

JVCKENWOOD

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Company	JVCKENWOOD Corporation
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**Accounting Report for the 1Q of Fiscal Year Ending March 2022
(April 1, 2021 – June 30, 2021)**

Consolidated Financial Highlights for the First Quarter of Fiscal Year Ending March 2021
(April 1, 2021 – June 30, 2021)

Operating Results

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

	1st Quarter FYE 3/2021 April 1, 2020 to June 30, 2020	1st Quarter FYE 3/2022 April 1, 2021 to June 30, 2021
Revenue	51,145	64,510
Operating profit	-3,073	2,874
Profit before tax	-3,102	2,803
Profit attributable to owners of parent company	-3,584	1,470
Comprehensive income	-2,504	1,626
Basic net income per share	-21.86 yen	8.97 yen

FYE: Fiscal year ended / ending

1. Qualitative Information on 1Q Financial Results

(1) Description of Operating Results

Overview of the First Quarter of the Fiscal Year Under Review

As of July 1, 2021, the Telematics Service Business of the Digital Transformation (DX) Business, previously included in the Others business segment, was incorporated into the Automotive Sector, and reorganized as the Mobility & Telematics Services Sector. The results for the fiscal year under review are explained based on the reorganized new sectors.

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 the reduced impact of COVID-19 as compared with the previous year, although the Mobility & Telematics Services Sector was affected by the short supply of semiconductors and other components. Operating profit of the JVCKENWOOD Group as a whole increased sharply from a year earlier and turned profitable. This was due to the recording of a gain on sale of a subsidiary and gain on valuation of financial assets during the first three months of the fiscal year under review, in addition to 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.

		1Q
Profit-and-loss exchange rate	U.S. dollar	Approx. 110 yen
	Euro	Approx. 132 yen
FY2020 (for reference)	U.S. dollar	Approx. 108 yen
	Euro	Approx. 119 yen

Revenue

Revenue for the first three months of the fiscal year under review increased approximately 13,400 million yen, or 26.1%, from a year earlier to 64,510 million yen.

Revenue of all three sectors, the Mobility & Telematics Services Sector, the Public Service Sector, and the Media Service Sector, increased from a year earlier. This was due to the gradual recovery trend in the market from the impact of COVID-19, although affected by the short supply of semiconductors and other components.

Operating Profit

Operating profit for the first three months of the fiscal year under review increased sharply by approximately 5,900 million yen from a year earlier to 2,874 million yen and turned profitable. This was due to the improvement in other revenue and cost resulting from the recording of a gain on sale of a subsidiary and gain on valuation of financial assets, in addition to 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 income.

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 sharply by approximately 3,500 million yen from a year earlier to 370 million yen and turned profitable. This was due to the revenue increase in all three sectors, namely the Mobility & Telematics Services Sector, the Public Service Sector, and the Media Service Sector.

* 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 first three months of the fiscal year under review increased sharply by approximately 5,900 million yen from a year earlier to 2,803 million yen and turned profitable due to an increase in operating profit.

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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 increased sharply by approximately 5,100 million yen from a year earlier to 1,470 million yen and turned profitable due to an increase in profit before income taxes.

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 2022 (April 1, 2021 to June 30, 2021)		(Million yen)		
Segment		1Q of FYE3/'21	1Q of FYE3/'22	Year-on-year comparison
Mobility & Telematics Services Sector	Revenue	28,992	38,661	+9,668
	Core operating income	-1,641	206	+1,847
Public Service Sector	Revenue	10,538	12,566	+2,028
	Core operating income	-1,517	-429	+1,088
Media Service Sector	Revenue	10,614	11,869	+1,256
	Core operating income	92	620	+528
Others	Revenue	1,000	1,413	+413
	Core operating income	-57	-26	+31
Total	Revenue	51,145	64,510	+13,365
	Core operating income	-3,123	370	+3,494
	Operating profit	-3,073	2,874	+5,948
	Profit before income taxes	-3,102	2,803	+5,906
	Profit attributable to owners of the parent company	-3,584	1,470	+5,055

Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the first three months of the fiscal year under review increased approximately 9,700 million yen, or 33.3%, from a year earlier to 38,661 million yen. Core operating income increased approximately 1,800 million yen from a year earlier to 206 million yen and turned profitable.

➤ Revenue

Revenue of the OEM Business increased sharply from a year earlier. This was due to the continuously strong sales of dealer-installed products in Japan, and strong sales in the first three months of the fiscal year under review, continuing from the previous fiscal year, by ASK Industries S.p.A, a subsidiary in Europe, in line with the recovery in the number of new cars sold by automobile manufacturers.

Revenue of the Aftermarket Business remained the same as the year earlier. This was due to the impact on sales in both Japan and overseas resulting from the short supply of semiconductors and other components, despite the continuously firm demand.

Revenue of the Telematics Service Business decreased from a year earlier. This was due to a decrease in sales of telematics solution-related products including dashcams for insurance companies which were affected by the short supply of semiconductors and other components, although shipments of dashcams for motorcycles delayed due to the impact of COVID-19 had started, contributing to higher sales.

➤ Core operating income

Core operating income of the OEM Business increased due to a sharp increase in revenue, while the Aftermarket Business remained the same as the year earlier. Core operating income of the Telematics Service Business declined due to the impact of revenue decrease.

Public Service Sector

Revenue of the Public Service Sector for the first three months of the fiscal year under review increased approximately 2,000 million yen, or 19.2%, from a year earlier to 12,566 million yen. Core operating loss improved approximately 1,100 million yen from a year earlier to a loss of 429 million yen.

➤ Revenue

Revenue of the Communications Systems Business increased approximately 1,400 million yen from a year earlier. This was due to continuously strong sales in the United States and other overseas markets in line with the recovery in market conditions.

Revenue of the Professional Systems Business increased approximately 600 million yen from a year earlier. This was due to the firm sales in the monitor business in the healthcare field both in Japan and overseas, in addition to the gradual recovery in sales by JVCKENWOOD Public & Industrial Systems Corporation in regions other than the Tokyo metropolitan area.

➤ Core operating income

As the Communications Systems Business and Professional Systems Business both demonstrated effects of revenue increase, core operating income of the Communications Systems Business increased and turned profitable, and loss of the Professional Systems Business reduced.

Media Service Sector

Revenue of the Media Service Sector for the first three months of the fiscal year under review increased approximately 1,300 million yen, or 11.8%, from a year earlier to 11,869 million yen. Core operating income increased approximately 500 million yen, or 572.1%, from a year earlier to 620 million yen.

➤ Revenue

Revenue of the Media Business increased approximately 900 million yen from a year earlier. This was due to the recovery in sales in line with the recovery trend in BtoB market conditions, in addition to strong sales of BtoC products such as headphones and portable power stations, continuing from the previous fiscal year, in line with the increasing demand from teleworking and staying at home.

Revenue of the Entertainment Business increased approximately 300 million yen from a year earlier due to the strong performance of the content business.

➤ Core operating income

Loss of the Media Business decreased, and core operating income of the Entertainment Business increased due to effects of a revenue increase stated above.

(2) Description of Financial Position

Analysis of Assets, Liabilities, Equity, etc.

Assets

Total assets decreased approximately 9,400 million yen from the end of the previous fiscal year to 254,910 million yen. This was due to a decrease in trade and other receivables resulting from a decrease in revenue from the impact of a short supply of semiconductors and other components.

Liabilities

Total liabilities decreased approximately 10,300 million yen from the end of the previous fiscal year to 185,476 million yen. This was due to further repayment of bank borrowings, in addition to a decrease in trade and other payables.

Equity

Total equity increased approximately 900 million yen from the end of the previous fiscal year to 69,433 million yen. This was due to an increase in retained earnings as a result of posting a profit.

The ratio of equity attributable to owners of the parent company increased 1.1 percentage points from the end of the previous fiscal year to 25.6%. This was due to a decrease in total assets, in addition to an increase in total equity

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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 1,114 million yen, which is a decrease of approximately 2,400 million yen from the same period of the previous fiscal year. This was mainly due to a decrease in inflows from working capital resulting from a recovery in revenue, despite an increase in profit before income taxes.

Cash Flow from Investing Activities

Net cash provided by investing activities for the first three months of the fiscal year under review was 1,882 million yen, which is an increase of approximately 5,100 million yen from the same period of the previous fiscal year. This was mainly due to proceeds from sales of subsidiaries.

Cash Flow from Financing Activities

Net cash used in financing activities for the first three months of the fiscal year under review was 3,449 million yen, which is an increase of approximately 1,400 million yen from the same period of the previous fiscal year. This was mainly due to further repayment of bank borrowings.

Cash and cash equivalents at the end of the first three months of the fiscal year under review increased approximately 21,100 million yen from the same period of the previous fiscal year to 59,399 million yen.

(3) Description of Forward-Looking Information Such as Consolidated Earnings Forecast

Earnings Forecast for FYE3/22

Although the Mobility & Telematics Services Sector mainly was affected by the short supply of semiconductors and other components, revenue and operating profit for the first three months of the fiscal year under review both increased sharply from a year earlier, and exceeded the initial forecast. This was due to the effects of enhancement of business structure conducted Group-wide that started to take root, in addition to the reduced impact of COVID-19.

The consolidated earnings forecast for the fiscal year ending March 2022 announced on April 27, 2021 will not be revised from the second quarter of the fiscal year under review and onward, as the impact of the resurgence of the COVID-19 pandemic and the short supply of semiconductors and other components on our earnings are uncertain.

	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

Profit-and-loss exchange rates used as assumptions in the aforementioned earnings forecast are: USD 1=JPY 108 and EUR 1=JPY 130.

The aforementioned earning forecast was prepared by the JVCKENWOOD Group 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**

(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2021)	End of current consolidated first quarter (as of June 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	59,644	59,399
Trade and other receivables	51,622	42,745
Contract assets	1,288	1,835
Other financial assets	1,772	1,739
Inventories	42,574	46,781
Right to recover products	229	204
Income taxes receivable	885	927
Other current assets	3,781	4,364
Sub-total	161,799	158,000
Assets classified as held for sale	5,651	—
Total current assets	167,451	158,000
Non-current assets		
Property, plant and equipment	52,127	51,968
Goodwill	2,119	2,148
Intangible assets	17,024	16,906
Net defined benefit assets	3,090	2,977
Investment property	2,961	2,959
Investments accounted for using the equity method	4,199	4,311
Other financial assets	9,957	10,637
Deferred tax assets	4,715	4,361
Other non-current assets	679	639
Total non-current assets	96,875	96,909
Total assets	264,326	254,910

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(JPY in Million)

	Previous Fiscal Year (as of Mar. 31, 2021)	End of current consolidated first quarter (as of June 30, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	43,387	41,318
Contract liabilities	2,402	2,177
Refund liabilities	4,363	3,710
Short-term borrowings	23,190	25,133
Other financial liabilities	4,455	4,286
Income taxes payable	1,507	1,266
Provisions	1,958	1,928
Other current liabilities	23,117	20,173
Sub-total	104,383	99,994
Liabilities directly associated with assets classified as held for sale	2,158	—
Total current liabilities	106,541	99,994
Non-current liabilities		
Long-term borrowings	52,396	48,891
Other financial liabilities	8,540	8,284
Net defined benefit liabilities	24,186	23,770
Provisions	1,156	1,157
Deferred tax liabilities	1,884	2,270
Other non-current liabilities	1,096	1,107
Total non-current liabilities	89,261	85,481
Total liabilities	195,803	185,476
Equity		
Capital stock	13,645	13,645
Capital surplus	42,086	42,086
Retained earnings	7,574	8,317
Treasury stock	-39	-39
Other components of equity	1,378	1,307
Equity attributable to owners of the parent company	64,645	65,317
Non-controlling interests	3,877	4,116
Total equity	68,523	69,433
Total liabilities and equity	264,326	254,910

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(2) Quarterly Consolidated statement of financial position
(Quarterly Consolidated Statement of Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2020 – June 30, 2020)	Accumulated period for current consolidated first quarter (Apr.1, 2021 – June 30, 2021)
Revenue	51,145	64,510
Cost of sales	38,665	47,301
Gross profit	12,479	17,209
Selling, general and administrative expenses	15,603	16,838
Other income	289	2,829
Other expenses	277	270
Foreign exchange profit (loss)	37	-55
Operating profit (loss)	-3,073	2,874
Finance income	89	75
Finance expenses	259	289
Share of profit of investments accounted for using the equity method	140	143
Profit (loss) before income taxes	-3,102	2,803
Income tax expenses	349	1,182
Profit (loss)	-3,452	1,621
Profit (loss) attributable to:		
Owners of the parent company	-3,584	1,470
Non-controlling interests	131	151
Profit (loss)	-3,452	1,621
Earnings per share (attributable to owners of the parent company)		
Basic earnings (loss) per share	-21.86 yen	8.97 yen
Diluted earnings per share	-yen	-yen

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(Quarterly Consolidated Statement of Income)

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2020 – June 30, 2020)	Accumulated period for current consolidated first quarter (Apr.1, 2021 – June 30, 2021)
Profit (loss)	-3,452	1,621
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	515	-99
Changes in fair value of investment property	—	-90
Share of OCI of investments accounted for using the equity method	0	1
Total of items that will not be reclassified subsequently to profit or loss	515	-189
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	273	338
Cash flow hedges	-78	-133
Share of OCI of investments accounted for using the equity method	237	-10
Total of items that may be reclassified subsequently to profit or loss	432	194
OCI, net of income tax	948	5
Comprehensive income	-2,504	1,626
Total comprehensive income attributable to:		
Owners of the parent company	-2,601	1,491
Non-controlling interests	97	135
Comprehensive income	-2,504	1,626

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Million)

	Accumulated period for previous consolidated first quarter (Apr.1, 2020 – June 30, 2020)	Accumulated period for current consolidated first quarter (Apr.1, 2021 – June 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	-3,102	2,803
Depreciation and amortization	4,684	4,591
Decrease in net defined benefit liabilities	-9	-459
Decrease in net defined benefit assets	124	112
Finance income	-89	-75
Finance expenses	259	289
Loss (gain) on valuation of financial assets measured at fair value through profit and loss	50	-1,073
Gain on sales of subsidiaries	—	-1,504
Loss on disposal of property, plant and equipment	6	3
Decrease in trade and other receivables	12,796	8,954
Decrease (increase) in inventories	965	-4,114
Decrease in trade and other payables	-8,454	-2,188
Decrease in other current liabilities	-1,742	-3,096
Other, net	-1,642	-2,282
Sub-total	3,846	1,959
Interest received	34	25
Dividend received	54	49
Interest paid	-232	-260
Income taxes paid	-221	-659
Net cash provided by operating activities	3,481	1,114
Cash flows from investing activities		
Purchases of property, plant and equipment	-1,611	-1,320
Proceeds from sales of property, plant and equipment	4	11
Purchases of intangible assets	-2,148	-2,113
Proceeds from sales of equity instruments	—	231
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	—	5,008
Distribution from debt instruments	622	—
Other, net	-93	64
Net cash used in investing activities	-3,226	1,882
Cash flows from financing activities		
Proceeds from short-term borrowings	3,238	2,130
Repayment of short-term borrowings	-1,707	-2,101
Proceeds from long-term borrowings	—	207
Repayment of long-term borrowings	-1,668	-1,905
Repayment of lease liabilities	-1,079	-874
Cash dividends paid	-819	-819
Other, net	-0	-85
Net cash used in financing activities	-2,037	-3,449
Net decrease in cash and cash equivalents	-1,647	-245
Cash and cash equivalents at beginning of year	39,933	59,644
Effect of exchange rate changes on cash and cash equivalents	134	206
Cash and cash equivalents at end of quarter	38,286	59,399