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JVCKENWOOD

April 27, 2021

Company	JVCKENWOOD Corporation
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Accounting Report for the Fiscal Year Ended March 2021
(April 1, 2020 – March 31, 2021)

Consolidated Financial Highlights for the Fiscal Year Ended March 2021 (April 1, 2020 – March 31, 2020)

Operating Results

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

	FYE 3/2020 April 1, 2019 to March 31, 2020	FYE 3/2021 April 1, 2020 to March 31, 2021
Revenue	291,304	273,609
Operating profit	4,080	4,893
Profit before tax	2,877	4,533
Profit attributable to owners of the parent company	954	2,154
Comprehensive income	-2,823	9,840
Basic net income per share	5.82 yen	13.14 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

Revenue of the JVCKENWOOD Group for the fiscal year under review declined from the same period a year earlier. This was due to a significant impact of the novel coronavirus disease (COVID-19) primarily in the first half, which began in the fourth quarter of the previous fiscal year. However, revenue increased in the second half from a year earlier thanks to a recovery in sales in each sector. Operating profit of the JVCKENWOOD Group in the fiscal year under review increased from the same period a year earlier, as described in the Revision of Consolidated Earnings Forecast for the Fiscal Year Ended March 2021 released on April 21, 2021, despite an impact of a decrease in revenue for the JVCKENWOOD Group.

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

		1Q	2Q	3Q	4Q	Full-year
Profit-and-loss exchange rate	U.S. dollar Euro	Approx. 108 yen Approx. 119 yen	Approx. 106 yen Approx. 124 yen	Approx. 105 yen Approx. 125 yen	Approx. 106 yen Approx. 128 yen	Approx. 106 yen Approx. 124 yen
FY2019 (for reference)	U.S. dollar Euro	Approx. 110 yen Approx. 124 yen	Approx. 107 yen Approx. 119 yen	Approx. 109 yen Approx. 120 yen	Approx. 109 yen Approx. 120 yen	Approx. 109 yen Approx. 121 yen

Revenue

Revenue for the fiscal year under review declined approximately 17,700 million yen, or 6.1%, from a year earlier to 273,609 million yen. This was due to the impact of the COVID-19 primarily in the first half, despite a recovery in sales for the second half.

In the fourth quarter of the fiscal year under review, the supply chain of the JVCKENWOOD Group was significantly affected by a decline in the plant operation rate and a stagnation of and delay in logistics. These were due to a delay in delivery of semiconductors and other components amid an additional wave of COVID-19. However, revenue increased approximately 6,800 million yen, or 9.4%, from a year earlier to 78,723 million yen, thanks partly to the continued strong demand and sales from the third quarter of the fiscal year under review.

Operating Profit

Operating profit for the fiscal year under review was affected by the deterioration in other expenses due to impairment loss, as described in the "Recording of Impairment Loss" separately disclosed of April 27, 2021, in addition to a decline in both revenue and operating profit for the first half. However, full-year operating profit increased approximately 800 million yen, or 19.9%, from a year earlier to 4,893 million yen. This was because of the effects of the urgent countermeasure (CEM[*1]) project against COVID-19, which has continued from the beginning of the fiscal year, in addition to a recovery in sales for the second half.

In the fourth quarter of the fiscal year under review, operating profit increased sharply, approximately 3,000 million yen from a year earlier, to 2,834 million yen. This was thanks partly to the aforementioned effects of the CEM Project as well as a recovery in sales. 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, and recorded as other income.

Operating performance by business segment is explained using core operating income[*2], 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 increased approximately 1,800 million yen, or 31.5%, from a year earlier to 7,473 million yen. This was attributed to an increase in the Automotive Sector in line with a recovery in sales for the second half and a sharp increase in other sectors caused by growth of the DX Business, despite a decline in the Public Service and Media Service Sectors.

Core operating income for the fourth quarter of the fiscal year under review sharply increased approximately 4,100 million yen, or 290.1%, from a year earlier to 5,520 million yen.

*1 Urgent countermeasures to control the flowing out of cash and reduce costs, assuming lower-limit risks for sales. CEM is short for COVID-19 Emergency Measures.

*2 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 increased approximately 1,700 million yen, or 57.6%, from a year earlier to 4,533 million yen due to an increase in operating profit.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company for the fiscal year under review increased approximately 1,200 million yen, or 125.8%, from a year earlier to 2,154 million yen partly due to an increase in profit before income taxes.

Revenue and Core Operating Income (Loss) by Business Segment

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

The Fiscal Year Ended March 2021 (from April 1, 2020 to March 31, 2021) (Million yen)

Segment		Fiscal year ended March 2020	Fiscal year ended March 2021	Year-on-year Comparison
Automotive Sector	Revenue	149,790	143,111	−6,679
	Core operating income	1,190	3,683	+2,493
Public Service Sector	Revenue	70,676	60,881	−9,795
	Core operating income	2,928	1,865	−1,063
Media Service Sector	Revenue	55,402	50,093	−5,309
	Core operating income	841	503	−338
Others	Revenue	15,434	19,523	+4,089
	Core operating income	724	1,421	+697
Total	Revenue	291,304	273,609	−17,695
	Core operating income	5,684	7,473	+1,789
	Operating profit	4,080	4,893	+813
	Profit before income taxes	2,877	4,533	+1,656
	Profit attributable to owners of the parent company	954	2,154	+1,200

Automotive Sector

Revenue of the Automotive Sector for the fiscal year under review decreased approximately 6,700 million yen, or 4.5%, from a year earlier to 143,111 million yen. Meanwhile, core operating income increased approximately 2,500 million yen, or 209.5%, from a year earlier to 3,683 million yen.

Revenue for the fourth quarter of the fiscal year under review increased approximately 6,200 million yen, or 17.9%, from a year earlier to 40,956 million yen. Meanwhile, core operating income increased approximately 3,500 million yen from a year earlier to 2,593 million yen, turning positive.

- Revenue

Revenue at the Aftermarket Business increased from a year earlier reflecting a recovery in sales for the second half despite facing the significant impacts of the spread of COVID-19 in the first quarter of the fiscal year under review.

In addition, revenue for the fourth quarter of the fiscal year under review increased from a year earlier. This was thanks to a continued recovery in sales of display audio systems in overseas markets including the Americas and Europe from the third quarter of the fiscal year under review, despite a decline in sales of Saisoku-Navi in the domestic market due to a decrease in production caused by a shortage of components.

Revenue at the OEM Business for the fiscal year under review declined from a year earlier. This was due partly to the impacts of a decline in the number of new cars sold by automobile manufacturers caused primarily by the spread of COVID-19 in the first quarter of the fiscal year under review.

Revenue for the fourth quarter of the fiscal year under review increased from a year earlier. This was because of a recovery in sales of dealer-installed products following a recovery in the number of new cars sold in the domestic market and a significant increase in sales at ASK Industries S.p.A., a subsidiary in Europe, in the overseas market.

- Core operating income

Core operating income at the Aftermarket Business increased sharply due to the effects of cost reductions in addition to an increase in revenue.

Core operating income at the OEM Business increased partly due to the effects of cost reductions in addition to an increase in revenue for the second half, despite a decrease in revenue.

Public Service Sector

Revenue of the Public Service Sector for the fiscal year under review decreased approximately 9,800 million yen, or 13.9%, from a year earlier to 60,881 million yen. Meanwhile, core operating income decreased approximately 1,100 million yen, or 36.3%, from a year earlier to 1,865 million yen.

Revenue for the fourth quarter of the fiscal year under review declined approximately 1,100 million yen, or 5.4%, from a year earlier to 19,235 million yen. Meanwhile, core operating income increased approximately 600 million yen, or 27.4%, from a year earlier to 2,801 million yen.

- Revenue

Revenue at the Communications Systems Business declined approximately 4,600 million yen from a year earlier. This primarily reflected the impact of a shutdown of a plant in Malaysia, where one of the Company's main plants is located, caused by the Malaysian government's movement control order in the first quarter of the fiscal year under review in addition to the impact of a slowdown in sales activities following the spread of COVID-19 around the world, despite a recovery in sales for the second half.

Revenue for the fourth quarter of the fiscal year under review remained almost the same as a year earlier reflecting the impact of foreign exchange rates, despite continued strong sales in the business industry market in the Americas from the third quarter of the fiscal year under review.

Revenue at the Professional Systems Business declined approximately 5,200 million yen from a year earlier. This was due primarily to the continued impact of a decline in capital investment in the market on a full-year basis caused by the declaration of a state of emergency in Japan in the first quarter of the fiscal year under review.

- Core operating income

Core operating income at the Communications Systems Business for the fourth quarter of the fiscal year under review increased from a year earlier. This was due primarily to the effects of cost reductions and enhancement of business structure, despite the impact of a decrease in revenue. Core operating income for the fiscal year under review also recovered to the level of a year earlier.

Core operating income at the Professional Systems Business declined due to the aforementioned impact of the decrease in revenue.

Media Service Sector

Revenue of the Media Service Sector for the fiscal year under review decreased approximately 5,300 million yen, or 9.6%, from a year earlier to 50,093 million yen. Meanwhile, core operating income decreased approximately 300 million yen, or 40.2%, from a year earlier to 503 million yen.

In the fourth quarter of the fiscal year under review, revenue increased approximately 300 million yen, or 2.1%, from a year earlier, while core operating income increased approximately 300 million yen from a year earlier to 285 million yen, turning positive. This reflected a continued recovery in sales at the Media Business from the third quarter of the fiscal year under review.

➢ Revenue

Revenue at the Media Business went no further than declining approximately 100 million yen from a year earlier. This was attributed to strong sales in the BtoC business due to an increase in teleworking and demand for staying at home, despite the impact of the deterioration in market conditions of the BtoB business in line with the spread of COVID-19.

Revenue for the fourth quarter of the fiscal year under review increased approximately 1,300 million yen from a year earlier. This was attributed primarily to an increase in sales of portable power sources and home audio caused by an increase in teleworking and demand for staying at home.

Revenue at the Entertainment Business declined approximately 5,200 million yen from a year earlier due to the continued stagnation of the non-sound source business on a full-year basis caused by the cancellation of artists' events, including live performance events.

➢ Core operating income

Core operating income at the Media Business increased due to the effects of cost reductions in addition to an increase in revenue for the second half despite the impact of a decrease in revenue.

Core operating income at the Entertainment Business declined due to the aforementioned impact of the decrease in revenue.

Both revenue and core operating income at the DX Business, which is included in Others, increased sharply due to strong sales related to telematics solutions on a full-year basis.

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

Assets

Total assets increased approximately 14,700 million yen from the end of the previous fiscal year to 264,326 million yen. This was due to an increase in cash and cash equivalents despite decreases in non-current assets including inventories and intangible assets.

Liabilities

Total liabilities increased approximately 6,100 million yen from the end of the previous fiscal year to 195,803 million yen. This was due to an increase in trade and other payables, despite a decrease in net defined benefit liabilities caused by a shift of JVCKENWOOD Public & Industrial Systems Corporation to a defined contribution pension system.

Equity

Total equity increased approximately 8,500 million yen from the end of the previous fiscal year to 68,523 million yen. This was attributed to an increase in retained earnings due to the posting of a profit and an increase in other components of equity including exchange differences arising on translation of foreign operations.

As a result, the ratio of equity attributable to owners of the parent company increased 1.9 percentage points from the end of the previous fiscal year to 24.5%.

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

<u>Cash Flow Analysis</u>

Cash Flow from Operating Activities

Net cash provided by operating activities for the fiscal year under review was 35,829 million yen, which is an increase of approximately 14,200 million yen from the same period of the previous fiscal year. This was mainly attributable to an increase in profit before income taxes and cash inflows from working capital.

Cash Flow from Investing Activities

Net cash used in investing activities for the fiscal year under review was 11,804 million yen, which is a decrease of approximately 7,900 million yen from the same period of the previous fiscal year. This was mainly due to a decrease in cash outflows for purchases of property, plant and equipment and intangible assets.

Cash Flow from Financing Activities

Net cash used in financing activities for the fiscal year under review was 5,342 million yen, which is an increase of approximately 3,700 million yen from the same period of the previous fiscal year. This was mainly due to an increase in repayment of long-term loans payable.

Cash and cash equivalents at the end of the fiscal year under review increased approximately 19,700 million yen from the same period of the previous fiscal year to 59,644 million yen.

(4) Outlook for the Future

Outlook for the Next Fiscal Year

In the fiscal year under review, the supply chain of the JVCKENWOOD Group was significantly affected by a decline in the plant operation rate and a stagnation of and delay in logistics. This was due to a delay in the delivery of semiconductors and other components in the fourth quarter of the fiscal year under review, in addition to the spread of COVID-19 primarily in the first half. In the second half, however, all levels of profit or loss successfully exceeded the year-beginning assumptions. This was attributed to a recovery trend in demand and sales in the markets of the Automotive Sector, the Public Service Sector, and the Media Service Sector, as well as the significant effects of enhancement of business structure such as the CEM Project.

For the next fiscal year (the fiscal year ending March 2022), the outlook is expected to be uncertain for the time being. This is due to the impact of a delay in procuring components caused by a fire at a supplier at the Communications Systems Business, as well as a potential significant impact of globally tight semiconductor demand/supply in the Automotive Sector, which has shown a recovery trend. While making various efforts including a design change to minimize these impacts, we will continue activities to enhance management structure by continuing the CEM Project in order to ensure revenue and core operating income.

Based on the above, the consolidated earnings forecast for the fiscal year ending March 2022 is as follows.

	Consolidated earnings forecast for the fiscal year ending March 2022
Revenue	285,000 million yen
Operating profit	7,500 million yen
Profit before income taxes	6,400 million yen
Profit attributable to owners of the parent company	3,000 million yen

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

JVCKENWOOD's most important management priorities include stable distribution of profits and ensuring the necessary management resources for future growth. The amount of the dividend of surplus and other amounts appropriated are determined by giving comprehensive consideration to the Group's profitability and financial position.

For the fiscal year under review (fiscal year ended March 2021), JVCKENWOOD is scheduled to distribute a year end dividend of 5 yen per share based on its profit performance and above-mentioned dividend policy.

For the next fiscal year (fiscal year ending March 2022), we expect an annual dividend of 6 yen per share (year-end dividend) based on the above-mentioned dividend policy, as we will make efforts to improve our performance and financial position.

2. Consolidated Financial Statements

(1) Consolidated statement of financial position

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2020)	Current Fiscal Year (as of Mar. 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	39,933	59,644
Trade and other receivables	51,892	51,622
Contract assets	1,617	1,288
Other financial assets	861	1,772
Inventories	46,194	42,574
Right to recover products	255	229
Income taxes receivable	1,089	885
Other current assets	3,985	3,781
Sub-total	145,830	161,799
Assets classified as held for sale	—	5,651
Total current assets	145,830	167,451
Non-current assets		
Property, plant and equipment	53,993	52,127
Goodwill	3,268	2,119
Intangible assets	20,149	17,024
Net defined benefit assets	3,229	3,090
Investment property	2,274	2,961
Investments accounted for using the equity method	3,330	4,199
Other financial assets	11,406	9,957
Deferred tax assets	5,178	4,715
Other non-current assets	997	679
Total non-current assets	103,830	96,875
Total assets	249,660	264,326

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2020)	Current Fiscal Year (as of Mar. 31, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	39,086	43,387
Contract liabilities	2,489	2,402
Refund liabilities	4,179	4,363
Short-term borrowings	24,460	23,190
Other financial liabilities	5,091	4,455
Income taxes payable	1,303	1,507
Provisions	1,309	1,958
Other current liabilities	23,123	23,117
Sub-total	101,043	104,383
Liabilities directly associated with assets classified as held for sale	―	2,158
Total current liabilities	101,043	106,541
Non-current liabilities		
Long-term borrowings	50,144	52,369
Other financial liabilities	7,983	8,540
Net defined benefit liabilities	26,008	24,186
Provisions	1,187	1,156
Deferred tax liabilities	1,878	1,884
Other non-current liabilities	1,415	1,096
Total non-current liabilities	88,617	89,261
Total liabilities	189,661	195,803
Equity		
Capital stock	13,645	13,645
Capital surplus	42,086	42,086
Retained earnings	5,547	7,574
Treasury stock	-39	-39
Other components of equity	-4,755	1,378
Equity attributable to owners of the parent company	56,485	64,645
Non-controlling interests	3,513	3,877
Total equity	59,999	68,523
Total liabilities and equity	249,660	264,326

(2) Consolidated statement of financial position

(Consolidated Statement of Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2019 - Mar.31, 2020)	Current Fiscal Year (Apr.1, 2020 – Mar. 31, 2021)
Revenue	291,304	273,609
Cost of sales	212,217	199,049
Gross profit	79,087	74,560
Selling, general and administrative expenses	73,402	67,086
Other income	1,741	2,056
Other expenses	2,934	4,251
Foreign exchange losses	−410	−385
Operating profit	4,080	4,893
Finance income	308	566
Finance expenses	1,163	1,153
Share of profit (loss) of investments accounted for using the equity method	−348	227
Profit before income taxes	2,877	4,533
Income tax expenses	1,540	1,829
Profit	1,337	2,704
Profit attributable to:		
Owners of the parent company	954	2,154
Non-controlling interests	382	549
Profit	1,337	2,704
Earnings per share		
(attributable to owners of the parent company)		
Basic earnings per share	5.82 yen	13.14 yen
Diluted earnings per share	－yen	－yen

(Consolidated Statement of Comprehensive Income)

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2019 - Mar.31, 2020)	Current Fiscal Year (Apr.1, 2020 – Mar. 31, 2021)
Profit	1,337	2,704
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	−482	227
Remeasurement of defined benefit plans	414	1,507
Fair value gain on investment property	—	346
Share of OCI of investments accounted for using the equity method	−1	1
Total of items that will not be reclassified subsequently to profit or loss	−68	2,083
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	−3,540	4,063
Cash flow hedges	−53	438
Share of OCI of investments accounted for using the equity method	−498	550
Total of items that may be reclassified subsequently to profit or loss	−4,092	5,052
OCI, net of income tax	−4,161	7,135
Comprehensive income	−2,823	9,840
Total comprehensive income attributable to:		
Owners of the parent company	−3,098	8,980
Non-controlling interests	274	860
Comprehensive income	-2,823	9,840

(3) Consolidated Statement of Cash Flows

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2019 - Mar.31, 2020)	Current Fiscal Year (Apr.1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	2,877	4,533
Depreciation and amortization	20,199	19,316
Impairment losses	1,425	2,767
Decrease in net defined benefit liabilities	−1,560	−429
Decrease in net defined benefit assets	990	478
Finance income	−308	−566
Finance expenses	1,163	1,153
Gain on revaluation of financial assets measured at fair value through profit and loss	−352	−107
Gain on sales of property, plant and equipment	−348	−31
Loss on disposal of property, plant and equipment	86	843
Decrease in trade and other receivables	6,101	212
Decrease (increase) in inventories	−2,882	4,631
Increase (decrease) in trade and other payables	−3,938	3,874
Increase (decrease) in other current liabilities	−174	496
Other, net	757	731
Sub-total	24,038	37,904
Interest received	243	131
Dividend received	65	434
Interest paid	−1,035	−958
Income taxes paid	−1,669	−1,683
Net cash provided by operating activities	21,642	35,829
Cash flows from investing activities		
Placement of time deposit with original maturity of more than three months	−0	−6
Withdrawal of time deposit with original maturity of more than three months	412	9
Purchases of property, plant and equipment	−8,170	−4,519
Proceeds from sales of property, plant and Equipment	1,051	126
Purchases of intangible assets	−12,945	−9,393
Distribution from debt instruments	-	1,563
Proceeds from sales of equity instruments	62	682
Other, net	86	−266
Net cash used in investing activities	−19,675	−11,804
Cash flows from financing activities		
Proceeds from short-term borrowings	9,552	8,147
Repayment of short-term borrowings	−8,586	−7,411
Proceeds from long-term borrowings	21,964	28,172
Repayment of long-term borrowings	−19,197	−28,665
Repayment of lease liabilities	−3,714	−4,097
Cash dividends paid	−983	−819
Other, net	−700	−667
Net cash used in financing activities	−1,665	−5,342
Net increase (decrease) in cash and cash equivalents	−910	20,559
Cash and cash equivalents at beginning of year	40,844	39,933
Effect of exchange rate changes on cash and cash equivalents	−1,211	1,877

(JPY in Million)

	Previous Fiscal Year (Apr.1, 2019 - Mar.31, 2020)	Current Fiscal Year (Apr.1, 2020 – Mar. 31, 2021)
Cash and cash equivalents included in assets classified as held for sale	-	−848
Cash and cash equivalents at end of year	39,933	59,644