

JVCKENWOOD

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Company	JVCKENWOOD Corporation
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Accounting Report for the Q1 of Fiscal Year Ending March 2023
(April 1, 2022 – June 30, 2022)

Operating Results

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

	1st Quarter FYE 3/2022 (April 1, 2021 to June 30, 2021)	1st Quarter FYE 3/2023 (April 1, 2022 to June 30, 2022)
Revenue	64,510	72,000
Operating profit	2,874	516
Profit before tax	2,803	539
Profit attributable to owners of parent company	1,470	-246
Comprehensive income	1,626	10,035
Basic net income per share	8.97 yen	-1.51 yen

FYE: Fiscal year ended / ending

1. Qualitative Information on Q1 Financial Results

(1) Description of Operating Results

Overview of the First Quarter of the Fiscal Year Under Review

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first three months of the fiscal year under review increased from the same period a year earlier. This was due to strong sales in the Communications Systems Business in the Public Service Sector, the Aftermarket Business in the Mobility & Telematics Services Sector, and the Telematics Service Business. Operating profit of the JVCKENWOOD Group as a whole decreased from a year earlier. This was due to a decrease in gain on sales of subsidiaries and gain on valuation of financial assets recorded a year earlier, despite the effects of revenue increase.

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

		Q1
Profit-and-loss	U.S. dollar	Approx. 130 yen
exchange rate	Euro	Approx. 138 yen
FY2021	U.S. dollar	Approx. 110 yen
(for reference)	Euro	Approx. 132 yen

Revenue

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first three months of the fiscal year under review increased approximately 7,500 million yen, or 11.6%, from a year earlier to 72,000 million yen. This was mainly due to strong sales in the Communications Systems Business in the Public Service Sector, the Aftermarket Business in the Mobility & Telematics Services Sector, and the Telematics Service Business.

Operating profit

Operating profit for the first three months of the fiscal year under review decreased approximately 2,400 million yen, or 82.0%, from a year earlier to 516 million yen. This was mainly due to the decrease in a gain on the sale of a subsidiary and gain on valuation of financial assets recorded in the previous fiscal year, despite the effects of revenue increase. For the first three 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, and recorded as other revenue.

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 three months of the fiscal year under review increased approximately 100 million yen, or 19.4%, from a year earlier to 442 million yen. This was mainly due to higher operating income in the Communications Systems Business in the Public Service Sector, the Aftermarket Business in the Mobility & Telematics Services Sector, and the Telematics Services Business, despite a decrease in operating income of the OEM Business in the Mobility & Telematics Services Sector significantly affected by the decrease in production volume at our Shanghai Plant as a result of the lockdown in Shanghai.

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

Profit before income taxes

Profit before income taxes for the first three months of the fiscal year under review decreased by approximately 2,300 million yen, or by 80.7%, from a year earlier to 539 million yen due to a decrease in operating profit.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company for the first three months of the fiscal year under review decreased by approximately 1,700 million yen from a year earlier to a loss of 246 million yen due to a decrease in profit before income taxes.

TRANSLATION - FOR REFERENCE ONLY -

Revenue and Core Operating Income (Loss) by Business Segment

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

First three months of the fiscal year ending March 2023 (April 1, 2022 to June 30, 2022) (Million yen)

Segment		Q1 of FYE3/22	Q1 of FYE3/23	Year-on-year comparison
Mobility & Telematics Services Sector	Revenue	38,661	43,864	+5,203
	Core operating income	206	-268	-474
Public Service Sector	Revenue	12,566	13,959	+1,393
	Core operating income	-429	722	+1,152
Media Service Sector	Revenue	11,869	12,860	+990
	Core operating income	620	-67	-688
Others	Revenue	1,413	1,316	-97
	Core operating income	-26	55	+82
Total	Revenue	64,510	72,000	+7,489
	Core operating income	370	442	+72
	Operating profit	2,874	516	-2,358
	Profit before income taxes	2,803	539	-2,263
	Profit attributable to owners of the parent company	1,470	-246	-1,716

Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the first three months of the fiscal year under review increased approximately 5,200 million yen, or 13.5%, from a year earlier to 43,864 million yen. Core operating income decreased approximately 500 million yen from a year earlier to a loss of 268 million yen.

➤ Revenue

Revenue of the OEM Business decreased from a year earlier. This was mainly due to the significant impact on sales of dealer-installed products in Japan due to a production volume decrease at our Shanghai Plant resulting from the lockdown in Shanghai.

Revenue of the Aftermarket Business increased from a year earlier, mainly due to steady sales in the United States.

Revenue of the Telematics Service Business increased sharply from a year earlier, mainly due to continuously strong sales of telematics solution-related products, including dashcams with communication capabilities for insurance companies, from the previous quarter.

➤ Core operating income

Core operating income of the entire Mobility & Telematics Services Sector declined from a year earlier. This was mainly due to a decrease in profit of the OEM Business from a year earlier as a result of the effects of revenue decrease, despite an increase in profit of the Aftermarket Business and the Telematics Service Business from a year earlier as a result of the impact of revenue increase.

Public Service Sector

Revenue of the Public Service Sector for the first three months of the fiscal year under review increased approximately 1,400 million yen, or 11.1%, from a year earlier to 13,959 million yen. Core operating income increased approximately 1,200 million yen from a year earlier to 722 million yen and turned profitable.

➤ Revenue

Revenue of the Communications Systems Business increased approximately 1,600 million yen from a year earlier. This was mainly due to continuously strong sales in the United States and other overseas markets from the previous quarter.

Revenue of the Professional Systems Business decreased approximately 200 million yen from a year earlier. This was mainly due to the delay in recovery of sales by JVCKENWOOD Public & Industrial Systems Corporation in the high-sales volume electric facility market.

➤ Core operating income

Core operating income of the overall Public Service Sector turned from a loss in the year earlier to profitability, as profit of the Communications Systems Business increased sharply from a year earlier due to the effects of revenue increase, although the loss of the Professional Systems Business expanded from a year earlier due to the impact of revenue decrease.

Media Service Sector

Revenue of the Media Service Sector for the first three months of the fiscal year under review increased approximately 1,000 million yen, or 8.3%, from a year earlier to 12,860 million yen. Core operating income decreased approximately 700 million yen from a year earlier to a loss of 67 million yen.

➤ Revenue

Revenue of the Media Business remained the same as the year earlier. This was mainly due to the impact of the decreased production volume as a result of the transfer of production of commercial video cameras, projectors, and other products.

Revenue of the Entertainment Business increased approximately 1,000 million yen from a year earlier mainly due to the strong performance of the content business.

➤ Core operating income

Core operating income of the overall Media Service Sector declined from a year earlier, as operating profit of the Media Business decreased from a year earlier. This was mainly due to the effects of a decrease in production volume of professional video cameras, projectors, and other products resulting from the transfer of production, although operating profit of the Entertainment Business increased from a year earlier due to the effects of revenue increase.

(2) Description of Financial Position

Analysis of Assets, Liabilities, Equity, etc.

Assets

Total assets increased approximately 11,600 million yen from the end of the previous fiscal year to 292,360 million yen. This was due to an increase in inventories affected by supply chain problems and other factors, despite a decrease in trade and other receivables caused by seasonal factors.

Liabilities

Total liabilities increased approximately 2,500 million yen from the end of the previous fiscal year to 199,337 million yen. This was due to an increase in trade and other payables, despite further repayment of bank borrowings.

Equity

Total equity increased approximately 9,100 million yen from the end of the previous fiscal year to 93,022 million yen. This was due to an increase in other components of equity caused by the depreciation of the yen against major currencies from the end of the previous fiscal year, despite a decrease of approximately 1,300 million yen in retained earnings.

The ratio of equity attributable to owners of the parent company increased 1.8 percentage points from the end of the previous fiscal year to 30.1%. This was due to an increase in total equity attributable to owners of the parent company.

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash provided by operating activities for the first three months of the fiscal year under review was 2,951 million yen, which is an increase of approximately 1,800 million yen from the same period of the previous fiscal year. This was mainly due to an increase in collection of trade and other receivables, despite an increase in inventories.

Cash Flow from Investing Activities

Net cash used in investing activities for the first three months of the fiscal year under review was 4,373 million yen, which is an increase of approximately 6,300 million yen from the same period of the previous fiscal year. This was mainly due to the absence of income from the sale of subsidiaries conducted in the same period of the previous fiscal year and an increase in expenditures for the acquisition of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities for the first three months of the fiscal year under review was 3,375 million yen, which is a decrease of approximately 100 million yen from the same period of the previous fiscal year.

Cash and cash equivalents at the end of the first three months of the fiscal year under review decreased approximately 12,600 million yen from the same period of the previous fiscal year to 46,848 million yen.

**(3) Description of Forward-Looking Information Such as Consolidated Earnings Forecast
Earnings Forecast for FYE3/23**

For the first three months of the fiscal year under review, results exceeded the initial forecast for the JVCKENWOOD Group. This was due to stronger than expected sales of the Communications Systems Business in the Public Service Sector among others.

At present, the consolidated earnings forecast for the fiscal year ending March 2023 announced on April 27, 2022, will not be revised from the second quarter of the fiscal year under review and onward, while the Communications Systems Business is expected to continue strong sales and sales of the OEM Business in the Mobility & Telematics Services Sector are expected to recover significantly with the lifting of the lockdown in Shanghai.

	Consolidated earnings forecast for the fiscal year ending March 2023
Revenue	300,000 million yen
Core operating income (Reference)	9,500 million yen
Operating profit	8,000 million yen
Profit before income taxes	7,000 million yen
Profit attributable to owners of the parent company	4,000 million yen

Profit-and-loss exchange rates used as assumptions in the aforementioned earnings forecast are: USD 1=JPY 122 and EUR 1=JPY 130.

The aforementioned earning forecast was prepared by the JVCKENWOOD Corporation based on information available at the time of releasing 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**

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	48,707	46,848
Trade and other receivables	59,570	52,025
Contract assets	1,826	2,486
Other financial assets	4,761	8,719
Inventories	55,585	66,571
Right to recover products	213	254
Income taxes receivable	748	933
Other current assets	5,386	6,088
Total current assets	176,799	183,927
Non-current assets		
Property, plant and equipment	56,249	58,968
Goodwill	2,231	2,329
Intangible assets	18,601	19,184
Net defined benefit assets	2,582	2,482
Investment property	3,626	3,859
Investments accounted for using the equity method	4,604	4,706
Other financial assets	10,072	10,320
Deferred tax assets	5,385	5,959
Other non-current assets	654	621
Total non-current assets	104,008	108,432
Total assets	280,807	292,360

TRANSLATION - FOR REFERENCE ONLY -

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	49,431	51,071
Contract liabilities	2,852	2,845
Refund liabilities	4,416	4,792
Short-term borrowings	17,918	18,860
Other financial liabilities	4,453	5,213
Income taxes payable	1,685	1,155
Provisions	1,838	1,939
Other current liabilities	23,617	22,752
Total current liabilities	106,213	108,632
Non-current liabilities		
Long-term borrowings	51,920	50,046
Other financial liabilities	10,925	11,953
Net defined benefit liabilities	22,517	22,393
Provisions	1,167	1,172
Deferred tax liabilities	3,080	4,371
Other non-current liabilities	1,020	767
Total non-current liabilities	90,632	90,704
Total liabilities	196,846	199,337
Equity		
Capital stock	13,645	13,645
Capital surplus	42,112	42,119
Retained earnings	13,346	12,089
Treasury stock	- 140	- 140
Other components of equity	10,530	20,244
Equity attributable to owners of the parent company	79,495	87,959
Non-controlling interests	4,465	5,063
Total equity	83,961	93,022
Total liabilities and equity	280,807	292,360

TRANSLATION - FOR REFERENCE ONLY -

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	64,510	72,000
Cost of sales	47,301	53,161
Gross profit	17,209	18,839
Selling, general and administrative expenses	16,838	18,396
Other income	2,829	655
Other expenses	270	246
Foreign exchange gains (losses)	- 55	- 335
Operating profit	2,874	516
Finance income	75	98
Finance expenses	289	277
Share of profit (loss) of investments accounted for using the equity method	143	202
Profit before income taxes	2,803	539
Income tax expenses	1,182	621
Profit (loss)	1,621	- 81
Profit (loss) attributable to:		
Owners of the parent company	1,470	- 246
Non-controlling interests	151	165
Profit (loss)	1,621	- 81
Earnings (loss) per share (attributable to owners of the parent company)		
Basic earnings (loss) per share	8.97yen	- 1.51yen
Diluted earnings (loss) per share	— yen	- 1.51yen

TRANSLATION - FOR REFERENCE ONLY -

(Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit (loss)	1,621	- 81
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	- 99	- 158
Changes in fair value of investment property	- 90	—
Share of OCI of investments accounted for using the equity method	1	2
Total of items that will not be reclassified subsequently to profit or loss	- 189	- 156
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	338	7,797
Cash flow hedges	- 133	2,572
Share of OCI of investments accounted for using the equity method	- 10	- 96
Total of items that may be reclassified subsequently to profit or loss	194	10,272
OCI, net of income tax	5	10,116
Comprehensive income	1,626	10,035
Total comprehensive income attributable to:		
Owners of the parent company	1,491	9,437
Non-controlling interests	135	597
Comprehensive income	1,626	10,035

TRANSLATION - FOR REFERENCE ONLY -

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,803	539
Depreciation and amortization	4,591	4,225
Decrease in net defined benefit liabilities	- 459	- 431
Decrease in net defined benefit assets	112	99
Finance income	- 75	- 98
Finance expenses	289	277
Gain on valuation of financial assets measured at fair value through profit and loss	- 1,110	- 361
Gain on sales of subsidiaries	- 1,504	—
Loss on disposal of property, plant and equipment	3	16
Decrease in trade and other receivables	8,954	10,156
Increase in inventories	- 4,114	- 7,515
Increase (decrease) in trade and other payables	- 2,188	57
Decrease in other current liabilities	- 3,096	- 1,815
Other, net	- 2,245	- 1,423
Sub-total	1,959	3,727
Interest received	25	40
Dividend received	49	45
Interest paid	- 260	- 249
Income taxes paid	- 659	- 611
Net cash provided by operating activities	1,114	2,951
Cash flows from investing activities		
Purchases of property, plant and equipment	- 1,320	- 2,156
Proceeds from sales of property, plant and equipment	11	119
Purchases of intangible assets	- 2,113	- 2,289
Proceeds from sales of equity instruments	231	1
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	5,008	—
Other, net	64	- 48
Net cash provided by (used in) investing activities	1,882	- 4,373
Cash flows from financing activities		
Proceeds from short-term borrowings	2,130	3,658
Repayment of short-term borrowings	- 2,101	- 1,233
Proceeds from long-term borrowings	207	—
Repayment of long-term borrowings	- 1,905	- 3,702
Repayment of lease liabilities	- 874	- 964
Cash dividends paid	- 819	- 980
Other, net	- 85	- 153
Net cash used in financing activities	- 3,449	- 3,375
Effect of exchange rate changes on cash and cash equivalents	206	2,938
Net decrease in cash and cash equivalents	- 245	- 1,858
Cash and cash equivalents at beginning of year	59,644	48,707
Cash and cash equivalents at end of quarter	59,399	46,848