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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 04, 2022

Company name: YOKOWO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 6800

URL: <https://www.yokowo.co.jp/>

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Scheduled date of filing quarterly securities report: August 04, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

Representative Director, President and Executive Officer
Director, Senior Managing Executive Officer

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	18,926	18.1	1,087	(10.9)	3,057	137.5	2,031	121.6
June 30, 2021	16,021	38.5	1,219	185.7	1,287	271.1	916	278.3

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 3,616 million [249.6%]
Three months ended June 30, 2021: ¥ 1,034 million [224.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2022	Yen 87.16	Yen -
June 30, 2021	40.80	40.78

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2022	Million yen 70,591	Million yen 47,442	67.1%
March 31, 2022	66,870	44,328	66.2

(Reference) Equity: As of June 30, 2022: ¥ 47,370 million
As of March 31, 2022: ¥ 44,272 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	18.00	-	22.00	40.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		23.00	-	23.00	46.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the year-end dividend for the fiscal year ending March 31, 2023 :

Commemorative dividend	40 yen
Special dividend	6 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2022	37,900	22.4	2,700	34.8	3,700	68.0	2,450	60.5	105.10
Full year	76,000	13.7	7,000	49.4	8,000	22.5	5,500	17.9	235.94

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2022
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
New -
Exclusion: -

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022:	23,849,878 shares
March 31, 2022:	23,849,878 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022:	538,828 shares
March 31, 2022:	538,808 shares

3) Average number of shares during the period:

Three months ended June 30, 2022:	23,311,055 shares
Three months ended June 30, 2021:	22,473,952 shares

This quarterly financial report is not subject to quarterly review by a certified public accountant or an audit corporation.

Explanation of the proper use of financial results forecast and other notes

The forward-looking statements such as the forecasts of financial results stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ materially from the forecast depending on a range of factors. For a discussion of the assumptions and other factors considered by the Company in preparing projections, please refer to page 7 of the attachments, "1. Qualitative Information on Quarterly Financial Results, (3) Future Outlook."

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1. Qualitative Information on Quarterly Financial Results

(1) Overview of Operating Results

Net sales in the first quarter of the consolidated fiscal year under review amounted to ¥18,926 million, an increase of 18.1% year on year, due to the sales in both the Vehicle Communication Equipment and the Personal Communication Equipment segment remained almost unchanged, and the sales in the Circuit Testing Connector segment significantly increased.

The Company reported operating profit of ¥1,087 million, falling 10.9% year on year, because the Personal Communication Equipment segment posted lower profit and the Vehicle Communication Equipment segment showed a loss due to physical distribution cost in high level and continuing cost associated with rising raw material prices and increasing cost due to the weakening of the yen, despite substantial year-on-year profit growth in the Circuit Testing Connector segment.

Ordinary profit increased 137.5% year on year, to ¥3,057 million, reflecting an exchange gain of ¥1,916 million. Profit attributable to owners of the parent increased by 121.6% year on year, to ¥2,031 million mainly due to a rise in ordinary profit.

Results by segment are as follows:

<Vehicle Communication Equipment>

In the automotive market, the main market for this segment, the global shortage of semiconductors, parts supply stagnation and other impacts persisted from the preceding fiscal year. As a result, automaker production slowed. A breakdown by region shows that vehicle sale volumes in the U.S. market fell from the same period a year earlier because of shortages of stocks. They also fell in the Chinese and Japanese markets, affected by lockdowns in the Chinese city of Shanghai following a surge in COVID-19 cases.

In these circumstances, mainstay products for car manufactures, such as shark fin antennas and GPS antennas achieved high sales in overseas by the weakening of the yen but low sales in Japan.

As a result, sales for this segment remained almost unchanged year on year, at ¥10,281 million (up 1.0% year on year). The segment reported a loss of ¥1,201 million (a gain of ¥1 million in the previous fiscal year), reflecting greater physical distribution costs attributable chiefly to a surge in ocean freight, higher labor costs at production sites in China and Vietnam associated with the appreciation of the local currencies and increased cost due to rising materials prices since the fiscal year ended March 31, 2022. In addition, the deduction of unrealized profit increased substantially due to higher inventory validation by the weakening of the yen.

<Circuit Testing Connector>

In the semiconductor testing market, the main market for this segment, demand related to testing remains very strong, reflecting strong demand for high-end personal computers associated with the expansion of telework and servers, and the tight supply of semiconductors for electronics equipment including cloud services and smartphones.

In these circumstances, sales of jigs for semiconductor back-end testing, the main product of the Group, were higher year on year, due to benefits from the weakening of the yen, and an increase in strong orders and launching on mass production of new products for logic semiconductor testing sockets and sockets for high-frequency testing. Sales of jigs for semiconductor front-end testing were temporarily sluggish due to the turnkey business that offers one-stop solutions services including peripheral devices. Demand for MEMS probe cards (YPX) for high-frequency electronics components testing rose significantly, reflecting the penetration of 5G smartphones, and sales of the probe cards exceeded the year-ago level.

As a result, sales for this segment increased year on year, to ¥6,203 million (up 82.5% year on year). The segment reported a profit of ¥2,026 million (up 162.7% year on year) largely due to increased sales and higher profit associated with the weakening of the yen, despite cost-up caused by rising raw materials prices and high fixed costs by the expansion of production capacity.

<Personal Communication Equipment>

In the market for mobile communication terminals, a key market for this segment, sales of smartphones were on a downward trend. However, sales of wearable terminals are expected to grow given their diversification and greater sophistication. The POS terminal market has been growing steadily in a wide range of industries, including those engaging in logistics and manufacturing, with a view toward improvements in operational efficiency through information management. In addition, other markets including the market for industrial equipment are also expected to grow.

In these circumstances, net sales for the fine connector business, for which fine spring connectors act as core products, decreased year-on-year, reflecting a decrease in sales of products for POS terminals and products for wearable devices, such as wireless earbuds, due to the global shortage of semiconductors and production adjustments at customers caused by a resurgence of COVID-19.

In the medical device business, which is included in the segment, sales increased year on year, reflecting an increase in sales of the components to the main customers as well as sales of unit-based devices.

As a result, sales for this segment remained almost unchanged year on year, at ¥2,440 million (up 0.1% year on year). The segment posted a profit of ¥262 million (down 41.3% year on year) chiefly owing to lower profit on the back of lower sales in the fine connector business as well as a higher labor cost ratio at production sites in China mainly due to a strong yuan, and changes in the business structure.

Consolidated Net Sales by Business Segment (year on year)

	1st quarter ended June 30, 2021 Apr. – Jun. (Million yen)	4th quarter ended March 31, 2022 Jan. – Mar. (Million yen)	1st quarter ended June 30, 2022 Apr. – Jun. (Million yen)	Y o Y Increase/ (decrease) (%)	Q o Q Increase/ (decrease) (%)
Vehicle Communication Equipment	10,184	10,994	10,281	+1.0	(6.5)
Circuit Testing Connector	3,400	4,816	6,203	+82.5	+28.8
Personal Communication Equipment	2,437	2,308	2,440	+0.1	+5.7
Total	16,021	18,120	18,926	+18.1	+4.4

(2) Overview of Financial Position

(Assets)

Assets stood at ¥70,591 million at the first quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥3,720 million in the end of the previous fiscal year). This was due primarily to increases of ¥1,487 million in cash and cash equivalents, ¥164 million in notes and accounts receivable-trade, ¥616 million in inventories and ¥817 million in property, plant and equipment. The increase in cash and cash equivalents is mainly attributable to a surge in the value converted into the Japanese currency due to the weakening of the yen and to a rise in collection of accounts receivable - trade in the Circuit Testing Connector segment. The increase in property, plant and equipment is due chiefly to the strengthening of production facilities at bases in Japan and Malaysia in response to growing orders in the Circuit Testing Connector segment and to the installing production facilities for the start of operation on the Philippines bases in the Vehicle Communication Equipment segment.

(Liabilities)

Liabilities stood at ¥23,148 million at the first quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥606 million from the end of the previous fiscal year) due to a decrease of ¥407 million in income taxes payable, an increase of ¥300 million in short-term borrowings and ¥641 million in accrued bonuses included in other current liabilities. The increases in short-term borrowings were due to an increase in foreign currency borrowings converted into yen by the weakening of the yen.

(Net assets)

Net assets amounted to ¥47,442 million at the first quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥3,113 million from the end of the previous fiscal year). This primarily reflects an increase of ¥1,454 million in foreign currency translation adjustment, increases of the recording of profit attributable to owners of the parent of ¥2,031 million, and dividends of surplus of ¥512 million.

(Equity ratio)

The equity ratio was 67.1% at the first quarter of the fiscal year ending March 31, 2023 under review (up 0.9% from the end of the previous consolidated fiscal year).

(3) Future Outlook

The following are our assumptions for the results forecast for the fiscal year ending March 31, 2023.

- COVID-19 shows no signs of abating and will remain unpredictable. We will prioritize strict infection control measures at our production bases and expect that we will be able to operate stably.
- In the automobile market, the main market for the Company, the lingering impact of the global shortage of semiconductors and stagnation in parts' supply is expected to continue in the first half of the fiscal year under review.
- In the semiconductor testing market, demand remained strong reflecting brisk demand for high-end personal computers and servers in association with the expansion of teleworking. Given negative factors such as a downward trend in smartphone sales, demand is expected to grow at a slower pace while remaining at a high level.
- In the market for mobile communication terminals, the growth of POS terminals and other electronic terminals are expected to stagnate throughout the fiscal year under review due to the global shortage of semiconductors, in addition, smartphone sales are on a downward trend.
- In the advanced medical equipment market, the situation of the hard-pressed medical front line associated with the spread of COVID-19 infections has been mitigated in Overseas attributable to progress in vaccinations and the shift in various countries to a policy of coexisting with COVID-19, despite COVID-19 resurgence in Japan. We expect demand in this market remains almost unchanged.

Based on these assumptions, our forecasts for net sales and each profit for the first six months (first half) and the full year are as shown in the table below.

We base our performance forecasts below on an exchange rate of ¥130 against US\$. (an exchanged rate of ¥120 against US\$ as of the previous forecast in May 2022)

① Forecasts for the first six months of the fiscal year (first half)

Our forecast for net sales for the first half is as shown in the table below based on the result and the latest sales forecast of the first quarter of the fiscal year ending March 31, 2023.

Our forecast for operating profit has been revised as shown in the table below. While sales growth and profit hikes are expected in the Circuit Testing Connector segment following the weakening of the yen, negotiations are underway on revisions to selling prices in response to the sharp cost increase due to surging logistics expenses and material prices in the Vehicle Communication Equipment segment and the effect of the revision is not taken into account for the first half.

Our forecasts for ordinary profit and profit attributable to owners of the parent are as shown in the table above, which incorporate a foreign exchange loss of ¥1,000 million based on an exchange rate of ¥130 against US\$.

② Full-year forecasts

We have revised net sales forecast as shown in the table below in view of the outlook about orders that will be won in the Vehicle Communication Equipment and the Personal Communication Equipment segments, although sales growth is anticipated for the second half in the Circuit Testing Connector segment.

Our forecast for operating profit has been revised as shown in the table below, since it is foreseen that the profit/loss status will be improved by cost-cutting efforts at production bases and sales price revisions in the Vehicle Communication Equipment segment and that both sales and profit in the Circuit Testing Connector segment will increase.

Based on our assumptions of an exchange rate of ¥130 against US\$ and no foreign exchange gain or loss, our forecasts for ordinary profit and profit attributable to owners of the parent are as shown in the table below.

Previous and revised forecasts for the six months ending September 30, 2022

(Unit : Million yen, %)

	Previous forecast (Announced on May 13, 2022)	Revised forecast (Announced on August 4, 2022)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net Sales	33,700	37,900	+4,200	+12.5
Vehicle Communication Equipment	18,500	20,500	+2,000	+10.8
Circuit Testing Connector	10,500	12,600	+2,100	+20.0
Personal Communication Equipment	4,700	4,800	+100	+2.1
Operating profit	2,700	2,700	—	—
Vehicle Communication Equipment	(425)	(2,000)	(1,575)	—
Circuit Testing Connector	2,550	4,200	+1,650	+64.7
Personal Communication Equipment	575	500	(75)	(13.0)
Ordinary profit	2,400	3,700	+1,300	+54.2
Profit attributable to owners of parent	1,650	2,450	+800	+48.5

Previous and revised forecasts for the Fiscal Year Ending March 31, 2023

(Unit : Million yen, %)

	Previous forecast (Announced on May 13, 2022)	Revised forecast (Announced on August 4, 2022)	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net Sales	73,000	76,000	+3,000	+4.1
Vehicle Communication Equipment	41,000	41,600	+600	+1.5
Circuit Testing Connector	21,500	24,800	+3,300	+15.3
Personal Communication Equipment	10,500	9,600	(900)	(8.6)
Operating profit	7,000	7,000	—	—
Vehicle Communication Equipment	0	(2,000)	(2,000)	—
Circuit Testing Connector	5,600	8,000	+2,400	+42.9
Personal Communication Equipment	1,400	1,000	(400)	(28.6)
Ordinary profit	6,700	8,000	+1,300	+19.4
Profit attributable to owners of parent	4,700	5,500	+800	+17.0

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	13,816	15,304
Notes and accounts receivable - trade	13,057	13,222
Merchandise and finished goods	8,900	9,021
Work in process	742	639
Raw materials and supplies	6,037	6,636
Other	1,992	2,277
Allowance for doubtful accounts	(8)	(9)
Total current assets	44,540	47,092
Non-current assets		
Property, plant and equipment	16,544	17,361
Intangible assets	1,162	1,231
Investments and other assets		
Retirement benefit asset	680	700
Other	3,942	4,205
Total investments and other assets	4,623	4,905
Total non-current assets	22,330	23,498
Total assets	66,870	70,591
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,991	7,902
Short-term borrowings	5,570	5,870
Income taxes payable	1,476	1,069
Provision for bonuses	871	583
Other	4,274	5,234
Total current liabilities	20,184	20,659
Non-current liabilities		
Long-term borrowings	1,600	1,600
Retirement benefit liability	368	372
Other	388	515
Total non-current liabilities	2,357	2,488
Total liabilities	22,541	23,148
Net assets		
Shareholders' equity		
Share capital	7,819	7,819
Capital surplus	7,804	7,804
Retained earnings	25,950	27,479
Treasury shares	(634)	(634)
Total shareholders' equity	40,939	42,468
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430	559
Foreign currency translation adjustment	2,635	4,089
Remeasurements of defined benefit plans	267	252
Total accumulated other comprehensive income	3,332	4,901
Non-controlling interests	56	71
Total net assets	44,328	47,442
Total liabilities and net assets	66,870	70,591

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Net sales	16,021	18,926
Cost of sales	12,872	15,404
Gross profit	3,149	3,521
Selling, general and administrative expenses	1,929	2,434
Operating profit	1,219	1,087
Non-operating income		
Interest income	4	6
Dividend income	19	30
Share of profit of entities accounted for using equity method	9	1
Foreign exchange gains	49	1,916
Other	8	57
Total non-operating income	92	2,012
Non-operating expenses		
Interest expenses	12	16
Share acquisition rights issuance costs	6	-
Other	6	25
Total non-operating expenses	25	42
Ordinary profit	1,287	3,057
Extraordinary income		
Gain on sale of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on sale of non-current assets	1	-
Loss on retirement of non-current assets	2	9
Total extraordinary losses	3	9
Profit before income taxes	1,285	3,048
Income taxes - current	205	930
Income taxes - deferred	159	78
Total income taxes	364	1,009
Profit	920	2,039
Profit attributable to non-controlling interests	3	7
Profit attributable to owners of parent	916	2,031

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit	920	2,039
Other comprehensive income		
Valuation difference on available-for-sale securities	52	129
Foreign currency translation adjustment	83	1,462
Remeasurements of defined benefit plans, net of tax	(22)	(14)
Total other comprehensive income	113	1,576
Comprehensive income	1,034	3,616
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,030	3,601
Comprehensive income attributable to non-controlling interests	3	15

Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in accounting policies)

We started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the first quarter of the current fiscal year. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard. This application has no impact on quarterly consolidated financial statements.

(Segment and Other Information)

[Segment information]

Sales, profit or loss, assets, liabilities and other items by reportable segment

First quarter ended June 30, 2021 (Apr. – Jun.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	3,644	420	610	4,675
Europe and America	4,213	637	221	5,072
Asia	2,325	2,342	1,604	6,273
Revenue from contracts with customers	10,184	3,400	2,437	16,021
Sales to third parties	10,184	3,400	2,437	16,021
Inter-segment transactions and transfers	—	—	—	—
Total	10,184	3,400	2,437	16,021
Segment profit	1	771	447	1,219

Notes :

1 The total segment profit is the same as the operating profit on the quarterly consolidated statement.

First quarter ended June 30, 2022 (Apr. – Jun.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	3,038	445	755	4,240
Europe and America	4,680	1,019	247	5,947
Asia	2,562	4,738	1,438	8,739
Revenue from contracts with customers	10,281	6,203	2,440	18,926
Sales to third parties	10,281	6,203	2,440	18,926
Inter-segment transactions and transfers	—	—	—	—
Total	10,281	6,203	2,440	18,926
Segment profit or loss	(1,201)	2,026	262	1,087

Notes :

1 The total segment profit or loss is the same as the operating profit on the quarterly consolidated statement.