

Top Message

Challenge the next stage by promoting the new medium-term management plan

GO BEYOND
~Challenge the Next Stage~

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Yokowo will drive forward with its new medium-term management plan, to ensure that it is a constantly evolving company.

The new medium-term management plan began in fiscal year 2020. An outline of the new medium-term management plan and the success stories for the next stage Yokowo will take from here are described below.

Basic Management Policy

Yokowo has instituted two management policies to realize its corporate vision. One is the sustainable evolution of business management and the other is a multi-layered business structure.

The sustainable evolution of business management is constant evolution and moving forward as Yokowo has advocated in the slogan it has out forward since its inception, "Constantly on the cutting edge." The measures for realizing the sustainable evolution of business management are product innovation (including business model, product and business structure innovation), process innovation (the innovation of business processes) and personnel innovation (human resources innovation).

In other words, these measures aim to substantially change

the business structure, including products, technology and markets, and business operating process through the optimal placement of business sites and the proactive introduction of new production processes, processing technologies and IT. The diversity of the human resources who operate the above will expand to ensure the development of highly professional teams.

In line with management innovation (the innovation of corporate management and business operations), substantial changes will be made to how the elements and systems involved in the above three innovation measures and these measures themselves are managed, in order to accelerate the evolution of business management.

The other management policy of the multi-layered business structure aims to enhance the stability of our corporate management and our companywide earnings structure. In other words, we aim to improve sustainability.

As the management environment surrounding Yokowo is

changing drastically, this management policy aims to establish a business system capable of responding to these changes by creating a multi-layered business structure (industry, customers, technologies, supply chains and other layers).

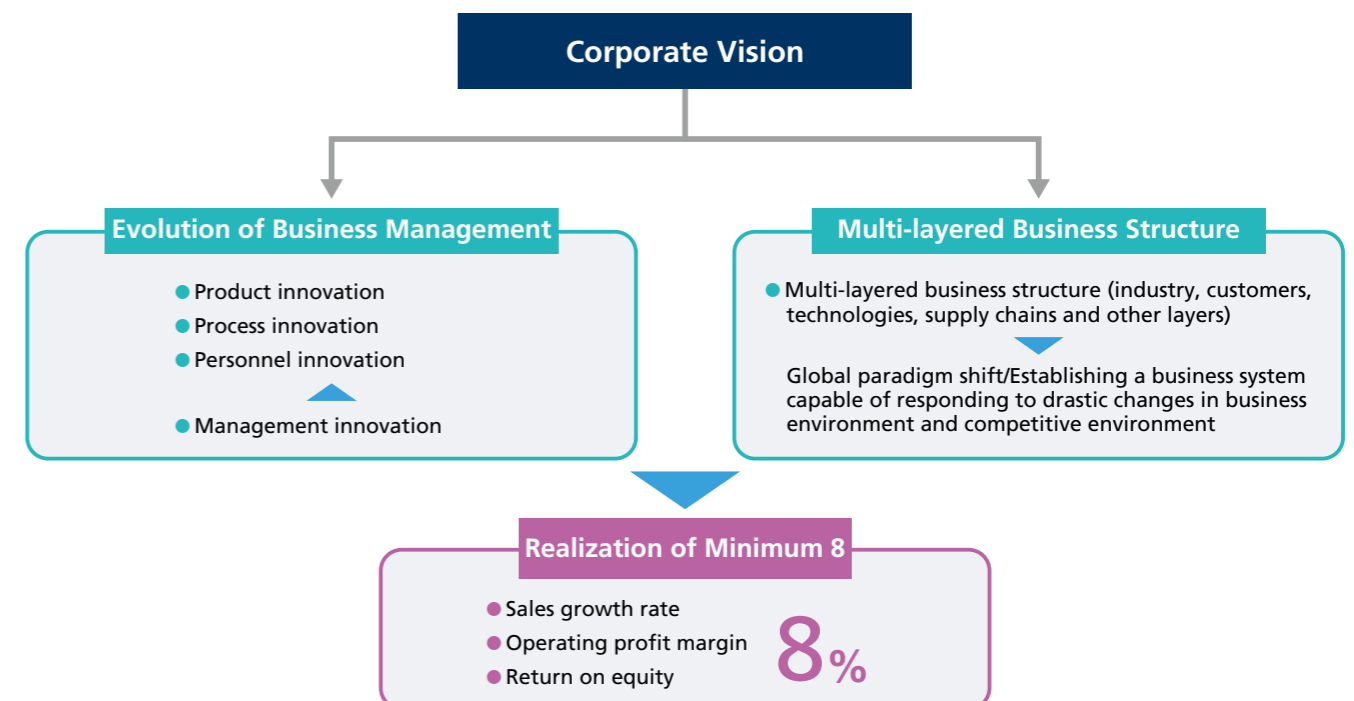
By promoting the sustainable evolution of business management and a multi-layered business structure, we hope to achieve Minimum 8 (secure at least 8% in sales growth rate, operating profit margin, and return on equity) in a consistent and stable way.

The New Medium-term Management Plan and the Current State of Operational Performance Under the Impact of the COVID-19 Pandemic

In November 2020, Yokowo announced its new medium-term management plan, around six months later than originally anticipated. The new plan covers the three-year period from the 83rd fiscal term (the fiscal year ended March 31, 2021) to the 85th fiscal term (the fiscal year ending March 31, 2023). As far as possible, the spread of the COVID-19 pandemic was taken into account when formulating the plan.

New Medium-term Management Plan

With the 100th anniversary of our founding coming up in September 2022, the title of the new medium-term management plan is "Go Beyond: Challenge the Next Stage," to evoke our belief that our goal is to transcend the present situation and advance to the next stage. The outline of the plan is as follows.



- Promote management innovation company-wide**
 - Realize business operations that are directly linked to the needs of our customers
 - Strengthen our capabilities to manage manufacturing proficiencies and integrate responsibilities for business income and expenditures and the authorities for achieving the income and expenditure plans
 - Realize the visualization of profit performance by product and improve capital efficiency
- Product innovation that transforms the risks of changes in industries and markets into opportunities for business**
 - Revitalize our business structure through sustained effort to develop new markets and introduce new technologies and through strategic withdrawals from unprofitable businesses
- Strengthen systems that support product innovation**
 - Intellectual property strategy
 - Establish elemental technologies
 - Strengthen cooperation between the business division's technologies and research and development (including external networks)
- Evolve process innovation to meet customer expectations**
 - Develop product innovation based on the new 5S* principle using AI and other advanced technologies in all business processes

* Simple, Slim, Small, Short and Smooth

By steadily promoting the corporate priorities, we aim to ensure the achievement of the medium-term basic managerial objectives and consolidated performance objectives.

Medium-term Basic Managerial Objectives
Stable realization of Minimum 8

Consolidated Performance Objectives
in the New Medium-term Management Plan
(Fiscal year ending March 31, 2023)

Consolidated net sales: ¥ 72 billion
Operating income: ¥ 7.2 billion (operating margin: 10%)
Ordinary income: ¥ 7 billion
Profit attributable to owners of parent: ¥ 5 billion

Moreover, we are determined to drive forward initiatives in the following three areas as measures to be enacted over a period longer than the period of the medium-term management plan.

1. Basic research

Centering on micro precision processing technology and microwave technology, the core strengths of the Yokowo Group, we will work to invest in and enhance the system for basic research, a key driver of long-term growth.

2. Digital transformation (DX)

By improving productivity and efficiency at each site for development, procurement, production and marketing, we will promptly provide value to customers. Moreover, we aim to continue to improve the speed of management decision-making and our responsiveness to change by reinforcing real-time cooperation between these sites and the headquarters.

3. The SDGs

We will work on the three top-priority issues of the environment, local communities and diversity and inclusion, which have been extracted through a materiality identification process and aim to achieve KPIs set for each measure (see p.19 to p.22, "Yokowo's Materiality").

By steadily and vigorously pushing ahead toward these goals, we will establish resilient strength that does not waver during upheaval and that enables appropriate and prompt responses to successive and drastic changes. We will strive to collaborate with our stakeholders in our efforts to create new value.

Performance in the Fiscal Year Ended March 31, 2021 and Current Situation

The main markets for the Yokowo Group include the automotive, semiconductor testing, mobile communications device and advanced medical equipment markets. These markets are experiencing a dramatic transformation due to the widespread adoption of CASE*, MaaS, 5G, AI and IoT technologies, and this presents major business opportunities for Yokowo. However, the spread of the global COVID-19 pandemic has had a major impact on our Company.

Specific examples of the negative impact of COVID-19 include a reduction in the capacity utilization rate of our Company's production bases due to lockdowns and restrictions on movement, etc., a substantial fall in the volume of orders received from customers due to semiconductor shortages, and increased freight charges and longer shipping times for marine transport. On the other hand, the dramatic transformation in lifestyles caused by the pandemic has also had some more positive impacts, such as the global increase in demand for semiconductors resulting from people staying at home more and working from home, and the shift away from using public transportation towards using private cars, etc. As a result, examination of the Company's performance in the fiscal year ended March 31, 2021 shows that sales fell only very slightly year-on-year (by 1.0%) to 59,976 million yen, while operating profit rose 5.3% year-on-year to 5,179 million yen, ordinary income rose by 16.1% year-on-year to 5,320 million yen, and profit attributable to owners of the parent company rose by 11.0% year-on-year to 3,818 million yen. All of these profit indicators represented record highs for the Company.

* CASE: An acronym for the new trend in automobiles: Connectivity, Autonomous, Shared, Electric

Performance Forecast for the Fiscal Year Ending March 31, 2022

In the fiscal year ending March 31, 2022, the scale of the impacts of the COVID-19 pandemic outlined above has expanded. In particular, the spread of COVID-19 variants in the Asia region has become a severe problem, with an impact on the production operations not only of Yokowo but also of our customers and suppliers that has been more pronounced than in the previous fiscal year, and the outlook for the future is becoming even more uncertain. Although the Yokowo Group is expected to see an increase in whole-year sales year-on-year, a fall in profits will be unavoidable due to the significant decline in order volume, the rising cost of raw materials and the increase in logistics costs. As of November 2021, it appeared unlikely that this fiscal year would see record earnings. At the same time, however, end-user demand remains strong in Yokowo's main markets, which include the automotive and semiconductor markets. We believe that, if the pandemic is brought under control and economic activity gets back to normal, then performance could improve

again in the fiscal year ending March 31, 2023, partly as a result of a rebound effect. We will continue working towards achieving the performance targets set in the new medium-term management plan for the fiscal year ending March 31 2023.

My Desire to "Make Yokowo a Good Company"

Since being appointed as President in 2007, I have constantly conveyed my desire to make Yokowo a good company to our employees in and outside Japan. As I wrote in the section about materiality, I think that a better company is:

- A company about which customers say, "It was good that we have conducted business with Yokowo. We will expand our business relationship with Yokowo."
- A company about which contractors say, "It was good that we performed business operations for Yokowo. We will work harder to contribute more," and about which people in the local community say, "It is good that we have Yokowo in our town. We are happy to have our children work there."
- And most importantly, a company where the employees of the Yokowo Group think, "I am very satisfied with to be working for this company. I will work harder to make it an even better company."

I think that a company such as that is truly a good company.

To make Yokowo a good company, we should ensure that the officers and employees of the Yokowo Group in and outside Japan, regardless of nationality, gender and other differences, are content and fulfilled in their work, and have a foundation of reliability and trust.

Through the evolution of our technology, we will continue to offer quality products and services to improve customer satisfactions. We will contribute to local communities which we rely on to ensure that we are welcomed by them and to bring satisfactions to our neighbors. As a resident of this world, we will contribute to solving climate change and other issues to preserve the natural environment that sustains lives of people around the world, including our stakeholders. Based on the above, we have the three top-priority issues: the environment, local communities and diversity and inclusion.

Recently, we have introduced new measures to address these issues, and have begun implementation of new initiatives. For example, with regard to the environment, at a meeting of the Board of Directors held in October 2021 it was decided that Yokowo would express its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see p.41, "Environment"). In regard to diversity and inclusion, besides the Tomioka International Specialist Park (TISP) project



that was launched several years ago, and which has already begun to produce results, we have also organized round-table discussion meetings that provide a venue for a wide range of employees – including female, foreign, veteran and new employees – to engage in free discussion and exchange of views; the ideas raised during these meetings are reflected in the Company's human resources system and employee welfare measures (see p.34 "Employees").

One mission of the Yokowo Group is to operate our business and make a profit as a group engaging in commercial businesses. We recognize that now, it is not simply the volume of profits generated from our growth potential and the profitability of our business that is strongly demanded, but also the quality of the profits that should reflect equal, fair and proper business operations, and together, the results of a business operated in this way should lead to social contribution.

While working to achieve the new medium-term management plan and the long-term measures, we hope to become a good company for our shareholders and investors by increasing both the volume and quality of profits, expanding profit distribution and by improving our quality and dignity as a company.

We offer our appreciation to all of our stakeholders and look forward to your continued understanding and support in the future.