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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 09, 2023

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: February 09, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 01, 2022 to December 31, 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	%
Nine months ended December 31, 2022	60,278	23.7	5,100	35.9	6,619	48.4	4,422	38.2
December 31, 2021	48,727	11.4	3,752	(0.5)	4,459	37.9	3,200	34.8

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 5,179 million [35.1%]
 Nine months ended December 31, 2021: ¥ 3,832 million [40.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	189.72	-
December 31, 2021	139.28	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2022	71,605	48,422	67.5
March 31, 2022	66,870	44,328	66.2

(Reference) Equity: As of December 31, 2022: ¥ 48,352 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: No

(Note) Breakdown of the year-end 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	77,000	15.2	5,200	11.0	6,300	(3.5)	4,000	(14.2)	171.59

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2022: 23,849,878 shares

March 31, 2022: 23,849,878 shares

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

December 31, 2022: 538,875 shares

March 31, 2022: 538,808 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 23,311,043 shares

Nine months ended December 31, 2021: 22,976,408 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 4 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 third quarter of the consolidated fiscal year under review amounted to ¥60,278 million, an increase of 23.7% year on year, due to the sales in all segments increased.

The Company reported operating profit of ¥5,100 million, an increase of 35.9% 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 48.4% year on year, to ¥6,619 million, reflecting an exchange gain of ¥1,389 million. Profit attributable to owners of the parent increased by 38.2% year on year, to ¥4,422 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 improving trend as semiconductor shortages started to ease gradually, although some of the effects of the global semiconductor shortage and component supply stagnation continue. A breakdown by region shows that the number of vehicles sold in the China market decreased from the same period of the previous fiscal year and in the Japanese market remain the same, while the number of units sold in the United States and the ASEAN increased.

In these circumstances, mainstay products for car manufacturers, such as shark fin antennas and GPS antennas, increased sales in overseas by the weakening of the yen.

As a result, sales for this segment increased year on year, to ¥34,417 million (up 18.3% year on year). The segment reported a loss of ¥1,728 million (a loss of ¥788 million in the previous fiscal year), reflecting high ocean freight rates and raw material cost, high labor costs and raw-material costs at production bases in China and Vietnam associated with the strengthening of the local currencies and lower producibility in China caused by the spread of corona virus despite the collection of cost increases.

<Circuit Testing Connector>

In the semiconductor testing market, the main market for this segment, there are signs of a slowdown in demand related to testing due to a decrease in demand for electronic devices mainly, personal computers, tablets and smartphones.

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, despite a decrease in orders for logic semiconductor testing sockets and sockets for high-frequency testing in this third quarter. Sales of jigs for semiconductor front-end testing increased year on year because the turnkey business, which offers one-stop solutions services including peripheral devices, launched new products and 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 ¥18,416 million (up 43.8% year on year). The segment reported a profit of ¥5,925 million (up 69.5% 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, unit shipments 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. Demand for POS terminal was slugged down by the global recession although the POS terminal market had 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 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 a product for wearable devices, such as wireless earbuds, due to customer's production adjustment caused 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 a result, sales for this segment increased year on year, to 7,444 million (up 9.0% year on year). The segment posted a profit of ¥902 million (down 13.7% 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)

(Unit : Million yen, %)

	3rd quarter ended March 31, 2022 Apr. – Dec.	3rd quarter ended March 31, 2023 Apr. – Dec.	Y o Y Increase/ (decrease)
Vehicle Communication Equipment	29,087	34,417	+18.3
Circuit Testing Connector	12,808	18,416	+43.8
Personal Communication Equipment	6,832	7,444	+9.0
Total	48,727	60,278	+23.7

Consolidated Net Sales by Business Segment (Fiscal year ended March 31, 2022)

(Unit : Million yen, %)

	1st quarter-end Apr. – Jun.	2nd quarter-end Jul. – Sep.	3rd quarter-end Oct. – Dec.
Vehicle Communication Equipment	10,281	11,880	12,254
Circuit Testing Connector	6,203	6,851	5,362
Personal Communication Equipment	2,440	2,548	2,454
Total	18,926	21,281	20,071

(2) Overview of Financial Position

(Assets)

Assets stood at ¥71,605 million at the third quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥4,735 million in the end of the previous fiscal year). This was due primarily to increases of ¥891 million in trade receivables, ¥937 million in inventories, ¥1,417 million in property, plant and equipment and ¥871 million in other investments. Also, the increase in property, plant and equipment is mainly attributable to a rise in property, plant and equipment due to the strengthening of production facilities at both domestic and overseas bases 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 ¥23,183 million at the third quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥641 million from the end of the previous fiscal year) due to an increase of ¥1,118 million in trade payable and ¥216 million in short-term borrowings, despite a decrease of ¥754 million in income taxes payable. 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 increase in orders in both of the Vehicle Communication Equipment and Circuit Testing Connector segments.

(Net assets)

Net assets amounted to ¥48,422 million at the third quarter of the fiscal year ending March 31, 2023 under review (a gain of ¥4,093 million from the end of the previous fiscal year). This primarily reflects an increase of ¥626 million in foreign currency translation adjustment, increases of the recording of profit attributable to owners of the parent of ¥4,422 million, and dividends of surplus of ¥1,095 million.

(Equity ratio)

The equity ratio was 67.5% at the third quarter of the fiscal year ending March 31, 2023 under review (up 1.3% 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.

- Production bases in China faced declines in operation capacity and productivity in the Vehicle Communication Equipment segment and the fine connector business of the Personal Communication Equipment segment due to the spread of corona virus. These declines are expected to continue throughout the fiscal year under review.
- 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 personal computers and smartphones has been sluggish substantially. This sluggishness is expected to continue throughout the fiscal year under review.
- In the market for mobile communication terminals, the growth of POS terminals and other electronic terminals is 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 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 third quarter and the latest forecast of orders.

The Company revised operating profit as indicated the table below. In the Vehicle Communication Equipment segment, a loss was posted in the third quarter, and the Company anticipates an increase in the loss on a full-year basis, although a return to profitability is expected for the fourth quarter with the recouping of increased prices. In the Circuit Testing Connector segment, the Company expects a substantial decline in profits compared with the previous forecast, given a greater than expected drop in orders caused by production adjustments in the semiconductor industry. However, this decline in the Circuit Testing Connector segment is expected to be temporary based on the latest anticipation including expansion of sales to existing customers and acquisition of new customers. In the Personal Communication Equipment segment, a decline in profits is expected due to expanded production adjustment among major customers of the fine connector business.

Based on our assumptions of an exchange rate of ¥130 against US\$ and a decrease in a foreign exchange gain of ¥360 million from the third quarter, our forecasts for ordinary profit and profit attributable to owners of the parent are as shown in the table below.

We base our performance forecasts below on an exchange rate of ¥130 against US\$ (an exchange rate of ¥140 against US\$ as of the previous forecast in November 2022) from this February to the end of this fiscal year.

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

(Unit : Million yen, %)

	Previous forecast (Announced on November 10, 2022)	Revised forecast	Increase/ (decrease)	%
Net Sales	80,000	77,000	(3,000)	(3.8%)
Vehicle Communication Equipment	45,900	45,900	—	—
Circuit Testing Connector	24,500	21,800	(2,700)	(11.0%)
Personal Communication Equipment	9,600	9,300	(300)	(3.1%)
Operating profit	7,400	5,200	(2,200)	(29.7%)
Vehicle Communication Equipment	(1,450)	(1,650)	(200)	—
Circuit Testing Connector	7,800	6,100	(1,700)	(21.8%)
Personal Communication Equipment	1,050	750	(300)	(28.6%)
Ordinary profit	9,600	6,300	(3,300)	(34.4%)
Profit attributable to owners of parent	6,250	4,000	(2,250)	(36.0%)

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	13,816	13,998
Notes and accounts receivable - trade	13,057	13,949
Merchandise and finished goods	8,900	9,228
Work in process	742	472
Raw materials and supplies	6,037	6,917
Other	1,992	2,336
Allowance for doubtful accounts	(8)	(8)
Total current assets	44,540	46,895
Non-current assets		
Property, plant and equipment	16,544	17,962
Intangible assets	1,162	1,253
Investments and other assets		
Retirement benefit asset	680	750
Other	3,942	4,744
Total investments and other assets	4,623	5,494
Total non-current assets	22,330	24,710
Total assets	66,870	71,605
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,991	9,109
Short-term borrowings	5,570	5,786
Income taxes payable	1,476	722
Provision for bonuses	871	763
Other	4,274	4,401
Total current liabilities	20,184	20,784
Non-current liabilities		
Long-term borrowings	1,600	1,600
Retirement benefit liability	368	400
Other	388	398
Total non-current liabilities	2,357	2,399
Total liabilities	22,541	23,183
Net assets		
Shareholders' equity		
Share capital	7,819	7,819
Capital surplus	7,804	7,804
Retained earnings	25,950	29,287
Treasury shares	(634)	(634)
Total shareholders' equity	40,939	44,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	430	590
Foreign currency translation adjustment	2,635	3,262
Remeasurements of defined benefit plans	267	222
Total accumulated other comprehensive income	3,332	4,075
Non-controlling interests	56	70
Total net assets	44,328	48,422

(Million yen)

	As of March 31,2022	As of December 31,2022
Total liabilities and net assets	66,870	71,605

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	48,727	60,278
Cost of sales	38,731	47,484
Gross profit	9,996	12,793
Selling, general and administrative expenses	6,243	7,693
Operating profit	3,752	5,100
Non-operating income		
Interest income	19	29
Dividend income	38	56
Share of profit of entities accounted for using equity method	30	19
Foreign exchange gains	655	1,389
Other	37	138
Total non-operating income	781	1,632
Non-operating expenses		
Interest expenses	37	65
Share acquisition rights issuance costs	18	-
Other	18	47
Total non-operating expenses	74	113
Ordinary profit	4,459	6,619
Extraordinary income		
Gain on sale of non-current assets	1	6
Gain on sale of investment securities	2	22
Total extraordinary income	3	29
Extraordinary losses		
Loss on sale of non-current assets	1	2
Loss on retirement of non-current assets	44	32
Business restructuring expenses	-	186
Settlement payments	-	153
Total extraordinary losses	46	374
Profit before income taxes	4,416	6,273
Income taxes - current	1,229	1,588
Income taxes - deferred	(21)	254
Total income taxes	1,208	1,843
Profit	3,208	4,430
Profit attributable to non-controlling interests	8	8
Profit attributable to owners of parent	3,200	4,422

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

(Million yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	3,208	4,430
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	160
Foreign currency translation adjustment	756	632
Remeasurements of defined benefit plans, net of tax	(67)	(44)
Total other comprehensive income	624	748
Comprehensive income	3,832	5,179
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,822	5,165
Comprehensive income attributable to non-controlling interests	9	13

(3) 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

Third quarter ended December 31, 2022 (Apr. – Dec.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	10,499	1,141	2,165	13,806
Europe and America	11,577	1,953	550	14,080
Asia	7,010	9,713	4,116	20,840
Revenue from contracts with customers	29,087	12,808	6,832	48,727
Sales to third parties	29,087	12,808	6,832	48,727
Inter-segment transactions and transfers	—	—	—	—
Total	29,087	12,808	6,832	48,727
Segment profit	(788)	3,495	1,045	3,752

Notes :

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

Third quarter ended December 31, 2022 (Apr. – Dec.)

(Unit : Million yen)

	Reportable segment			
	Vehicle Communication Equipment	Circuit Testing Connector	Personal Communication Equipment	Total
Net Sales				
Japan	10,052	1,152	2,317	13,523
Europe and America	15,418	3,210	800	19,430
Asia	8,945	14,053	4,325	27,324
Revenue from contracts with customers	34,417	18,416	7,444	60,278
Sales to third parties	34,417	18,416	7,444	60,278
Inter-segment transactions and transfers	—	—	—	—
Total	34,417	18,416	7,444	60,278
Segment profit or loss	(1,728)	5,925	902	5,100

Notes :

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