

Financial Results Briefing for the Fiscal Year Ended March 31, 2021

May 17, 2021

yokowo

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

- Consolidated Financial Results for
the Fiscal Year Ended March 31, 2021 and
the Forecast for Fiscal Year Ending March 31, 2022

Kouichi Fukagawa
Director,
Senior Managing Executive Officer

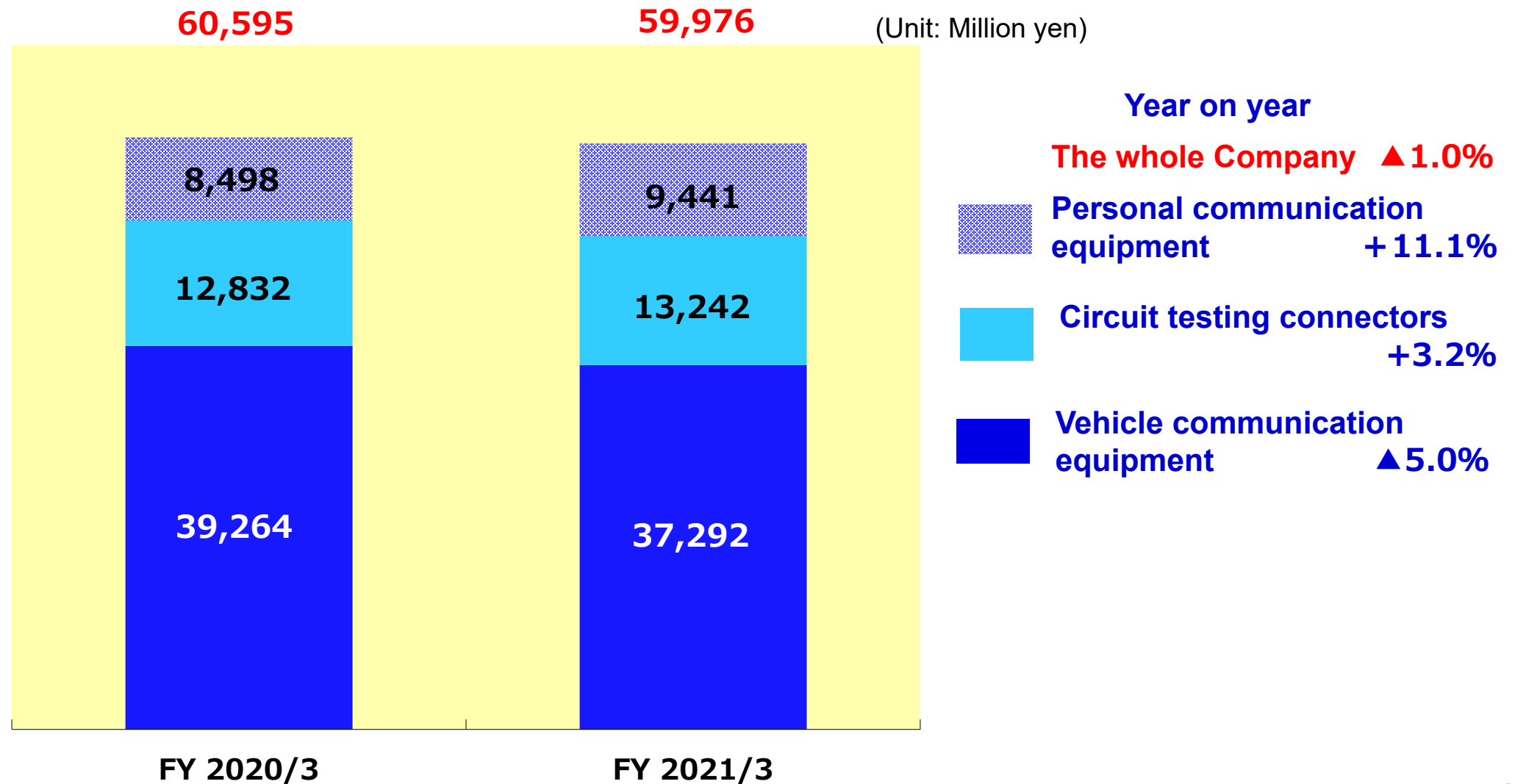
- Future Business Outlook

Takayuki Tokuma
Representative Director,
President and Executive Officer

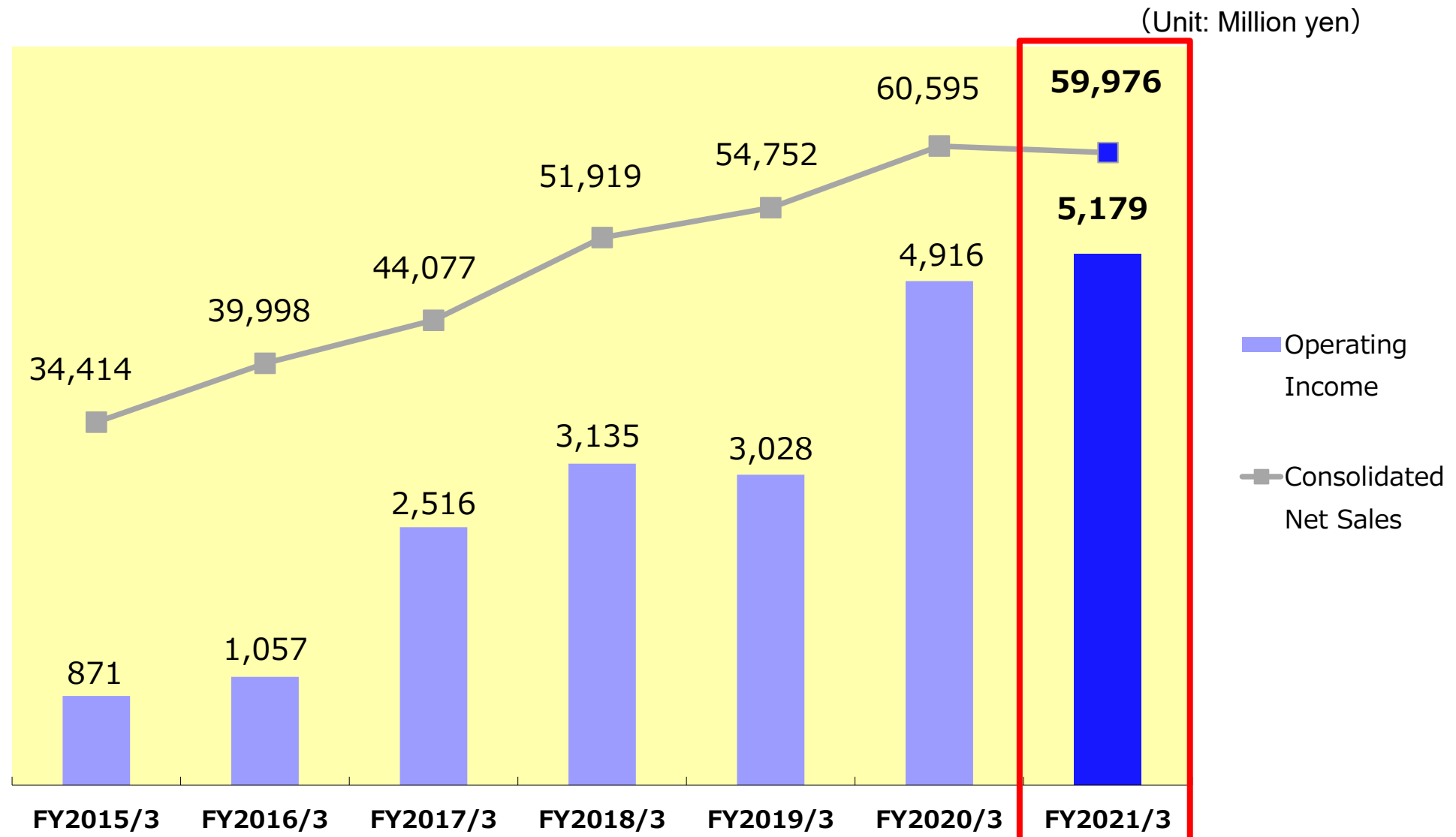
Consolidated Financial Results for
the Fiscal Year Ended March 31, 2021 and
the Forecast for Fiscal Year Ending March 31, 2022

Kouichi Fukagawa
Director, Senior Managing Executive Officer

Trends in Net Sales by Segment



Trends in Net Sales and Operating Income



Summary of Consolidated Financial Results

(Unit: Million yen)

	FY 2020/3 Full Year Results	Previous Review (Announced in February 2021) Forecast	FY 2021/3 Full Year Results	YoY	Compared with Previous Forecast
Net sales	60,595	59,500	59,976	▲1.0%	+0.8%
Operating income	4,916	5,000	5,179	+5.3%	+3.6%
Ordinary income	4,583	4,400	5,320	+16.1%	+20.9%
Profit	3,440	3,200	3,818	+11.0%	+19.3%

Consolidated Statements of Income

(Unit: Million yen)

	FY 2020/3	FY 2021/3	YoY
Net sales	60,595	59,976	▲618
Cost of sales	47,527	47,080	▲446
Selling, general and administrative expenses	8,150	7,715	▲434
Operating income	4,916	5,179	262
Non-Operating income	128	316	187
Non-Operating expenses	462	175	▲286
Ordinary income	4,583	5,320	737
Extraordinary income	95	34	▲61
Extraordinary losses	62	213	151
Income before income taxes	4,616	5,140	524
Provision for income taxes	1,156	1,306	150
Net income	3,440	3,818	377

Main Factors

① Decrease in Operating income

due to weakened sales ▲133

② Increase in the cost of sales ratio ▲39

• Increase in depreciation ▲222

• Metal price fluctuation ▲351

• Decrease in the cost of labor ratio 39

• Reduction in the cost of materials 236

• Changes in product / business structure and others 259

③ Decrease in SG&A expenses 434

• Traveling and transportation expenses 186

• Commission expenses 136

• Transportation costs 127

• Salaries and bonuses ▲158

• Other ▲291

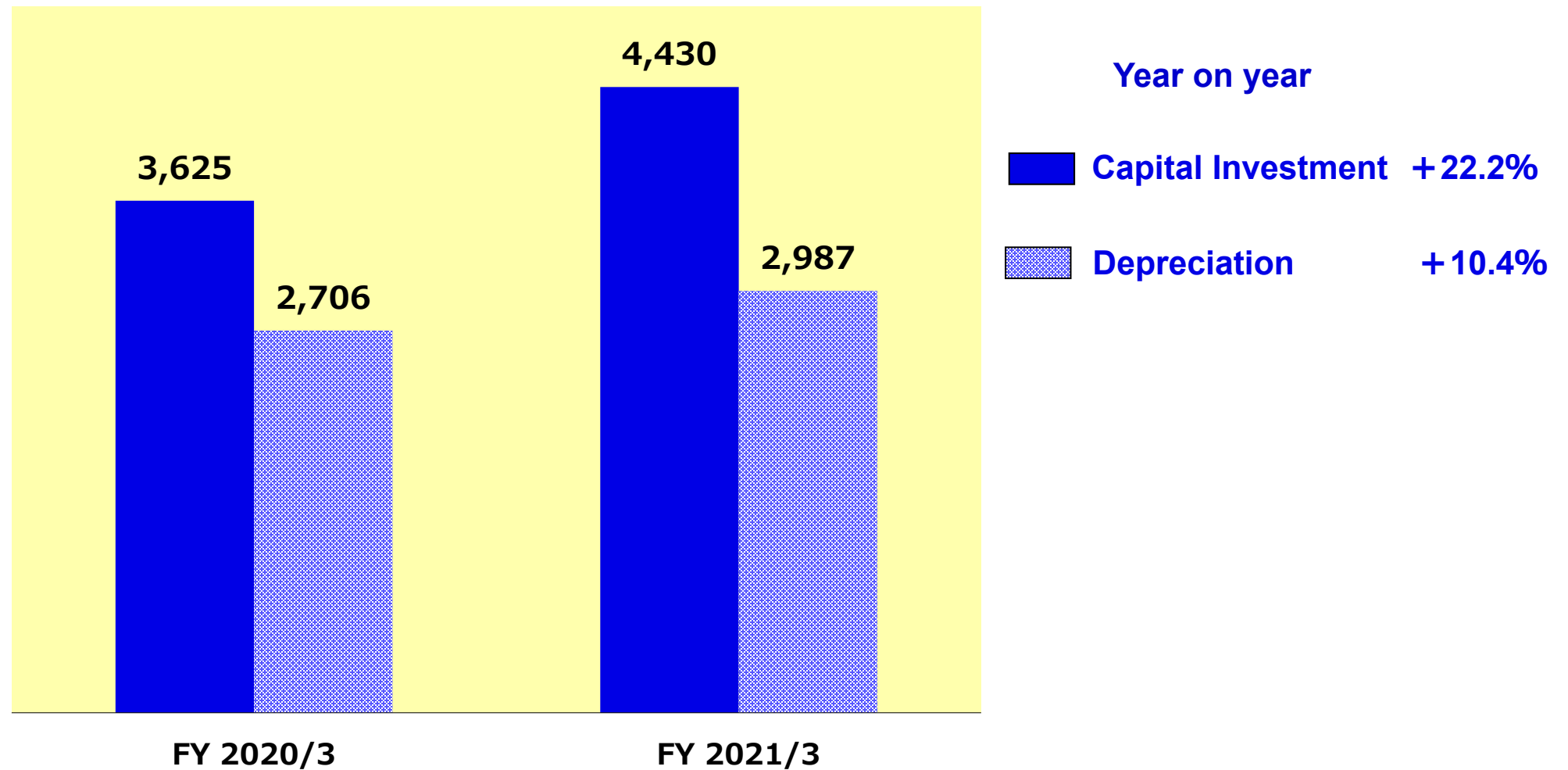
• Foreign exchange gains 192

• Loss on valuation of investment securities 139

* Amounts are rounded off to the million yen.

Capital Investment and Depreciation

(Unit: Million yen)



Consolidated Balance Sheets

	End of March 2020	End of March 2021	YoY	(Unit: Million yen)
Cash and deposits	12,352	15,463	3,110	
Notes and accounts receivable - trade	10,774	11,026	251	
Inventories	8,681	10,312	1,630	
Other current assets	1,453	1,614	161	
Property, plant and equipment	11,296	13,909	2,612	
Intangible assets	900	1,003	102	
Investments and other assets	2,675	3,539	863	
Total assets	48,134	56,868	8,734	
Notes and accounts payable - trade	6,428	6,491	63	
Other current liabilities	11,147	13,389	2,242	
Non-current liabilities	4,021	785	▲3,236	
Total liabilities	21,602	20,666	▲936	
Net assets	26,532	36,202	9,670	
Total liabilities and net assets	48,134	56,868	8,734	

Transfer of current portion of
long-term borrowings 3,400

Increase in share capital / capital
surplus due to exercise of
share acquisition rights 4,782

Increase in retained
earnings 3,154

Foreign currency translation
adjustment 909

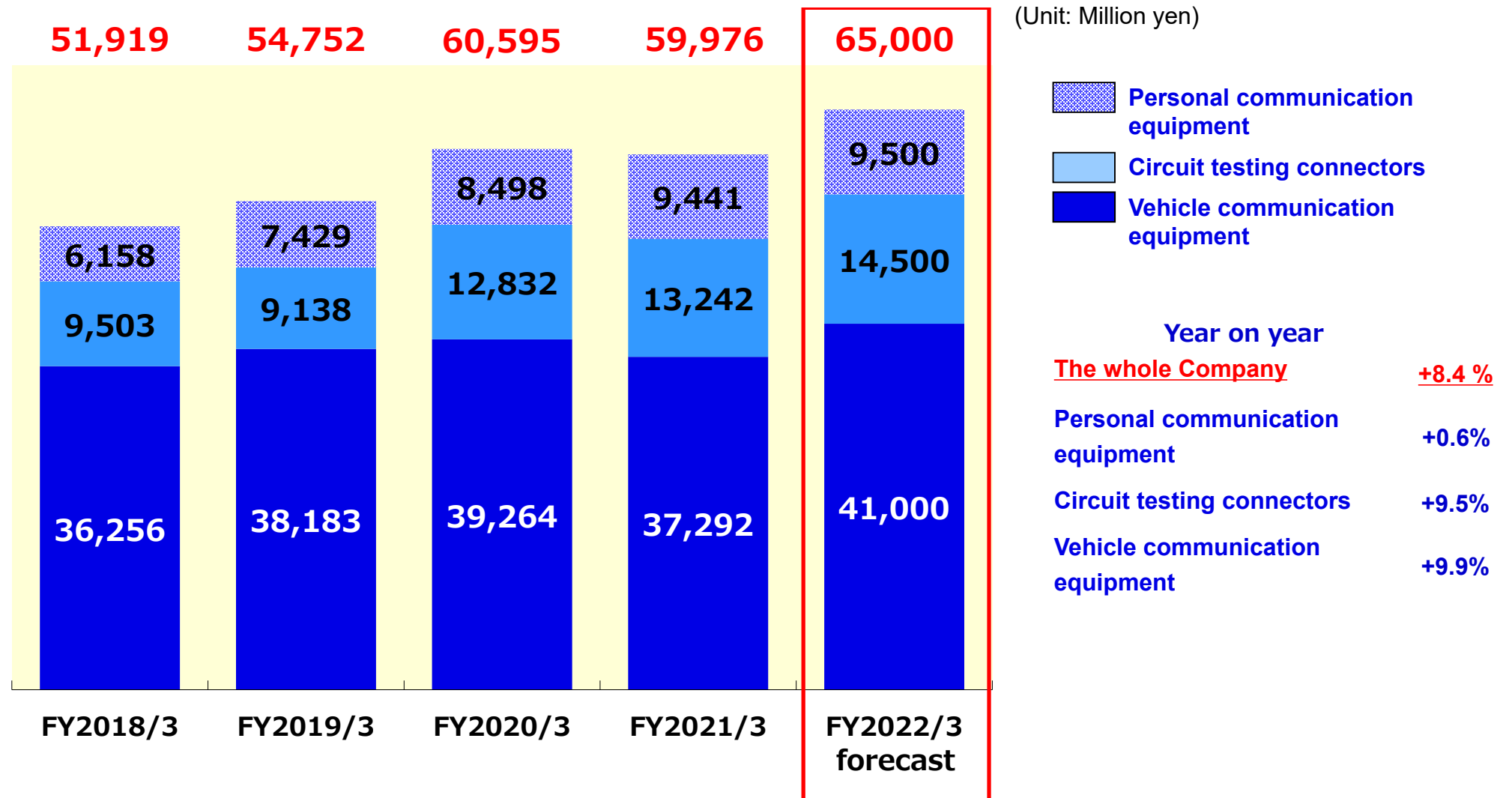
*Amounts are rounded off to the million yen.

Consolidated Cash Flow

	FY 2020/3	FY 2021/3	
			(Unit: Million yen)
Income before income taxes and equity in earnings	4,616	5,147	
Depreciation	2,706	2,987	
Increase (decrease) in other current liabilities	▲802	▲2,995	
Cash follow from Operating activities	6,520	5,139	
Capital investment	▲3,066	▲3,958	Free cash flow 519
Acquisition for Intangible assets	▲475	▲410	
Other Investments	256	▲249	
Cash flows from investing activities	▲3,312	▲4,619	Procurement by exercise of share acquisition rights 4,770 Repayments of short-term borrowings ▲1,504 Repayment to lease obligations ▲747
Payment of dividends	▲564	▲647	
Other financing activities	2,708	2,553	
Cash flows from financing activities	2,143	1,905	
Exchange differences on cash and cash equivalents	▲188	516	
Net increase (decrease) in cash and cash equivalents	5,162	2,942	
Cash and cash equivalents at beginning of year	7,189	12,352	
Cash and cash equivalents at end of year	12,352	15,295	

*Amounts are rounded off to the million yen.

Expected Net Sales by Segment

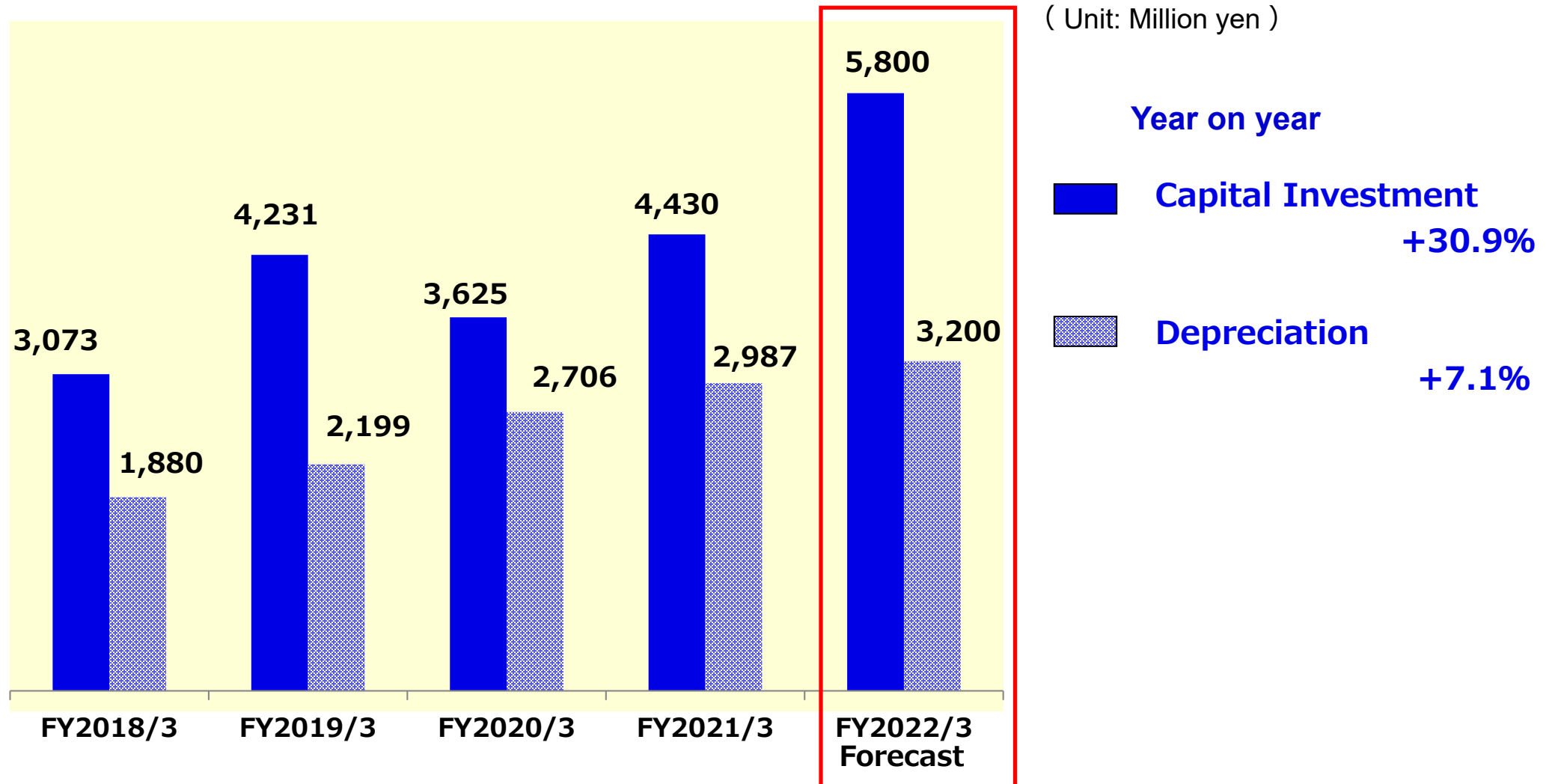


Full-year Results Forecast

(Unit: Million yen)

	FY2021/3 Results	FY2022/3 Current Forecast	YoY
Net sales	59,976	65,000	+8.4%
Operating income	5,179	5,800	+12.0%
Ordinary income	5,320	5,250	▲1.3%
Profit	3,818	3,850	+0.8%

Expected Capital Investment and Depreciation



Dividends

(Unit: Yen per share)

	FY2018/3	FY2019/3	FY2020/3	FY2021/3	FY2022/3 * Figures in parentheses are forecast.
Interim	8	12	14	16	(18)
Year-end	14	14	16	20	(18)
Annual	22	26	30	36	(36)
Consolidated payout ratio	19.0%	23.8%	17.7%	19.5%	(20.6%)

Future Business Outlook

< New Medium-Term Management Plan >

Fiscal Year Ended March 31, 2021 to Fiscal Year Ending March 31, 2023

GO BEYOND

Challenge the Next Stage

Takayuki Tokuma

Representative Director, President and Executive Officer

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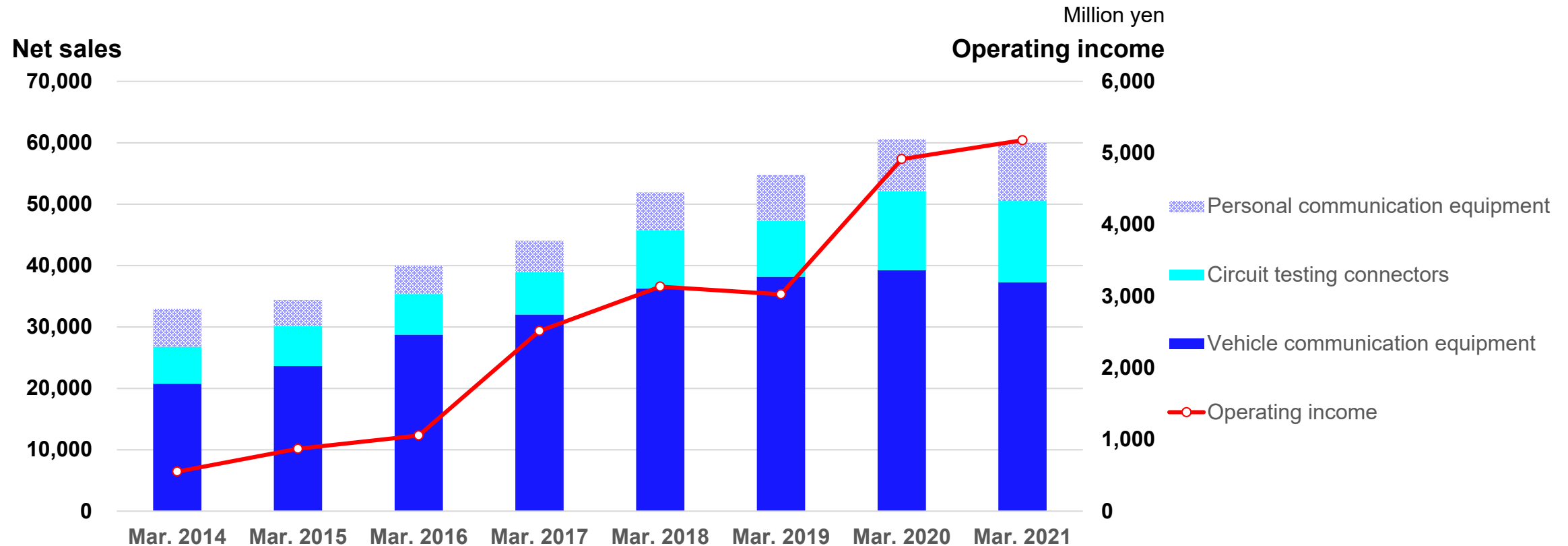
1. Current Business Position
2. Basic Management Policy and Growth Strategies
3. Business Strategies
4. Capital Investment Plan
5. Medium-Term Management Targets

1. Current Business Position

1. Current Business Position

(i) Trends in results

● Trends in consolidated net sales and operating income

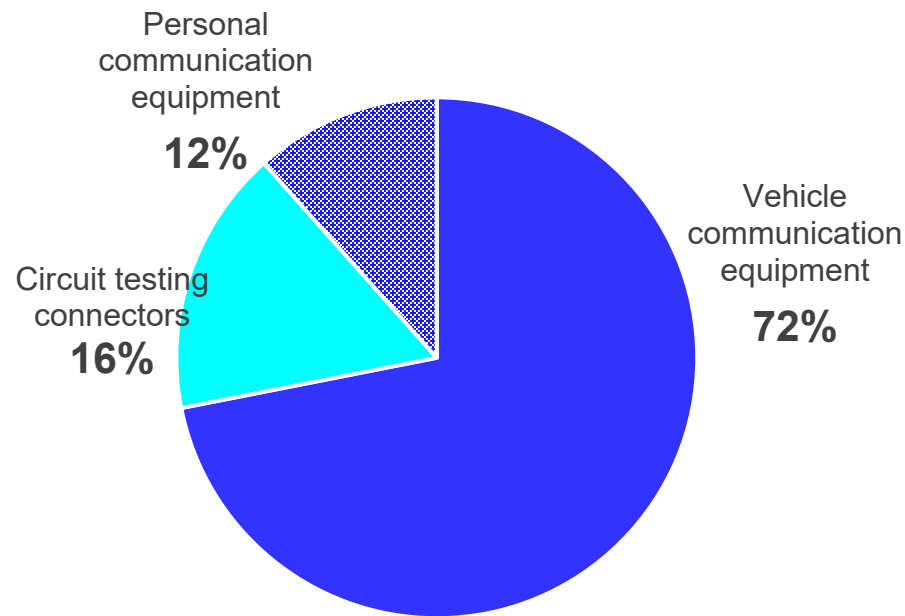


- Continued growth in both sales and profits through the fiscal year ended March 2020
- March 2021: Operating income reached a record high despite a slight decrease in net sales due to the impact of COVID-19 pandemic.

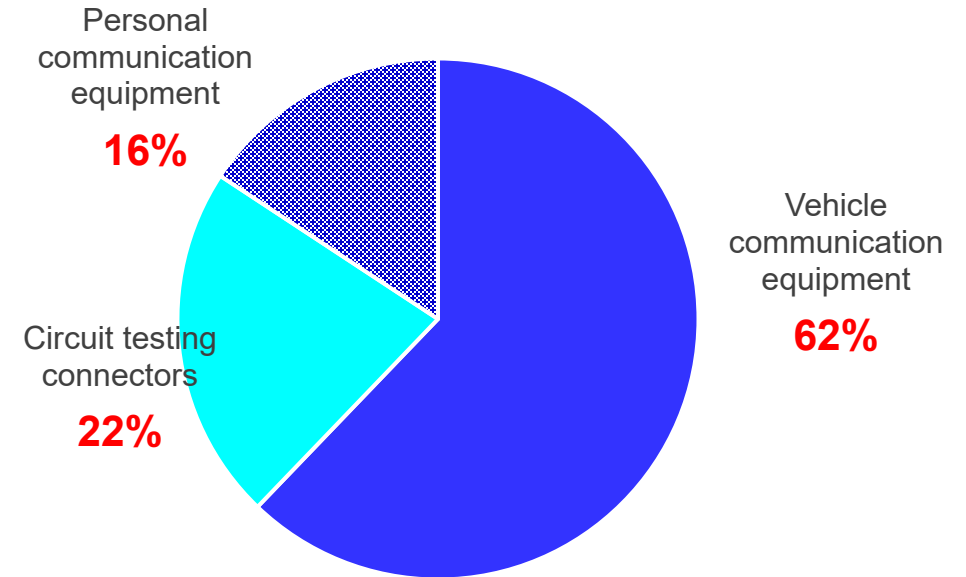
1. Current Business Position

(ii) Changes in the breakdown of sales

Breakdown of sales in fiscal year ended March 31, 2016



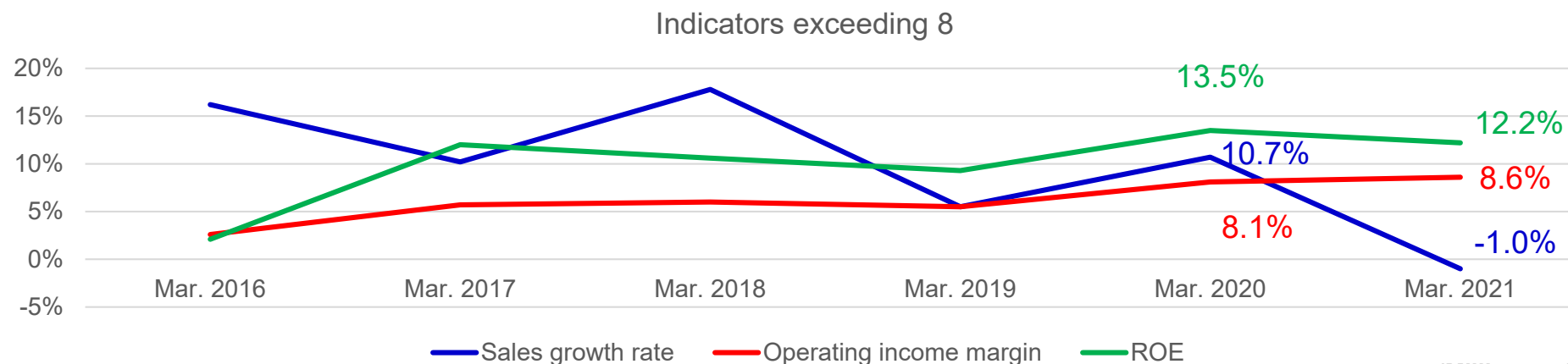
Breakdown of sales in fiscal year ended March 31, 2021



- The Company has been building a multi-layered business structure and as a result **the sales breakdown is well balanced.**
- **March 2021:** The ratio of Circuit testing connectors / Personal communication equipment increased further due to lower sales of Vehicle communication equipment.

1. Current Business Position

(iii) Trends in major management indicators



(Million yen)

Fiscal year	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
Net sales	39,998	44,077	51,919	54,752	60,595	59,976
Operating income	1,057	2,516	3,135	3,028	4,916	5,179
Profit	412	2,381	2,337	2,209	3,440	3,818
Equity capital	18,930	20,819	23,275	24,473	26,532	36,152
Total assets	29,448	33,319	37,290	42,781	48,134	56,808

- In the fiscal year ended March 2020, all major indicators exceeded 8%.
- March 2021, operating income margin / ROE of more than 8% despite negative sales growth.

1. Current Business Position

(iv) The Company's features and strengths

■ Coordination with prominent customers

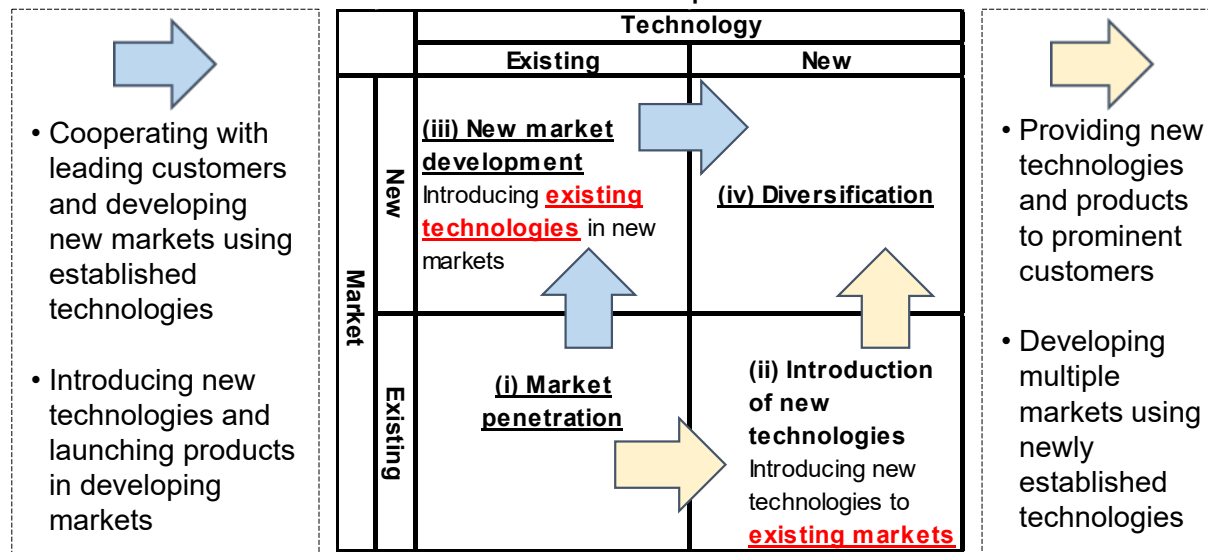
- The Company coordinates with prominent customers, who take the lead in the evolution of each business. The Company has been meeting the stringent process requirements (cost, L/T, and quality) and technical requirements (new designs, new technologies, etc.) of leading customers and following trends in the B2B business ahead of competitors.

■ Tradition of continuing to introduce new technologies and finding new markets

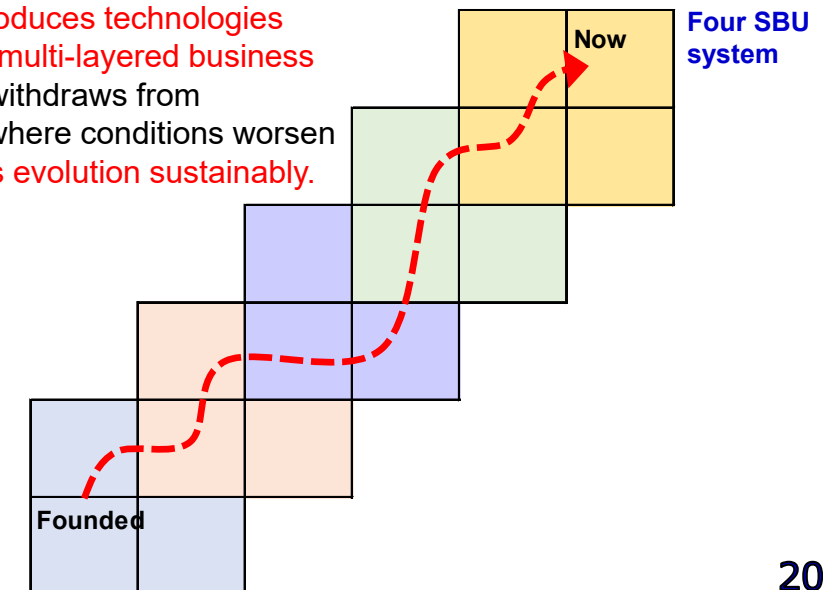
- Since the foundation in 1922, the Company has been introducing new technologies and striving to find new markets and customers. It has strategically withdrawn from markets where conditions (profitability and growth) worsened and has always generated and developed business.

Taking advantage of these strengths, the Company will build a multi-layered business structure and will evolve its business sustainably.

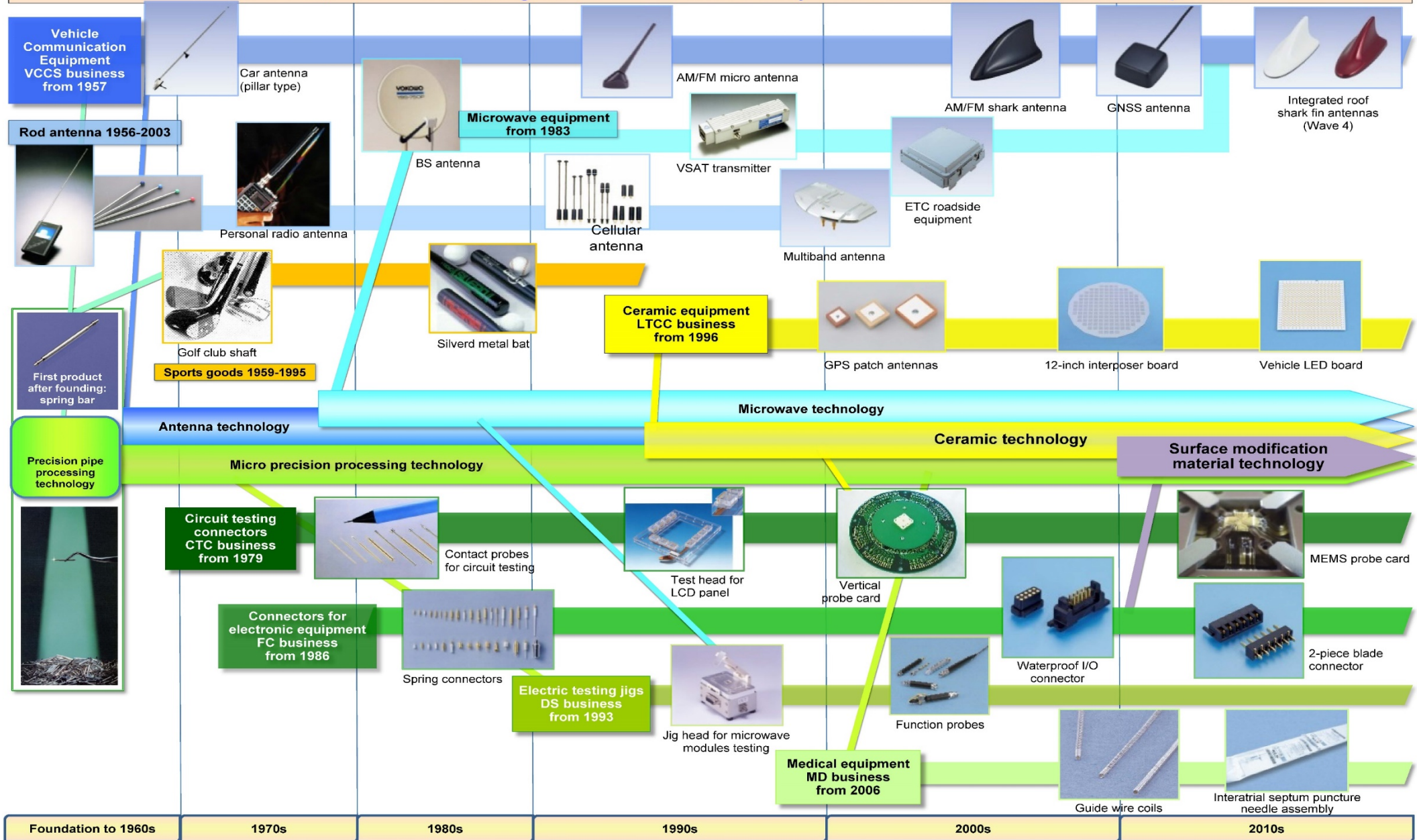
Cycle of business creation and development



The Company develops new markets, introduces technologies and builds a multi-layered business structure. It withdraws from businesses where conditions worsen and achieves evolution sustainably.



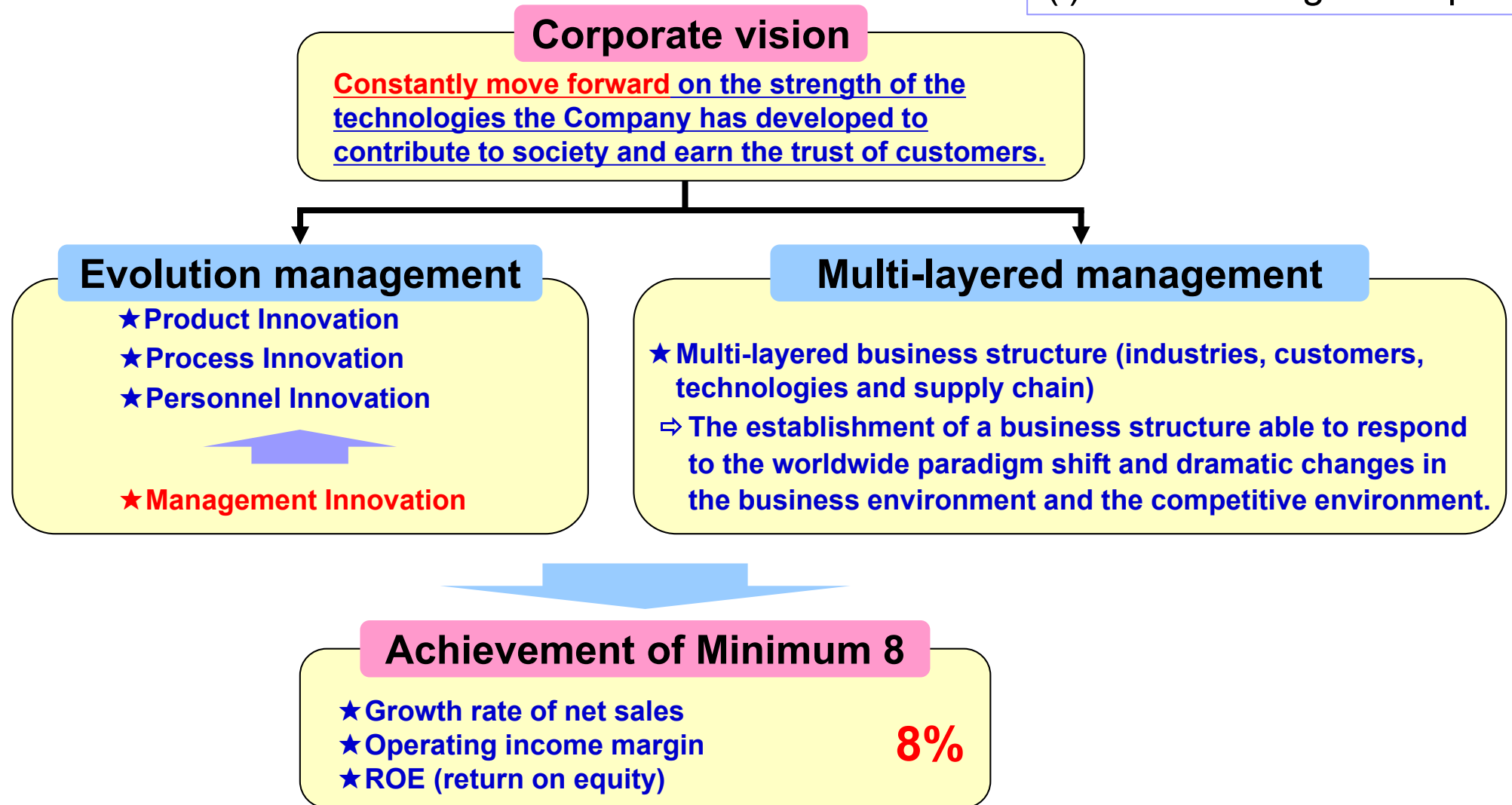
Yokowo Co., Ltd. Technological Evolution and History of Business and Product Development



2. Basic Management Policy and Growth Strategies

2. Basic Management Policy and Growth Strategies

(i) Basic management policy



2. Basic Management Policy and Growth Strategies

(ii) Issues in business structure and progress in initiatives

■ Achieving growth and strengthening the earnings base in major markets (automobile, semiconductor inspection, mobile devices and B2B terminals)

● Restructuring the earnings structure in the VCCS business

- ⇒ Substantial improvement in base profitability through drastic cost structure reforms, including promotion of in-house production at the Vietnam plant
- ⇒ Rising air costs due to production delays and disruptions caused by a shortage of semiconductors and resin materials, as well as tight maritime transportation
- ⇒ Changing the fixed cost and variable cost structures based on a zero-based review of the cost structure from the origin (design)
- ⇒ Expanding the Company's antenna technology for a smart society into the system field at the level of quality, delivery time and cost competitiveness in the automobile industry and entering highly profitable markets other than the automotive products market

● Searching and pursuing themes for evolution in the three main businesses (VCCS, CTC, and FC)

- ⇒ Pursuing multiple promising themes in the advanced applications field

● Expanding businesses in earnest in emerging markets, such as Chinese and ASEAN markets, where growth rates are high

■ Expanding the MD business (medical field), which the Company aims to make a fourth core business

● Evolving into a development-oriented OEM supplier with an integrated manufacturing system covering parts processing to ASSY to coating

- ⇒ A production system is almost completed. Cutting-edge facilities were introduced in parts processing, with mass production in operation. The processes for ASSY and coating were improved along with profitability.
- ⇒ The Company is preparing to launch unique products in cooperation with a medical equipment venture ecosystem (hospitals, universities and venture companies).
- ⇒ From the second half of the fiscal year ended March 31, 2021, sales stagnated due to the pressure on medical sites caused by COVID-19 pandemic.

2. Basic Management Policy and Growth Strategies

(ii) Issues in business structure and progress in initiatives

- **Evolving business domains and business mixes, which will increase stability in growth and earnings in the entire Company**
 - **Encouraging initiatives in borderless and crossover fields**
 - **Encouraging initiatives for expanding the domains of the three main businesses**
 - ⇒ Focusing on ADAS, automatic driving, connected and MaaS, and high-speed, high-capacity communications (5G, IoT and AI)
 - ⇒ The semiconductor front-end testing turnkey business is growing rapidly and entering the full-scale expansion stage
 - ⇒ Expanding systematization of vehicle antennas / Developing products for 5G
- **Executing growth strategies, reorganizing the Company-wide supply chain to increase profitability**
 - **Changing the supply chain in the VCCS business to increase cost competitiveness**
 - ⇒ Completion of Phase 4 expansion of the Vietnam plant, further transfer of production from the China plant, and improvement of in-house production ratio
 - ⇒ Reorganizing the Chinese plant its production structure to focus on products for the Chinese market and strengthening its development functions
 - ⇒ Construction of the Philippine Plant as Third Production Base (scheduled to start operation in April 2022)
 - **Expanding efficient production lines and strengthening production backup systems in the main production bases (Malaysia and Tomioka) in the CTC business**
 - ⇒ Increasing production capacity in response to further business expansion with emphasis on strengthening domestic production backup systems
 - **Building a Company-wide optimal production system through the effective selection of all in-house strategies in consideration of business characteristics**
 - ⇒ Promoting the three main businesses

2. Basic Management Policy and Growth Strategies

(iii) Basic policy for Company-wide growth strategies

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



★ Encouraging initiatives to build a multi-layered customer mix

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

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

- **Participating innovative application projects**
 - ⇒ ADAS, automatic driving, connected, MaaS, IoT, AI, 5G (high-speed, high-capacity transmission), and advanced medicine
- **Developing strategic products that can change the industry structure**

3. Business Strategies

3. Business Strategies

(i) Vehicle communication equipment: VCCS

Basic growth strategy

Changing the cost structure, creating core product businesses in new application areas and system product areas, including CASE and MaaS, and expanding business in the global market (new growth market).

Evolving into a highly profitable business

- Reviewing and improving business operation systems/business processes, and as a result, increasing efficiency and eliminating loss costs
- Changing the product mix and the business structure to increase profitability
- Fundamentally reviewing the supply chain (promoting the transfer of business to Vietnam and establishing a production base in the Philippines)
- Changing the fixed cost and variable cost structures based on a zero-based review of the cost structure from the origin (design) and considering changing the fixed cost structure chiefly by introducing automatic testing systems using AI

Evolving products for new application areas

- Commercializing antenna units for connected cars
- Expanding business domain and strengthening strategic coordination, using antenna technology

Multi-layered development and production

- Expanding the transfer of business to the production base in Vietnam
- Enhancing the development function at the base in China
- Establishing a production base in the Philippines

Changing fixed cost structure

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

Creating highly profitable businesses by changing the business and earnings structures

3. Business Strategies

(ii) Circuit testing connectors: CTC

Basic growth strategy

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

As the only semiconductor testing jig manufacturer with antenna technology in the world, the Company will

- Deepen and evolve the world-class micro precision processing technology and microwave technology,
- Introduce (possibly through M&A) and establish MEMS and a new molding technology underpinned by chemical technology, and
- Encourage the production process change and the use of digital transformation in response to the need for semiconductor (especially for communications and servers) testing, which is increasing, reflecting the emergence of AI, the IoT and 5G.

The Company will provide world-class products and solutions.

Evolution of the business model

- Expanding and evolving turnkey businesses (from integrated production of testing jigs to provision of solutions)
- Strengthening the field application engineer (FAE) function

Increase in production capacity and sophistication

- Expanding the application of new 5S production lines
- Increasing extra-fine probe production capacity significantly
- Increasing cost competitiveness and shortening L/T by expanding efficient production lines in major production bases

Evolution of technologies and products

- Significantly enhancing multi-pin, coaxial sockets for high-speed testing for data centers
- Strengthen the lineup of products for high frequencies
- Developing high-temperature, high-current probes for vehicle IC testing
- Expanding sales of YPX (probe cards for the measurement of high-frequency devices) in earnest

3. Business Strategies

(iii) Personal communication equipment: FC

Basic growth strategy

Product differentiation through the continued creation of new products, markets and processing technologies, and resulting multi-layered products, markets and technologies, and high-speed transmission using unique technologies

Responding to the need for market differentiation and standard products in multiple markets, the Company will

- Enhance product development and accelerate production speed by changing the supply chain and expanding standard products,
- Expand unique, high-speed transmission connectors, and
- Undertake DX initiatives while changing business processes

The Company will respond to the needs by providing sophisticated UX.

Evolution of the business model

- Expanding sales of standard products using Internet tools and tapping into new demand (increasing use of the web and establishing e-commerce)
- Changing delivery time at the estimation, prototyping and first delivery stages, and making situations visible to customers

Increase in production capacity and sophistication

- Changing the supply chain based on local production for local consumption
- Automating processing and assembling in smart production lines
- Transforming the plating process in Japan and Malaysia

Evolution of technologies and products

- Undertaking initiatives for high reliability, advanced plating, high ratings, low-cost waterproofing and adding product functions
- Mass producing optical connectors using the technology for the world's smallest photoelectric conversion device

3. Business Strategies

(iV) Personal communication equipment: MD

Basic growth strategy

Expanding business and contributing to the development of society by evolving into a development-oriented OEM in the advanced medical field and building a venture ecosystem

To establish a fourth core business, Yokowo will

- Propose products, taking advantage of its competitive advantage in technology,
- Establish a new technological advantage based on basic research, and
- Build a venture ecosystem based on the above for treating difficult-to-cure diseases by innovating medical technology, following the trend toward less invasive solutions for improving the QOL.

The Company will expand business and contribute to society.

Evolution of the business model

- Evolving into a development-oriented OEM
 - ⇒ Integrated business system for product design, ASSY and coating
- +
- Building a venture ecosystem



Increase in production capacity and sophistication

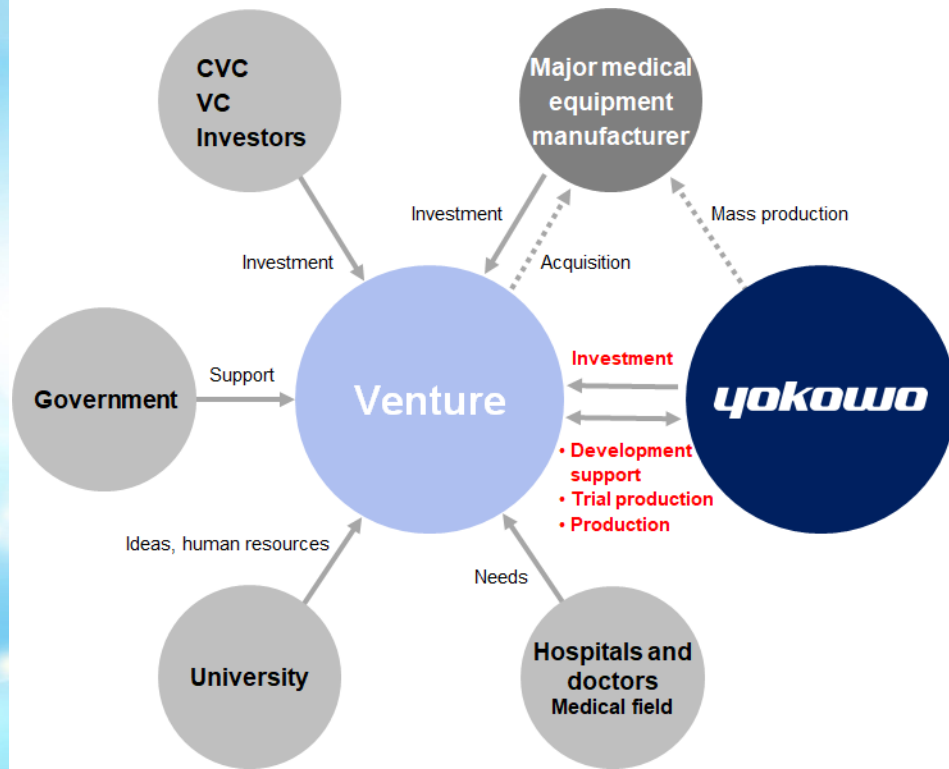
- Using new 5S production lines
- Transferring production to bases overseas to increase assembly capabilities and price competitiveness
- Building flexible trial production lines to support a venture ecosystem

Evolution of technologies and products (high added value)

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

3. Business Strategies

(iV) Personal communication equipment: MD



Global trend in the development of medical equipment

- Ventures develop innovative medical equipment and major companies acquire the ventures, which accelerates innovation.

Dilemma in medical equipment development in Japan

- There are few medical equipment ventures and manufacturing partners that support, which results in sluggish medical innovation.

Venture ecosystem centering around Yokowo's micro precision processing technology

- Combining ventures' ideas about cutting-edge treatment and treatment of difficult-to-cure diseases with Yokowo's manufacturing expertise in the medical equipment field, particularly micro precision processing technology
- Manufacturing partners participate (including investment) from an early stage (Yokowo has cooperated with four partners in 2020), accelerating development.

Business expansion in three to five years

Contribution to people and society



4. Capital Investment Plan

4. Capital Investment Plan

New investments for growth and strengthening infrastructure

Plans to invest a total of **15 billion yen in capital investment for the three fiscal years beginning in the fiscal year ending March 2022**

R & D investment · Product development investment	V C C S	Reinforcement development and evaluation facilities of 5G and in-vehicle antenna themes
	C T C	Introduction of evaluation equipment for full-scale turnkey business New and expanded production lines for MEMS probe cards
	M D	Realization of new therapeutic methods and device development through a venture ecosystem
	Technology R & D	Analysis equipment and evaluation equipment for dramatic improvements in MEMS and other fine precision processing / material analysis / high-frequency simulation / analysis
Increased production investment	V C C S	Shift production from the China plant to the Vietnam plant and strengthen production technology Launch of Philippine plant to strengthen cost competitiveness and BCM (scheduled to start operation in April 2022)
	C T C	Increase probe production capacity (monthly production from 8 million to 10 million units) Increase production capacity for ultra-fine probes (from 400,000 to 600,000 units per month) ⇒ Significantly increased parts processing capacity / new 5S automatic assembly lines
	M D	Expansion of Clean Rooms and Coating Facilities to Expand the Assy Business Expansion of femtosecond laser processing machines, etc.
Rationalization investment	V C C S	Building a Smart Factory in the Philippines to make manufacturing processes More Visible
	C T C F C	Full-scale introduction of new 5S automatic assembly line Introduction of an automatic inspection system using AI
	Technology	Construction of PLM system using 3D-CAD / Expansion of IT infrastructure for enhancement of telework response

5. Medium-Term Management Targets

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(i) Medium-Term Management Targets

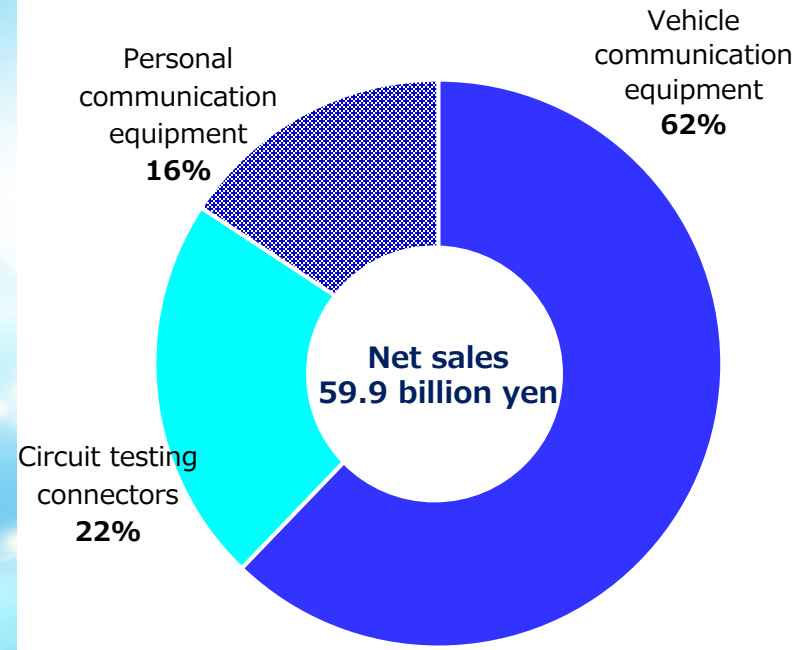
(Unit: Million yen)

		FY2021/3	FY2022/3 Forecast	FY2023/3 Target	FY2025/3 Target
Net sales		59,976	65,000	72,000	84,000
	Vehicle communication equipment	37,292	41,000	41,500	44,000
	Circuit testing connectors	13,242	14,500	19,000	25,000
	Personal communication equipment	9,441	9,500	11,500	15,000
Operating income		5,179	5,800	7,200	10,080
Ordinary income		5,320	5,250	7,000	9,800
Profit		3,818	3,850	5,000	6,800
Minimum 8	Growth rate of net sales	▲1.0%	8.4%	9.6%	8.0%
	Operating income margin	8.6%	8.9%	10.0%	12.0%
	ROE	12.2%	12% level	13 – 14%	14 – 15%
Reference: Average dollar/yen exchange rate for the period		106.10	105.00	105.00	105.00

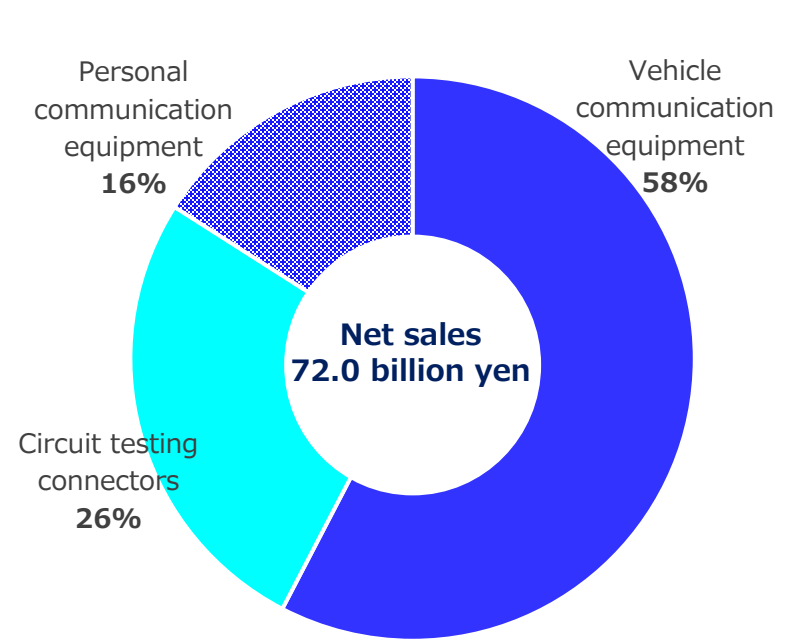
5. Medium-Term Management Targets

(ii) Expected the breakdown of sales by segment

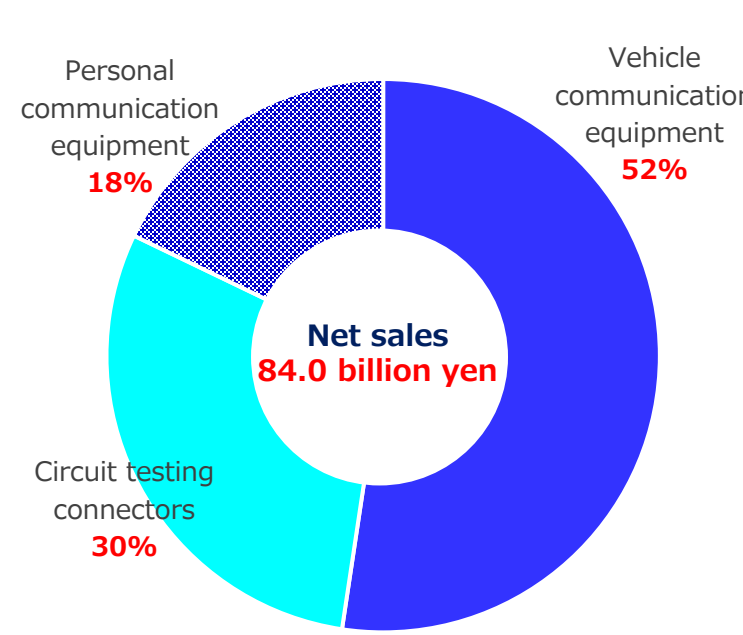
Breakdown of sales in fiscal year ended March 31, 2021



Expected breakdown of sales in fiscal year ending March 31, 2023



Expected breakdown of sales in fiscal year ending March 31, 2025



• **Aiming to the balanced sales breakdown**