

JVCKENWOOD

October 31, 2023

Consolidated Financial Results for the First Six Months Ending March 31, 2024 (Under IFRS)

Company name: JVCKENWOOD Corporation
 Listing: Prime Market of the Tokyo Stock Exchange
 Securities code: 6632
 URL: <https://www.jvckenwood.com/en.html>
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 Scheduled date to file quarterly securities report: November 9, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first six months ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Core operating income*		Operating profit		Profit before tax		Profit attributable to owners of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 of FYE3/24	174,704	10.5	10,503	76.9	9,807	70.3	9,740	68.4	6,750	83.6
Q2 of FYE3/23	158,108	27.1	5,936	—	5,760	178.1	5,784	234.2	3,677	—

*Core operating income is calculated by deducting cost of sales, selling and general administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Million yen	%	Yen	Yen
Q2 of FYE3/24	18,811	10.7	43.04	42.86
Q2 of FYE3/23	16,991	—	22.49	22.47

(2) Consolidated financial position

	Total assets		Total equity	Equity attributable to owners of parent company	Ratio of equity attributable to owners of parent to total assets
	Million yen	%	Million yen	Million yen	%
Q2 of FYE3/24	313,703		116,557	110,396	35.2
FYE3/23	299,355		103,731	98,807	33.0

2. Cash dividends

	Annual dividends				
	1st quarter	2nd quarter	3rd quarter	Year end	Total
	yen	yen	yen	yen	yen
FYE3/23	—	0.00	—	12.00	12.00
FYE3/24	—	0.00			
FYE3/24(Forecast)			—	8.00	8.00

* Revision of dividend forecast from the most recently announced forecast: None
 Year-end dividends in FYE3/23: Regular dividend 7.00 (yen) and Special dividend 5.00 (yen)
 Year-end dividends in FYE3/24 (Forecast): Regular dividend 8.00 (yen)

3. FYE3/'24 full-year earnings forecast (April 1, 2023 – March 31, 2024)

(% indicate year-on-year changes)

	Revenue		Core operating income		Operating profit		Profit before tax		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Full year	355,000	5.4	18,500	16.8	16,500	-23.7	15,500	-26.8	10,500	-35.3

Note: Revisions to the forecast of earnings most recently announced: None

Note

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies

Excluded: – companies

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

First six months ending March 31, 2024	164,000,201 shares
As of March 31, 2023	164,000,201 shares

(ii) Number of treasury shares at the end of the period

First six months ending March 31, 2024	9,557,404 shares
As of March 31, 2023	516,992 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

First six months ending March 31, 2024	156,825,652 shares
First six months ended March 31, 2023	163,484,730 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

1. Qualitative Information on Q2 Financial Results

(1) Description of Operating Results

Overview of the Second Quarter of the Fiscal Year under Review

On April 1, 2023, JVCKENWOOD Corporation changed business sector names from “Public Service” to “Safety & Security” and from “Media Service” to “Entertainment Solutions” in order to clarify the business strategy the Company pursues in transforming its business portfolio into a more profitable market where the Company’s strengths can be leveraged to maximize corporate value.

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first half of the fiscal year under review increased significantly from the same period in the previous year because sales in the Communications Systems Business in the Safety & Security Sector remained very brisk as in the previous fiscal year. Operating profit of the JVCKENWOOD Group also rose significantly from the same period in the previous year.

A summary of consolidated operating results for the first half of the fiscal year under review is as follows.

(Million yen)

	1H of FYE3/23	1H of FYE3/24	Year-on-year comparison	Change
Revenue	158,108	174,704	+16,595	+10.5%
Core operating income*	5,936	10,503	+4,566	+76.9%
Operating profit	5,760	9,807	+4,046	+70.3%
Profit before income taxes	5,784	9,740	+3,956	+68.4%
Profit attributable to owners of the parent company	3,677	6,750	+3,072	+83.6%

*Core operating income is calculated by deducting cost of sales and selling, general and administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

Operating performance by business segment is explained using core operating income.

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

		Q1	Q2	1H (for reference)
Profit-and-loss exchange rates	U.S. dollar	Approx. 137 yen	Approx. 145 yen	Approx. 141 yen
	Euro	Approx. 150 yen	Approx. 157 yen	Approx. 153 yen
First half (for reference)	U.S. dollar	Approx. 130 yen	Approx. 138 yen	Approx. 134 yen
	Euro	Approx. 138 yen	Approx. 139 yen	Approx. 139 yen

Revenue

Revenue of JVCKENWOOD Corporation and its consolidated subsidiaries for the first half of the fiscal year under review soared approximately 16,600 million yen, or 10.5%, from the same period in the previous year to 174,704 million yen. This was mainly because sales in the Communications Systems Business in the Safety & Security Sector remained very brisk as in the previous fiscal year and because sales in the OEM Business in the Mobility & Telematics Services Sector and in the Entertainment Business in the Entertainment Solutions Sector remained strong.

Core Operating Income

JVCKENWOOD Corporation defines core operating income as revenue less cost of sales and selling, general and administrative expenses.

Core operating income for the first half of the fiscal year under review significantly increased approximately 4,600 million yen, or 76.9%, from the same period in the previous year to 10,503 million yen, mainly reflecting the significant increase in revenue.

Operating Profit

Operating profit for the first half of the fiscal year under review significantly increased approximately 4,000 million yen, or 70.3%, from the previous year to 9,807 million yen, mainly due to a significant increase in core operating income.

Profit Before Income Taxes

In the first half of the fiscal year under review, profit before income taxes significantly increased approximately 4,000 million yen, or 68.4%, from the previous year to 9,740 million yen, mainly due to a significant increase in operating profit.

Profit Attributable to Owners of the Parent Company

Profit attributable to owners of the parent company for the first half of the fiscal year under review significantly increased approximately 3,100 million yen, or 83.6%, from the previous year to 6,750 million yen, reflecting a significant increase in profit before income taxes.

Revenue and Profit (Loss) by Business Segment

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

First half of the fiscal year ending March 2024 (from April 1, 2023 to September 30, 2023) (Million yen)

Segment		1H of FYE3/23	1H of FYE3/24	Year-on-year comparison
Mobility & Telematics Services Sector	Revenue	95,978	97,880	+1,901
	Core operating income	2,090	1,761	-328
Safety & Security Sector	Revenue	32,760	45,599	+12,838
	Core operating income	3,580	8,660	+5,079
Entertainment Solutions Sector	Revenue	26,128	27,009	+880
	Core operating income	215	140	-74
Others	Revenue	3,240	4,215	+974
	Core operating income	50	-59	-109
Total	Revenue	158,108	174,704	+16,595
	Core operating income	5,936	10,503	+4,566

Mobility & Telematics Services Sector

Revenue of the Mobility & Telematics Services Sector for the first half of the fiscal year under review increased approximately 1,900 million yen, or 2.0%, from the previous year to 97,880 million yen. Core operating income decreased approximately 300 million yen from the previous year to 1,761 million yen.

Core operating income includes approximately 1,200 million yen as a negative impact of foreign exchange hedge, and core operating income of this sector, calculated by deducting the impact of foreign exchange hedge, increased year-on-year.

➤ Revenue

Revenue of the OEM Business was up from the previous year. This was mainly because the sales of dealer-installed products in Japan recovered from the impact of reduced production at our Shanghai factory resulting from the lockdown in Shanghai that occurred in the previous year and because sales of ASK Industries S.p.A., our subsidiary in Europe, remained brisk as in the previous fiscal year.

Revenue of the Aftermarket Business decreased from the previous year mainly due to the impact of a sales decline resulting from inventory adjustment primarily overseas.

Revenue of the Telematics Service Business fell from the previous year due to a decline in sales of telematics solution-related products including dashcams with communication capabilities for insurance companies.

➤ Core operating income

Core operating income of the entire Mobility & Telematics Services Sector decreased from the previous year. This was because although profit of the OEM Business was up from the previous year thanks to the revenue-increase effect, profit of the Aftermarket Business and the Telematics Service Business dropped from the previous year due to the impact of revenue decrease, on top of the negative impact from foreign exchange hedging.

Safety & Security Sector

Revenue of the Safety & Security Sector for the first half of the fiscal year under review rose approximately 12,800 million yen, or 39.2%, from the previous year to 45,599 million yen. Core operating income increased approximately 5,100 million yen from the previous year to 8,660 million yen.

➤ Revenue

Revenue of the Communications Systems Business significantly grew approximately 12,200 million yen from the previous year mainly because sales in the United States and other overseas markets remained very brisk as in the previous fiscal year.

Revenue of the Professional Systems Business increased approximately 600 million yen from the previous year mainly because JVCKENWOOD Public & Industrial Systems Corporation tended to recover in the social infrastructure market including railways.

➤ Core operating income

The Safety & Security Sector as a whole reported a sharp increase in profit from the previous year because the Communications Systems Business registered a large rise in profit thanks to substantial revenue growth, and the Professional Systems Business improved its losses because of revenue growth.

Entertainment Solutions Sector

Revenue of the Entertainment Solutions Sector for the first half of the fiscal year under review grew approximately 900 million yen, or 3.4%, from the previous year to 27,009 million yen. Core operating income decreased approximately 100 million yen from the previous year to 140 million yen.

➤ Revenue

Revenue of the Media Business decreased approximately 500 million yen from the previous year mainly due to lower sales of professional cameras and others although sales of projectors recovered from the impact of reduced production resulting from a transfer of production implemented in the previous year.

Revenue of the Entertainment Business increased approximately 1,300 million yen from the previous year mainly because sales in the content business remained strong.

➤ Core operating income

Core operating income of the Entertainment Solutions Sector as a whole decreased from the previous year because of a decrease in profit in the Media Business from the previous year due to the impact of lower revenue although profit in the Entertainment Business rose thanks to the revenue-increase effect.

(2) Description of Financial Position

Analysis of Assets, Liabilities, and Equity, Etc.

Assets

Total assets grew approximately 14,300 million yen from the end of the previous fiscal year to 313,703 million yen. This was due to increases in current assets such as trade and other receivables and inventories, although cash and cash equivalents decreased.

Liabilities

Total liabilities increased approximately 1,500 million yen from the end of the previous fiscal year to 197,146 million yen, mainly due to an increase in accrued expenses and other current liabilities, despite a decrease in borrowings.

Equity

Total equity rose approximately 12,800 million yen from the end of the previous fiscal year to 116,557 million yen. This was due to an increase of approximately 4,800 million yen in retained earnings as well as an increase in other components of equity caused by the depreciation of the yen against major currencies, although there was a decrease due to purchase of treasury shares.

The ratio of equity attributable to owners of the parent company increased 2.2 percentage points from the end of the previous fiscal year to 35.2% due to an increase in equity attributable to owners of the parent company.

Cash Flow Analysis

Cash Flow from Operating Activities

Net cash earned in operating activities for the first half of the fiscal year under review was 10,575 million yen, which is an increase of approximately 2,500 million yen from the same period of the previous fiscal year. This was mainly due to an increase in quarterly profit before income taxes and the suppression of a rise in inventories.

Cash Flow from Investing Activities

Net cash used in investing activities for the first half of the fiscal year under review was 8,045 million yen, which is an increase of approximately 200 million yen from the same period of the previous fiscal year. This was mainly due to an increase in expenditures for purchases of property, plant and equipment in conjunction with the construction of a new company building and other factors, despite an increase in proceeds from sales of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities for the first half of the fiscal year under review was 11,026 million yen, which is an increase of approximately 3,200 million yen from the same period of the previous fiscal year. This was mainly due to an increase in expenditure for the purchase of treasury shares and the progress in repayment of long-term borrowings.

Cash and cash equivalents at the end of the second quarter of the fiscal year under review increased approximately 5,800 million yen from the same period of the previous fiscal year to 50,722 million yen.

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

Earnings Forecast for FYE3/24

For the first half of the fiscal year under review, results significantly exceeded the initial forecast for the JVCKENWOOD Group. This was partly because sales in the Communications Systems Business in the Safety & Security Sector remained very brisk as in the previous fiscal year.

For the third quarter and beyond, as the global situation becomes more and more tense, we expect strong demand for radio systems as BCP* and security measures. Considering this among other factors, we have revised the consolidated financial forecasts for the fiscal year ending March 2024 announced on April 27, 2023, as described in the “Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 2024” separately disclosed today.

*Business Continuity Plan

(Million yen)

	Consolidated earnings for the fiscal year ended March 2023	Previously announced forecast for the fiscal year ending March 2024 (Announced on April 27, 2023)	Revised forecast for the fiscal year ending March 2024 (Announced on October 31, 2023)	Change from the previous forecast	Year-on-year comparison	
Revenue	336,910	350,000	355,000	+5,000	+18,090	
Core operating income*	15,836	14,800	18,500	+3,700	+2,664	
Operating profit	21,634	13,400	16,500	+3,100	-5,134	
Profit before income taxes	21,161	12,400	15,500	+3,100	-5,661	
Profit attributable to owners of the parent company	16,229	8,000	10,500	+2,500	-5,729	
Exchange rate	(U.S. dollar)	135 yen	133 yen	147 yen	+14 yen	+12 yen
	(Euro)	141 yen	144 yen	150 yen	+6 yen	+9 yen

*Core operating income is calculated by deducting cost of sales and selling, general and administrative expenses from revenue, and does not include other income, other expenses, and foreign exchange gains and losses, which are primarily due to one-time factors.

The earnings forecasts shown above were prepared by JVCKENWOOD Corporation based on information available as of the date of the announcement of this document. Actual results may differ from the forecasts due to various factors in the future.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	56,186	50,722
Trade and other receivables	58,157	65,452
Contract assets	2,996	4,344
Other financial assets	3,552	5,884
Inventories	67,830	71,834
Right to recover products	261	271
Income taxes receivable	976	1,064
Other current assets	6,231	5,803
Subtotal	196,191	205,377
Assets classified as held for sale	995	908
Total current assets	197,187	206,285
Non-current assets		
Property, plant and equipment	54,721	57,049
Goodwill	2,379	2,579
Intangible assets	18,065	18,734
Net defined benefit assets	1,933	1,791
Investment property	3,817	4,082
Investments accounted for using the equity method	4,983	5,511
Other financial assets	9,758	11,438
Deferred tax assets	6,128	5,861
Other non-current assets	380	369
Total non-current assets	102,167	107,418
Total assets	299,355	313,703

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	52,868	52,727
Contract liabilities	4,088	4,475
Refund liabilities	5,084	5,398
Short-term borrowings	26,292	28,436
Other financial liabilities	4,643	5,625
Income taxes payable	2,995	1,959
Provisions	1,814	1,931
Other current liabilities	26,062	27,127
Total current liabilities	123,849	127,681
Non-current liabilities		
Long-term borrowings	36,190	32,785
Other financial liabilities	11,999	12,440
Net defined benefit liabilities	18,459	18,388
Provisions	1,252	1,266
Deferred tax liabilities	2,981	3,655
Other non-current liabilities	890	927
Total non-current liabilities	71,774	69,464
Total liabilities	195,624	197,146
Equity		
Capital stock	13,645	13,645
Capital surplus	42,029	42,117
Retained earnings	28,811	33,611
Treasury stock	-140	-4,640
Other components of equity	14,461	25,661
Equity attributable to owners of the parent company	98,807	110,396
Non-controlling interests	4,923	6,160
Total equity	103,731	116,557
Total liabilities and equity	299,355	313,703

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	158,108	174,704
Cost of sales	114,476	121,655
Gross profit	43,632	53,048
Selling, general and administrative expenses	37,695	42,545
Other income	803	1,430
Other expenses	512	1,997
Foreign exchange gains (losses)	-466	-129
Operating profit	5,760	9,807
Finance income	186	460
Finance expenses	626	708
Share of profit (loss) of investments accounted for using the equity method	464	181
Profit before income taxes	5,784	9,740
Income tax expenses	1,816	2,673
Profit	3,968	7,067
Profit attributable to:		
Owners of the parent company	3,677	6,750
Non-controlling interests	290	317
Profit	3,968	7,067
Earnings per share		
Basic earnings per share	22.49 yen	43.04 yen
Diluted earnings per share	22.47 yen	42.86 yen

(Quarterly Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	3,968	7,067
Other comprehensive income (“OCI”)		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through OCI	-130	128
Share of OCI of investments accounted for using the equity method	4	-10
Total of items that will not be reclassified subsequently to profit or loss	-125	118
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	10,656	9,848
Cash flow hedges	2,777	1,570
Share of OCI of investments accounted for using the equity method	-285	207
Total of items that may be reclassified subsequently to profit or loss	13,148	11,626
OCI, net of income tax	13,023	11,744
Comprehensive income	16,991	18,811
Total comprehensive income attributable to:		
Owners of the parent company	16,052	17,962
Non-controlling interests	939	849
Comprehensive income	16,991	18,811

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,784	9,740
Depreciation and amortization	8,669	8,997
Increase (decrease) in net defined benefit liabilities	-934	-307
Decrease (increase) in net defined benefit assets	203	141
Finance income	-186	-460
Finance expenses	626	708
Loss (gain) on valuation of financial assets measured at fair value through profit or loss	-298	-94
Loss (gain) on sales of property, plant and equipment	-30	-495
Loss on disposal of property, plant and equipment	22	29
Decrease (increase) in trade and other receivables	3,013	-3,274
Decrease (increase) in inventories	-10,839	710
Increase (decrease) in trade and other payables	4,233	-2,625
Increase (decrease) in accrued expenses	-1,196	-186
Increase (decrease) in other current liabilities	-140	187
Other, net	870	364
Subtotal	9,796	13,436
Interest received	107	410
Dividend received	45	253
Interest paid	-518	-638
Income taxes paid	-1,394	-2,886
Net cash provided by operating activities	8,037	10,575
Cash flows from investing activities		
Purchases of property, plant and equipment	-3,242	-4,504
Proceeds from sales of property, plant and equipment	206	1,650
Purchases of intangible assets	-4,443	-4,177
Payment for acquisition of investments accounted for using the equity method	-300	-888
Other, net	-71	-125
Net cash used in investing activities	-7,851	-8,045
Cash flows from financing activities		
Proceeds from short-term borrowings	4,516	2,541
Repayment of short-term borrowings	-4,927	-1,753
Proceeds from long-term borrowings	12,088	1,573
Repayment of long-term borrowings	-15,947	-4,878
Repayment of lease liabilities	-1,848	-1,859
Purchases of treasury stock	-0	-4,500
Cash dividends paid	-980	-1,961
Other, net	-699	-187
Net cash used in financing activities	-7,798	-11,026
Effect of exchange rate changes on cash and cash equivalents	3,803	3,135
Net increase (decrease) in cash and cash equivalents	-3,809	-5,361
Cash and cash equivalents at beginning of year	48,707	56,186
Cash and cash equivalents included in assets classified as held for sale	—	-102
Cash and cash equivalents at end of quarter	44,897	50,722