

Financial Results Briefing for the First Half of the Fiscal Year Ending March 31, 2022

November 16, 2021



* 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 First Half of the Fiscal Year Ending March 31, 2022 and the Full-Year Results Forecast

Kouichi Fukagawa
Director,
Senior Managing Executive Officer

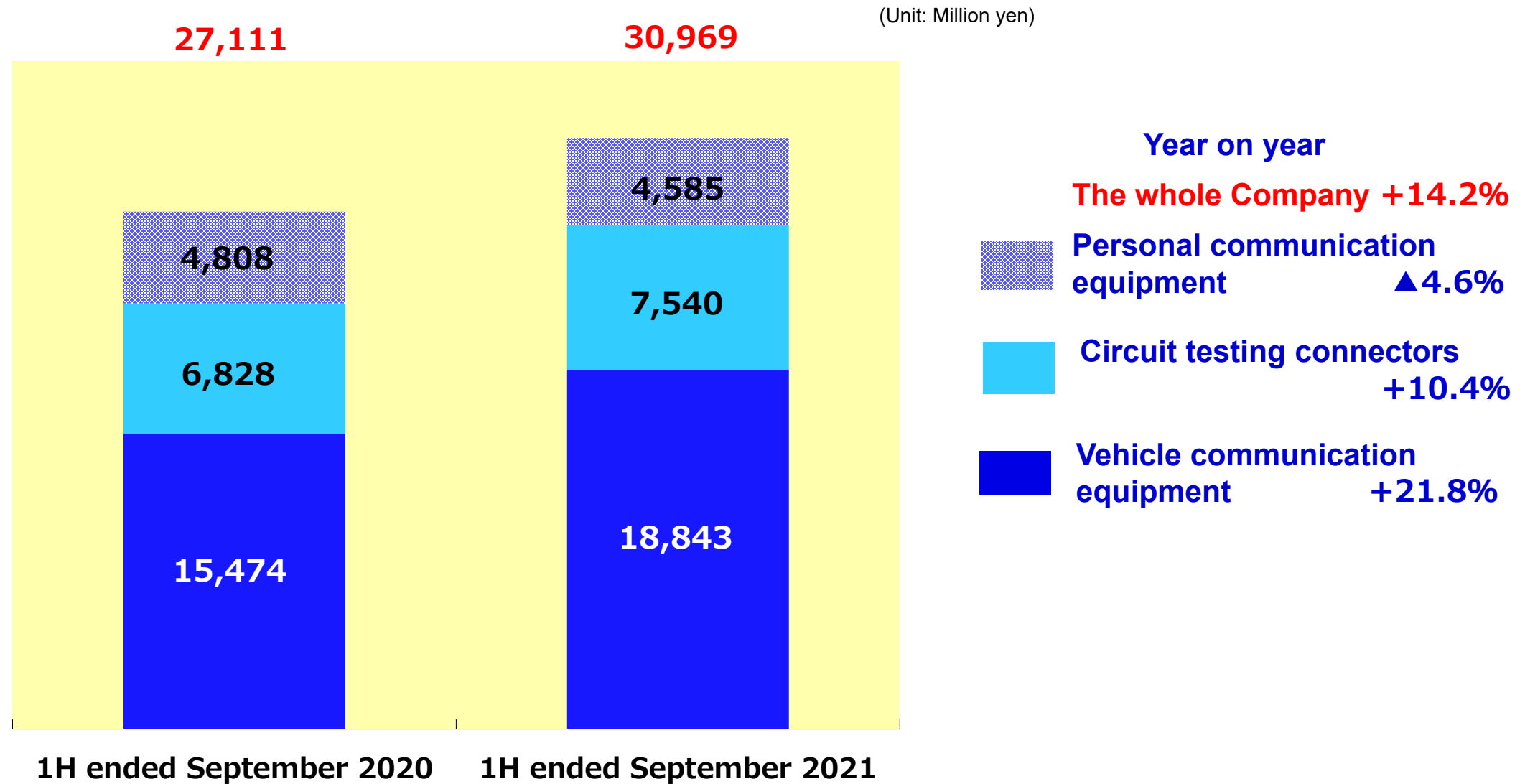
■ Future Business Outlook

Takayuki Tokuma
Representative Director,
President and Executive Officer

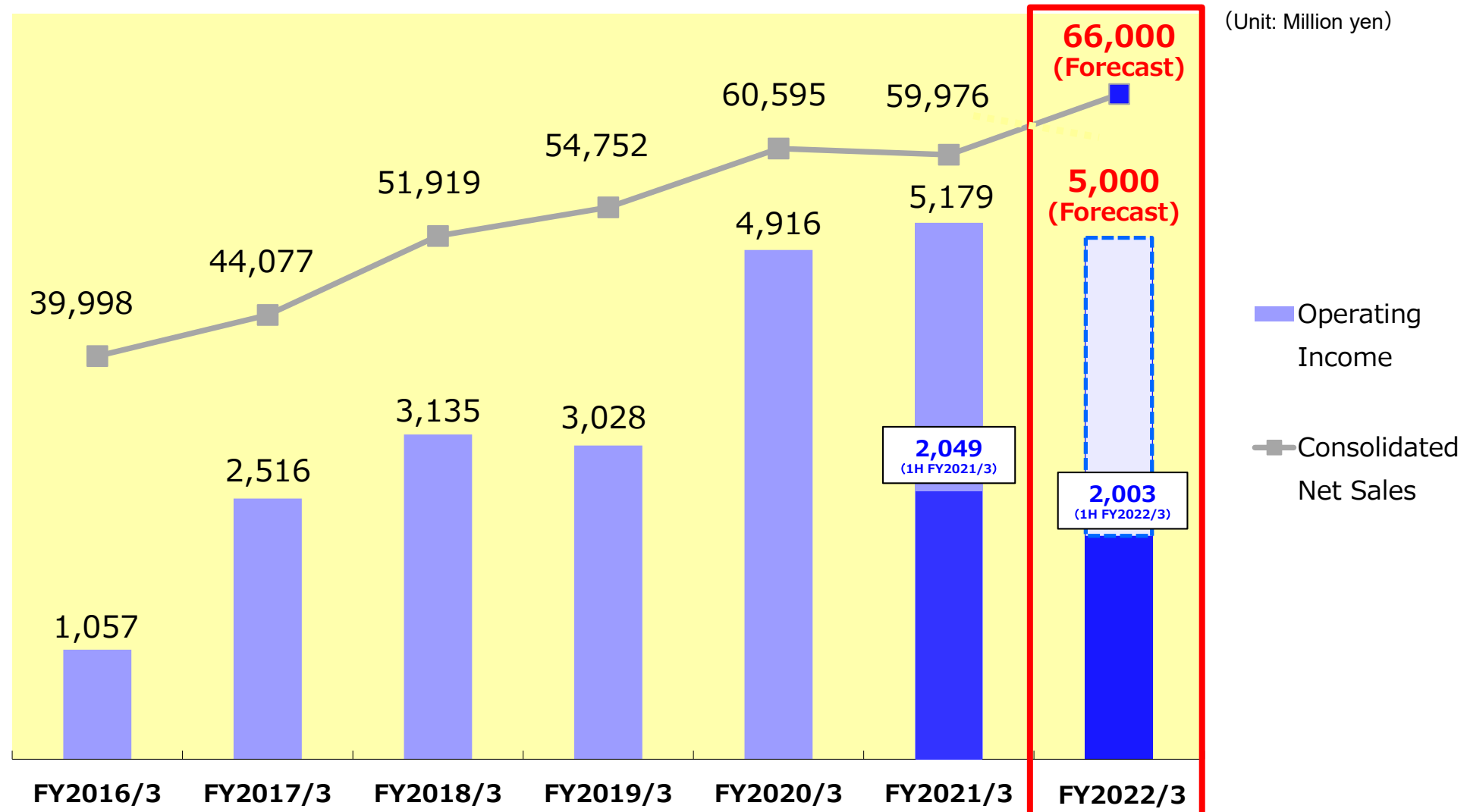
Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2022 and the Full-Year Results Forecast

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)

	Previous First Half (Apr.–Sep. 2020) Results	First Half Under Review (Apr.–Sep.2021) Forecast	First Half Under Review (Apr.–Sep.2021) Results	YoY	Compared with Previous Forecast
Net sales	27,111	32,000	30,969	+14.2%	▲3.2%
Operating income	2,049	2,400	2,003	▲2.3%	▲16.5%
Ordinary income	1,716	1,850	2,202	+28.3%	+19.0%
Profit	1,272	1,350	1,526	+20.0%	+13.1%

Net Sales and Operating Income 1H FY2022/3 by Segment (compared to 1H FY2021/3 Results)

(Unit: Million yen)

	Vehicle communication equipment	Circuit testing connectors	Personal communication equipment	Total
Net Sales 1H FY2021/3	15,474	6,828	4,808	27,111
Net Sales 1H FY2022/3	18,843	7,540	4,585	30,969
Year-on-Year	3,368	712	▲ 223	3,857
Operating Income 1H FY2021/3	▲ 345	1,270	1,125	2,049
Operating Income 1H FY2022/3	▲ 488	1,755	736	2,003
Year-on-Year	▲ 142	485	▲ 389	▲ 46

<Vehicle communication equipment >

- Increase in physical distribution cost by a surge in ocean freight ▲500
- Rise in raw materials prices ▲200
- Cost for measuring against Covid-19 ▲100
- Increase in Operating income due to higher sales 660

<Circuit testing connectors >

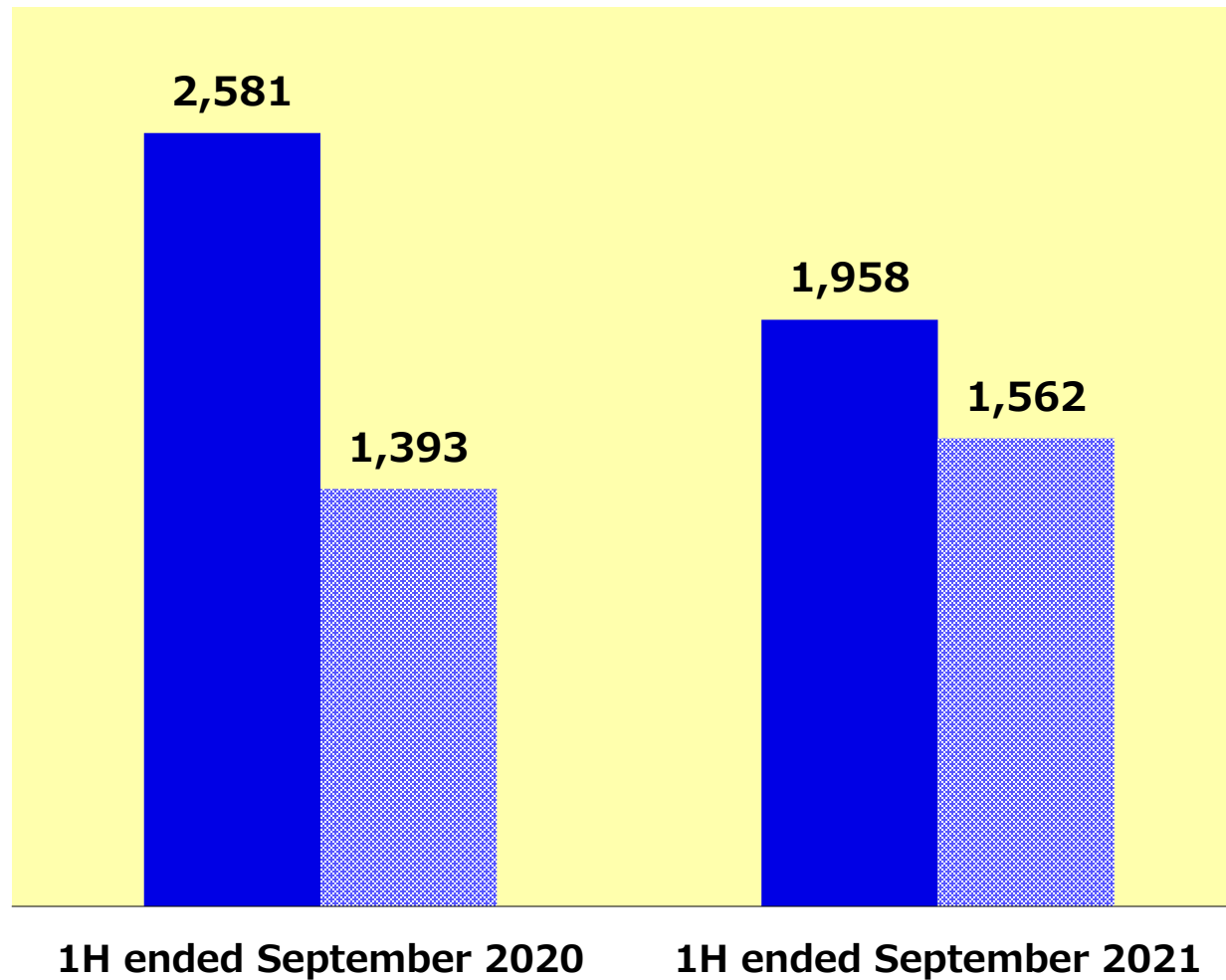
- Rise in raw materials prices ▲200
- Increase in depreciation ▲50
- Decrease in expense 80
- Increase in Operating income due to higher sales 650

<Personal communication equipment>

- Increase in labor cost (FC) ▲100
- Increase in labor cost (MD) ▲10
- Increase in depreciation ▲20
- Decrease in Operating income due to lower sales ▲260

Capital Investment and Depreciation

(Unit: Million yen)



Year on year

Capital investment ▲24.1%

Depreciation +12.1%

Consolidated Balance Sheets

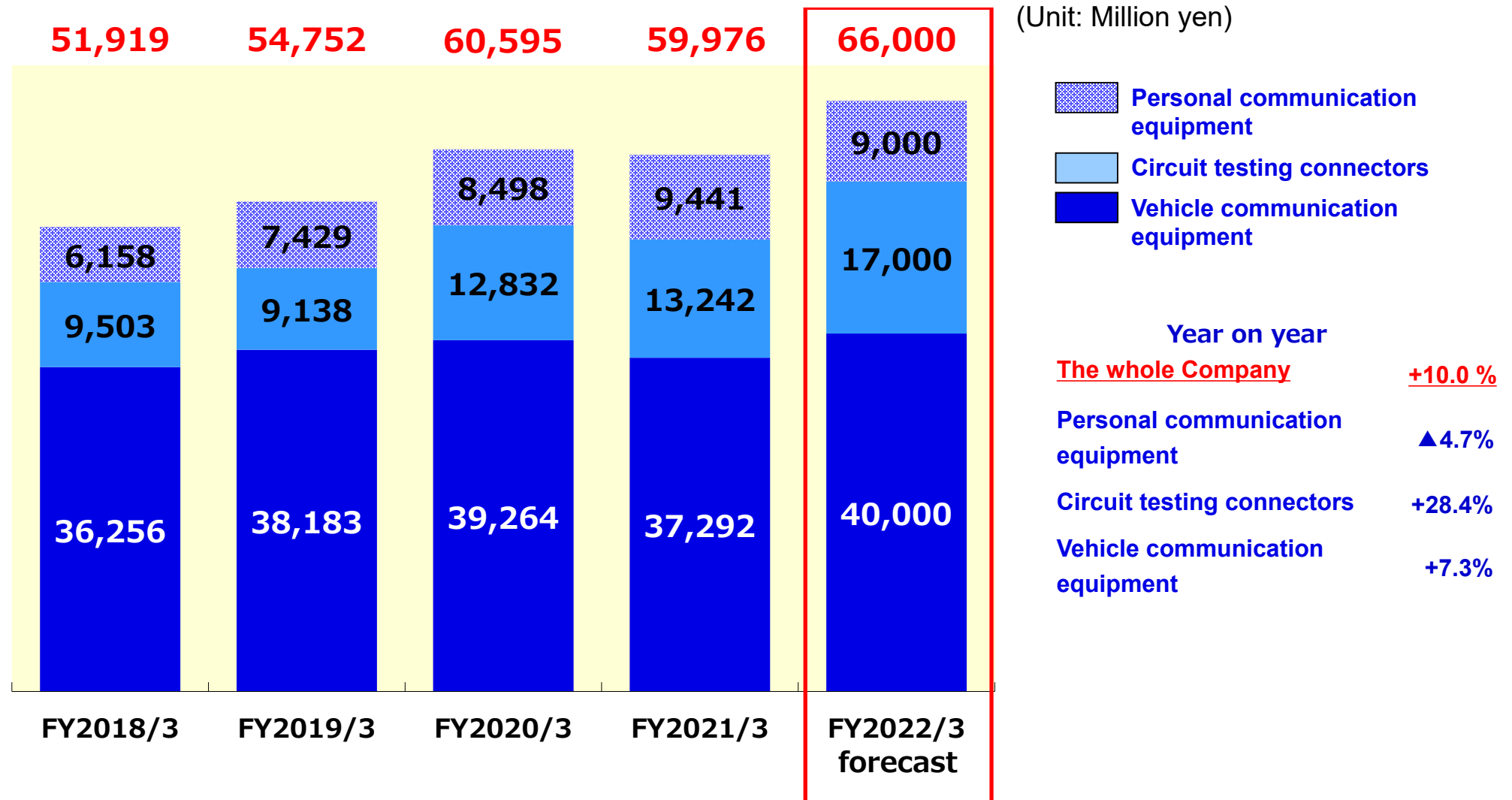
(Unit: Million yen)

	End of March 2021	End of September 2021	YoY
Cash and deposits	15,463	15,660	197
Notes and accounts receivable - trade	11,026	10,395	▲630
Inventories	10,312	13,809	3,497
Other current assets	1,614	1,930	315
Property, plant and equipment	13,909	14,353	444
Intangible assets	1,003	1,022	19
Investments and other assets	3,539	3,792	253
Total assets	56,868	60,964	4,096
Notes and accounts payable - trade	6,491	7,578	1,087
Other current liabilities	13,389	12,374	▲1,014
Non-current liabilities	785	780	▲4
Total liabilities	20,666	20,734	68
Net assets	36,202	40,230	4,027
Total liabilities and net assets	56,868	60,964	4,096

Current portion of long term borrowings
▲1,800
Short-term borrowings
+325
Provision for bonuses
+330

*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 Previous Forecast (Announced in May. 2021)	FY2022/3 Current Forecast	YoY	Compared with Previous Forecast
Net sales	59,976	65,000	66,000	+10.0%	+1.5%
Operating income	5,179	5,800	5,000	▲3.5%	▲13.8%
Ordinary income	5,320	5,250	4,900	▲7.9%	▲6.7%
Profit	3,818	3,850	3,450	▲9.6%	▲10.4%

FY 2022/3 Forecasts by Segment

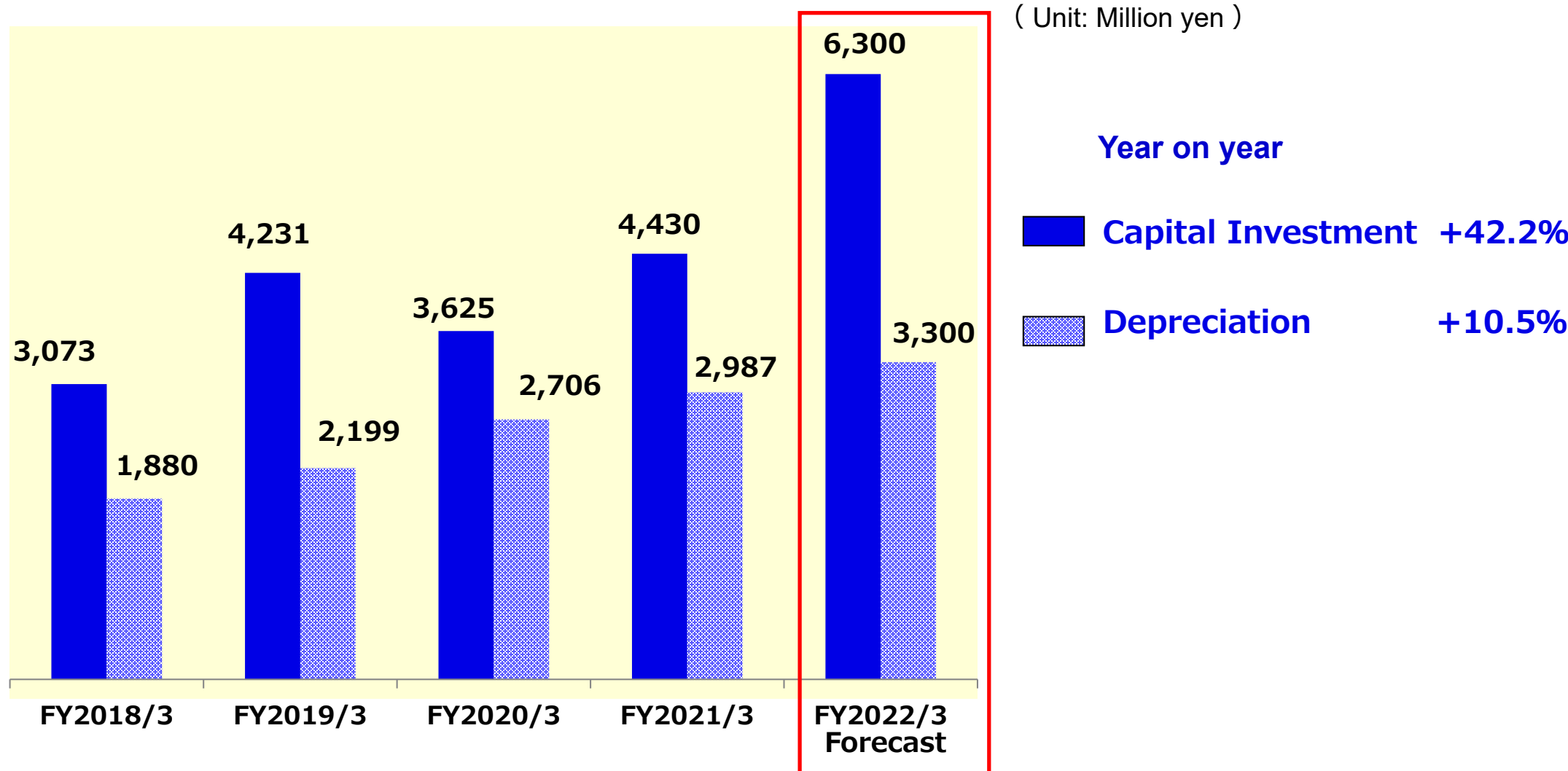
(単位：百万円)

	Vehicle communication equipment	Circuit testing connectors	Personal communication equipment	Total
Previous net sales forecast(A)	41,000	14,500	9,500	65,000
Revised net sales forecast (B)	40,000	17,000	9,000	66,000
Change (B)-(A)	▲ 1,000	2,500	▲ 500	1,000
Previous operating income forecast (C)	500	3,350	1,950	5,800
Revised operating income forecast (D)	▲ 600	4,050	1,550	5,000
Change (D)-(C)	▲ 1,100	700	▲ 400	▲ 800

<Vehicle communication equipment >

- Increase in physical distribution cost by a surge in ocean freight ▲900
- Rise in raw materials prices including semiconductor, resin, and copper ▲400
- Improving operation and productivity 200

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%	(24.3%)

Future Business Outlook

New Medium-Term Management Plan

GO BEYOND
Challenge the Next Stage

Takayuki Tokuma

Representative Director, President and Executive Officer

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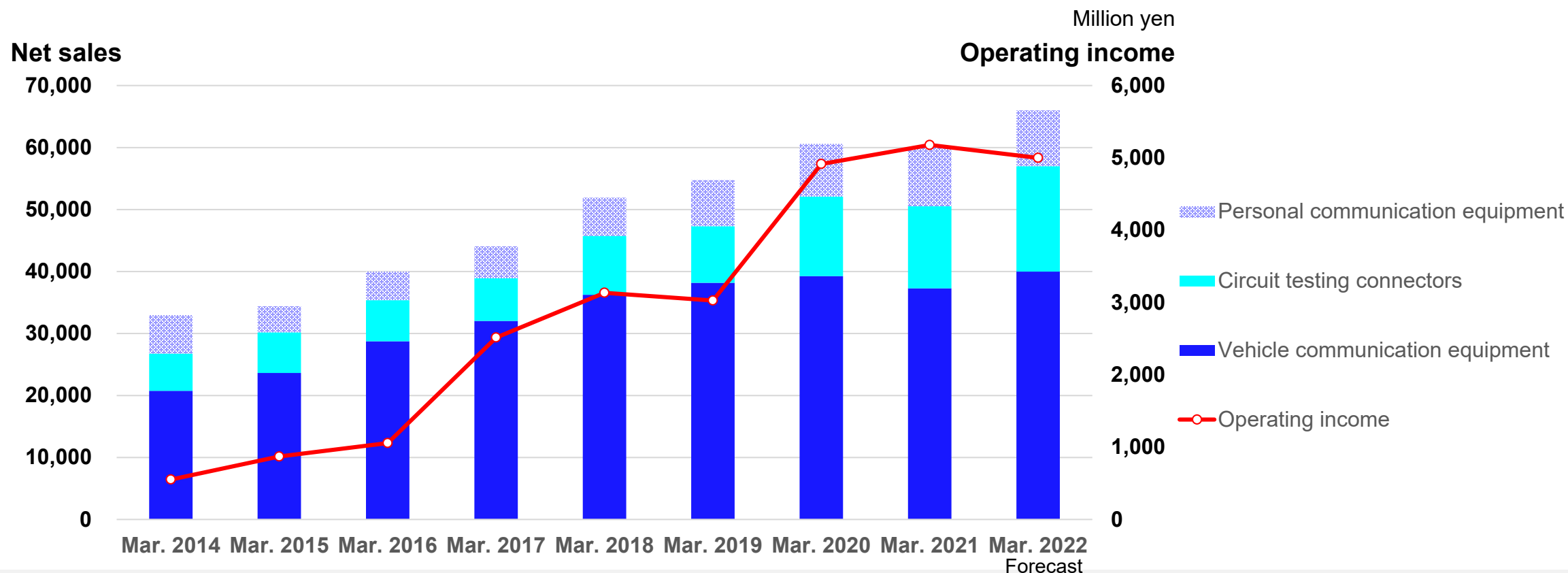
1. Current business position
2. Basic management policy and growth strategies
3. Business strategies
4. Capital expenditure plan
5. Medium-Term Management Targets

1. Current business position

1. Current business position

(i) Trends in results

● Trends in consolidated net sales and operating income

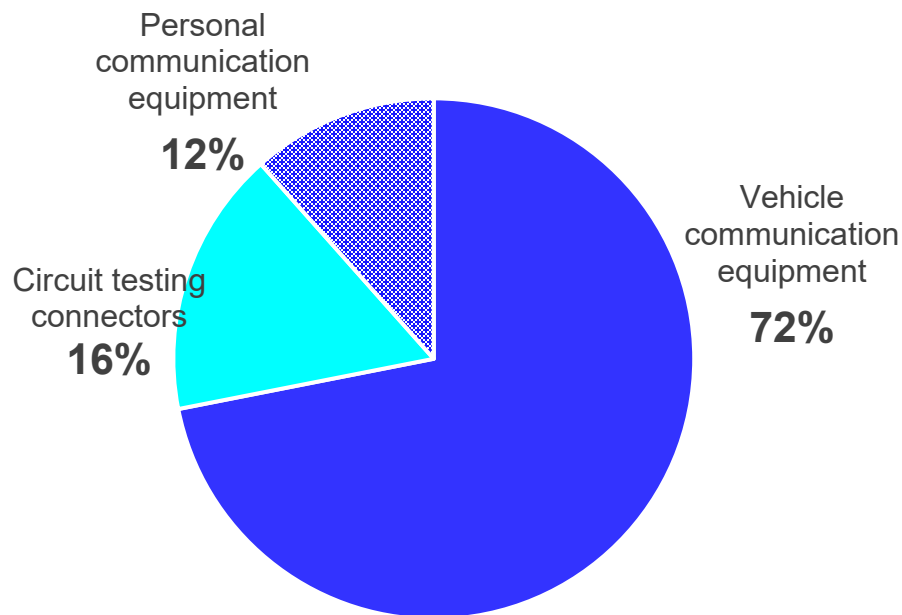


- Net sales and operating income maintained to increase steadily until FY2020/3.
- In FY2021/3, operating income recorded high for the past, despite a slight decrease in sales from the previous year due to the impact of COVID-19.
- In FY2022/3 forecast, net sales are assumed a 10% increase, hitting new record high in the past, but operating income is assumed to be decreased slightly.

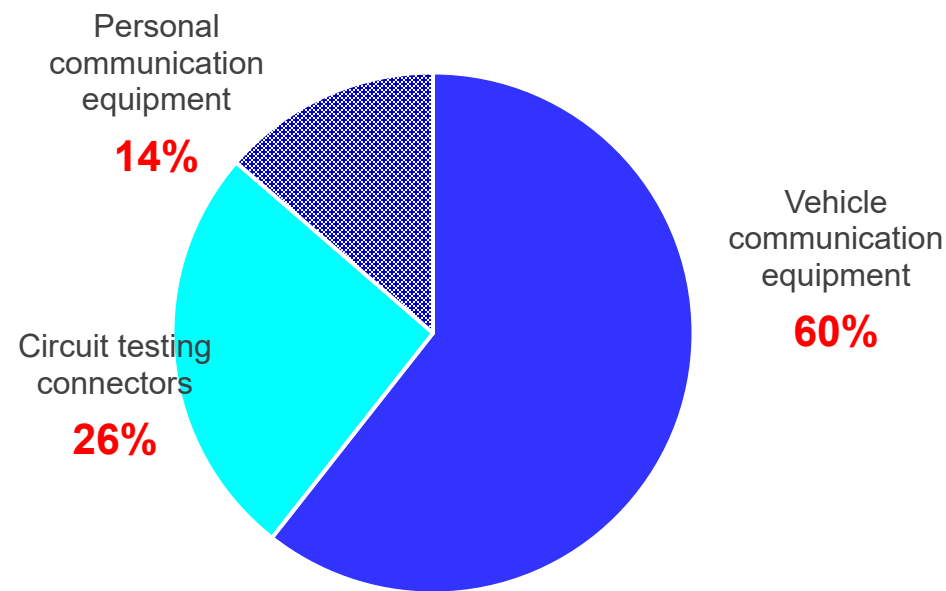
1. Current business position

(ii) Changes in the breakdown of sales

Breakdown of sales in fiscal year
ended March 31, 2016



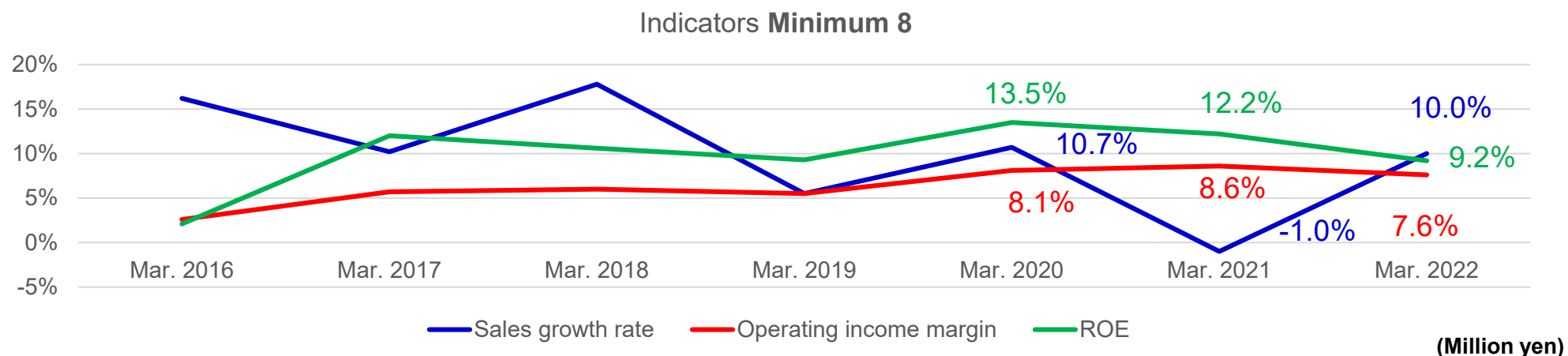
Breakdown of sales in fiscal year
ended March 31, 2022



- The ratio of Circuit testing connectors and Personal communication equipment goes up by building a multi-layered business structure, as a result the sales breakdown is well balanced.

1. Current business position

(iii) Trends in major management indicators



Fiscal year	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022
Net sales	39,998	44,077	51,919	54,752	60,595	59,976	66,000
Operating income	1,057	2,516	3,135	3,028	4,916	5,179	5,000
Profit	412	2,381	2,337	2,209	3,440	3,818	3,450
Total assets	18,930	20,819	23,275	24,473	26,532	36,152	39,233

- In FY 2020/3, all major indicators exceeded 8%.
- In FY 2021/3, operating profit margin and ROE secured at least 8% despite sales growth rates went negative.
- In FY 2022/3, net sales back to a recovery trend but operating income margin is decreased.
For accomplishing Minimum 8, Vehicle communication equipment need to be restructured.

1. Current business position

(iv) The Company's features and strengths

■ Coordination with prominent customers

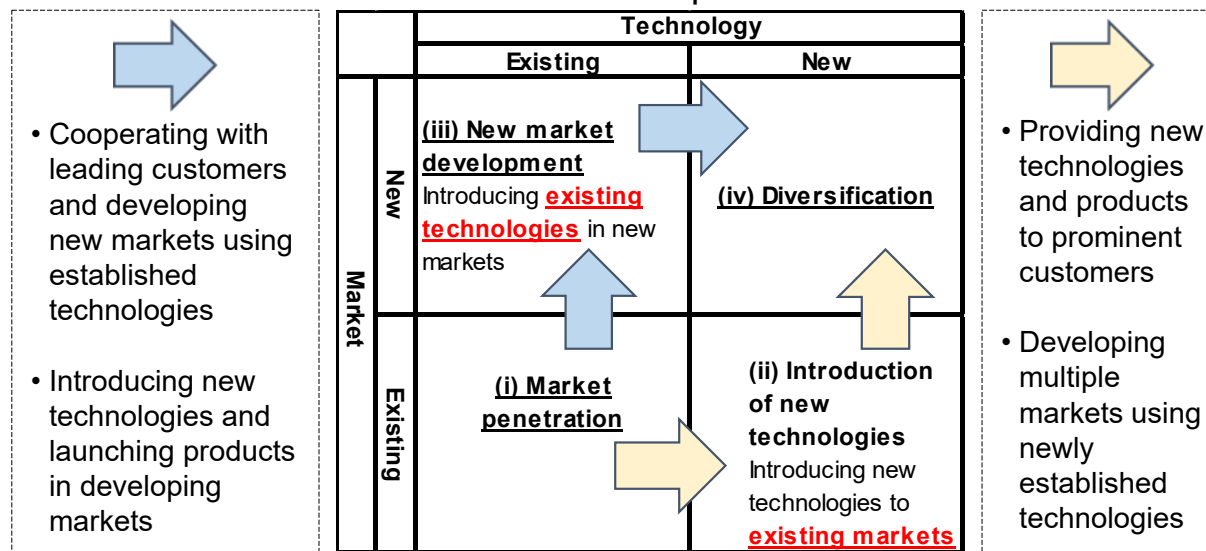
- The Company coordinates with prominent customers, who take the lead in the evolution of each business. The Company has been meeting the stringent process requirements (cost, L/T, and quality) and technical requirements (new designs, new technologies, etc.) of leading customers and following trends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

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

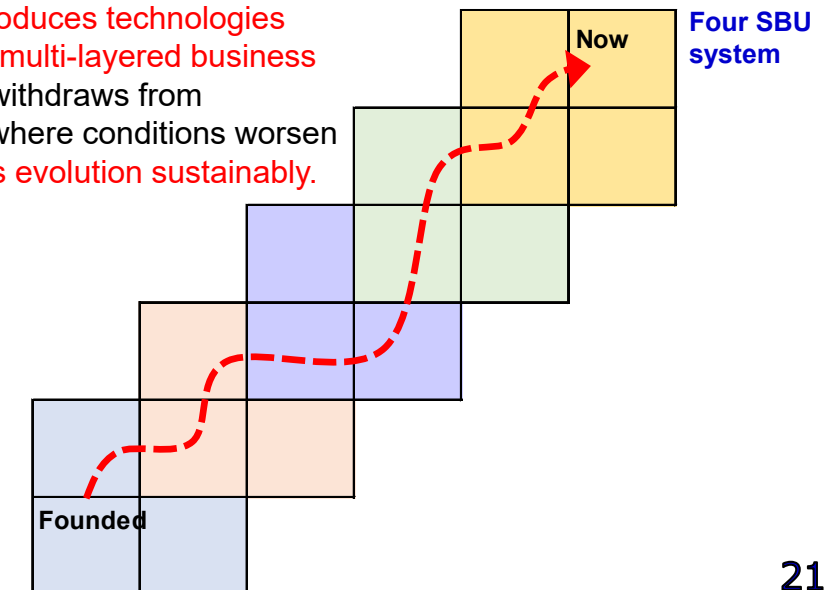
- Since the foundation in 1922, the Company has been introducing new technologies and striving to find new markets and customers. It has strategically withdrawn from markets where conditions (profitability and growth) worsened and has always generated and developed business.

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

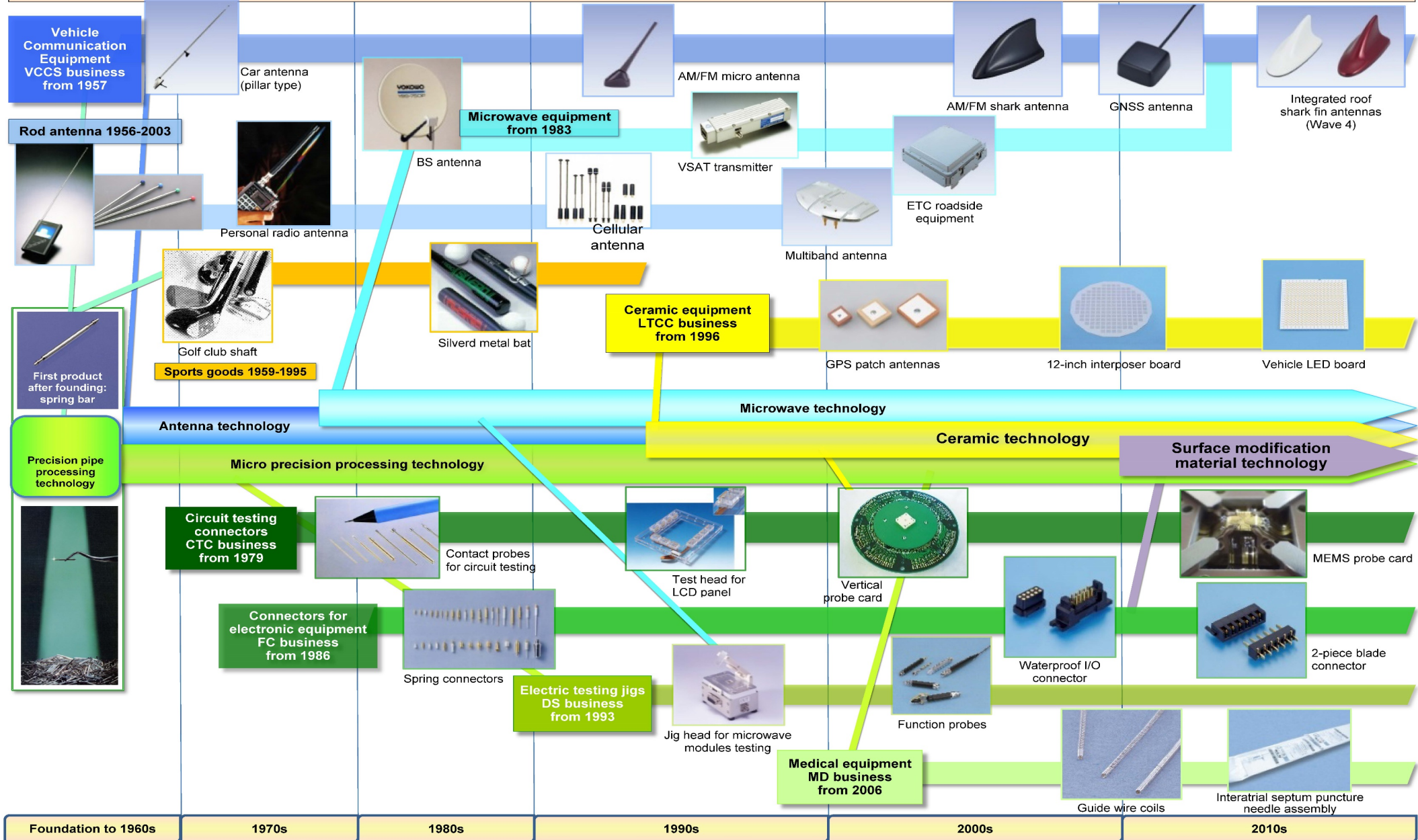
Cycle of business creation and development



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.



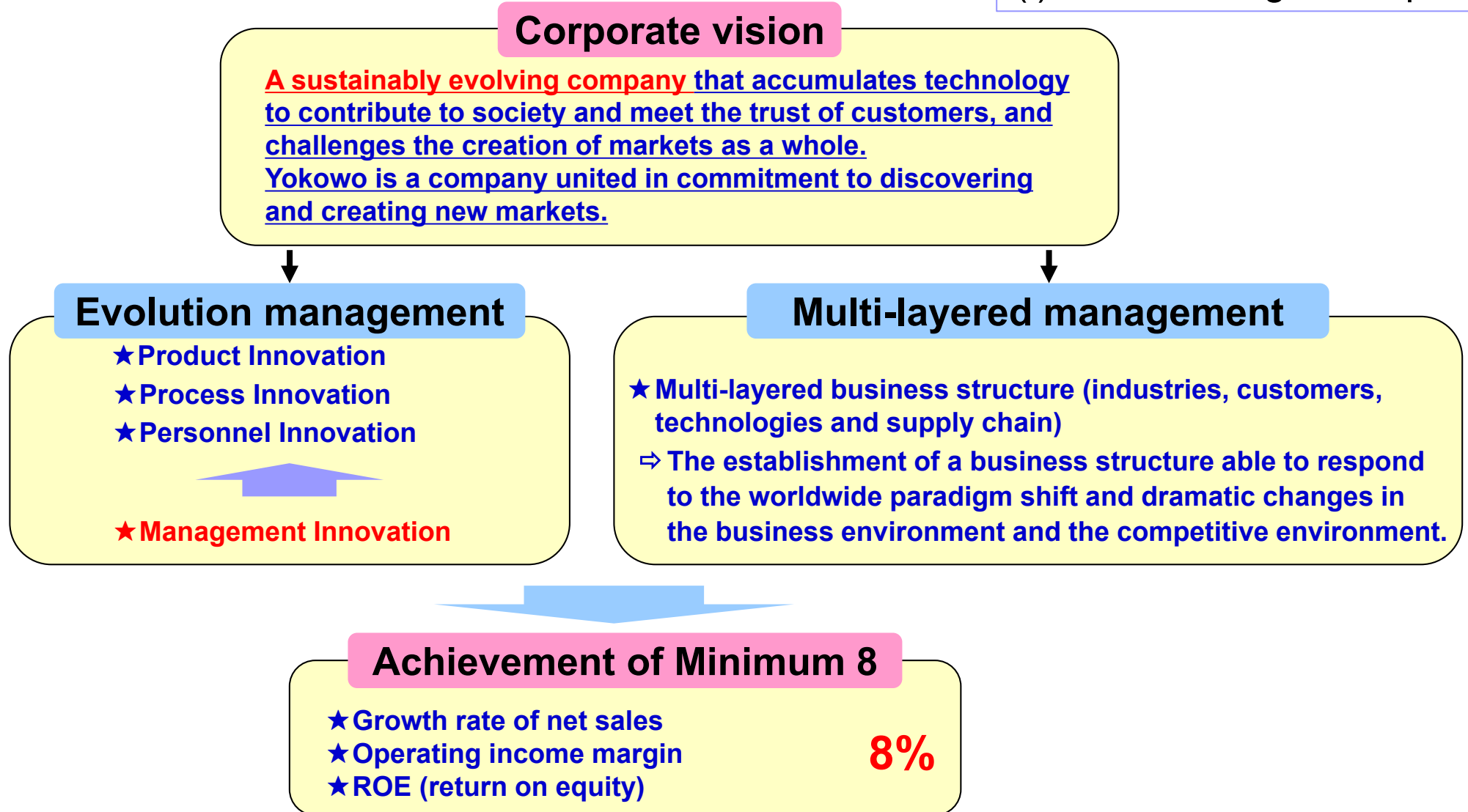
Yokowo Co., Ltd. Technological Evolution and History of Business and Product Development



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**
 - ⇒ Income worsened due to the global shortage of semiconductors and resin, an increase in transportation cost including maritime and freight, extending lead time, difficult forecast for customer's production plans, and decline in efficiency of operation.
 - ⇒ 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**
 - ⇒ Sales turn into recovery trend even though products, catheter and guide wire, remain low sales in the tight situation on the medical front lines
 - ⇒ The Company is preparing to launch unique products in cooperation with a medical equipment venture ecosystem (hospitals, universities and venture companies). Sales of the unique products steadily increased. Sales of the unique products steadily increased despite main products including catheter and guide wire remain low sales.

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, such as products applicable to 5G under development

■ Executing growth strategies, reorganizing the Company-wide supply chain to increase profitability

● Changing the supply chain in the VCCS business to increase cost competitiveness

- ⇒ Enhancing functions in the Vietnam plant and increasing the ratio of in-house production as Chinese plant 4 : Vietnam plant 6. The Chinese plant transforms our production structure to specialize in products for Chinese market and strengthened its development functions.
- ⇒ Establishing a third production base (the Philippines) to change the supply chain and increase competitiveness. Philippine production base is now under construction as a plan 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

- ⇒ The domestic production base, which strengthened in the previous fiscal year, was operated at full capacity to overcome the operating restriction in Malaysia. From mid-October, Malaysia production base fully run.
- ⇒ To meet intense demand, Domestic and Malaysia production bases resume strengthening their capacity

● 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).

Reform profit structure

- Reviewing and improving business operation systems/business processes, and as a result, increasing efficiency and eliminating loss costs
- Fundamentally reviewing the supply chain (establishing a production base in the Philippines)
- Reforming the fixed cost and variable cost structures based on a zero-based review of the cost structure from the origin (design)
- Dealing with unpleasant condition such as the global shortage of semiconductors and resin, an increase in transportation cost including maritime and freight and extending lead time.

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

★ Responding to expanding semiconductor testing demand ,especially for communication and server systems, for AI/IoT/5G

- 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 testing.

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 upgrading BCP in response to business expansion

- Significantly improve productivity due to developing completed and expanding the application of new 5S production lines (Efficient assembly lines + Automatic inspection system using AI)
- Increasing extra-fine probe production capacity significantly
- Expanding production capacity significantly(12 million pins per month) and strengthening the BCP system in Japan and Malaysia

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

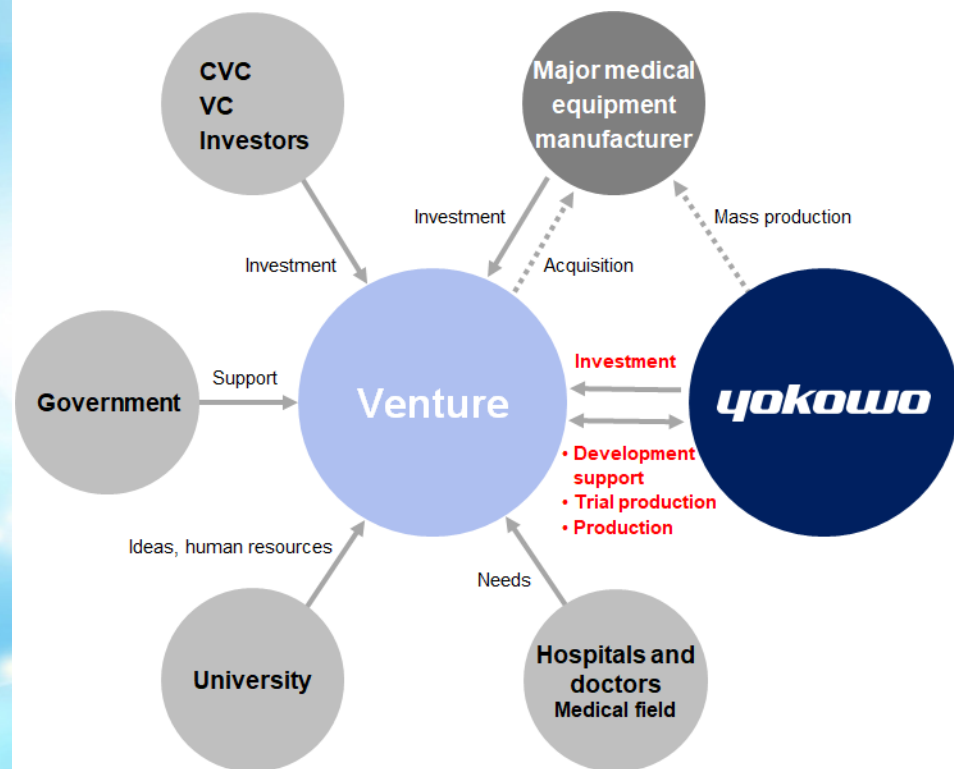
- Using new 5S production lines
- Transferring production to bases overseas to increase assembly capabilities and price competitiveness
- Building flexible trial production lines to support a venture ecosystem

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 2021), accelerating development.

Business expansion in
three to five years

Contribution to people and
society



4. Capital expenditure 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 12 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 (Efficient assembly lines + Automatic inspection system using AI) production 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	Full-scale introduction of new 5S automatic assembly line (Efficient assembly lines + Automatic inspection system using AI)
	F			C	Introduction of an automatic inspection system using AI Installing plating production line for small batches to response to various customer's needs
	Technology				Construction of PLM system using 3D-CAD / Expansion of IT infrastructure for enhancement of telework response

6. Medium-Term Management Targets

6. Medium-Term Management Targets

(i) Medium-Term Management Targets

		FY2020/3	FY2021/3	FY2022/3 Forecast		FY2023/3 Target	FY2025/3 Target	(Unit: Million yen)
Net sales		60,595	59,976	66,000		72,000	84,000	
	Vehicle communication equipment	39,264	37,292	40,000		41,000	44,000	
	Circuit testing connectors	12,832	13,242	17,000		19,000	25,000	
	Personal communication equipment	8,498	9,441	9,000		12,000	15,000	
Operating income		4,916	5,179	5,000		7,200	10,080	
Ordinary income		4,583	5,320	4,900		7,000	9,800	
Profit		3,440	3,818	3,450		5,000	6,800	
Minimum 8	Growth rate of net sales	10.7%	▲1.0%	10.0%		9.6%	8.0%	
	Operating income margin	8.1%	8.6%	7.6%		10.0%	12.0%	
	ROE	13.5%	12.2%	10%level		10% over	10% over	
Reference: Average dollar/yen exchange rate for the period		108.70	106.10	110.0		105.00	105.00	

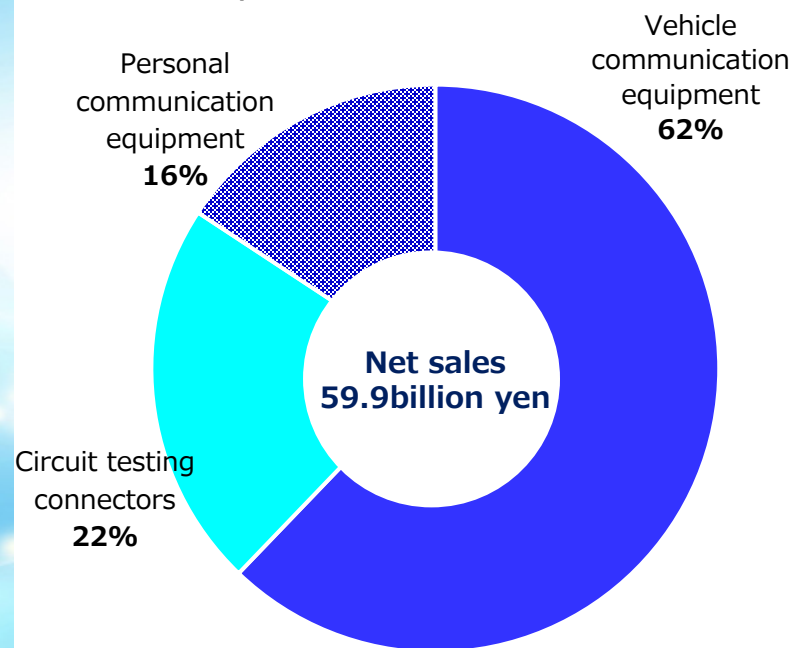
Precondition for achieving FY2023/3 and FY2025/3 target :

- ① Ensuring stable mass productions by improving Covid-19 response in ASEAN and eliminating extreme operating restrictions
- ② Stable procurement of semiconductors and resins and raw material price
- ③ No extreme fluctuation in physical distribution cost

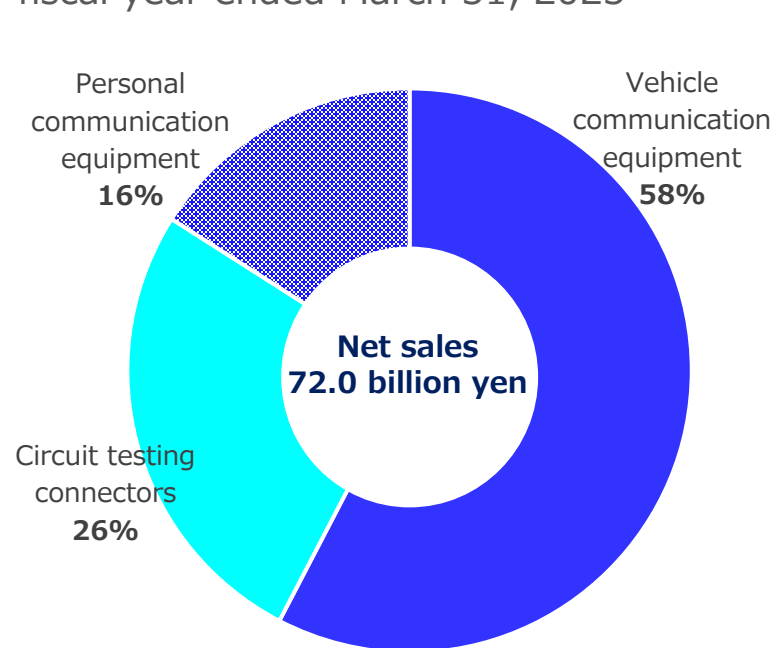
6. Medium-Term Management Targets

(ii) Expected the breakdown of sales by segment

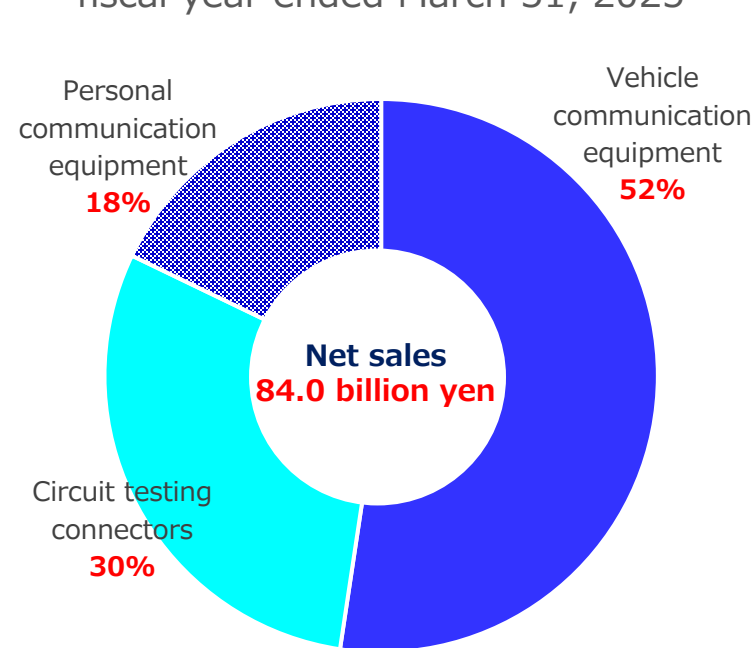
Breakdown of sales in
fiscal year ended March 31, 2021



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



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



- Aiming to the balanced sales breakdown