

New Medium-Term Management Plan 2024~2028

GO BEYOND
~Challenge the Next Stage~

May 21, 2024

yokowo

* Information contained in these materials is based on various assumptions and does not guarantee the achievement of planned values and measures in the future.

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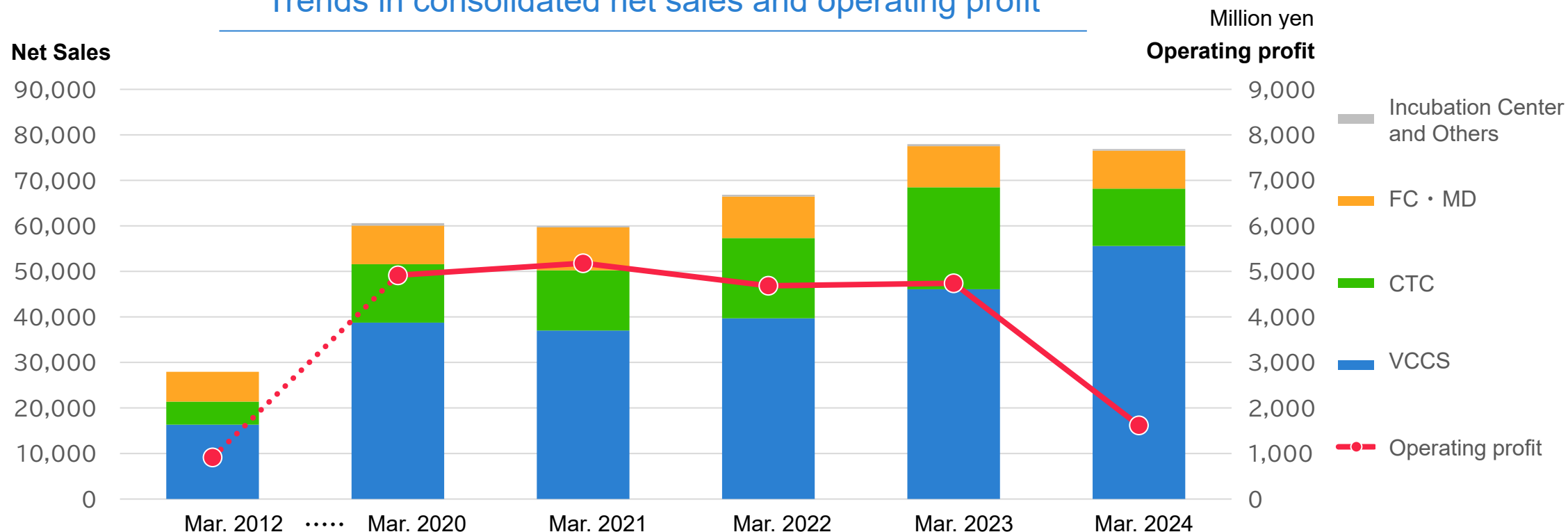
1 Current Business Position

1

Current business position

① Trends in results

Trends in consolidated net sales and operating profit



※From FY2024/3, reportable segments are changed, and Incubation Center segment is added.

- Despite a trend of increased sales and profit over the past ten years up to 2022, the VCCS business slumped due to reduced automotive production, resulting in a decline in profit.
- Despite progress in reforming the VCCS business profit structure in 2023, a slump in the CTC business brought about by semiconductor shortages caused a decline in both sales and profit compared with FY2022 (sales fell ¥1 billion (▲1.4%), operating profit declined ¥3.1 billion (▲ 66%))

1

Current business position

② Trends in major management indicators

	Mar.2012	...	Mar.2020	Mar.2021	Mar.2022	Mar.2023	Mar.2024
Net sales	27,933	...	60,595	59,976	66,848	77,962	76,895
Operating profit	912	...	4,916	5,179	4,684	4,739	1,617
Profit	340	...	3,440	3,818	4,663	3,147	1,511
Equity capital	15,010	...	26,532	36,202	44,328	47,224	50,384
Total assets	22,895	...	48,134	56,868	66,870	70,656	76,408

(Million yen)

Minimum 10

							(%)
YoY net sales growth rate	3.0	...	10.7	▲1.0	11.5	16.6	▲1.4
Ratio of operating profit to net sales	3.3	...	8.1	8.6	7.0	6.1	2.1
ROE	2.3	...	13.5	12.2	11.6	6.9	3.1
YoY operating profit growth rate	▲30.2	...	62.4	5.4	▲9.6	1.2	▲65.9
ROIC	—	—	—	—	—	(5.8)	1.8

※ROIC based on FY2024/3. Reference as FY 2023/3

- **Minimum 10:** From the fiscal year ended March 31, 2024, the Company shifted from indicators biased towards net sales to those that emphasize capital efficiency, **aiming to consistently achieve 10% or greater** in four metrics: ratio of operating profit to net sales, ROE, year-on-year operating profit growth rate, and ROIC.

1

Current business position

③The Company's features and strengths

Coordination with prominent customers

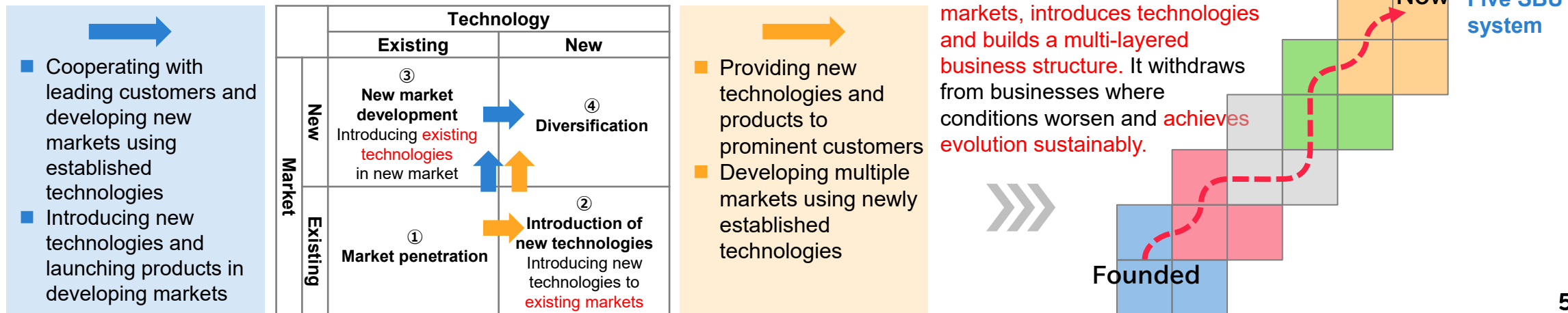
The Company coordinates with prominent customers, who take the lead in the evolution of each business. The Company has been meeting the stringent process requirements (Cost, L/T, and Quality) and technical requirements (new designs, new technologies, etc.) of leading customers and following trends in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

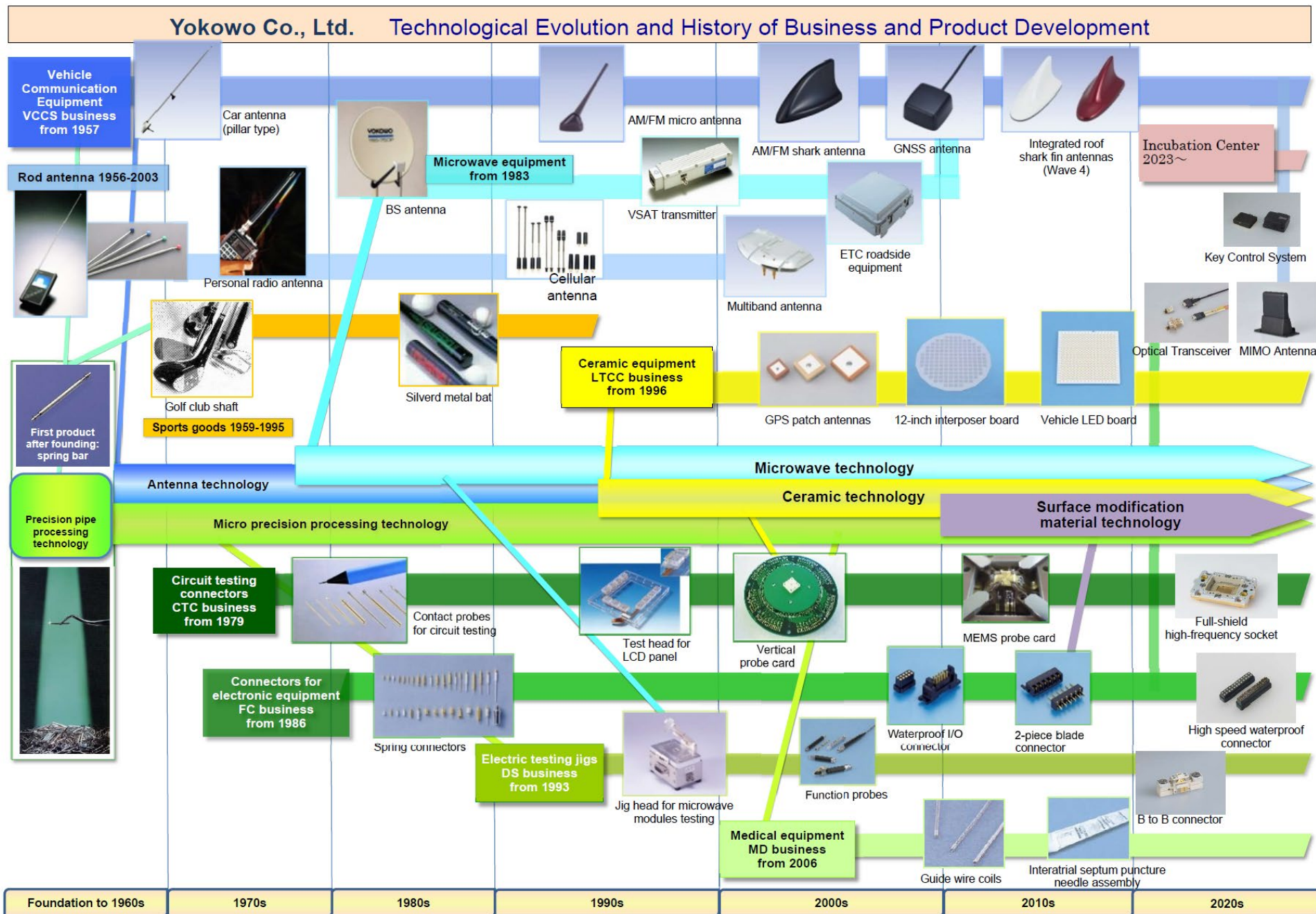
Tradition of continuing to introduce new technologies and finding new markets

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

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

Cycle of business creation and development





Introduction of new technologies + Developing new markets = Yokowo's DNA

Management Strategies

2 Management Strategies

① Basic management policy

Corporate Philosophy

Purpose : Be a good company by employing people and technologies that work for the benefit of society today and tomorrow.

Vision : As an ever-evolving company, we seek to develop new ideas that challenge our people and our technologies while anticipating and addressing the changing needs of society.

Values : Respect · Fairness · Ownership · Challenge · Innovation

Evolution management

- Product Innovation
- Process Innovation
- Personnel Innovation

Management Innovation

Multi-layered management

- Multi-layered business structure (industries, customers, technologies and supply chain)

- The establishment of a business structure able to respond to the worldwide paradigm shift and dramatic changes in the business environment and the competitive environment.

Achievement of Minimum 10

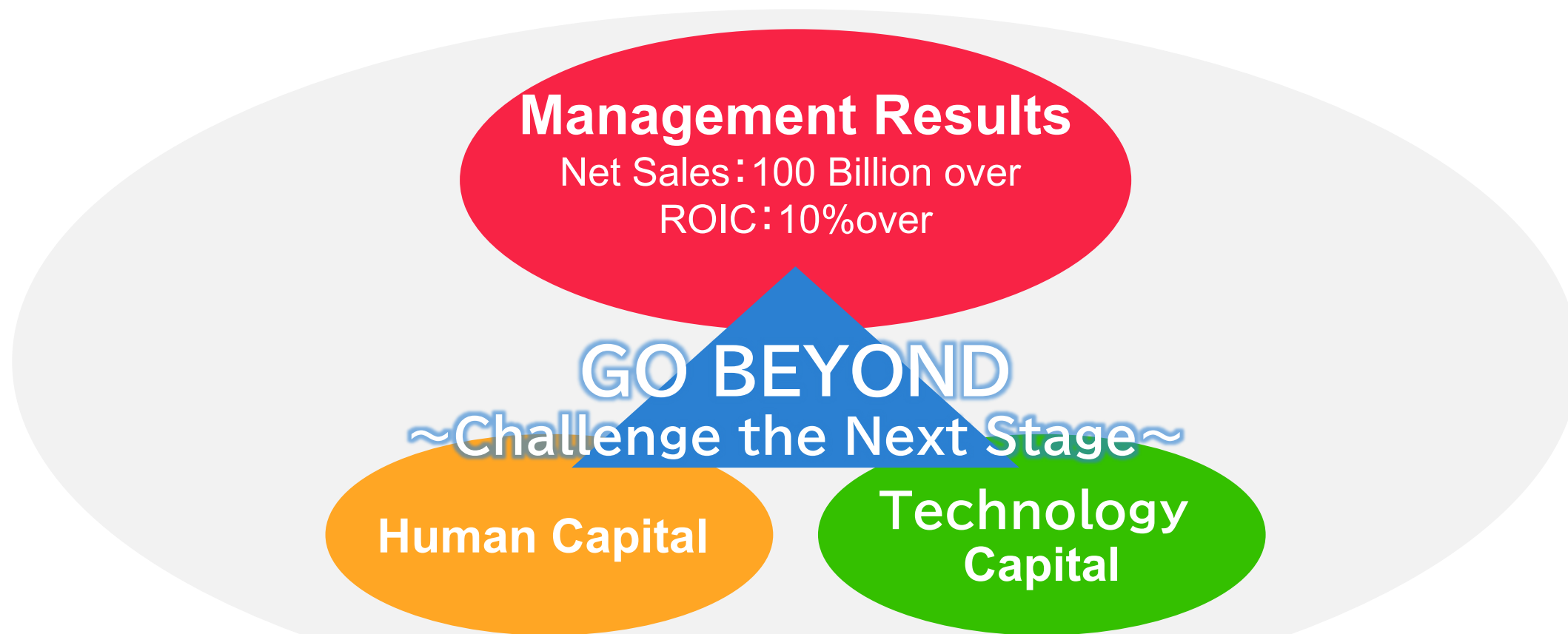
- Operating profit margin
- Growth rate of operating profit
- ROE (Return On Equity)
- ROIC (Return On Invested Capital)

10%

2 Management Strategies

②Realization of Purpose

Becoming an even better company through a higher stage of management results and social contributions



Achieving Yokowo's purpose to "be a good company by employing people and technologies that work for the benefit of society today and tomorrow."

2 Management Strategies

③ Issues in business structure and progress in initiatives

**Strengthening the growth and earnings base in the main markets
(automobile, semiconductor inspection, mobile devices・B2B terminals, and medical devices)**

Exploring and promoting business evolution themes in the three core businesses (VCCS/CTC/FC)

- Stable business expansion and the restructuring of fixed costs in the three core businesses (VCCS/CTC/FC)
- Exploring and promoting business evolution themes in the three core businesses
 - VCCS: Launch new products in the application field to evolve and develop rolling stock
 - CTC: Expand business catering to new inspection needs due to the evolution of semiconductors
 - FC: Identify market needs and establish competitive advantage by rebuilding business competitiveness

Full-scale business expansion in emerging markets with high growth rates (particularly China, India and ASEAN)

Optimization of the business mix by returning to a growth path in the CTC and FC business

Expanding of the MD business (a fourth core business), which is steadily growing.

- Preparations are underway to launch products planned and designed in-house following acquisition of a marketing license for medical devices in 2023
- The Company is preparing to launch unique products in cooperation with a medical equipment venture ecosystem (hospitals, universities and venture companies).

2 Management Strategies

③ Issues in business structure and progress in initiatives

Acquire new core competence and expand business domains through collaboration with other companies

Step up initiatives to expand the domains of the four core businesses

- Steady progress is underway to position ADAS and autonomous driving, connected systems, MaaS, high-speed high-capacity communications (5G, 6G, IoT, next-generation memory) and AI as priority domains.
- The semiconductor front-end process inspection turnkey business is experiencing high growth, heading to a full-scale business expansion stage.

Developing collaboration in the fields of electroforming technology, MEMS processing technology and optoelectronic fusion technology, and incorporating these technologies internally

- Keeping pace with semiconductor miniaturization and incorporating optoelectronic fusion for AI/6G semiconductor inspection

Developing full-scale service-oriented business in parallel with the incorporation of in-house software development capabilities

- Launching new business in areas that combine Yokowo's hardware seeds and software
- Providing products and solutions that create new markets by searching for and collaborating with partners who possess technologies that satisfy the needs of existing customers

2 Management Strategies

③ Issues in business structure and progress in initiatives

Embedding ROIC-oriented management

Adopt ROIC/WACC at the per-business level and transform into a business structure with more earning capabilities and a higher capital efficiency

Maintain certain cash levels in anticipation of unexpected situations while pursuing business model transformation and business expansion through M&A activities and alliances, and making efforts to enhance shareholder return through stable dividend growth and share buybacks

Human capital management = management emphasizing human capital and sustainability initiatives

Leverage the abilities and skills of employees for growth of the organization, leading to enhanced corporate value in the medium- to long-term

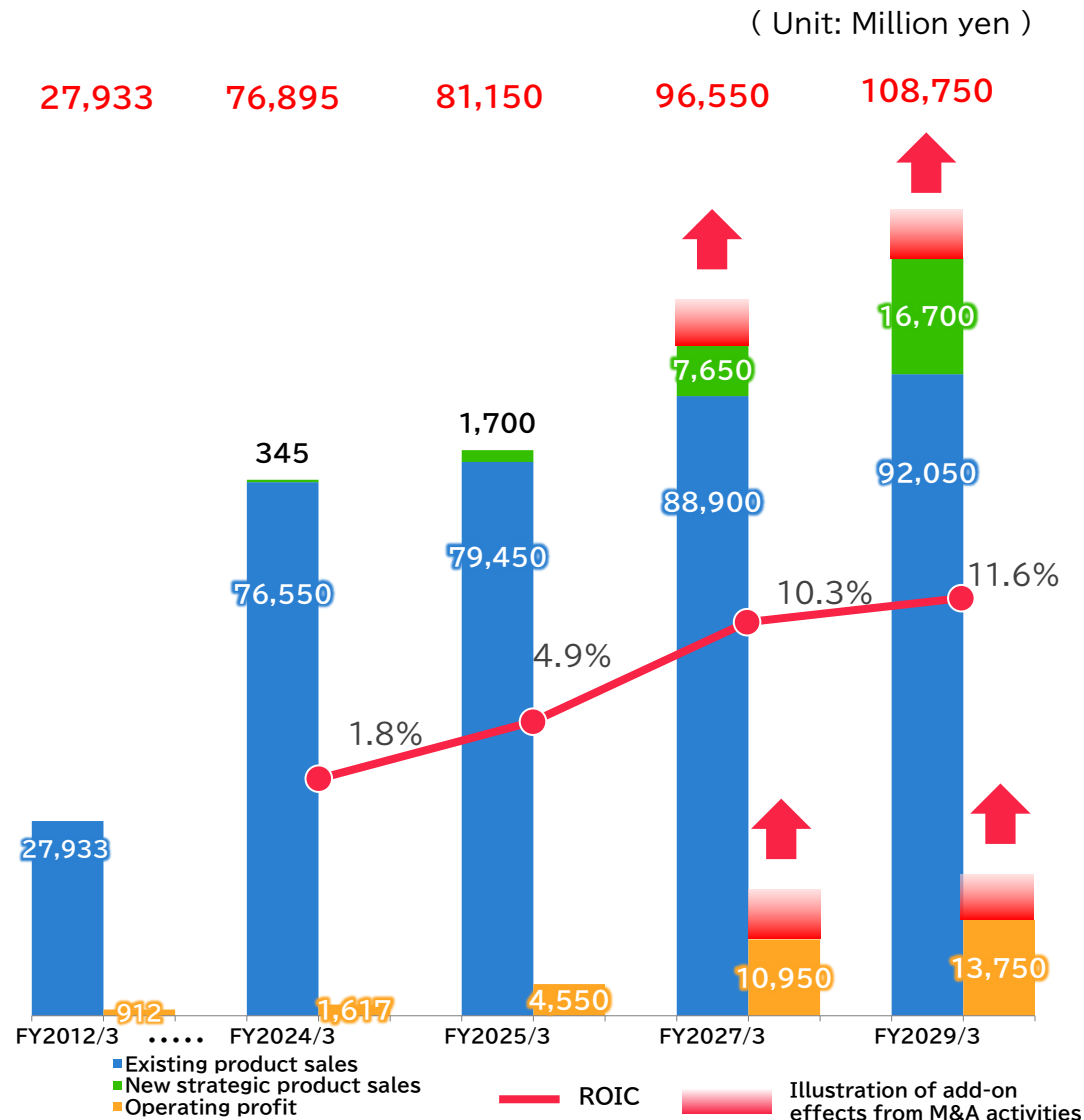
Promote sustainability initiatives based on materiality

Business Strategies

3

Business Strategies

① Basic policy for Company-wide growth strategies



- Strengthening the growth and earnings base in the main markets(automobile, semiconductor inspection, mobile devices and B2B terminals, and medical devices)
- Acquire new core competence and expand business domains through collaboration with other companies
- Embedding ROIC-oriented management
- Human capital management = management emphasizing human capital and sustainability initiatives

Roll out measures to develop a multilayered customer structure (customer mix)

- Closely align with changes affecting customers leading each industry
- Cultivate promising new customers by stepping up domain expansion efforts

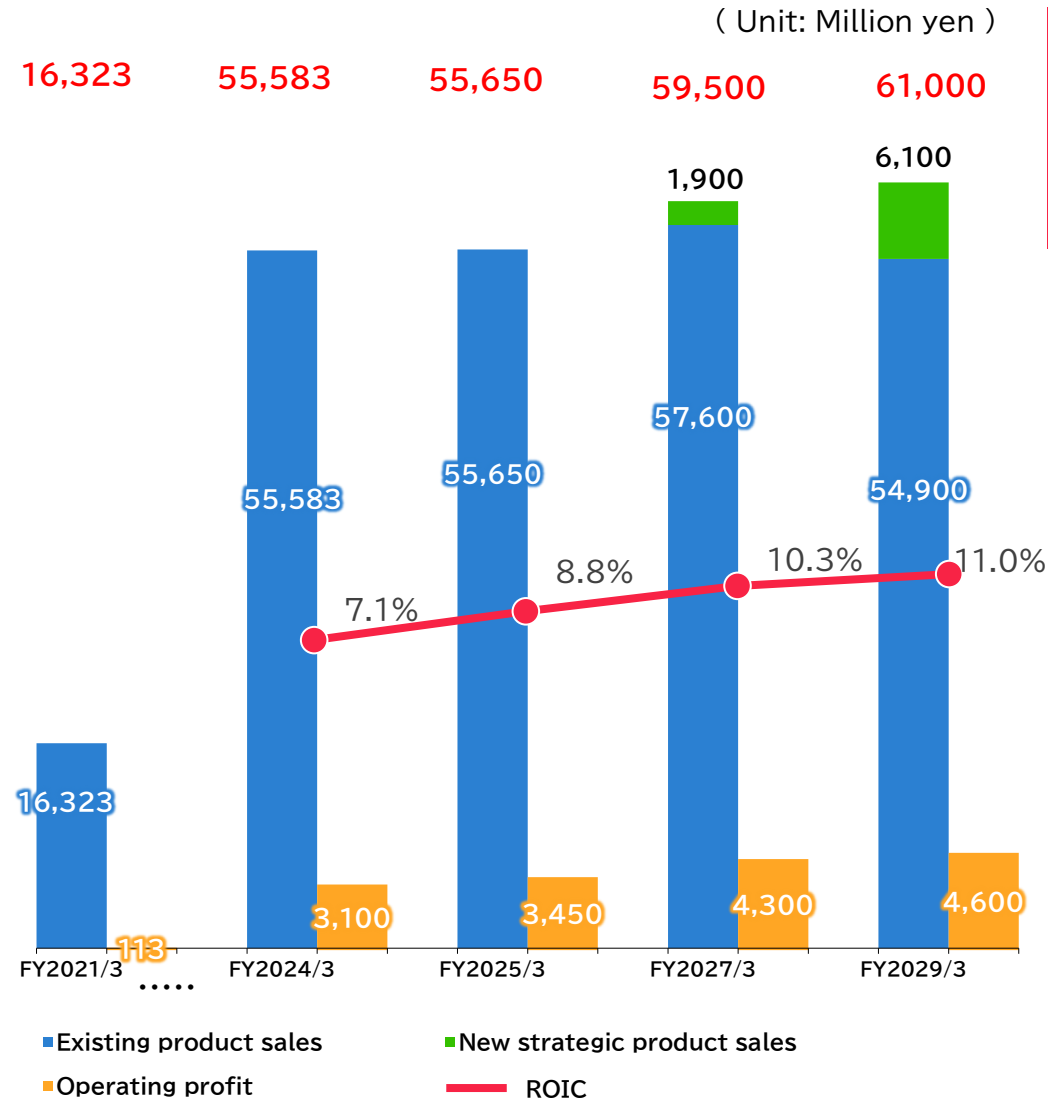
Promote product innovation that can contribute to customer business model innovation and the restructuring of industries and markets

- Take part in innovative application projects
- Develop strategic products with the potential to transform the structure of industries
- Also utilize corporate alliances, M&A activities and proactive investment in companies engaged in co-creation to supplement the necessary technologies, talent and equipment

**Achieve net sales in excess of 100 billion yen
and an ROIC of over 10%**

3 Business Strategies

②VCCS: Vehicle Communication Equipment



Basic growth strategy

Ongoing improvements to earnings structure by thoroughly reforming cost structures through standardization, and business expansion into new application domains associated with the development of EV, SDV and ADAS

Sales steadily expanded over the past ten years (240% compared with FY2011 levels excluding the COVID-19 pandemic period). Profit was negative from FY2021 to FY2022, but returned to profitability in FY2023 due to business structural reforms. The business is on the way to becoming one that produces stable earnings.

The product portfolio involves existing product lines, the launch of new products targeting the evolution of vehicles, and new entry into the field of ADAS products.

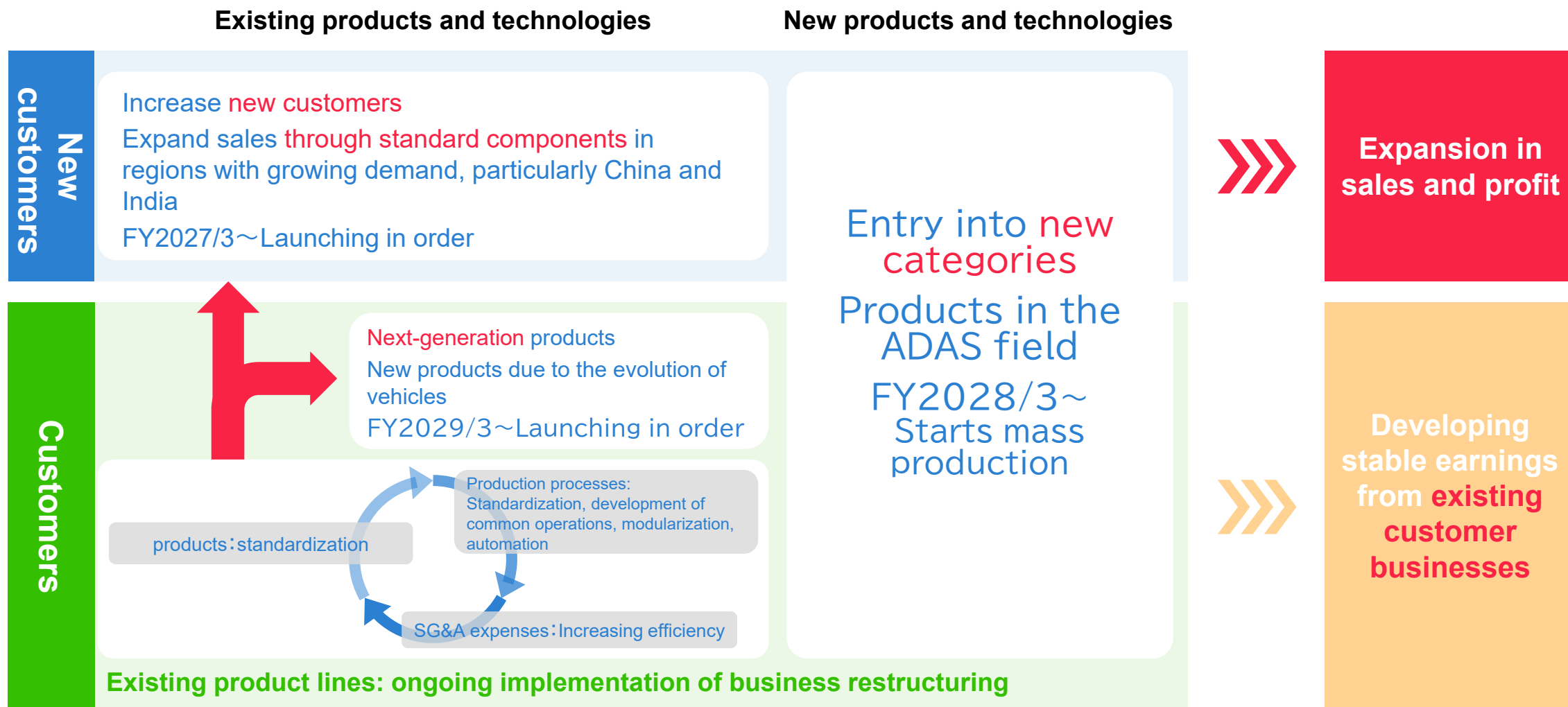
The two vital elements to growth

- Developing stable earnings through further structural reforms to existing products
- Expanding sales in new fields by newly entering the field of ADAS products

3

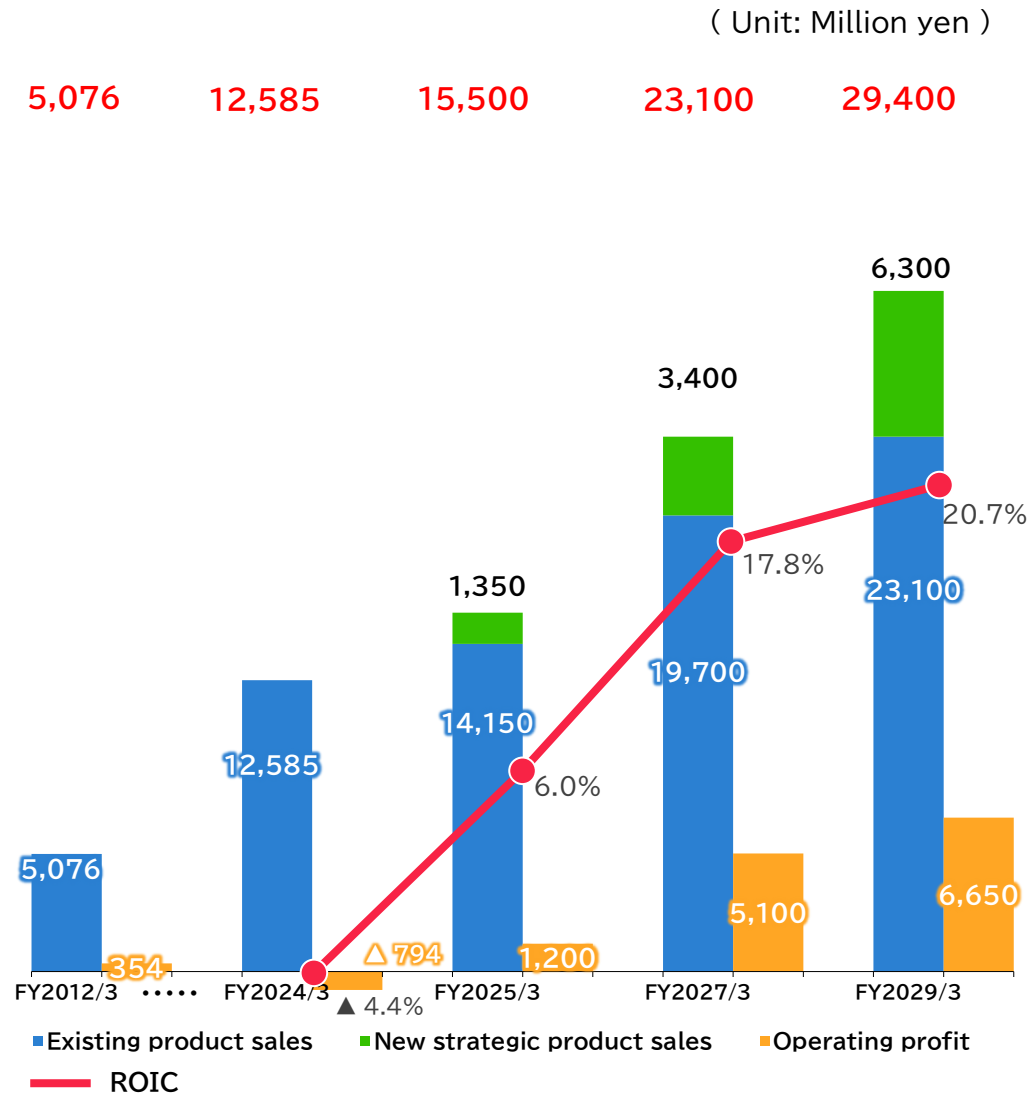
Business Strategies

②VCCS: Vehicle Communication Equipment



3 Business Strategies

③CTC: Circuit Testing Connector



Basic growth strategy

Strengthen the ability to supply hardware catering to new test uses through the refinement of the technologies currently maintained, collaboration and co-creation with other companies, and M&A activities. Evolve into a comprehensive test solution-type vendor using in-house and outside technologies

There was a steady expansion up to FY2022, but performance fell into the red in FY2023 amid semiconductor shortages and a downturn among major customers. However, robust development requests from customer have continued, based on medium- and long-term semiconductor demand.

With growing needs to improve semiconductor data processing needs and reduce energy consumption for applications such as AI and 6G, measures based on semiconductor miniaturization are reaching their limits. Solutions will turn to 3D packages in the short and medium terms and optoelectronic fusion in the medium and long terms.

Achieve dramatic business expansion through frequency technologies that boast a competitive advantage and the introduction of new technologies using alliances or M&A activities.

3 Business Strategies

③CTC: Circuit Testing Connector

	testing from the front-end			testing from the back-end		
Testing Stage	Before rewiring Wafer Test	After rewiring Wafer Test	Wafer Level Test (including RF test)	Final Test	System Level Test	Burn In Test
Entry target	2026	Expansion of existing product	Expansion of existing activities and securing of new test applications	2024	2025	
Technical strategy	Electroformed tube Spring Probe MEMS Probe			High-temperature large-current chiplet	Shift to in-house production	Improved forming
Devices	DRAM/NAND		Logic SoC SAW/BAW	Logic SoC/Chiplet		
Business Strategies	M&A/alliances(manufacturing) + Strengthened manufacturing system (reduced labor)		Strengthened Field-Support + Strengthened manufacturing system (reduced labor)	M&A/alliances (development) + Strengthened manufacturing system (reduced labor)		

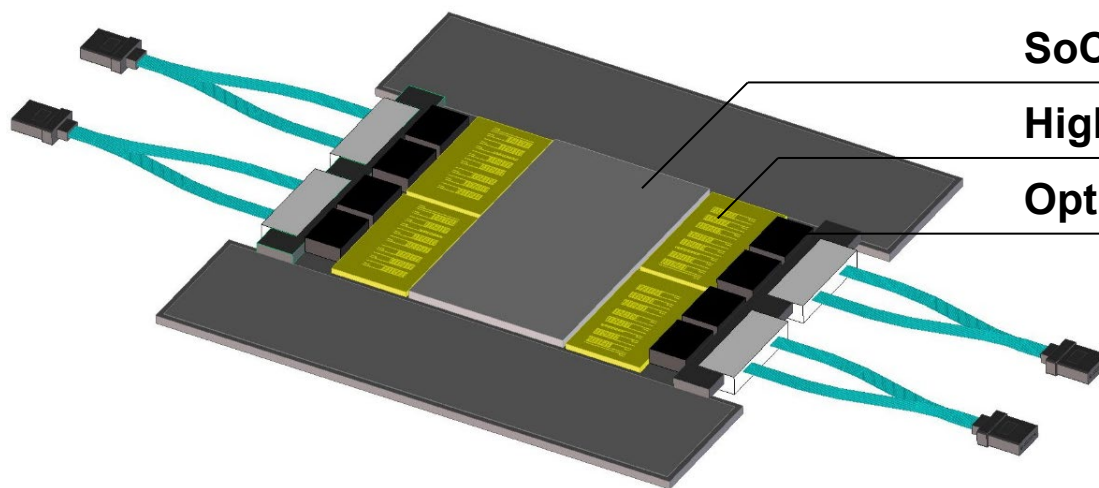
3 Business Strategies

③CTC: Circuit Testing Connector

①Expansion of AI semiconductors and optoelectronic fusion: increased speed of the signals within PCs

- Optoelectronic fusion will become the de facto standard with the arrival of AI semiconductors, the core elements being GPU, HBM and CPO

➡ Provide electronic × optical inspection products to deal with optoelectronic fusion (CPO)



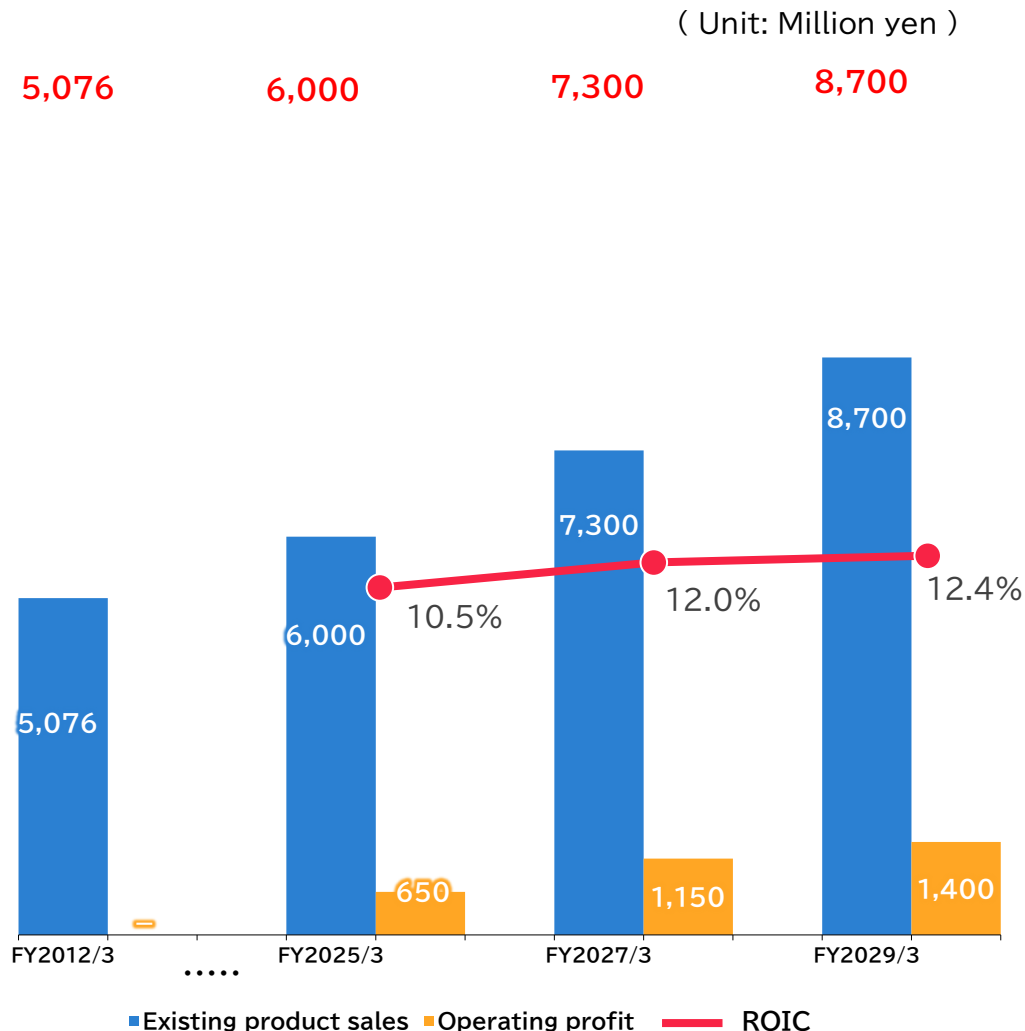
②Fusion of antenna technologies and frequency technologies: there can be no return to wired

- Apply a radio wave lens combined with an antenna for high-frequency radio inspection
- 6G needs 99.99999% reliability for remote control and automation
- A chamber type 1/20 (area ratio) size is under development



3 Business Strategies

④FC: Connector for consumer use



Basic growth strategy

Raise competitiveness of core SPC products by delving deeper into materials, component processing and surface modification, and expand business with the market launch of products with added value being the smallest, lightest and low-cost

Strengthen core competence that the competition cannot match in spring connectors and create customer value

- Anticipate the expansion of small robots and communication devices toward realizing a smart society, including space and ocean environments
- Engage in development of the “world’s smallest sprint connector,” specializing in smaller and lighter designs, and drive the development of products that lead the competition
- Develop low-cost spring connectors that cater to the high volume market, achieving sales expansion due to an absolute expansion in sales volume

3 Business Strategies

⑤MD: Medical device

(Unit: Million yen)

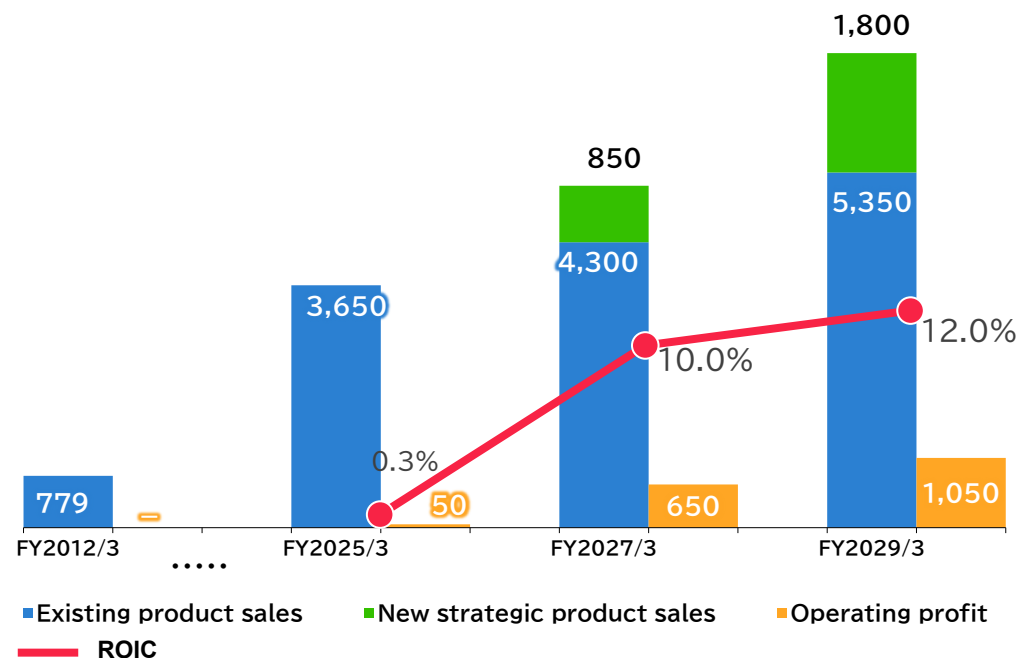
779 3,650 5,150 7,150

Basic growth strategy

Launch products planned in-house following acquisition of a marketing license for medical devices, and accelerate contributions to humanity and society through the expansion of a medical ecosystem in the advanced medical field

Over the past ten years sales have steadily expanded (annual growth rate of 20%, excluding the COVID-19 pandemic period). A marketing license for medical devices has been obtained, and upfront investment in development, etc. is underway. Performance returned to profitability in FY2024.

Expand the product portfolio to stents leveraging our strength in micro-precision machining, in addition to guide wires and high-frequency devices

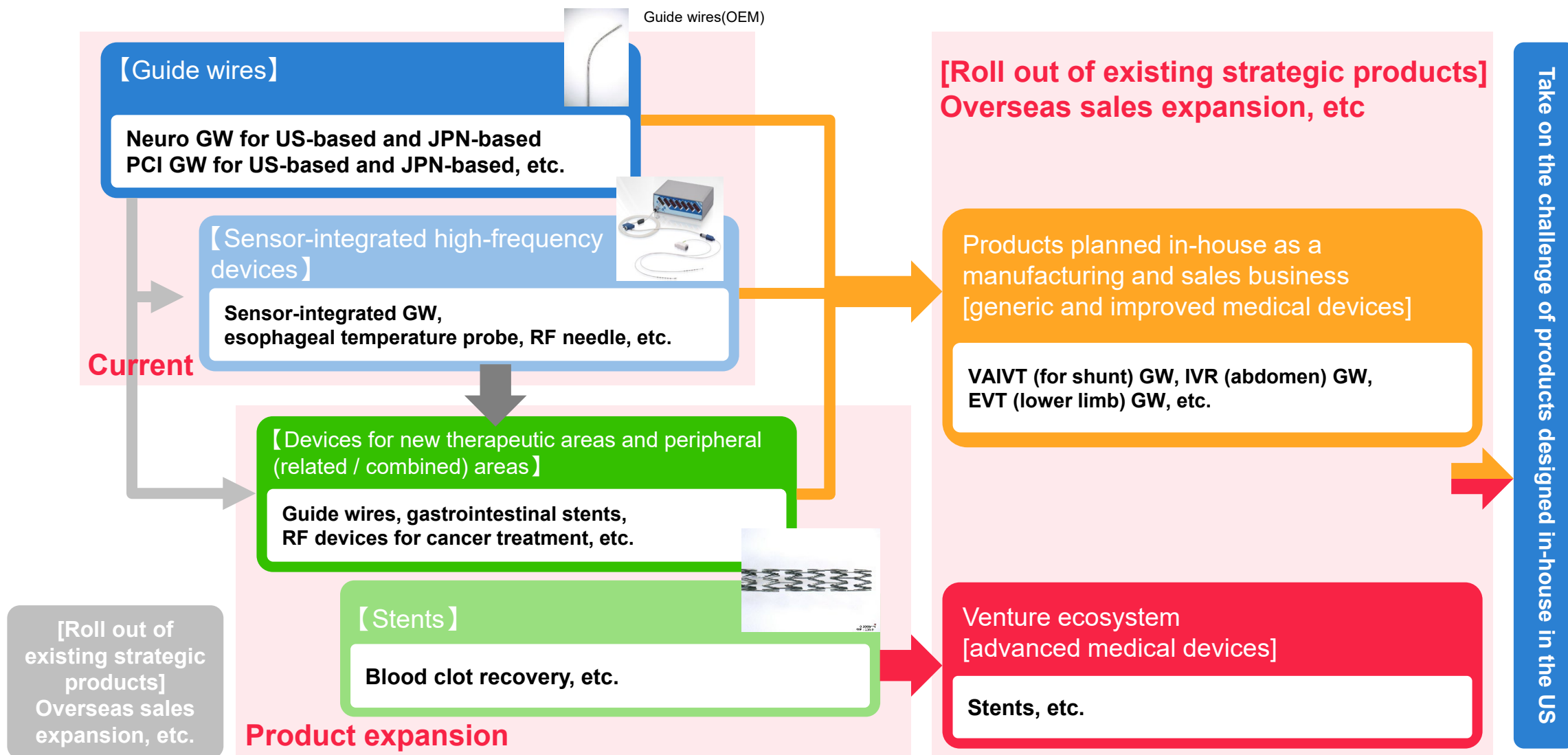


Dual aspects of growth (concept)

- Advanced medical devices: venture ecosystem (stents, etc.)
- Generic and improved medical devices: Products planned in-house as a manufacturing and sales business (guide wires, etc.)

3 Business Strategies

⑤MD: Medical device

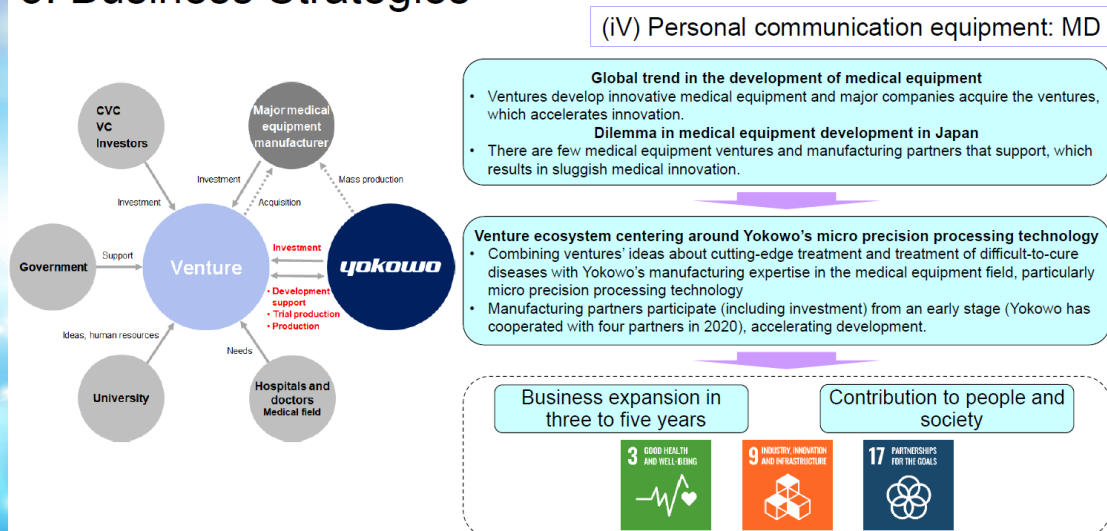


3 Business Strategies

⑤MD: Medical device

External Announcement on November 10, 2020
New Medium-term Management Plan

3. Business Strategies



Present Status

Development of framework

- Contributed to fund when the general incorporated association JMPR, which supports medical device startups, was established in 2021
- There are currently five startups in which we have participated as a manufacturing partner through small-scale investments, two of which have been acquired by major medical device manufacturers

Contribution of venture ecosystem projects to sales

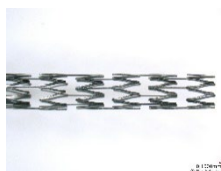
- From the start of 2025 devices using our in-house stent will start to fully contribute to sales. Sales of roughly 1 billion yen in 2026 and 2.5 to 3 billion yen in 2028 are expected.

Guidewire (OEM)



2024:
Start of mass production

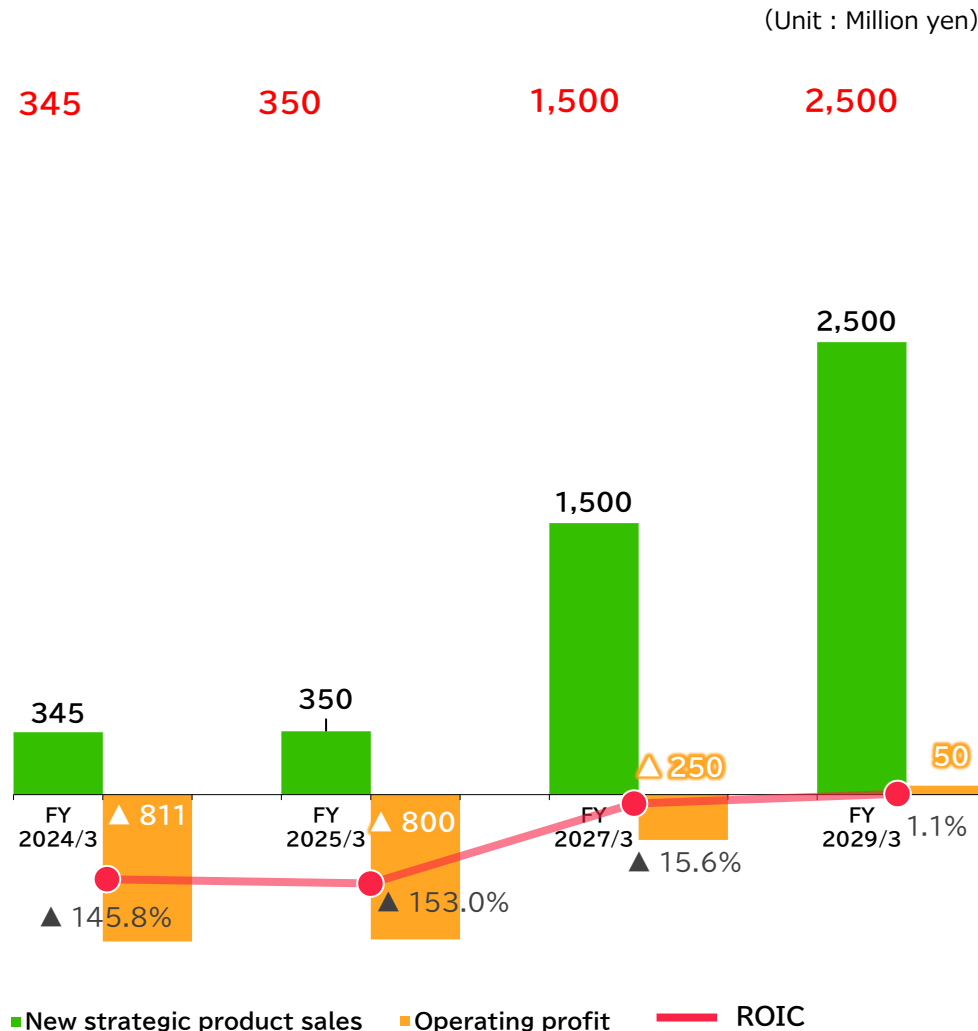
Stent



The beginning of 2025:
Start of mass production

3 Business Strategies

⑥ Incubation Center



Growth Strategies

Provide products and solutions that create new markets and promote the transformation of the Yokowo Group's business model by searching for and collaborating with partners who possess technologies that satisfy the needs of customers, rather than staying with existing technologies.

In FY2023 the Incubation Center became independent as a functional division to promote the transformation of business models in each business of the Yokowo Group

See existing customers as assets and provide products and **solutions** that create new markets by searching for and collaborating with partners who possess technologies that satisfy customer needs.

Understand needs in global markets to evolve the business model from selling goods to **selling services through the subscription business, etc.**

Also utilize corporate alliances, **M&A activities and proactive investment** in companies engaged in co-creation to **supplement the necessary technologies, talent and equipment, and create new business domains and business models.**

3 Business Strategies

⑥ Incubation Center

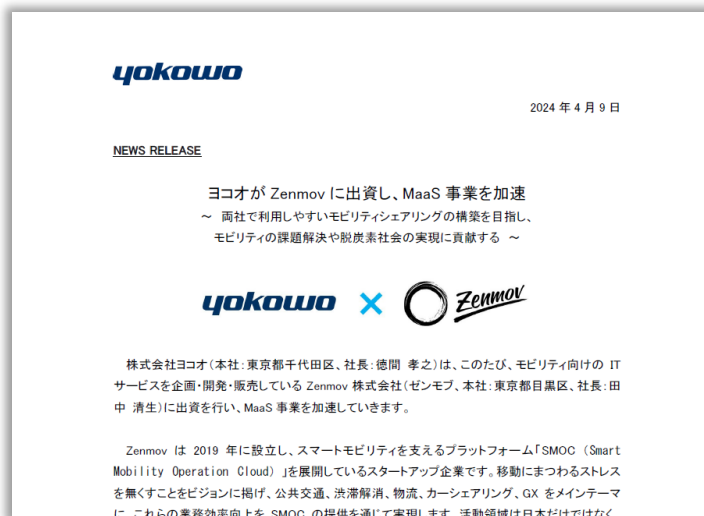
Advanced Themes

- Through ICT and other new technologies, create new value including more sophisticated social services to solve various challenges
- Implement mobility services (MaaS) utilizing autonomous driving with the aim of helping the transportation-disadvantages and revitalizing local communities

Examples




Title : Yokowo Participates in Fuel Cell Vehicle Car-Sharing Service and Launches Green Mobility Car Sharing on Joint Basis with Four Companies



Title : Yokowo Invests in Zenmov to Accelerate the MaaS Business



Title : Yokowo Collaborates with Mobility Sharing Platform Operator Smartvalue Co., Ltd. to Expand Sales of Car Sharing Service

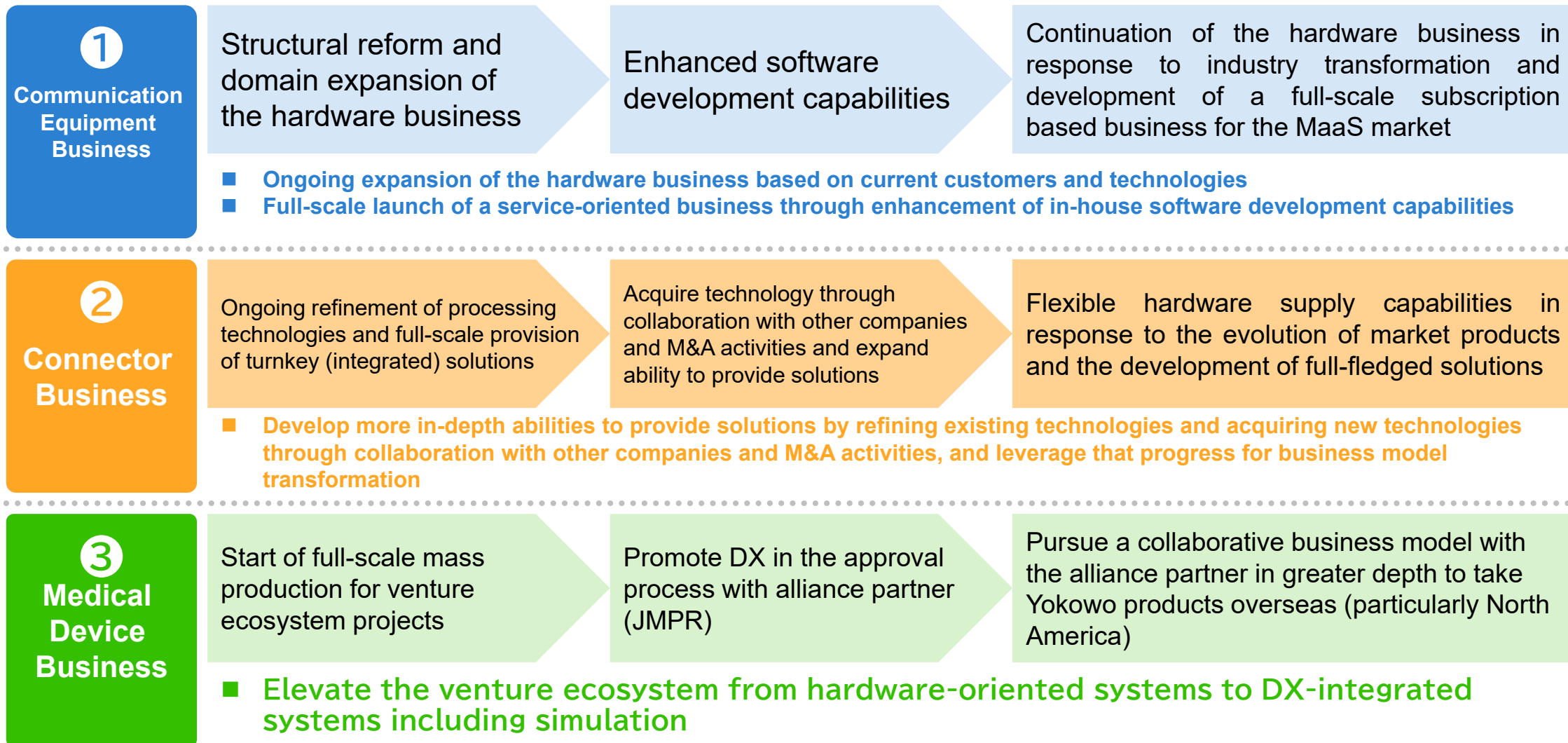


Business Model Transformation Initiatives

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Business Model Transformation Initiatives

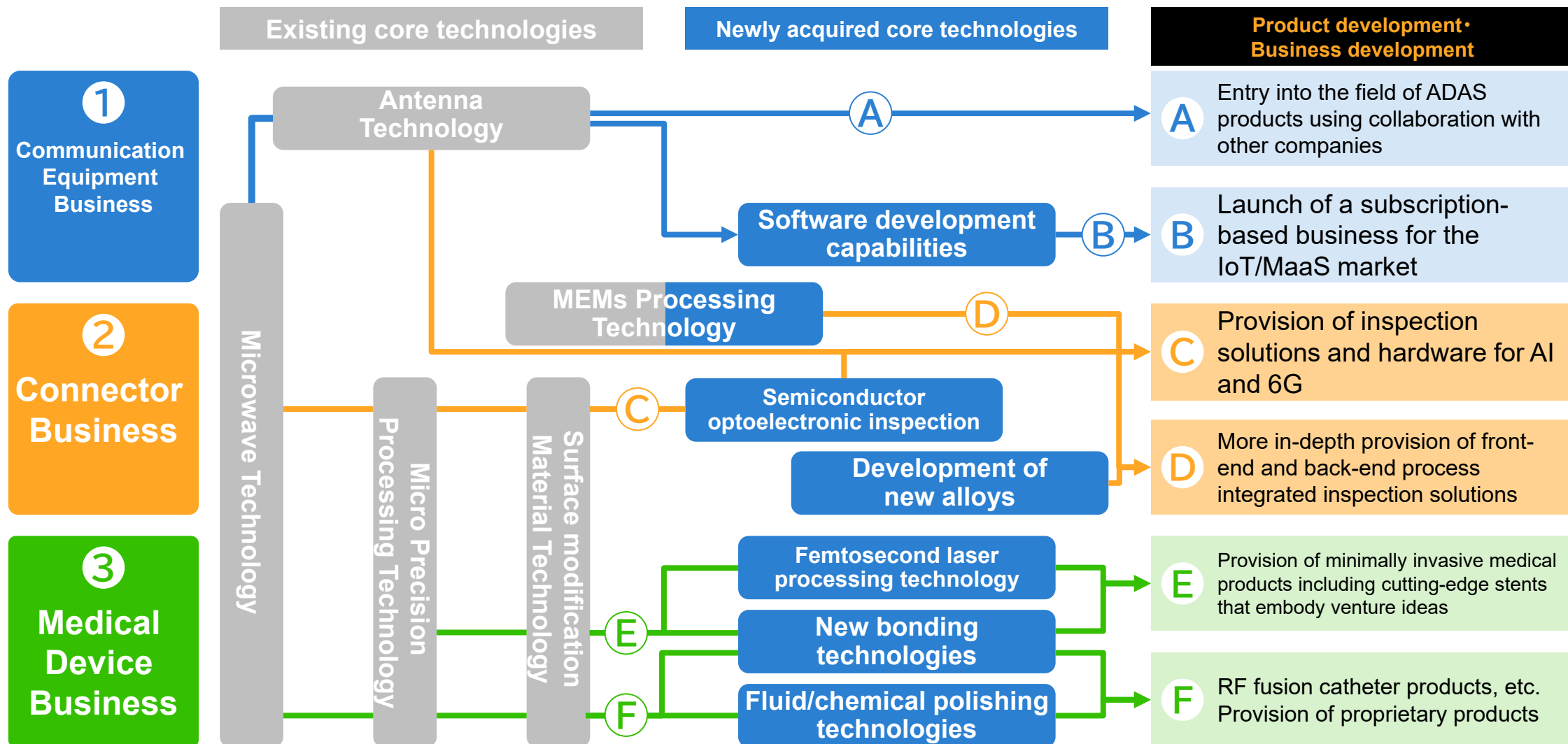
① Business model Roadmap



4

Business Model Transformation Initiatives

② Technology Roadmap



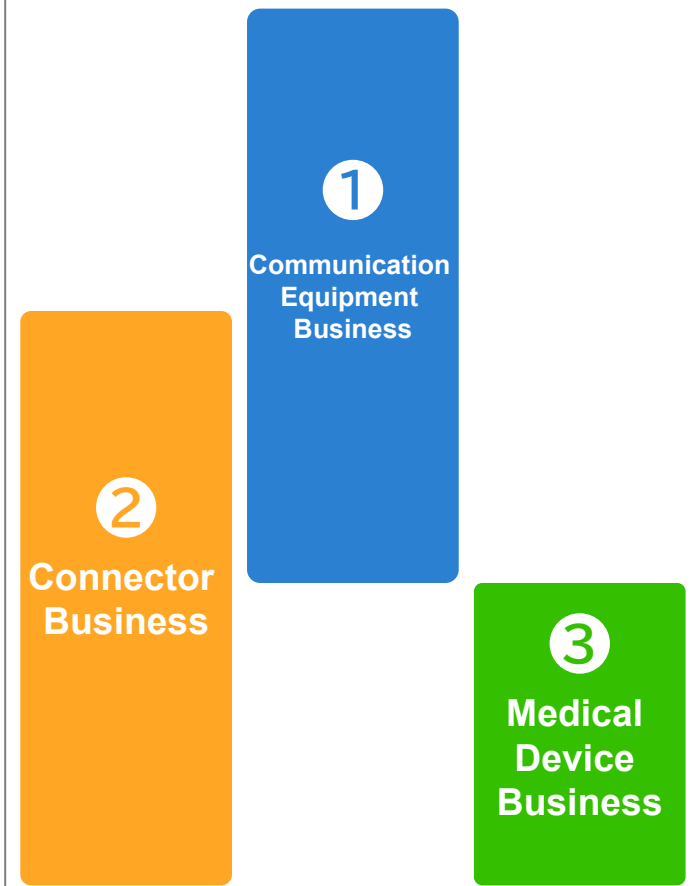
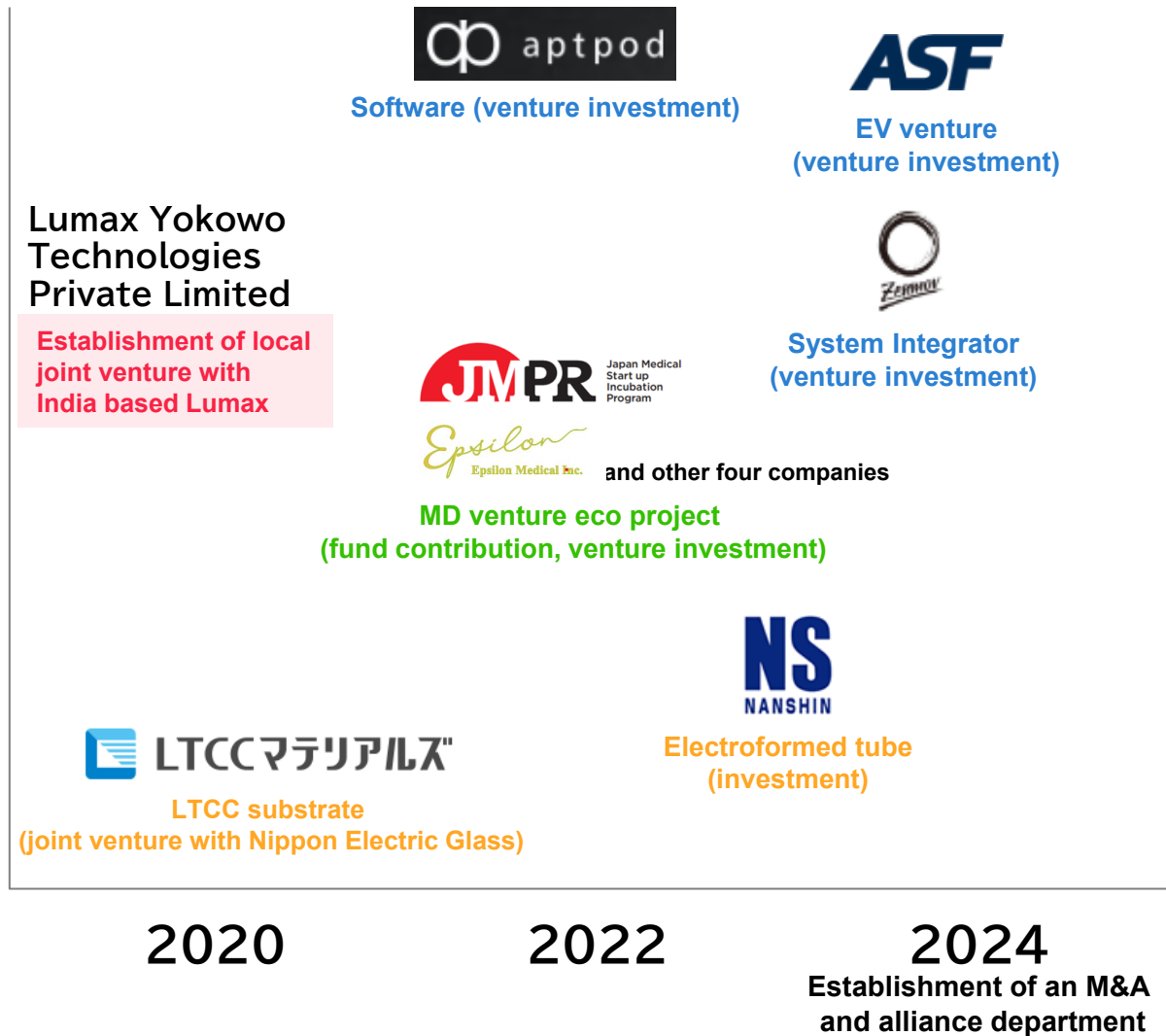
4 Business Model Transformation Initiatives

③M&A/Alliance

Business Models for New Business

Business Expansion

Acquisition of core technologies
(sharpening our competitive advantage)



Medium-Term Plan
(M&A/Alliance as assumption)

5 Investment strategy

6 Human Capital Management

7 Approach to Sustainability

5 Investment strategy

Investment strategy

R&D investment

5-8 Billion yen / Year

- Existing core technologies
(antenna technologies, high frequency technologies, etc.)
 - Core technologies to be newly acquired
(MEMS processing technologies, etc.)
- ➡ “See technology roadmap P.28”

Create operating cash flows

6-12 Billion yen / Year



Cash on hand (Net Cash)

18 Billion yen (8 Billion yen)

Growth Investments

Shareholder Returns

Capital investment of 4-6 billion yen / year

- Communications equipment: ADAS new product-related, etc.
- Connectors: MEMS product-related, etc
- DX (Business model evolution)
- GX

M&A, Alliances

- Communications equipment: searching for new businesses, business expansion
- Connectors: business expansion, acquisition of elemental technologies

➡ “M&A / Alliance P.29”

Dividend 1-2 billion yen / year

- Stable growth in dividends targeting a DOE (dividend on equity ratio) of 2.2%

Purchase of treasury stock

- Flexibly...

6

Human Capital Management

Management, focus on Human Capital

Leverage the abilities and skills of employees for growth of the organization, leading to enhanced corporate value in the medium- to long-term.

Human Capital Development: Establishment of the Human Resource Development Center (2023)

Target

To cultivate employees able to realize business evolution, which is the foundation of a perpetually evolving company
Making Yokowo a company that makes employees feel their employment there allows them to grow and be certain of growth

1

Cultivate human resources who will be able to sharpen Yokowo's strengths and leverage those strengths to embody business evolution

- Use DX including AI and other cutting-edge technologies to cultivate elite tech-savvy employees who will sharpen Yokowo's strengths
- Cultivate human resources able to develop business pivot strategies from management perspectives, including marketing

2

Accelerate improved corporate competitiveness through the dual approach of cultivating best-of-the-best human resources and enhancing all employees' abilities to perform their jobs

- Organize the expected skills and learning methods as an organization, and encourage individual learning based on plans tailored to each employee
- Introduce an e-learning system that meets the needs of employees in self-directed learning

Cultivating best-of-the-best human resources

Enhancing the ability of all employees to carry out their jobs

Management

**DX
including AI**

**Advanced
technologies**

**Clarifying expectations
from the organization**

**Encouraging
self-directed learning**

Environment

Reducing GHG emissions

Target

Reduce GHG emissions (Scope 1 and 2) from Company plants by 35% of FY2014 levels by FY2030

Key measures

- Introduction of renewable energy at Tomioka, China, Vietnam and Malaysia plants
- Introduction of solar power generating panels at Yokowo Vietnam and the Tomioka plant under PPA schemes

Local communities

Contributing to the development of local communities and realization of a sustainable society as **a company with roots in local communities**

Key measures

- Tomioka plant: Participation in kids' sports classes organized by Tomioka City, Gunma Prefecture
- DONGGUAN YOKOWO CAR COMPONENTS CO., LTD.: Employees participate in volunteer activities to support elderly people and people with disabilities in the local community
- Yokowo Vietnam: Employees donate food, clothing and other relief supplies to local orphanages
- Yokowo Philippines: Employees take part in volunteer tree planting efforts on a joint basis with the local industrial park and authorities

Diversity and inclusion

We hire and train a diverse range of human resources regardless of nationality, gender or age, endeavoring to respect individuality, **treat employees fairly and equitably and develop a pleasant workplace** under our basic policy of promoting DEI so that each employee can reach their full potential.

Key measures

- **TISP (Tomioka International Specialist Park) Project**
- Active participation of women
- Promoting the employment of people with disabilities through a special subsidiary
- Proactive mid-career hiring

Initiatives to ensure respect for human rights

- The Yokowo Group Human Rights Policy was established by resolution of the Board of Directors
- Implementing human rights due diligence
- Establishing and operating grievance mechanism

- We have secured RBA silver status, EcoVadis silver medal and CDP Climate Change B ratings
- Yokowo is reviewing its current materiality to reflect changing social demands and further integration with our business strategy

8 Medium-Term Management Targets

8

Medium-Term Management Targets

Medium-Term Management Targets

(Unit: Million yen)

	FY 2023/3	FY 2024/3	FY 2025/3 Forecast
Net sales	77,962	76,895	81,150
VCCS	46,520	55,583	55,650
CTC	22,374	12,585	15,500
FC・MD	9,067	8,373	—
FC	—	—	6,000
MD	—	—	3,650
Incubation Center	—	345	350
Operating profit	4,739	1,617	4,550
Ordinary profit	5,675	3,710	3,750
Profit	3,147	1,511	2,500



FY 2027/3 Target	FY 2029/3 Target
96,550	108,750
59,500	61,000
23,100	29,400
—	—
7,300	8,700
5,150	7,150
1,500	2,500
10,950	13,750
10,750	12,600
7,500	8,800

Minimum 10	YoY net sales growth rate	16.6%	▲1.4%	5.5%
	Ratio of operating profit to net sales	6.1%	2.1%	5.6%
	ROE	6.9%	3.1%	6.2%
	YoY operating profit growth rate	1.2%	▲65.9%	181.4%
	ROIC	5.8%	1.8%	4.9%

Reference: Average exchange rate

145.00

145.00

145.00

※ROIC based on FY2024/3. Reference as FY 2023/3

Developing, Delighting
yokowo