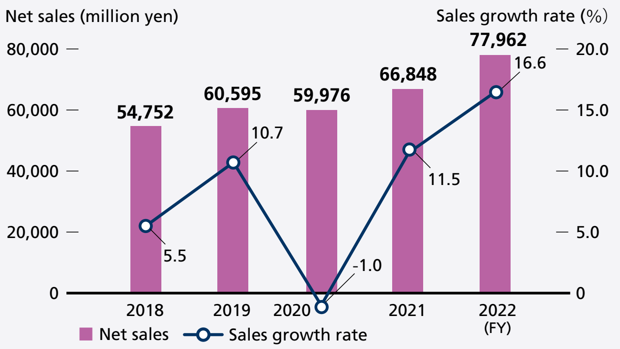
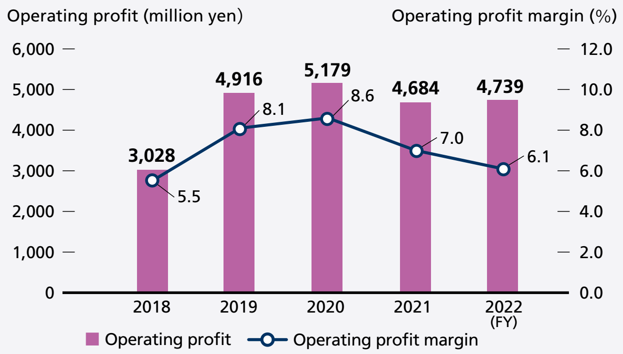
Financial Highlight

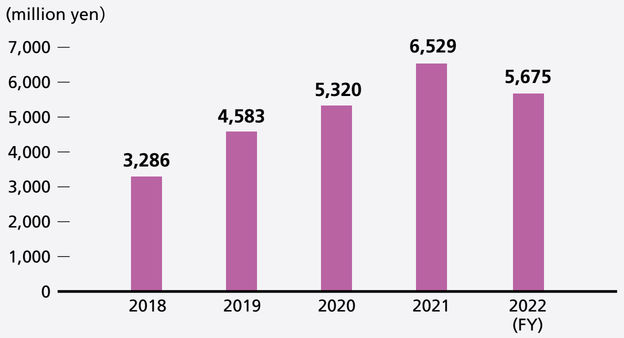
▼ Net sales



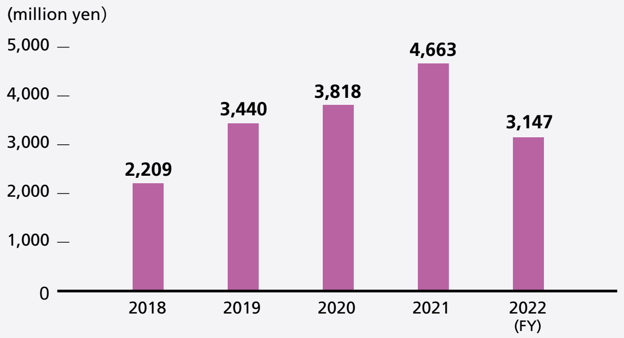
▼ Operating profit



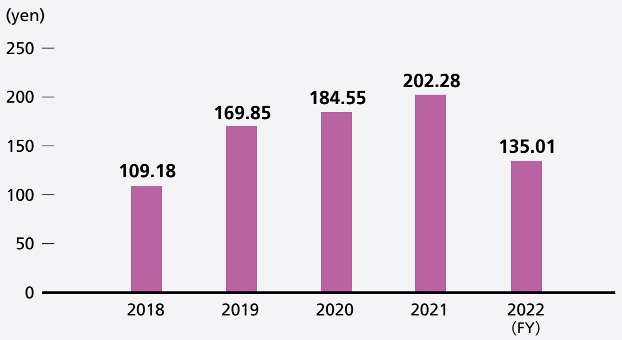
▼ Ordinary profit



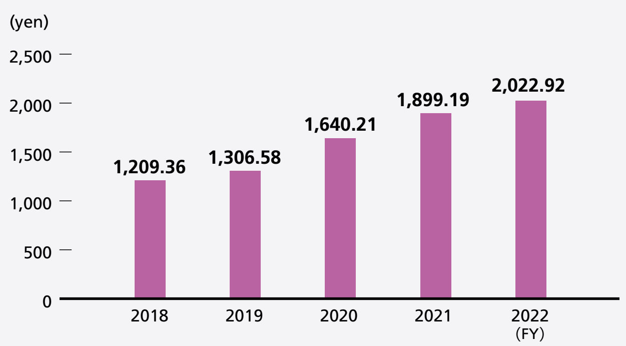
▼ Profit attributable to owners of parent



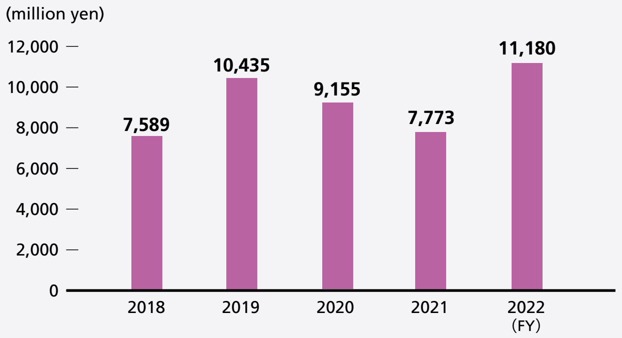
▼ Basic earnings per share



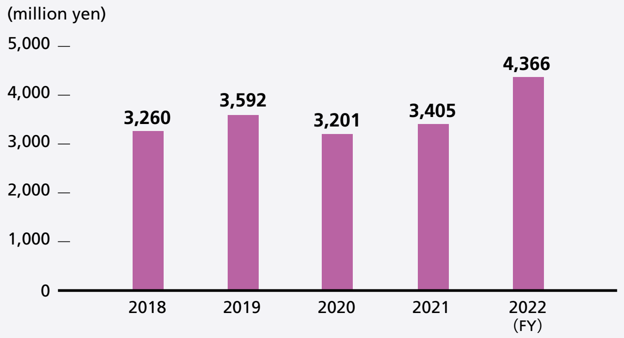
▼ Net assets per share



▼ Interest bearing debt*



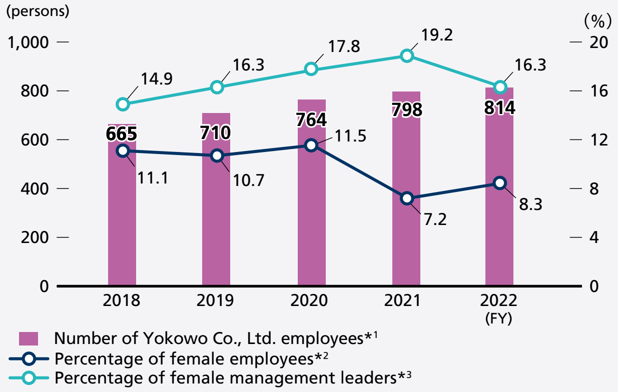
▼ Research and development expenses



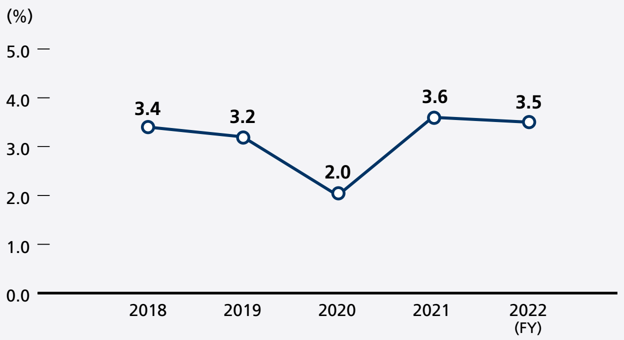
* Borrowing + lease liabilities

Non-financial Highlight

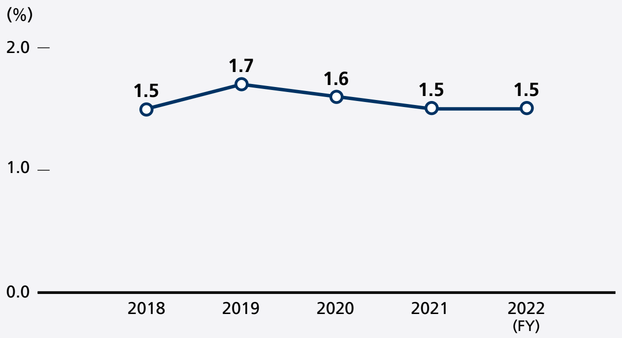
▼ Percentage of female employees★



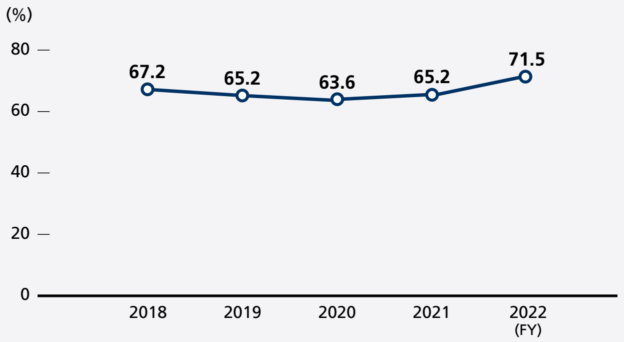
▼ Employee turnover rate★



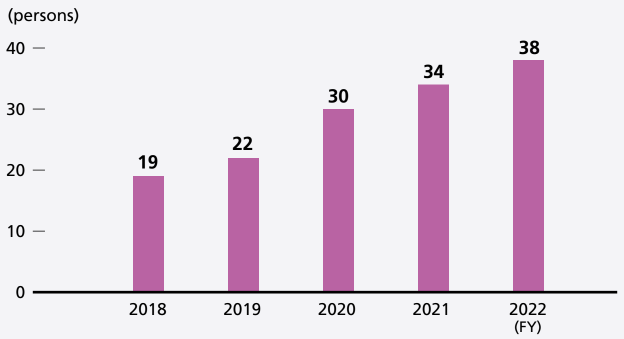
▼ Employment rate of people with disabilities★



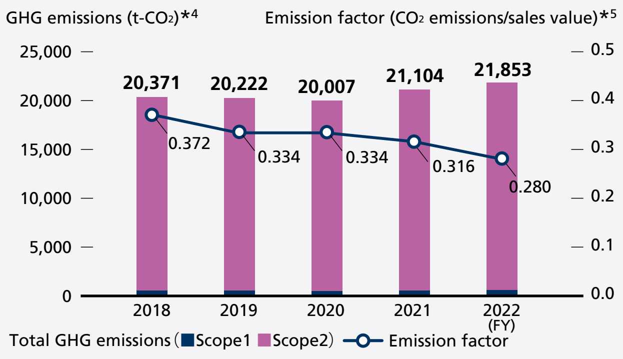
▼ Uptake of paid leave★



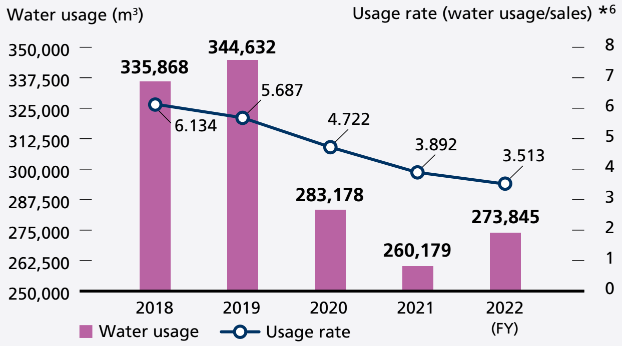
▼ Number of older employees re-employed★



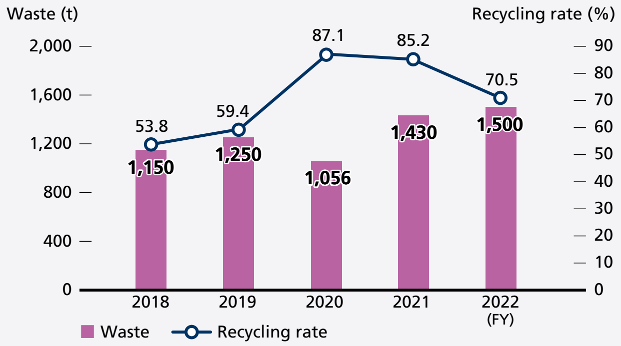
▼ GHG emissions and emission factor



▼ Water usage and usage rates



▼ Quantity of waste and recycling rate



★: YOKOWO CO., LTD.
*1 Number of Yokowo Co., Ltd. employees: Does not include temporary staff *2 Ratio of female employees out of all employees
*3 Overall ratio of female employees who are section heads or higher (excludes specialists)
*4 Electricity CO_2 conversion factor is calculated using the following:Domestic: TEPCO Energy Partner, Inc Basic Emission Factor
Overseas: Until 2021, IEA Official Factor, 2022 uses the market coefficient
*5 Emission factor: GHG emissions per million yen of sales *6 Emission factor: Water usage per million yen of sales

Financial Information

Analysis of Operating Results and Financial Position in Fiscal 2022

Business Environment and Operating Results

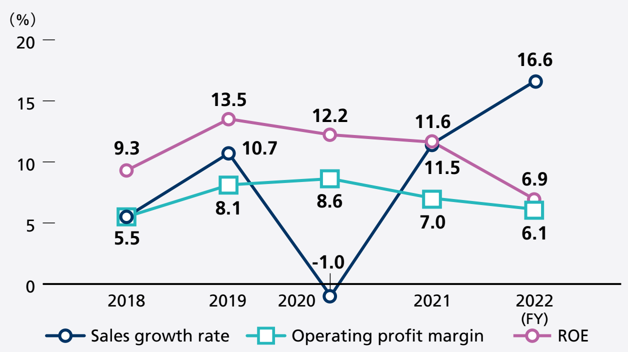
During the fiscal year under review (April 1, 2022 to March 31, 2023), the global economy trended toward recovery as the COVID-19 pandemic eased, however global inflation continues despite hikes in policy rates in major countries, and in combination with the longer shortage of semiconductors, supply chains continued to be disrupted and stagnant.

Market structure in the Group's core markets — automotive, semiconductor testing, mobile communication terminals, and advanced medical equipment markets — has intensified with both the widespread adoption of advanced applications that could dramatically change industry structures and business models with 5G mobile communication systems at the forefront, and competition in product and technology development.

In these circumstances, the Group continued working to advance the four forms of innovation (innovation in products, processes, personnel, and management) specified in the Basic Management Policy to achieve high-quality, full-scale growth. In the VCCS segment, costs at overseas production bases ballooned due to the rapid, ongoing depreciation of the yen, however the Group has been negotiating to revise sales prices in response to higher raw material prices, and is working to rebuild its earnings structure. In the CTC segment, as well as strengthening technology and manufacturing systems in order to grasp business growth opportunities arising from 5G, the Group has continued with establishing production sites in Japan and Vietnam targeting a future increase in orders.

As a result, while the FC/MD segment saw a year-on-year decline in consolidated net sales, both the VCCS and CTC segments saw year-on-year increases in sales, resulting in increased sales overall. In operating profit and loss, while the FC/MD segment saw a year-on-year decrease in sales and a decrease in profits due to changes in business structure, and the VCCS segment posted a loss due to dramatically higher distribution costs and higher costs resulting from higher raw material prices and the low yen, the CTC segment saw a significant year-on-year increase in profits due to higher sales, resulting in increased profits. While ordinary profit and losses recorded gains from foreign exchange, recording of equity losses due to worsening business performance of investees resulted in decreased profits. Profit attributable to owners of the parent company decreased due to an impairment loss on non-current assets in the VCCS segment.

▼ Minimum 8



Financial Position

(Assets)

Although there were a decrease in notes and accounts receivable-trade of ¥707 million and a decrease in inventories of ¥1,399 million, current assets stood at ¥46,355 million at the end of the fiscal year under review (a gain of ¥1,815 million from the end of the previous fiscal year) due to an increase in cash and cash equivalents of ¥3,870 million. The decrease in notes and accounts receivable-trade is primarily as a result of decreased sales due to a decrease in orders received in the CTC segment in the fourth quarter. Further, the large decrease in inventories is due to a decrease in shipping inventories resulting from a normalization of lead times in ocean and air logistics in the VCCS segment.

Non-current assets stood at ¥24,300 million at the end of the fiscal year under review (a gain of ¥1,970 million from the end of the previous fiscal year) due to an increase in property plant and equipment of ¥1,532 million and an increase in investments and other assets of ¥390 million. This was due to vigorous investment in mass production and development in each business segment.

As a result, total assets stood at ¥70,656 million at the end of the fiscal year under review (a gain of ¥3,786 million from the end of the previous fiscal year).

(Liabilities)

Current liabilities stood at ¥17,890 million at the end of the fiscal year under review (a decrease of ¥2,294 million from the end of the previous fiscal year). This was as a result of a decrease in trade payables of ¥1,507 million and of income taxes payable of ¥961 million, in spite of an increase in short-term loans payable of ¥233 million. The decrease in trade payables is primarily because of decreased purchasing of parts based on forecasts of a decrease in orders in the next fiscal year in the CTC segment.

Non-current liabilities stood at ¥5,541 million at the end of the fiscal year under review (a gain of ¥3,184 million from the end of the previous fiscal year) due to an increase in long-term loans payable of ¥3,000 million and an increase in lease assets of ¥168 million.

As a result, total liabilities stood at ¥23,431 million at the end of the fiscal year under review (a gain of ¥890 million from the end of the previous fiscal year).

(Net Assets)

Net assets stood at ¥47,224 million at the end of the fiscal year under review (a gain of ¥2,896 million from the end of the previous fiscal year). This was mainly due to an increase in foreign currency translation adjustment of ¥871 million, profit attributable to owners of parent company of ¥3,147 million, and dividends of surplus of ¥1,095 million.

Cash Flows

(1) Cash and Cash Equivalents

Cash and cash equivalents stood at ¥17,687 million in the fiscal year under review (a gain of ¥3,870 million from the previous fiscal year).

(2) Net Cash Provided by Operating Activities

Net cash provided by operating activities stood at ¥7,312 million (a gain of ¥3,635 million from the previous fiscal year) with the main factors for increase including profit before income taxes of ¥4,433 million and depreciation of ¥3,833 million, and the main factors for decrease including a decrease in trade payables of ¥2,652 million because of decreased purchasing of parts based on forecasts of a decrease in orders in the next fiscal year in the CTC segment.

(3) Net Cash Used in Investing Activities

Net cash used in investing activities stood at ¥5,857 million (a decrease of ¥110 million from the previous fiscal year). The main factors for decrease included purchase of property, plant and equipment, including construction of the MP Center (new R&D building), of ¥4,645 million, and purchase of intangible assets of ¥591 million.

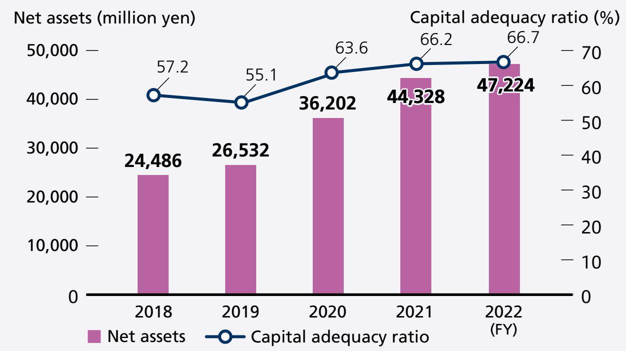
(4) Net Cash Provided by Financing Activities

Net cash provided by financing activities stood at ¥1,531 million (a gain of ¥1,360 million from the previous fiscal year). Main factors for increase included proceeds from long-term loans payable of ¥3,000 million, whereas the main factors for decrease included payment of dividends of ¥1,093 million.

(5) Information on Liquidity and Capital Resources

The Group's working capital is mainly spent on procurement of raw materials and parts used in the manufacture of products, and is also similarly expended on goods and services recorded in manufacturing, selling, and general and administrative expenses. In addition, capital investment funds are expended on establishing and strengthening production systems, such as the acquisition of production equipment, and on maintaining information systems. The Company's basic policy is to provide for the funding necessary for these through internal funds generated by the recorded profit and depreciation.
In the fiscal year under review, the Group actively invested in expanding mass production facilities including research and development as well as product development, construction of a plant at the production subsidiary in the Philippines, expansion of production facilities at the production subsidiary in Vietnam, and the expansion of processing facilities at the production subsidiary in Malaysia. In and after the fiscal year ended March 31, 2023, the Group plans to construct plants within Japan and in Vietnam for the CTC segment as well as further boost capacity at the production subsidiary in Malaysia. To fund this capital investment, in addition to operating cash flow, the Group has refinanced long-term loans, but has reduced the amount through partial repayment. On the other hand, under the new medium-term management plan, in order to break through the limitations of existing businesses and technologies and acquire new growth potential from a medium- to long-term perspective, the Group plans to invest in basic research to further deepen its core technologies and in capital investment to enter new fields, such as the construction of new MEMS probe card production lines. To raise funds for these purposes, the company issued 3 million new shares thus raising approximately ¥7.6 billion from the issuance of stock acquisition rights through a third-party allotment that they resolved to issue in November 2020, and the exercise of these rights. However, funds have been allocated to product and parts inventories that have ballooned due to supply chain disruptions and longer lead times for ocean freight in the VCCS segment, and as a result, the Group's cash and cash equivalents stood at ¥17,687 million at the end of the fiscal year under review, up ¥3,870 million from the end of the previous fiscal year.

▼ Net Assets / Capital Adequacy Ratio



Capital Investment

In the fiscal year under review, the Group continued to make capital investments, primarily in the expansion of production facilities. Investment in intangible assets is included in addition to investment in property, plant and equipment.

Total capital investment in the fiscal year under review was ¥5,448 million, and an overview of capital investment is as follows.

(1. Property, plant and equipment)

(1) VCCS

The Group implemented total capital investment of ¥2,377 million. This included expansion of capacity at the Vietnamese plant aimed at increasing work volume in parallel with the strengthening of development functions at the China plant, along with completion of construction work at the Philippines plant.

(2) CTC

The Group implemented total capital investment of ¥2,043 million. This included expansion of mass production facilities and of image measurement equipment at production sites in Japan to accommodate order growth and shorter delivery times for semiconductor test tools in the first half of the fiscal year.

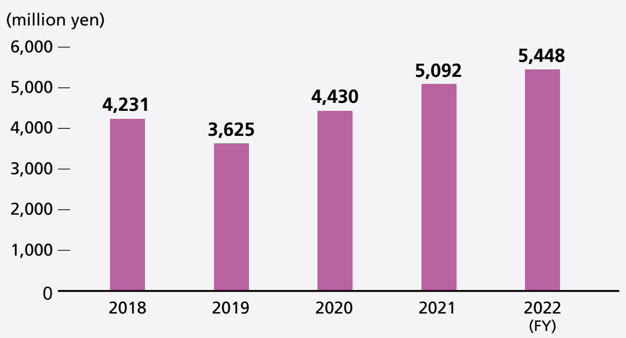
(3) FC/MD

The Group implemented total capital investment of ¥384 million, carrying out updates and expansion at the Chinese plant, including mass production facilities in the Fine Connector business.

(2. Intangible assets)

The Group implemented total capital investment of ¥643 million. This included improving and updating the environment for core information systems in order to realize Group-wide business streamlining, introducing a human resources management system, and enhancing and updating CAD systems.

▼ Capital expenditures



Basic Policy for Dividends

The Company views the strengthening of returns to shareholders as an important task for management. The basic policy for dividends in each fiscal year defines stable and continuous distribution of dividends with due consideration for retained earnings, for the purposes of investments in production facilities in growing business fields, development of technology in new businesses, and in tapping new markets.

The Company's basic policy for dividends from surplus is to pay a dividend twice a year: an interim dividend and a year-end dividend.

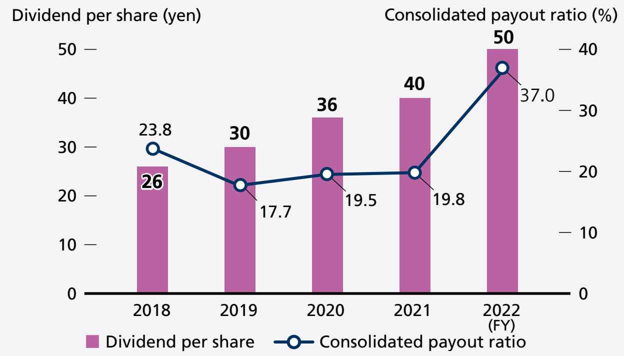
The decision-making bodies for dividends are the Board of Directors for the interim dividend and the General Meeting of Shareholders for the year-end dividend.

In business performance for the fiscal year under review, sales in the FC/MD segment were sluggish, but there was an increase in sales in both the VCCS and CTC segments due to the significantly weaker yen, resulting in record-high consolidated net sales. In terms of profit, full-year consolidated net sales remained at a level only slightly above the previous year. Reasons for this were continued losses in the VCCS segment and decreased profits in the FC/MD segment, coupled with the CTC segment, which had performed very well in the first half of the fiscal year, but experienced a sharp drop from the second half of the fiscal year on the back of reduced demand from customers and the industry as a whole. Additionally, consolidated ordinary profit and profit attributable to owners of the parent company dropped over the same period in the previous fiscal year. Reasons included recording of equity losses due to worsening business performance of investees, and an impairment loss on non-current assets in the VCCS segment. As a result, in the Group's "Minimum 8" medium-term management targets (ensure 8% growth in sales growth rate, minimum operating profit margin, and return on equity (ROE)), we achieved the growth in sales growth rate of 8%, but failed to meet the minimum operating profit margin (6.1%) and ROE (6.9%).

Based on the circumstances outlined above, and comprehensively taking into account the return of record high profit to shareholders, demand for funds in the next fiscal year onward and the securing of financial stability, the Company submitted the proposal for a yearend dividend for the fiscal year under review of 25 yen per share to the 85th General Meeting of Shareholders, and it was approved. With an interim dividend of 25 yen per share for the fiscal year under review already paid, the Company's annual dividend is 50 yen per share (consolidated payout ratio of 37.0%).

Furthermore, the Company's Articles of Incorporation stipulate that an interim dividend can be paid.

▼ Dividend per share



CONSOLIDATED BALANCE SHEETS

(millions of yen)

	Fiscal 2021 (As of March 31,2022)	Fiscal 2022 (As of March 31,2023)
ASSETS		
Current assets		
Cash and deposits	13,816	17,687
Notes and accounts receivable-trade	13,057	12,350
Merchandise and finished goods	8,900	7,781
Inventories	742	427
Raw materials and supplies	6,037	6,073
Other	1,992	2,040
Allowance for doubtful accounts	(8)	(4)
Total current assets	44,540	46,355
Non-current assets		
Net property, plant and equipment		
Buildings and structures	8,085	10,433
Accumulated depreciation	(4,341)	(5,176)
Buildings and structures, net	3,744	5,256
Machinery, equipment and vehicles	14,626	16,482
Accumulated depreciation	(9,651)	(10,988)
Machinery, equipment and vehicles, net	4,975	5,493
Tools, furniture and fixtures	11,331	12,485
Accumulated depreciation	(8,479)	(9,708)
Tools, furniture and fixtures, net	2,852	2,776
Land	761	761
Leased assets	1,820	1,790
Accumulated depreciation	(1,012)	(1,070)
Leased assets, net	808	720
Right-of-use assets	433	702
Construction in progress	2,970	2,366
Total property, plant and equipment	16,544	18,077
Intangible assets		
Leased assets	5	–
Other	1,156	1,210
Total intangible assets	1,162	1,210
Investments and other assets		
Investment securities	1,587	1,979
Retirement benefit asset	680	466
Deferred tax assets	678	901
Other	1,676	1,666
Total investments and other assets	4,623	5,013
Total non-current assets	22,330	24,300
Total assets	66,870	70,656

(millions of yen)

	Fiscal 2021 (As of March 31,2022)	Fiscal 2022 (As of March 31,2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,991	6,483
Short-term loans payable	5,570	5,804
Lease obligations	343	348
Income taxes payable	1,476	515
Provision for bonuses	871	956
Other	3,930	3,781
Total current liabilities	20,184	17,890
Non-current liabilities		
Long-term loans payable	1,600	4,600
Lease obligations	259	427
Deferred tax liabilities	123	105
Net defined benefit liability	368	402
Long-term accounts payable	6	6
Total non-current liabilities	2,357	5,541
Total liabilities	22,541	23,431
NET ASSETS		
Shareholders' equity		
Capital stock	7,819	7,819
Capital surplus	7,804	7,804
Retained earnings	25,950	28,001
Treasury stock	-634	-634
Total shareholders' equity	40,939	42,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430	645
Foreign currency translation adjustment	2,635	3,506
Remeasurements of defined benefit plans	267	13
Total valuation and translation adjustments	3,332	4,165
Non-controlling interest	56	68
Total net assets	44,328	47,224
Total liabilities and net assets	66,870	70,656

CONSOLIDATED STATEMENTS OF INCOME

(millions of yen)

	Fiscal 2021 (From April 1, 2021 to March 31, 2022)	Fiscal 2022 (From April 1, 2022 to March 31, 2023)
Net sales	66,848	77,962
Cost of sales	53,638	63,067
Gross profit	13,209	14,894
Selling, general and administrative expenses	8,525	10,155
Operating profit	4,684	4,739
Non-operating profit		
Interest income	24	63
Dividend income	44	61
Capital return using equity method	42	–
Foreign exchange gains (losses)	1,763	1,519
Other	73	164
Total non-operating profit	1,948	1,808
Non-operating expenses		
Interest expenses	51	112
Share of loss of entities accounted for using equity method	–	688
Commission expenses	16	28
Share acquisition rights issuance costs	18	–
Other	16	42
Total non-operating expenses	103	873
Ordinary profit	6,529	5,675
Extraordinary profit		
Gains on liquidation of subsidiaries	–	10
Gain on sales of non-current assets	2	6
Gain on sales of investment securities	2	22
Total extraordinary profit	4	40
Extraordinary losses		
Loss on retirement of non-current assets	73	41
Loss on sales of non-current assets	1	2
Loss on sales of investment securities	0	–
Business restructuring expenses	–	220
Compensation payments	–	153
Impairment losses	–	863
Total extraordinary losses	74	1,281
Profit before income taxes	6,459	4,433
Income taxes - current	2,027	1,490
Income taxes - deferred	(240)	(209)
Total income taxes	1,786	1,280
Profit	4,673	3,153
Profit (loss) attributable to non-controlling interests	9	6
Profit (loss) attributable to owners of parent	4,663	3,147

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of yen)

	Fiscal 2021 (From April 1, 2021 to March 31, 2022)	Fiscal 2022 (From April 1, 2022 to March 31, 2023)
Profit	4,673	3,153
Other comprehensive income		
Valuation difference on available-for-sale securities	(112)	214
Foreign currency translation adjustment	1,795	877
Remeasurements of defined benefit plans	(170)	(253)
Total other comprehensive income	1,512	838
Comprehensive income	6,185	3,992
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,170	3,979
Comprehensive income attributable to non-controlling interests	14	12

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal 2021 (From April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Noncontrolling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
Balance at beginning of period	6,387	6,373	22,199	(633)	34,326	543	845	437	1,825	8	41	36,202
Cumulative effect of change in accounting policy			(51)		(51)							(51)
Balance at beginning of period, reflecting change in accounting policy	6,387	6,373	22,147	(633)	34,274	543	845	437	1,825	8	41	36,150
Changes during period												
Dividends of surplus			(860)		(860)							(860)
Issuance of new shares (exercise of share acquisition rights)	1,431	1,431			2,862							2,862
Profit (loss) attributable to owners of parent			4,663		4,663							4,663
Purchase of treasury shares				(1)	(1)							(1)
Disposal of treasury shares						(112)	1,789	(170)	1,507	(8)	14	1,513
Net changes of items other than shareholders' equity	1,431	1,431	3,802	(1)	6,664	(112)	1,789	(170)	1,507	(8)	14	8,177
Total changes of items during period	7,819	7,804	25,950	(634)	40,939	430	2,635	267	3,332	–	56	44,328

Fiscal 2022 (From April 1, 2022 to March 31, 2023)

(millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Noncontrolling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at beginning of period	7,819	7,804	25,950	(634)	40,939	430	2,635	267	3,332	56	44,328
Changes during period											
Dividends of surplus			(1,095)		(1,095)						(1,095)
Profit (loss) attributable to owners of parent			3,147		3,147						3,147
Purchase of treasury shares				(0)	(0)						(0)
Net changes of items other than shareholders' equity						214	871	(253)	832	12	844
Total changes of items during period	–	–	2,051	(0)	2,051	214	871	(253)	832	12	2,896
Balance at end of period	7,819	7,804	28,001	(634)	42,990	645	3,506	13	4,165	68	47,224

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of yen)

	Fiscal 2021 (From April 1, 2021 to March 31, 2022)	Fiscal 2022 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	6,459	4,433
Depreciation	3,302	3,833
Impairment losses	–	863
Increase (decrease) in allowance for doubtful accounts	4	(3)
Increase (decrease) in provision for bonuses	181	79
Increase (decrease) in net defined benefit asset and liability	(33)	(119)
Interest income and dividend income	(69)	(124)
Interest expenses	51	112
Foreign exchange losses (gains)	(320)	(663)
Share of loss (profit) of entities accounted for using equity method	(42)	688
Loss (gain) on sales of non-current assets	(0)	(4)
Loss on retirement of non-current assets	73	41
Loss (gain) on sales of investment securities	(2)	(22)
Loss (gain) on valuation of investment securities	(612)	1,538
Decrease (increase) in trade receivables	(4,190)	2,263
Increase (decrease) in trade payables	(100)	(2,652)
Other	338	(468)
Subtotal	5,039	9,795
Interest and dividends received	69	124
Interest paid	(52)	(105)
Income taxes paid	(1,378)	(2,501)
Net cash provided by (used in) operating activities	3,677	7,312
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,739)	(4,645)
Proceeds from sales of property, plant and equipment	19	71
Purchase of intangible assets	(530)	(591)
Purchase of investment securities	(20)	(105)
Payments for short-term loans receivable	–	(80)
Proceeds from sales of investment securities	2	32
Proceeds from withdrawal of time deposits	175	–
Purchase of shares of subsidiaries and associates	(287)	(525)
Payment for outgoings for capital investments	(500)	–
Long-term loan advances	–	(70)
Proceeds from long-term loans receivable	–	10
Other	(86)	45
Net cash provided by (used in) investing activities	(5,967)	(5,857)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	300	–
Proceyeds from long-term loans payable	1,600	3,000
Repaments of long-term loans payable	(3,400)	–
Proceeds from issuance of shares	2,853	–
Repayments of lease obligations	(322)	(374)
Proceeds from exercise of employee share options	(858)	(1,093)
Proceeds from issuance of exercise of share acquisition rights	(1)	(0)
Net cash provided by (used in) financing activities	171	1,531
Effect of exchange rate change on cash and cash equivalents	640	882
Net increase (decrease) in cash and cash equivalents	(1,478)	3,870
Cash and cash equivalents at beginning of period	15,295	13,816
Cash and cash equivalents at end of period	13,816	17,687