

JVCKENWOOD

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Accounting Report for the Fiscal Year Ended March 2022
(April 1, 2021 – March 31, 2022)

Consolidated Financial Highlights for the Fiscal Year Ended March 2022 (April 1, 2021 – March 31, 2022)

Operating Results

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

| | FYE 3/2021 April 1, 2020 to March 31, 2021 | FYE 3/2022 April 1, 2021 to March 31, 2022 |
|---|---|---|
| Revenue | 273,609 | 282,088 |
| Operating profit | 4,893 | 9,054 |
| Profit before tax | 4,533 | 8,515 |
| Profit attributable to owners of parent company | 2,154 | 5,873 |
| Comprehensive income | 9,840 | 16,693 |
| Basic net income per share | 13.14 yen | 35.89 yen |

FYE: Fiscal year ended / ending

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

Overview of Operating Results, Etc.

The following is an overview of the financial position, operating results, and cash flows (“Operating Results”) for the JVCKENWOOD Group (JVCKENWOOD Corporation and its consolidated subsidiaries and equity-method companies) for the fiscal year under review. Forward-looking statements in this document are based on the Company’s judgment as of the publication date of this document.

Financial Position and Operating Results

On July 1, 2021, the 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 the JVCKENWOOD Group for the fiscal year under review increased from the same period a year earlier. This was mainly due to significant recoveries in production and sales in the fourth quarter of the fiscal year under review in addition to the weakened impact of COVID-19 compared with the previous fiscal year, although revenue particularly in the Mobility & Telematics Services Sector and the Public Service Sector was considerably affected by supply shortages of semiconductors and other components. Operating profit for the fiscal year under review significantly increased from the same period of the previous fiscal year. This was primarily 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 fiscal year under review are as follows.

| | | Q1 | Q2 | Q3 | Q4 | Full year |
|-------------------------------|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Profit-and-loss exchange rate | U.S. dollar | Approx. 110 yen | Approx. 110 yen | Approx. 114 yen | Approx. 116 yen | Approx. 112 yen |
| | Euro | Approx. 132 yen | Approx. 130 yen | Approx. 130 yen | Approx. 130 yen | Approx. 131 yen |
| FY2020 (for reference) | U.S. dollar | Approx. 108 yen | Approx. 106 yen | Approx. 105 yen | Approx. 106 yen | Approx. 106 yen |
| | Euro | Approx. 119 yen | Approx. 124 yen | Approx. 125 yen | Approx. 128 yen | Approx. 124 yen |

* Revenue

Revenue for the fiscal year under review increased approximately 8,500 million yen, or 3.1%, from the same period a year earlier to 282,088 million yen. This was mainly due to significant recoveries in production and sales in the fourth quarter of the fiscal year under review, resulting from design changes and the introduction of new products to cope with components in short supply in addition to the weakened impact of COVID-19 compared with the previous fiscal year. However, revenue particularly in the Mobility & Telematics Services Sector and the Public Service Sector was considerably affected by supply shortages of semiconductors and other components.

* Operating Profit

Operating profit for the fiscal year under review increased considerably approximately 4,200 million yen, or 85.0%, to 9,054 million yen from the same period a year earlier. This was primarily due to an increase in other income as a result of the recording of a gain on sale of subsidiaries and gain on valuation of financial assets during the first quarter of the fiscal year. For 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 fiscal year under review declined approximately 300 million yen, or 4.4%, to 7,144 million yen from the same period year earlier. This was mainly attributed to shortages of semiconductors and other components and the strong impact of surges in distribution costs and other prices, despite a rapid recovery in core operating income in the fourth quarter 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 fiscal year under review significantly increased approximately 4,000 million yen, or 87.8%, from a year earlier to 8,515 million yen due to an increase in operating profit despite a decrease in dividend income.

* Profit attributable to owners of the parent company

Profit attributable to owners of the parent company for the fiscal year under review considerably increased

approximately 3,700 million yen, or 172.6%, from a year earlier to 5,873 million yen. This was mainly due to newly recorded deferred tax assets as a result of a surge in order backlogs in a U.S. communications system subsidiary in addition to an increase in profit before income taxes.

Revenue and Profit (Loss) by Business Segment

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

Fiscal Year Ended March 2022 (from April 1, 2021 to March 31, 2022) (millions of yen)

| Segment | | Fiscal year ended March 2021 | Fiscal year ended March 2022 | Year-on-year Comparison |
|--|---|---------------------------------|---------------------------------|----------------------------|
| Mobility & Telematics Services Sector | Revenue | 157,130 | 164,251 | +7,121 |
| | Core operating income | 5,610 | 2,246 | -3,363 |
| Public Service Sector | Revenue | 60,881 | 58,089 | -2,792 |
| | Core operating income | 1,865 | 2,467 | +602 |
| Media Service Sector | Revenue | 50,093 | 53,432 | +3,338 |
| | Core operating income | 503 | 2,703 | +2,200 |
| Others | Revenue | 5,503 | 6,315 | +812 |
| | Core operating income | -505 | -273 | +232 |
| Total | Revenue | 273,609 | 282,088 | +8,479 |
| | Core operating income | 7,473 | 7,144 | -329 |
| | operating profit | 4,893 | 9,054 | +4,162 |
| | Profit before income taxes | 4,533 | 8,515 | +3,981 |
| | Profit attributable to owners of the parent company | 2,154 | 5,873 | +3,719 |
| | | | | |

*** Mobility & Telematics Services Sector**

Revenue of the Mobility & Telematics Services Sector for the fiscal year under review increased approximately 7,100 million yen, or 4.5%, from a year earlier to 164,251 million yen. Meanwhile, core operating income decreased approximately 3,400 million yen, or 60.0%, from a year earlier to 2,246 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, sales of speakers, amplifiers, cables and other products for automobile manufacturers remained strong throughout the fiscal year under review in association with a recovery in the market in China.

In the Aftermarket Business, revenue decreased from a year earlier. This was because although revenue recovered rapidly as a result of measures, such as design changes to cope with components in short supply, taken during the fourth quarter of the fiscal year under review, it was severely affected by the impact of supply shortages of semiconductors and other components.

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

➤ Core operating income

The OEM Business saw an increase in income resulting from the revenue increase. The Aftermarket Business saw a decrease in income due to the lower revenue. The Telematics Services Business saw a decrease in income due to supply shortages of semiconductors and surges in component prices, but its income significantly increased from a year earlier for the second half in the wake of the sales increase.

*** Public Service Sector**

Revenue of the Public Service Sector for the fiscal year under review decreased approximately 2,800 million yen, or 4.6%, from a year earlier to 58,089 million yen. Meanwhile, core operating income grew approximately 600 million yen, or 32.3%, from a year earlier to 2,467 million yen.

➤ Revenue

In the Communications Systems Business, despite strong demand in Japan and overseas markets including the United States, there was a decrease in revenue caused by the sale of a U.S. communications system subsidiary, which took place in the first quarter of the fiscal year under review. There were also impacts from lockdowns in Asia triggered by COVID-19 and from production delays due to supply shortages of semiconductors and other components. As a result, revenue for the fiscal year under review fell approximately 4,100 million yen from a year earlier.

In the Professional Systems Business, revenue increased approximately 1,300 million yen from a year earlier. This was because although it was affected by supply shortages of semiconductors and other components, sales of

JVCKENWOOD Public & Industrial Systems Corporation recovered gradually, and sales of the image display business too stayed strong in the healthcare field in Japan and overseas.

➤ Core operating income

The Communications Systems Business managed to limit the effect of a decline in revenue by slashing fixed costs and others to record a slight decline in income. In the Professional Systems Business, losses were reduced due to the effect of an increase in revenue.

*** Media Service Sector**

Revenue of the Media Service Sector for the fiscal year under review grew approximately 3,300 million yen, or 6.7%, from a year earlier to 53,432 million yen. Accordingly, core operating income dramatically increased approximately 2,200 million yen, or 437.0%, from a year earlier to 2,703 million yen.

➤ Revenue

In the Media Business, revenue was up approximately 1,600 million yen from a year earlier. This was because BtoC sales including new models of 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 professional use were robust in association with the recovery of the market.

In the Entertainment Business, revenue increased approximately 1,700 million yen from a year earlier due to strong performance in the content business.

➤ Core operating income

As a result of the above increase in revenue, the Media Business posted significantly higher income and returned to profitability, and the Entertainment Business saw an increase in income.

(2) Overview of Financial Position for the Fiscal Year under Review

*** Assets**

Total assets rose approximately 16,500 million yen from the end of the previous fiscal year to 280,807 million yen. This was due to an increase in current assets including trade and other receivables and inventories.

*** Liabilities**

Total liabilities grew approximately 1,000 million yen from the end of the previous fiscal year to 196,846 million yen. This was due to an increase in trade and other payables, despite a decrease in borrowings as a result of advancing repayments of bank borrowings.

*** Equity**

Total equity grew approximately 15,400 million yen from the end of the previous fiscal year to 83,961 million yen. This was due to an increase in other components of equity associated with the depreciation of the yen as well as the recording of profit attributable to owners of the parent company.

The ratio of equity attributable to owners of the parent company was up 3.8 points from the end of the previous fiscal year to 28.3% due to an increase in equity attributable to owners of the parent company.

(3) Overview of Cash Flow for the Fiscal Year under Review

Cash Flow Analysis

*** Cash Flow from Operating Activities**

Net cash provided by operating activities for the fiscal year under review was 7,059 million yen, which was a decrease of approximately 28,800 million yen from the same period of the previous fiscal year. This was mainly caused by higher working capital due to an increase in trade and other receivables in addition to an increase in inventories, such as raw materials, as a result of production delays that stemmed from supply shortages of semiconductors and other components.

*** Cash Flow from Investing Activities**

Net cash used in investing activities for the fiscal year under review was 9,804 million yen, which was a decrease of approximately 2,000 million yen from the same period of the previous fiscal year. This was mainly due to higher revenue as a result of the sale of a subsidiary, which took place during the first quarter of the fiscal year under review, although purchases of property, plant and equipment increased.

*** Cash Flow from Financing Activities**

Net cash used in financing activities for the fiscal year under review was 11,273 million yen, which was an increase of approximately 5,900 million yen from the same period of the previous fiscal year. This was mainly due to advancing repayments of bank borrowings.

Cash and cash equivalents at the end of the fiscal year under review decreased approximately 10,900 million yen from the same period of the previous fiscal year to 48,707 million yen.

(4) Outlook for the Future**Outlook for the Next Fiscal Year**

In the fiscal year under review, business performance was severely affected by supply shortages of semiconductors and other components particularly from the second quarter. However, production and sales recovered significantly during the fourth quarter of the fiscal year under review due to measures, such as design changes to cope with components in short supply and the introduction of new products. In addition, thanks to the recording of deferred tax assets as a result of a surge in order backlogs in a U.S. communications system subsidiary and the recording of a gain on valuation of financial assets, all levels of profit or loss from operating profit and below exceeded the year-beginning assumptions on a full-year basis.

For the next fiscal year (the fiscal year ending March 2023), all levels of profit or loss from operating profit and below are forecast to decrease due to the expected absence of the amount, equivalent to gain from the sale of a subsidiary and gain on valuation of financial assets (approximately 3,400 million yen), both of which were recorded in the fiscal year under review (the fiscal year ended March 2022). However, revenue is expected to increase in the Mobility & Telematics Services Sector mainly in anticipation that projects for dealer-installed products will commence in the second half, in addition to a continued recovery in production as in the case of the fiscal year under review. Accordingly, we expect revenue of the JVCKENWOOD Group to increase, and as a result core operating income, which is the total earnings of a company's core business operations, is projected to increase significantly.

Based on the above, the consolidated earnings forecast for the fiscal year ending March 2023 is as follows.

| | (Million yen) | | |
|---|---------------------------------|---|----------------------------|
| | Fiscal year ended March 2022 | Fiscal year ending March 2023 Consolidated earnings forecast | Year-on-year Comparison |
| Revenue | 282,088 | 300,000 | +17,911 |
| Core operating income (reference) | 7,144 | 9,500 | +2,355 |
| operating profit | 9,054 | 8,000 | -1,054 |
| Profit before income taxes | 8,515 | 7,000 | -1,515 |
| Profit attributable to owners of the parent company | 5,873 | 4,000 | -1,873 |

Policy of profit distribution and dividends for the fiscal year under review and the next fiscal year

JVCKENWOOD considers the stable return of profits and the securing of management resources for future growth as one of the most important management challenges. For this reason, the Company decides dividends and other appropriations of surplus by comprehensively considering profitability and financial conditions.

For the fiscal year under review (fiscal year ended March 2022), the Company is scheduled to distribute a year-end dividend of 6 yen per share based on the profit performance and the above-mentioned dividend policy.

For the next fiscal year (fiscal year ending March 2023), the Company will strive to improve the business performance and financial condition and will increase the annual dividend forecast by 1 yen to a year-end dividend of 7 yen per share based on the above policy.

2. Consolidated Financial Statements

(1) Consolidated statement of financial position

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 59,644 | 48,707 |
| Trade and other receivables | 51,622 | 59,570 |
| Contract assets | 1,288 | 1,826 |
| Other financial assets | 1,772 | 4,761 |
| Inventories | 42,574 | 55,585 |
| Right to recover products | 229 | 213 |
| Income taxes receivable | 885 | 748 |
| Other current assets | 3,781 | 5,386 |
| Sub-total | 161,799 | 176,799 |
| Assets classified as held for sale | 5,651 | — |
| Total current assets | 167,451 | 176,799 |
| Non-current assets | | |
| Property, plant and equipment | 52,127 | 56,249 |
| Goodwill | 2,119 | 2,231 |
| Intangible assets | 17,024 | 18,601 |
| Net defined benefit assets | 3,090 | 2,582 |
| Investment property | 2,961 | 3,626 |
| Investments accounted for using the equity method | 4,199 | 4,604 |
| Other financial assets | 9,957 | 10,072 |
| Deferred tax assets | 4,715 | 5,385 |
| Other non-current assets | 679 | 654 |
| Total non-current assets | 96,875 | 104,008 |
| Total assets | 264,326 | 280,807 |

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|----------------------|----------------------|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 43,387 | 49,431 |
| Contract liabilities | 2,402 | 2,852 |
| Refund liabilities | 4,363 | 4,416 |
| Short-term borrowings | 23,190 | 17,918 |
| Other financial liabilities | 4,455 | 4,453 |
| Income taxes payable | 1,507 | 1,685 |
| Provisions | 1,958 | 1,838 |
| Other current liabilities | 23,117 | 23,617 |
| Sub-total | 104,383 | 106,213 |
| Liabilities directly associated with assets classified as held for sale | 2,158 | — |
| Total current liabilities | 106,541 | 106,213 |
| Non-current liabilities | | |
| Long-term borrowings | 52,396 | 51,920 |
| Other financial liabilities | 8,540 | 10,925 |
| Net defined benefit liabilities | 24,186 | 22,517 |
| Provisions | 1,156 | 1,167 |
| Deferred tax liabilities | 1,884 | 3,080 |
| Other non-current liabilities | 1,096 | 1,020 |
| Total non-current liabilities | 89,261 | 90,632 |
| Total liabilities | 195,803 | 196,846 |
| Equity | | |
| Capital stock | 13,645 | 13,645 |
| Capital surplus | 42,086 | 42,112 |
| Retained earnings | 7,574 | 13,346 |
| Treasury stock | — 39 | — 140 |
| Other components of equity | 1,378 | 10,530 |
| Equity attributable to owners of the parent company | 64,645 | 79,495 |
| Non-controlling interests | 3,877 | 4,465 |
| Total equity | 68,523 | 83,961 |
| Total liabilities and equity | 264,326 | 280,807 |

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

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Revenue | 273,609 | 282,088 |
| Cost of sales | 199,049 | 206,298 |
| Gross profit | 74,560 | 75,790 |
| Selling, general and administrative expenses | 67,086 | 68,645 |
| Other income | 2,056 | 4,104 |
| Other expenses | 4,251 | 1,857 |
| Foreign exchange gains (losses) | -385 | -337 |
| Operating profit | 4,893 | 9,054 |
| Finance income | 566 | 342 |
| Finance expenses | 1,153 | 1,051 |
| Share of profit (loss) of investments accounted for using the equity method | 227 | 169 |
| Profit before income taxes | 4,533 | 8,515 |
| Income tax expenses | 1,829 | 2,146 |
| Profit | 2,704 | 6,369 |
| Profit attributable to: | | |
| Owners of the parent company | 2,154 | 5,873 |
| Non-controlling interests | 549 | 496 |
| Profit | 2,704 | 6,369 |
| Earnings per share (attributable to owners of the parent company) | | |
| Basic earnings per share | 13.14 yen | 35.89 yen |
| Diluted earnings per share | - yen | 35.86 yen |

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Profit | 2,704 | 6,369 |
| 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 | 227 | −323 |
| Remeasurements of defined benefit plans | 1,507 | 565 |
| Changes in fair value of investment property | 346 | −90 |
| Share of OCI of investments accounted for using the equity method | 1 | 3 |
| Total of items that will not be reclassified subsequently to profit or loss | 2,083 | 153 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences arising on translation of foreign operations | 4,063 | 8,039 |
| Cash flow hedges | 438 | 1,848 |
| Share of OCI of investments accounted for using the equity method | 550 | 283 |
| Total of items that may be reclassified subsequently to profit or loss | 5,052 | 10,170 |
| OCI, net of income tax | 7,135 | 10,324 |
| Comprehensive income | 9,840 | 16,693 |
| Total comprehensive income attributable to: | | |
| Owners of the parent company | 8,980 | 15,743 |
| Non-controlling interests | 860 | 949 |
| Comprehensive income | 9,840 | 16,693 |

(3) Consolidated Statement of Cash Flows

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 4,533 | 8,515 |
| Depreciation and amortization | 19,316 | 17,120 |
| Impairment losses | 2,767 | 948 |
| Decrease in net defined benefit liabilities | -429 | -1,637 |
| Decrease in net defined benefit assets | 478 | 466 |
| Finance income | -566 | -342 |
| Finance expenses | 1,153 | 1,051 |
| Gain on valuation of financial assets measured at fair value through profit and loss | -107 | -1,792 |
| Gain on sales of property, plant and equipment | -31 | -36 |
| Loss on disposal of property, plant and equipment | 843 | 134 |
| Gain on sales of subsidiaries | - | -1,494 |
| Decrease (increase) in trade and other receivables | 212 | -5,623 |
| Decrease (increase) in inventories | 4,631 | -9,596 |
| Increase in trade and other payables | 3,874 | 3,460 |
| Increase (decrease) in other current liabilities | 496 | -41 |
| Other, net | 731 | -1,378 |
| Sub-total | 37,904 | 9,754 |
| Interest received | 131 | 95 |
| Dividend received | 434 | 226 |
| Interest paid | -958 | -923 |
| Income taxes paid | -1,683 | -2,092 |
| Net cash provided by operating activities | 35,829 | 7,059 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | -4,519 | -6,257 |
| Purchases of intangible assets | -9,393 | -9,705 |

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Proceeds from sales of subsidiaries resulting in change in scope of consolidation | — | 4,913 |
| Distribution from debt instruments | 1,563 | 593 |
| Proceeds from sales of equity instruments | 682 | 812 |
| Other, net | —138 | —161 |
| Net cash used in investing activities | —11,804 | —9,804 |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 8,147 | 10,820 |
| Repayment of short-term borrowings | —7,411 | —13,804 |
| Proceeds from long-term borrowings | 28,172 | 11,853 |
| Repayment of long-term borrowings | —28,665 | —15,186 |
| Repayment of lease liabilities | —4,097 | —3,690 |
| Cash dividends paid | —819 | —819 |
| Other, net | —667 | —445 |
| Net cash used in financing activities | —5,342 | —11,273 |
| Effect of exchange rate changes on cash and cash equivalents | 1,877 | 3,080 |
| Net increase (decrease) in cash and cash equivalents | 20,559 | —10,937 |
| Cash and cash equivalents at beginning of year | 39,933 | 59,644 |
| Cash and cash equivalents included in assets classified as held for sale | —848 | — |
| Cash and cash equivalents at end of year | 59,644 | 48,707 |