

JVCKENWOOD

Results and Forecast Briefing

Third Quarter (1-3Q) of Fiscal Year Ending March
2021 (IFRS)

January 29, 2021



JVCKENWOOD Corporation

Business Domains

*All figures in this document are prepared in accordance with International Financial Reporting Standards (IFRS).

Media Service Sector (MS)

■ Media Business

- Solutions/Lifestyle/Brand video cameras, headphones, projectors, home audio, imaging devices, etc.

■ Entertainment Business

Content/contract production business

Public Service Sector (PS)

■ Communication Systems Business

Professional radio systems, amateur radio equipment, wireless system devices, etc.

■ Professional Systems Business

- JVCKENWOOD Public & Industrial Systems Corporation

Security camera systems, professional broadcasting equipment, etc.

• Healthcare Field

Medical image display systems, Exosome analysis systems, GazeFinder, etc.

Others

■ DX※ Business, etc.

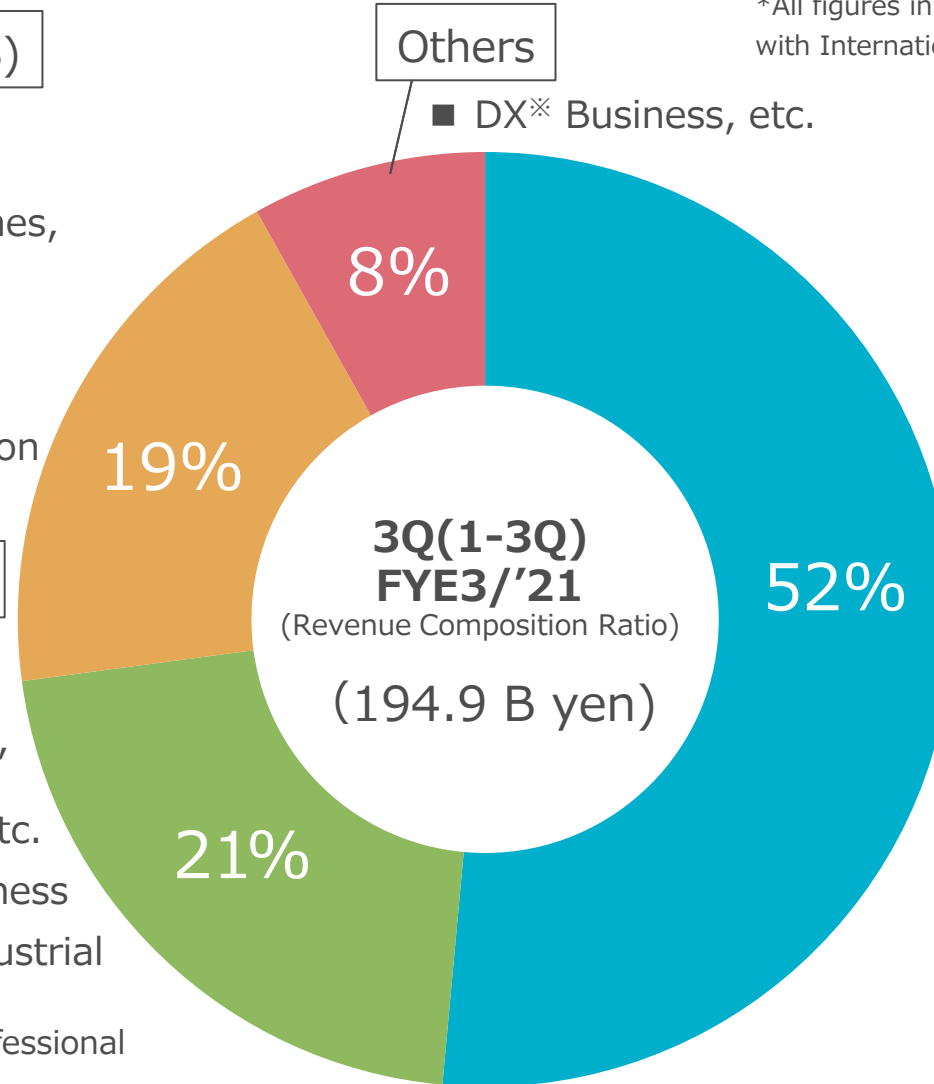
Automotive Sector (AM)

■ Aftermarket Business

- Car navigation systems
- Car audio systems
- Display audio systems
- Dashcams, etc.

■ OEM Business

- Car navigation systems
- Display audio systems
- Dashcams
- Car-mounted cameras
- CD/DVD mechanisms for vehicles
- Optical pick-ups for car mounted equipment
- Car-mounted speakers
- Car-mounted antennas
- Car-mounted amplifiers , etc.



- 1. Overview of 3Q(1-3Q) Financial Results for FYE3/'21**
- 2. Full-Year Earnings Forecast for FYE3/'21**
- 3. Topics**

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Financial Results for 3Q (1-3Q) of FYE3/'21 – Highlights

- While both revenue and core operating income decreased in 3Q (1-3Q) due to the impact of COVID-19^{*1}, positive profit was achieved in all levels of profit or loss below core operating income attributed to a sharp increase in core operating income in 3Q.

*1 Novel coronavirus infections

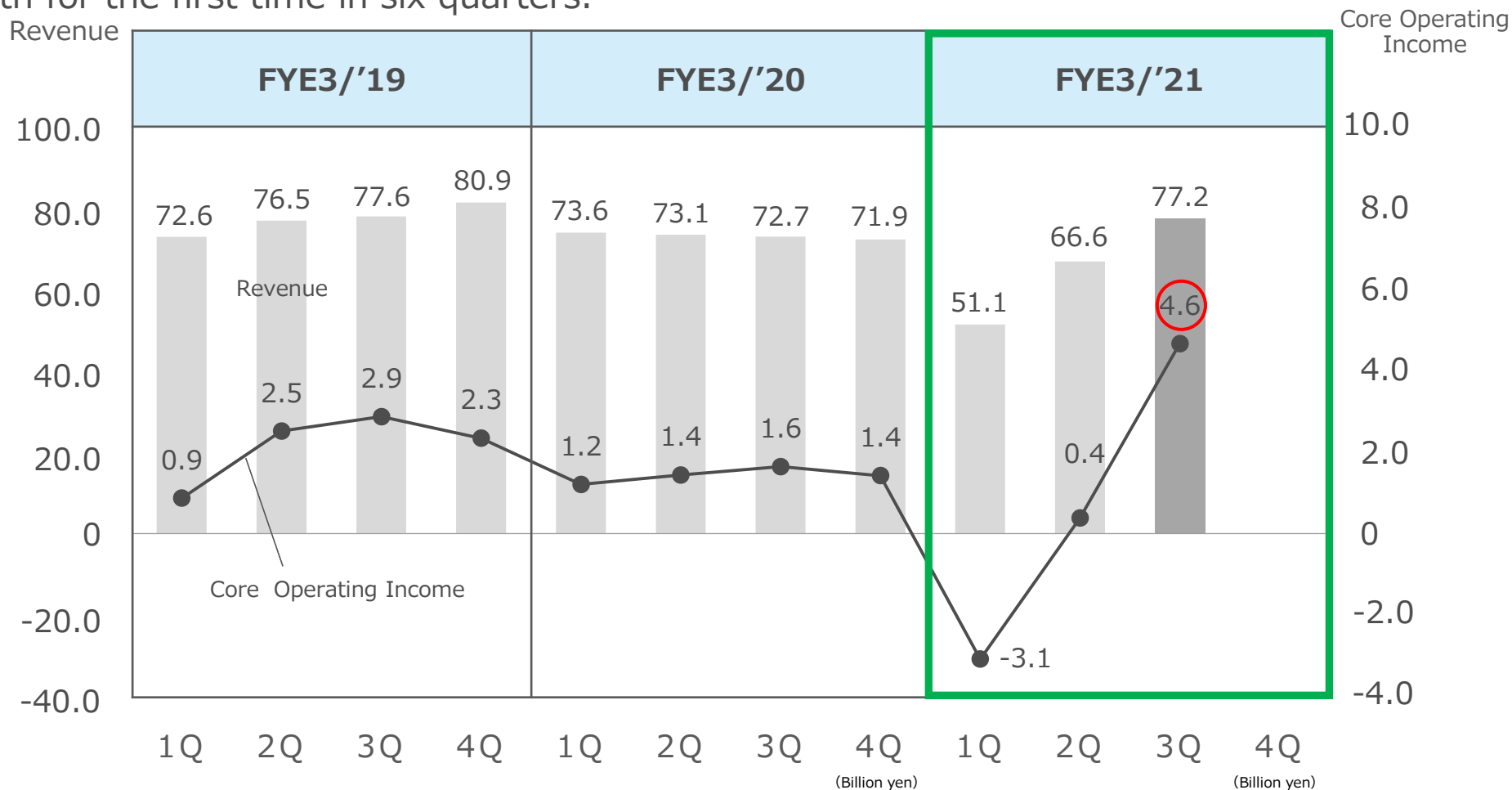
		(Billion yen)				
		3Q(1-3Q) FYE3/'20		3Q(1-3Q) FYE3/'21		
			Composition ratio(%)		Composition ratio(%)	YoY comparison
Revenue		219.4	100.0	194.9	100.0	-24.5
	Cost of sales	160.3	73.1	143.5	73.6	-16.9
	Gross profit	59.0	26.9	51.4	26.4	-7.6
Core operating income ^{*2}		4.3	1.9	2.0	1.0	-2.3
Operating profit		4.2	1.9	2.1	1.1	-2.1
Profit before income taxes		3.5	1.6	2.0	1.0	-1.6
Profit attributable to owners of the parent company		1.7	0.8	0.5	0.3	-1.2

*2: Core operating income does not include nonrecurring items that mainly occur temporarily, such as other income included in operating income, other expenses, and foreign exchange losses (gains).

		FYE3/'20					FYE3/'21				
		1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year
Profit-And-Loss Exchange Rates	U.S. dollar	110yen	107yen	109yen	109yen	109yen	108yen	106yen	105yen		
	Euro	124yen	119yen	120yen	120yen	121yen	119yen	124yen	125yen		

JVCKENWOOD Group – Trends in Quarterly Results

- In 3Q, all sectors posted positive profit due primarily to the effects of market recovery and improvement in business structure, returning to positive revenue and core operating income growth for the first time in six quarters.



	FYE3/'19		FYE3/'20		FYE3/'21	
	1H	2H	1H	2H	1H	2H
Revenue	149.1	158.5	146.7	144.6	117.7	—
Core Operating Income	3.4	5.2	2.6	3.1	-2.7	—

Progress of CEM* Project and Promotion of Enhancement of Business Structure

*CEM=COVID-19 Emergency Measures

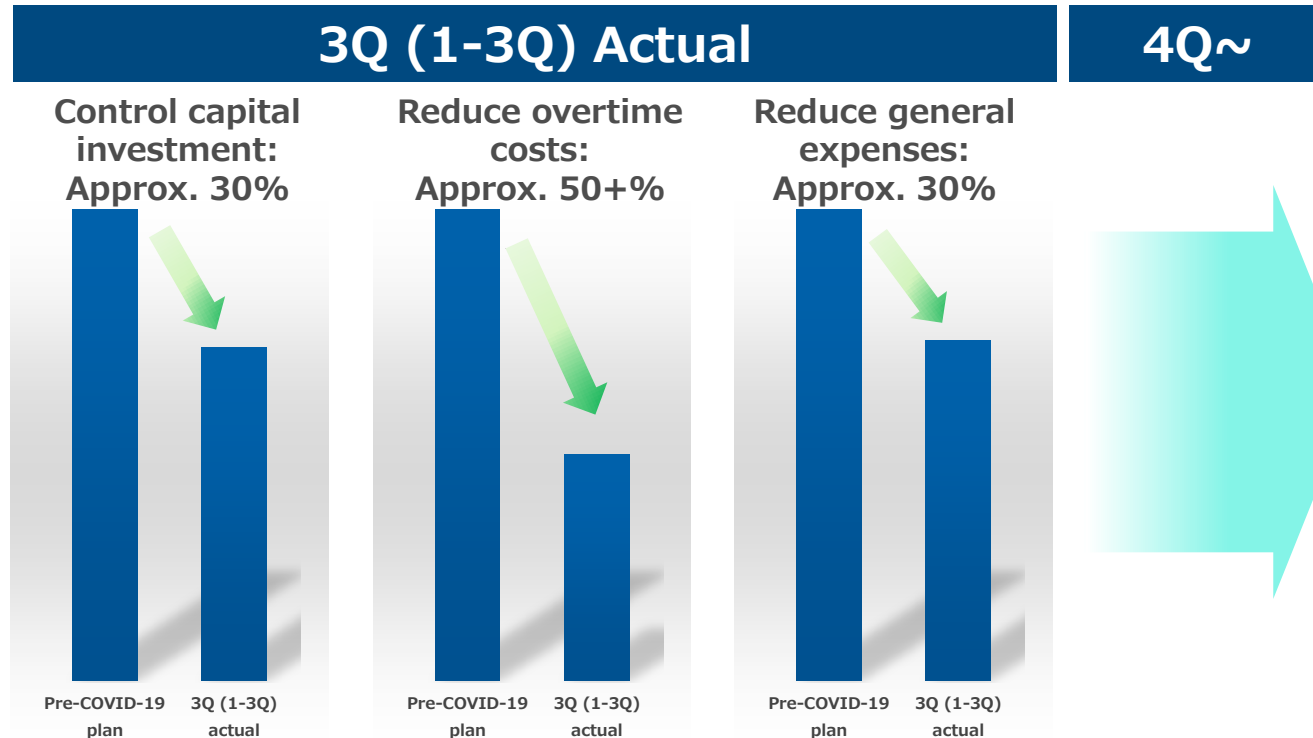
CEM Project

Promote urgent countermeasures assuming the risk of a sales lower limit

- Largely achieved reduction goals again in 3Q (1-3Q).
→ Maintain activities in 4Q.
- Reduced overtime costs through workstyle reform, including promotion of teleworking.
→ Ensure continued effects in/after FYE3/'22 through system development.

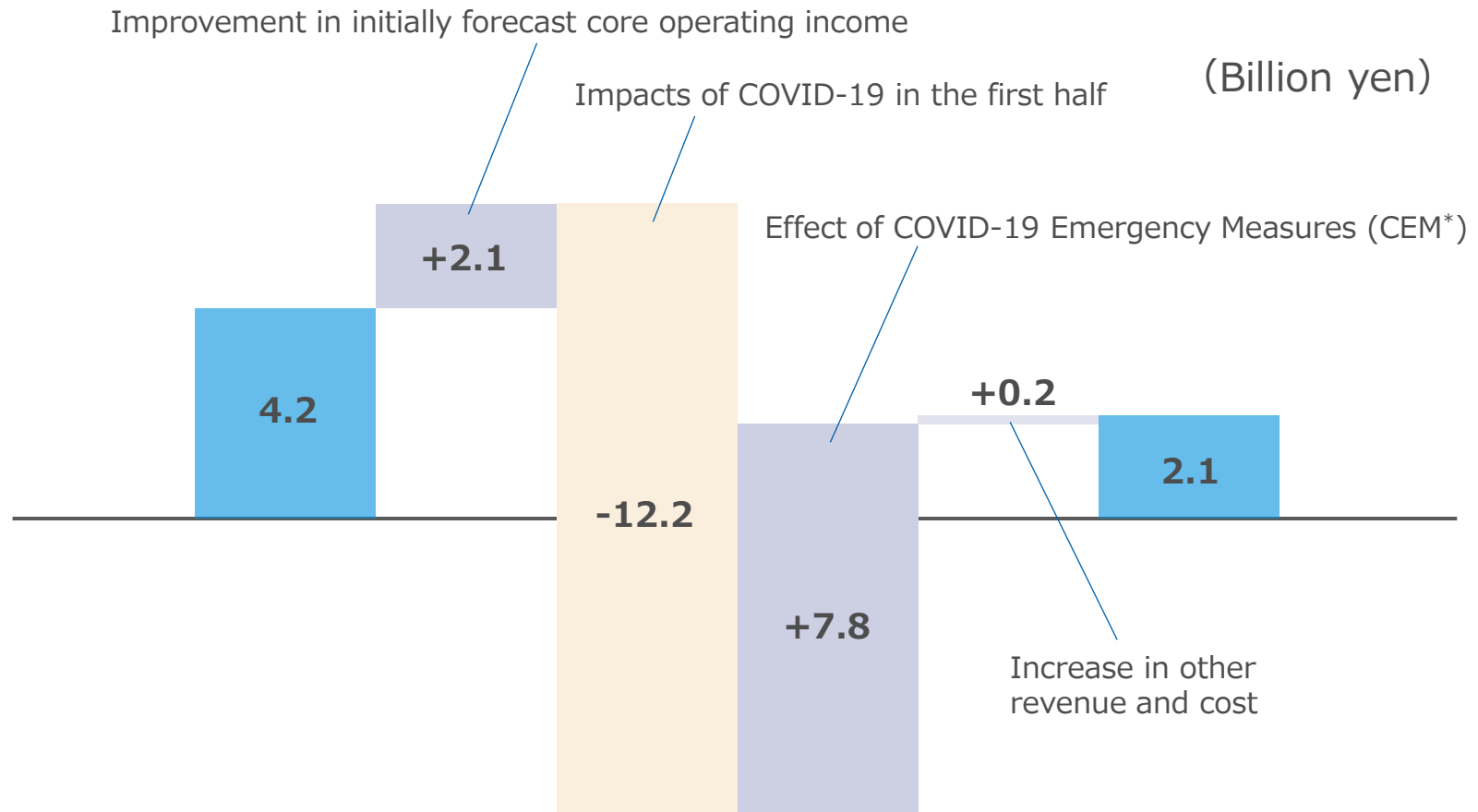
Enhancement of business structure

Make strategic moves to enhance revenue base with an eye to the post COVID-19 world



Maintain the management reform based on manufacturing reform as a company-wide project and implement the management reform plan aimed at improving the ability of field organizations, which are management bases to solve problems.

Financial Results for 2Q(1-2Q) of FYE3/'21 – Increase and Decrease of Operating Profit (by Factor)



FYE3/'20
3Q(1-3Q)

Operating profit -2.1 billion yen

FYE3/'21
3Q(1-3Q)

※ CEM...COVID-19 Emergency Measure

Financial Results for 3Q(1-3Q) of FYE3/'21

– Results by Sector

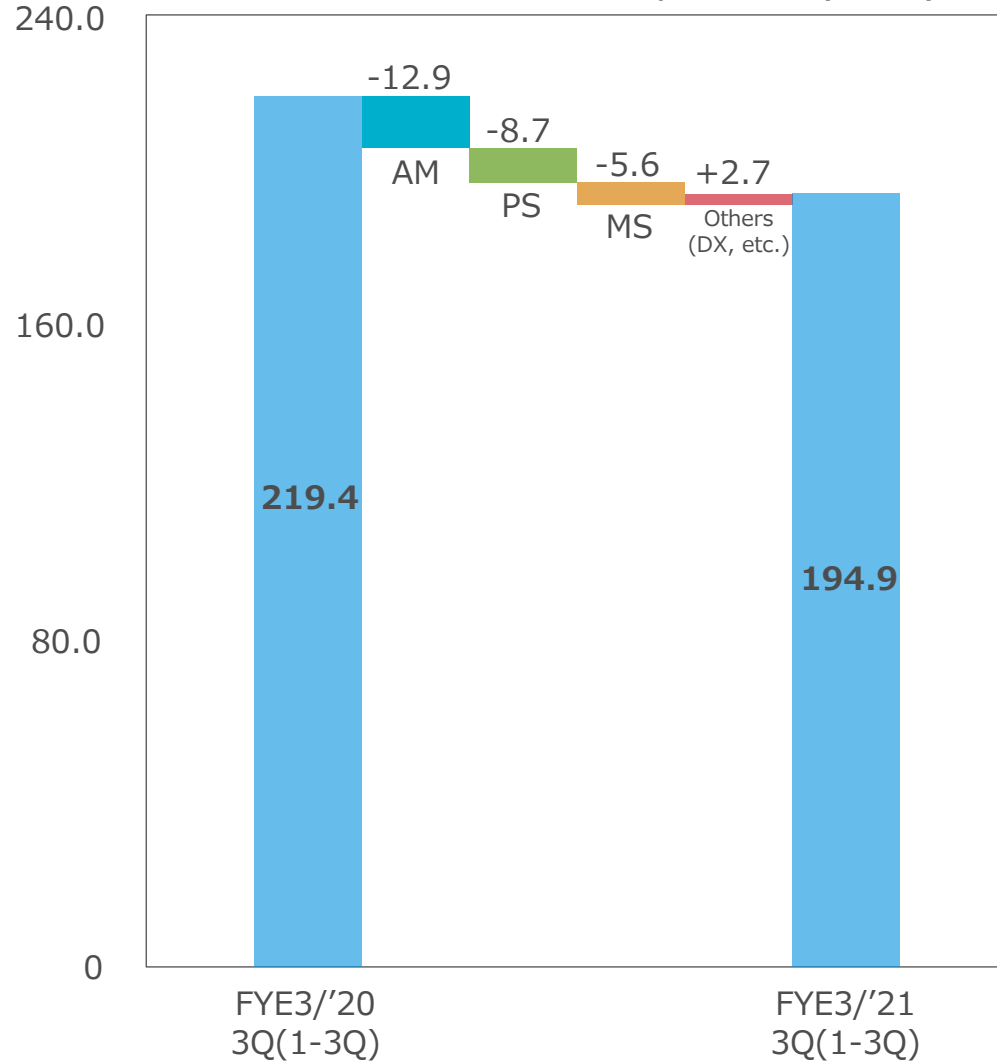
		(Billion yen)				Factors
		3Q(1-3Q) 'FYE3/'20	3Q(1-3Q) 'FYE3/'21	YoY change (amount)	YoY change (percentage)	
AM Sector	Revenue	115.0	102.2	-12.9	-11.2%	<p>*Revenue in Aftermarket increased in 3Q attributed to continued solid sales of car navigation systems and dashcams in the domestic market since 2Q and a recovery in sales in Europe and the United States. However, revenue in 3Q (1-3Q) was on par with the previous year due to the significant impact of COVID-19 in 1Q. Revenue of the OEM Business increased in 3Q attributed to robust sales of dealer-installed products in line with the recovery in the number of new cars sold in Japan and a sharp recovery of sales by a subsidiary in Europe. However, revenue decreased in 3Q (1-3Q) due to the significant impact of COVID-19 in 1Q.</p> <p>*Core operating income in Aftermarket and the OEM Business increased sharply in 3Q. In 3Q (1-3Q), core operating income increased in Aftermarket while losses decreased in the OEM Business.</p>
	Core Operating Income	2.1	1.1	-1.0	-47.6%	
PS Sector	Revenue	50.3	41.6	-8.7	-17.3%	<p>*Revenue in the Communications Systems Business increased in 3Q attributed to growth in sales by a US subsidiary and recovery in the BI (Business Industry) market. However, revenue declined in 3Q (1-3Q) due to the impacts of the shutdown of a plant in Malaysia in 1Q as well as stay-at-home orders and closures of distribution outlets around the world. Revenue in the Professional Systems Business declined due to the continued impact of a decline in capital investment in 3Q caused by the declaration of a state of emergency in Japan.</p> <p>*Core operating income of the Communications Systems Business increased in 3Q due to the effects of revenue increase and enhancement of business structure while losses decreased in 3Q (1-3Q). Core operating income of the Professional Systems Business decreased due to the impact of revenue decline.</p>
	Core Operating Income	0.7	-0.9	-1.7	—	
MS Sector	Revenue	42.1	36.5	-5.6	-13.3%	<p>*Revenue in the Media Business increased in 3Q attributed to increased sales of portable power sources and home audio caused by an increase in teleworking and demand for staying at home. However, revenue declined in 3Q (1-3Q) due to the impact of the deterioration in market conditions in the BtoB business. Revenue in the Entertainment Business declined due primarily to the continued stagnation of the non-sound source business in 3Q following the first half, such as cancellation of artists' events including live performance events.</p> <p>*Core operating income of the Media Business and the Entertainment Business declined in 3Q (1-3Q) due to the revenue decline. However, core operating income of the Entertainment Business increased in 3Q attributed to the effects of cost reductions.</p>
	Core Operating Income	0.9	0.2	-0.7	-75.1%	
Others (DX Business, etc.)	Revenue	11.9	14.6	2.7	+22.7%	<p>*Revenue in the DX Business increased sharply in 3Q (1-3Q) due to continued strong sales of telematics solutions in 3Q despite the impact of the declaration of a state of emergency in Japan.</p> <p>*Core operating income also increased sharply.</p>
	Core Operating Income	0.6	1.6	1.0	+169.7%	
Total	Revenue	219.4	194.9	-24.5	-11.2%	—
	Core Operating Income	4.3	2.0	-2.3	-54.3%	

Financial Results for 3Q(1-3Q) of FYE3/'21

– Consolidated Revenue by Sector

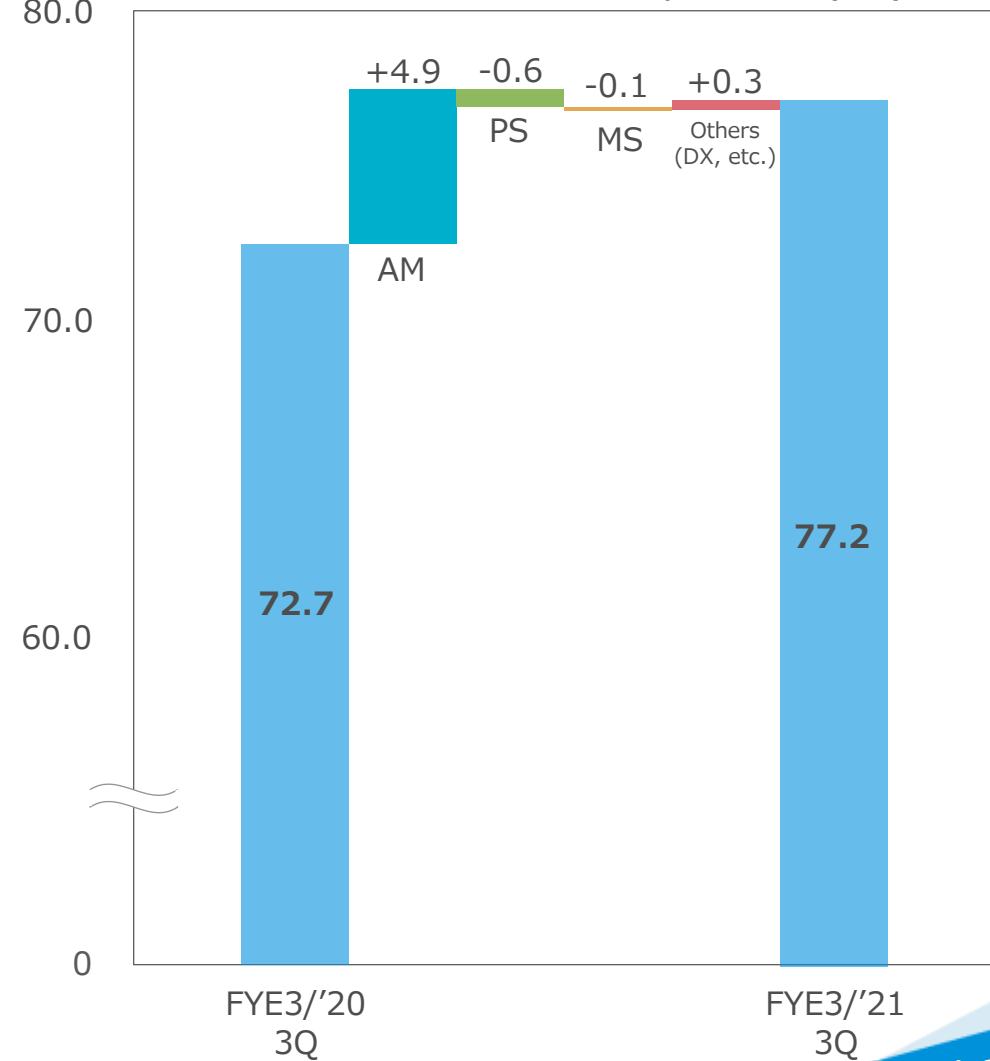
(Billion yen)

Consolidated Revenue by Sector (1-3Q)



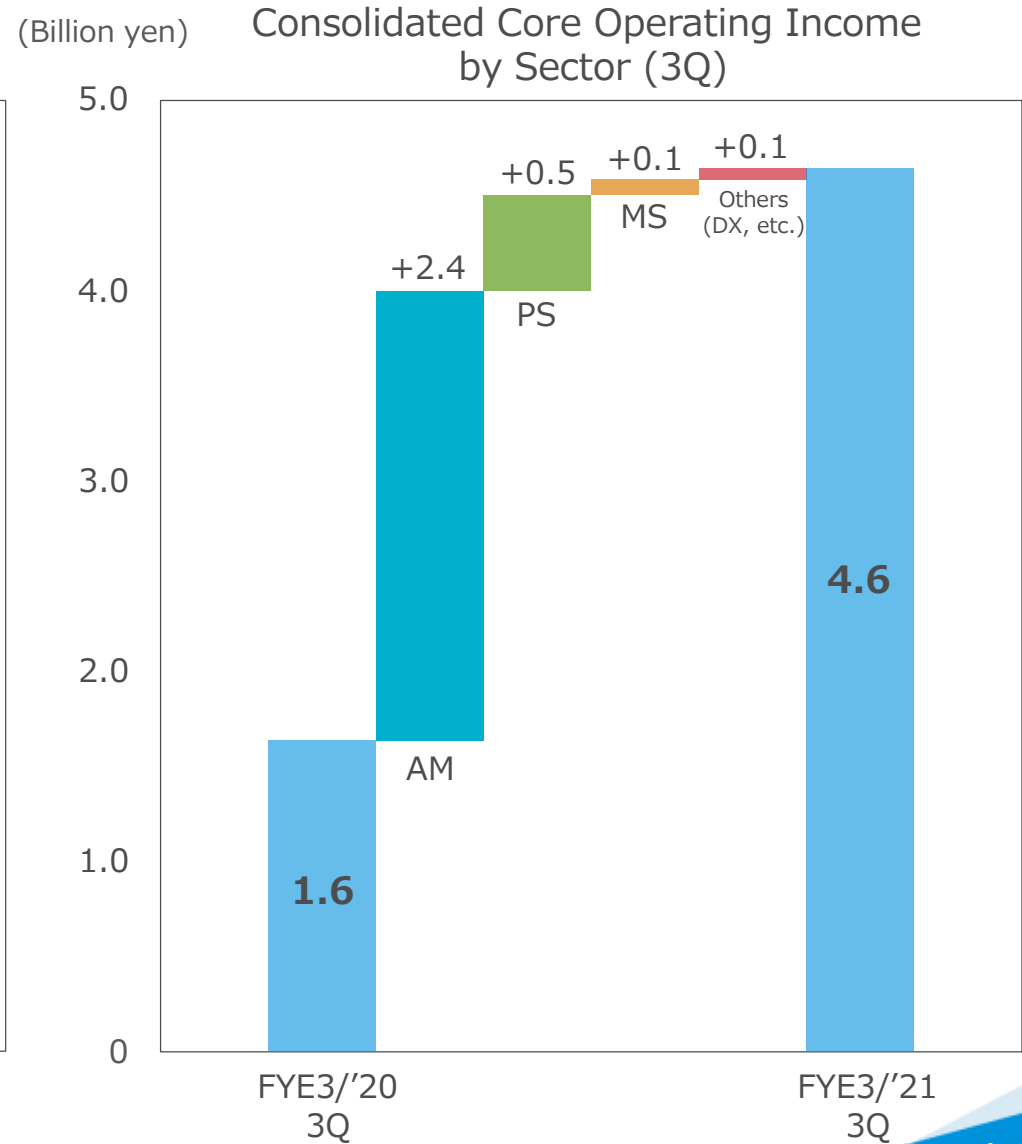
(Billion yen)

Consolidated Revenue by Sector (3Q)



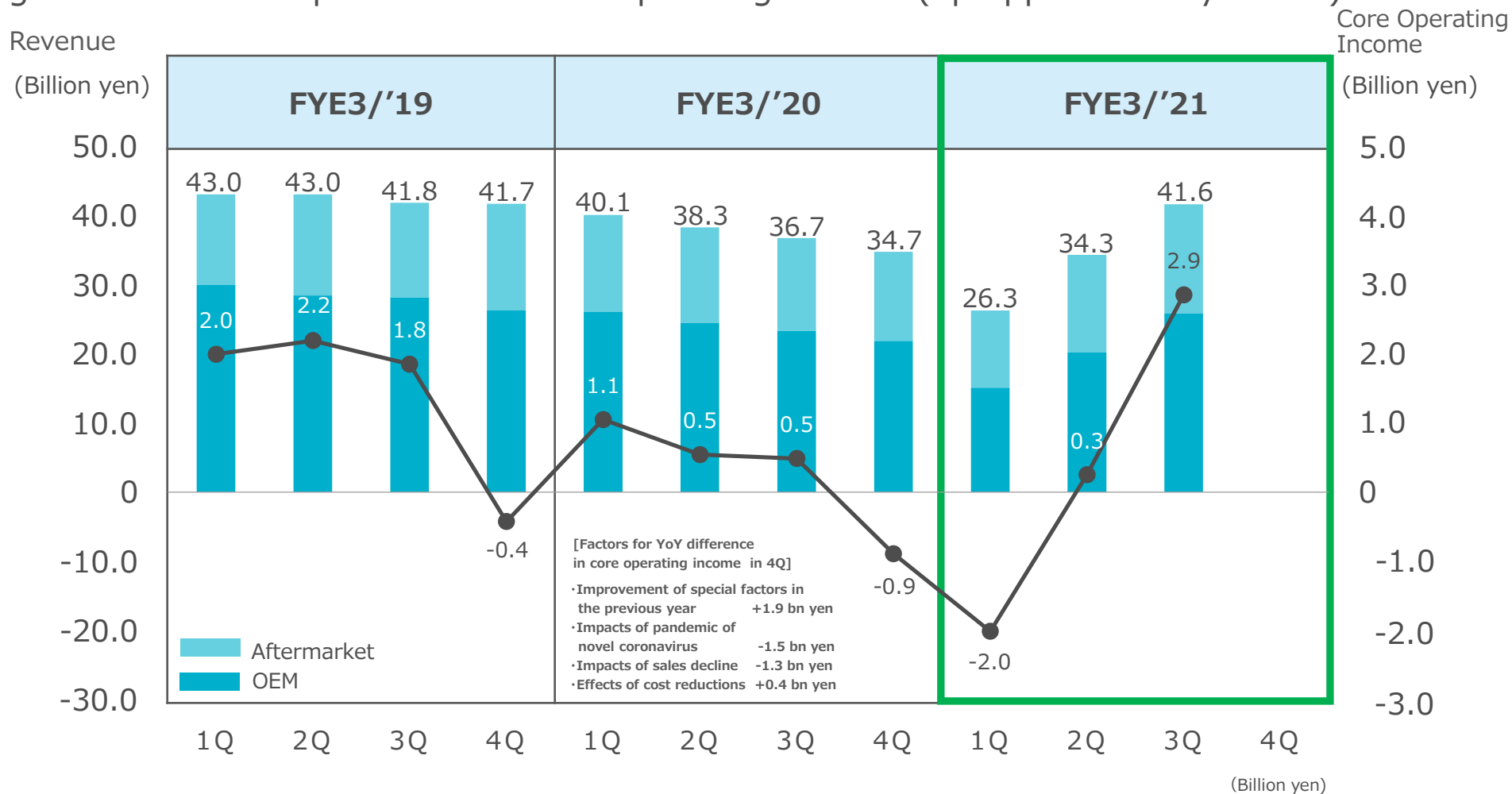
Financial Results for 3Q(1-3Q) of FYE3/'21

– Consolidated Core Operating Income by Sector



Quarterly Results: Automotive Sector

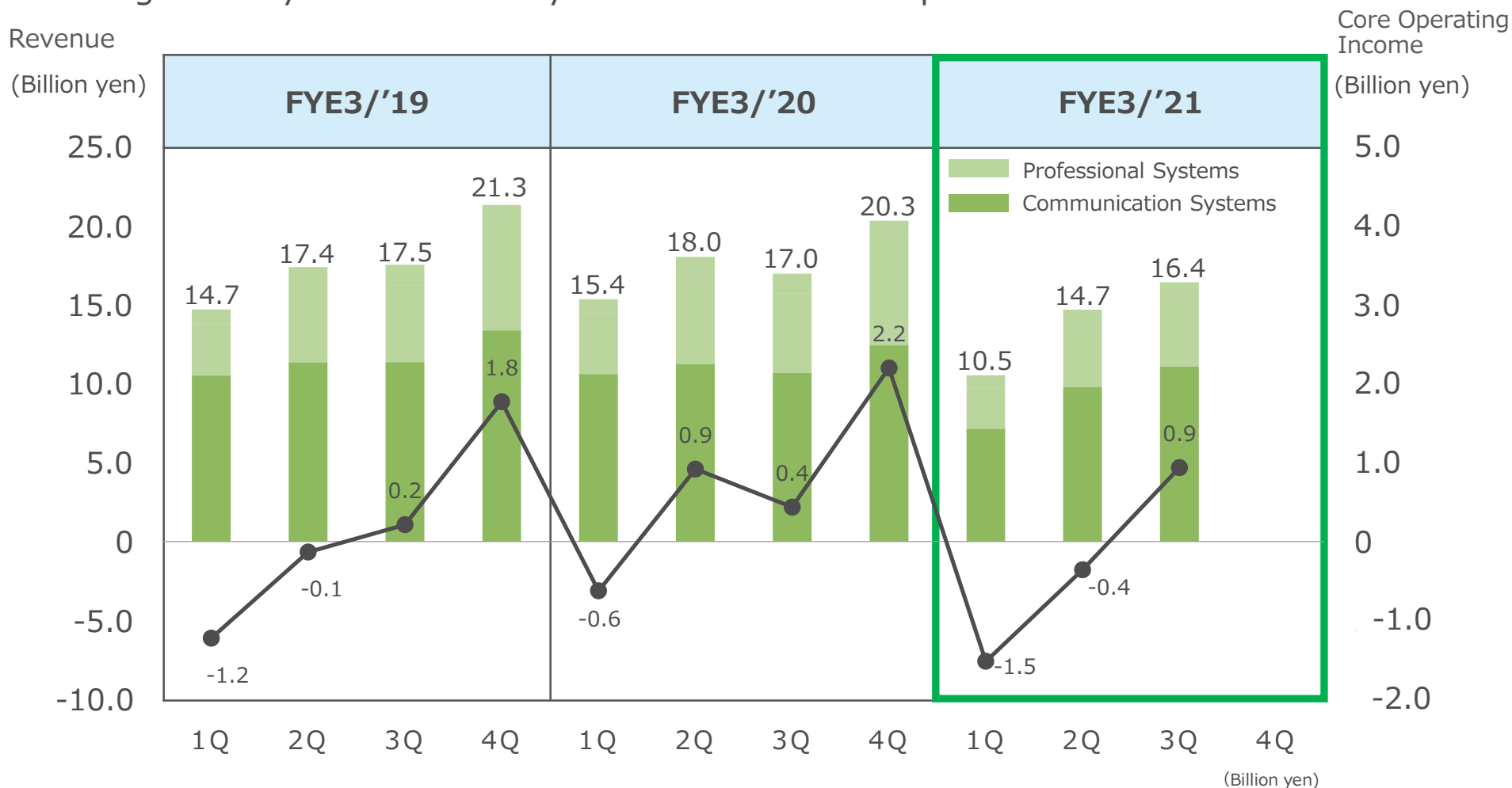
- In 3Q, the Aftermarket and OEM Business showed a clear recovery, achieving revenue growth and a sharp increase in core operating income (up approximately 488%).



	1H	2H	1H	2H	1H	2H
Revenue	86.1	83.5	78.3	71.5	60.6	—
Core Operating Income	4.2	1.4	1.6	-0.4	-1.8	—

Quarterly Results: Public Service Sector

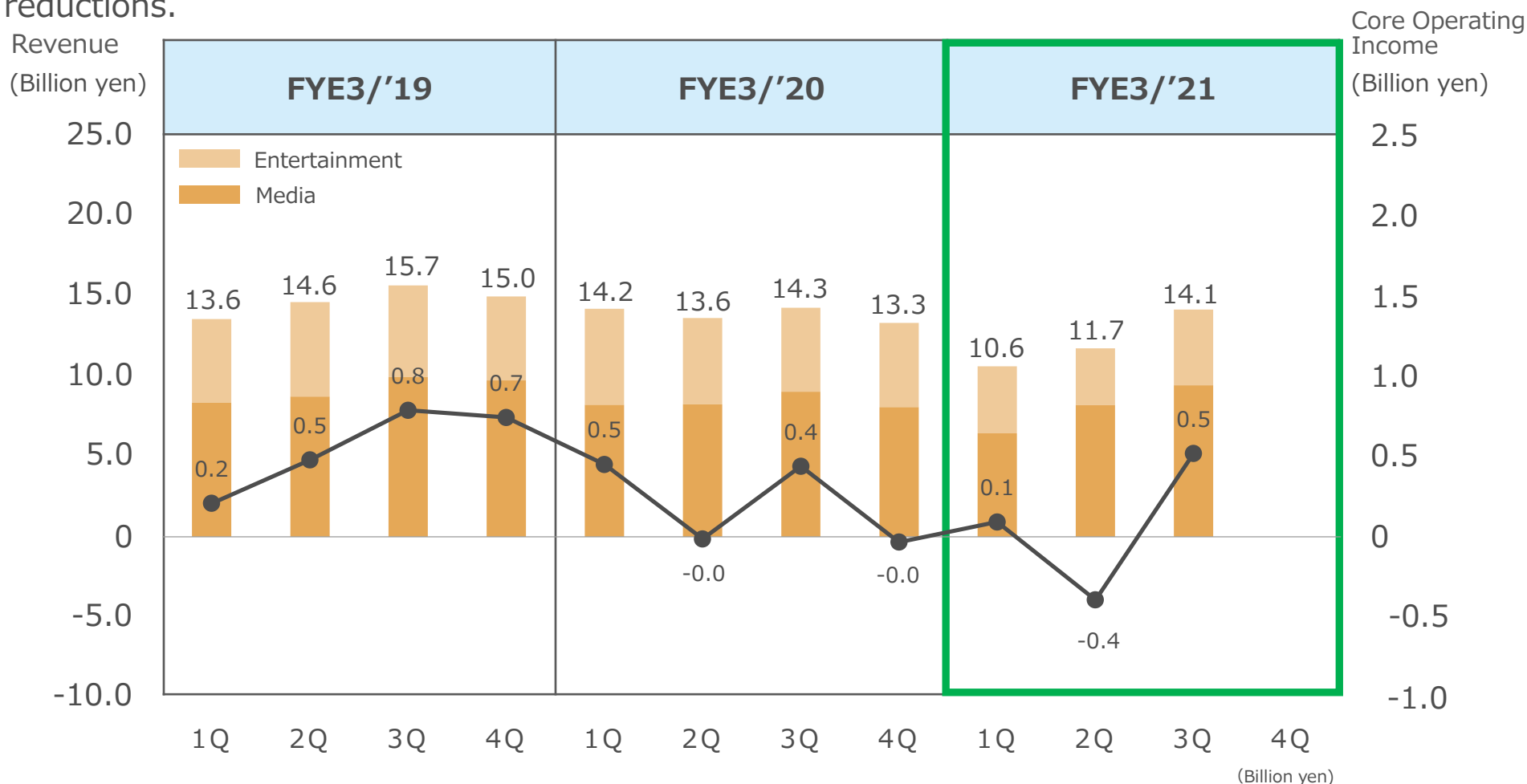
- In 3Q, core operating income of the Communications Systems Business increased attributed to strong sales by a US subsidiary and the effects of improvement in business structure.



	1H	2H	1H	2H	1H	2H
Revenue	32.1	38.9	33.4	37.3	25.2	—
Core Operating Income	-1.4	2.0	0.3	2.6	-1.9	—

Quarterly Results: Media Service Sector

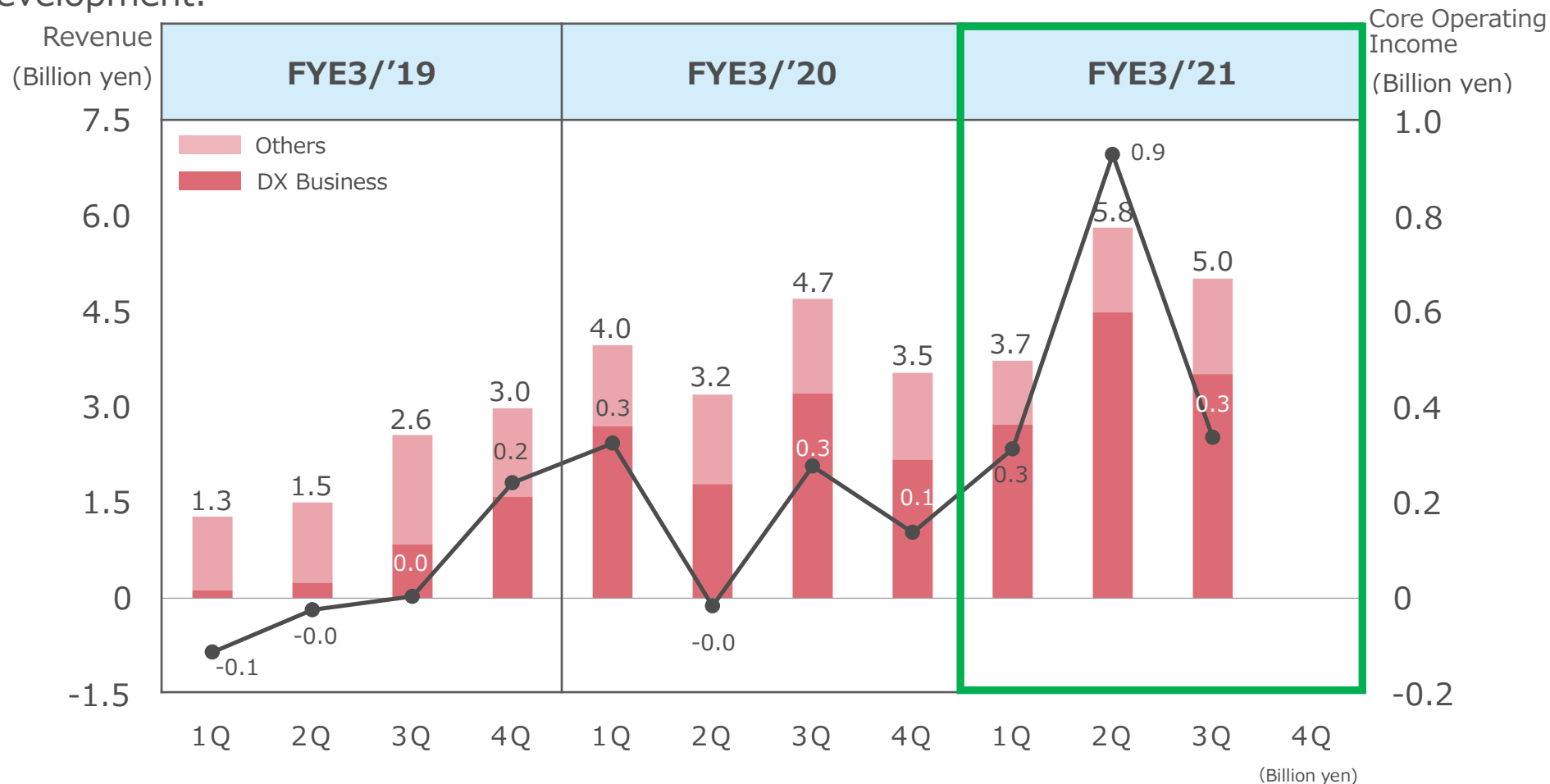
- In 3Q, revenue increased in the Media Business by capturing demand for staying at home while core operating income increased in the Entertainment Business attributed to the effects of cost reductions.



	1H	2H	1H	2H	1H	2H
Revenue	28.2	30.6	27.8	27.6	22.3	—
Core Operating Income	0.7	1.5	0.4	0.4	-0.3	—

Quarterly Results: Others

- In 3Q, revenue increased attributed to continued strong sales of telematics solutions. However, core operating income was on par with the previous year due to acceleration of development.



	1H	2H	1H	2H	1H	2H
Revenue	2.8	5.6	7.2	8.3	9.6	—
Core Operating Income	6.9	0.2	0.3	0.4	1.2	—

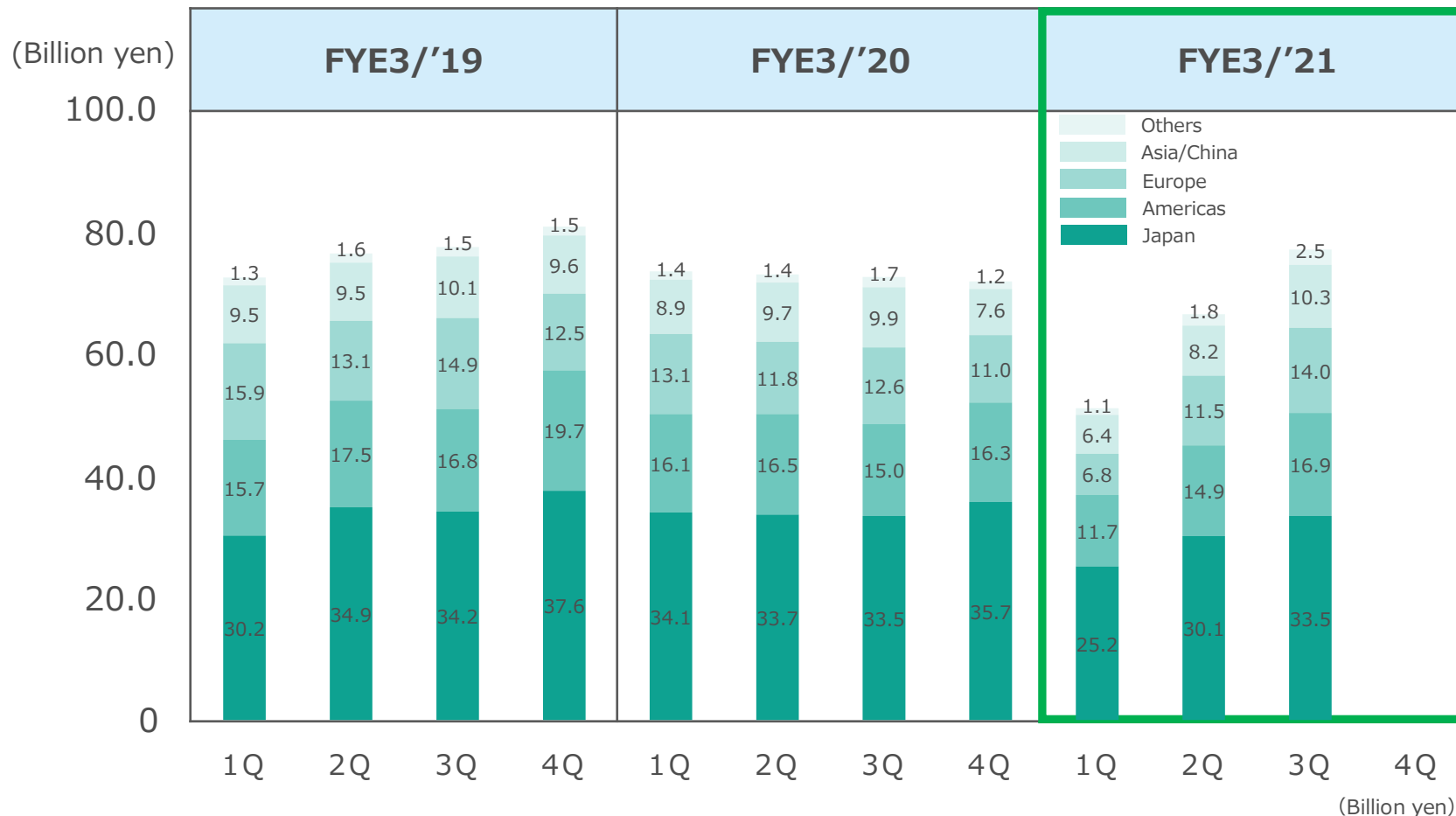
Financial Results for 3Q (1-3Q) of FYE3/'21 – Consolidated Revenue by Region

- In 3Q (1-3Q), revenue declined in all regions excluding Others. However, the degree of revenue decline was on a downward trend. In 3Q, revenue increased in all regions.



Transition in consolidated revenue by region

- A recovery trend became more apparent in 3Q and all regions achieved a year-on-year revenue increase.



	1H	2H	1H	2H	1H	2H
Japan	65.1	71.8	67.8	69.2	55.4	—
Americas	33.2	36.6	32.6	31.4	26.6	—
Europe	29.0	27.4	24.9	23.6	18.2	—
Asia/China	19.0	19.7	18.7	17.5	14.6	—
Others	2.8	3.0	2.7	2.9	3.0	—

Financial Results for 3Q (1-3Q) of FYE3/'21 – Consolidated Profit/Loss (Summary)

- Operating profit declined due primarily to a decrease in core operating income.
- While profit attributable to owners of parent declined due to a decrease in operating profit, positive profit was achieved as a result of a reduction in the degree of profit decrease through improvement in Finance Income, Finance Expenses, etc., due to an increase in dividend income and a reduction in tax expenses.

(Billion yen)

	3Q(1-3Q) 'FYE3/'20	3Q(1-3Q) 'FYE3/'21	YoY Change
Core Operating Income*	4.27	1.95	-2.32
Other Income, Other Expenses, Foreign Exchange Loss, etc.	-0.07	0.11	+ 0.17
Operating Profit	4.20	2.06	-2.15
Finance Income, Finance Expenses, etc.	-0.67	-0.09	+ 0.58
Profit Before Income Taxes	3.54	1.97	-1.56
Income Tax Expenses	1.47	1.00	-0.47
Non-Controlling Interests	0.34	0.47	+ 0.13
Profit Attributable to Owners of the Parent Company	1.72	0.50	-1.22

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

Financial Results for 3Q (1-3Q) of FYE3/'21 – Financial Position (Summary)

- Cash and deposits as of the end of December 2020 amounted to 55.3 billion yen. Together with securities, on-hand liquidity of 58.1 billion yen was secured (on-hand liquidity ratio: 2.3 months).
- Commitment lines of approx. 30.0 billion yen are unused, including commitment lines of 10.0 billion yen added in FYE3/'21.

(Billion yen)

	FYE3/'20	3Q FYE3/'21	YoY Change
Total Assets	249.7	261.7	+ 12.0
Total Liabilities	189.7	200.3	+ 10.7
Total Equity	60.0	61.3	+ 1.3
Interest-Bearing Debts	74.6	80.6	+ 6.0
Net Debt	34.7	25.4	-9.3
Net Debt/Equity Ratio (Times)	0.61	0.44	-0.17
Equity Attributable to Owners of the Parent Company	56.5	57.6	+ 1.1
Stockholder's Equity Ratio (%)	22.6	22.0	-0.6

Financial Results for 3Q (1-3Q) of FYE3/'21 – Cash Flow Summary

- Net cash provided by operating activities increased, reflecting cash inflows from working capital due to a decrease in inventories and an increase in trade and other payables.
- Net cash used in investing activities decreased due to a decrease in purchases of property, plant and equipment as well as intangible assets. Free cash flow improved sharply year-on-year.
- Cash flow from financing activities increased year-on-year due to an increase in borrowings to secure funds on hand.

(Billion yen)

	3Q(1-3Q) FYE3/'20	3Q(1-3Q) FYE3/'21	YoY Change
Cash Flow from Operating Activities	17.1	22.9	+ 5.8
Cash Flow from Investing Activities	-14.7	-8.9	+ 5.8
Free cash flow <small>* Free cash flow: Cash flow from operating activities + Cash flow from investing activities</small>	2.5	14.0	+ 11.5
Cash Flow from Financing Activities	-4.7	1.3	+ 6.0
Total	-2.3	15.2	+ 17.5

1. Overview of 3Q(1-3Q) Financial Results for FYE3/'21
- 2. Full-Year Earnings Forecast for FYE3/'21**
3. Topics

Full-Year Earnings Forecast for FYE3/'21

- In 3Q (1-3Q), both revenue and operating profit decreased due to the significant impact of COVID-19. However, operating profit increased sharply in 3Q attributed to higher-than-expected growth and recovery in the Automotive Sector and greater-than-expected effects of the company-wide CEM Project and business structure enhancement activities.
- In 4Q, we will focus on expanding sales in the Automotive Sector backed by the recovery in the automobile market and continue to expand sales in each sector and implement urgent countermeasures.
- The outlook remains uncertain due to concerns over a resurgence of COVID-19, a delay in the delivery of semiconductors and other components, and other factors. Therefore, we will not revise our consolidated earnings forecast at the moment.

(Billion yen)

	Result for FYE3/'20	Forecast for FYE3/'21	YoY
Revenue	291.3	260.0	-31.3
Operating Profit	4.1	2.0	-2.1
Profit Before Income Taxes	2.9	0.9	-2.0
Profit Attributable to Owners of the Parent Company	1.0	-1.4	-2.4

		Result for FYE3/'20/3	Assumption for FYE3/'21
Profit-And-Loss Exchange Rates	U.S. dollar	109 Yen	107 Yen
	Euro	121 Yen	120 Yen

Concerns in 4Q and Onwards

■ Impact of COVID-19

- The Professional Systems Business in the Public Service Sector and the Entertainment Business in the Media Service Sector are expected to be affected throughout the year.
- While other businesses have largely recovered, there are concerns over the impact of a resurgence of COVID-19 in Japan and abroad in 4Q.

■ Impact of fire at supplier's factory

- There is practically no impact on production and sales in FYE3/'21.
- The Automotive Sector has completed the design for replacement with alternative components and there will be no impact in FYE3/'22.
- In the Communication Systems Business in the Public Service Sector, production of some products will be ended and the impact of lower sales is expected in FYE3/'22.

■ Impact of supply chains

- A delay in logistics distribution and an increase in logistics expenses began to occur in 3Q and there are concerns that they will continue in 4Q.
- There are concerns about a delay in the delivery of semiconductors and other components in/after 4Q.

1. Overview of 3Q(1-3Q) Financial Results for FYE3/'21

2. Full-Year Earnings Forecast for FYE3/'21

3. Topics



To contribute to achieving the Sustainable Development Goals (SDGs), JVCKENWOOD Group has identified eight of the 17 SDGs connected particularly closely to our material issues as priority goals. The priority goals that we intend to achieve through the respective business activities are listed in each page.

JVCKENWOOD

Topics: Products for a World With COVID-19

Low-concentration ozone generator



Anti-virus, anti-bacterial, and anti-odor measures with the effects of ion and low-concentration ozone

Anti-bacterial/anti-virus transceiver



Industry's first* safe/secure anti-bacterial/anti-virus transceiver

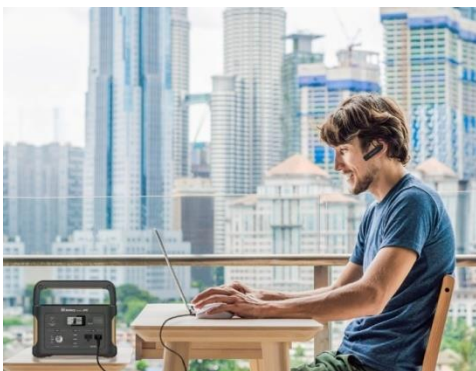
*As of November 2020. Based on available information

Home audio



Responding to staying at home demand and easily providing high audio quality playback

Wireless earphones/portable power source



Demand increasing due to effective use in teleworking, such as online meetings and securing power supply

AI-enabled temperature check station



Contactless self-service thermometer that can measure temperature with an accuracy of 0.2°C in 0.3 seconds.

Anti-infection, waterproof keyboard and mouse



Adopting hygienic design that is suited for cleaning and sterilization.

Topics: Automotive Sector

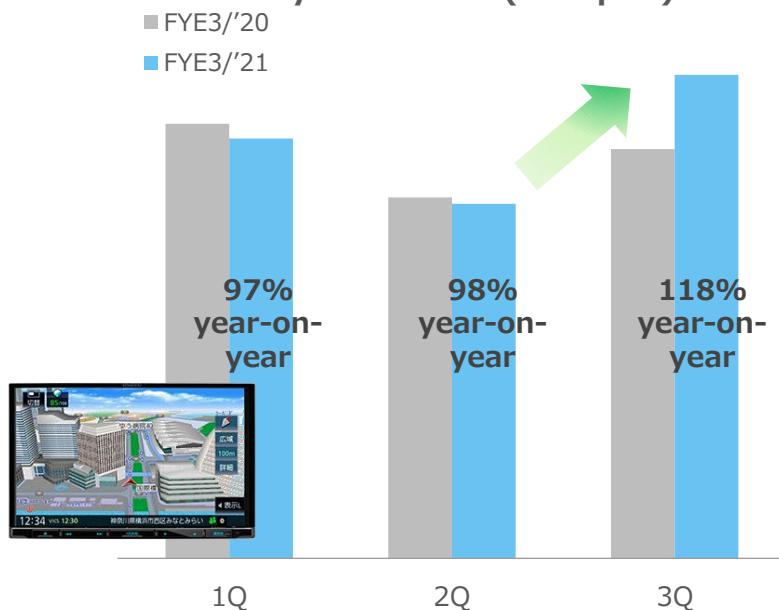


SDGs Goal 3
Prevention of
traffic accidents

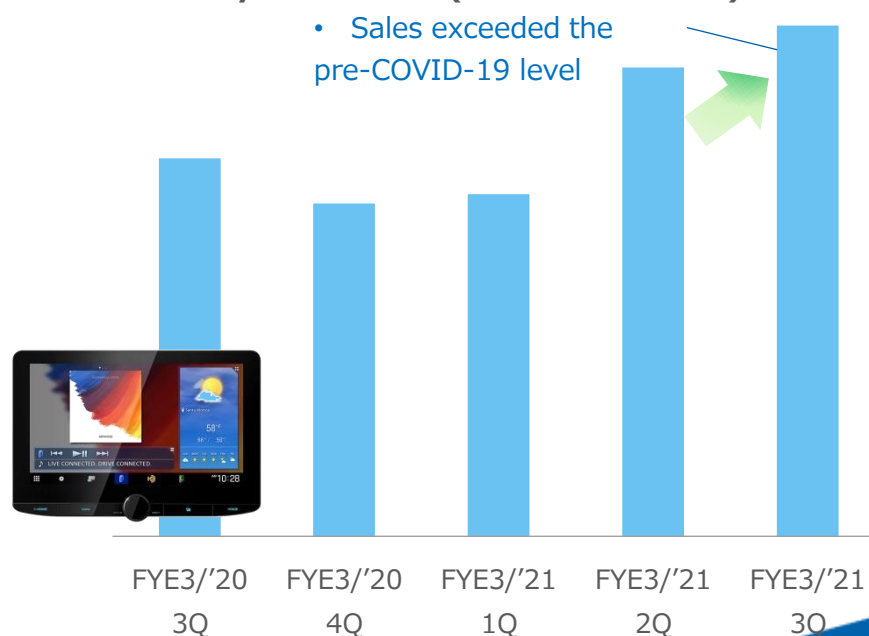
■ Aftermarket Business

- Efforts will be made to expand share in Japan by expanding product lines of Saisoku-Navi series car navigation systems, which have posted strong sales.
- For dashcams, expanded dual camera type product lines, for which the market is expanding, such as models with voice command functions and those for specific sales channels.
- In the overseas market, sales of display audio systems remained strong mainly in the Americas following 2Q.

Transition in the number of car navigation systems sold (in Japan)



Transition in the number of display audio systems sold (in the Americas)



Topics: Automotive Sector



SDGs Goal 3
Prevention of
traffic accidents

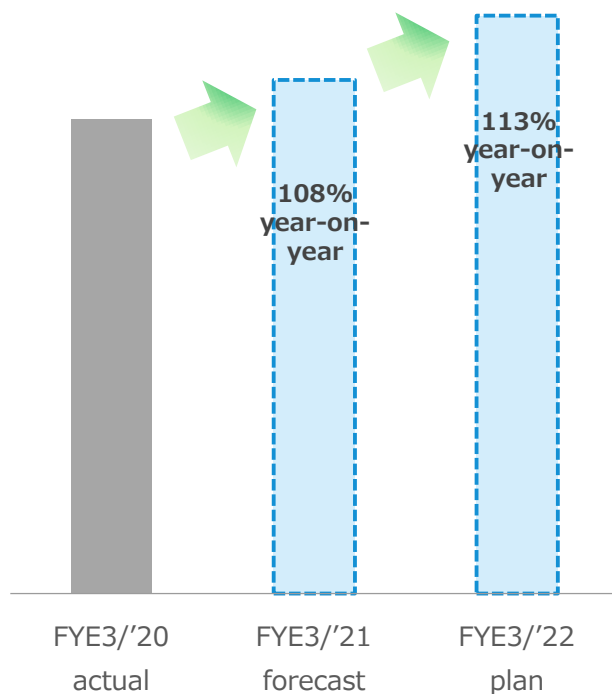
■ OEM - ASK Industries S.p.A.

- ASK, a subsidiary in Italy, remained solid due partly to a rapid recovery in the Chinese market, achieving record-high quarterly revenue in 3Q.
- Stable business growth is expected in FYE3/'22 onwards through acquisition of a large number of orders for projects in the Chinese market while maintaining the current share in mid to high-end audio systems in the European market.



Transition in ASK's revenue

ASK's main clients



In-car acoustic/noise simulation room



High-end sound solution

Topics: Technological development

■ Development of an in-vehicle FIR* camera system

*Far Infrared Rays

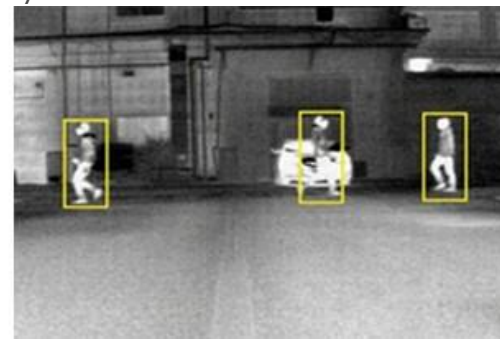
- Development of an in-vehicle FIR camera system that enables video shooting and image recognition at night, regardless of the existence of light sources, such as sunlight or streetlights.
- Promotion of the use of the product as a warning system for nighttime driving and as an in-vehicle camera for automatic driving and proposals for its use in various sectors, including installation in professional vehicles and security camera systems.



Newly developed
in-vehicle FIR camera



Pedestrians can be recognized even at night on
the road where they are not visible.







Human figures can be recognized even when they are
hidden in the backlight from the headlights.

Topics: Technological development

■ Image Signal Processing IP*¹ “IPSILOS” *1. Intellectual Property

- Development of a new image signal processing IP that has been modified based on our proprietary image signal processing SoC*², which has contributed to the high image quality performance of our products, to enable enhancement/expansion of basic performance and automotive applications.
- Planning to install it in our various types of video-related equipment and to provide this IP to manufacturers developing signal processing SoCs used in various markets.

*2. System-on-a-chip

	Existing Technology	New IP “IPSILOS”
HDR (High Dynamic Range) Realizes clear video recording by reducing blown-out highlights and blocked-up shadows that occur in a high contrast environment, such as backlight, streetlights during nighttime driving, and tunnel entrances and exits. *The image taken at tunnel exit		
Image correction processing This correction makes the level difference of the brightness component at the boundary of objects smoother in terms of brightness change over a wide area. The black looks tighter.		

Comparison of newly developed IP “IPSILOS” and existing technology

Topics: Public Service Sector



SDGs Goal 11
Safe and secure
cities and communities

■ Communications Systems

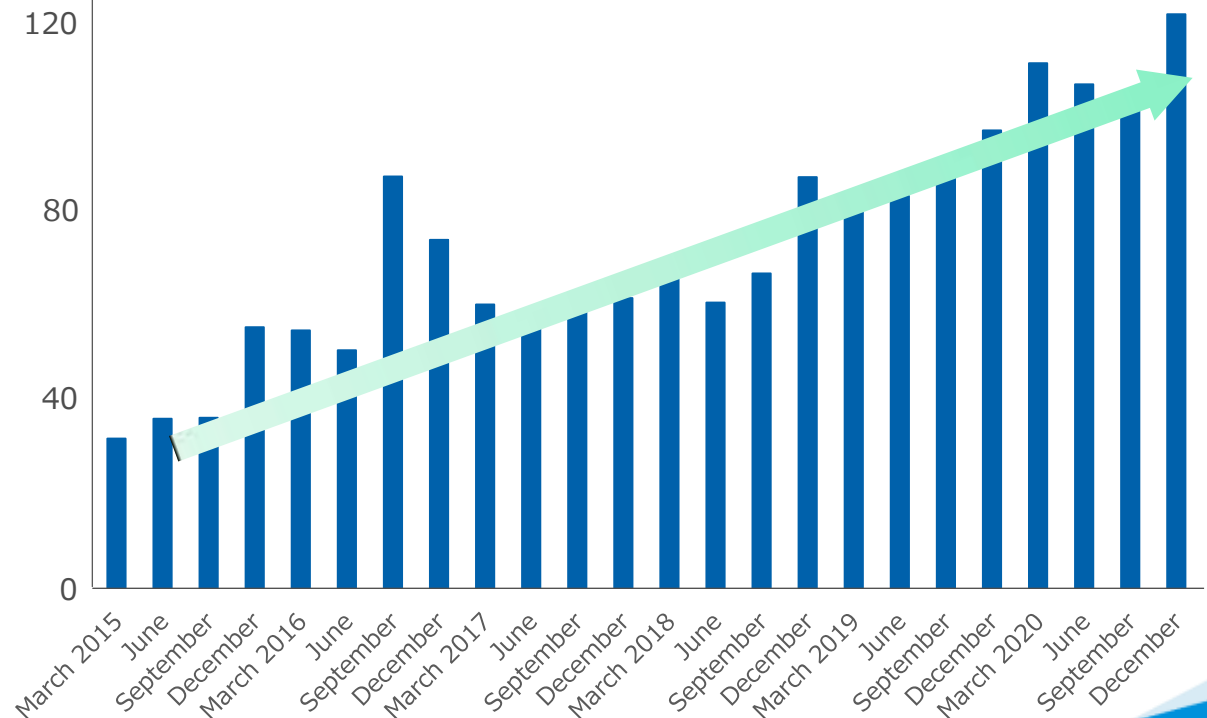
- Sales of “DEMITOSS,” a license-free transceiver that supports safe usage with industry’s first* anti-virus/anti-bacterial processing, remained strong. * As of November 2020. Based on available information
- Ongoing efforts will be made to increase backlogs of orders for large projects in the public safety market, which continues to be robust in the United States, toward FYE3/'22 and onwards.



“DEMITOSS,” a license-free transceiver with industry’s first anti-virus/anti-bacterial processing

(USD million)

Transition in order backlog for communications systems



Topics: Media Service Sector

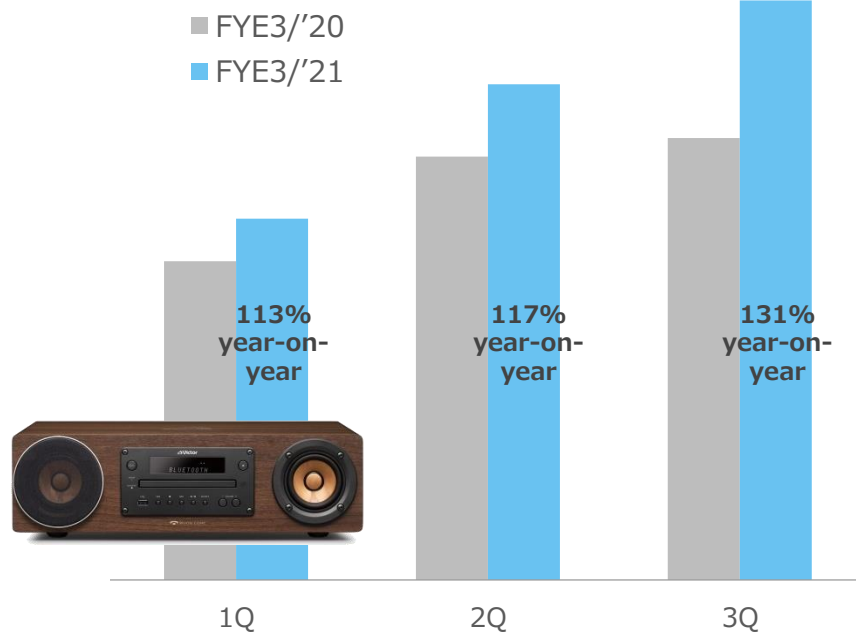


SDGs Goal 11
Disaster-prevention and
disaster-mitigation

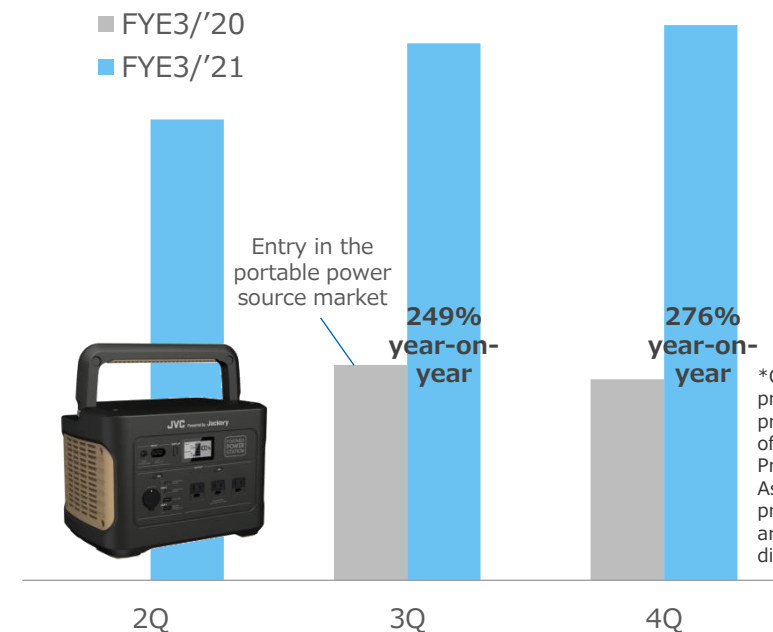
Media Business

- The integrated all-in-one model “EX-D6” of the Wood Cone audio system was ranked No.1 in a ranking by a leading online shopping site by capturing staying at home demand caused by COVID-19.
- Sales of portable power sources were solid due to expansion of demand to secure power for teleworking, outdoor leisure, and in emergency situations. Large-capacity models and solar panels have been certified as recommended products for disaster prevention*

Transition in home audio sales (Japan)



Transition in portable power source sales (Japan)



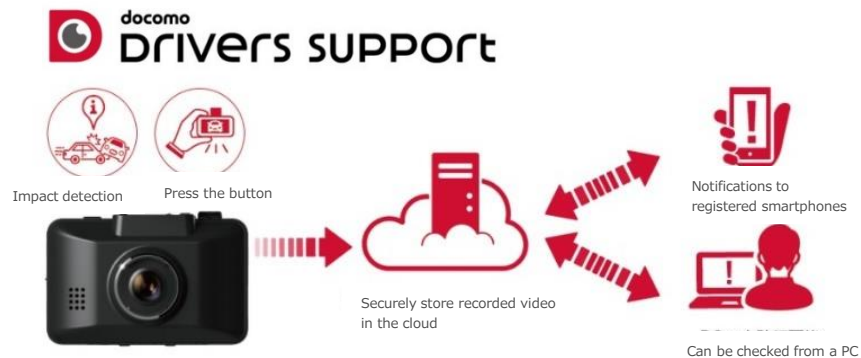
*Certified as recommended products for disaster prevention, a certification offered by the Disaster Prevention Safety Association for disaster prevention products that are useful in times of disaster

Topics: DX Business



SDGs Goal 11
Securing of
safe and secure
transportation systems

- Promote the development of a diverse ecosystem that provides both hardware and service solutions by enhancing collaboration with business partners with a focus on dashcam with communication capability and edge AI camera.
- Joint development and sales of dashcams with communication capabilities with NTT DOCOMO that supports docomo Drivers Support, a personal service launched by NTT DOCOMO in November 2020.
- Joint development of the industry's first motorbike dashcam that is linked with insurance with Red Baron and Aioi Nissay Dowa Insurance and start of its sale in March 2021.
- Release of Software Development Kit (SDK) that realizes the development of IoT/AI-based telematics services using dashcam with communication capability in a short time for a low cost.



Conceptual image of NTT DOCOMO's docomo Drivers Support



Insurance-linked motorbike dashcam

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