

yokowo

(Securities Code : 6800)

Financial Results Briefing for the First Half of the Fiscal Year Ending March 31, 2024

November 17, 2023

yokowo

***Information contained in these materials is based on various assumptions and does not guarantee the achievement of planned values and measures in the future.**

- Financial Results for the First Half of the Fiscal Year Ending March 31, 2024 and the Forecast for Fiscal Year Ending March 31, 2024

Toshihisa Tagaya
Executive Officer,
SCI Promotion H.Q. Chief Officer

- Future Business Outlook

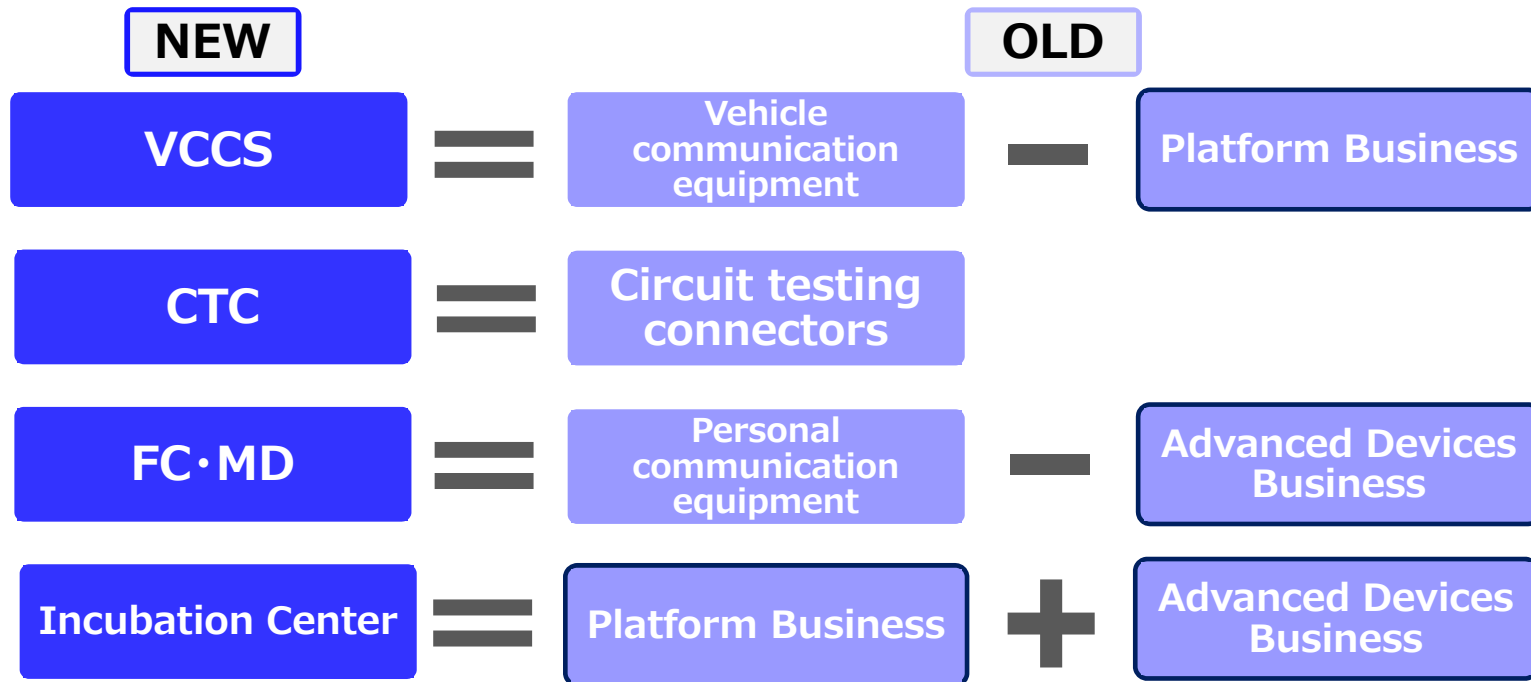
Takayuki Tokuma
Representative Director,
President and Executive Officer

Financial Results for the First Half of
the Fiscal Year Ending March 31, 2024 and
the Forecast for Fiscal Year Ending March 31, 2024

Toshihisa Tagaya
Executive Officer,
SCI Promotion H.Q. Chief Officer

Summary of Consolidated Financial Results

Effective from the first quarter of the consolidated fiscal year under review, the Company had changed the classifications and names of its reporting segments as follows.



The Platform Business, which is part of the Incubation Center segment, works to develop more advanced and high value-added strategic products in new fields including advanced driving assistance systems (ADAS), autonomous driving, and connected cars. In addition, the Advanced Device Business promotes the development of high-speed transmission device products that boast versatility and originality to the optical communications market, with the aim of achieving high-speed, high-capacity communications.

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2024

(Unit: Million yen)

◆ VCCS (Vehicle Communication Comfort & Safety)

: Former 「Vehicle communication equipment」 – 「Platform Business」

Net Sales **26,491** (YoY +20.5%)

Operating profit **717** (▲1,287 in the previous year)

- Net sales increased due to the global shortages of semiconductors and component supply stagnation eased gradually
- Increased profit due to decreased physical distribution costs by low ocean freight rates although high labor costs at production bases associated

◆ CTC (Circuit Testing Connector)

: Former 「Circuit testing connectors」

Net Sales **6,188** (YoY ▲52.6%)

Operating profit **▲461** (+4,388 in the previous year)

- Net sales decreased by low demand for PCs and smartphones, inventory adjustments by semiconductor manufacturers and curbs on capital investment.
- Decreased profit associated with a decrease in sales and an increase in fixed costs reflecting actions to support future semiconductor miniaturization and R&D investment in improved production efficiency.

◆ FC・MD (Fine Connector ・ Medical Devices)

: Former 「Personal communication equipment」 – 「Advanced Devices Business」

Net Sales **3,903** (YoY ▲21.7%)

Operating profit **▲46** (+655 in the previous year)

- FC : A decrease in sales of POS terminals, and a decrease in sales of a product for wearable devices due to customer's production adjustment
- MD : Strong sales of catheter components for a major domestic medical device manufacturer.
- ⇒ Net sales decreased due to a decreased ratio of high-margin FC business in this segment

◆ Incubation Center

: Former 「Platform Business」・ 「Advanced Devices Business」

Net Sales **207** (YoY +14.3%)

Operating profit **▲337** (▲255 in the previous year)

- The Platform Business has made progress in expanding sales of MIMO antennas utilizing smart antenna technologies for IoT, and vehicle key management solutions for MaaS and rental cars.
- The segment sales were small scale because of focusing on development for new businesses and involving up-front investment

◆ Ordinary profit decreased reflecting ¥274 million in other extraordinary losses including the expense for business reform, despite an exchange gain of ¥1,895 million attributable to the weakening of the yen.

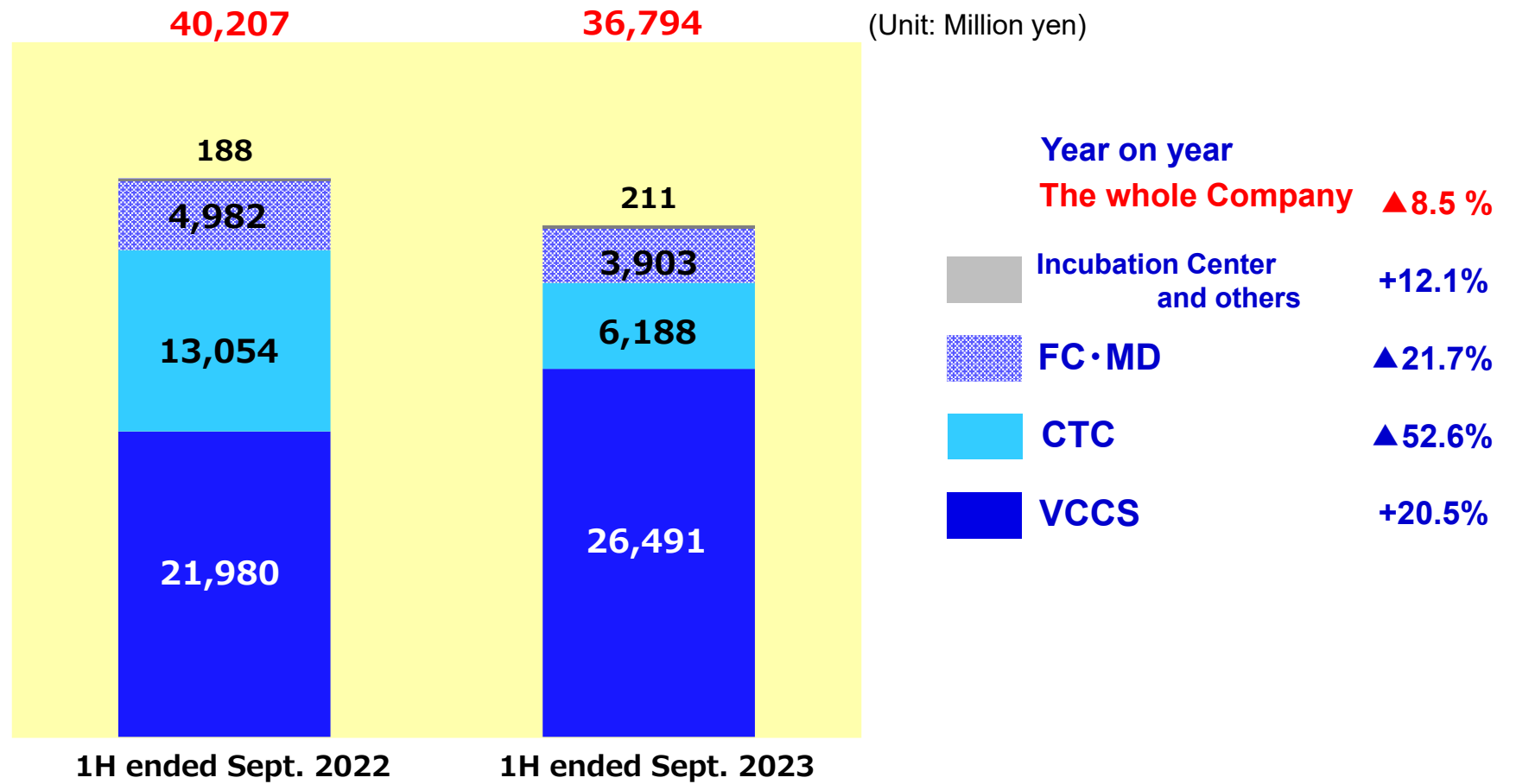
Ordinary profit **1,701** (YoY ▲74.0%) Profit **958** (YoY ▲77.1 %)

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2024

(Unit: Million yen)

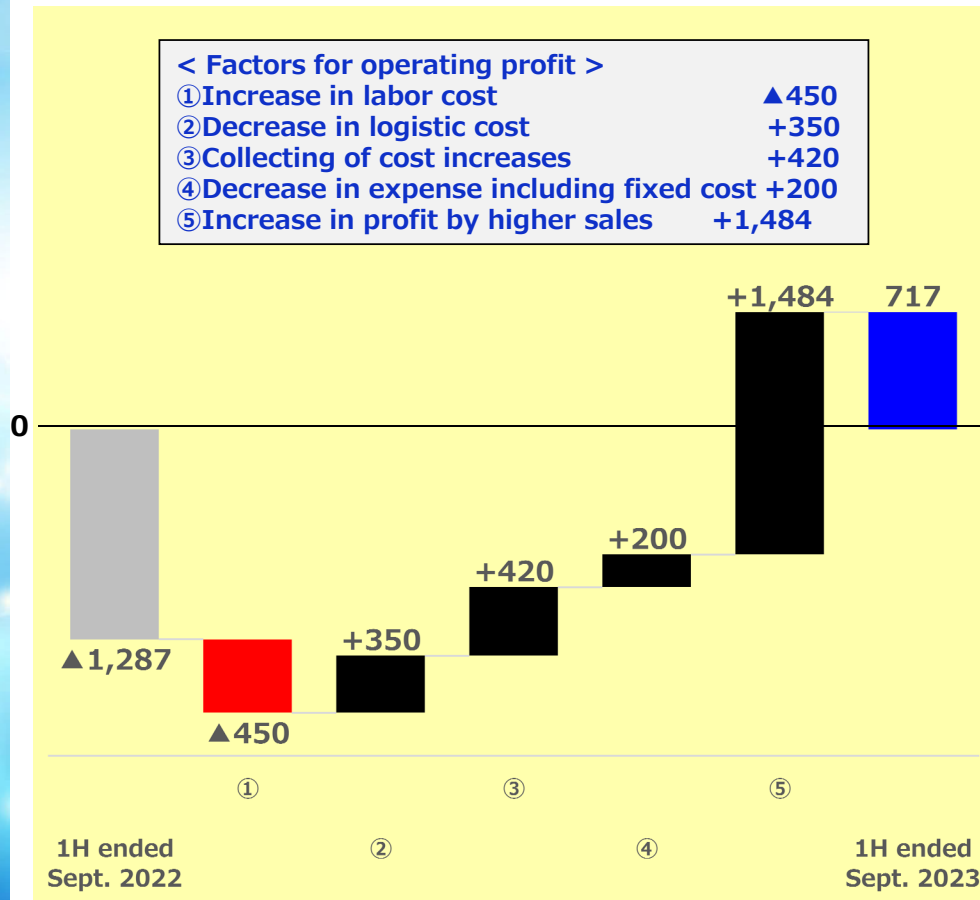
	Previous First Half (Apr.-Sept. 2022) Results	First Half under review (Apr.-Sept. 2023) Forecast (Announced in August. 2023)	First Half under review (Apr.-Sept. 2023) Results	YoY	Compared with previous Forecast
Net sales	40,207	35,000	36,794	▲8.5%	5.1%
Operating profit	3,507	▲700	▲120	—	—
Ordinary profit	6,538	0	1,701	▲74.0%	—
Profit	4,179	▲150	958	▲77.1%	—

Trends in Net Sales by Segment



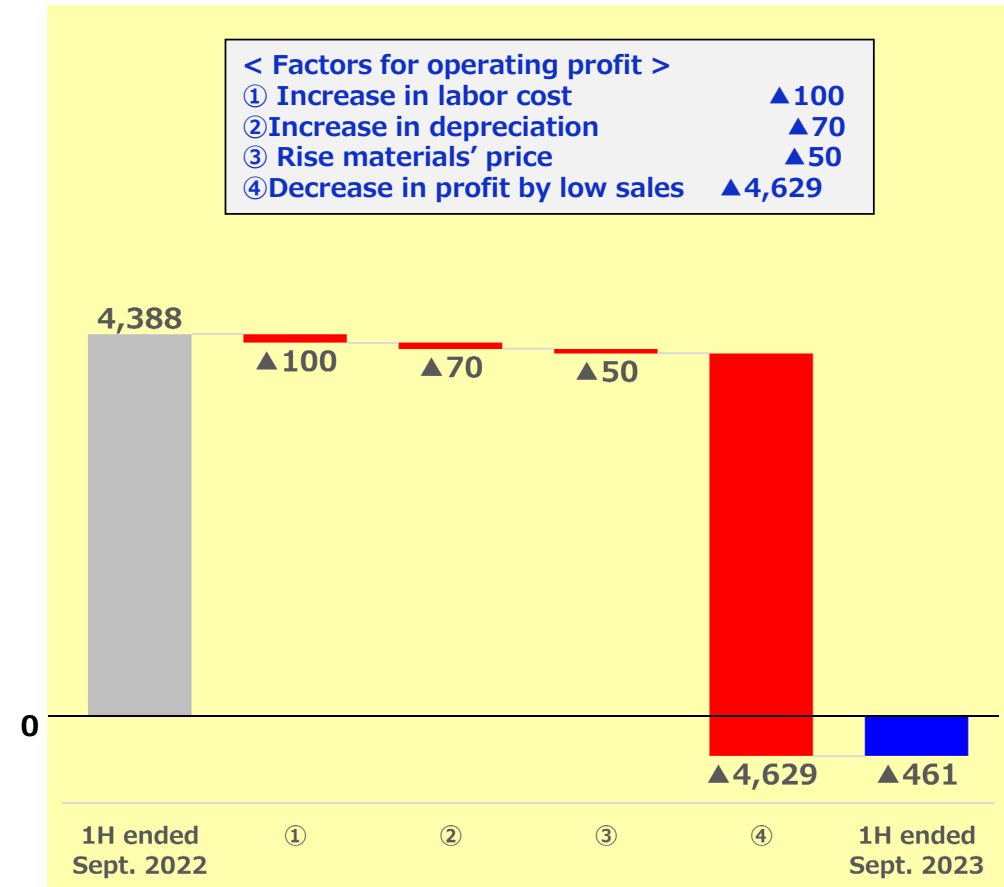
Analysis of Gain and Loss for Operating Profit by Segment (YoY)

<VCCS>



<CTC>

(Unit: Million yen)

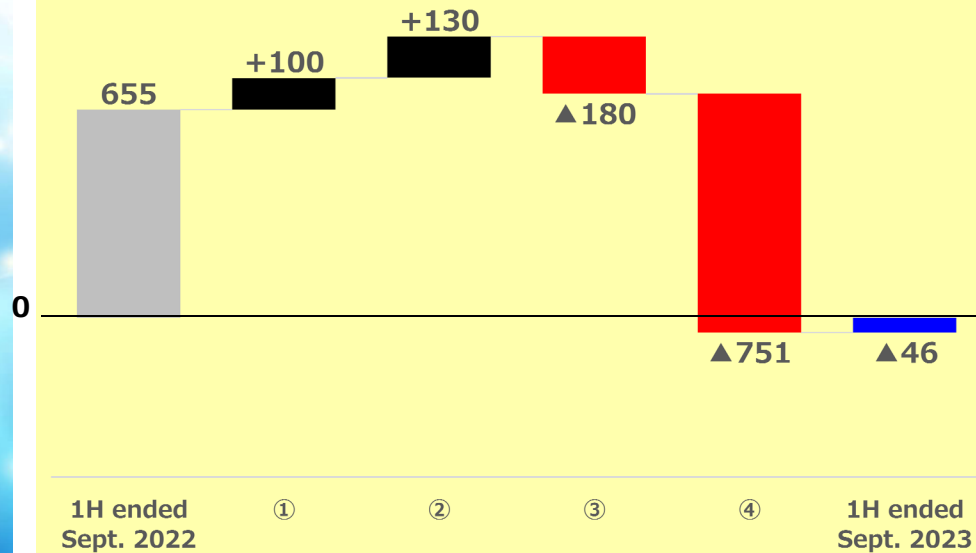


Analysis of Gain and Loss for Operating Profit by Segment (YoY)

<FC·MD>

< Factors for operating profit >

① Decrease in allocation of common costs	+100
② Decrease in labor cost and Fixed cost (FC)	+130
③ Increase in labor cost and Fixed cost (MD)	▲180
④ Decrease in profit by low sales	▲751
<small>(included a change in business structure due to a decreased ratio of high-margin FC business in this segment)</small>	

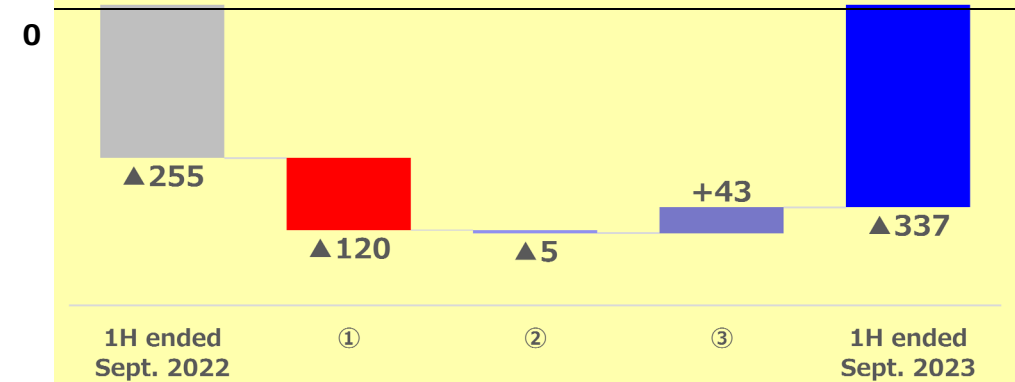


<Incubation Center>

(Unit: Million yen)

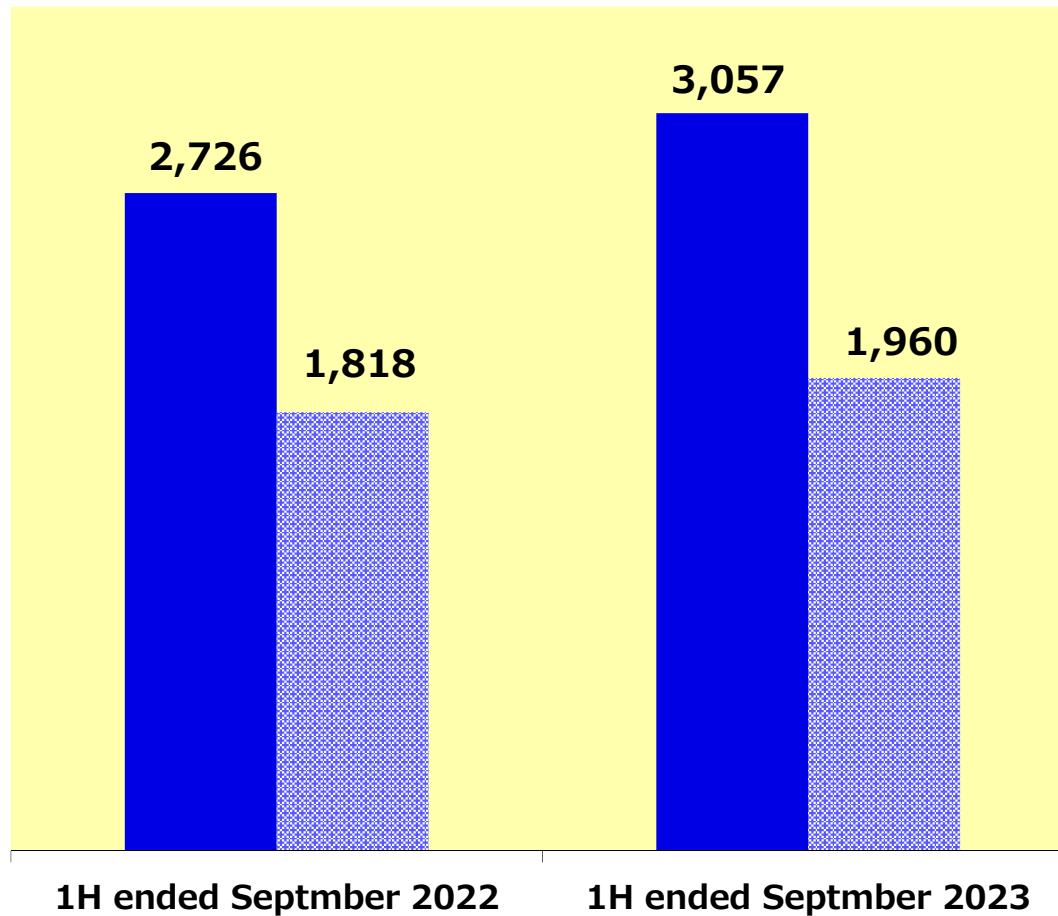
< Factors for operating profit >

① Increase in labor cost	▲120
② Increase in depreciation	▲5
③ Decrease in expense	+43



Capital Investment and Depreciation

(Unit: Million yen)



Year on year

	Capital Investment	+ 12.1%
	Depreciation	+ 7.8%

Consolidated Balance Sheets

	End of March 2023	End of September 2023	YoY	(Unit: Million yen)
Cash and deposits	17,687	19,473	1,786	
Notes and accounts receivable - trade	12,350	13,063	712	
Inventories	14,282	14,404	121	
Other current assets	2,035	2,305	270	
Property, plant and equipment	18,077	19,835	1,758	
Intangible assets	1,210	1,354	144	
Investments and other assets	5,013	5,457	444	
Total assets	70,656	75,894	5,237	
Notes and accounts payable - trade	6,483	7,246	763	
Other current liabilities	11,406	11,863	456	
Non-current liabilities	5,541	7,308	1,766	
Total liabilities	23,431	26,418	2,986	
Net assets	47,224	49,476	2,251	
Total liabilities and net assets	70,656	75,894	5,237	

Increase in long-term borrowings
1,500

Increase in retained earnings 375
Foreign currency translation adjustment
1,600

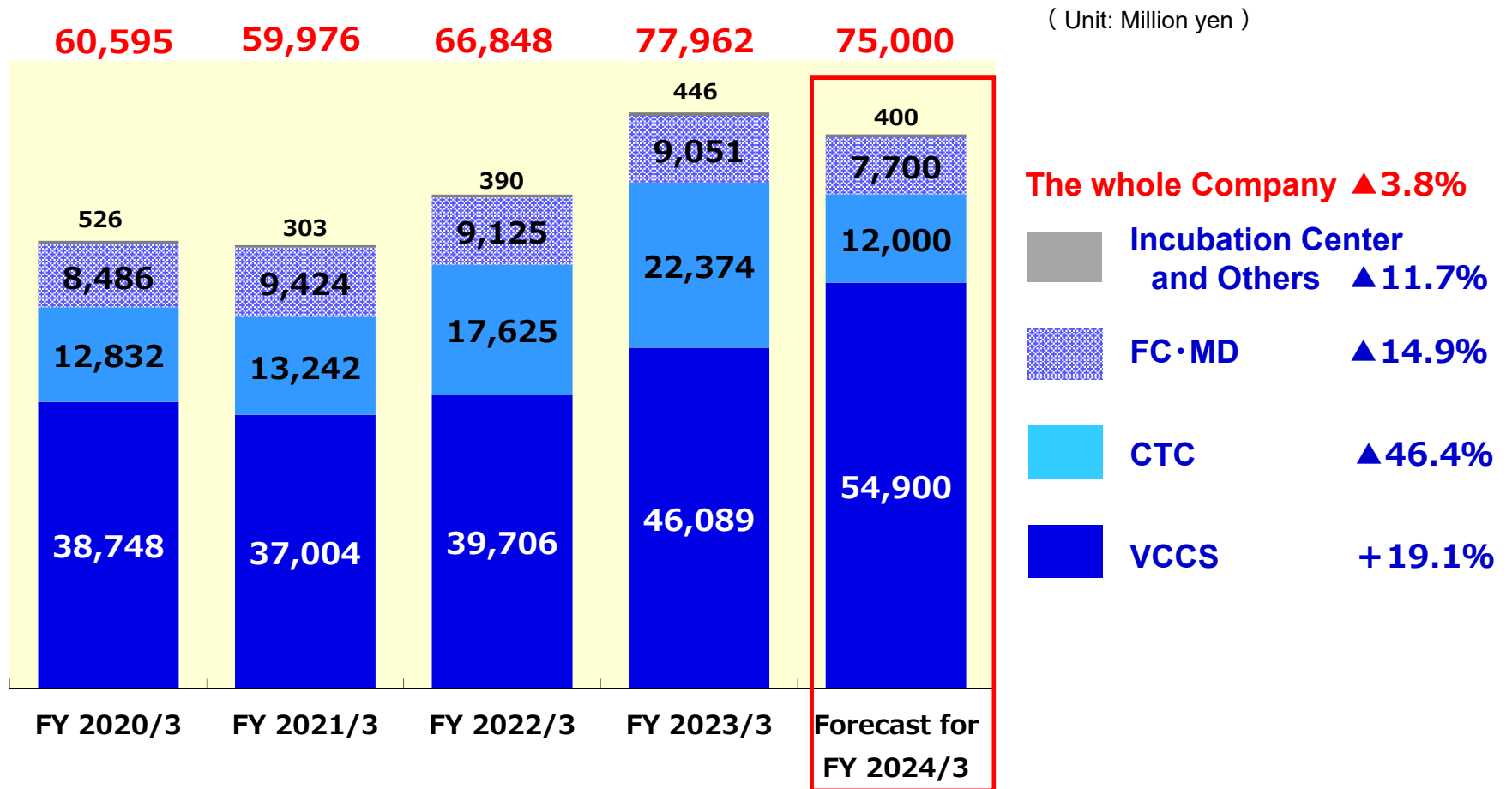
*Amounts are rounded off to the million yen.

Full-year Results Forecast

(Unit: Million yen)

	FY2023/3 Results	FY2024/3 Previous Forecast (Announced in August. 2023)	FY2024/3 Current Forecast	YoY	Compared with Previous Forecast
Net sales	77,962	72,000	75,000	▲3.8%	+4.2%
Operating profit	4,739	200	200	▲95.8%	—
Ordinary profit	5,675	900	1,400	▲75.3%	+55.6%
Profit	3,147	450	750	▲76.2%	+66.7%

Forecast for Sales by Segment



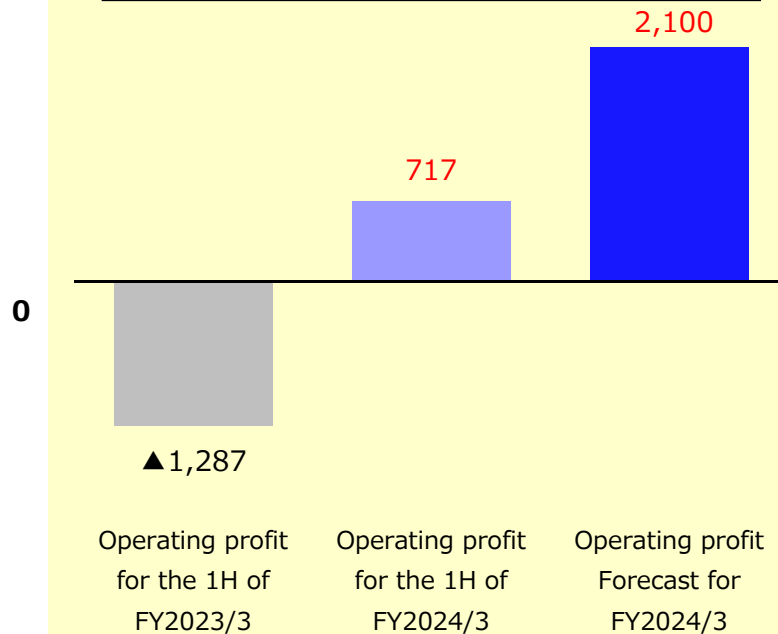
Forecast for Operating Profit by Segment

(Unit: Million yen)

<VCCS>

< Prerequisite >

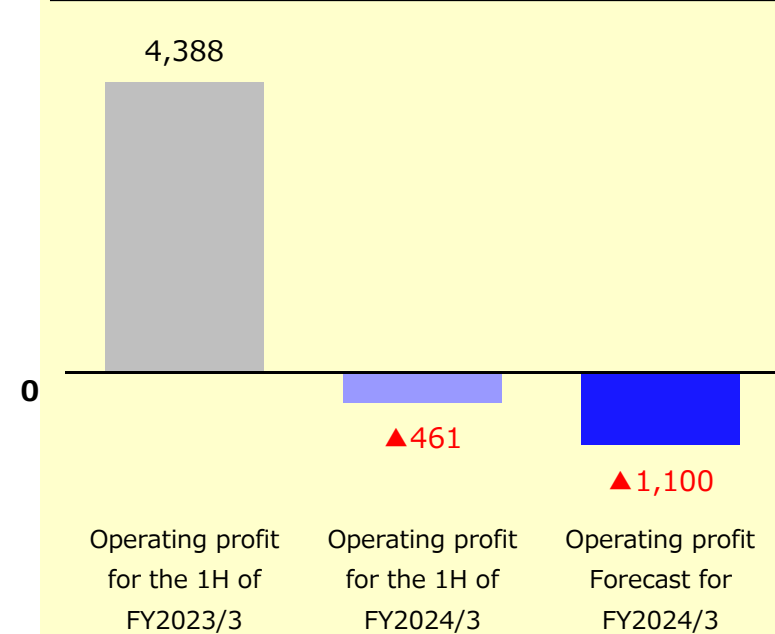
- Sales are increased due to easing the shortage of semiconductor and parts supply stagnation and a recovery in production at automobile manufacturers
- Profit improved due to the negotiations over the selling price review to meet the cost increase.
- Operating profit expects to improved driven by increase in net sales.



<CTC>

< Prerequisite >

- The downturn in the semiconductor market is expected to continue until the end of this fiscal year.
- The semiconductor market is expected to recover gradually in the next fiscal year.
- Profitability is expected to remain at the level seen in the second quarter from the third quarter onward.

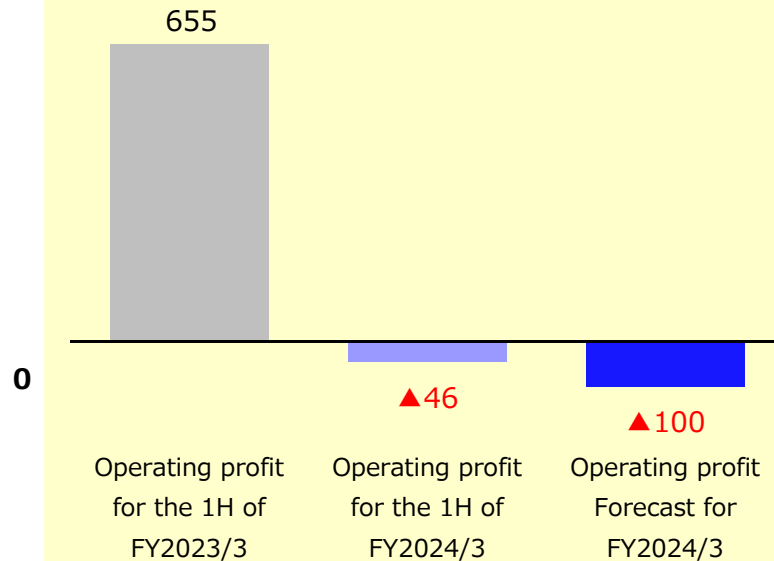


Forecast for Operating Profit by Segment

(Unit: Million yen)

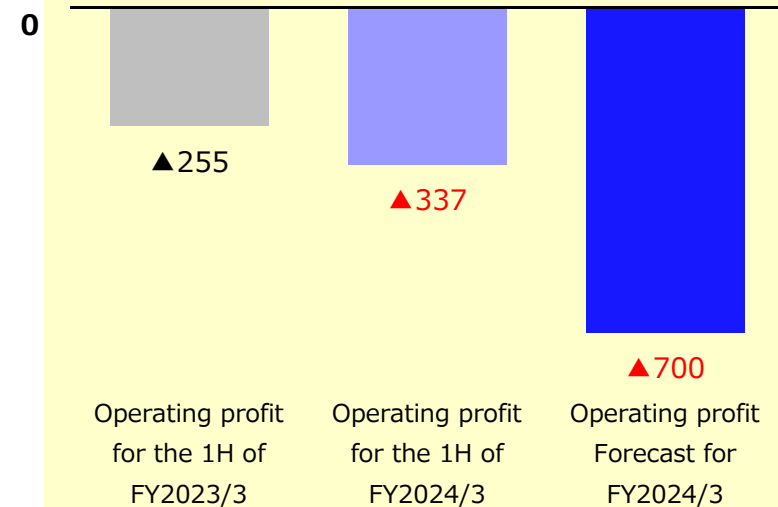
<FC·MD>

< Prerequisite >
 FC : The growth of POS terminals and other electronic terminals is expected to stagnate throughout the end of this fiscal year
 : Reviewing and minimalizing fixed costs
 MD: Demand for minimally invasive medical procedures is expected to grow steadily.
 → Operating profit expect to decrease by the change of business structure

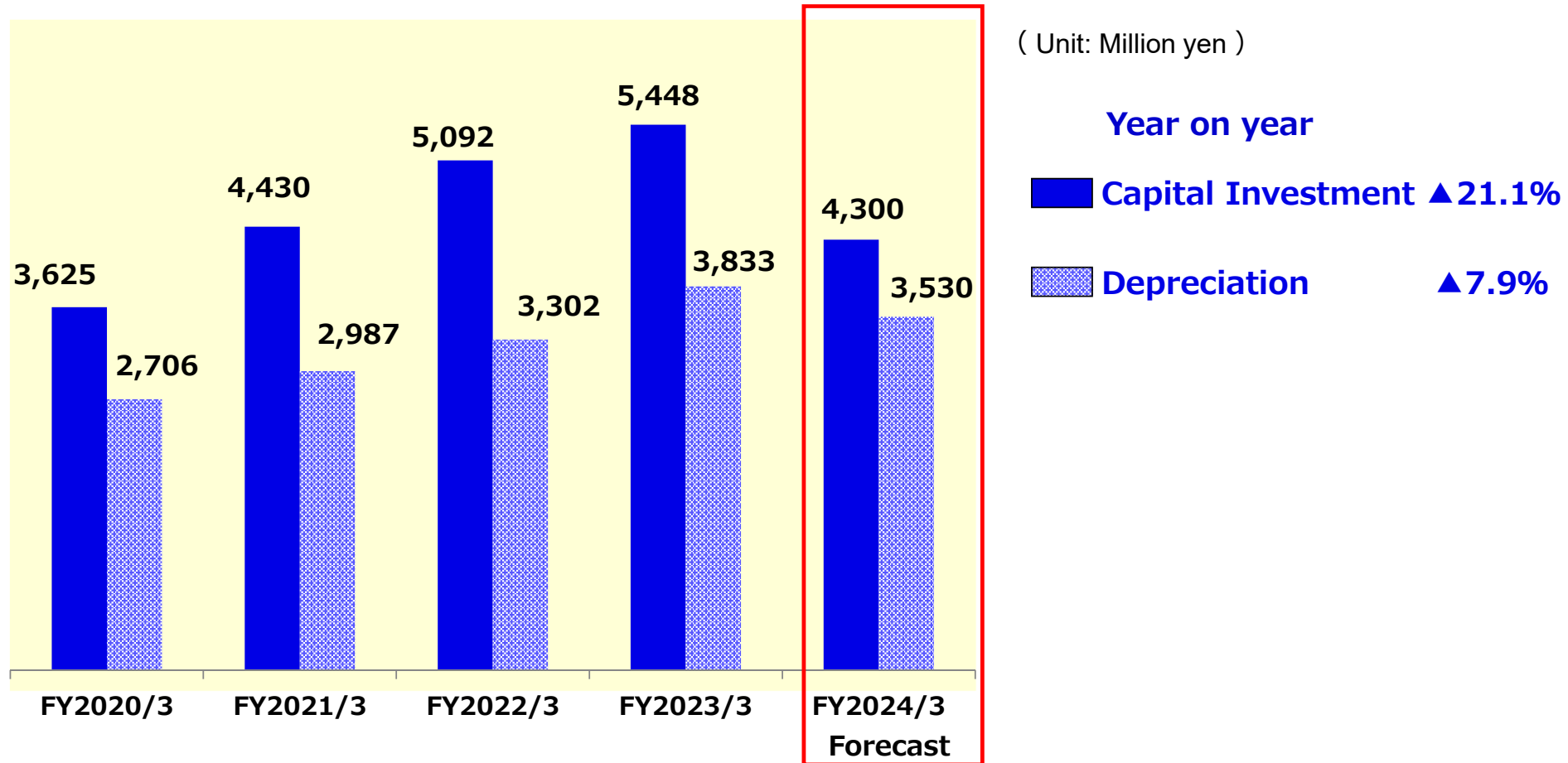


<Incubation Center>

< Prerequisite >
 ·The MaaS/IoT markets grow steadily by widespread adaptation of the advance of mobility and IoT
 ·Net sales are small scale because of focusing on development for new businesses.
 →Operating profit in this fiscal year expected to account ▲700.



Forecast for Capital Investment and Depreciation



Dividends

(Unit: Yen per share)

	FY2020/3	FY2021/3	FY2022/3	FY2023/3	FY2024/3 * Figures in parentheses are forecast
Interim	14	16	18	25 <small>Including commemorative dividend 3 yen per share</small>	22
Year-end	16	20	22	25 <small>Including commemorative dividend 3 yen per share</small>	(22)
Annual	30	36	40	50	(44)
Consolidated payout ratio	17.7%	19.5%	19.8%	37.0%	136.8%

Future Business Outlook

Takayuki Tokuma

Representative Director, President and Executive Officer

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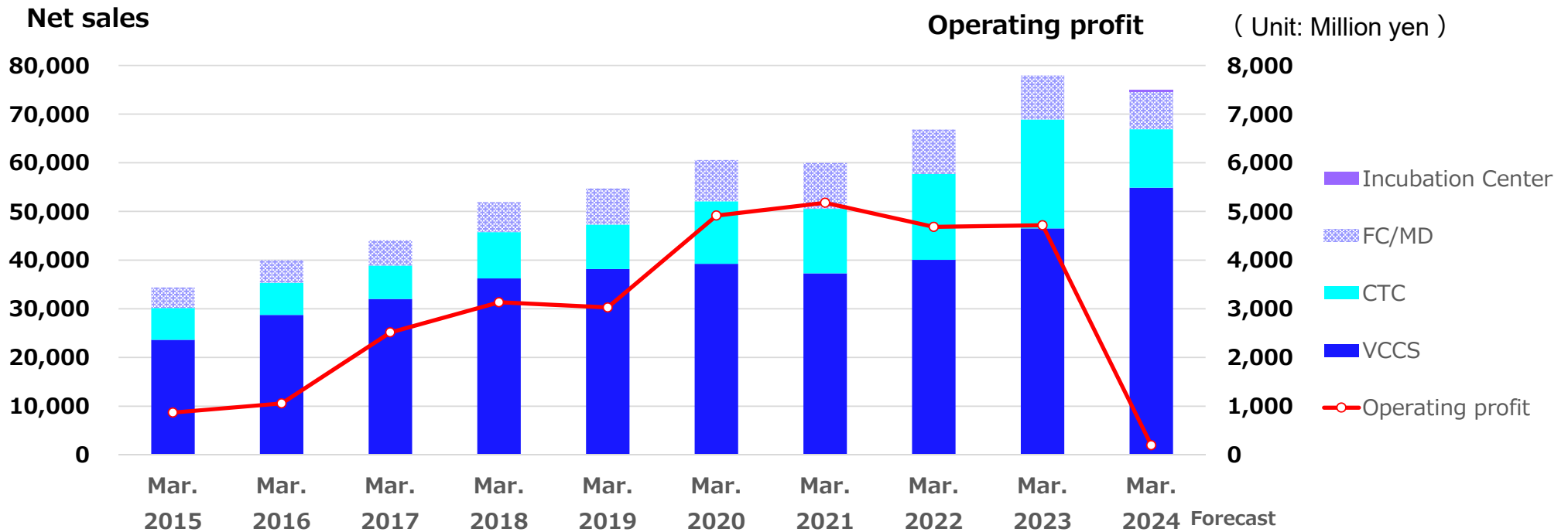
1. Current Business Position
2. Basic Management Policy and Growth Strategies
3. Business Strategies
4. Capital Investment Plan

1. Current Business Position

1. Current Business Position

① Trends in results

● Trends in consolidated net sales and operating profit

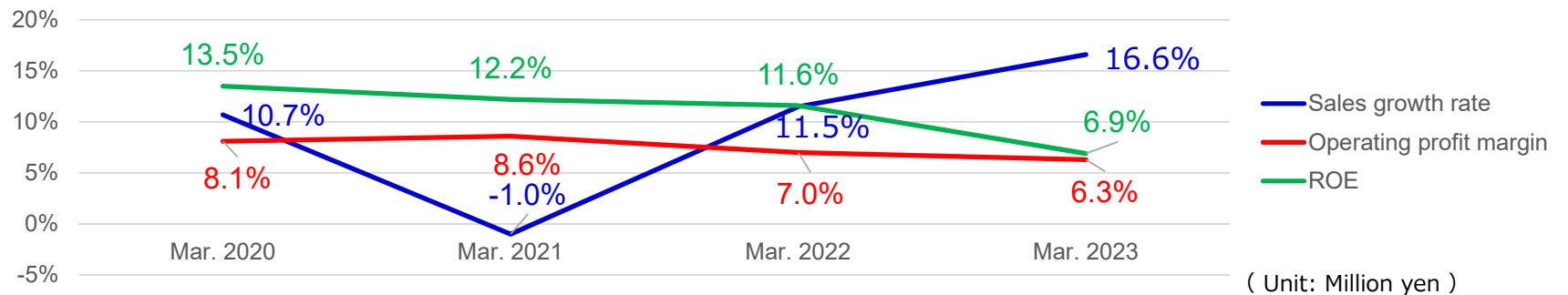


- FY 2021/3: Continued growth in both sales and profits. Profits were heavily depended on CTC.
- FY 2022/3 2023/3 : Continued growth in sales driven by the weakening yen.
Profit decreased reflecting a loss of VCCS, despite high profit on CTC.
- FY 2024/3: The forecast has been revised due to the prolonged semiconductor downturn throughout the end of this fiscal year and a decrease in sales of CTC expected to be continued, despite the outlook of VCCS which is expected to increase sales attributed to business reform and a recovery in production at customer.

1. Current Business Position

④ Trends in major management indicators

Indicator of Exceeding 8



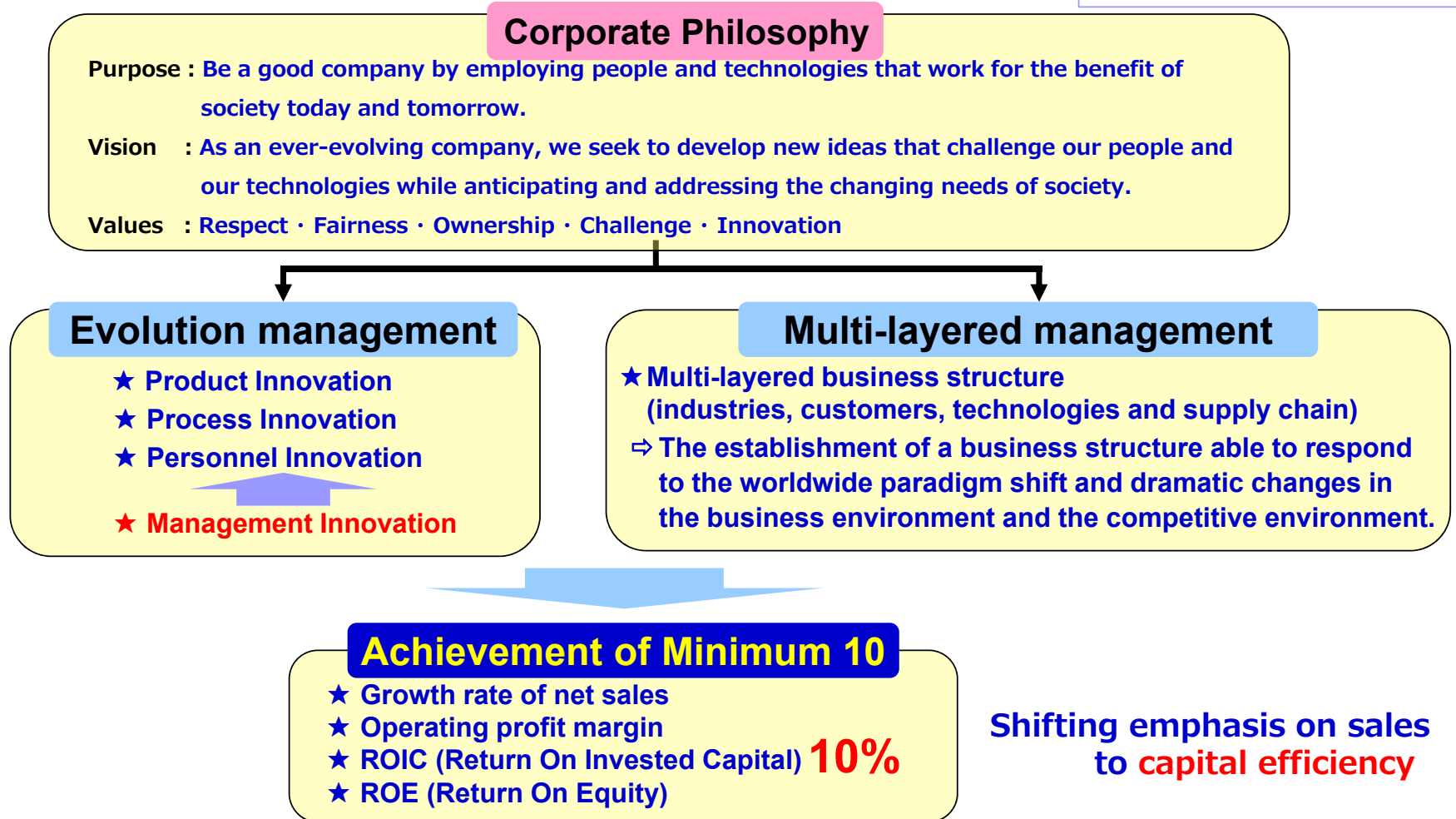
Fiscal year	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Net sales	60,595	59,976	66,848	77,962
Operating profit	4,916	5,179	4,684	4,739
Profit	3,440	3,818	4,663	3,147
Total assets	26,532	36,152	44,328	47,224

- Companywide business growth (net sales growth rate), business earnings (ratio of operating profit to net sales) and capital profitability (return on equity (ROE)) have been used as indicators. Today, net sales are heavily dependent on VCCS and operating profit on CTC.
 - COVID-19, the prolonged semiconductor downturn, and unprecedented changes in the business environment exposed the weaknesses of the polarized structure.
- ⇒ **Indicators are needed to improve the strength and profitability of each business.**

2. Basic Management Policy and Growth Strategies

2. Basic Management Policy and Growth Strategies

① Basic management policy



2. Basic Management Policy and Growth Strategies

④ Basic policy for Company-wide growth strategies

- Strengthening the growth and earnings base in the main markets (automobile, semiconductor inspection, mobile devices and B2B terminals)
- Expanding the MD business (medical field), which the Company aims to make a fourth core business
- Evolving business domains and business mixes, which will increase stability in growth and earnings in the entire Company by pursuing themes for business evolution



★ Encouraging initiatives to build a multi-layered customer mix

- Focusing on customers that are expected to grow
- Developing new, promising customers by supporting initiatives to expand domains

★ Endorsing product innovations that change customers' business models, the industry and market structures

● Participating innovative application projects

⇒ ADAS, automatic driving, connected, MaaS, IoT, AI, 5G (high-speed and high-capacity transmission), and advanced medicine

● Developing strategic products that can change the industry structure

3. Business Strategies

3. Business Strategies

①VCCS

Basic growth strategy Regard major changes in the business and market environment, such as the rapid growth of the Indian market, connected, autonomous, shared, and electric (CASE) technologies, the rapid emergence of battery electric vehicles (BEVs) and CO2 emissions reduction, as opportunities and execute a comprehensive overall reform of all factors from the cost of products to the business structure to transition to a business generating stable earnings.

Subject for reconstructing a high-profitable business

- Promotion of fixed and variable cost structure reform
- Reviewing and improving business operation systems/business processes, increasing efficiency and eliminating loss costs
- Reviewing present investments and improving capital efficiency

Evolving products for new application areas

- Starting business with new customers in Indian markets.
- Expanding business for vehicle's entertainment in markets including United States.
- Launching new Products in response to structural changes in vehicle bodies

Multi-layered development and production

- Enhancing the development function at the base in Philippines and shifting production to Philippines from Vietnam production base
- Expanding the transfer of production capacity to the Vietnam base from the China baes
- Strengthening integrated management of development, manufacturing, and sales in China

Changing fixed cost structure

- Strengthening planning capability of reducing cost from product design
- Increasing efficiency by reorganizing the supply chain
- Expanding labor saving / automated production lines
- Simplifying production base in China



Reconstructing VCCS business by changing the business and earnings structures

3. Business Strategies

Basic growth strategy

Evolve into a business that provides solutions to testing from the front-end to the back-end in semiconductor processing

As the only semiconductor testing jig manufacturer with antenna technology in the world, the Company will provide world-class products and solutions.

★ Responding to the need for semiconductor (especially for communications and servers) testing, reflecting the emergence of AI, the IoT and 5G,

- Deepening and evolving the world-class micro precision processing technology and microwave technology,
- Introducing MEMS underpinned by chemical technology,
- Encouraging the production process change and the utilization of digital-transformation and
- Promoting saving labor production base with the utilization of DX and automating labor-intensive process.

Evolution of the business model

- Expanding and evolving turnkey businesses (from integrated production of testing jigs to provision of solutions)
- Strengthening the field application engineer (FAE) function
- Expansion of business domains by actively promoting alliances with external companies in all areas of development, manufacturing and sales

Strengthening production capacity and enhancing BCP structure for business expansion

- Expanding the application of probe mass production line, which utilize AI, to other product
- Establishing automatic assembly and automatic testing line of extra-fine probe
- Expanding the production capacity and strengthening BCP structure by multi-layered supply-chain

Evolution of technologies and products

- Accelerated development of sheet contractors for high-speed inspection of PCs
- Strengthen the lineup of products for high frequencies
- Expanding sales and production capacity of YPX (probe cards for the measurement of high-frequency devices)
- Developing new products utilizing MEMS technology
- Developing new material in line with advanced devices

Improving the production system in preparation for a recovery in demand while for the time being streamlining the fixed cost structure

3. Business Strategies

③ FC/MD: FC

Basic growth strategy

Build up the core competence to establish a competitive advantage and create new customer value based on Yokowo's uniqueness, in a bid to evolve into a connector solution provider.

Responding to the need for market differentiation and standard products in multiple markets, the Company will respond to the needs by providing sophisticated UX, user experience.

- Developing the world smallest spring connector based on production technology,
- Reforming product cost based on core technology (especially design, material, and plating technologies)
- Enhancing product development and accelerate production speed by changing the supply chain and smart production line and
- Undertaking DX initiatives while changing business processes

Evolution of the business model

- Redefining markets to target new region and product applications
- Developing product plan and sales management to respond target markets' feature, product price, product quality, and demands.
- Putting effort on new demands by utilizing internet tools, such as expanding web contents and installing Sales Force Automation.

Increase in production capacity and sophistication

- Changing the supply chain based on local production for local consumption
- Achieving cost leadership and smart production lines (5S automation lines) for breakaway from production lines which depend on individual skills and region

Evolution of technologies and products

- Innovating high quality spring connector for each target markets
- Undertaking initiatives for high-functional plating, low-cost method, utilization of CTC's micro processing, and development of new material

Revitalizing the business by creating thoroughly strategic products and achieving cost leadership

3. Business Strategies

④ FC/MD: MD

Basic growth strategy

Transforming into a global quality system through the Product-Cycle (from product developments to sales)
Expanding business by evolving into a product development and a development-oriented OEM in the advanced medical field, and building a venture ecosystem

To establish a fourth core business, Yokowo will expand business and contribute to society.

- ★ Following the trends toward minimally invasive operation to improve QOL, and the treatment of difficult-to-cure diseases by innovating medical technology.
- Proposing products, taking advantage of its competitive advantage in technology,
- Establishing a new technological advantage based on basic research, and
- Building a venture ecosystem based on the above.

Evolution of the business model

- Acquisition of the medical equipment manufacturing license
- Evolving into a development-oriented OEM (Integrated business system from product design to finished products)
- Building a venture ecosystem
- Creating independently designed products such as abdominal vein guidewire and nonvascular devices.

Increase in production capacity and sophistication

- Application of new 5S production lines
Training employees to do several different things to be multi-skilling
- Transferring production to bases overseas to increase assembly capabilities and price competitiveness
- Building adjustable trial production lines to support a venture ecosystem
- Enchaining the product control system and reconstructing QMS base

Evolution of technologies and products (high added value)

- Proposing high added-value products, leveraging Smartweld®, micro precision processing technology and microwave technology
 - ⇒ Devices with sensors
 - Devices for the brain
- Starting a high value-added stent business (femtosecond laser and electro-polishing)

3. Business Strategies

⑤ Incubation Center

Basic growth strategy

Making efforts aimed at creating new businesses and innovating business models towards MaaS, IoT and other new growth markets and to the optical communication market for higher-speed and larger-capacity communication.

Create new businesses and innovate business models to offer products and solutions that satisfy needs in drastically changing markets.

- Accelerate the search for and collaboration with partners holding technologies satisfying customer needs without being confined to the Company's elemental technologies.
- Understand needs in global markets to evolve the business model from selling goods to selling experiences through the subscription business, etc.

Develop a platform business

Diffuse Yokowo's strengths to the growing IoT industry and evolve into a business of combining digital technologies with software.

- Expanding sales of waterproof high-gain 4G/5G MIMO antennas to the IoT sector.
- Launching the sales of antenna which cover L1/L2/L5/L6/L-band
- Expanding vehicle key management solutions for MaaS and car rentals.

[Connect automotive equipment with the cloud (AWS) through MVNO services to implement remote control.

Monetize the control service through subscription billing.]

[Form an alliance with an IT vendor for vehicle booking management to offer one-stop solutions to customers operating services.]

Develop an advanced device business.

Provide high-speed transmission device products with versatility and originality.

- Working on mass production of optical connector products using the world's smallest-class photoelectric conversion device technologies.
- Evolving and enhancing optical connector products. [downsizing and lower power consumption, higher-speed transmission (12.5 Gbps, 25 Gbps and 50 Gbps), multi-pole high-density implementation]

4. Capital Investment Plan

4. Capital Investment Plan

Reviewing and suppressing investment plan and investment theme for mid-term

Domain	Investment Policy · Main Theme	FY2024/3 Investment
VCCS	<ul style="list-style-type: none"> ■ Implementing renewal investment and rationalization investment to improve cost competitiveness while securing continued stable supply. · Expanding the transfer of production capacity the China base → the Vietnam base / the Vietnam base → the Philippines bases · Strengthening and expanding business structure including sales, technologies and production at joint venture India where the market is expected to grow. 	800
CTC	<ul style="list-style-type: none"> ■ Reviewing the investment policy and investment theme in view of the weak orders received and the change in business environment. However, continue making the necessary investments as preparation for future regrowth · Increasing extra-fine probe production capacity significantly · Developing probe cards (YPX) to respond to the need for high-frequency. · Reviewing production ratio among the three production bases (Domestic / Malaysia / Vietnam) ■ Full-scale introduction of micro precision processing technology with chemical technology(MEMS) 	1,100
FC	<ul style="list-style-type: none"> ■ Expanding the production lines and machines addressing to improve product quality stability and production efficiency, and to develop cost leadership. · Expanding and improving 5S automated production lines 	150
MD	<ul style="list-style-type: none"> ■ Expanding on micro-precision processing technology and mass production lines for core products to grow the business. · Reinstalling processing machines for grinding and coiling · Expanding mass production line for guide wire 	150
Incubation Center	<ul style="list-style-type: none"> · Developing the system for MasS 	65
Other	<ul style="list-style-type: none"> · Establishing MP Center, a technology building for research and development · Installing equipment and systems, such as 3D CAD software 	2,035
All		4,300

Reviewing capital investment plan and performance targets for FY2025 and FY2026, to be announced in May 2024