

Summary of Q&A at the online briefing session on the Medium-Term Management Plan Vision 2023

Q: With regard to the telematics service business, you are currently in the phase of transitioning to Phase 2, but will you reach Phase 3 within the next three years? Also, do you expect sales of the non-traditional recurring business to some extent in the mid-term management plan?

A: We believe that we will be able to start some of the services up to Phase 3 during FY2023. We are also in the process of finalizing specifics with car manufacturers regarding the recurring business. The scale of the project is in the hundreds of millions of yen, but we expect it to become a business by the end of FY2023, hoping to create a highly profitable system.

Q: We understood that in FY2020, the restructuring of the business portfolio will still proceed with the sale of Zetron and the impairment of business that needs to be addressed. Please give us an idea of how you see it landing in the next three years.

A: While we will redefine our business portfolio as shown on page 8 of the presentation material, we plan to either improve or reduce the size of business that needs to be addressed. There will be an increase in the portions of priority business and next-generation new business on page 8. As shown in the graph on page 11, we have set the target for new/adjacent fields at 25% of the 320 billion yen in sales revenue we aim to achieve in FY2023. We will change our business portfolio in this way.

Q: On page 20 of the presentation material, it is stated that cash flow (CF) and ROA by business division are the main KPIs. By sector, will the Mobility & Telematics Service (M&T) Sector, Public service (PS) Sector, Media Service (MS) Sector, and other sectors be managed with more detailed breakdown figures? Also, please let us know if there are any departments that are excellent or have issues with this KPI at this time.

A: There are differences in each sector. In the former Automotive (AM) Sector, fixed assets are fairly common, and we are basically trying to manage them across the entire M&T Sector. However, if the number of telematics services increases in the future, we will divide the business into two and manage them separately. As for PS Sector, at least communications systems and professional radio systems business will be managed separately. As for MS Sector, the entertainment business is a completely different business, so it will be managed separately from the media business. In other words, instead of managing by each sector, we will manage in a more segmented manner. The M&T Sector is the current breadwinner, and the communications systems business is also a business with very good investment efficiency, so these two sectors will continue to be the key drivers of overall cash generation in the future.

Q: On page 30 of the presentation material, it says that the company will return to domestic production, but to what extent do you plan to increase the ratio of domestic production in the future?

A: The basic idea is to return to Japan from regions with high geopolitical risks. On the other hand, since there is the issue of labor costs, we will promote automation. In recent years, automobiles have become more and more "connected," and from a cyber security perspective, we are aiming for domestic production, domestic sales, and overseas sales. Automobile manufacturers are also placing importance on cyber security, so we will proceed in that direction.

Q: Regarding the design initiatives on p. 33 of the presentation material, there seems to be a difference in the way design is handled when broken down by segment. Putting it into the context of your business, please tell us more specific about the future initiatives.

A: As we transformed our business portfolio after the business integration, we shifted from B-to-C to B-to-B business, and the design style is now different for each business. While doing product design, we aim to position the creation of the image and brand of the products we send out as a company upstream, and proceed with design management in a broad sense, not just focusing on products.

Q: How do you see the market environment for the aftermarket business and dealer-installed product business in the former AM Sector during the mid-term management plan period? We understand that the market is recovering quite well at the moment, but isn't there a risk of a structural market contraction in the medium to long term?

A: We are going to start the M&T business on July 1. Looking at the aftermarket business over the past few years, there has been no significant drop in sales revenue and profit. In the Japanese market, compact cars and mini cars are said to account for about 65% of the total market. In the used car, lease, and rental car markets, we believe that there is still demand for specialized products that are different from existing products. Most recently, the aftermarket business in Japan and overseas has been very active. As for the dealer-installed business, although it depends on the sales situation of cars, we are planning to strengthen our dealer-installed products for Southeast Asia. Japanese automakers account for about 90% of the Southeast Asian market, and display audio products are steadily expanding there. Considering VISION 2023 and beyond, sales of compact cars and mini cars are expected to remain strong in Japan. We believe that some of these products will be replaced by factory-installed products, but we are also talking with automakers about maintaining a reasonable size of the dealer-installed product market. We will promote initiatives for factory-installed products in this context. As for the after-market products, we believe that

the market for compact cars, leases, and rental cars will continue to be active after VISION 2023.

As a supplement information, we do not anticipate any significant sales revenue from the aftermarket business in the mid-term management plan. As for the dealer-installed product business, we are including it in the medium-term management plan while reflecting the latest order acquisition over the next 2 to 2.5 years.

Q: Factory-installed products have been impaired by development in the past, but do you mean that you will try again?

A: Instead of trying again, we will make good use of existing assets. For example, the display audio business in Southeast Asia is becoming more and more like a semi-factory-installed, semi-dealer-installed product business model. We do not anticipate large development costs.

Q: In the radio systems business, is it difficult to increase the market share and profitability of the existing Land Mobile Radio (LMR) business, including Kenwood products?

A: Price competition is tough for the low-end models. For the Digital Mobile Radio (DMR) model, the company is trying to build a repeater system business using Radio Activity, an Italian company which we acquired a few years ago. However, this does not mean that we can expect significant growth in general. We hope to grow high value-added models such as dual and tri-band in the wireless market.

Q: On page 15 of the presentation material, there is a description of road diagnostic services and driving support services. What is the current status of development??

A: The development of the engine part of the road diagnostic service and driving support service is in progress. We are fine-tuning the algorithm to improve the accuracy and aiming to provide the service in the next few years. We believe that the high market share of dashcams will be a major advantage. The clarity of dashcam images, which is also the reason for the high market share, and the technology used to create the images have had a significant impact on improving the quality of the service. Regarding the inclination of utility poles, we have received an offer from an electric power company to use dashcams video to communicate the situation in real time in the event of an earthquake or heavy rain. We have already shipped more than 1 million units of communication-type dashcams to automotive insurance companies, and we believe that we have an advantage in terms of industry-leading coverage rate.