

**JVCKENWOOD**

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Company	JVCKENWOOD Corporation
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**Accounting Report for the 3Q of Fiscal Year Ending March 2022**  
**(April 1, 2021 – December 31, 2021)**

Consolidated Financial Highlights for the Third Quarter of Fiscal Year Ending March 2022  
(April 1, 2021 – December 31, 2021)

**Operating Results**

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

	Third Quarter FYE 3/2021 April 1, 2020 to December 31, 2020	Third Quarter FYE 3/2022 April 1, 2021 to December 30, 2021
Revenue	194,885	194,626
Operating profit	2,058	3,625
Profit before tax	1,972	3,077
Profit attributable to owners of parent company	497	503
Comprehensive income	2,419	4,078
Basic net income per share	3.03 yen	3.08 yen

FYE: Fiscal year ended / ending

## 1. Qualitative Information on Q3 Financial Results

### (1) Description of Operating Results

#### Overview of the Third Quarter of the Fiscal Year Under Review

On July 1, 2021, our company incorporated the telematics service business of its DX Business, which had previously been included in "Others," into the Automotive Sector, and restructured its organization as the Mobility & Telematics Services Sector. The results of the fiscal year under review will be explained with reference to the new sector following the reorganization.

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first nine months of the fiscal year under review was on par with those from the same period a year earlier. This was because although the Mobility & Telematics Services Sector and Public Service Sector were greatly affected by supply shortages of semiconductors and other components, the impacts of novel coronavirus infections (COVID-19) decreased compared to the previous year. Operating profit of the JVCKENWOOD Group increased from the same period a year earlier due to the recording of a gain on sale of subsidiaries and gain on valuation of financial assets during the first quarter of the fiscal year under review.

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

		Q1	Q2	Q3
Profit-and-loss exchange rate	U.S. dollar Euro	Approx. 110 yen Approx. 132 yen	Approx. 110 yen Approx. 130 yen	Approx. 114 yen Approx. 130 yen
FY2020 (for reference)	U.S. dollar Euro	Approx. 108 yen Approx. 119 yen	Approx. 106 yen Approx. 124 yen	Approx. 105 yen Approx. 125 yen

#### \* Revenue

Although the Mobility & Telematics Services Sector and Public Service Sector were greatly affected by the impacts of supply shortages of semiconductors and other components, the gradual recovery trend of the market from the impacts of COVID-19 allowed the decrease in revenue for the first nine months of the fiscal year under review to be kept to approximately 300 million yen, or 0.1%, from a year earlier to 194,626 million yen.

#### \* Operating Profit

Operating profit for the first nine months of the fiscal year under review increased approximately 1,600 million yen, or 76.1%, from a year earlier to 3,625 million yen. This was due to factors such as an increase in other income resulting from the recording of a gain on sale of subsidiaries and gain on valuation of financial assets during the first quarter of the fiscal year under review. For the first nine months 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 nine months of the fiscal year under review declined approximately 1,700 million yen, or 86.1%, from a year earlier to 272 million yen. This happened because of large impacts caused by supply shortages of semiconductors and other components in the second quarter of the fiscal year under review and the third quarter of the fiscal year under review.

\*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 nine months of the fiscal year under review increased approximately 1,100 million yen, or 56.0%, from a year earlier to 3,077 million yen, reflecting an increase in operating profit.

#### \* Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company for the first nine months of the fiscal year under review increased approximately 6 million yen, or 1.3% from a year earlier to 503 million yen due to an increase in profit

before income taxes although income tax expenses increased.

### Revenue and Core Operating Income (Loss) by Business Segment

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

First Nine Months of the Fiscal Year Ending March 2022 (from April 1, 2021 to December 31, 2021) (Million yen)

Segment		Q3(1-Q3) of FYE3/21	Q3(1-Q3) of FYE3/22	Year-on-year Comparison
Mobility & Telematics Services Sector	Revenue	112,909	111,600	-1,309
	Core operating income	2,803	-1,330	-4,134
Public Service Sector	Revenue	41,645	39,540	-2,104
	Core operating income	-935	-169	+766
Media Service Sector	Revenue	36,498	38,650	+2,152
	Core operating income	217	1,862	+1,645
Others	Revenue	3,832	4,834	+1,002
	Core operating income	-132	-89	+43
Total	Revenue	194,885	194,626	-259
	Core operating income	1,952	272	-1,681
	Operating profit	2,058	3,625	+1,566
	Profit before income taxes	1,972	3,077	+1,105
	Profit attributable to owners of the parent company	497	503	+6

#### \* Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the first nine months of the fiscal year under review decreased approximately 1,300 million yen, or 1.2%, from a year earlier to 111,600 million yen, and core operating income decreased approximately 4,100 million yen from a year earlier, resulting in a loss of 1,330 million yen.

##### ➤ Revenue

In the OEM Business, revenue increased from a year earlier. This was because although it was affected by supply shortages of semiconductors and other components in the second quarter of the fiscal year under review and the third quarter of the fiscal year under review, sales of speakers, amplifiers, cables, and other products for automobile manufacturers were strong throughout the first nine months of the fiscal year under review in association with the recovery of the market in China.

In the Aftermarket Business, revenue decreased from a year earlier. This was because although demand was strong during the second quarter of the fiscal year under review and the third quarter of the fiscal year under review, large impacts from supply shortages of semiconductors and other components caused a decrease in the sales of car navigation systems and other products.

In the Telematics Services Business, revenue increased from a year earlier. This was due to an increase in sales of products related to telematics solutions such as dashcams with communication capability intended for casualty insurance companies, during the third quarter of the fiscal year under review.

##### ➤ Core Operating Income

The OEM Business saw an increase in revenue resulting in a reduction in losses from a year earlier. The Aftermarket Business saw a decrease in revenue resulting in a decrease in income, and recorded losses. The Telematics Services Business saw a decrease in income due to large rises in component prices, but in the third quarter of the fiscal year under review its income increased from a year earlier year due to an increase in sales.

#### \* Public Service Sector

Revenue of the Public Service Sector in the first nine months of the fiscal year under review decreased approximately 2,100 million yen, or 5.1%, from a year earlier to 39,540 million yen, and core operating income improved approximately 800 million yen from a year earlier, resulting in a loss of 169 million yen.

##### ➤ Revenue

In the Communications Systems Business, despite strong demand in the U.S. and other overseas markets, there

were impacts in the second quarter of the fiscal year under review primarily from reductions or suspensions of plant operations due to lockdowns implemented in Southeast Asian regions, and in the third quarter of the fiscal year under review from supply shortages of semiconductors and other components. In addition, its revenue decreased approximately 3,500 million yen from a year earlier due to the effects of a decrease in revenue resulting from the sale of a U.S. communication system subsidiary during the first quarter of the fiscal year under review.

In the Professional Systems Business, revenue increased approximately 1,400 million yen from a year earlier. This was because although it was affected by supply shortages of semiconductors and other components, sales by JVCKENWOOD Public & Industrial Systems Corporation recovered gradually in all regions except the Tokyo metropolitan area, and sales in the image display business were strong in the healthcare field both domestically and overseas.

➤ Core Operating Income

In the Communications Systems Business, income declined due to a decrease in revenue. In the Professional Systems Business, losses were reduced due to the effects of an increase in revenue.

**\* Media Service Sector**

Revenue of the Media Service Sector for the first nine months of the fiscal year under review increased approximately 2,200 million yen, or 5.9%, from a year earlier to 38,650 million yen, and core operating income significantly increased approximately 1,600 million yen, or 755.9%, from a year earlier to 1,862 million yen.

➤ Revenue

In the Media Business, revenue increased approximately 1,400 million yen from a year earlier. This was because BtoC sales including new products for home audio equipment, portable power sources, and projectors, were strong due to an increase in teleworking and demand for staying at home, and in BtoB as well, sales of remote cameras for business use were strong in association with the recovery of the market.

In the Entertainment Business, revenue increased approximately 700 million yen from a year earlier due to strong performance in the content business.

➤ Core Operating Income

The Media Business returned to profitability and the Entertainment Business saw an increase in income due to the aforementioned increase in revenue.

**(2) Description of Financial Position**

Analysis of Assets, Liabilities, and Equity, etc.

\* Assets

Total assets increased approximately 100 million yen from the end of the previous fiscal year to 264,432 million yen. This was due to increases in inventories such as raw materials resulting from decreases in production caused by supply shortages of semiconductors and other components, despite a decrease in cash and cash equivalents as well as trade and other receivables.

\* Liabilities

Total liabilities decreased approximately 3,200 million yen from the end of the previous fiscal year to 192,633 million yen. This was due to advancing repayment of bank borrowings, despite an increase in trade and other payables.

\* Equity

Total equity increased approximately 3,300 million yen from the end of the previous fiscal year to 71,799 million yen. This was due to an increase in other components of equity associated with depreciation of the yen, as well as recording of profit attributable to owners of the parent company.

The ratio of equity attributable to owners of the parent company increased 0.9 percentage point from the end of the previous fiscal year to 25.4% due to an increase 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 nine months of the fiscal year under review was 2,634 million yen, which is a decrease in revenue of approximately 25,500 million yen from the same period of the previous

fiscal year. This was mainly caused by an increase in outflow to working capital, associated with an increase in inventories such as raw materials resulting from a decrease in production due to supply shortages of semiconductors and other components.

**\* Cash Flow from Investing Activities**

Net cash used in investing activities for the first nine months of the fiscal year under review was 5,585 million yen, which is a decrease of approximately 3,300 million yen from the same period of the previous fiscal year. This was mainly due to proceeds from sales of subsidiaries during the first quarter of the fiscal year under review.

**\* Cash Flow from Financing Activities**

Net cash used in financing activities for the first nine months of the fiscal year under review was 7,141 million yen, which is an increase of approximately 8,400 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 third quarter of the fiscal year under review decreased approximately 10,100 million yen from the same period of the previous fiscal year to 45,146 million yen.

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

Earning Forecast for FYE3/22

The results for the first nine months of the fiscal year under review were affected by supply shortages of semiconductors and other components, but the market showed a gradual recovery trend due to a decrease in the impacts of COVID-19, so the results were generally at the same level as expected.

Although the outlook for the fourth quarter of the fiscal year under review still remains unclear, no revision of the consolidated earnings forecast for FYE3/22, announced on April 27, 2021, is made. This is because in the JVCKENWOOD Group's plant operations, a significant recovery in production is expected due to factors such as progress toward improvement of the parts procurement rate from the start of the year, and measures such as design changes to address part shortages.

	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 earning forecast are: USD 1=JPY 108 and EUR 1=JPY 130.

The aforementioned earning 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.

## 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 third quarter (as of Dec. 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	59,644	45,146
Trade and other receivables	51,622	49,165
Contract assets	1,288	2,139
Other financial assets	1,772	2,442
Inventories	42,574	57,048
Right to recover products	229	192
Income taxes receivable	885	640
Other current assets	3,781	5,333
Sub-total	161,799	162,110
Assets classified as held for sale	5,651	—
Total current assets	167,451	162,110
Non-current assets		
Property, plant and equipment	52,127	55,698
Goodwill	2,119	2,130
Intangible assets	17,024	17,874
Net defined benefit assets	3,090	2,745
Investment property	2,961	3,489
Investments accounted for using the equity method	4,199	4,273
Other financial assets	9,957	10,723
Deferred tax assets	4,715	4,769
Other non-current assets	679	617
Total non-current assets	96,875	102,322
Total assets	264,326	264,432

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2021)	End of current consolidated third quarter (as of Dec. 31, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	43,387	46,638
Contract liabilities	2,402	2,688
Refund liabilities	4,363	4,271
Short-term borrowings	23,190	18,105
Other financial liabilities	4,455	3,952
Income taxes payable	1,507	1,439
Provisions	1,958	1,787
Other current liabilities	23,117	20,121
Sub-total	104,383	99,006
Liabilities directly associated with assets classified as held for sale	2,158	—
Total current liabilities	106,541	99,006
Non-current liabilities		
Long-term borrowings	52,396	54,573
Other financial liabilities	8,540	10,964
Net defined benefit liabilities	24,186	23,205
Provisions	1,156	1,167
Deferred tax liabilities	1,884	2,578
Other non-current liabilities	1,096	1,136
Total non-current liabilities	89,261	93,626
Total liabilities	195,803	192,633
Equity		
Capital stock	13,645	13,645
Capital surplus	42,086	42,106
Retained earnings	7,574	7,310
Treasury stock	△39	△139
Other components of equity	1,378	4,314
Equity attributable to owners of the parent company	64,645	67,237
Non-controlling interests	3,877	4,562
Total equity	68,523	71,799
Total liabilities and equity	264,326	264,432

## TRANSLATION - FOR REFERENCE ONLY -

(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 third quarter (Apr.1, 2020 – Dec. 31, 2020)	Accumulated period for current consolidated third quarter (Apr.1, 2021 – Dec. 31, 2021)
Revenue	194,885	194,626
Cost of sales	143,479	143,645
Gross profit	51,405	50,981
Selling, general and administrative expenses	49,452	50,708
Other income	1,587	4,214
Other expenses	1,354	551
Foreign exchange gains (losses)	−127	−310
Operating profit	2,058	3,625
Finance income	500	135
Finance expenses	829	799
Share of profit (loss) of investments accounted for using the equity method	242	116
Profit before income taxes	1,972	3,077
Income tax expenses	1,002	2,162
Profit	969	915
Profit attributable to:		
Owners of the parent company	497	503
Non-controlling interests	472	411
Profit	969	915
Earnings per share (attributable to owners of the parent company)		
Basic earnings per share	3.03 yen	3.08 yen
Diluted earnings per share	— yen	3.08 yen



## TRANSLATION - FOR REFERENCE ONLY -

(Quarterly Consolidated Statement of Comprehensive Income)

(JPY in Million)

	Accumulated period for previous consolidated third quarter (Apr.1, 2020 – Dec. 31, 2020)	Accumulated period for current consolidated third quarter (Apr.1, 2021 – Dec. 31, 2021)
Profit	969	915
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	371	–122
Remeasurement of defined benefit plans	1,796	–
Changes in fair value of investment property	346	–90
Share of OCI of investments accounted for using the equity method	0	2
Total of items that will not be reclassified subsequently to profit or loss	2,515	–211
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	–260	2,652
Cash flow hedges	–1,279	713
Share of OCI of investments accounted for using the equity method	474	8
Total of items that may be reclassified subsequently to profit or loss	–1,065	3,374
OCI, net of income tax	1,449	3,163
Comprehensive income	2,419	4,078
Total comprehensive income attributable to:		
Owners of the parent company	1,896	3,491
Non-controlling interests	523	586
Comprehensive income	2,419	4,078

## (3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated third quarter (Apr.1, 2020 – Dec. 31, 2020)	Accumulated period for current consolidated third quarter (Apr.1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,972	3,077
Depreciation and amortization	14,454	13,012
Decrease in net defined benefit liabilities	−505	−1,040
Decrease in net defined benefit assets	379	344
Finance income	−500	−135
Finance expenses	829	799
Gain on valuation of financial assets measured at fair value through profit and loss	−179	−2,094
Gain on sales of subsidiaries	−	−1,494
Loss on disposal of property, plant and equipment	835	17
Decrease (increase) in trade and other receivables	−969	3,063
Decrease (increase) in inventories	2,472	−13,357
Decrease in trade and other payables	6,348	2,310
Decrease in other current liabilities	−1,300	−2,946
Other, net	300	−1,924
Sub-total	24,138	−367
Interest received	107	69
Dividend received	392	63
Interest paid	−733	−698
Income taxes paid	−1,016	−1,701
Net cash provided by (used in) operating activities	22,888	−2,634
Cash flows from investing activities		
Purchases of property, plant and equipment	−3,494	−4,690
Proceeds from sales of property, plant and Equipment	111	67
Purchases of intangible assets	−6,852	−6,990
Proceeds from sales of equity instruments	−	509
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	−	4,913
Distribution from debt instruments	1,563	593
Other, net	−245	12
Net cash used in investing activities	−8,917	−5,585
Cash flows from financing activities		
Proceeds from short-term borrowings	6,410	7,620
Repayment of short-term borrowings	−6,087	−9,294
Proceeds from long-term borrowings	10,133	10,353
Repayment of long-term borrowings	−4,990	−11,759
Repayment of lease liabilities	−3,010	−2,805
Cash dividends paid	−819	−819
Other, net	−360	−436
Net cash provided by (used in) financing activities	1,274	−7,141
Net increase (decrease) in cash and cash equivalents	15,354	−14,497
Cash and cash equivalents at beginning of year	39,933	59,644
Effect of exchange rate changes on cash and cash equivalents	108	863
Cash and cash equivalents at end of quarter	55,288	45,146