

Top Message

More than a century after our founding, remaining relevant for the next 100 years

GO BEYOND
~Challenge the Next Stage~

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President and Executive Officer
YOKOWO CO., LTD.



Yokowo will work towards achieving its new “Minimum 10” medium-term management index, to ensure that it is a constantly evolving company.

Constantly evolving, advancing to the next level. Performance and earnings forecasts, along with our vision for the future are presented below.

Basic Management Policy

In 2022, on the occasion of our 100th anniversary, we set forth Purpose, Vision, and Values as our new corporate philosophy looking towards the next 100 years (see p.2). To this end, Yokowo has instituted two management policies—the sustainable evolution of business management, and a multi-layered business structure.

As per our slogan of “Constantly on the cutting edge” put forward since our founding, sustainable evolution of business management refers to constant evolution and progress. 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, technologies, and markets and business operating process through the optimal placement

of business sites and the active introduction of 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 these three innovation measures, as well as how 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 tenacious business system capable of responding flexibly to these changes in the business environment by creating a multi-layered business

structure (industry, customers, technologies, supply chains, and other layers).

By promoting this sustainable evolution of business management and a multi-layered business structure, we hope to achieve our “Minimum 10” medium-term management index (secure at least 10% in operating profit growth rate, operating profit margin, return on equity (ROE), and return on invested capital (ROIC)).

For the fiscal year ending March 31, 2024, areas of particular focus are human capital management and capital cost management. In human capital management, we are methodically implementing initiatives to respect human rights, such as the establishment of the Yokowo Group Human Rights Policy (see p.47), and under the leadership of the newly established Human Resources Development Center, we are working to both develop superlative human resources, and raise their operational abilities and skill levels. In capital cost management, in the medium term we hope to achieve a ROIC of 10% after calculating the Group’s cost of capital with reference to competitors and comparable companies. We have moved from a profit-and-loss bias toward a focus on capital efficiency, and are concentrating efforts on maximizing returns with methods such as the so-called reverse ROIC tree.

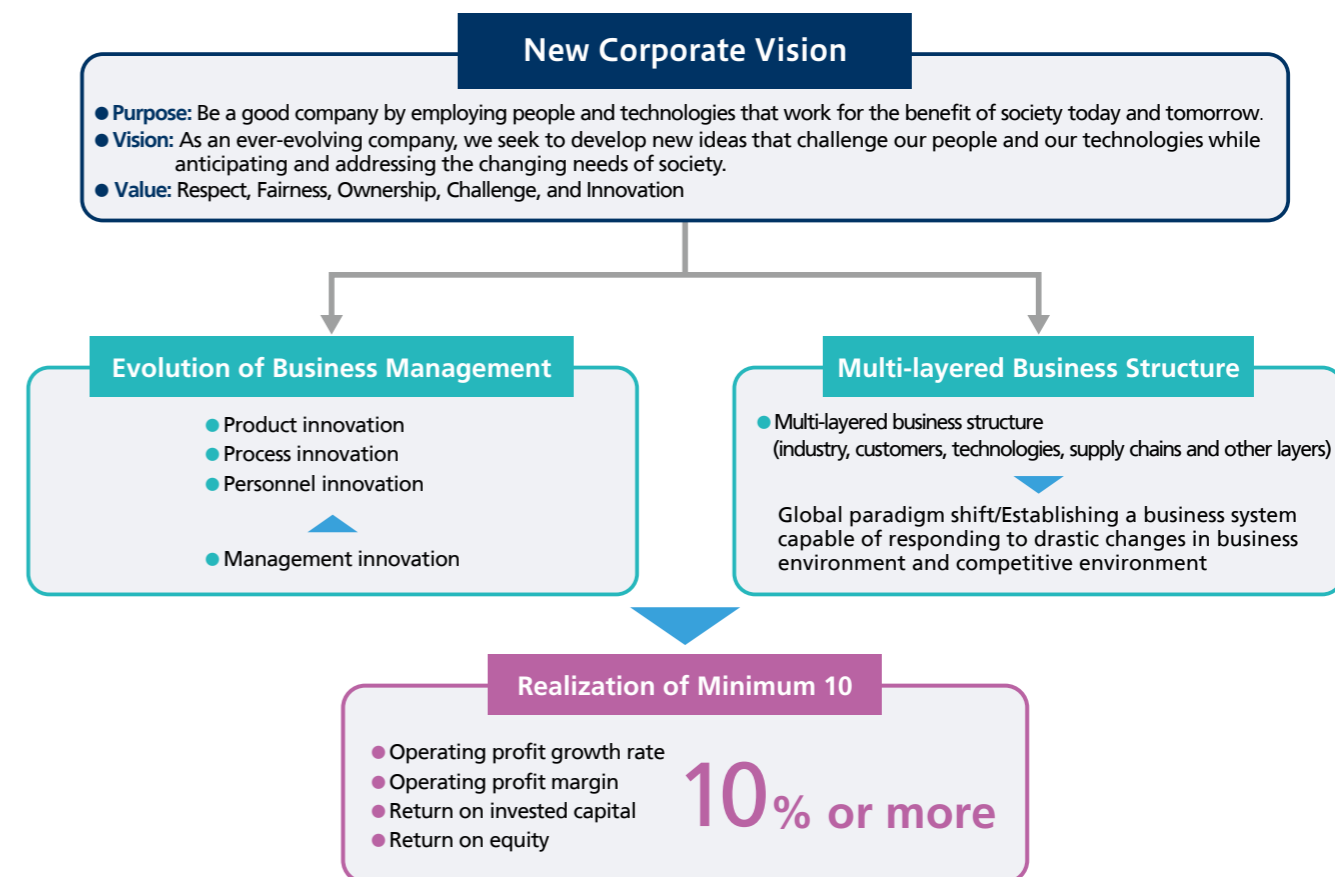
Recent Operating Results and Forecasts

Performance in the Fiscal Year Ended March 31, 2023, Current Status and Forecasts

The fiscal year ended March 31, 2023 saw a general slowing in new COVID-19 infections, however the global economy has still not fully recovered from its impact. In particular, the automotive and other industries which depend on complex global supply chains have needed a long time to normalize their procurement and logistics operations.

In addition to the situation in Russia and Ukraine and the deepening friction between the United States and China, rapidly rising prices in countries around the world have caused a slowdown in the global economy. The semiconductor industry saw booming demand from stay-at-home and teleworking demand during the COVID-19 infections, however this slowed sharply in the second half of the fiscal year due to the economic downturn.

Under these circumstances, the Yokowo Group’s consolidated net sales reached a record high of 77,962 million yen (up 16.6% from the previous year) thanks to steady growth in overseas sales, due in part to the continued significant depreciation of the yen. The Wireless Communication Equipment segment saw sales decline slightly from the previous fiscal year, however



both the Vehicle Communication Equipment and Circuit Testing Connector segments recorded record highs. Operating profit increased 1.2% year-on-year to 4,739 million yen, a significant drop from the target of 7,200 million yen in the medium-term management plan. This was due to the Circuit Testing Connector segment posting remarkable profits in the first half, but seeing a sharp drop in the second half due to reduced demand in semiconductor testing, and the Vehicle Communication Equipment segment posting a large operating loss.

In the current fiscal year ending March 31, 2024, the 101st year since our founding, we are continuing to face an adverse business environment. As of November 2023, we are projecting a very difficult situation with consolidated net sales at 75 billion yen (down 3.8% from the previous year) and operating profit at 200 million yen (down 95.8% from the previous year). The VCCS (platform business split off from Vehicle Communication Equipment in the previous fiscal year) segment returned to operational profitability because of fluctuations in orders, normalization of ocean freight rates, and business structure reforms, however the CTC (until last fiscal year, Circuit Testing Connector) segment is expected to see a halving in sales due to the ongoing recession in semiconductors, making an operating loss unavoidable. Sluggish sales in the Fine Connector (FC) business meant that the FC/MD (advanced devices business split off from Wireless Communication Equipment in the previous fiscal year) segment is also expected to post an operating loss.

Reaffirming our original corporate DNA, and having this guide our actions

While we may be facing difficult times, I am not in myself pessimistic. Rather, I feel this is a good opportunity to reaffirm the corporate DNA that we have inherited since the company's establishment, and by using this in our activities, further embed

it into our culture. Our corporate DNA comprises a spirit of challenge in leveraging our strengths to boldly explore new fields and markets, along with a flexibility to strategically withdraw from businesses that no longer appear to present prospects for profitability and growth and to consistently develop new businesses, combined with the tenacity and determination to underpin these. When looking back at our company's history, the most serious periods were the business crunch at the end of the 1970s, and the Global Financial Crisis (GFC) following the collapse of the Lehman Brothers in 2008. The former resulted in us carrying out a major transformation—within the company we referred to this as our second founding. We started our CTC and FC businesses at this time, and these became driving forces behind a major transformation of our business structure. After the GFC, incoming orders dropped to 70% of previous levels. As well as making drastic cuts to our fixed cost structure that had previously ballooned due to our expansion policy, we enhanced the stability of our business operations and performance through multi-layered business structure measures. These were achieved by creating new sales and rebuilding our earnings structure with the three innovation measures that make up sustainable evolution of business management.

Demand for semiconductors and semiconductor testing is currently declining, but it is expected to return to growth in the near future, given that more advanced and higher numbers of semiconductors will be used in CASE*1 / MaaS*2 / AI / 5G / IoT, for cutting-edge applications, which are seeing further developments. Until that point, we will prove our worth by tenaciously enduring and taking the next bold steps, thus ensuring we seize the opportunities for recovery and advancement.

*1 Acronym for Connectivity / Autonomous / Shared / Electric, new trends in automobiles.
*2 Mobility as a Service



So we can achieve sustainability with our stakeholders

Since being appointed as President in 2007, I have constantly conveyed my desire to make Yokowo a good company to our employees. 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."
- A company about which local communities say, "I'm glad Yokowo is in our town. I'd be very happy for my children to join Yokowo."
- 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 officers and employees of the Yokowo Group both within Japan and overseas, 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 satisfaction. We will contribute to local communities which we rely on to ensure that we are welcomed by them, and to bring satisfaction 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 the lives of people around the world, including of our stakeholders. Based on the above, we have the three top-priority

issues: the environment, local communities and diversity and inclusion.

Confronting sustainability issues is a part of our business operations, and we must continue these without interruption. Accordingly, we are focusing on our succession plan. We are working on a succession plan that covers not only top management but also officers and general managers, and we believe that this will lead to our company becoming sustainable, and thus bring about the realization of our goal—becoming an ever-evolving company.

The Yokowo Group will continue to enhance our governance system, a foundational, basic part of our corporate activities, in order to achieve Purpose, Vision, and Values in our actions.

Further, so that we can be a Company needed over the next 100 years, we will confront sustainability issues such as climate change through our business activities, and contribute to the sustainable development of our global society.

In the years to come, we look forward to the ongoing support, guidance, and encouragement of our shareholders and other stakeholders.

<Fiscal year ending March 31, 2023>		
	■ New medium-term management plan	■ Full-year performance
Net Sales	¥ 72 billion	¥ 77.9 billion
Operating profit	¥ 7.2 billion	¥ 4.7 billion
Ordinary profit	¥ 7.0 billion	¥ 5.6 billion
Profit attributable to owners of parent	¥ 5.0 billion	¥ 3.1 billion

