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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 10, 2022

Company name: YOKOWO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 6800

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

Representative: Takayuki Tokuma

Representative Director, President and Executive Officer

Contact: Kouichi Fukagawa

Director, Senior Managing Executive Officer

Phone: 03-3916-3111

Scheduled date of filing quarterly securities report: November 10, 2022

Scheduled date of commencing dividend payments: December 12, 2022

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 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	%
Six months ended September 30, 2022	40,207	29.8	3,507	75.1	6,538	196.9	4,179	173.7
September 30, 2021	30,969	14.2	2,003	(2.3)	2,202	28.3	1,526	20.0

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 6,237 million [274.3%]
Six months ended September 30, 2021: ¥ 1,666 million [18.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2022	Yen 179.28	Yen -
September 30, 2021	66.86	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2022	Million yen 76,472	Million yen 50,063	% 65.4
March 31, 2022	66,870	44,328	66.2

(Reference) Equity: As of September 30, 2022: ¥ 49,987 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	-	25.00			
Fiscal year ending March 31, 2023 (Forecast)			-	25.00	50.00

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2023 :

Commemorative dividend	22.00 yen
Special dividend	3.00 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
Full year	80,000	19.7	7,400	58.0	9,600	47.0	6,250	34.0	268.11

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 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):

September 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:

September 30, 2022: 538,828 shares

March 31, 2022: 538,808 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 23,311,052 shares

Six months ended September 30, 2021: 22,832,858 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 half of the consolidated fiscal year under review amounted to ¥40,207 million, an increase of 29.8% year on year as marking a record high in the first half, due to the sales in all segments significantly increased.

The Company reported operating profit of ¥3,507 million, an increase of 75.1% year on year, because profit of the Personal Communication Equipment segment decreased year on year and the Vehicle Communication Equipment segment showed a loss despite substantial year-on-year profit growth in the Circuit Testing Connector segment.

Ordinary profit increased by 196.9% year on year, to ¥6,538 million, reflecting an exchange gain of ¥2,940 million. Profit attributable to owners of the parent increased by 173.7% year on year, to ¥4,179 million 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, sales are trending higher as semiconductor shortages started to ease in the second quarter, despite the global shortage of semiconductors, parts supply stagnation and other impacts in the first quarter. A breakdown by region shows that the number of vehicles sold in the Japanese market decreased from the same period of the previous fiscal year, while in the United States, China and the ASEAN, the number of units sold began to pick up in the second quarter against the backdrop of strong demand.

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 and recovery of the global automotive production in the second quarter.

As a result, sales for this segment increased year on year, to ¥22,162 million (up 17.6% year on year). The segment reported a loss of ¥1,475 million (a loss of ¥488 million in the previous fiscal year), reflecting greater physical distribution costs attributable chiefly to a surge in ocean freight, higher labor costs at production bases in China and Vietnam associated with the strengthening of the local currencies despite the collection of cost increases and a decrease in the deduction of unrealized profit associated with inventory validation.

<Circuit Testing Connector>

In the semiconductor testing market, the main market for this segment, there are signs of a slowdown due to a decrease in demand for personal computers and smartphones. Even so, demand related to testing remained firm, reflecting stable demand for automobiles and servers, as well as efforts by semiconductor manufacturers to expand supply capacities with an eye toward the elimination of semiconductor shortages.

In these circumstances, sales of jigs for semiconductor back-end testing, the main product of the Group, increased year on year, due to benefits from the weakening of the yen and an increase in orders for logic semiconductor testing sockets and sockets for high-frequency testing. Sales of jigs for semiconductor front-end testing decreased year on year due to the turnkey business that offers one-stop solutions services including peripheral devices. However, sales for MEMS probe cards (YPX) for high-frequency electronics components testing increased year on year due to an increase of order.

As a result, sales for this segment increased year on year, to ¥13,054 million (up 73.1% year on year). The segment reported a profit of ¥4,388 million (up 150.0% year on year) due to increased profit associated with an increase in orders and with the weakening of the yen, despite cost-up caused by rising raw materials prices.

<Personal Communication Equipment>

In the market for mobile communication terminals, a key market for this segment, sales of smartphones were on a downward trend due to the global shortage of semiconductors. 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, increased year on year, reflecting an increase in sales for POS terminals and benefits from the weakening of the yen, despite a decrease in sales of product for wearable devices, such as wireless earbuds, due to customer made production adjustment impacted by the shortage of semiconductor.

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 increased year on year, to ¥4,989 million (up 8.8% year on year). The segment posted a profit of ¥593 million (down 19.4% year on year) chiefly owing to a higher labor cost ratio at production bases in China mainly due to a strong yuan, and changes in the business structure.

Consolidated Net Sales by Business Segment (year on year)

	1st half ended March 31, 2022 Apr. – Sept. (Million yen)	2nd half ended March 31, 2022 Oct. – Mar. (Million yen)	1st half ended March 31, 2023 Apr. – Sept. (Million yen)	Y o Y Increase/ (decrease) (%)	Q o Q Increase/ (decrease) (%)
Vehicle Communication Equipment	18,843	21,238	22,162	+17.6	+4.4
Circuit Testing Connector	7,540	10,084	13,054	+73.1	+29.5
Personal Communication Equipment	4,585	4,555	4,989	+8.8	+9.5
Total	30,969	35,878	40,207	+29.8	+12.1

(2) Overview of Financial Position

(Assets)

Assets stood at ¥76,472 million at the first half of the fiscal year ending March 31, 2023 under review (a gain of ¥9,602 million in the end of the previous fiscal year). This was due primarily to increases of ¥3,300 million in cash and cash equivalents, ¥888 million in notes and accounts receivable-trade, ¥2,151 million in inventories, ¥1,750 million in property, plant and equipment and ¥1,062 million in other investments. 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. Also, property, plant and equipment is increased due to the strengthening of production facilities at bases in Japan in response to growing orders and constructing branch factory 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 ¥26,409 million at the first half of the fiscal year ending March 31, 2023 under review (a gain of ¥3,867 million from the end of the previous fiscal year) due to an increase of ¥1,232 million in trade payable, ¥353 million in provision for bonuses, ¥471 million in short-term borrowings, ¥705 million in income taxes payable, and ¥573 million in other current liabilities including accounts payable for facilities. The increase in trade payable reflected a rise in the yen-equivalent value due to the strengthening of local currencies at overseas production sites and an increase in purchased materials associated with an increased in orders in both of the Vehicle Communication Equipment and Circuit Testing Connector segments.

(Net assets)

Net assets amounted to ¥50,063 million at the first half of the fiscal year ending March 31, 2023 under review (a gain of ¥5,734 million from the end of the previous fiscal year). This primarily reflects an increase of ¥1,911 million in foreign currency translation adjustment, increases of the recording of profit attributable to owners of the parent of ¥4,179 million, and dividends of surplus of ¥512 million.

(Equity ratio)

The equity ratio was 65.4% at the first half of the fiscal year ending March 31, 2023 under review (down 0.8% from the end of the previous consolidated fiscal year).

(3) Future outlook

Full -year forecast

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

- We will prioritize strict infection control measures at our production bases and expect that we will be able to operate stably, despite concerning about a resurgence of new Covid-19 variants.
- In the automobile market, the main market for the Company, the impact of the global shortage of semiconductors and stagnation in parts' supply is expected to mitigate and recover gradually.
- In the semiconductor testing market, demand for automobiles and servers remains firm. Given negative factors such as a downward trend in personal computer and smartphone sales, a slight decrease in demand is expected since the second half.
- 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.
- The advanced medical equipment market is expected to be solid in the second half and thereafter because orders are trending higher, although there is concern about shortages of some parts and materials.

Based on those assumptions, the company revised the full-year sales forecasts for the entire Group as shown in the table below in consideration of the results in the first half and the latest forecast of orders.

The company revised operating profit as indicated in the table above, because a significant improvement in profitability is expected to be made in the Vehicle Communication Equipment segment mainly due to the plateauing of ocean freight increases, drastic cost reductions on the production front and the review of sales prices, although profit is expected to decline slightly from the previous forecast in the Circuit Testing Connector segment.

Based on our assumptions of an exchange rate of ¥140 against US\$ and a decrease in a foreign exchange gain of ¥630 million from the first half, our forecasts for ordinary profit and profit attributable to owners of the parent are as shown in the table below. As a result, net sales and operating profit in each segment is expected to reach the highest record.

We base our performance forecasts below on an exchange rate of ¥140 against US\$ (an exchanged rate of ¥130 against US\$ as of the previous forecast in August 2022).

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

(Unit : Million yen, %)

	Previous forecast (Announced on August 4, 2022)	Revised forecast	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net Sales	76,000	80,000	+4,000	+5.3
Vehicle Communication Equipment	41,600	45,900	+4,300	+10.3
Circuit Testing Connector	24,800	24,500	(300)	(1.2)
Personal Communication Equipment	9,600	9,600	-	-
Operating profit	7,000	7,400	+400	+5.7
Vehicle Communication Equipment	(2,000)	(1,450)	+550	-
Circuit Testing Connector	8,000	7,800	(200)	(2.5)
Personal Communication Equipment	1,000	1,050	+50	+5.0
Ordinary profit	8,000	9,600	+1,600	+20.0
Profit attributable to owners of parent	5,500	6,250	+750	+13.6

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and deposits	13,816	17,117
Notes and accounts receivable - trade	13,057	13,946
Merchandise and finished goods	8,900	9,907
Work in process	742	633
Raw materials and supplies	6,037	7,292
Other	1,992	2,349
Allowance for doubtful accounts	(8)	(8)
Total current assets	44,540	51,237
Non-current assets		
Property, plant and equipment	16,544	18,295
Intangible assets	1,162	1,253
Investments and other assets		
Retirement benefit asset	680	722
Other	3,942	4,963
Total investments and other assets	4,623	5,685
Total non-current assets	22,330	25,235
Total assets	66,870	76,472
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,991	9,223
Short-term borrowings	5,570	6,041
Income taxes payable	1,476	2,182
Provision for bonuses	871	1,224
Other	4,274	5,334
Total current liabilities	20,184	24,005
Non-current liabilities		
Long-term borrowings	1,600	1,600
Retirement benefit liability	368	387
Other	388	416
Total non-current liabilities	2,357	2,403
Total liabilities	22,541	26,409
Net assets		
Shareholders' equity		
Share capital	7,819	7,819
Capital surplus	7,804	7,804
Retained earnings	25,950	29,627
Treasury shares	(634)	(634)
Total shareholders' equity	40,939	44,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430	586
Foreign currency translation adjustment	2,635	4,546
Remeasurements of defined benefit plans	267	237
Total accumulated other comprehensive income	3,332	5,370
Non-controlling interests	56	76

Total net assets	44,328	50,063
Total liabilities and net assets	66,870	76,472

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

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales	30,969	40,207
Cost of sales	24,947	31,569
Gross profit	6,021	8,637
Selling, general and administrative expenses	4,018	5,130
Operating profit	2,003	3,507
Non-operating income		
Interest income	10	20
Dividend income	19	30
Share of profit of entities accounted for using equity method	21	7
Foreign exchange gains	176	2,940
Other	24	103
Total non-operating income	252	3,102
Non-operating expenses		
Interest expenses	25	32
Share acquisition rights issuance costs	18	-
Other	9	39
Total non-operating expenses	53	71
Ordinary profit	2,202	6,538
Extraordinary income		
Gain on sale of non-current assets	1	6
Total extraordinary income	1	6
Extraordinary losses		
Loss on sale of non-current assets	1	2
Loss on retirement of non-current assets	3	31
Business restructuring expenses	-	174
Settlement payments	-	161
Total extraordinary losses	5	368
Profit before income taxes	2,199	6,175
Income taxes - current	710	2,106
Income taxes - deferred	(46)	(117)
Total income taxes	664	1,988
Profit	1,534	4,187
Profit attributable to non-controlling interests	7	7
Profit attributable to owners of parent	1,526	4,179

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

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Profit	1,534	4,187
Other comprehensive income		
Valuation difference on available-for-sale securities	(20)	156
Foreign currency translation adjustment	197	1,923
Remeasurements of defined benefit plans, net of tax	(45)	(29)
Total other comprehensive income	132	2,050
Comprehensive income	1,666	6,237
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,658	6,217
Comprehensive income attributable to non-controlling interests	8	19

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Cash flows from operating activities		
Profit before income taxes	2,199	6,175
Depreciation	1,562	1,818
Increase (decrease) in provision for bonuses	325	330
Increase (decrease) in allowance for doubtful accounts	3	(0)
Increase (decrease) in net defined benefit asset and liability	(20)	(67)
Interest and dividend income	(30)	(50)
Interest expenses	25	32
Foreign exchange losses (gains)	(76)	(1,208)
Share of loss (profit) of entities accounted for using equity method	(21)	(7)
Loss (gain) on sale of non-current assets	(0)	(4)
Loss on retirement of non-current assets	3	31
Decrease (increase) in trade receivables	817	889
Decrease (increase) in inventories	(3,358)	(450)
Increase (decrease) in trade payables	865	(1,127)
Other, net	(3)	153
Subtotal	2,290	6,512
Interest and dividends received	30	50
Interest paid	(21)	(26)
Income taxes paid	(766)	(1,425)
Net cash provided by (used in) operating activities	1,533	5,112
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,922)	(2,003)
Proceeds from sale of property, plant and equipment	4	41
Purchase of investment securities	(10)	-
Purchase of intangible assets	(220)	(254)
Purchase of shares of subsidiaries and associates	-	(484)
Other, net	(107)	(216)
Net cash provided by (used in) investing activities	(2,255)	(2,916)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300	-
Repayments of long-term borrowings	(1,800)	-
Proceeds from issuance of shares	2,853	-
Repayments of lease liabilities	(159)	(176)
Dividends paid	(439)	(511)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	754	(687)
Effect of exchange rate change on cash and cash equivalents	160	1,793
Net increase (decrease) in cash and cash equivalents	192	3,300
Cash and cash equivalents at beginning of period	15,295	13,816
Cash and cash equivalents at end of period	15,487	17,117

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 half ended September 30, 2021 (Apr. – Sept.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	6,877	863	1,390	9,132
Europe and America	7,627	1,203	339	9,230
Asia	4,338	5,473	2,794	12,606
Revenue from contracts with customers	18,843	7,540	4,585	30,969
Sales to third parties	18,843	7,540	4,585	30,969
Inter-segment transactions and transfers	-	-	-	-
Total	18,843	7,540	4,585	30,969
Segment profit	(488)	1,755	736	2,003

Notes :

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

First half ended September 30, 2022 (Apr. – Sept.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	6,458	868	1,525	8,852
Europe and America	9,901	1,867	467	12,236
Asia	5,803	10,318	2,996	19,118
Revenue from contracts with customers	22,162	13,054	4,989	40,207
Sales to third parties	22,162	13,054	4,989	40,207
Inter-segment transactions and transfers	—	—	—	—
Total	22,162	13,054	4,989	40,207
Segment profit or loss	(1,475)	4,388	593	3,507

Notes :

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