

# Message from the CEO

## Change for Growth

Towards the second year of the Medium-Term Management Plan, "VISION 2023"



Representative Director of the Board,  
President and CEO  
Shoichiro Eguchi



### We achieved both sales and income growth during the fiscal year ended March 2022 in a rapidly changing business environment

Our fiscal year ended March 2022 was a very volatile year. Under VISION 2023 Medium-Term Management Plan for FY 2021 to FY 2023 (announced in May 2021), we have adopted "Change for Growth" as our basic strategy. We will fundamentally strengthen our corporate structure over the next three years, accelerate growth even further by overcoming the sense of stagnation caused by COVID-19,

and take the next step forward. However, due to a shortage in the supply of components such as semiconductors, price hikes in components, and distribution delays, I feel that we did not achieve full-scale acceleration of growth in the first fiscal year.

### Results and review of the first fiscal year of VISION 2023

<p>Redefine business portfolio</p>	<ul style="list-style-type: none"> <li>• Reorganized in the Mobility &amp; Telematics Services Sector and expanded our Telematics Service Business</li> <li>• Stopped producing consumer video cameras and shifted resources to growth businesses</li> <li>• Restructured our wireless business portfolio by selling subsidiaries</li> </ul>
<p>Strengthen revenue base</p>	<ul style="list-style-type: none"> <li>• Ended production at Thailand production base (JKET<sup>*1</sup>)</li> <li>• Returned to domestic production in JVCKENWOOD Nagano Corporation and promoted automation</li> <li>• Continuously strengthened our business structure through CEM<sup>*2</sup> projects</li> </ul>
<p>Respond to management issues</p>	<ul style="list-style-type: none"> <li>• Strengthened response to supply chain issues by establishing the SCM<sup>*3</sup> Innovation Department</li> <li>• Strengthened cyber security measures (JK-CIRT<sup>*4</sup>/ CC<sup>*5</sup>)</li> <li>• Implemented factory security measures for automotive products at JVCKENWOOD Nagano Corporation</li> </ul>

\*1: JVCKENWOOD Electronics (Thailand) Co., Ltd.

\*2: COVID-19 Emergency Measure

\*3: Supply Chain Management

\*4: JVCKENWOOD Central Incident Response Team (cross-company response team to strengthen cyber security resilience)

\*5: Coordination Center

Despite such circumstances, we have been working to strengthen our revenue base by redefining our business portfolio. We have been reorganizing in the Mobility & Telematics Services Sector, expanding our Telematics Service Business, terminating production of consumer video cameras, shifting resources to growth businesses, and reorganizing our wireless business portfolio through selling subsidiaries. We also made design changes in response to the components shortage, returned domestic

production from Indonesia to Nagano, and promoted automation, resulting in significant recovery in production and sales in the fourth quarter. We believe that we have achieved some success in ensuring a more stable supply of products. Due in part to the reduced impact of COVID-19 compared with the previous fiscal year, we also increased sales and income for FY 2021.

### Anticipate changes for the future

However, the components shortage (particularly for semiconductors) has exposed a new challenge—the vulnerability of the supply chain in our group. In FY 2021, we were able to recover by designing replacement components and launching an automation line; however, in April 2022, we established the position of Officer in Charge of SCM Reform and the SCM Innovation Department

because we believe that fundamental reform is necessary for important medium- to long-term company-wide risks. With the following agendas as its main mission, the department will optimize our supply chain by enhancing process visualization and monitoring, thereby reliably promoting business plans and accelerating management decision-making from the perspective of cash flow.

#### Main missions of the SCM Innovation Department

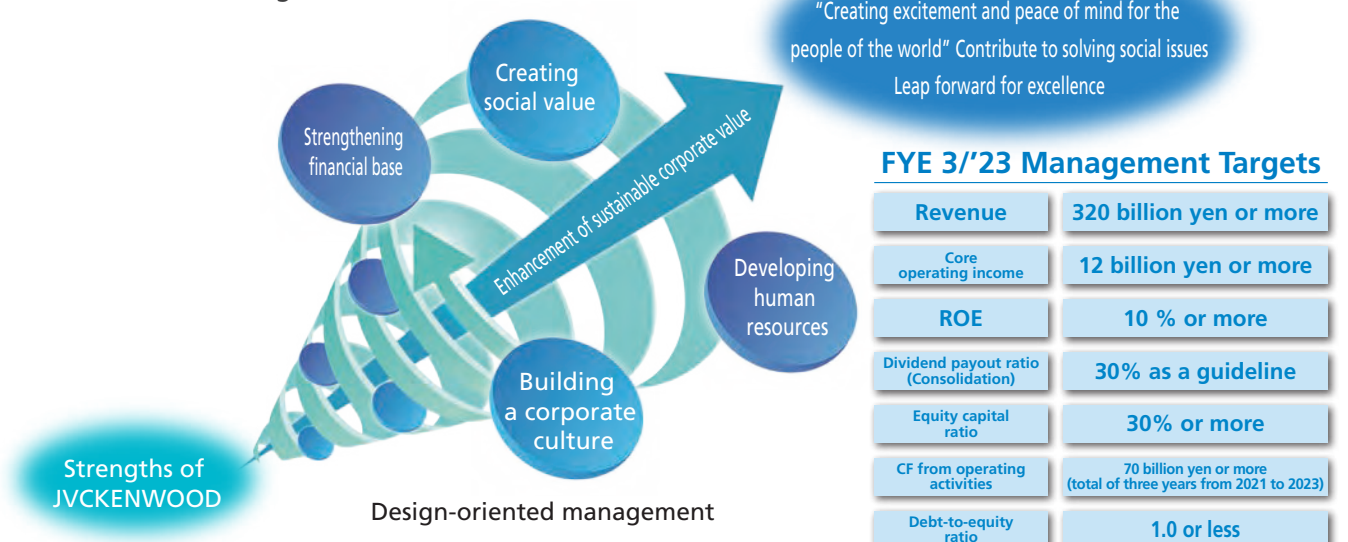
- (1) Set up and then monitor, track, and proactively manage a KPI tree related to SCM
- (2) Improve cash flow through activities to optimize inventories
- (3) Develop IT tools such as data visualization
- (4) Reform SPI\* process into a supply chain process that connects the entire company

\*Sales, Production, and Inventory

In this era of rapid change, a company must be flexible and quick in dealing with change and must ensure that it is committed to growth. Under our corporate vision of "Creating excitement and

peace of mind for the people of the world," we aim to become a strong and resilient company that continues to anticipate change for the future, in order to enhance our corporate value over the medium-to-long term.

### Medium-Term Management Plan and JVCKENWOOD's vision



#### FYE 3/'23 Management Targets

Revenue	320 billion yen or more
Core operating income	12 billion yen or more
ROE	10 % or more
Dividend payout ratio (Consolidation)	30% as a guideline
Equity capital ratio	30% or more
CF from operating activities	70 billion yen or more (total of three years from 2021 to 2023)
Debt-to-equity ratio	1.0 or less

# Message from the CEO

## JVCKENWOOD's unique portfolio strategy

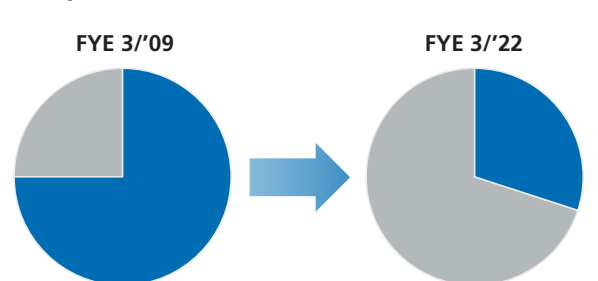
We have been transforming our business portfolio for more than 10 years since implementing management integration in 2008. At that time, more than 70% of sales were from B-to-C (business-to-consumer) businesses such as TV and video cameras. However, we liquidated unprofitable businesses in response to market changes, and now B-to-B business (in the three main sectors of Mobility & Telematics Services, Public Service, and Media Service) now account for approximately 70% of sales. Our Medium-Term Management Plan has also revealed the way forward in redefining our business portfolio. There are high risks involved in single stand-alone businesses, so we will continue to select and discard businesses within these three sectors in the future. We will continue to monitor our changing business environment as we review "businesses that need to be addressed" and "revenue base business" that we must reform, and "priority businesses" and "next generation businesses" that can accelerate the concentration of management resources toward growth.

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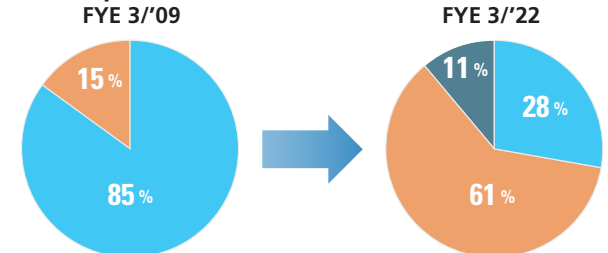
In the Mobility & Telematics Services Sector, the Group transitioned from focusing on the Aftermarket Business, and now focuses on the OEM Business for automobile manufacturers and Tier 1 manufacturers, and this business now accounts for approximately 60% of sales in this sector. Our car navigation systems have grown to have a market share of approximately 30%\* in the dealer-installed (dealer options) business for Japanese automobile manufacturers. These changes are part of our business portfolio strategy. The brand power we have cultivated in the commercial market, our high sensitivity to the market, and our planning and design capabilities to quickly reflect customer needs in our products are major assets that form the strength of our group. In addition, the video and optical technologies we have developed through designing our video cameras and high-definition projectors give us an advantage over competitors and help to further solidify our position in the dashcams market.

\*According to a survey by JVCKENWOOD Corporation

Composition ratio of BtoC and BtoB



Mobility & Telematics Services business portfolio transformation



## Meeting the needs of the new world, such as autonomous driving and EVs

The automotive industry, one of our group's major customers, is seeing greater activity in trends such as CASE<sup>\*1</sup>, MaaS<sup>\*2</sup>, and EV. Even if automated driving and EVs become widespread, in-vehicle comfort and entertainment will remain essential as long as people continue to use cars. We believe that human-machine interfaces (HMI) outside of driving will come under greater focus. We are proud that our HMI planning and design capabilities, in addition to the high-quality sound and recording technologies we have cultivated over the years, will contribute toward upgrading vehicle interiors in the age of automated driving and EVs.

We are also already working with automobile manufacturers on various initiatives to support the shift to EVs. One such project is the development of a portable power station using recycled batteries from "Nissan Leaf"<sup>\*3</sup> vehicles, which was publicly announced in April 2022. With cumulative global sales of more than 500,000 units, we will utilize the technology and expertise we have developed through the design of in-vehicle devices such as car navigation systems and dashcams, as well as portable power stations, in order to design and develop products optimized for reusing used batteries as well as for safety.

\*1: Connected, Autonomous, Shared & Services and Electric  
 \*2: Mobility as a Service  
 \*3: Electric Vehicle of Nissan Motor Co., Ltd.  
 \*4: Key Performance Indicator

Companies are now expected to contribute to SDGs, and we will specifically promote this new business scheme as a way to reduce environmental impact and contribute to a low-carbon society. Waste reduction and reuse of auto components have a significant social impact. In our quest to be carbon neutral, we consider recycling efforts to be one of the core components of our business.

► For details, see "Development of environmentally friendly products" on page 41 "Environment."

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Recycled Nissan LEAF battery cells that will be used in the product (left) and the product image under development (right)

## Instilling sustainability management inside and outside the Company

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Our approach to sustainability is to first identify social issues that are not only closely related to our business, but also that we believe will contribute to society. We then identify material issues and set KPIs<sup>\*4</sup> for each topic, and promote initiatives to solve these issues, starting at the front lines of business. The key for us is to start nearby and expand outward. We believe that it is easy for employees to understand how our business is linked to solving social issues.

For example, dashcams generate annual sales revenue of approximately 30 billion yen, and we have heard that the connected-type dashcams that we supply to major auto insurance companies have led to a reduction in traffic accidents. In addition to outdoor and business applications, our commercial transceivers are expected to be used in rescue and relief efforts in disaster-stricken areas, and we believe that they will contribute

to reducing the number of deaths, missing persons, and directly injured people in disasters.

In order to expand these efforts, we believe it is important to know the Company's ranking in external evaluations, and to motivate our employees to aim for even higher positions within the Company. Furthermore, it is important that children become interested in SDGs and sustainability, and understand that our Group's activities are for this purpose. With this in mind, we are actively involved in the development of children, who will be responsible for the future, by providing on-site lectures aimed at promoting the understanding of SDGs through the Group's business activities, as well as workplace tours and work experience for students.

## Continuing to ask, "What is purpose management?"

A major topic of VISION 2023 is "Change for Growth," and I feel that while there are some things that must be changed in order to transform and grow for the future, there are also some things that cannot be changed. In the words of the American theologian Reinhold Niebuhr, "God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference." Some things, like upbringing, cannot be changed, but there are other things in the world that must be changed.

In this rapidly changing and highly uncertain world, we will verify whether our corporate vision is consistent with the conceptions of our many stakeholders and find a purpose that is satisfactory. We believe that purpose management means to constantly question our own *raison d'être*, and to make things better.

What should I accept and what should I change within a limited time frame? I see this as a major topic and mission that I must consider as CEO.



# 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 (FYE 3'/22)

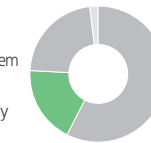
### Public Service Sector



Professional radio system

#### Main Products

- Professional radio system
- Security system
- Medical image display monitor



Revenue Composition Ratio (FYE 3'/22)

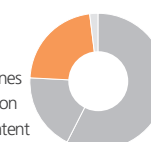
### Media Service Sector



Headphones/earphones

#### Main Products

- Headphones/earphones
- Portable power station
- Music and video content



Revenue Composition Ratio (FYE 3'/22)

## Three Iconic brands

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

### KENWOOD

The KENWOOD brand, with its red triangle brand logo that represents high quality, innovation, and sharpness, provides products based on audio and communications technologies. The brand continues to expand its range of in-vehicle products and services.



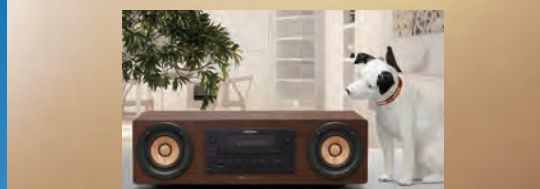
### JVC

The JVC brand, which covers a wide range of areas from audio and visual products to healthcare systems (mainly in overseas markets), offers products and services that are closely related to people's lives.



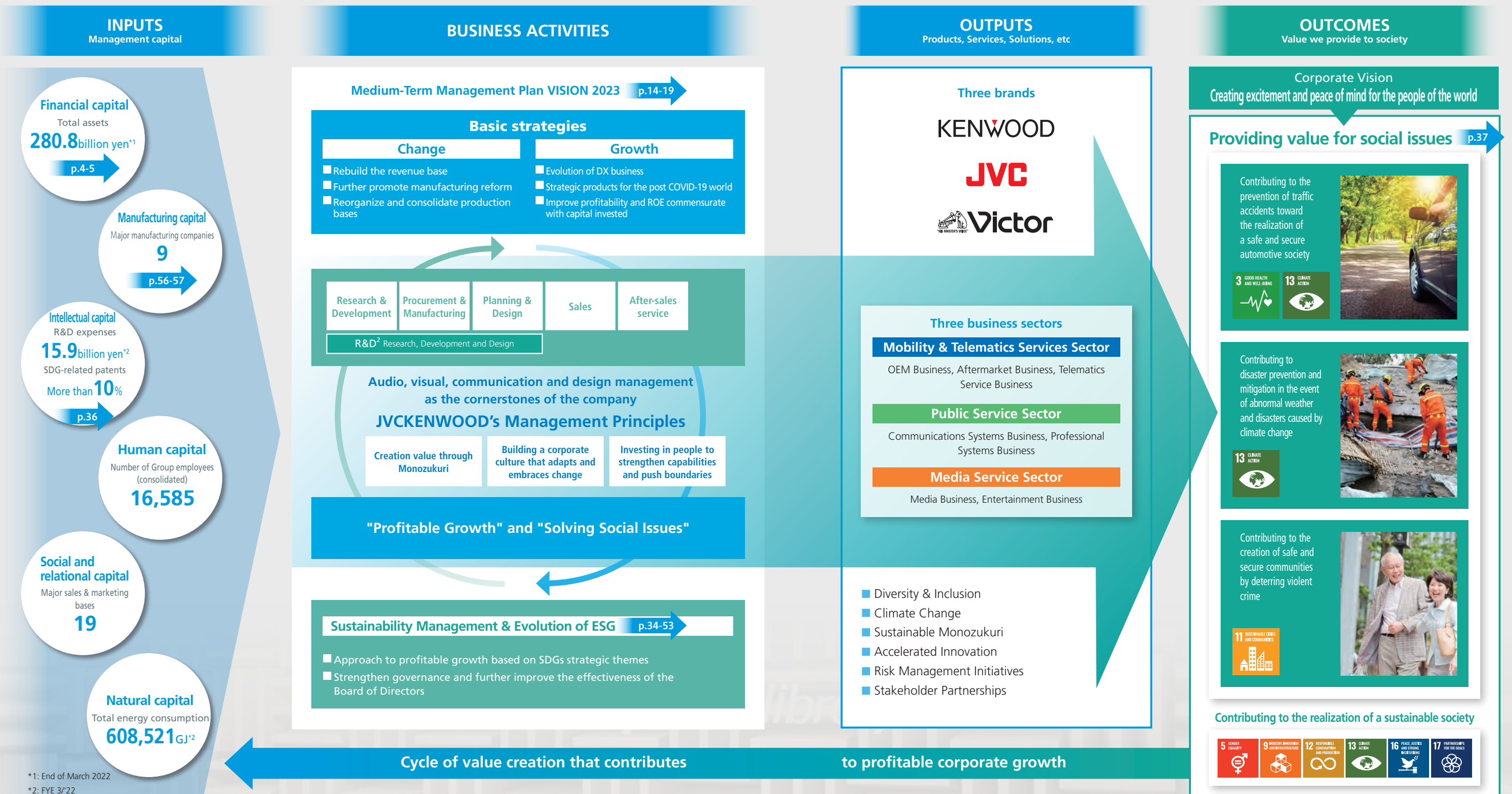
### Victor

The Victor brand, familiar to many thanks to Nipper, the dog depicted in "His Master's Voice," focuses on technologies and products that are appropriate for the times, based on out-of-the-box thinking.





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.



\*1: End of March 2022  
 \*2: FYE 3/22

**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, services and solutions**  
 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).