

Message from the CEO

Change for Growth

Full-fledged start on growth track

Representative Director of the Board,
President and CEO
EGUCHI Shoichiro




I would like to express my heartfelt sympathy to those who have been affected by COVID-19, their families, and other related persons, as well as my deepest condolences to those who have passed away. I would also like to express my respect and deep gratitude to all those who have been making efforts to prevent the spread of the infections and maintain social functions.

Review of the fiscal year ended March 2021

In the fiscal year ended March 2021, revenue decreased to 273,609 million yen from 291,304 million yen due to the impact of the spread of COVID-19 worldwide. However, thanks to a recovery in operating results in the second half of the fiscal year and cost reductions through the promotion of the CEM*¹ Project, core operating income*² at all stages below (profit/loss) exceeded the results of the previous period, and profit attributable to owners of the parent company increased to 2,154 million yen from 954 million yen. The total amount of dividends was 819 million yen, resulting in a dividend payout ratio of 38.0%. Also, with respect to our financial condition as of the end of March 2021, the ratio of equity attributable to owners of the parent company to total assets increased to 24.5% from 22.6%, and net debt decreased significantly to approximately 15.9 billion yen from approximately 34.7 billion yen at the end of the previous period.

Under the previous Medium-Term Management Plan Vision 2020, we had promoted management using ratio

of profit attributable to owners of the parent company (ROE) as the main indicator. ROE in the final fiscal year recovered to 3.6% from 1.6% in the previous period; however, it failed to reach the target of 10%. Meanwhile, in the second half of the current period*³, core operating income amounted to 10.2 billion yen, exceeding the 10 billion yen mark for the first time since the management integration in 2008. In particular, core operating income in the second half of the fiscal year at the Automotive Sector, which is our priority area, exceeded 5 billion yen, and strong sales in the Telematics Business, where the DX Business is growing rapidly, contributed to a significant increase in both sales and income for the full year. We believe this will provide a major impetus for kick-starting the Medium-Term Management Plan VISION 2023.

*1: Abbreviation of COVID-19 Emergency Measure

*2: Operating profit, net of other income, other expenses, foreign exchange losses (gains), and other primarily temporary factors

*3: Six months from Oct 2020 to March 2021

Medium-Term Management Plan VISION 2023: Change for Growth

Under its corporate vision of "Creating excitement and peace of mind for the people of the world," the Company aims to become an excellent company with both strength and toughness. It will anticipate changes and carve a path to the future in order to increase corporate value over the medium to long term in a rapidly changing business environment. In the Medium-Term Management Plan VISION 2023, we have positioned FY 2021 to FY 2023 as a three-year period of "Change for Growth" during which we aim to strengthen the revenue base of the existing business and establish new growth areas. By "Change for Growth," we mean to radically review our thinking and behavioral patterns, break away from conventions, and take on new challenges. The following four items were identified as key themes.

Key themes

- 1) Shift to an earnings structure that creates stable business profits
- 2) Redefine the business portfolio
- 3) Expand the Mobility & Telematics Services Business and create new Business
- 4) Promote sustainability management

In an era of rapid changes, business are required to always respond with flexibility and promptness to changes, ensuring that will lead to growth. We are committed to promoting sustainability management and strengthening ESG by the two goals of "Change" to strengthen the revenue base of the existing business, and "Growth" to expand our growth business even further through new products and new business.



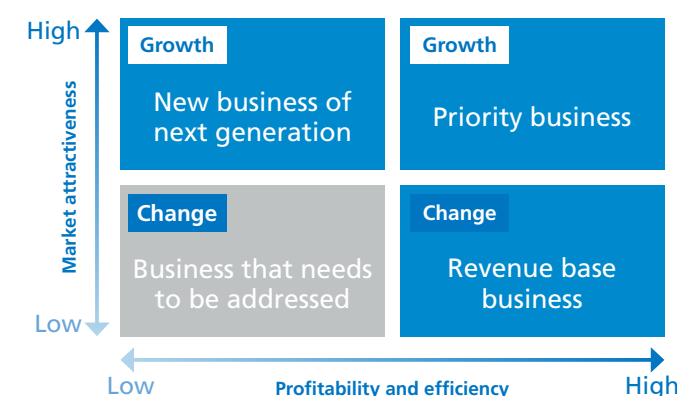
Signage on the west wall of the JVCKENWOOD head office building to show a strong commitment to Change for Growth

Redefining the business portfolio

We have redefined our business portfolio using market attractiveness (sales growth potential, etc.), profitability, and capital efficiency of the Company as indicators.

As for the "business that need to be addressed" and "revenue base business" which are the targets of "Change," we will carry out drastic business structural reforms. Meanwhile, we will accelerate the concentration of management resources in priority business and new business of the next generation with high market attractiveness, as we aim for "Growth." (*See page 18 for details.)

Business portfolio redefinition chart



Based on this redefinition of the business portfolio, effective on July 1, 2021, the Telematics Service Business of the DX Business, a high-growth area, was incorporated into the Automotive Sector, which is now reorganized as the Mobility & Telematics Services Sector. At the same time, from the perspective of SDGs, we aim to transform into new ways of the Company as we work to solve social issues such as reducing traffic accidents, easing traffic congestion, ensuring driver safety, and reducing environmental load. VISION 2023 aims to increase revenue from 273.6 billion yen in FY 2020 to more than 320 billion yen in FY 2023. In particular, the Mobility & Telematics Services Sector aims to achieve a scale of 200 billion yen in revenue, and is positioned as a core business that will account for 60% of our total revenue. In order to ensure an expansion of revenue, we plan to generate 25% of the 320 billion yen in revenue in new business domains (Telematics Service Business, IoT platform service business, and next-generation optical communications device business) and their adjacent fields (such as dash-cams with communication capability, broadband wireless systems, and portable power sources).

Message from the CEO

Expansion of Telematics Service Business

Dashcams have achieved remarkable growth, and I, as someone who has been involved in car electronics for many years, feel very emotionally attached to them. Since the launch targeting the Aftermarket Business in 2014, sales of dashcams have been steadily increasing through OEM sales. In addition, sales of dashcams with communication capability for automotive insurance companies increased sharply. As a result, total revenue of dashcams for the Aftermarket, OEM and automotive insurance company

areas exceeded 30 billion yen in the previous period. The Company forecasts that the global telematics service market will grow at a CAGR (average annual growth rate) of more than 9% toward 2030. In the future, it is expected that dashcams with communication capability for the telematics service will be used in a wide range of applications. Against this backdrop, as a new step we plan to expand our Telematics Service Business into a data service business that utilizes dashcams with communication capability.

VISION 2023 financial strategy

Our financial strategy positions the three years to FY 2023 as a phase to rebuild a strong revenue base that can respond to drastic changes in the market environment. We will allocate management resources in a timely and precise manner with an awareness of the cost of capital and with an emphasis on profitability and capital efficiency, and work to reduce interest-bearing debts and financial expenses. As a key measure to achieve this, we will implement budget and performance management by using cash flow and ROA*4 by business sector as key KPIs*5, and strive to improve the soundness and promote reduction of inventories.

Key measures and numerical targets (Final year of the plan)

- ROE: 10% or more
- Measures to return to shareholders: Dividend ratio of approx. 30%
- Net interest-bearing debt: 15 billion yen or less (end of FY2023)
- Strengthen budget and performance management using cash flow and return on asset (ROA) by business sector as key KPIs
- Improve the soundness and promote reduction of inventories

I believe that we will be able to achieve these goals by pushing through "Change for Growth."

*4: Ratio of return on total assets
*5: Abbreviation of Key Performance Indicator

Promoting sustainability management

Under VISION 2023, we will further strengthen our efforts for sustainability management that revolves around both "profitable growth" and "solving social issues on a global scale." In promoting sustainability management, the Company identified eight social issues (1. Society, 2. Labor, 3. Environment, 4. Quality, 5. Economy, 6. Safety, 7. Governance, and 8. Value creation) that are not only strongly related to its business but also that the Company believes it can contribute to solving, in light of the Sustainable Development Goals (SDGs). With regards to those eight social issues, we have then identified materiality (priority issues) and set KPIs to manage progress in the initiatives to resolve them. (*See page 38 for details of materiality.)

For example, the Company's efforts to contribute to "safety and security" and "resources and the environment" can be expected to reduce gasoline consumption by enabling the optimal route to be taken to a destination through the widespread use of car navigation systems provided by the Company, and to contribute to the prevention of traffic accidents through the widespread use of connected dashcams. They will lead to safety and security for drivers, as well as the reduction in CO₂ emissions if the reduction in the number of traffic accidents causes traffic jams to be alleviated, which will also lead to the conservation of resources and the environment.

Three Management Principles and Four Values

Since the establishment of JVCKENWOOD Corporation in 2011, we have been committed to the corporate vision of "Creating excitement and peace of mind for the people of the world." In order to move forward toward the realization of this vision, we have renewed our Management Principles and Action Guidelines when we formulated VISION 2023.

Management Principles

Creating new value through Monozukuri

The cornerstone of the Company's business is *Monozukuri*. Often translated as "manufacturing" or "making of things," the word *Monozukuri* in this context means not only technology, but also all the elements that span from planning, development design, design, branding, production, quality, cost, to creating added value that encompasses the full range of customer experience values. No matter how the business model changes due to new technologies, changes in the market environment, and other factors, we want to uphold the spirit that forms our basis as a *Monozukuri* company.

Building a corporate culture that adapts and embraces change

In recent years, and in the past year or so when we were affected amid the COVID-19 pandemic, the world changed much faster than we had imagined, becoming like a totally different world. Companies in the future will be required to be flexible and resilient to grow while responding promptly and flexibly to changes that are happening in front of them. We believe that such ability to respond to changes is the source of corporate growth, and we are determined to tackle a changing future in a robust and positive manner.

Investing in people to strengthen capabilities and push boundaries

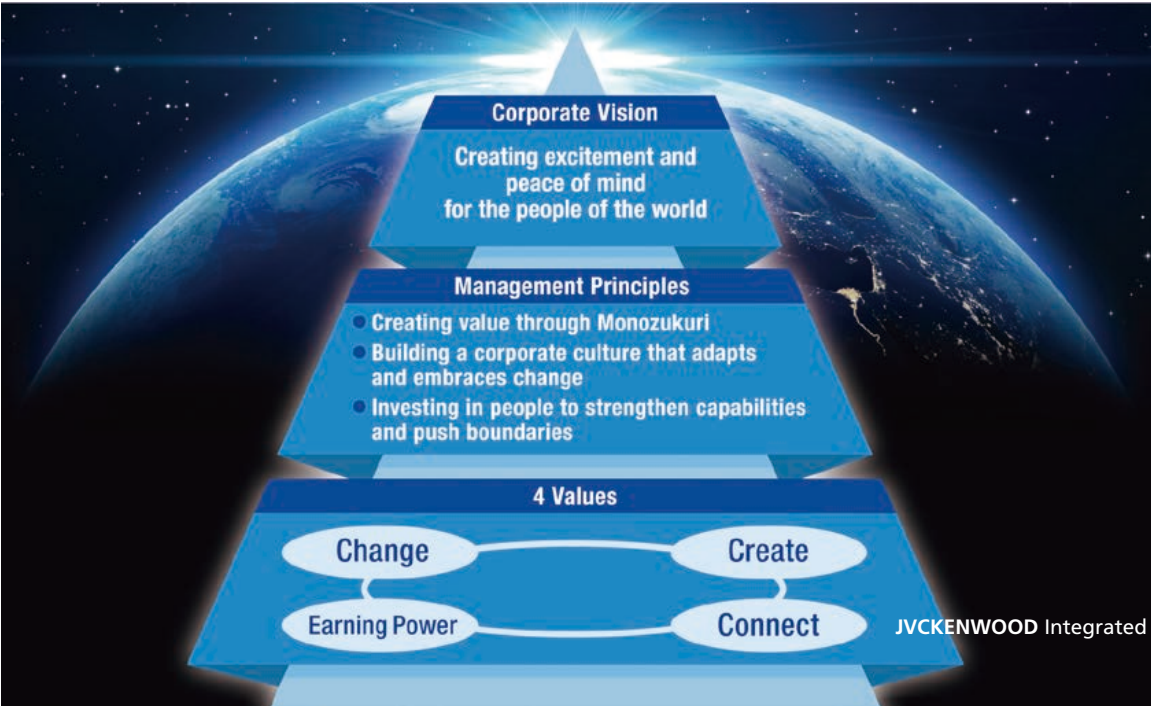
Innovation is born from a combination of multiple elemental technologies. It requires not only core technologies such as those in the areas of audio, visual, and communications, but also diverse technologies and capabilities in areas such as knowledge, art, and design. For this reason, it is necessary for individual employees to hone their skills, ideas, and thinking while, at the same time, the organizational capabilities to share and utilize them cross-organizationally need to be strengthened. In order to create new value for the future society, we will work on human resource development, organizational design and management to stimulate innovation.

In addition to these Management Principles, we have established the following Action Guidelines as "4 Values" that support "Change for Growth."

4 Values

- Change** Making change happen with own awareness and action
- Create** Creating the future by creating new business
- Earning power** Strengthening earning power with an awareness of cash flows
- Connect** Achieving sustainable growth to connect it to the future

Through the implementation of these new Management Principles and Four Values, we are committed to making concerted efforts to increase its corporate value so as to meet the expectations of our stakeholders.



Strengths of JVCKENWOOD

The JVCKENWOOD Group creates new value based on its three strengths, transcending the boundaries of its business sectors.

STRENGTH

1

STRENGTH

2

STRENGTH

3

Core technologies in audio, visual, communications, and design management that create new corporate value

Visual

Visual technology that realizes high definition and high image quality in a wide range of products from dashcams to 8K projectors



Audio

Audio technology that realizes high quality sound reproduction in any usage situation to suit changing lifestyles



Communications

High-quality communication technology used in mission-critical areas such as police, fire, and emergency services



Design Management

Creating new corporate value by improving brand power and innovation through design management



Developing products and solutions in three business sectors

Products that boast the top market share in each of the three business sectors

Mobility and Telematics Services Sector



Car navigation system

Dashcam

[Main Products]

- Car navigation system
- Dashcam
- In-vehicle amplifier/Antenna/Speaker
- Telematics Service

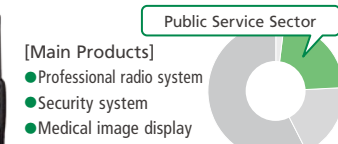


Revenue Composition Ratio by Business Sector (FYE3'/21)

Public Service Sector

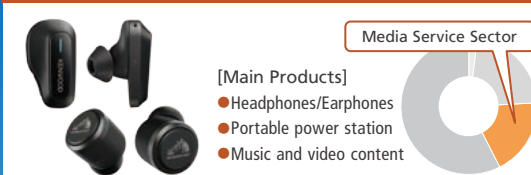


Professional radio system

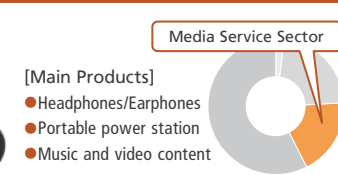


Revenue Composition Ratio by Business Sector (FYE3'/21)

Media Service Sector



Headphones/Earphones



Revenue Composition Ratio by Business Sector (FYE3'/21)

Three characteristic brands

Developing the business activities by leveraging the uniqueness of the three brands

KENWOOD



JVC



Victor



Value Creation Process

The JVCKENWOOD Group aims to realize a sustainable society by providing value that contributes to solving various social issues through its business activities, utilizing its strengths in audio, visual, communications, and design management.

Management capital

Capital input

-  Financial capital
-  Manufacturing capital
-  Intellectual capital
-  Human capital
-  Social and relational capital
-  Natural capital

Corporate Vision
Creating excitement and peace of mind for the people of the world

Business activities

Basic strategies for VISION 2023

Change

- Rebuild the revenue base
- Further promote manufacturing reform
- Reorganize and consolidate production bases

Growth

- Evolution of DX business
- Strategic products for the post COVID-19 world
- Improve profitability and ROE commensurate with capital invested

Research & Development Procurement & Manufacturing Planning & Design Sales After-sales service

Audio, visual, communication and design management as the cornerstones of the company

JVCKENWOOD's Management Principles

- Creation value through Monozukuri
- Building a corporate culture that adapts and embraces change
- Investing in people to strengthen capabilities and push boundaries

Sustainability Management & Evolution of ESG

- Approach to profitable growth based on SDGs strategic themes
- Strengthen governance and further improve the effectiveness of the Board of Directors

Products and services

Three business sectors and brands

Mobility & Telematics Services Sector

OEM Business, Aftermarket Business, Telematics Service Business



Three characteristic brands

KENWOOD
JVC
Victor

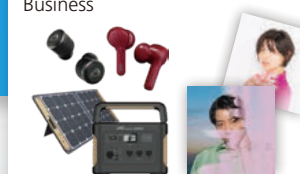
Public Service Sector

Communications Systems Business, Professional Systems Business



Media Service Sector

Media Business, Entertainment Business



Providing value for social issues

Contributing to the prevention of traffic accidents toward the realization of a safe and secure automotive society



Contributing to disaster prevention and mitigation in the event of abnormal weather and disasters caused by climate change



Contributing to the creation of safe and secure communities by deterring violent crime



Cycle of value creation that contributes to profitable corporate growth

Management capital

The Group possesses tangible and intangible management resources, including finances, technology and intellectual property, brands, and human resources. We work to strengthen our intellectual capital, human capital, and social and relational capital through research and development, the acquisition and development of human resources, and the development of collaborative partners, to improve the capabilities of our value-creating resources.

Business activities

The Group promotes the Medium-Term Management Plan VISION 2023 based on three Management Principles related to Monozukuri (manufacturing), building of a corporate culture, and strengthening human resources and organization. VISION 2023 aims to create business that will drive sustainable growth by addressing sustainability management and ESG evolution with "Change for Growth" as the two wheels.

Products and services

The Group has three characteristic brands. We are expanding our business globally by creating products that enrich people's lives and help solve problems in three business sectors: Mobility & Telematics Services, Public Service, and Media Service.

Providing value that contributes to solving social issues

In order to realize the corporate vision of "Creating excitement and peace of mind for the people of the world," we create value for our stakeholders in a wide range of areas, including contribution to a sustainable society, profitable growth, the environment, and society (human resources).