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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 8, 2024

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: February 8, 2024

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
Executive Officer, SCI (Sustainability & Corporate Integrity)
Promotion H.Q. Chief Officer

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	57,104	(5.3)	747	(85.3)	1,764	(73.3)	963	(78.2)
December 31, 2022	60,278	23.7	5,100	35.9	6,619	48.4	4,422	38.2

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 2,016 million [(61.1)%]
Nine months ended December 31, 2022: ¥ 5,179 million [35.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	41.35	-
December 31, 2022	189.72	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	75,091	48,146	64.0
March 31, 2023	70,656	47,224	66.7

(Reference) Equity: As of December 31, 2023: ¥ 48,073 million
As of March 31, 2023: ¥ 47,156 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, 2023	-	25.00	-	25.00	50.00
Fiscal year ending March 31, 2024	-	22.00	-		
Fiscal year ending March 31, 2024 (Forecast)				22.00	44.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	76,000	(2.5)	1,000	(78.9)	2,400	(57.7)	1,400	(55.5)	60.06

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(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: No

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, 2023: 23,849,878 shares

March 31, 2023: 23,849,878 shares

2) Number of treasury shares at the end of the period:

December 31, 2023: 539,008 shares

March 31, 2023: 538,928 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 23,310,902 shares

Nine months ended December 31, 2022: 23,311,043 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 no 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, (4) Future Outlook."

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1. Qualitative Information on Quarterly Financial Results

(1) Overview of Operating Results

Effective from the first quarter of the consolidated fiscal year under review, the Company has changed the classifications and names of its reporting segments as follows.

「VCCS (Vehicle Communication Comfort & Safety)」 :
Former 「Vehicle Communication Equipment」 - 「Platform Business」
「CTC (Circuit Testing Connector)」 : Former 「Circuit Testing Connector」
「FC (Fine Connector) / MD (Medical Device)」 :
Former 「Personal Communication Equipment」 - 「Advanced Devices Business」
「Incubation Center」 : 「Platform Business」 + 「Advanced Device Business」

For more information, please refer to “4. Matters related to changes in reporting segments” under (3) Notes to Quarterly Consolidated Financial Statements (Segment and Other Information) of 2. Quarterly Consolidated Financial Statements.

Net sales in the third quarter of the consolidated fiscal year under review amounted to ¥57,104 million, a decrease of 5.3% year-on-year, reflecting decreased year-on-year sales in both CTC and FC・MD segment, despite increased year-on-year sales in VCCS segment. The Company reported an operating profit of ¥747 million, a decrease of 85.3% year-on-year, reflecting decreased profit in FC・MD segment while decreased sales and a loss in CTC and Incubation Center segment, which is focused on new business, although VCCS segment profitability had been improved significantly. Ordinary profit decreased by 73.3% year-on-year, to ¥1,764 million, reflecting an exchange gain of ¥1,062 million attributable to the weakening of the yen. Profit attributable to owners of the parent decreased by 78.2% year-on-year, to ¥963 million reflecting a decreased in ordinary profit.

<VCCS> (Core product: Antenna for Vehicle)

In the automotive market, the main market for this segment, sales are improved as the global shortages of semiconductors and component supply stagnation eased. A breakdown by region shows that the number of units sold in the United States, China, and the Japanese market increased.

In these circumstances, mainstay products for automobile manufacturers, such as shark fin antennas and GPS antennas, achieved high sales in overseas by the weakening of the yen and increasing production of automobile manufacturers.

As a result, sales for this segment increased year-on-year, to ¥41,561 million (up 21.7% year-on-year). The segment reported a profit of ¥2,009 million (a loss of ¥1,434 million in the previous fiscal year), due to increased profit associated with an increase in sales, decreased physical distribution costs by low ocean freight rates, and collection of cost increases, despite increased production volume and high labor costs at production bases in China and Vietnam associated with the strengthening of the local currencies.

<CTC> (Core Product: Semiconductor Testing Socket and Probe Card)

In the semiconductor testing market, demands for PCs and smartphones continued to decline compared with the previous year, moreover stagnant demand for servers has been prolonged due to inventory adjustments by semiconductor manufacturers and curbs on capital investment.

In these circumstances, sales of jigs for semiconductor back-end testing, the mainstay product of the Group, decreased year-on-year, due to a decrease in orders for logic semiconductor testing sockets. Sales of jigs for semiconductor front-end testing decreased year-on-year because of lower sales in both the turnkey business which offers one-stop solutions services including peripheral devices and MEMS probe cards (YPX) for high-frequency electronics components testing.

As a result, sales for this segment decreased year-on-year, to ¥9,182 million (down 50.1% year-on-year). The segment reported a loss of ¥726 million (a gain of ¥5,925 million in the previous fiscal year), due to decreased profit associated with a decrease in sales and an increase in fixed costs reflecting actions to support future semiconductor miniaturization and R&D investment in improved production efficiency, despite curb on expenses such as labor costs.

<FC・MD> (FC Core Product: Fine spring connector for electronics) (MD Core Product: Medical devices and units)

In the market for mobile communication terminals, a key market for this segment, sales of wearable terminals are expected to grow given their diversification and greater sophistication. However, unit shipments of smartphones were on a downward trend due to the economic downturn. Demand for POS terminals was slow down, 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 FC business, for which fine spring connectors act as core products, decreased year-on-year, reflecting a decrease in sales of POS terminals, and a decrease in sales of a product for wearable devices, such as wireless earbuds, due to customer's production adjustment.

In MD business, sales increase year-on-year due to strong sales of catheter components for a major domestic medical device manufacturer which is a major customer.

As a result, sales for this segment decreased year-on-year, to ¥6,058 million (down 18.5% year-on-year). The segment reported a profit of ¥41 million (down 95.8% year-on-year) chiefly owing to decreased profit associated with a decrease in sales in FC business.

<Incubation Center> (Core Product: Antenna and providing solutions for MaaS/IoT)

The Company has been engaged in full-scale business development efforts, aiming to create new businesses and innovate business models for new growth markets such as MaaS, and IoT as well as the optical communication market for higher-speed and larger-capacity communication. Due to organizational changes implemented during the first quarter of the consolidated fiscal year under review, development in these new business fields was split off from existing operating departments and classified under the Incubation Center as a new reporting segment comprising the Platform Business and Advanced Device Business. The MaaS/IoT market, which is a key market for this segment, is expected to grow steadily, reflecting the advance of mobility including car sharing, and the widespread adoption of IoT connecting everything through the Internet.

In these circumstances, the Platform Business has made progress in expanding sales of MIMO antennas utilizing smart antenna technologies for IoT, and vehicle key management solutions for MaaS and rental cars. For the Advanced Device Business, which includes the segment, the Company has developed systems for the mass production of optical connector products utilizing photoelectric conversion device technologies for the optical communications market.

As a result, sales for this segment increased year-on-year, to ¥296 million (up 6.7% year-on-year). The segment reported a loss of ¥592 million (a loss of ¥398 million in the previous fiscal year), because the segment which is in the early stages of its development, generates sales at a small scale and involves up-front investment.

Consolidated Net Sales by Business Segment (year on year)

(Unit : Million yen, %)

	3rd quarter ended March 31, 2023 Apr. – Dec.	3rd quarter ended March 31, 2024 Apr. – Dec.	Y o Y Increase/ (decrease)
VCCS	34,139	41,561	+21.7
CTC	18,416	9,182	(50.1)
FC・MD	7,432	6,058	(18.5)
Incubation Center	277	296	+6.7
Other	11	5	(49.3)
Total	60,278	57,104	(5.3)

Consolidated Net Sales by Business Segment (Fiscal year ending March 31, 2024)

(Unit : Million yen, %)

	1st quarter-end Apr. – Jun.	2nd quarter-end Jul. – Sep.	3rd quarter-end Oct. – Dec.
VCCS	12,779	13,711	15,070
CTC	3,415	2,772	2,994
FC・MD	1,873	2,030	2,155
Incubation Center	110	97	88
Other	2	1	1
Total	18,181	18,613	20,309

(2) Overview of Financial Position

(Assets)

Assets stood at ¥75,091 million in the third quarter of the fiscal year ending March 31, 2024 under review (a gain of ¥4,434 million in the end of the previous fiscal year). This was due primarily to increases of ¥310 million in trade receivables, ¥369 million in inventories, ¥210 million in short-term loan included by other current assets, ¥1,420 million in property, plant and equipment, ¥358 million in intangible assets, and ¥664 million in investments and other assets.

The increase in property, plant and equipment is mainly attributable to the equipment installation for the operational launch of the MP Center, a technology building newly established within the Japanese plant.

(Liabilities)

Liabilities stood at ¥26,945 million in the third quarter of the fiscal year ending March 31, 2024 under review (a gain of ¥3,513 million from the end of the previous fiscal year) due to increases of ¥1,050 million in trade payable, ¥296 million in short-term borrowings, and ¥1,500 million in long-term borrowings. The increase in trade payable mainly reflected an increase in purchasing materials based on the sales forecast in VCCS segment for the next quarter.

(Net assets)

Net assets amounted to ¥48,146 million in the third quarter of the fiscal year ending March 31, 2024 under review (a gain of ¥921 million from the end of the previous fiscal year). This primarily reflects an increase of ¥812 million in foreign currency translation adjustment, the recording of profit attributable to owners of the parent of ¥963 million, and dividends paid of ¥1,095 million.

(Equity ratio)

The equity ratio was 64.0% in the third quarter of the fiscal year ending March 31, 2024 under review (down 2.7 point 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, 2024.

- In the automobile market, the main market for the Company, a full-scale recovery in production at automobile manufacturers are expected to be continued until the fiscal year ending March 31, 2024 because the global shortage of semiconductor expected to be normalized, although production adjustment for some of customer.
- In the semiconductor testing market, the downturn that developed from the second half of the fiscal year ended March 31, 2023 has been bottomed out and is expected to be recovered in the next fiscal year.
- In the market for mobile communication terminals, stagnation of the sale of POS terminals and other electronic terminals caused by the global recession is expected to be recovered with customers' liquidating excess inventory.
- In the advanced medical equipment market, demand for minimally invasive medical procedures using catheters and similar products is expected to grow steadily.
- In the MaaS/IoT market, steady growth is expected, reflecting the advance of mobility solutions and widespread adoption of IoT.

Our forecast for sales and operating profit are shown in the table below based on the result of the third quarter of the fiscal year ending March 31, 2024 and the latest forecast of orders. This reflects increased profit of VCCS segment driven by increased sales, improving profitability by business structure reform and decreased physical distribution costs and increased profits of CTC and FC • MD segment associated with increase in those sales. Our forecasts for ordinary profit and profit attributable to owners of parent are as shown in the table below, which incorporate a foreign exchange gain of ¥1,400 million under an exchange rate of ¥145 against US\$.

We base our forecasts below on an exchange rate of ¥145 against US\$ from February to the ending of this fiscal year. (an exchange rate of ¥145 against US\$ as of the previous forecast)

Previous and revised forecasts for the Fiscal Year Ending March 31, 2024

(Unit : Million yen, %)

	Previous forecast (Announced on November 10, 2023)	Revised forecast	Increase/ (decrease) (Million yen)	Increase/ (decrease) (%)
Net Sales	75,000	76,000	+1,000	+1.3
VCCS	54,900	55,350	+450	+0.8
CTC	12,000	12,200	+200	+1.7
FC・MD	7,700	8,100	+400	+5.2
Incubation Center	400	350	(50)	(12.5)
Operating profit	200	1,000	+800	+400.0
VCCS	2,100	2,750	+650	+31.0
CTC	(1,100)	(950)	+150	—
FC・MD	(100)	50	+150	—
Incubation Center	(700)	(850)	(150)	—
Ordinary profit	1,400	2,400	+1,000	+71.4
Profit attributable to owners of parent	750	1,400	+650	+86.7

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	17,687	18,122
Notes and accounts receivable - trade	12,350	12,661
Merchandise and finished goods	7,781	8,411
Work in process	427	500
Raw materials and supplies	6,073	5,739
Other	2,040	2,915
Allowance for doubtful accounts	(4)	(4)
Total current assets	46,355	48,346
Non-current assets		
Property, plant and equipment	18,077	19,498
Intangible assets	1,210	1,568
Investments and other assets		
Retirement benefit asset	466	525
Other	4,546	5,151
Total investments and other assets	5,013	5,677
Total non-current assets	24,300	26,744
Total assets	70,656	75,091
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,483	7,534
Short-term borrowings	5,804	6,100
Income taxes payable	515	313
Provision for bonuses	956	745
Other	4,129	4,711
Total current liabilities	17,890	19,405
Non-current liabilities		
Long-term borrowings	4,600	6,100
Retirement benefit liability	402	451
Other	539	987
Total non-current liabilities	5,541	7,539
Total liabilities	23,431	26,945
Net assets		
Shareholders' equity		
Share capital	7,819	7,819
Capital surplus	7,804	7,804
Retained earnings	28,001	27,870
Treasury shares	(634)	(635)
Total shareholders' equity	42,990	42,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	645	897
Foreign currency translation adjustment	3,506	4,319
Remeasurements of defined benefit plans	13	(1)
Total accumulated other comprehensive income	4,165	5,214
Non-controlling interests	68	72
Total net assets	47,224	48,146

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Total liabilities and net assets	70,656	75,091

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	60,278	57,104
Cost of sales	47,484	48,615
Gross profit	12,793	8,488
Selling, general and administrative expenses	7,693	7,741
Operating profit	5,100	747
Non-operating income		
Interest income	29	78
Dividend income	56	60
Share of profit of entities accounted for using equity method	19	-
Foreign exchange gains	1,389	1,062
Other	138	106
Total non-operating income	1,632	1,308
Non-operating expenses		
Interest expenses	65	190
Share of loss of entities accounted for using equity method	-	36
Other	47	64
Total non-operating expenses	113	291
Ordinary profit	6,619	1,764
Extraordinary income		
Gain on sale of non-current assets	6	5
Gain on sale of investment securities	22	8
Total extraordinary income	29	13
Extraordinary losses		
Loss on retirement of non-current assets	32	32
Loss on sale of non-current assets	2	0
Business restructuring expenses	186	283
Settlement payments	153	-
Impairment losses	-	51
Total extraordinary losses	374	367
Profit before income taxes	6,273	1,410
Income taxes - current	1,588	741
Income taxes - deferred	254	(294)
Total income taxes	1,843	447
Profit	4,430	962
Profit (loss) attributable to non-controlling interests	8	(1)
Profit attributable to owners of parent	4,422	963

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

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	4,430	962
Other comprehensive income		
Valuation difference on available-for-sale securities	160	252
Foreign currency translation adjustment	632	817
Remeasurements of defined benefit plans, net of tax	(44)	(15)
Total other comprehensive income	748	1,054
Comprehensive income	5,179	2,016
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,165	2,013
Comprehensive income attributable to non-controlling interests	13	3

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

1 Segment information

Reporting segments of the Group are individual units for which separate financial information is available and that are subject to a periodic review by the Board of Directors for the purposes of evaluating performance and determining the allocation of resources.

Building on the foundation of business divisions by product, which are result management units, the Group's reportable segments are categorized into four, namely VCCS, CTC, FC/MD, and Incubation Center, based on criteria such as proximate target markets and manufacturing technologies. Effective from the first quarter of the consolidated fiscal year under review, the Company has changed the classifications and names of its reporting segments. Details of the changes are listed under "4. Matters related to changes in reporting segments."

To respond to the basic needs of vehicle antennas that they are smaller, more complex, have a lower profile and support smart technologies, VCCS segment has developed and supplied antenna systems that use modularization technologies in addition to antenna and microwave technologies. Also note that up until the previous fiscal year, VCCS segment disclosures were included in the Vehicle Communication Equipment segment.

To respond to the testing needs for semiconductors which increased performance, higher density and higher integration, CTC segment utilizes MEMS technology in addition to micro-precision processing technologies and microwave technologies, developing and supplying testing connectors for semiconductors globally in every area from front-end testing to back-end testing. Also note that up until the previous fiscal year, CTC segment made disclosures as the Circuit Testing Connector segment.

The FC business, which is included in FC/MD segment, manufactures and sells fine spring connectors with diversification and multi-function for mobile communication terminals. In addition, the MD business designs, develops, manufactures, and supplies OEM guide wires, medical catheters, and other equipment that helps with minimally invasive medical procedures. Also note that up until the previous fiscal year, FC/MD segment disclosures were included in the Personal Communication Equipment segment.

The Platform Business, which is part of the Incubation Center segment, works to develop more advanced and high value-added strategic products in new fields including advanced driving assistance systems (ADAS), autonomous driving, and connected cars. In addition, the Advanced Device Business supplies high-speed transmission device products that boast versatility and originality to the optical communications market, with the aim of achieving high-speed, high-capacity communications. Also note that up until the previous fiscal year, disclosures for the Platform Business were made as part of the Vehicle Communication Equipment segment, and disclosures for the Advanced Device Business were made as part of the Personal Communication Equipment segment.

2 Method of measurement for the amounts of net sales and profit (loss) for each reportable segment

The accounting methods for reportable segments are mostly the same as the accounting standards used in preparing quarterly consolidated financial statements. Reported segments' profit is based on operating profit. Also, inter-segment sales and transfers are valued at market prices.

3 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					Other	Inter-segment transactions	Total
	VCCS	CTC	FC・MD	Incubation Center	Total			
Net Sales								
Japan	9,774	1,152	2,306	277	13,511	11	—	13,523
Europe and America	15,418	3,210	800	—	19,430	—	—	19,430
Asia	8,945	14,053	4,325	—	27,324	—	—	27,324
Revenue from contracts with customers	34,139	18,416	7,432	277	60,266	11	—	60,278
Sales to third parties	34,139	18,416	7,432	277	60,266	11	—	60,278
Inter-segment transactions and transfers	—	—	—	—	—	313	(313)	—
Total	34,139	18,416	7,432	277	60,266	325	(313)	60,278
Segment profit	(1,434)	5,925	991	(398)	5,085	0	14	5,100

Notes :

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

2 The Others category is a business segment not included in reportable segments and includes the temporary staffing business and other businesses.

3 The reconciling amounts for inter-segment sales and transfers are a method for the elimination of inter-segment transactions.

Third quarter ended December 31, 2023 (Apr. – Dec.)

(Unit : Million yen)

	Reportable segment					Other	Inter-segment transactions	Total
	VCCS	CTC	FC・MD	Incubation Center	Total			
Net Sales								
Japan	13,040	985	2,739	296	17,061	5	—	17,067
Europe and America	19,205	2,267	700	0	22,173	—	—	22,173
Asia	9,315	5,929	2,619	—	17,864	—	—	17,864
Revenue from contracts with customers	41,561	9,182	6,058	296	57,098	5	—	57,104
Sales to third parties	41,561	9,182	6,058	296	57,098	5	—	57,104
Inter-segment transactions and transfers	—	—	—	—	—	357	(357)	—
Total	41,561	9,182	6,058	296	57,098	363	(357)	57,104
Segment profit	2,009	(726)	41	(592)	731	0	15	747

Notes :

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

2 The Others category is a business segment not included in reportable segments and includes the temporary staffing business and other businesses.

3 The reconciling amounts for inter-segment sales and transfers are a method for the elimination of inter-segment transactions.

4 Matters related to changes in reporting segments

The Incubation Center, which was established with the aim of accelerating the launch of new businesses due to the organizational changes implemented during the first quarter of the consolidated fiscal year under review, has been newly classified as a reportable segment. The Platform Business which had been a part of the Vehicle Communication Equipment segment until the previous fiscal year, and the Advanced Device Business which had been part of the Personal Communication Equipment segment up until that time have been transferred to the Incubation Center. In addition, due to the organizational changes implemented during the first quarter of the consolidated fiscal year under review, the segment names have been changed to names used for internal management.

As a result, Vehicle Communication Equipment has been renamed to VCCS, Circuit Testing Connector to CTC, and Personal Communications Equipment to FC/MD. There are no changes to the details of businesses other than those that were transferred to the Incubation Center.

Segment information for the third quarter of the previous fiscal year was prepared based on the classification of reportable segments after the change is disclosed.