



Top Message

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

*GO BEYOND
~Challenge the Next Stage~*

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

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

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).

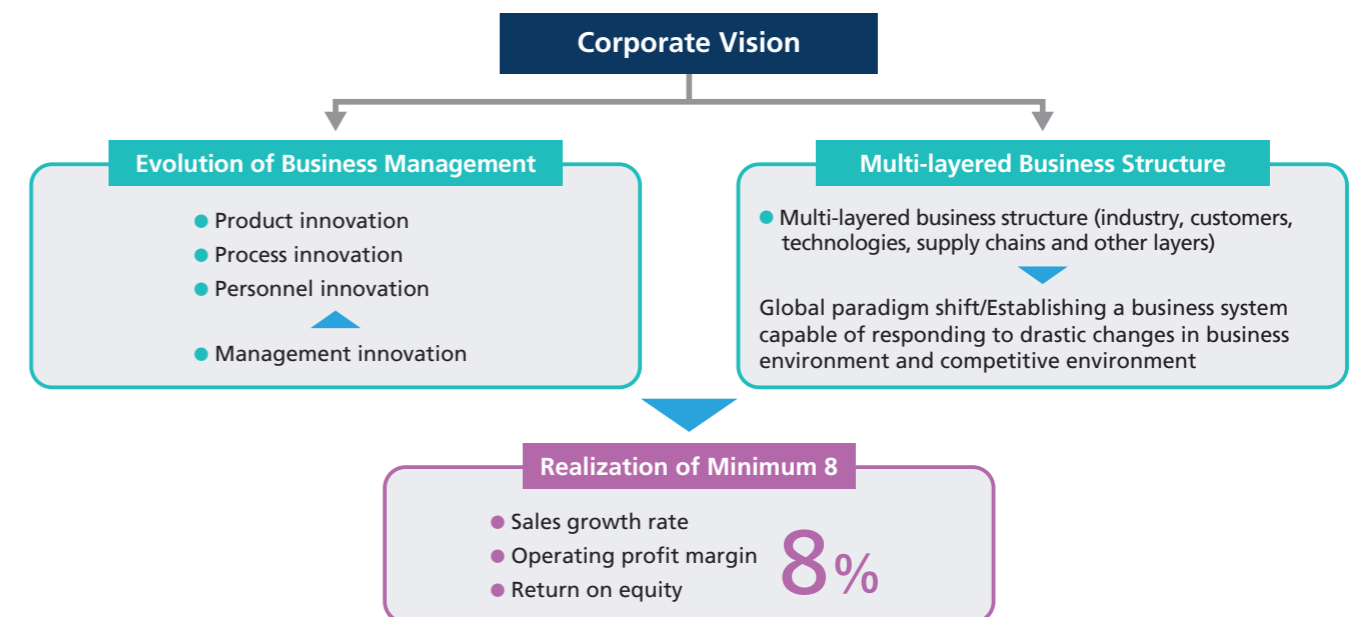
By promoting the sustainable evolution of business management and a multi-layered business structure, we hope to achieve Minimum 8 (secure at least 8% in sales growth rate, operating profit margin, and return on equity) in a consistent and stable way.

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.