes	-3,605	1,731	+5,337
	Profit attributable to owners of the parent company	-4,292	-256	+4,036

Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the first half of the fiscal year under review increased approximately 4,100 million yen, or 6.0%, from a year earlier to 71,881 million yen. Core operating income declined approximately 1,000 million yen from a year earlier to a loss of 1,411 million yen.

➤ Revenue

In the OEM Business, revenue in the first half of the fiscal year under review increased from the same period a year earlier. This was mainly because sales of speakers, amplifiers, cables, etc. to automobile manufacturers remained firm throughout the first half of the fiscal year under review in the wake of a recovery in the Chinese market, although the OEM Business was significantly affected by shortages of semiconductors and other components in the second quarter of the current fiscal year.

In the Aftermarket Business, revenue declined from a year earlier due to the impact of shortages of semiconductors and other components although orders received remained robust in the second quarter of the fiscal year under review.

In the Telematics Service Business, revenue declined from a year earlier due to decreases in sales of telematics solution-related products including dashcams to non-life insurance companies, significantly affected by shortages of semiconductors and other components.

➤ Core Operating Income

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As a result of higher revenue in the OEM Business, the loss contracted from a year earlier. The Aftermarket Business recorded a loss due to a decline in profit resulting from the lower revenue. Core operating income in the Telematics Service Business declined due to the revenue decline.

Public Service Sector

Revenue of the Public Service Sector for the first half of the fiscal year under review increased approximately 500 million yen, or 2.1%, from a year earlier to 25,760 million yen. Core operating income improved by approximately 1,800 million yen from a year earlier to a loss of 84 million yen.

➤ Revenue

Revenue of the Communications Systems Business declined approximately 700 million yen from a year earlier. This primarily reflected the impact of the curtailment and suspension of operation in plants mainly in Southeast Asia as a result of the issuance of urgent restriction-of-movement orders in the second quarter of the fiscal year under review, despite a demand recovery in the overseas market including the US. However, revenue in the first half of the fiscal year under review increased from a year earlier, excluding the effect of a revenue decrease caused by the sale of a subsidiary that took place in the first quarter of the fiscal year under review.

Revenue of the Professional Systems Business increased approximately 1,200 million yen from a year earlier. This was because the Healthcare Field too saw sales in the Monitor Business trend firm both in Japan and overseas in addition to the gradual recovery of sales in JVCKENWOOD Public & Industrial Systems in regions except the Tokyo metropolitan area, despite the impact of shortages of semiconductors and other components.

➤ Core Operating Income

In the Communications Systems Business, core operating income increased and turned profitable as the effort for enhancement of business structure, such as a revision of the fixed cost composition, took effect although its revenue declined. In the Professional Systems Business, the loss contracted as the effect of the above revenue increase showed up.

Media Service Sector

Revenue of the Media Service Sector for the first half of the fiscal year under review increased approximately 1,600 million yen or 7.1% from a year earlier to 23,938 million yen. Core operating income rose approximately 1,100 million yen from a year earlier to 831 million yen, returning to profitability.

➤ Revenue

Revenue of the Media Business increased approximately 800 million yen from a year earlier. In the background, sales of BtoC, such as headphones and portable power sources, remained robust as demand from teleworking and staying at home grew, and at the same time, the BtoB market was picking up, leading to a sales recovery. Revenue of the Entertainment Business increased approximately 800 million yen from a year earlier due to the good performance of the content business.

➤ Core Operating Income

As a result of the revenue increase, mentioned above, core operating income turned profitable in the Media Business and grew in the Entertainment Business.

(2) Description of Financial Position

Analysis of Assets, Liabilities, and Equity, Etc.

Assets

Total assets declined approximately 7,200 million yen from the end of the previous fiscal year to 257,082 million yen. This was due to a decrease in trade and other receivables in the wake of the decrease in revenue and a decrease in cash and cash equivalents although inventories, such as raw materials, rose as a result of a lower level of production caused by shortages of components.

Liabilities

Total liabilities declined approximately 7,100 million yen from the end of the previous fiscal year to 188,747 million yen due to advancing repayments of bank borrowings in addition to decreases in trade and other payables.

Equity

Total equity decreased approximately 200 million yen from the end of the previous fiscal year to 68,335 million

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yen. This was because of a decrease in retained earnings as a result of posting a quarterly loss.

The ratio of equity attributable to owners of the parent company increased 0.4 percentage points from the end of the previous fiscal year to 24.9% due to a decrease in total assets despite a decrease in equity attributable to owners of the parent company.

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash used in operating activities for the first half of the fiscal year under review was 2,468 million yen, which is an increase of approximately 16,200 million yen from the same period of the previous fiscal year. This was mainly attributable to an increase in cash outflows to working capital accompanying an increase in inventories.

Cash Flow from Investing Activities

Net cash used in investing activities for the first half of the fiscal year under review was 1,265 million yen, which is a decrease of approximately 5,200 million yen from the same period of the previous fiscal year. This was mainly due to revenue from the sale of a subsidiary.

Cash Flow from Financing Activities

Net cash used in financing activities for the first half of the fiscal year under review was 4,676 million yen, which is an increase of approximately 6,800 million yen from the same period of the previous fiscal year. This was mainly due to advancing repayment of bank borrowings.

Cash and cash equivalents at the end of the second quarter of the fiscal year under review increased approximately 2,200 million yen from the same period of the previous fiscal year to 51,416 million yen.

(3) Description of Forward-Looking Information Such as Consolidated Earnings Forecast

Earnings Forecast for FYE3/22

The outlook from the third quarter of the fiscal year under review onward remains uncertain partly due to shortages of semiconductors and other components. However, the Group will continue to secure components and implement measures for enhancement of business structure. Therefore, we will not revise our consolidated earnings forecast for the fiscal year ending March 2022, announced on April 27, 2021.

	Consolidated earnings forecast for the fiscal year ending March 2022
Revenue	285,000 million yen
Operating profit	7,500 million yen
Profit before income taxes	6,400 million yen
Profit attributable to owners of the parent company	3,000 million yen

Profit-and-loss exchange rates used as assumptions in the aforementioned earnings forecast are: USD 1 = JPY 108 and EUR 1 = JPY 130.

The aforementioned earnings forecast was prepared by the JVCKENWOOD Group based on information available at the time of announcement of this document. Actual business results may differ from the forecast values due to various factors in the future.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Statement of Financial Position

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2021)	End of current consolidated second quarter (as of Sep 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	59,644	51,416
Trade and other receivables	51,622	42,396
Contract assets	1,288	1,709
Other financial assets	1,772	2,079
Inventories	42,574	53,540
Right to recover products	229	188
Income taxes receivable	885	555
Other current assets	3,781	5,496
Sub-total	161,799	157,382
Assets classified as held for sale	5,651	—
Total current assets	167,451	157,382
Non-current assets		
Property, plant and equipment	52,127	54,753
Goodwill	2,119	2,120
Intangible assets	17,024	17,126
Net defined benefit assets	3,090	2,864
Investment property	2,961	2,980
Investments accounted for using the equity method	4,199	4,239
Other financial assets	9,957	10,644
Deferred tax assets	4,715	4,315
Other non-current assets	679	655
Total non-current assets	96,875	99,699
Total assets	264,326	257,082

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2021)	End of current consolidated second quarter (as of Sep 30, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	43,387	41,498
Contract liabilities	2,402	2,196
Refund liabilities	4,363	3,927
Short-term borrowings	23,190	20,977
Other financial liabilities	4,455	4,034
Income taxes payable	1,507	1,256
Provisions	1,958	1,698
Other current liabilities	23,117	20,663
Sub-total	104,383	96,252
Liabilities directly associated with assets classified as held for sale	2,158	—
Total current liabilities	106,541	96,252
Non-current liabilities		
Long-term borrowings	52,396	53,217
Other financial liabilities	8,540	11,135
Net defined benefit liabilities	24,186	23,493
Provisions	1,156	1,172
Deferred tax liabilities	1,884	2,362
Other non-current liabilities	1,096	1,112
Total non-current liabilities	89,261	92,494
Total liabilities	195,803	188,747
Equity		
Capital stock	13,645	13,645
Capital surplus	42,086	42,100
Retained earnings	7,574	6,588
Treasury stock	-39	-139
Other components of equity	1,378	1,825
Equity attributable to owners of the parent company	64,645	64,020
Non-controlling interests	3,877	4,314
Total equity	68,523	68,335
Total liabilities and equity	264,326	257,082

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(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(JPY in Million)

	Accumulated period for previous consolidated second quarter (Apr.1, 2020 – Sep 30, 2020)	Accumulated period for current consolidated second quarter (Apr.1, 2021 – Sep 30, 2021)
Revenue	117,698	124,433
Cost of sales	88,720	92,218
Gross profit	28,978	32,215
Selling, general and administrative expenses	31,671	33,045
Other income	559	3,506
Other expenses	1,181	346
Foreign exchange profit (loss)	-36	-258
Operating profit (loss)	-3,352	2,071
Finance income	113	96
Finance expenses	550	528
Share of profit of investments accounted for using the equity method	184	92
Profit (loss) before income taxes	-3,605	1,731
Income tax expenses	405	1,684
Profit (loss)	-4,010	46
Profit (loss) attributable to:		
Owners of the parent company	-4,292	-256
Non-controlling interests	281	302
Profit (loss)	-4,010	46
Earnings per share (attributable to owners of the parent company)		
Basic earnings (loss) per share	-26.18 yen	-1.56 yen
Diluted earnings (loss) per share	— yen	-1.56 yen

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(Quarterly Consolidated Statement of Comprehensive Income)

(JPY in Million)

	Accumulated period for previous consolidated second quarter (Apr.1, 2020 – Sep 30, 2020)	Accumulated period for current consolidated second quarter (Apr.1, 2021 – Sep 30, 2021)
Profit (loss)	-4,010	46
Other comprehensive income (“OCI”)		
Items that will not be reclassified subsequently to profit or loss		
Net changes in financial assets measured at fair value through OCI	505	-94
Remeasurement of defined benefit plans	1,796	—
Changes in fair value of investment property	—	-90
Share of OCI of investments accounted for using the equity method	2	1
Total of items that will not be reclassified subsequently to profit or loss	2,303	-183
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	-288	496
Cash flow hedges	-687	286
Share of OCI of investments accounted for using the equity method	276	-30
Total of items that may be reclassified subsequently to profit or loss	-699	751
OCI, net of income tax	1,604	568
Comprehensive income	-2,406	614
Total comprehensive income attributable to:		
Owners of the parent company	-2,631	281
Non-controlling interests	225	333
Comprehensive income	-2,406	614

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated second quarter (Apr.1, 2020 – Sep 30, 2020)	Accumulated period for current consolidated second quarter (Apr.1, 2021 – Sep 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	-3,605	1,731
Depreciation and amortization	9,545	8,922
Decrease in net defined benefit liabilities	-337	-696
Decrease in net defined benefit assets	247	226
Finance income	-113	-96
Finance expenses	550	528
Gain on valuation of financial assets measured at fair value through profit and loss	-79	-1,695
Gain on sale of subsidiaries	—	-1,494
Loss on disposal of property, plant and equipment	796	11
Decrease in trade and other receivables	5,965	9,315
Decrease (increase) in inventories	4,255	-10,764
Decrease in trade and other payables	-2,953	-1,838
Increase (decrease) in other current liabilities	627	-2,627
Other, net	-179	-2,367
Sub-total	14,719	-845
Interest received	58	46
Dividend received	55	49
Interest paid	-492	-456
Income taxes paid	-642	-1,262
Net cash provided by (used in) operating activities	13,699	-2,468
Cash flows from investing activities		
Purchases of property, plant and equipment	-2,542	-2,676
Proceeds from sales of property, plant and Equipment	20	35
Purchases of intangible assets	-4,503	-4,400
Proceeds from sales of equity instruments	—	230
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	—	4,913
Distribution from debt instruments	622	593
Other, net	-93	39
Net cash used in investing activities	-6,496	-1,265
Cash flows from financing activities		
Proceeds from short-term borrowings	4,516	6,226
Repayment of short-term borrowings	-3,990	-5,097
Proceeds from long-term borrowings	8,633	6,853
Repayment of long-term borrowings	-3,863	-9,411
Repayment of lease liabilities	-2,000	-2,000
Cash dividends paid	-819	-819
Other, net	-360	-426
Net cash provided by (used in) financing activities	2,115	-4,676
Net increase (decrease) in cash and cash equivalents	9,313	-8,227
Cash and cash equivalents at beginning of year	39,933	59,644
Effect of exchange rate changes on cash and cash equivalents	-5	182
Cash and cash equivalents at end of quarter	49,247	51,416