

yokowo

Yokowo 2020 Integrated Report



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Yokowo 2020 Integrated Report

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Editorial Policy

Covered Organization: YOKOWO CO., LTD.
4 Domestic Group Companies
17 Overseas Group Companies

Period: Fiscal Year 2019 (April 1, 2019 - March 31, 2020)

Published: November 10, 2020

Publishing Cycle: Annually

Information Disclosure:

The Yokowo Group discloses information accurately, promptly and proactively in order to build long-term relationships of trust with its shareholders, investors and other stakeholders.

Forward-looking Statements:

Certain statements in this report such as "plan," "forecast" and "strategy" constitute forward-looking statements and are based upon reasonable assumptions given the information available at the time of publication. Please note that due to various factors, actual results may differ significantly from those anticipated in such statements.

Department Responsible for the Report:

Public Relations & Equity Department,
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Tel: +81-3-3916-3111 (main number)

Inquiry Form:

<https://www.yokowo.co.jp/english/inquiry/>

Regarding the Publication of the Yokowo 2020 Integrated Report

Yokowo believes that in addition to the Group's medium- to long-term growth strategy, it is important to accurately, promptly and proactively disclose information on the ESG initiatives and CSR activities the Group engages in within its corporate activities.

In this regard, we have published the Yokowo 2020 Integrated Report, which consistently summarizes financial and non-financial information from FY2020, with the aim to disclose understandable information in more detail.

As well as clearly clarifying to shareholders, investors, and other stakeholders the connection between the Group's business activities and the Sustainable Development Goals (SDGs), this report attempts to convey in an easy-to-understand way how the Group will achieve sustainable growth in the future by illustrating what Yokowo will look like 10 years from now.

I truly hope this report will help you gain a better understanding of the Yokowo Group.

Takayuki Tokuma

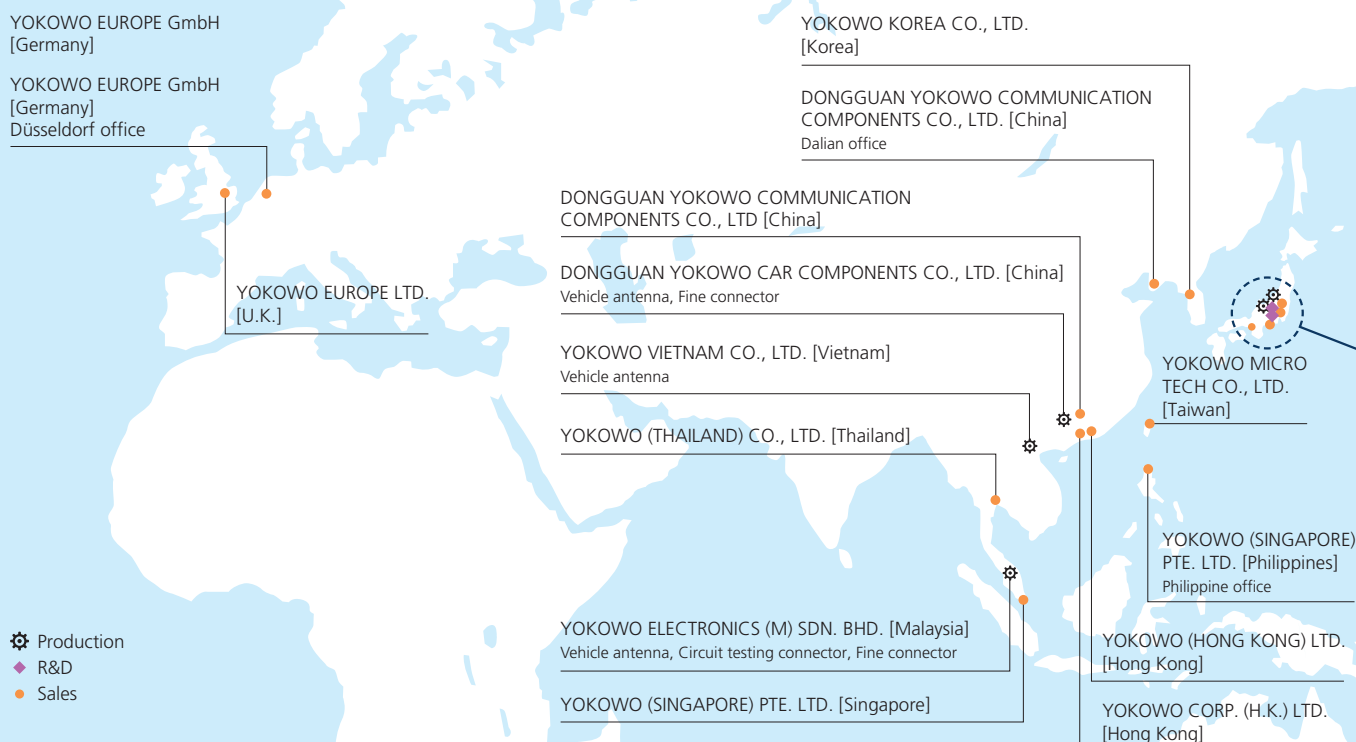
Representative Director,
President and Executive Officer



YOKOWO GLOBAL NETWORK

Since establishing its Taiwan Plant in 1967, the Yokowo Group has been actively shifting production bases to overseas locations so that it can build an optimal global production system. It currently operates mass production plants primarily in Malaysia, China, and Vietnam. Overseas production now accounts for more than 80% of Yokowo's total production.

In terms of sales, Yokowo has opened overseas offices in countries and regions worldwide with offices in seven cities in the Americas, the U.K. and Germany in Europe, and eight Asian countries to provide local-based sales services closely matched to market needs around the world.



Company Profile (As of March 31, 2020)

Company Name YOKOWO CO., LTD.

Head Office Location 5-11, Takinogawa 7-Chome, Kita-ku, Tokyo 114-8515 Japan

Founded September 1, 1922

Incorporated June 14, 1951

Capital ¥3,996 million

Number of shares issuable 40,000,000 shares

Number of shares issued 20,849,878 shares, including 564,946 treasury stock shares

Number of shareholders 9,055

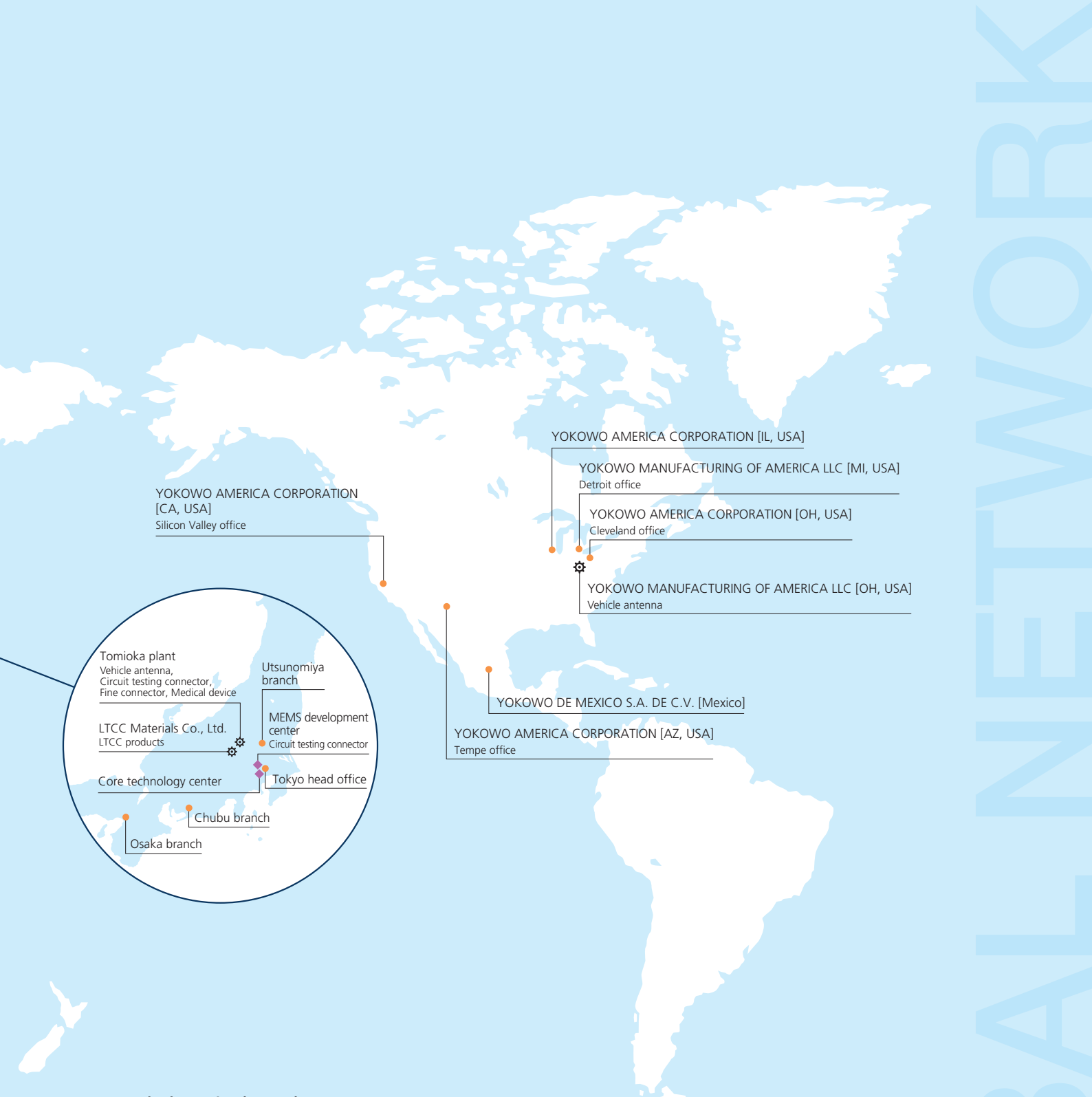
▼ Major Shareholders (As of March 31, 2020)

Shareholder	Number of shares held (in thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd.	3,202	15.7
The Master Trust Bank of Japan, Ltd.	1,728	8.5
The Gunma Bank, Ltd.	990	4.8
Yokowo Business Partners Shareholders' Association	776	3.8
BNP Paribas Securities Services Luxembourg/JASDEC/FIM/Luxembourg Funds/Ucits Assets	650	3.2
Mitsubishi UFJ Trust and Banking Corporation	595	2.9
Trust & Custody Services Bank Ltd.	574	2.8
The Dai-ichi Life Insurance Company, Limited	450	2.2
MUFG Bank, Ltd.	446	2.2
The Resona Bank, Limited	445	2.2

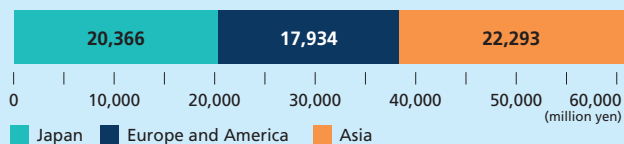
* The Company holds 564 thousands of its treasury stocks, but not counted as a major shareholder.

* The number of shares is rounded to the nearest thousand.

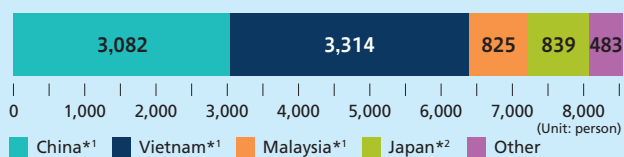
* Percentage of shares held is calculated without 564 thousands of treasury stocks and is rounded to the nearest third decimal with numbers of less than one-hundredth of one percent omitted.



▼ Net Sales by Region (FY2019)

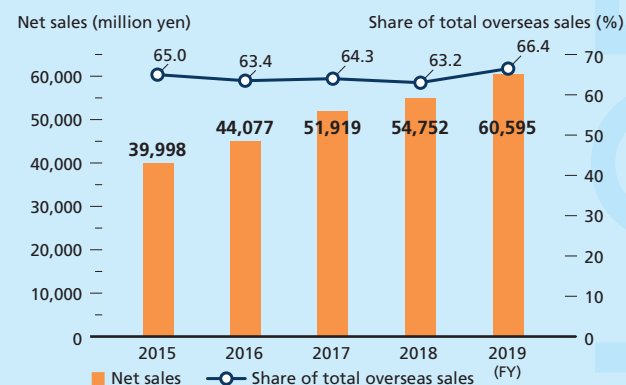


▼ Number of Employees by Region (FY2019)



*1 Major Production Sites *2 YOKOWO CO., LTD.

▼ Net Sales / Share of Total Overseas Sales



Value Creation — Our Track Record

Yokowo started with precision metal pipe processing developed by its founder, Chutaro Yokoo, at the time when he was a craftsman in the industry. From these beginnings, Yokowo introduced various new technologies centered on micro precision processing, expanding the business to a wide range of fields. With Tomioka Town within Kanra District, Gunma Prefecture (now Tomioka City), where the founder was born and raised, as the center of development and production, Yokowo is developing and providing cutting-edge products for the global market while expanding its bases overseas.

1920

- '22 • Founded YOKOWO MFG. CO., LTD. in Sumida, Tokyo.
- Around 1930
Developed a Spring Bar for watches that, at that time, captured the largest share of the global market.



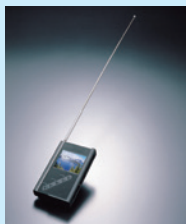
Spring Bar

1950

- '51 • Incorporated.
- '56 • Started Rod Antenna business. (withdrew in 2003)



Rod Antenna



- '57 • Started Vehicle Communication Equipment business.

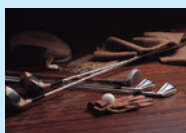


Pillar Antenna



AM/FM Motor Antenna

- '59 • Started Sporting Goods business. (withdrew in 1995)



Golf Goods

1960

- '61 • Established Tomioka plant in Kanohara, Tomioka.



Tomioka Plant

- '62 • Listed on the second section of the Tokyo Stock Exchange.
- '67 • Established YOKOWO MFG. CO., (TAIWAN) Ltd. (now YOKOWO MICRO TECH CO., LTD.)

1970

- '73 • Established YOKOWO (HONG KONG) LTD.

- '78 • Established YOKOWO (SINGAPORE) PTE. LTD.

- '79 • Started Circuit Testing Connector business.



Contact Probe

1980

- '83 • Started Personal Communication Antenna business. (withdrew in 2014)



Cellular Phone Antenna



Personal Communication Antenna

- Started Microwave Component business. (transferred to the Vehicle Communication Equipment business in 2002)



Microwave Components

- '84 • Established YOKOWO AMERICA CORPORATION in Chicago, U.S.A.

- '86 • Started Fine Connector business.



Spring Connector

- '87 • Established YOKOWO ELECTRONICS (M) SDN. BHD. in Malaysia.



- Began OEM supply of various satellite broadcast reception devices in tandem with NHK's launch of satellite broadcast services.



Outdoor Unit for BS

- '89 • Completed new head office in Tokyo.



1990

- '90 • Changed company name to YOKOWO CO., LTD.
- '92 • Developed a small-sized ceramic patch GPS Antenna.



GPS Antenna

- '94 • Established DONGGUAN YOKOWO ELECTRONICS CO., LTD. in China. (merged with DONGGUAN YOKOWO CAR COMPONENTS CO., LTD. in 2017)



- '95 • Established DONGGUAN YOKOWO CAR COMPONENTS CO., LTD. in China.
- '96 • Developed the world's first Micro Antenna for automotive AM/FM radio.



Micro Antenna

- Started Microwave Ceramics business.



Ceramic Antenna

- '97 • Developed a BGA Test Socket to make a full entry into the semiconductor inspection market.



BGA Test Socket

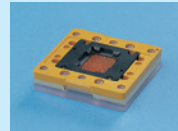
- '99 • Established DONGGUAN YOKOWO COMMUNICATION COMPONENTS CO., LTD. in China.
- Established YOKOWO EUROPE LTD. in London, U.K.

2000

- '01 • Listed on the first section of the Tokyo Stock Exchange.
- '02 • Established YOKOWO MANUFACTURING OF AMERICA LLC in Hilliard, Ohio, U.S.A.



- Established YOKOWO KOREA CO., LTD. in Korea.
- Developed the industry's first socket for high-frequency testing.



Hi-Giga Sockets

- '05 • Established YOKOWO CORP. (H.K.) LTD. in Hong Kong.
- Developed a 2 Piece connector to make a full entry into the rugged handheld device market.



2 Piece Connector

- '06 • Started Medical Device business.



Components for Medical Devices
(Tip Terminal of Catheter)

- '07 • Established YOKOWO Advanced Device Center. (reorganized into a joint corporation in 2019)



- '08 • Took over probe card business from Genesis Technology Inc.
- Established YOKOWO MEMS development center.

2010

- '11 • Established YOKOWO VIETNAM CO., LTD. in Vietnam.

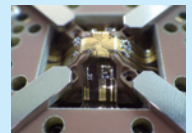


- Began OEM supply of Guide Wire for medical treatment.



Guide Wire for Medical Treatment

- '12 • Acquired ISO 13485 certificate.
- '13 • Commercialized the YPX probe card series for the testing of high frequency devices using MEMS technology.



YPX Series

- '14 • Acquired ISO 27001 certificate.
- '16 • Acquired OHSAS 18001 certificate. (Transferred to ISO 45001 in 2020)

- '18 • Established Advanced Measurement Technology Center in Tomioka plant.



AMT Center

- '19 • Registered the SmartWeld® trademark for its original technology for bonding different metallic materials.

- Established a joint corporation as LTCC Materials Co., Ltd.

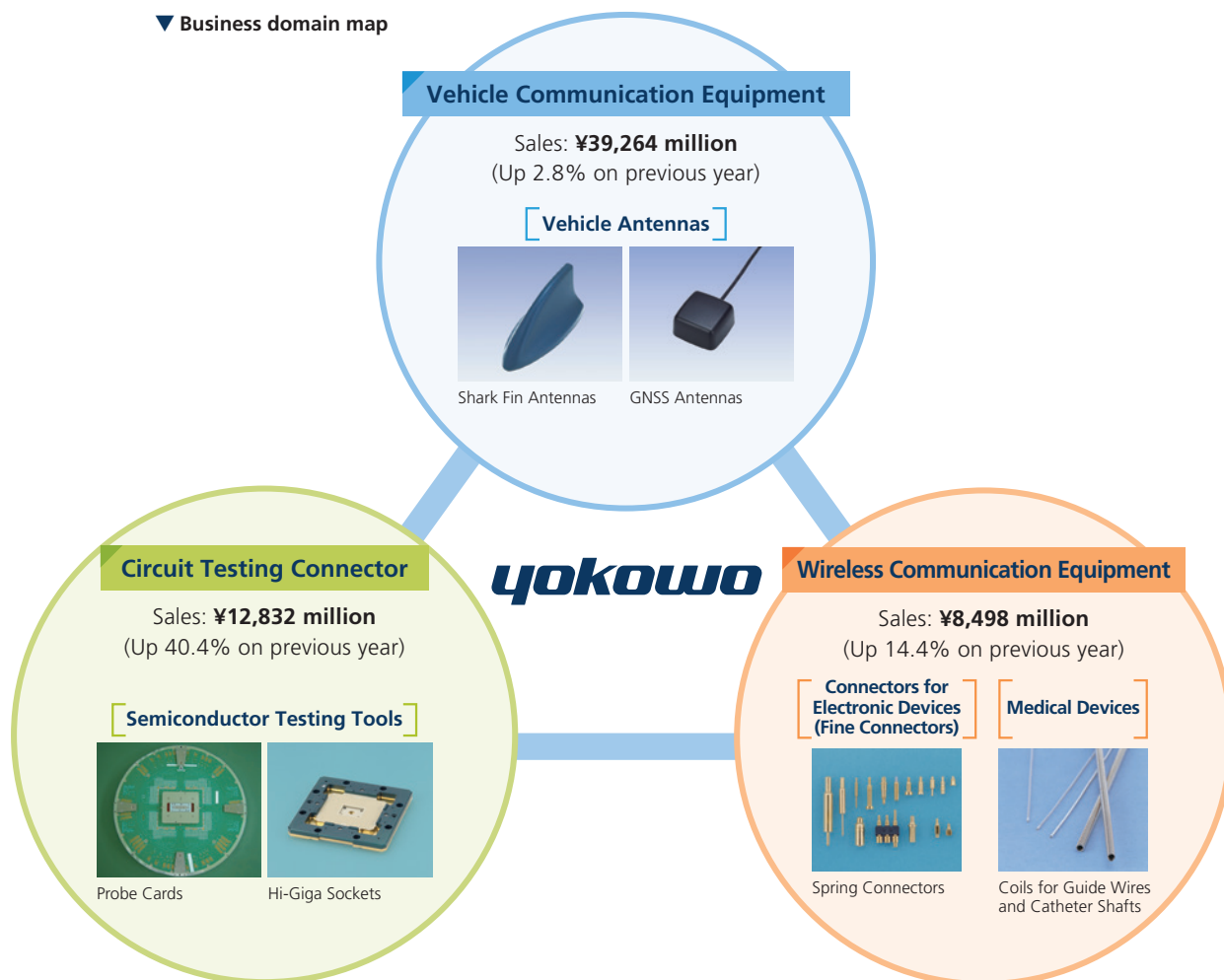
2020

- '20 • Established YOKOWO EUROPE GmbH in Germany.
- Established Lumax Yokowo Technologies Private Limited in India.

Yokowo's Business Domain

The Yokowo Group has implemented and refined a number of technologies such as antenna and microwave (high frequency) technologies, while further deepening the technologies in micro precision processing. The Company's business domain has continually expanded from antennas, connectors and advanced devices, branching out today into three segments: Vehicle Communication Equipment, Circuit Testing Connector, and Wireless Communication Equipment.

▼ Business domain map



Vehicle Communication Equipment

Yokowo manufactures antennas for cars (vehicle antennas), such as the Shark Fin antenna, mainly for the automotive market.

By continuing to develop and propose antenna systems to the customers that support next-generation vehicle communication which meet the basic needs required for smaller, multi-use, lower profile and smart vehicle antennas, Yokowo is helping to create safe and comfortable mobility services.

Circuit Testing Connector

Yokowo manufactures probe cards for front-end testing and sockets for back-end testing mainly for the semiconductor and electronic component testing market.

By making full use of its micro precision processing and microwave technologies, the Company provides solutions for all processes in the area of testing for electronic devices, such as semiconductors and electronic components, so as to meet the demands for smaller size and greater speeds.

Wireless Communication Equipment

• Fine Connector Business

Yokowo is globally developing and providing minute spring connectors that meet the needs for miniaturization and space saving in various electronic devices, mainly for the mobile communications terminal market.

• Medical Device Business

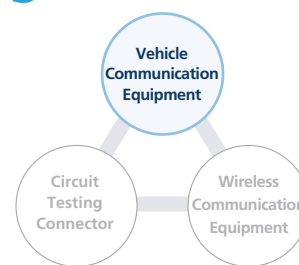
Yokowo provides a complete service from the design to the development and manufacturing of OEM guide wires, catheters and other micro precision parts and assembly products, mainly for the minimally invasive medical equipment market.

Vehicle Communication Equipment Segment

▼ Vehicle Communication Equipment - Consolidated Sales

(million yen)

FY2015	FY2016	FY2017	FY2018	FY2019
28,761	32,029	36,256	38,183	39,264



Segment Overview

In this segment, Yokowo manufactures vehicle antennas, including Shark Fin and GPS antennas for all areas from low to high frequency, mainly in China and Vietnam with over 90% of production taking place overseas. Regarding sales, we mainly provide our vehicle antennas to Japanese automobile manufacturers, not only in Japan but also globally in the United States and ASEAN markets. Overseas sales account for over 60% of all sales in this segment.

As a leading company of antenna systems that support next-generation vehicle communications, Yokowo will continue to strengthen its core technologies including antennas, and promote drastic reforms to its profit structure to continue to generate long-term profits.

Segment Policy

Looking ahead, Yokowo will continue to promote further business expansion and a more layered business model by gaining a full market presence in mobility service fields, such as MaaS. The Company will do so while working on the development of more advanced strategic products with higher levels of added value in new fields such as ADAS, automated driving, and connected cars.

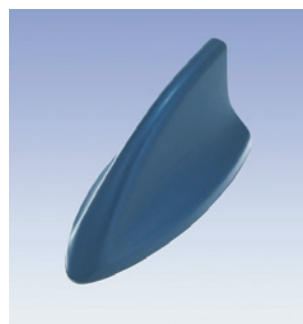
In addition to investment to increase capacity at its production bases, Yokowo will forge ahead rebuilding its profit structure by moving more production from its Chinese plant to its plant in Vietnam. The Company will also overhaul its profit profile by looking at a third production base, and by making the most of strategic alliances while seeking steady expansion of its automatic assembly lines and automatic testing systems brought in this fiscal year.

Segment Review (Fiscal 2019)

In the automotive market, this segment's main market, demand has been flat or declining in major countries such as the United States and China due to a slowdown in the world's economy from prolonged trade friction between these two global players. Moreover, the spread of COVID-19 pandemic in the fourth quarter also forced car manufacturers to shut down their plants.

In Japan, sales of new on-the-road cars and light vehicles fell year on year due to a reactionary fall in demand following the consumption tax hike in October 2019 and a drop in demand because of COVID-19.

Under these circumstances however, sales of antennas for car manufacturers, such as Yokowo's mainstay Shark Fin and GPS antennas, remained firm to major customers in Japan and overseas, surpassing previous yearly sales. And sales of products mainly for the domestic market, such as the ETC antenna, increased from the previous fiscal year due to strong car sales for some of the automobile manufacturers.



Shark Fin Antennas



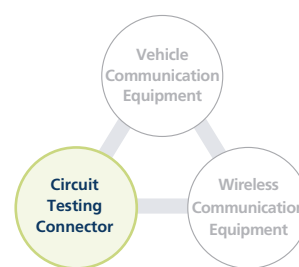
GNSS Antennas

Circuit Testing Connector Segment

▼ Circuit Testing Connector - Consolidated Sales

(million yen)

FY2015	FY2016	FY2017	FY2018	FY2019
6,614	6,883	9,503	9,138	12,832



Segment Overview

In this segment, Yokowo manufactures contact probes making full use of its micro precision processing technology, and also manufactures probe cards for front-end testing and sockets for back-end testing which both use contact probes. Yokowo has production bases in Japan and Malaysia with overseas production accounting for over 70% in this segment. Products are supplied worldwide, mainly to semiconductor manufacturers and foundries, with over 80% of sales going overseas.

In recent years, Yokowo has expanded its product lineup in cutting-edge fields, such as testing sockets for 5G devices, that also use microwave technology, and probe cards for the testing of high-frequency electronic components that make use of MEMS technology.

Segment Review (Fiscal 2019)

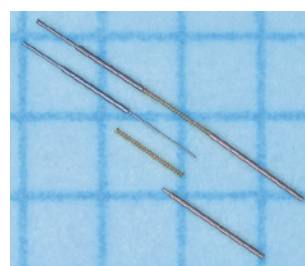
Although IC products, especially in the memory market, have been sluggish because of a drop in demand for smartphones due to the trade war between the United States and China, growth is expected to continue over the medium to long term in the semiconductor testing market, this segment's main market, due to increased demand in growth fields such as 5G, IoT, in-vehicle, AI, and big data.

Under these circumstances, sales of the Group's mainstay semiconductor back-end testing tools greatly exceeded those of the previous year due to an increase in orders for high-frequency compatible products, in contrast to the previous fiscal year when demand slowed mainly in the memory field. Sales of semiconductor front-end testing tools also increased year on year due to the steady expansion of the turnkey business, which provides a one-stop service solution to include peripheral equipment.

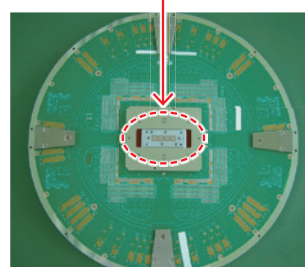
As a result, net sales in this segment were 12,832 million yen (up 40.4% on previous year), a significant increase from the previous fiscal year. In terms of profit and loss for the segment, profit increased due to increased revenue resulting in a profit of 3,132 million yen (up 236.7% on previous year), due to a higher proportion of product sales with relatively high profit margins and an increased operating rate for production equipment.

Segment Policy

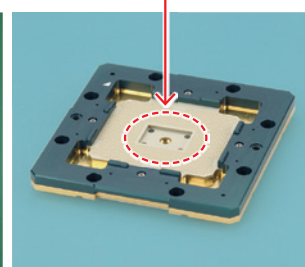
Going forward, Yokowo's policy is to steadily capture the increase in demand for semiconductor testing in fields such as 5G, IoT, in-vehicle, and AI. To this end, Yokowo will strongly promote the strengthening of full-scale systems to; develop and launch strategic products, invest in capacity increases at domestic and Malaysian plants, invest in improved efficiency and streamlining such as by building automatic assembly lines and introducing automatic testing systems, and expand its turnkey business in the area of semiconductor front-end testing. Yokowo will also strive to build a more profitable business structure and maintain stable business operations.



Contact Probes



Probe Cards



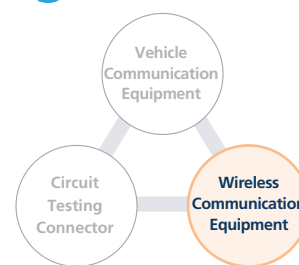
Hi-Giga Sockets

Wireless Communication Equipment Segment

▼ Wireless Communication Equipment - Consolidated Sales

(million yen)

FY2015	FY2016	FY2017	FY2018	FY2019
4,622	5,164	6,158	7,429	8,498



Segment Overview

This segment consists of two businesses; Fine Connectors and Medical Devices.

In the Fine Connector business, Yokowo manufactures spring connectors which allow for easy attachment and detachment to electronic devices. These connectors are manufactured in Japan, Malaysia, and China, with over 80% being produced overseas. Yokowo supplies a wide range of electronic device manufacturers in Japan and overseas, with over 80% of sales going outside Japan.

In the Medical Device business, in addition to micro precision parts such as OEM guide wires and catheters, Yokowo designs, develops, and manufactures assembly products at its Tomioka plant in Japan. Yokowo mainly supplies domestic medical device manufacturers, with approximately 10% of sales going overseas.

Segment Review (Fiscal 2019)

Although sales of smartphones have been declining in the mobile communications terminal market, this segment's main market, future growth is expected on the back of more diversification and functionality with wearable devices. Moreover, the point of sales (POS) market continues to grow steadily from the perspective of improved operational efficiency through information management in a wide range of industries, including logistics and manufacturing. And growth is also expected in other markets such as industrial equipment.

In the Fine Connector business, with fine spring connectors as the business' key product, sales of products for the healthcare market decreased sharply from the second half of the fiscal year ended March 31, 2020. However, sales for POS terminals and wearable devices were strong, resulting in higher sales exceeding those of the previous year.

In the Medical Device business, in addition to strong sales of assembly products both in Japan and overseas, sales of components also increased, resulting in a significant upsurge in sales from the previous fiscal year.

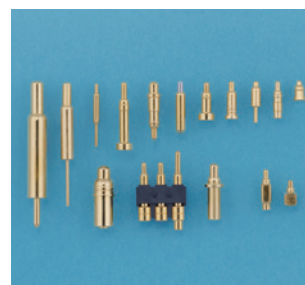
As a result, net sales in this segment increased from the previous fiscal year to 8,498 million yen (up 14.4% on previous

year). In terms of profit and loss, although productivity in the Fine Connector business dropped due to COVID-19, the segment saw a profit of 1,755 million yen (up 8.7% on previous year) due to; increased profits from revenue gains, a higher proportion of product sales with relatively high profit margins, and improving yields in the Medical Device business.

Segment Policy

In the Fine Connector business, Yokowo plans to continue working to expand its business and carry on with the multi-layer structuring of its products, markets, and customers. The Company will do this by accelerating the introduction of custom-type connectors such as high-performance, high-speed, large-capacity connectors that meet the product needs of a differentiated market, and by expanding its standard product lineup to capture new demand.

In terms of medical devices, Yokowo aims to further grow the business by increasing the production capacity of micro precision parts with the installation of cutting-edge production equipment and by expanding sales of guide wire and catheter assembly products in Japan and overseas. The Company will also promote a multi-layered structure to the supply chain in anticipation of business expansion in the cutting-edge medical field which is seeing worldwide expansion particularly in the United States.



Spring Connectors



Coils for Guide Wires



Top Message

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

GO BEYOND
~Challenge the Next Stage~

Takayuki Tokuma

Representative Director,
President and Executive Officer
YOKOWO CO., LTD.

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.

Corporate Philosophy

Yokowo's corporate vision is to be "a sustainably evolving company that accumulates technology to contribute to society and meet the trust of customers, and challenges the creation of markets as a whole. Yokowo is a company united in commitment to discovering and creating new markets."

Corporate Mission

To realize a sustainable society, Yokowo will contribute to the evolution of society by responding to the needs of leading companies that are promoting business structural innovation and providing high-quality products based on our core technologies.

The corporate vision and mission were redefined in August 2009, one year after the collapse of Lehman Brothers, as a part of the "Make the Future of Yokowo" project.

Amid the chaos of a global paradigm shift, employees and the management team brainstormed and distilled views of what Yokowo and all of us at Yokowo should do and wish to be in the future based on opinions collected from all employees.

We believe that the reason for Yokowo's existence is our steady contribution to the evolution of society, based on unwavering commitment even amid a drastically changing environment, through the improvement of our technologies and quality and our response to the needs of our world-class customers.

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 put forward since its inception, “Constantly on the cutting edge.” The measures for realizing the sustainable evolution of business management are product innovation (including both product and business structure innovation), process innovation (the innovation of business operating systems) 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 positive introduction of 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).

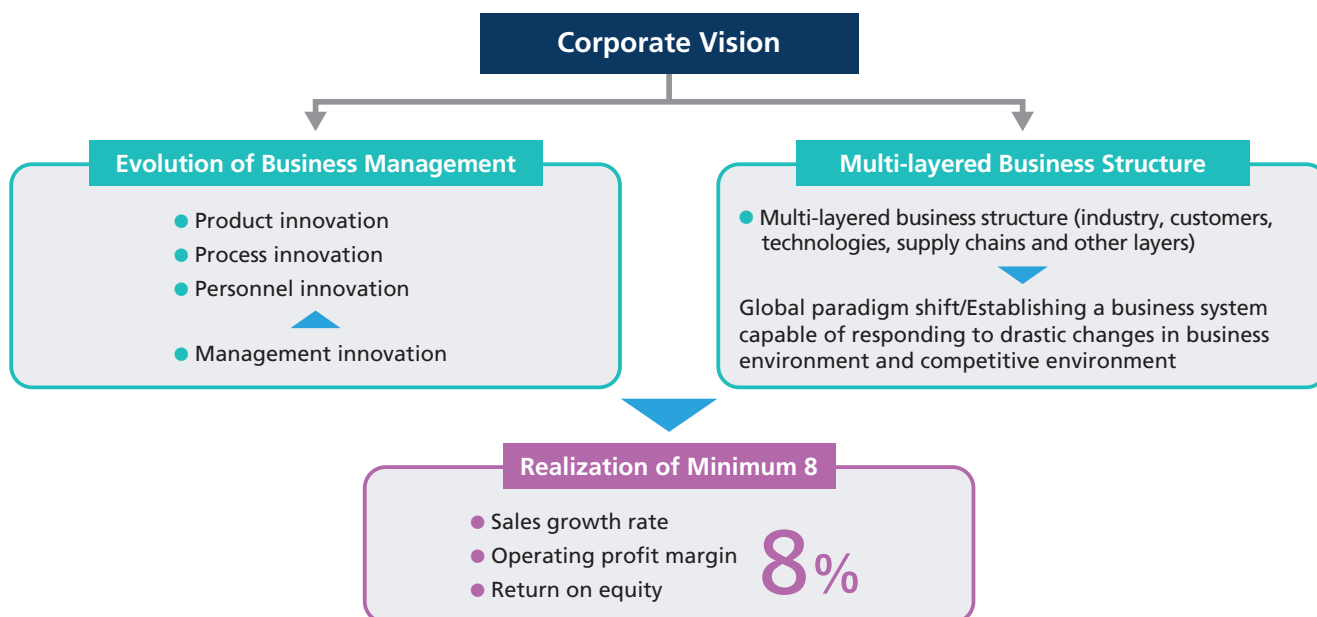
By promoting the sustainable evolution of business management and a multi-layered business structure, we hope to achieve Minimum 8 (secure at least 8% in sales growth rate, operating profit margin, and return on equity) in a consistent and stable way.

Environmental Changes and Operating Results over the most recent 10 Years

Looking back at the 10-year period from the fiscal year ended March 31, 2011 until the fiscal year ended March 31, 2020, consolidated net sales doubled from ¥27.9 billion to ¥60.5 billion and the total number of employees in the Yokowo Group also doubled, from approximately 4,000 to approximately 8,500. Operating income increased almost four times its size, from ¥1.3 billion to ¥4.9 billion, and achieved a new record high.

Despite a series of large natural disasters, political and economic conflicts in world affairs, an increasingly competitive environment and other severe environmental changes, we have made dramatic strides as a result of steadily promoting the evolution of business management and a multi-layered business structure, due to the support of our shareholders and other stakeholders. Just as we were thinking about our advance to the next stage, the COVID-19 pandemic occurred.

The spread of this novel COVID-19 starting at the end of 2019 has caused economic activity to wither globally.



Due to restrictions on people's movements and on their going out of their homes that have been imposed by governments as well as reductions in demand from markets and customers, the Yokowo Group faced significant declines in the operating ratios of its overseas production sites from February until May 2020. We have been doing our best to prevent the spread of the infection by leveraging collective Group resources and we have weathered the worst moments by relocating and setting up production facilities in Japan as well as through the cooperation of our partner firms. In this manner, we managed to achieve a recovery to our normal business activity levels. Currently, we are maintaining stable operations, while paying close attention to the prevention of the spread of the infection. At the same time, we are promoting the enhancement of our BCP framework.

New Medium-term Management Plan

The impact of the COVID-19 forced us to make large modifications as we formulated the new medium-term management plan for the three-year period covering from the 83rd fiscal term (the fiscal year ending March 31, 2021) to the 85th fiscal term (the fiscal year ending March 31, 2023).

Yokowo's main markets, namely the automotive, semiconductor testing, mobile communication terminals, and advanced medical device markets, were in the midst of the greatest transformation with the growth and expansion of CASE*, MaaS, 5G (5th generation mobile communication systems), AI and IoT. However, these markets are greatly affected by COVID-19.

It has impacted us in many ways, including steep declines and slumps in demand in some markets and special demand in others, with demand changing both drastically in the short term and gradually over the long term, but one thing is certain. The best option is not simply following a trajectory by extrapolating the trend before the spread of the infection. We will need strong commitment to adapt to the "new normal" that is the with- and the post-COVID-19 world.

In addition, to reach and continue to be at the global forefront, we must identify change more effectively than before and promptly respond to it. However, continuing to enhance our strengths and create new value while developing greater harmony with all people, goods, the environment and others related to the Group is also an essential part of the evolution of business management that is the goal of the Yokowo Group. We have discussed the actions we should take to achieve the above, and have collected this in the new medium-term management plan.

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

Toward the 100th anniversary of our founding 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.

1. 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

2. 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

3. 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)

4. 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 above, 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 (high frequency) 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 (for details, please see P.20 to P.22 of this report.)

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.

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 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 satisfaction. 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 solve 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.

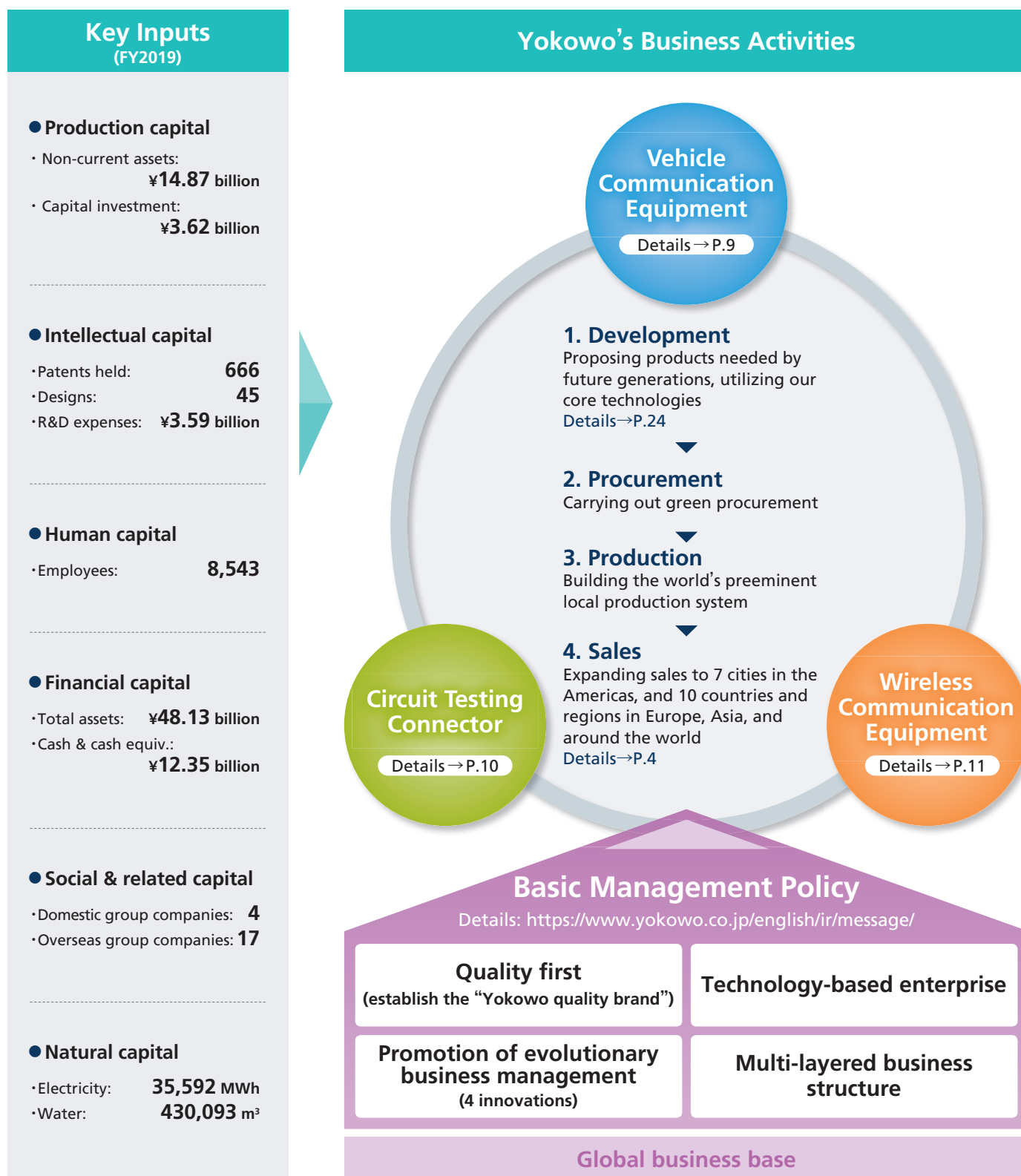
One mission of the Yokowo Group is to operate our business and make a profit as a group engaging in commercial businesses. We recognize that now, it is not simply the volume of profits generated from our growth potential and the profitability of our business that is strongly demanded, but also the quality 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.

Yokowo's Value Creation Process

While utilizing our “6 types of capital,” the Yokowo Group provides value to society through a multi-layered combination of our core competencies (micro-precision processing, microwaves (high frequency), and advanced devices). Looking forward, our aim is to achieve a sustainable society through our business activities that are based upon the four pillars of our basic management policies, and to strive to continue to create value unique to Yokowo.



Key Outputs (FY2019)

● Sales

¥60.59 billion

● Representative products

Vehicle Communication Equipment

- Shark Fin Antennas
- GNSS Antennas

Circuit Testing Connector

- Probe Cards
- Hi-Giga Sockets

Wireless Communication Equipment

- Spring Connectors
- Guide Wires / Catheters Assembly Products

● Reduction in CO₂ emissions

Year-on-year
-139t-CO₂

Value Provided to Society

Reduction in environmental impact

Innovations in information & communication technology

Providing minimally invasive medical equipment

Improvements in daily safety and comfort

Improved traffic and transport

Improved, more resilient social infrastructure

Human resource training making the most of diversity

Building of a fair working environment

— Addressing social issues —

Related SDGs*



* SDGs: Abbreviation of Sustainable Development Goals. These were adopted by the United Nations in 2015 as common goals for 2030, to confront issues such as poverty and climate change.

Achieving Our Mission

► Corporate Mission

At Yokowo, we consider our corporate mission to be “to create a sustainable society, Yokowo responds to the needs of advanced companies that are undertaking structural reforms, and helps to create the future by offering high-quality products backed by its core technologies.”

Yokowo's Manufacturing

The Yokowo Group actively incorporates cutting-edge technologies while reaching greater heights with its core technologies, such as micro precision processing technology, antenna technology, and microwave (high frequency) technology, providing a wide variety of original products for the world's leading companies.

Furthermore, Yokowo is promoting innovation each and every day in the production process to achieve high levels in terms of quality, cost, delivery and safety (QCDS).

Cutting-Edge Research and Development

Basic Research

Microwave Technology

Amid the development of automated driving and 5G (5th generation mobile communications systems), microwave technology is becoming increasingly more important in the fields of vehicle communication and semiconductors. Yokowo is progressing with the establishment of the world's highest-level microwave technology in terms of both communication and semiconductor testing.

Process Development

Micro Precision Process

In addition to the world's highest-level micro precision processing technology, Yokowo is strengthening its competitiveness in precision plating and MEMS processing.

Production Process

All major elemental technologies are developed within Yokowo's production engineering department, which also promotes AI applications in production and quality control.

Design Process

Yokowo is establishing an integrated system from design to maintenance that utilizes multiple use of 3D computer-assisted design information.

Commercialization Research

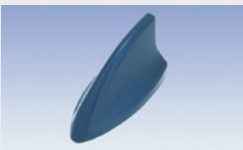
Yokowo has established a system in which the R&D department, the process technology department and the department responsible for new product development and commercialization can work together closely. By incorporating cutting-edge technologies in collaboration with other companies and universities, Yokowo is also promoting product evolution and a multi-layered business structure.

Applied Research

- System proposals related to building social platforms that utilize wireless technology and software development capabilities
- Development of high-speed optical communication devices and connectors, and automatic testing technology for wireless antennas incorporated in semiconductor devices essential for the evolution in automated driving and 5G
- Turnkey system proposals for semiconductor testing tools

Multi-Layer Building Products

Vehicle antennas



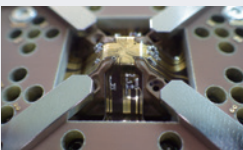
Software applications



Semiconductor testing



High frequency device testing



Connectors for electronic devices



Medical devices



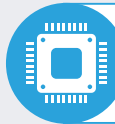
Fields for Product Roll-Out

Expand and Strengthen



Vehicle Antennas

- Automated driving systems



Semiconductor Testing Tools

- 5G
- Turnkey



Connectors for Electronic Devices

- Small, low profile, waterproof, high current



Medical Devices

- Precision parts
- Assembly products

Strategic Development



Social Platforms

- Car sharing
- Drones



High Frequency Device Testing

- Amps
- Filters



Optical Communications

- Connectors
- Photoelectric conversion



Precision Plating

- Wet
- Dry

The world's number one manufacturer for high-frequency, wireless applications, and precision parts

Yokowo's Materiality

In 2020, Yokowo identified our materiality as a Group. This clearly states management's will and the contribution to society made through our business activities, and incorporates the desire of our management to "make Yokowo a good company."

Through the promotion of innovation and reforms to business models, we are both sustainably growing our business, and contributing to the environment, society, and diversity.

"Make Yokowo a good company" — Three Wills

- Be a company that customers and their customers feel comfortable working with
- Be a company that society (including local communities) and its business partners feel comfortable interacting with
- Be a company where employees and their families feel comfortable being employed

Process to Identify Materiality

Specific processes are as follows:

- (1) List themes considered by the company or its stakeholders to be important based on management policies, medium-term management plans, specific materiality by SASB industry, etc.
- (2) Refine themes and set targets through workshops with General Managers of business divisions and Chief Officers of business strategy divisions.
- (3) After reviews by the Board of Directors including outside directors and outside Audit & Supervisory Board Members, approval of items and KPIs.
- (4) Organize the relationship with CSR issues, and clearly detail the specified results in the integrated report and on the website.

Be a company that customers and their customers feel comfortable working with

● Establishing the "Yokowo Quality Brand" focusing on the highest quality, and on zero hazardous chemical substances

- High quality, high productivity, and reduced environmental impact resulting from reforms in production processes through the New 5S (Simple, Slim, Small, Short, Smooth) Concept, and through AI
- Enhancing a research and development system that promotes more in-depth and advanced world-class micro precision processing and microwave (high frequency) technologies, as well as reducing our environmental impact through the development of ultra-compact, energy-saving products
- Utilizing our antenna and software technologies to break into the field of MaaS
- Promoting the F0 Conference and other quality improvement activities
- Integrated management of technologies using PLM, and improvements to quality pre-verification functions using digital twins
- Reducing environmental impact through our business activities
Promotion of recycled materials in plastic molding, and reductions in waste
Moving to plastic-free packaging and transport pallets, and conversion to biodegradable plastics
Recycling of cutting oils, etc. (joint research with universities)
Establishment and operation of Green Procurement Guidelines

● Contributions to treatment of illnesses and rare diseases

- Development of innovative medical devices through the use of our world-class micro precision processing and microwave (high frequency) technologies
- Industry-academia open innovation (Gunma University, University of Tsukuba, Tokai University, Kobe City Medical Center General Hospital, UCLA, etc.)
- Construction of an ecosystem with universities, hospitals, and startup businesses (startup ecosystem)

● Contribution to the conservation of biodiversity

- Climate change (reductions in greenhouse gases)
- Water resource management (reductions in water usage, improved wastewater treatment)
- Resource recycling (reductions in waste quantities, promotion of zero emissions)

● Strengthened compliance and governance

- Strengthened risk management (establishment of Business Risk Management Committee, disclosure of major risks)
- Achieving fair market competition (setting of Group rules, and monitoring of compliance)
- Avoidance of corruption, bribery, and anti-competitive behavior

[Related SDGs]



[Activity theme] Environment

More

Be a company that society (including local communities) and its business partners feel comfortable interacting with

● Dialog with local communities and contributions to their development

- Employment of local residents
- Donations to local governments, and sponsorship of local events
- Donations to Tomioka City in Gunma Prefecture and Kita City in Tokyo to support medical facilities to treat COVID-19
- Trash cleanup activities around the Tomioka plant
- Participation in Eco Cap activities
- Tomioka City Educational Fund, Tomioka World Heritage Exhibition Maintenance and Management
- Agreement on Gunma University Industry-academia Collaboration
- Donations to the Rotary Yoneyama Memorial Foundation and Disaster Relief Funds through the Tomioka Rotary Club
- Through the Tomioka Chamber of Commerce & Industry, work in collaboration with the municipal government to promote solutions to local issues
- Education assistance for elementary, junior high, and high schools
- Contribution to local revitalization through expanded hiring of foreign staff in the Tomioka area (utilizing TISP)

● Fulfilling social responsibility throughout the supply chain

- Fair and equitable selection, and compliance with the Subcontracting Law
- Building relationships as an equal partner
- Building a checking system to eliminate unethically mined resources, etc. (conflict minerals monitoring system)
- Multi-layered product sites (Vehicle Communication Equipment segment: establishment of a third production base)
- Construction of a fault-tolerant supply network (duplicated lines and networking)
- Strengthened support system with Tier 2 and Tier 3 suppliers

● Establishment of a global BCP system, and constant testing to improve its effectiveness

- Building of a check system in cooperation with local governments and NPOs to eliminate child labor and unethically mined resources, etc.

[Related SDGs]



[Activity theme]

Local Communities

Be a company where employees and their families feel comfortable being employed

● Promotion and development of workforce diversity and inclusion

- Promotion of the TISP (Tomioka International Specialist Park) concept
Employing around 100 specialists from overseas and establishing business management processes in which collaboration with overseas staff is considered normal will stimulate business activities that make the most of this diversity, and through improved living environments we will contribute to regional interaction and revitalization.
- Expansion and development of women's careers
Revising and promoting the action plan in accordance with the Revision of the Act on Promotion of Women's Participation and Advancement in the Workplace, and expanding and reinforcing this throughout the PDCA cycle
Revising and promoting the action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and expanding and reinforcing this throughout the PDCA cycle
Improving work-life balance by establishing on-site company nurseries
- Creating a workplace environment allowing all employees to play an active role regardless of age

● Achieving an appealing, rewarding work environment

- Improving work-life balance by establishing a teleworking system
- Improving work-life balance by encouraging employees to take annual paid leave
- Improve employee satisfaction by expanded support for injury and illness prevention and treatment
- Establishment of awards system, including for social contributions
- Get-together Interactive meetings (product technologies, production technologies, QC)
- Establishment of a global employee promotion and HR treatment system
- Establishment of an Advanced Technical Research and Development Center to provide an appealing working environment for technical personnel
- Offering advanced technical training opportunities (AI and other graduate education, business school, external research organizations)

- Expanding long-term training and apprenticeship programs in Japan for employees in locations overseas thus improving their abilities, and strengthening the business mindset of Japanese employees through interaction with these employees

[Related SDGs]



[Activity theme]

Diversity and Inclusion

advanced business activities and social contribution
GO BEYOND~Challenge the Next Stage~

▼ Targets and performance indicators for materiality

Targets for 2030			
	Materiality	Performance Indicator	Target Value
Be a company that customers and their customers feel comfortable working with	Establish Yokowo as a quality brand by using the highest quality, and by a move to zero hazardous chemical substances	Number of innovative medical devices created backed up by IP (annual)	5
		Establishment of micro precision and microwave laboratories	Established
	Contributions to treatment of illnesses and rare diseases	Number of treatments provided to the field of rare diseases with low patient numbers and without established treatment methods (annual)	3
	Contributing to the conservation of biodiversity	Greenhouse gas emissions (basic units)	10% reduction over FY2020
		Water usage (basic units)	10% reduction over FY2020
		Generated waste (basic units)	10% reduction over FY2020
	Strengthened compliance and governance	Number of major compliance violations (annual)	0
		Training participation rate (annual)	100%
Be a company that society (including local communities) and its business partners feel comfortable interacting with	Dialog with local communities and contributions to their development	Number of community service projects undertaken (annual)	10
	Fulfilling social responsibility throughout the supply chain	Violations of the Subcontracting Law	0
	Establishment of a global BCP system, and constant testing to improve its effectiveness	BCP strategy-based best mix of overseas and domestic production	BCP certification
	Building of a check system in cooperation with local governments and NPOs to eliminate child labor and unethically mined resources, etc.	In-house checks, and actively contributing to the promotion of fair labor practices through collaboration with NPOs in each country	NPO cooperation activities 5 (annual)
Be a company where employees and their families feel comfortable being employed	Promotion and development of workforce diversity and inclusion	Ratio of female leaders (overall ratio of female employees who are section heads or higher)	Comparable with levels for males
		Create a workplace environment allowing all employees to play an active role regardless of age	Employment age limit 70 and above
		Number of TISP hires	120
		Ratio of employees with disabilities	150% of legally stipulated ratio
	Achieving an appealing, rewarding work environment	Percentage of annual paid leave taken	90%
		Number of on-site company nurseries established	3
		Number of workplace accidents (annual)	2
	Expanding long-term training and apprenticeship programs in Japan for employees in locations overseas thus improving their abilities, and strengthening the business mindset of Japanese employees through interaction with these employees	Number of overseas long-term trainees nominated (annual)	20

VOICE

Towards building a startup ecosystem that solves the challenges facing the healthcare industry, and contributes to the achievement of SDGs

Hiroshi Igahara

Executive Officer cum General Manager,
MD Business Division



“Make Yokowo a good company.” This phrase is always being repeated by Yokowo’s President Takayuki Tokuma, and represents guiding principles for officers and employees when making daily management and business decisions.

At Yokowo, we started our Medical Devices business in 2006. The key leader in starting up this business was President Tokuma, who was at the time working as an officer in charge at the Management Planning H.Q. for new businesses. This includes a strong desire to link our core technologies directly to making a contribution to society. In 2017, I was appointed to the position of General Manager of the MD Business Division. While contributing to society through our business, I wanted every single employee to feel a sense of fulfillment in playing their parts. At the same time, I realized the difficulty of achieving this on our own.

It was at this juncture that we met Kazuya Shobayashi, the CEO of Biomedical Solutions Inc. In exchanging opinions with Mr. Shobayashi about the medical industry in Japan, we shared issues such as Japan lagging behind in developing medical device ventures, and Japan’s medical industry being heavily dependent on imports—we agreed to work together in order to resolve these issues.

During our discussions, in which I included stories of my own experience in start-up business investment and M&A, Mr. Shobayashi presented a proposal for a startup ecosystem as a framework for the domestic development of medical devices at the Council for

Promotion of the Next-Generation Medical Equipment Development sponsored by the Cabinet Secretariat in 2018. In full agreement with this, Yokowo has assumed a role as the manufacturing partner in this venture in order to bring these innovative product ideas to reality.

With Mr. Shobayashi, universities, and venture capital developing the vision and concepts, they have come up with plenty of product ideas, centered around innovative developments, with many related to the treatment of rare diseases. For Yokowo, 2020 has already seen cooperation started with three medical device startups (investment completed in two, and under consideration in one), and we plan to begin cooperation with several more companies within the year. At present, this initiative is situated as an important part of our future strategy for our Medical Device business.

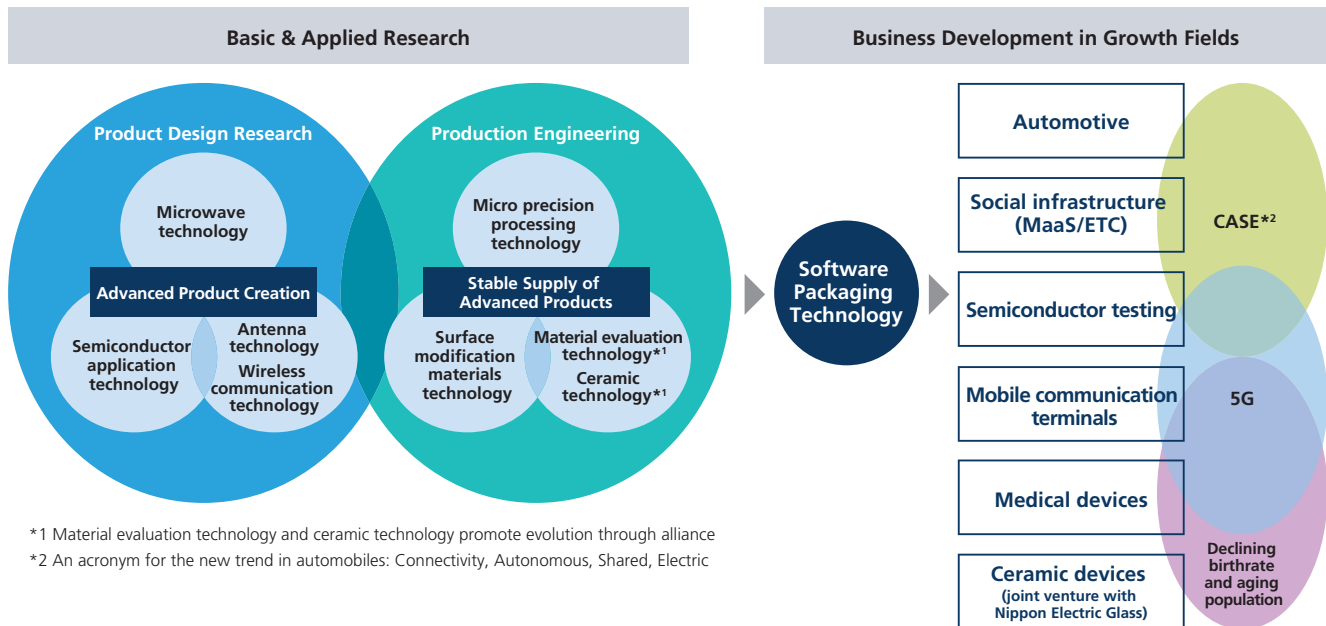
Regarding this initiative, we have heard from an external director that “startup ecosystems are fundamental to SDGs,” and from many members of business divisions that they felt they were contributing to society more than as in their daily business, and that these gave them a sense of fulfillment. For myself, I am convinced that these initiatives will help bring about both a better company, and a better society.

Looking forward, while working together with various parties in the medical industry, I am determined to fulfill my responsibilities as the leader of the business in contributing to bringing this startup ecosystem to success.

Research and Development

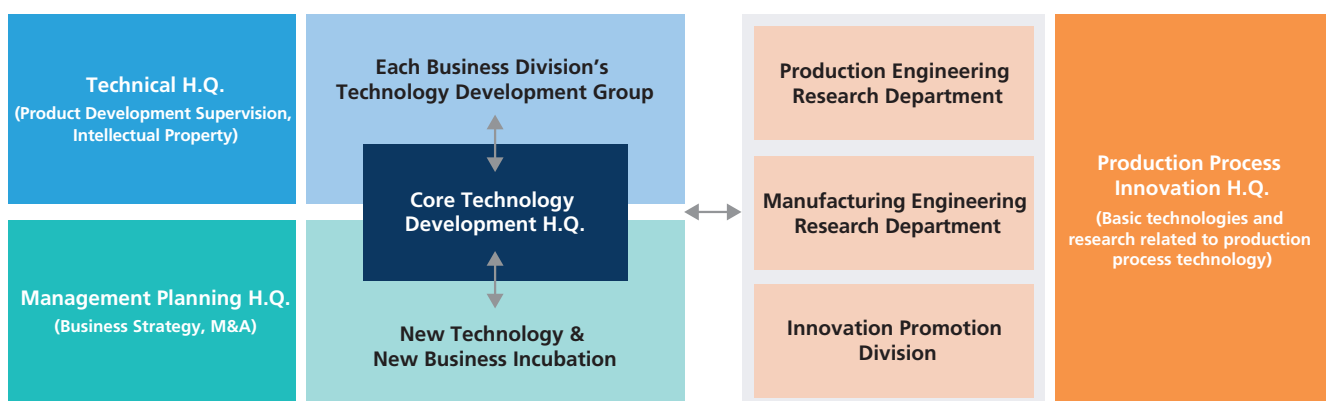
The Yokowo Group has set the five fields of micro precision processing technology, microwave (high frequency) technology, antenna technology, surface modification materials technology, and semiconductor application technology as the Company's core technologies supporting its competitiveness in the marketplace. Through greater sophistication and wider use of all its technologies, Yokowo is building a multi-layered business structure to create innovative, high-tech products.

Research and Development Policy



Product design R&D and production R&D form the wheels of a car in Yokowo's basic and applied research. With the two running in sync Yokowo is able to create advanced products at the cutting edge, providing a stable supply to the Company's customers.

Research and Development System



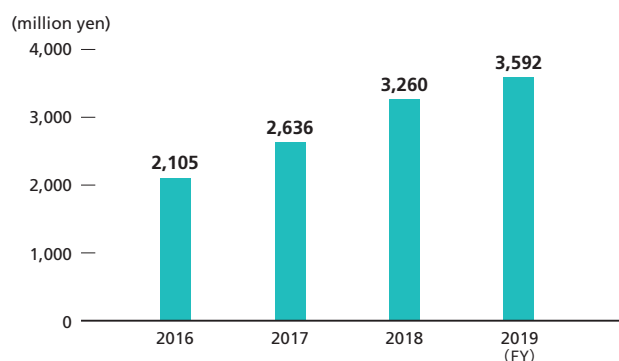
The Core Technology Development H.Q. is in charge of the research and development of technologies, such as high-frequency, micro precision processing, and MEMS technologies, needed to give our products a competitive advantage. Whereas the engineering departments in each business division are in charge of developing applications for new products with the Technical H.Q. overseeing the whole product development process. Likewise, the Production Process Innovation H.Q. is in charge of research related to the production process, and the Management Planning H.Q. is in charge of new technology and new business incubation.

R&D Investment

Based on the Yokowo Group's company-wide growth strategy, the R&D department, the business division's technology department, and local development centers work together to promote research and development centered on the Company's core technologies. In particular, Yokowo is focusing on the research and development of new technologies and new products with an emphasis on developing products with a higher degree of technological integration and increased added value.

In the fiscal year ended March 31, 2020, Yokowo invested 3.59 billion yen in research and development, and plans to wholeheartedly strengthen its R&D activities in the next fiscal year and beyond.

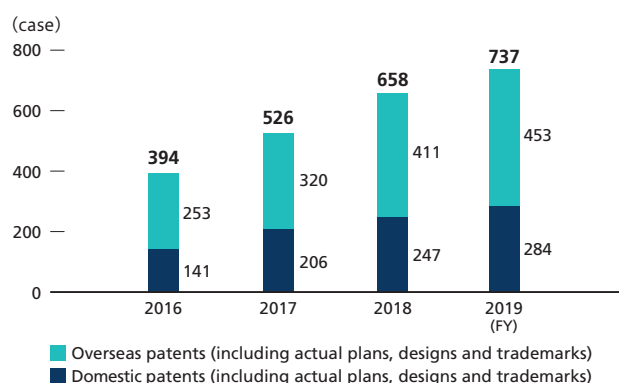
▼ R&D expenses



Intellectual Property Rights

With its sights set squarely on target business fields and business development for intellectual property, Yokowo is strengthening the foundations of its intellectual property, the cornerstone of its business strategy, by steadily increasing the number of patents it holds in Japan and overseas and by making use of licensing agreements, etc.

▼ Patents held



Main R&D Themes

Over the medium to long term, Yokowo's main markets, namely the automotive, semiconductor testing, mobile communication terminals, and medical device markets, are expected to grow in size due to: advances in new eco-friendly vehicles such as plug-in hybrids and electric vehicles as well as advanced driver-assistance systems (ADAS) and automated driving; the actualization of new semiconductor demand for next-generation high-speed, large-capacity communications typified by 5G; the rise of next-generation products such as wearable devices; and the spread of minimally invasive treatment and advances in genetic testing technology. The main R&D themes for each segment related to the above markets are as follows:

Vehicle Communication Equipment

- Antenna system for V2X*³ essential for ADAS*⁴ and automated driving

*³ Vehicle-to-everything communication. E.g. Vehicle to vehicle, road, pedestrian

*⁴ Advanced driver-assistance system

- Technology development for communication systems, equipment and devices for the CASE era

Circuit Testing Connector

- Development of test sockets for high current compatible ICs and high-speed, high-frequency ICs
- Research and development on better performance and durability, e.g. probe surface modification technology
- Development of new probe cards to keep pace with narrower semiconductor pitch, more pins, and higher speeds and frequencies

Vehicle Communication Equipment

Fine Connector business

- Development of high rated connectors
- Development of optical connectors for high-speed optical communication

Medical Device business

- Joint development of new minimally invasive medical equipment and testing systems with universities and medical institutions in Japan and the United States that utilize micro precision processing technology and microwave technology

Product Technology

The Yokowo Group develops a whole range of innovative products based on its unique technological capabilities built up over many years, supplying electronic, electrical and automotive manufacturers around the world.

Innovative Product Development through the Fusion of Yokowo's Technologies



By combining Yokowo's production engineering for increased production efficiency with its core technologies of micro precision processing technology, microwave (high frequency) technology, antenna technology, and surface modification materials technology, the Company is able to develop products with innovation and creativity. Amassing technical expertise with greater sophistication, Yokowo remains committed to the fundamental research and development of new core technologies.

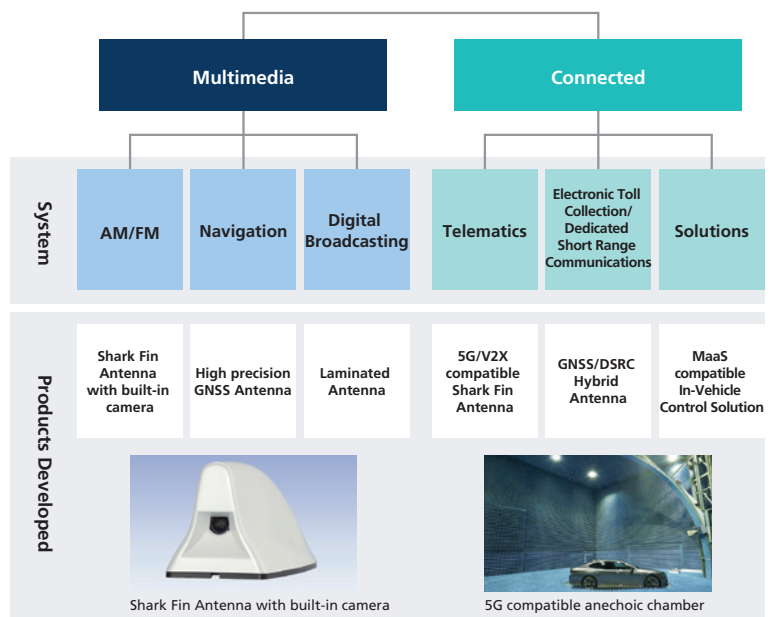
Through these unique technologies, Yokowo manufactures a whole range of innovative products such as: vehicle antennas; testing tools for semiconductors and electronic components; connectors for electronic devices; and medical devices. Yokowo continues to supply these products and more to the automotive, semiconductor testing, mobile communication terminals and medical device markets.

Automotive Market

To meet the needs required for smaller, multi-use, lower profile, smart vehicle antennas, Yokowo is developing antenna systems that support next-generation vehicle communication by making full use of modular technologies as well as the antenna and microwave technologies Yokowo has built up over many years.

Along with Yokowo's state-of-the-art facilities, including an electromagnetic field simulator and an anechoic chamber for measuring millimeter-wave frequencies (up to 40GHz) in 5G communications, Yokowo makes full use of its world-leading technological prowess to manufacture innovative, industry-leading products.

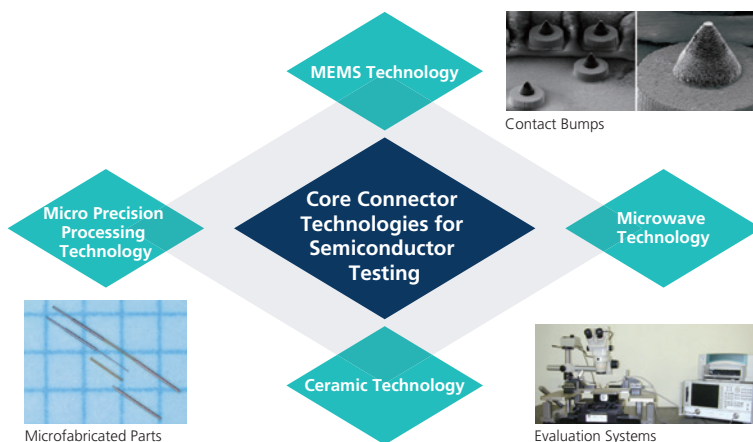
▼ Vehicle Communication Equipment Business Domain



Semiconductor Testing Market

More than ever before semiconductors and electronic components are required to have faster speeds, higher frequencies, and better integration, with similar expectations also for the testing process. By making full use of MEMS technology, in addition to Yokowo's micro precision processing and microwave technologies developed over many years, Yokowo develops and supplies products globally in all areas of high-speed, high-frequency as well as front- and back-end testing processes.

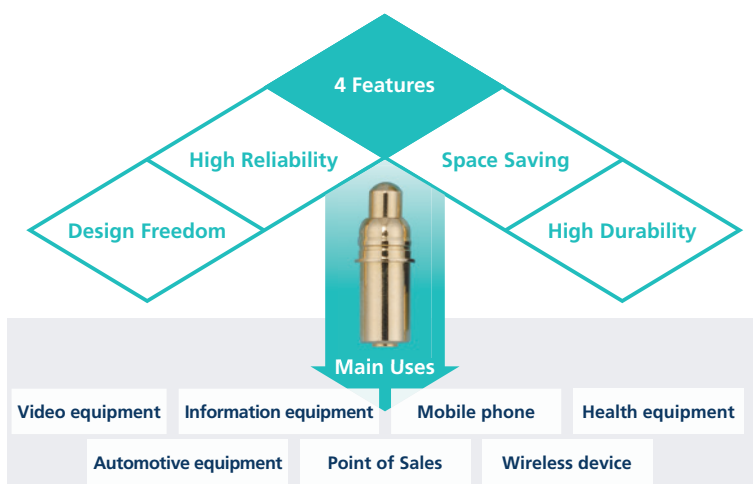
▼ Circuit Testing Connector Business Domain



Mobile Communication Terminal Market

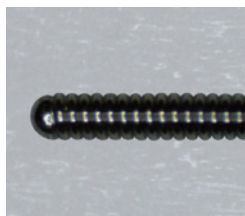
In the rapidly expanding mobile communications terminal market, there is an increasing need for detachable, low profile space-saving connectors with detachable durability and environmental worthiness becoming even more important in commercial information devices. Yokowo's proprietary spring connectors accurately capture these market needs, becoming used more widely in a variety of applications.

▼ Features and Main Uses of the Spring Connector



Medical Device Market

Yokowo is making full use of technologies such as micro precision processing, coating, assembly, as well as product design and evaluation to develop such products as OEM guide wires, catheters and other items in the field of minimally invasive medical equipment. Yokowo possesses its own equipment and manufacturing lines to provide a complete service from product processing and finished product assembly to hydrophilic coating, packaging and sterilization. In the assembly process, various connections methods can be selected depending on the product's use.



Enlarged Figure of Hydrophilic Coating



Assembly of Esophageal Temperature Probe



Tip Terminal of Catheter



Radiopaque Marker



Coil for Guide Wire

CSR Foundation

In recognition of its social responsibilities and constant aim to enhance corporate value, the Yokowo Group has established a CSR promotion system so that it can meet the expectations of all its stakeholders and carry out reliable corporate activities, as well as expand its business activities as a trusted company.

Approaches to CSR

The Yokowo Group will aspire to increase corporate value, and to both fulfill our responsibilities towards employees and our shareholders, and contribute to the development of a sustainable society.

To achieve these goals, we have put forth its Policy on Corporate Social Responsibility and its CSR Code of Conduct, which together define the “Orientation of Activities” and “Guiding Principles.”

Details of CSR Activities

The Yokowo Group has its origin in the manufacture of micro precision components, and we are currently developing a variety of products that utilize our micro precision processing and wireless communication technologies. As such, we are developing business activities centered around the manufacturing industry, positioning energy consumption and CO₂ emissions as issues of utmost concern, and are thus promoting our global environmental preservation activities. We have also been actively involved in activities that contribute to local communities, including supporting the development of local human resources and the development of local industries.

At the Yokowo Group, as well as clarifying the ideas that will serve as the foundation for the further promotion of our CSR activities, we have carried out a materiality analysis with the concept of “Yokowo in 10 Years” in mind, and identified three priority issues. We feel that actively working to solve these problems will lead to the making our corporate mission of “contributing to a sustainable society” to realize.

Looking forward, we hope that our stakeholders will continue to consider that “Yokowo is a good company.” To this end, the Yokowo Group will strengthen our initiatives in non-financial fields, aiming to constantly increase our corporate value, and striving to contribute to the development of a sustainable society.

Three Priority Issues

Themes extracted and analyzed using our materiality identification process (→ P.20) are broadly categorized into what are considered the three priority issues of “environment,” “local communities,” and “diversity and inclusion.”

Environment

To ensure that future generations inherit a healthy planet, the Yokowo Group recognizes that conducting business activities in harmony with the global environment is an essential responsibility for a corporation, and all the Group companies implement a range of global environmental preservation activities on an ongoing basis.

Local Communities

Given the trend towards the advanced information society in which the Yokowo Group finds itself, it is essential that the Group maintains harmony with local communities in order to continuously carry out its business activities. We feel that ongoing support and development activities for local communities including educational support for local human resources, active participation in local events and activities, and harmonious coexistence with business partners is important to gain the appreciation of the community, and to develop alongside it.

Diversity and Inclusion

The Yokowo Group believes that an environment in which all Group employees, without regard to gender, ethnicity, or other factors, can actively participate in their work is the driving force behind our growth as a company. In this approach, as well as working in hiring and training human resources, we are also promoting diversity and inclusion.

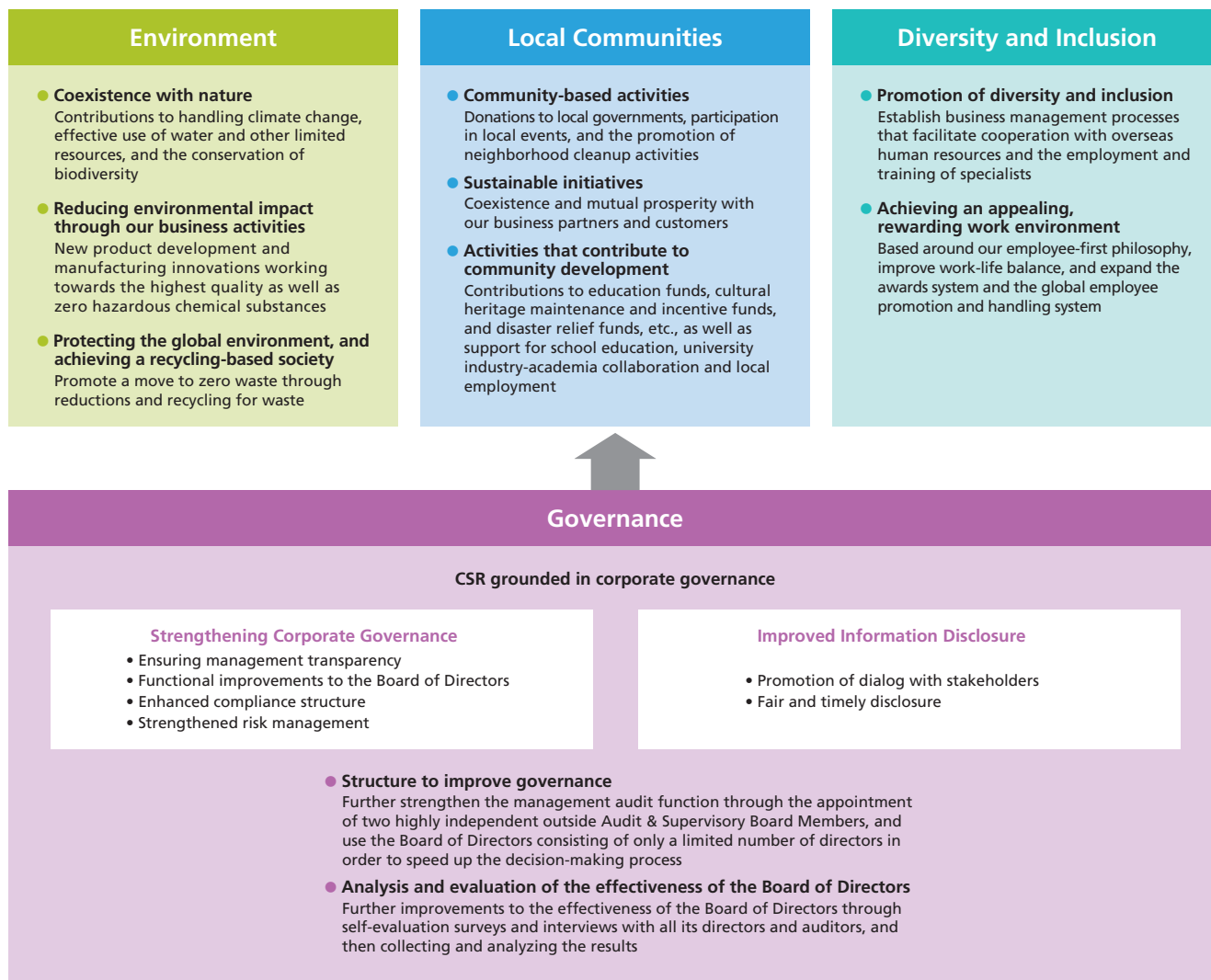
Basic Policy on Corporate Social Responsibility (CSR)

In order to further clarify the orientation of its CSR activities, the Yokowo Group has formulated basic policies for each of the three priority issues. Additionally, we have positioned governance as a “fundamental part of CSR,” and plan to

expand the content of our activities by incorporating this into our CSR framework.

Additionally, the Yokowo Group will position these approaches to CSR together with the three priority issues as basic policies, and contribute to the development of a sustainable society by engaging in activities having an impact on the economy, environment, and society in a transparent manner and with a high sense of ethics.

▼ Basic policies for three priority issues, and expanded policies for governance



Corporate Governance

The Yokowo Group aims to achieve its management goals by ensuring management efficiency, transparency and compliance through the continuous strengthening of its corporate governance, positioned as one of the Group's important management challenges.

Basic Principles Concerning Corporate Governance

Recognizing that Yokowo exists today through the support of its various stakeholders, the Group positions strengthening corporate governance as one of its important management challenges. As well as building smooth relations with its stakeholders, the Group aims to maximize corporate value through further enhancing its corporate governance.

Corporate Governance System

Yokowo is a company with auditors and has a system of corporate governance consisting of; a Board of Directors responsible for management strategy and supervisory functions, an Executive Officer system that fulfills business execution, and an Audit & Supervisory Board that performs management audit functions.

Board of Directors

To speed up the decision-making process, the Board of Directors consists of only a limited number of directors (3 internal and 2 outside directors). The Company has appointed two highly independent outside directors to further strengthen the management supervisory function.

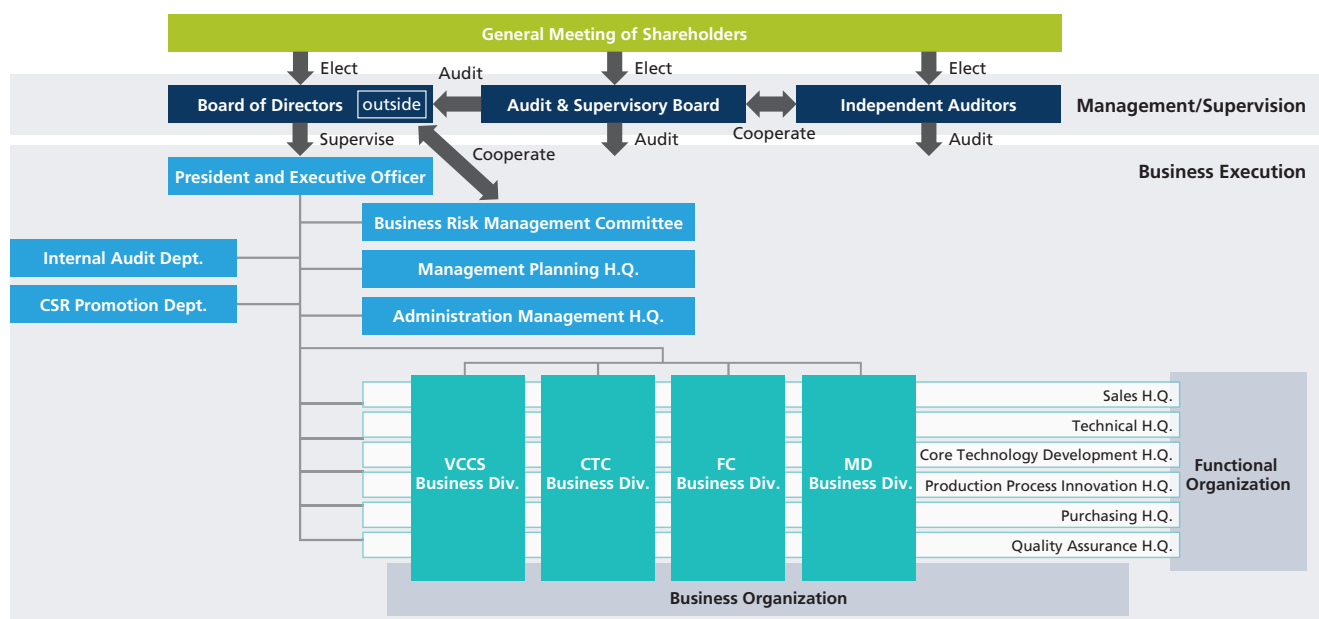
Audit & Supervisory Board

In addition to one full-time internal Audit & Supervisory Board Member with sufficient knowledge in finance and accounting, the Company has appointed two highly independent outside Audit & Supervisory Board Members to further strengthen the management audit function.

Executive Officers

By adopting the Executive Officer system, the strategic decision-making and operational supervisory functions are clearly separate from the executive function, creating a system for prompt and appropriate execution of operations. In addition to three internal directors, the Company has appointed nine executive officers in the positions of Chief Officer, General Manager, and General Manager at Tomioka plant, etc.

▼ Corporate Governance Structure (As of October 1, 2020)



Initiatives to Improve Governance

With a limited number on the Board of Directors, the board can make quick decisions. Yokowo will continue to strive to further improve the transparency of the decision-making process.

As well as sharing information and exchanging ideas in advance of the Board of Directors' agenda, the Company's outside directors share, to a necessary extent, matters of deliberation and reports from the Audit & Supervisory Board.

Full-time internal auditors ensure compliance and appropriateness by attending important monthly meetings to regularly monitor how business is carried out.

Furthermore, the Company has established the Business Risk Management Committee as an organization under the direct control of the President. Its aim is to strengthen the Company's competitiveness and ability to manage risk, such as by forming alliances through joint ventures, mergers and acquisitions to further advance business, and by verifying the profitability of large-scale investments. In addition to regular reports to the Board of Directors, the Committee conducts activities in close cooperation with the outside directors.

Analysis and Evaluation of the Effectiveness of the Board of Directors

Since 2016 Yokowo has been conducting self-evaluation surveys and interviews with all its directors and auditors, collecting the results and analyzing them.

For the surveys and interviews carried out in June 2020, the effectiveness of the Company's Board of Directors was deemed to be, on the whole, sufficient. Nonetheless, Yokowo will systematically work on improvements and measures on all issues and demands to further improve the effectiveness of the Board of Directors.

Director and Executive Officer Compensation

Policy on Determining Director and Executive Officer Compensation

With regards to compensation for the directors of the Company, an upper limit for the total compensation in each business year is set by resolution at the General Meeting of Shareholders. Compensation for individual directors is then determined within the bounds of the upper limit by resolution at the Board of Directors.

In the same way, with regards to compensation for the auditors, an upper limit for the total compensation in each business year is set by resolution at the General Meeting of Shareholders. Individual compensation is then determined within the bounds of the upper limit through consultation with auditors.

Compensation for Directors

Compensation for the Company's directors consists of both a fixed compensation and executive bonus in monetary terms.

Based on guidelines set in advance through internal regulations, the amount of fixed compensation is prepared by the President after taking into consideration the business results of the previous fiscal year, the management plan of the current fiscal year, and the roles of each director, etc. Fixed compensation is then deliberated on and decided by the Board of Directors.

Executive bonuses are payable only to internal directors who are executive directors. Bonuses, and the total bonus amount, are determined based on consolidated operating profit for each consolidated fiscal year. The President initially decides bonus amounts taking into consideration both the duties and results of each internal director. Bonuses are then deliberated on and decided by the Board of Directors.

As a general rule, internal directors are obliged to contribute a certain amount or more of their fixed compensation to the Executive Shareholders' Association every month as stipulated by internal rules. Directors shall, in principle, while in their position of director, hold their shares and not sell them.

Compensation for Auditors

Compensation for auditors is limited to a fixed compensation in monetary terms. The amount of fixed compensation is determined by discussion among the auditors at the Audit & Supervisory Board meeting held immediately after the General Meeting of Shareholders, taking into consideration the duties and roles of each auditor and based on guidelines stipulated in internal rules.

In the event of bonuses to auditors, these are paid after approval at the General Meeting of Shareholders.

▼ Compensation Figures

	Upper Limit (annual)	Fiscal 2019		
		Fixed Compensation	Executive Bonus	Total
Directors (outside)	280 (20)	130 (12)	34 (—)	164 (12)
Auditors	40	30	—	30
Total	320	160	34	194

Directors, Auditors and Executive Officers

(As of June 25, 2020)

Board of Directors



Takayuki Tokuma

Representative Director,
President and Executive Officer

Attendance rate at Board of
Directors Meetings:
16/17 times (94%)

Number of
Company shares held:
255,595 shares

August 1988 Joined the Company
June 1995 Director
June 2003 Executive Officer
June 2004 Managing Director
June 2006 Director, Managing Executive Officer
April 2007 Representative Director, President and Executive Officer (to present)

Mr. Takayuki Tokuma has led the business expansion/evolution of the Company's primary businesses, including the development/sales expansion of micro antennas as General Manager/Company President for the Vehicle Communication Equipment business, as well as advancing into the BGA socket area in the Circuit Testing Connector business, promoting overseas sales of the Fine Connector business and overseeing the start-up of the Medical Device business, and thus has a thorough understanding of all Group businesses.

Moreover, he supervises the whole Group as President and Executive Officer, under the slogans of "multi-layered business" and "permanent evolution."



Kouichi Fukagawa

Director,
Senior Managing Executive Officer

Attendance rate at Board of
Directors Meetings:
17/17 times (100%)

Number of
Company shares held:
49,924 shares

April 2005 Joined the Company
June 2006 Executive Officer
June 2013 Managing Executive Officer
June 2015 Director, Managing Executive Officer
June 2016 Director, Senior Managing Executive Officer (to present)

Mr. Kouichi Fukagawa has led business acquisitions, introduction of new technologies, and the acquisition of new customers for the Circuit Testing Connector business. He has also contributed to the establishment/enhancement of the information security structure as Chairman of the Information Security Committee, and promoted the acquisition of ISO 27001 certification (the international standard for information security) for the Company and its major subsidiaries.

He has been leading enhancement of the Group's base, including corporate governance, compliance and CSR (Corporate Social Responsibility) activities, as well as prevention countermeasures against COVID-19, as the Executive Officer in charge of Management Planning and Administration Management H.Q. since February 1, 2020.



Kenji Yokoo

Director,
Managing Executive Officer

Attendance rate at Board of
Directors Meetings:
17/17 times (100%)

Number of
Company shares held:
87,807 shares

April 1985 Joined the Company
June 2007 Executive Officer
April 2017 Managing Executive Officer
June 2017 Director, Managing Executive Officer (to present)

Mr. Kenji Yokoo has successively held important posts in the Vehicle Communication Equipment business and the Company's mainstay business, and has made a significant contribution towards the Company's business expansion by taking the initiative in developing new accounts with customers who are now major clients.

As Chief Officer of Administration Management H.Q. after the collapse of Lehman Brothers, he has played a leading role in enhancing the Company's global framework by promoting measures for company-wide profit structure reform and personnel innovation (Innovations in Human Resources).

Since February, 2020, he has been the Executive Officer in charge of the Vehicle Communication Equipment business, of which he has thorough understanding, and is placing the highest importance on rebuilding the profit structure of the business.



Kuniko Muramatsu

Outside Director

Attendance rate at Board of
Directors Meetings:
17/17 times (100%)

Number of
Company shares held:
0 share

October 1983 Joined Texas Instruments Japan Limited
September 2009 Resigned from Texas Instruments Japan Limited
January 2010 Representative Director, Wellness Systems Institute (to present)
June 2016 Outside Director of the Company (to present)

<Concurrent positions in companies and organizations other than the above>
Outside Director, NEC Networks & System Integration Corporation (to present)
Outside Director, Kyushu Railway Company (to present)
Senior Counselor, Japan Professional Football League (J. League) (to present)
Senior Researcher, Business Ethics Research Center (to present)

Ms. Kuniko Muramatsu held various posts including General Manager of the Public Relations Department, Member of the Business Strategy Team, General Manager of the Corporate Ethics Office and the officer in charge of diversity promotion at a foreign-affiliated semiconductor maker and now runs her own company, which she established after resigning from the semiconductor maker. Utilizing her extensive experience, she is engaged in supporting the improvement of corporate ethics and the promotion of diversity, and continues to conduct practical research on corporate ethics.

At the Board of Directors' meetings, she actively speaks up about corporate ethics and diversity promotion from the perspective of corporate infrastructure and mid- to long-term issues.



Hajime Shioiri

Outside Director

Attendance rate at Board of
Directors Meetings:
13/13 times (100%)

Number of
Company shares held:
0 share

September 1970 Joined Japan Management Association
April 1980 Joined JMA Consultants, Inc.
Senior Consultant
July 1992 Resigned from JMA Consultants, Inc.
July 2016 Chairman and Representative Director, SENDAI MANAGEMENT Co., Ltd.
June 2019 Chairman and Executive Director, SENDAI MANAGEMENT Co., Ltd. (to present)
Outside Director of the Company (to present)

<Concurrent positions in companies and organizations other than the above>
Not applicable.

Mr. Hajime Shioiri has been engaged in business management consulting activities over the years. In corporate management, he served as a representative director of a major consulting firm and runs his own consulting firm. He has worked in a wide range of industries from metal manufacturing to retailing, and has been involved in a wide variety of important projects, including sales strategy planning, business restructuring support and M&A advice.

At the Board of Directors' meetings, he actively speaks up about the direction of business strategies and technological evolution from the perspective of mid- to long-term management issues.

Audit & Supervisory Board Members



Yasushi Mashimo

Audit & Supervisory Board Member

Attendance rate at Board of Directors Meetings: 17/17 times (100%)

Attendance rate at the Audit & Supervisory Board Meetings: 17/17 times (100%)

Number of Company shares held: 31,153 shares

June 1989 Joined the Company
April 2005 General Manager, Accounting Department
April 2006 General Manager, Public Relations and Equity Department
April 2008 General Manager, Internal Audit Department
June 2008 Audit & Supervisory Board Member (to present)

Since joining the Company, Mr. Yasushi Mashimo has been consistently engaged in the operation of the Accounting Department at H.Q. He oversaw control over the Company's management accounting and statutory financial reporting on a consolidated and nonconsolidated basis as Deputy Manager and General Manager of the Accounting Department. He was also responsible for IR, mainly for institutional investors, as General Manager of Public Relations and Equity Department, and served as General Manager of the Internal Audit Department. Based on his long-term experience in the accounting field, he is taking a leadership role in the audit work for the Group (including subsidiaries) as a full-time Audit & Supervisory Board Member who is familiar with the Company's business structure and flow and other related elements.



Tooru Furuta

Outside Audit & Supervisory Board Member

Attendance rate at Board of Directors Meetings: 17/17 times (100%)

Attendance rate at Audit & Supervisory Board Meetings: 17/17 times (100%)

Number of Company shares held: 0 share

April 1970 Joined Toshiba Denki Kigu Co., Ltd. (later renamed Toshiba Electric Appliances Co., Ltd.)
June 2000 Director and Head of General Affairs Department, Toshiba Electric Appliances Co., Ltd.
March 2005 Resigned from Toshiba Electric Appliances Co., Ltd.
July 2005 Representative Director, Gunma Sougou Staff Co., Ltd. (to present)
June 2009 Outside Audit & Supervisory Board Member (to present)

<Concurrent positions in companies and organizations other than the above>
Not applicable.

Mr. Tooru Furuta has a wealth of experience from consistently engaging in operations in the fields of personnel and general affairs, such as personnel affairs, recruitment, labor affairs, general affairs and compliance at a group company of a listed company, in addition to serving as a Labor Tribunal Commissioner from April 2007 through March 2016 while running the temporary staffing firm he founded.



Toshiaki Tochigi

Outside Audit & Supervisory Board Member

Attendance rate at Board of Directors Meetings: 17/17 times (100%)

Attendance rate at Audit & Supervisory Board Meetings: 17/17 times (100%)

Number of Company shares held: 0 share

April 1979 Registered as lawyer
May 1995 Established Nozomi Sogo Attorneys at Law, Partner Lawyer (to present)
April 2010 President, Daini Tokyo Bar Association Vice President, Japan Federation of Bar Associations
May 2011 Deputy Director, Political Federation of Japan Patent Attorney
June 2014 Outside Audit & Supervisory Board Member (to present)

<Concurrent positions in companies and organizations other than the above>

Outside Audit & Supervisory, Daikokuya Global Holding Co., Ltd.
Outside Audit & Supervisory, EPS Holdings, Inc.

Since admitted to the bar, Mr. Toshiaki Tochigi has contributed to the development of the legal profession over the years by establishing a law firm and serving on the board of directors of industry associations. He has handled a wide range of cases and has extensive experience in corporate law, including corporate governance, real estate transactions and other civil matters.

Executive Officers

Takayuki Tokuma

President and Executive Officer

Kouichi Fukagawa

Senior Managing Executive Officer cum Chief Officer, Administration Management H.Q.

Kenji Yokoo

Managing Executive Officer cum General Manager, VCCS Business Division

Katsuhei Yanagisawa

Managing Executive Officer cum General Manager, VCCS Overseas Plant

Mitsuaki Okazaki

Managing Executive Officer cum General Manager, Tomioka Plant

Shinji Kusano

Executive Officer cum Chief Officer, Production Process Innovation H.Q.

Tsuyoshi Sakata

Executive Officer cum Deputy Chief Officer, Technical H.Q. cum General Manager, VCCS Engineering Management Division

Hiroshi Igahara

Executive Officer cum General Manager, MD Business Division

Masaki Shimizu

Executive Officer cum Chief Officer, Quality Assurance H.Q.

Naohito Odani

Executive Officer cum Chief Officer, Technical H.Q. cum General Manager, CTC Engineering Department

Yoshiro Furumi

Executive Officer cum Chief Officer, Purchasing H.Q. cum General Manager, VCCS Manufacturing Department

Motoaki Matsuura

Executive Officer cum General Manager, FC Business Division

Diversity

Through the promotion of diversity and inclusion, the Yokowo Group is promoting the recruitment and development of human resources without regard to nationality, gender, or age, with the aim of becoming Team Yokowo, a “sustainably evolving company.”

Approaches to Recruitment

The Yokowo Group carries out recruitment based upon its corporate vision of “a sustainably evolving company that accumulates technology to contribute to society and meet the trust of customers, and challenges the creation of markets as a whole. Yokowo is a company united in commitment to discovering and creating new markets.” So that we can continue to be a sustainably evolving company, our goal is to build an appropriate personnel organization from a long-term perspective.

Strengthened Mid-career Hiring

The Yokowo Group corporate vision incorporates the message that “as Team Yokowo, by creating new products that incorporate cutting-edge advancements based upon the Group’s proprietary technology, we want to be a company that while evolving, achieves persistent growth.”

The Yokowo Group in principle enhances our workforce by hiring new graduates, however recent years have seen an increase in the ratio of mid-career hires supported by strong business performance. We are bringing together all employees who sympathize with this message, regardless of new graduate or mid-career hires, irrespective of gender, age, or nationality.

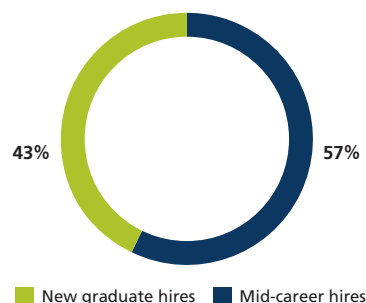
In the fiscal year ended March 31, 2020, mid-career hires comprised 57% of the total company-wide, meaning that we are a company at which both employees brought up with the Yokowo culture and those who have experience in other companies participate.

Central to our company’s ethos is a culture of “openness” in which new graduates as well as mid-career employees can succeed, and this is an environment in which they are evaluated fairly. In this environment, the accumulated experiences of each person can be utilized in the company, and these are being sublimated through free and open-minded discussions, thus leading to the business evolution and technical innovations necessary for a sustainably evolving company.



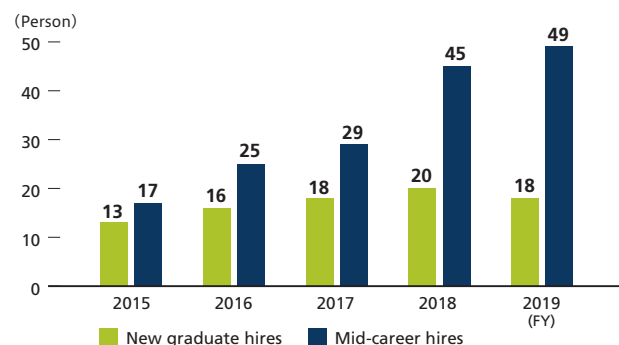
Foreign employees active in Yokowo Group

▼ Ratio of new graduate hires to mid-career hires* (As of end March 2020)



* Calculated as total registered with Yokowo

▼ Changes in new graduate hires and mid-career hires* (FY2015 to FY2019)



* Calculated per financial year as hires for Yokowo

Information Security

In our current networked era, we are seeing increasing worldwide demand for strengthened information security. The Yokowo Group constantly recognizes the importance of all the information assets and we promote information security activities globally to meet these requirements.

Approaches to Information Security

The Yokowo Group aims to ensure that it always recognizes the importance of all information assets handled thereby, including information provided by its customers and business partners, in order that the Group may continue to be a trusted member of society. To this end, the Group has stipulated and implemented its Information Security Policy in order to prevent all improper disclosure, divulgence, and unauthorized use of such information assets.

Information Security Policy (Overview)

1. Compliance
2. Framework
3. Management of Information Assets
4. Training
5. Preventing and Responding to Incidents

Enacted: April 1, 2013

* The full text of the Information Security Policy can be viewed on the Yokowo website.
<https://www.yokowo.co.jp/english/company/csr/security.html>

▼ Information Security Management Framework



Enhancement of Information Security

Under the Group's Information Security Policy, Yokowo recognizes the management of information security as one of the most important issues in business management. In order to manage the information assets appropriately, it has

constructed an information security management system (ISMS), and is working together with the entire Group to advance its information security activities.

In December 2014, Yokowo head office and its three domestic group companies acquired ISO 27001, the International Organization for Standardization (ISO)'s information security management system standard. Yokowo is also promoting the acquisition of this standard at its major sites.

Information Security Education

The Group considers the basis for information security to be for each individual employee to have a high level of awareness with regard to information management, and works to keep all officers and employees (including temporary staff) well informed regarding laws and regulations as well as corporate policy and rules, etc. governing information security.

Furthermore, Yokowo implements various activities in order to increase awareness of information management, such as carrying out yearly e-learning sessions on information security, and issuing all employees with an Information Security Handbook that details practices which should be followed during the course of everyday duties.

▼ ISO 27001 Certification Status

2014	YOKOWO CO., LTD., 3 Japanese subsidiaries
2016	Chinese subsidiaries (3 locations)
2017	Malaysia subsidiary

Protection of Confidential Information

Under its Information Security Policy, the Group has established confidentiality rules for the protection of confidential information, and disseminated these to the Group and all suppliers etc. engaged in Yokowo's business. Through compliance with these rules, Yokowo handles and protects, both strictly and appropriately, all information assets possessed by Yokowo, and information disclosed to it by its customers.

Occupational Health and Safety: OH&S

The Yokowo Group positions the management of health and safety of its employees as well as stakeholders in the Group's activities as the top priority issue for its management, and will pursue a workplace where they are able to work without undue concern by always securing their safety, and that will strive to promote their mental and physical health.

Approaches to Occupational Health and Safety

The Yokowo Group considers the internal and external issues faced by health and safety-related organizations and the needs of workers and stakeholders, including employees, cooperating firms, and visitors to the premises, then identifies risks and opportunities, establishes policies and targets, and promotes occupational health and safety activities.

Occupational Health and Safety: OH&S

1. The Group shall give first priority to the health and safety of Employees and Stakeholders and engage in ongoing activities by complying with laws and other requirements related to occupational health and safety.
2. The Group shall build, maintain and make continuous improvements of an occupational health and safety management system.
3. The Group shall strive to improve OH&S and reduce occupational health and safety risks by setting objectives based on the identification of hazards and the evaluation of the risks at the workplace.
4. The Group shall strive to increase the understanding and awareness of employees about occupational health and safety by providing the appropriate training to create a healthy and safe workplace environment.
5. The Group shall engage in continuous improvement activities to achieve the objectives by documenting the OH&S Policy as well as making it known to all Employees and publishing it to Stakeholders.
6. The Group shall strive to improve our OH&S performance by participation and consultation with our Employees.

Enacted: June 1, 2016 Revised: October 14, 2019

▼ Occupational Health and Safety Management Framework



Increasing Occupational Health and Safety Levels

With a rise in interest of the Stakeholders in OH&S issues as a backdrop, Yokowo has constructed an occupational health and safety management system (OHSMS), and is working to advance its OH&S efforts as the entire Group under the OH&S Policy.

In August 2020, YOKOWO CO., LTD. together with three domestic subsidiaries and two Chinese subsidiary locations acquired "ISO 45001" certification, the international standard for occupational health and safety management systems.

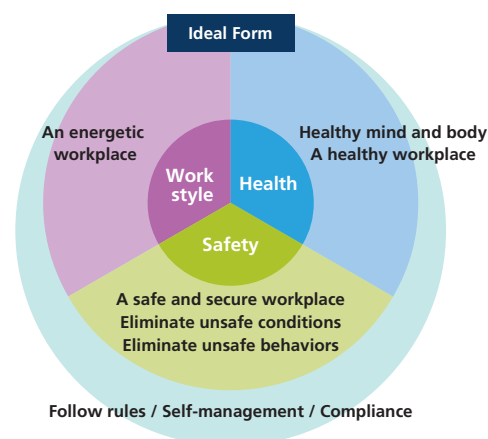
▼ ISO 45001 Certification Status

2020	YOKOWO CO., LTD., domestic subsidiaries (3 companies)
	Chinese subsidiaries (2 locations)

* OHSAS 18001 certification was obtained in 2016 in Japan and in 2017 in China, however this was transferred to ISO 45001 certification in August 2020.

Promotion of Occupational Health and Safety Activities

The Yokowo Group classifies its occupational health and safety initiatives into the three categories of safety, health, and work style, then conducts a risk assessment of each of these and carries out occupational health and safety activities.



Local Communities

Operating in a range of locales both within Japan and overseas, the Yokowo Group values our relationships with local communities, and is promoting multifaceted social action programs. As a company rooted in local communities, we will contribute to their development, and towards achieving a sustainable society.

On Contributing to Local Communities

As a member of local communities, the Yokowo Group is promoting a range of social action programs. Our aim is to develop alongside local communities, through activities that support their development, and initiatives that contribute to solving societal issues.

▼ Three Areas of Activities



Community-based Activities

Tomioka Donto Festival (Tomioka Plant)

The Tomioka plant always participates in the “Tomioka Donto Festival,” a two-day festival representative of the region held every two years in the center of Tomioka City.

Many employees participated in the previous festival held in October 2018, interacting with the local community in the Odori Nagashi dance and the float and dance competition.

Employees who participated in the previous Tomioka City Donto Festival (October 2018)

120



Traffic Safety Instruction (Tomioka Plant)

In order to improve local traffic safety as well as the driving manners of employees, the Tomioka plant is providing instruction in traffic safety during commuting hours on the roads around the plant.

This initiative is carried out four times a year in accordance with the Gunma Prefecture traffic safety action plan.



Support for Measures to Prevent COVID-19 Infections (Headquarters, Tomioka Plant)

In order to support medical locations that are struggling as a result of the increase in COVID-19 infections, we have made donations to Kita-ku in Tokyo, home to our headquarters, and to Tomioka City in Gunma Prefecture, home to our Tomioka plant.



YUKA Volunteer Team (DONGGUAN YOKOWO CAR COMPONENTS CO., LTD. [China])

In 2016, DONGGUAN YOKOWO CAR COMPONENTS CO., LTD. (Hereinafter called Yokowo Car) formed the YUKA Volunteer Team, which promotes activities to support the elderly and people with disabilities in the community.

These activities include holding volunteer events as well as environmental conservation activities, and these see many employees volunteering to participate.

Employees who have participated in volunteer activities (2016 to present)

154



Blood Drive (Yokowo Car)

In response to a request by the Dongguan city center blood bank, many Yokowo Car employees participated in a blood drive.

This initiative contributes towards constructing a system capable of providing safe treatment using blood transfusions.

Employees who participated in the blood drive (July 2020)

150



Activities towards Achieving a Sustainable Society

Cleanup Activities (Tomioka Plant)

At the Tomioka plant, employees regularly carry out cleanups of the surrounding neighborhood. This was carried out three times in 2019, in April, August, and December.



Activities that Contribute to Community Development

Workplace Tours and Work Experience (Tomioka Plant)

The Tomioka plant conducts workplace tours and provides work experience for high school students in Gunma Prefecture—this is an opportunity for future leaders of the community to choose a profession.

Employment support activities for the next generation (August 2020)

Workplace tours
10 schools (8 days)

Work experience
1 school (5 days)



Tomioka City Invention Device Exhibition (Tomioka Plant)

In collaboration with the Tomioka Japan Institute of Invention and Innovation and Tomioka City, the Tomioka plant is supporting the Tomioka City Invention Device Exhibition. This event has as its aim raising amongst children and the citizens of Tomioka City their awareness of ingenuity and inventiveness.



Environment

The Yokowo Group recognizes that conducting business activities in harmony with the global environment is an essential responsibility for a corporation. The Yokowo Group continues to implement a range of Group-wide environmental preservation activities based upon defined environmental policies in order that we can pass on our irreplaceable global environment to future generations.

Approaches to the Environment

Environmental Policy

Yokowo is committed to helping to create a rich natural environment. We seek to do this through our environmental management system and through activities designed to achieve continuous improvements in environmental performance. As part of our commitment, we take into consideration the environmental impact of our business activities and comply with all relevant environmental laws, regulations, and guidelines, as well as with each customer's specific guidelines.

Action Guidelines

1. Yokowo will continuously and actively promote energy saving, resource conservation, and recycling to contribute to the protection of the global environment.
2. In respect of chemical substances which are harmful to both the environment and human body, Yokowo will prevent environmental pollution by implementing preventive measures and action plan, which include those for the case of abnormal and emergency operation, and will minimize the use of hazardous chemical substances.
3. Yokowo will comply with all relevant environmental laws, regulations, and each customer's specific requirements, and intend to enhance our environmental management by our original internal standards.
4. Yokowo will set objectives and goals for our environmental activities and also improve our environmental management system continuously by periodically reviewing the objectives and goals.
5. Through in-house education and publicity, Yokowo will promote all the employees' recognition of involvement in environmental preservation and will make these activities take root as daily duties.
6. Yokowo ensures that all the employees including those of affiliated companies are fully aware of the environmental policies, and will disclose them to the public on request.
7. Yokowo will contribute to the development of a sustainable society by considering the impact on biodiversity in all its business activities.

Enacted: June 1, 2005 Revised: April 1, 2014

Environmental Management Systems

ISO 14001 Certification

Since its individual production bases receiving ISO 14001 certification in 1998, the Yokowo Group has continued with its work in environmental activities.

▼ ISO 14001 certification acquisitions

1998	Tomiooka plant Domestic subsidiaries (2 companies)
2004	China subsidiary
2005	Malaysia subsidiary
2014	Vietnam subsidiary

Issues and Results of Activities

The Yokowo Group reviewed its Medium-Term Environmental Plan in 2014 and identified four issues that need attention—addressing climate change, management of water resources, resource recycling, and working towards zero hazardous chemical substances.

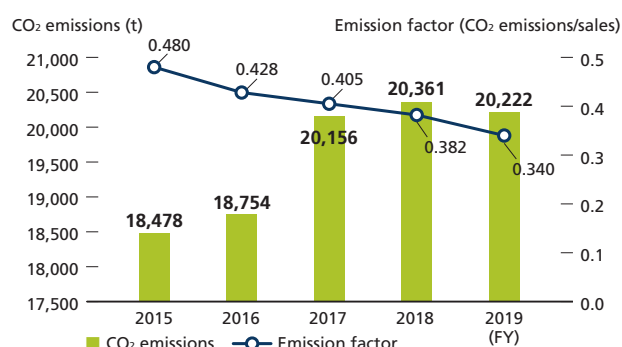
For this, Yokowo sets goals and activities to be achieved each year.

Addressing Climate Change

The Yokowo Group is promoting a variety of activities towards meeting the goal of a year-on-year 1% reduction in the greenhouse gas (GHG) emission factor.

Through the promotion of employee awareness programs as well as improvements to production efficiency and the introduction of energy-saving facilities, we are seeing a yearly reduction in GHG emission factor, however higher sales mean that CO₂ emissions are still increasing. Looking forward, we will be working to reduce both GHG emission factor, as well as overall GHG emissions.

▼ CO₂ emissions and emission factor



* FY2019 Electricity CO₂ conversion factor is calculated using the following:
Domestic: TEPCO Energy Partner, Inc Basic Emission Factor
Overseas: IEA Official Factor

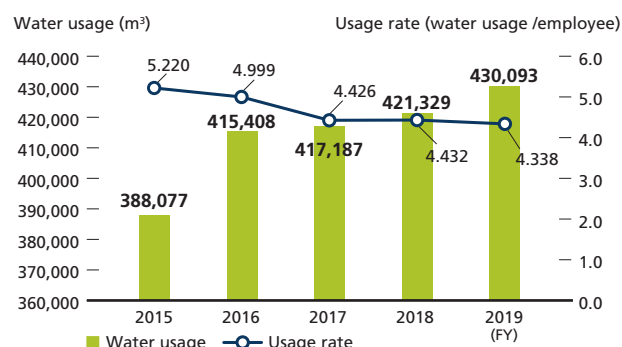
Management of Water Resources

Of the water used within the Yokowo Group, the majority is for domestic-type uses. We are working to achieve our goal of a year-on-year 1% reduction in water consumption, measured by consumption per employee.

Water savings and use of recycled water enable a certain level of reduction, but the reductions have bottomed out over the last three years, and new activities are being investigated.

Additionally, we are monitoring the quality of plant wastewater using our internal standards, which are more rigorous than legal requirements. At the Tomioka plant, we are recovering all hazardous chemical substances in discharge from our galvanization processes, and have achieved zero emissions into public waterways.

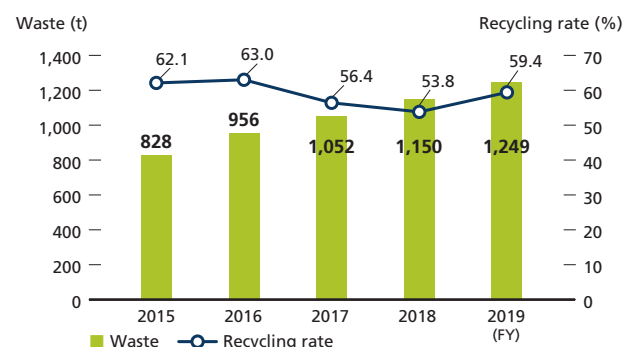
▼ Water usage and usage rates



Resource Recycling

The Yokowo Group is working to conserve resources. As well as promoting a reduction in the quantities of waste generated by our business activities, we have also set an 80% recycling rate as a target. Rapid increases in production in recent years have seen quantities of waste trend upwards, and recycling rates remaining steady, however we are planning further reductions in waste generated through improvements at the design and production stages.

▼ Recycling rate



Working towards Zero Hazardous Chemical Substances

Based upon the internal slogan “Quality, Cost, Delivery, and Environment—An environmentally friendly manufacturing process—Living in perfect harmony with nature,” we comply with relevant laws and regulations as well as customer requirements, and are striving to manufacture products that are not only friendly to the local environment but also to the products’ environment.

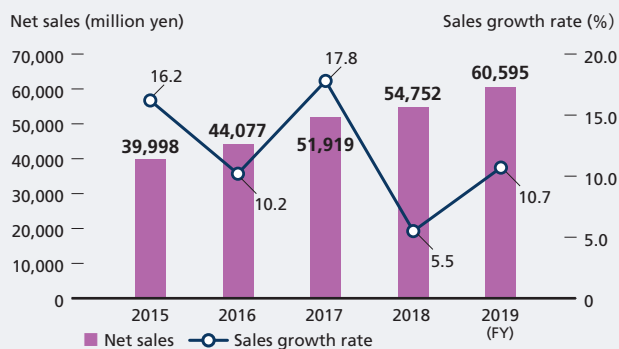
This slogan implies that we should have a high awareness of not only Q (Quality), C (Cost), and D (Delivery), all fundamental to manufacturing, but also E (Environment)—these are a constant, unchanging foundation for our manufacturing business.

Topics

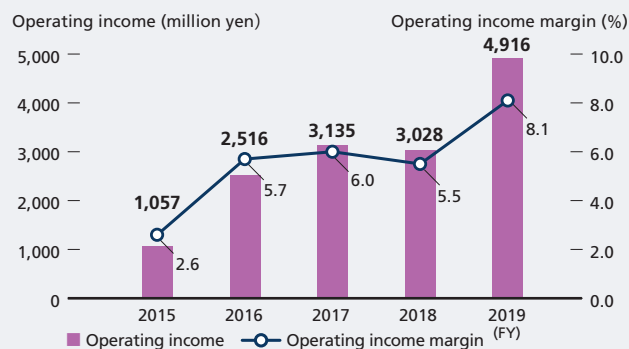
In September 2020, we received third-party certification (scope 1 & 2) for greenhouse gas emissions. In the future, we will expand the scope of monitoring of our greenhouse gas emissions, and ensure this information is disclosed to the public.

Financial Highlight

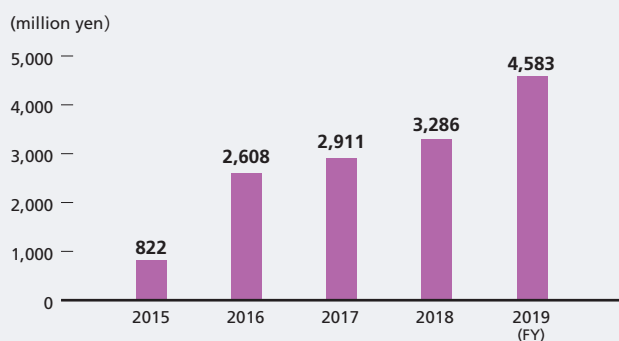
▼ Net sales



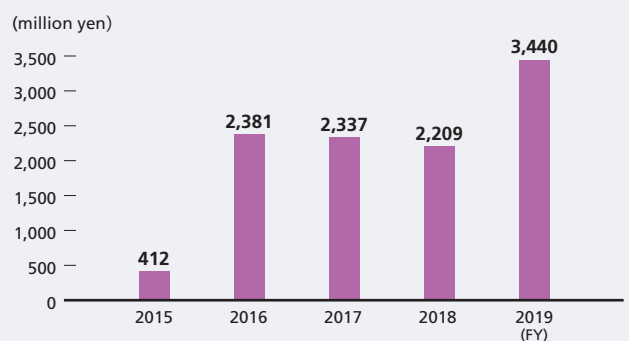
▼ Operating income



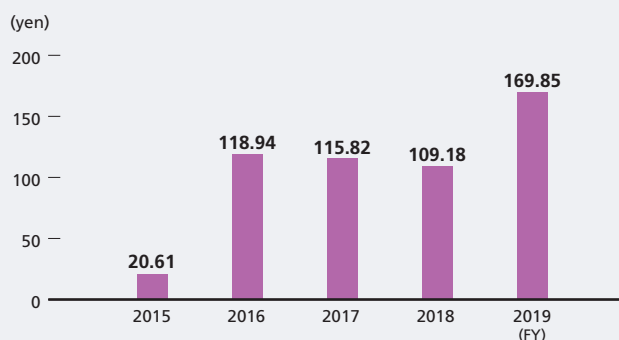
▼ Ordinary income (full year)



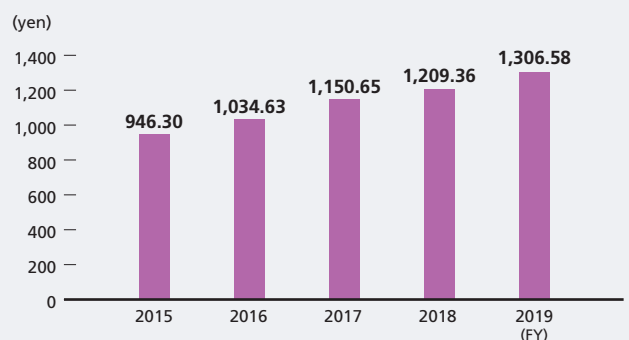
▼ Profit attributable to owners of parent



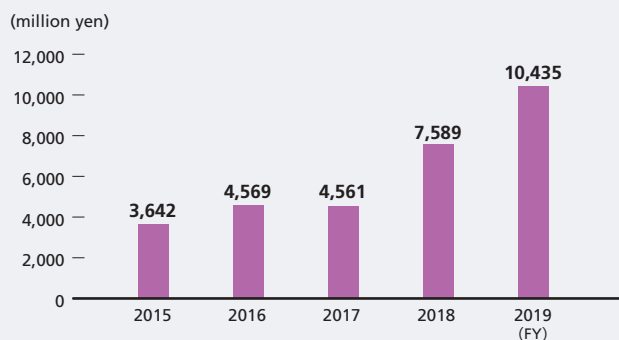
▼ Basic earnings per share



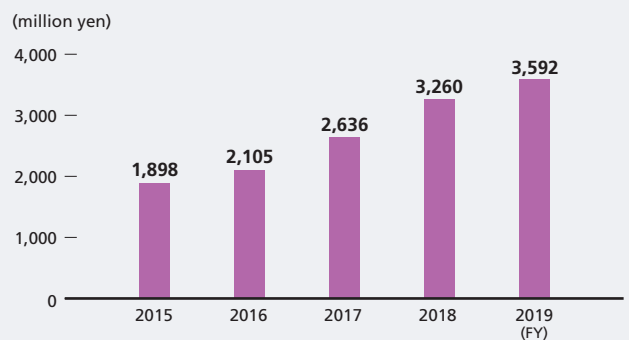
▼ Net assets per share



▼ Interest bearing debt*



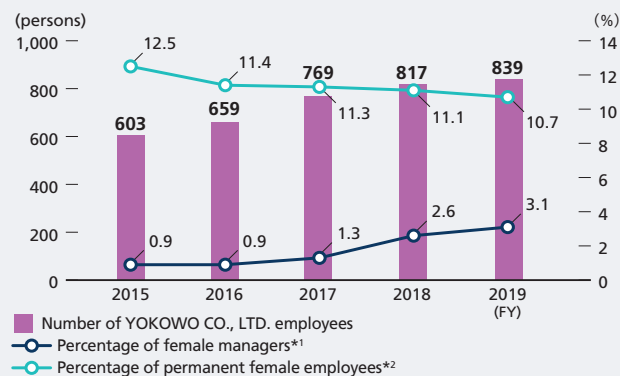
▼ Research and development expenses



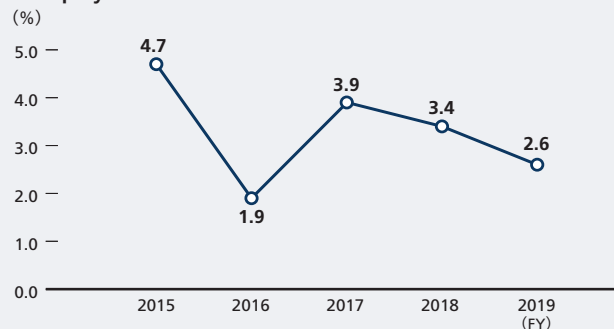
* Borrowing + lease liabilities

Non-financial Highlight

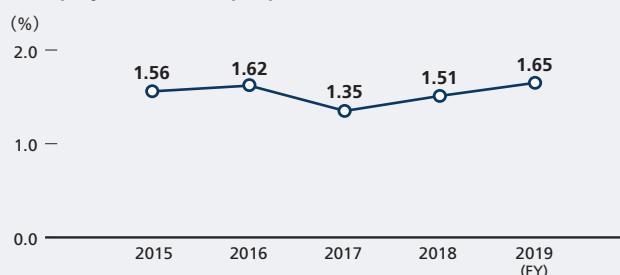
▼ Percentage of female employees*



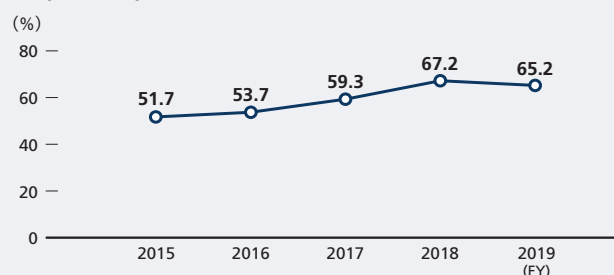
▼ Employee turnover rate*



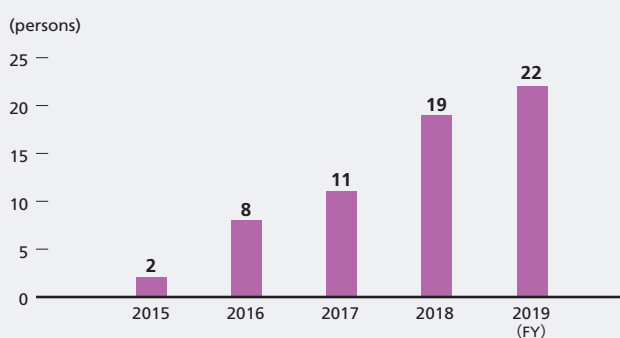
▼ Employment rate of people with disabilities*



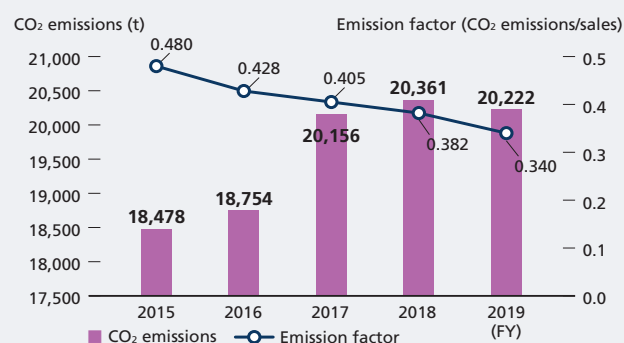
▼ Uptake of paid leave*



▼ Number of older employees re-employed*

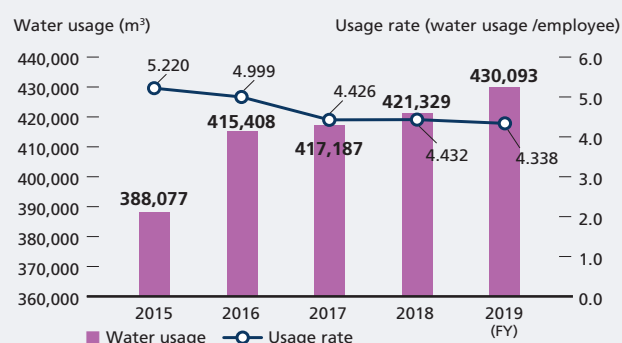


▼ CO₂ emissions and emission factor

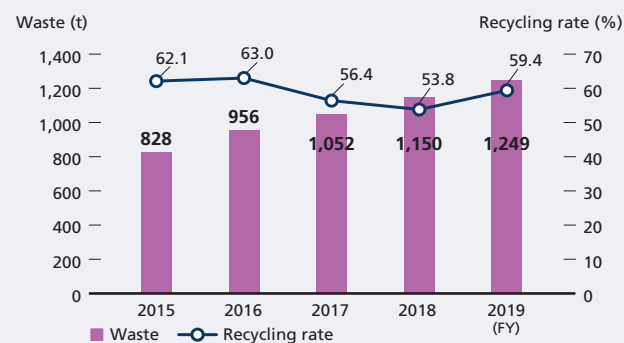


* FY2019 Electricity CO₂ conversion factor is calculated using the following:
 Domestic: TEPCO Energy Partner, Inc Basic Emission Factor
 Overseas: IEA Official Factor

▼ Water usage and usage rates



▼ Recycling rate



★: YOKOWO CO., LTD.

Financial Information

Analysis of Operating Results and Financial Position in Fiscal 2019

Business Environment and Operating Results

During the fiscal year under review (April 1, 2019 to March 31, 2020), the global economy slowed overall due to destabilizing factors, including prolonged trade friction between the U.S. and China, rising geopolitical risk in the Middle East, and the problems surrounding the U.K. withdrawal from the EU. The U.S. economy, which had remained strong, witnessed stagnation due to lower business confidence in the manufacturing industry. The Chinese economy experienced a decline in exports to the U.S. in addition to a downturn in domestic demand, and there was a growing sense of economic slowdown in some parts of Asia and Europe.

In addition, due to the spread of COVID-19 from the fourth quarter onward, the global economy is expected to fall into negative growth, and the outlook is extremely uncertain.

In Japan, while the employment environment continued to improve moderately, there was a sense of economic standstill, particularly in manufacturing industry with such factors as a slump in personal consumption due to the increase in the rate of consumption tax and the effects of natural disasters such as big typhoons and weak exports and production given the slowdown in overseas economies. Moreover, due to the spread of COVID-19, conditions have continued to be unpredictable, including a decrease in inbound tourism demand and further decline in exports as well as a drastic fall in personal consumption in Japan.

Market structure in the Group's core markets, automotive, semiconductor testing, and mobile communication terminals, has continued to change rapidly with the commencement of partial commercialization of 5G (5th generation mobile communications systems) and intensifying competition in the development of products and technologies aimed at expanding use of advanced applications such as CASE, MaaS, IoT, and AI.

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 particular, during the fiscal year under review, the Group promoted several promising themes in the area of advanced applications, including 5G, as measures for product innovation. Moreover, as measures for process innovation, in the Vehicle Communication Equipment segment, the Group began building automated assembly lines and introducing automatic testing systems and has also been working to rebuild the profit structure, albeit only partly achieved. In addition, in the Circuit Testing Connector segment, the Group strengthened technology and manufacturing systems in order to grasp future business growth opportunities, including 5G, with more certainty and continued working to boost capacity and increase productivity by expanding new production lines at plants in Japan and Malaysia.

As a result of these efforts, consolidated net sales in the fiscal year under review increased year on year in all segments to 60,595 million yen and hit a record high for the sixth consecutive term.

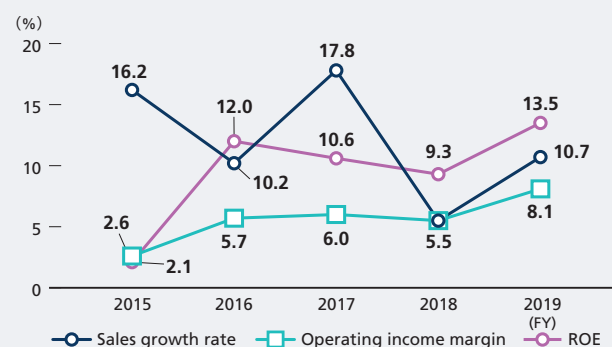
Operating income was 4,916 million yen, up 62.3% year on year, because of large increases in both the Circuit Testing Connector and Personal Communication Equipment segments despite a year-on-year decline in operating income in the Vehicle Communication Equipment segment. As a result, the Group achieved all three targets in the Minimum 8 (secure at least 8% in sales growth rate, operating profit margin, and return on equity), including operating profit margin, which are the medium-term management targets. Ordinary income increased 39.5% year on year to 4,583 million yen due to the increase in operating income despite recording foreign exchange losses of 214 million yen due to the appreciation in the yen. Profit attributable to owners of parent increased 55.8% year on year to 3,440 million yen due to the increase in ordinary income in addition to recording of 93 million yen in extraordinary income from sale of a portion of cross-shareholdings.

▼ Operating Results in Fiscal 2019

(million yen)

Net sales	60,595
Operating income	4,916
Ordinary income	4,583
Profit attributable to owners of parent	3,440

▼ Minimum 8



Financial Position

(Assets)

Current assets stood at 33,262 million yen as of March 31, 2020, up 4,934 million yen from the end of the previous fiscal year. The increase in current assets was mainly due to the increase in cash and deposits of 5,162 million yen, decrease in notes and accounts receivable – trade of 807 million yen, and increase in inventories of 508 million yen.

Non-current assets stood at 14,872 million yen, up 418 million yen from the end of the previous fiscal year. The increase in non-current assets was mainly due to the increase in property plant and equipment of 437 million yen.

As a result, total assets stood at 48,134 million yen as of March 31, 2020, up 5,353 million yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at 17,580 million yen as of March 31, 2020, up 3,458 million yen from the end of the previous fiscal year. The increase in current liabilities was mainly due to increases in notes and accounts payable – trade of 409 million yen and in short-term loans payable of 2,950 million yen. Non-current liabilities stood at 4,021 million yen, down 150 million yen from the end of the previous fiscal year. The decrease in non-current liabilities was mainly due to the decrease in lease obligations of 163 million yen.

As a result, total liabilities stood at 21,602 million yen as of March 31, 2020, up 3,307 million yen from the end of the previous fiscal year.

(Net Assets)

Net assets stood at 26,532 million yen as of March 31, 2020, up 2,045 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 3,440 million yen, decrease in valuation difference on available-for-sale securities of 271 million yen, decrease in foreign currency translation adjustment of 590 million yen, and dividends of surplus of 566 million yen.

Cash Flows

(1) Cash and Cash Equivalents

Cash and cash equivalents stood at 12,352 million yen in the fiscal year under review, up 5,162 million yen from the previous fiscal year.

(2) Net Cash Provided by Operating Activities

Net cash provided by operating activities stood at 6,490 million yen, up 2,434 million yen from the previous fiscal year. The main factors for increase included profit before income taxes of 4,616 million yen and depreciation of 2,706 million yen while the main factors for decrease included an increase in inventories of 868 million yen.

(3) Net Cash Used in Investing Activities

Net cash used in investing activities stood at 3,282 million yen, down 564 million yen from the previous fiscal year. The main factors for decrease included purchase of property, plant and equipment of 3,066 million yen and purchase of intangible assets of 475 million yen.

(4) Net Cash Provided by Financing Activities

Net cash provided by financing activities stood at 2,143 million yen, down 127 million yen from the previous fiscal year. The main factors for decrease included repayments of lease obligations of 312 million yen and cash dividends paid of 564 million yen while the main factors for increase included net increase in short-term loans payable of 2,995 million yen.

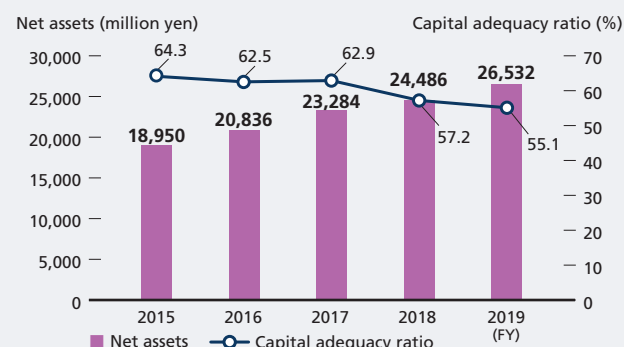
(5) Information on Liquidity and Capital Resources

The Company'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 expenses and selling, 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 the maintenance of information systems. The Company's basic policy is to provide for the necessary funding through internal funds generated by the recorded profit and depreciation.

In the fiscal year under review, the Group actively invested in research and development and product development, expansion of mass production facilities, including the establishment of new automated assembly lines at plants in China and Vietnam, and expansion of mass production facilities at the Malaysian plant and plans to continue to make active investments going forward. Therefore, in order to meet the demand for capital investment funds and working capital, we borrowed funds through short-term loans. As a result, the Group's cash and cash equivalents stood at 12,352 million yen as of March 31, 2020, up 5,162 million yen 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 investment, 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 3,625 million yen, and an overview of capital investment is as follows.

(1. Property, plant and equipment)

(1) Vehicle Communication Equipment segment

The Group implemented total capital investment of 1,630 million yen. This included introduction of mass production facilities at both the Chinese and Vietnamese plants in order to establish automated assembly lines and automatic testing systems in conjunction with expansion of capacity aimed at increasing work volume as well as expanding the transfer of production in order to shift the center of production functions from the Chinese plant to the Vietnamese plant in parallel with the strengthening of development functions at the China plant.

(2) Circuit Testing Connector segment

The Group implemented total capital investment of 1,021 million yen. This included expansion of mass production facilities at production sites in Japan and the Malaysian plant to accommodate order growth and shorter delivery times for semiconductor test tools.

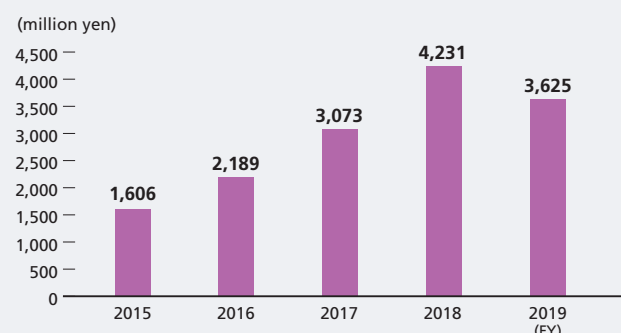
(3) Personal Communication Equipment segment

The Group implemented total capital investment of 530 million yen. The Group carried out updates and expansion at both the Chinese and Malaysian plants, including mass production facilities in the Fine Connector business. We also expanded mass production and other facilities at production sites in Japan with the aim of responding to sales growth in the Medical Device business.

(2. Intangible assets)

The Group implemented total capital investment of 442 million yen. This included improving and updating the environment for core information systems in order to realize Group-wide business streamlining.

▼ Capital expenditures



Basic Policy for Dividends

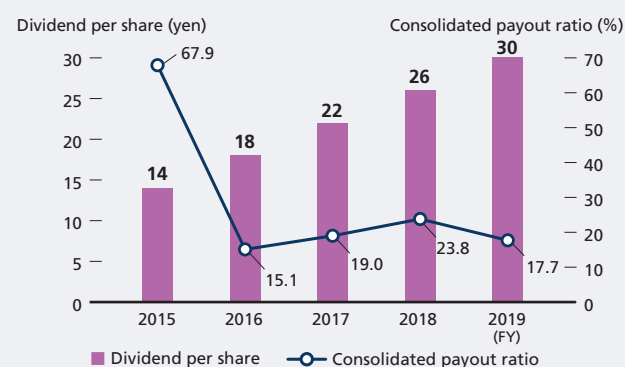
The Company views the strengthening of returns to shareholders as an important task for management. The basic policy for dividends in each fiscal year lies in stable and continuous distribution of dividends taking retained earnings into consideration for the purposes of investments in production facilities 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, consolidated net sales hit a record high for the sixth consecutive term while consolidated operating income, consolidated ordinary income, and profit attributable to owners of parent also reached record highs. The Group achieved all three targets in the Minimum 8 (secure at least 8% in sales growth rate, operating profit margin, and return on equity), which are the medium-term management targets.

Meanwhile, due to the effects of the spread of COVID-19 and other factors, supply and demand and competitive environment trends in the Company's core markets are extremely uncertain, and we consider it essential to put more emphasis on liquidity at hand and financial stability in business operations. In addition, while the market overall is uncertain, inquiries in growth sectors such as 5G remain strong, and there is still high demand for funds for investment in product development and capital investment. 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 year-end dividend for the fiscal year under review of 16 yen per share to the 82nd General Meeting of Shareholders, and it was approved. With an interim dividend of 14 yen per share for the fiscal year under review already paid, the Company's annual dividend is 30 yen per share (consolidated payout ratio of 17.7%). With respect to the dividend for the next fiscal year, the Company currently expects to pay an annual dividend of 30 yen per share (interim dividend of 15 yen and year-end dividend of 15 yen with a consolidated payout ratio of 23.4%). The Company's Articles of Incorporation stipulate that an interim dividend can be paid.

▼ Dividend per share



CONSOLIDATED BALANCE SHEETS

(millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and deposits	7,189	12,352
Notes and accounts receivable-trade	11,581	10,774
Merchandise and finished goods	4,387	4,662
Inventories	392	402
Raw materials and supplies	3,392	3,616
Other	1,387	1,456
Allowance for doubtful accounts	(4)	(3)
Total current assets	28,327	33,262
Non-current assets		
Net property, plant and equipment		
Buildings and structures	6,605	6,568
Accumulated depreciation	(3,714)	(3,657)
Buildings and structures, net	2,890	2,911
Machinery, equipment and vehicles	10,632	11,306
Accumulated depreciation	(6,907)	(7,117)
Machinery, equipment and vehicles, net	3,724	4,189
Tools, furniture and fixtures	7,981	8,390
Accumulated depreciation	(5,729)	(6,171)
Tools, furniture and fixtures, net	2,251	2,219
Land	761	761
Leased assets	1,660	1,730
Accumulated depreciation	(1,119)	(1,105)
Leased assets, net	541	625
Construction in progress	689	590
Total property, plant and equipment	10,858	11,296
Intangible assets		
Leased assets	41	26
Other	675	874
Total intangible assets	717	900
Investments and other assets		
Investment securities	1,629	1,188
Retirement benefit assets	15	81
Deferred tax assets	591	737
Other	640	667
Total investments and other assets	2,877	2,675
Total non-current assets	14,453	14,872
Total assets	42,781	48,134

(millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	6,019	6,428
Short-term loans payable	3,539	6,489
Lease obligations	193	253
Provision for product warranties	364	—
Income taxes payable	330	770
Provision for bonuses	540	600
Other	3,133	3,038
Total current liabilities	14,121	17,580
Non-current liabilities		
Long-term loans payable	3,400	3,400
Lease obligations	455	292
Deferred tax liabilities	130	135
Net defined benefit liability	173	183
Long-term accounts payable	12	10
Total non-current liabilities	4,172	4,021
Total liabilities	18,294	21,602
NET ASSETS		
Shareholders' equity		
Capital stock	3,996	3,996
Capital surplus	3,981	3,981
Retained earnings	16,197	19,045
Treasury stock	(719)	(664)
Deposit for subscriptions of treasury shares	0	—
Total shareholders' equity	23,456	26,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	355	84
Foreign currency translation adjustment	525	(64)
Remeasurements of defined benefit plans	135	124
Total valuation and translation adjustments	1,017	144
Subscription rights to shares	7	3
Non-controlling interest	5	24
Total net assets	24,486	26,532
Total liabilities and net assets	42,781	48,134

CONSOLIDATED STATEMENTS OF INCOME

(millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Net sales	54,752	60,595
Total cost of sales	44,374	47,527
Gross profit	10,378	13,067
Selling, general and administrative expenses	7,349	8,150
Operating income	3,028	4,916
Non-operating income		
Interest income	22	28
Dividend income	43	39
Foreign exchange gains (losses)	258	–
Rental income	11	17
Other	43	43
Total non-operating income	379	128
Non-operating expenses		
Interest expenses	96	104
Share of loss of entities accounted for using equity method	–	24
Commission expenses	7	7
Foreign exchange losses	–	214
Other	17	111
Total non-operating expenses	121	462
Ordinary income	3,286	4,583
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on sales of investment securities	–	93
Total extraordinary income	1	95
Extraordinary losses		
Loss on retirement of non-current assets	21	47
Loss on sales of non-current assets	0	0
Product warranty expenses	–	14
Provision for product warranties	364	–
Total extraordinary losses	385	62
Profit before income taxes	2,902	4,616
Income taxes - current	668	1,164
Income taxes - deferred	18	(8)
Total income taxes	687	1,156
Profit	2,214	3,460
Profit (loss) attributable to non-controlling interests	5	19
Profit (loss) attributable to owners of parent	2,209	3,440

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Profit	2,214	3,460
Other comprehensive income		
Valuation difference on available-for-sale securities	(280)	(271)
Foreign currency translation adjustment	(38)	(590)
Remeasurements of defined benefit plans	(171)	(10)
Total other comprehensive income	(490)	(872)
Comprehensive income	1,724	2,587
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,719	2,568
Comprehensive income attributable to non-controlling interests	5	19

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Fiscal 2018 (From April 1, 2018 to March 31, 2019)

(millions of yen)

	Shareholders' equity						Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions of treasury shares	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	3,996	3,981	14,519	(729)	—	21,768	636	564	306	1,507	8	—	23,284
Changes during period													
Dividends of surplus			(526)			(526)							(526)
Profit (loss) attributable to owners of parent			2,209			2,209							2,209
Purchase of treasury shares				(1)		(1)							(1)
Disposal of treasury shares			(4)	10		5							5
Deposits for subscriptions of treasury shares					0	0							0
Net changes of items other than shareholders' equity							(280)	(38)	(171)	(490)	(0)	5	(485)
Total changes of items during period	—	—	1,678	9	0	1,688	(280)	(38)	(171)	(490)	(0)	5	1,202
Balance at end of period	3,996	3,981	16,197	(719)	0	23,456	355	525	135	1,017	7	5	24,486

Fiscal 2019 (From April 1, 2019 to March 31, 2020)

(millions of yen)

	Shareholders' equity						Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Deposit for subscriptions of treasury shares	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	3,996	3,981	16,197	(719)	0	23,456	355	525	135	1,017	7	5	24,486
Changes during period													
Dividends of surplus			(566)			(566)							(566)
Profit (loss) attributable to owners of parent			3,440			3,440							3,440
Purchase of treasury shares				(1)		(1)							(1)
Disposal of treasury shares			(26)	57	(0)	30							30
Net changes of items other than shareholders' equity							(271)	(590)	(10)	(872)	(3)	19	(857)
Total changes of items during period	—	—	2,847	55	(0)	2,902	(271)	(590)	(10)	(872)	(3)	19	2,045
Balance at end of period	3,996	3,981	19,045	(664)	—	26,359	84	(64)	124	144	3	24	26,532

CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,902	4,616
Depreciation	2,199	2,706
Increase (decrease) in allowance for doubtful accounts	(8)	(1)
Increase (decrease) in provision for bonuses	39	64
Increase (decrease) in provision for product warranties	364	(364)
Increase (decrease) in net defined benefit asset and liability	(116)	(71)
Interest income and dividend income	(66)	(67)
Interest expenses	96	104
Foreign exchange losses (gains)	(101)	75
Share of loss (profit) of entities accounted for using equity method	–	24
Loss (gain) on sales of non-current assets	(1)	(1)
Loss on retirement of non-current assets	21	47
Loss (gain) on sales of investment securities	–	(93)
Decrease (increase) in trade receivables	38	488
Decrease (increase) in inventories	(769)	(868)
Increase (decrease) in trade payables	92	750
Other	(30)	(133)
Subtotal	4,660	7,277
Interest and dividends received	66	67
Interest paid	(100)	(111)
Income taxes paid	(570)	(742)
Net cash provided by (used in) operating activities	4,055	6,490
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,538)	(3,066)
Proceeds from sales of property, plant and equipment	21	2
Purchase of intangible assets	(307)	(475)
Proceeds from sales of investment securities	–	142
Purchase of shares of subsidiaries and associates	–	(99)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	201
Other	(22)	10
Net cash provided by (used in) investing activities	(3,847)	(3,282)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	1,200	2,995
Proceeds from long-term borrowings	3,400	–
Repayments of long-term borrowings	(1,600)	–
Repayments of lease obligations	(208)	(312)
Dividends paid	(524)	(564)
Proceeds from exercise of employee share options	5	27
Proceeds from deposit for subscriptions to treasury shares	0	–
Purchase of treasury shares	(1)	(1)
Net cash provided by (used in) financing activities	2,270	2,143
Effect of exchange rate change on cash and cash equivalents	114	(188)
Net increase (decrease) in cash and cash equivalents	2,592	5,162
Cash and cash equivalents at beginning of period	4,596	7,189
Cash and cash equivalents at end of period	7,189	12,352

Independent Practitioner's Assurance Report



Independent Assurance Statement

September 28, 2020

To President Takayuki Tokuma
YOKOWO CO., LTD.

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by YOKOWO CO., LTD. ("the Company") to provide limited assurance on the Company's CO₂ emissions (Scope1,2) were 20,222 tons-CO₂ during the fiscal year 2019. The purpose of this process is to express our conclusion on whether the CO₂ emissions are calculated in accordance with the Company's standards. The Company's management is responsible for calculating the CO₂ emissions. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

Our assurance engagement has been planned and performed in accordance with International Standard on Assurance Engagement 3000 (ISAE3000) and 3410 (ISAE3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel in order to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the CO₂ emissions were calculated in accordance with the Company's standards.

3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the CO₂ emissions are not calculated, in all material respects, in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.

A handwritten signature in black ink, appearing to read "Takashi Fukushima", is written over a faint, light blue circular stamp.

Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.



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Inquiry form:

<https://www.yokowo.co.jp/english/inquiry/>