

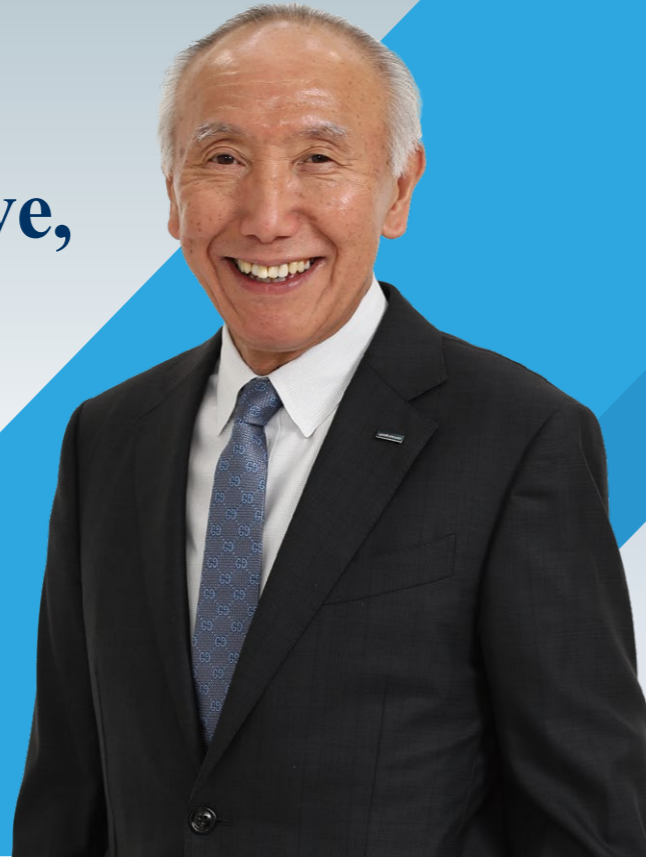
Top Message

Continuing to evolve, to be relevant for the next 100 years

GO BEYOND
~Challenge the Next Stage~

Takayuki Tokuma

Representative Director,
President and Executive Officer
YOKOWO CO., LTD.



100 years since our founding, through further progress we will work towards being an ever-evolving company

In fiscal 2024, we embarked on a new medium-term management plan. An overview of this, along with our vision for the future are presented below.

Basic Management Policy

In 2022, on the occasion of our 100th anniversary, we instituted the sustainable evolution of business management, and a multi-layered business structure as management policies aimed at achieving our corporate philosophy of Purpose, Vision, and Values (see p.2).

As per our slogan of “Constantly on the cutting edge” put forward since our founding, sustainable evolution of business management refers to constantly evolving and progressing. Measures for realizing the sustainable evolution of business management are product innovation (including business model, product and business structure innovation), process innovation (the innovation of business processes) and personnel innovation (human resources innovation). In other words, these measures aim to substantially change the business structure, including products, technologies, and markets and business operating process through the optimal placement of business sites and the active

introduction of business processes, processing technologies and IT. The diversity of the human resources who operate the above will expand to ensure the development of highly professional teams. In line with management innovation (the innovation of corporate management and business operations), substantial changes will be made to how the elements and systems involved in these three innovation measures, as well as how these measures themselves are managed, in order to accelerate the evolution of business management.

The other management policy of the multi-layered business structure aims to enhance the stability of our corporate management and our companywide earnings structure. In other words, we aim to improve sustainability. As the management environment surrounding Yokowo is changing drastically, this management policy aims to establish a tenacious business system capable of responding flexibly to these changes in the business environment by creating a multi-layered business structure (industry, customers, technologies,

supply chains, and other layers).

By promoting this sustainable evolution of business management and a multi-layered business structure, we hope to achieve our “Minimum 10” medium-term management index (secure at least 10% in operating profit growth rate, operating profit margin, return on equity (ROE), and return on invested capital (ROIC)).

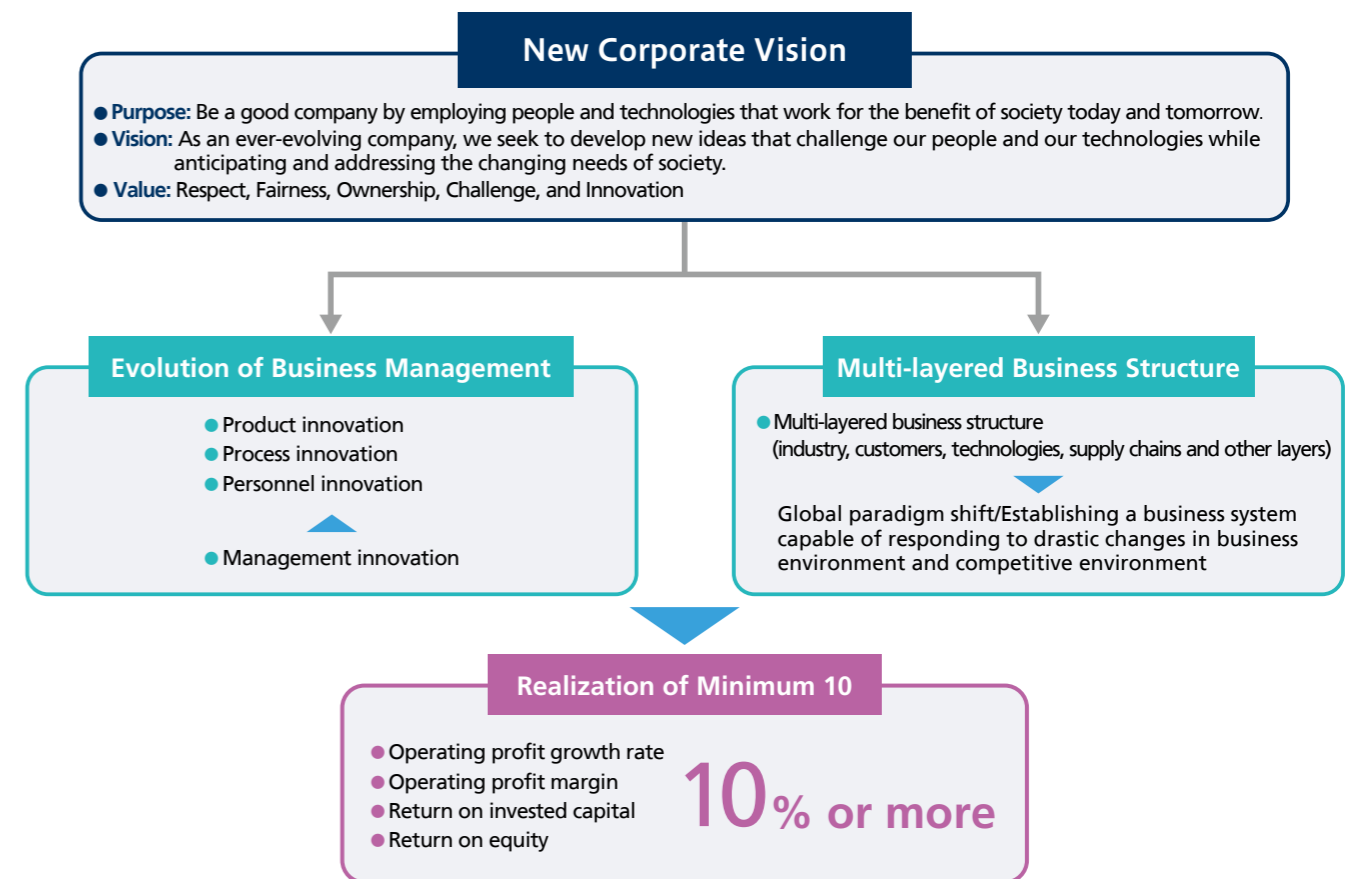
Recent Operating Results and Forecasts

Performance in the Fiscal Year Ended March 31, 2024, Current Status and Forecasts

In the fiscal year ended March 31, 2024, in the key markets of our group—automotive, semiconductor testing, mobile communication terminals, and advanced medical equipment—there was a rapid increase in the sales volume of electric vehicles (EVs) in regions such as Europe, the U.S., and China, along with the acceleration in the evolution of generative AI. These could change business strategies and models across various industries, leading to intensified competition in the development of products and technologies.

Under these circumstances, the VCCS segment achieved increased revenue and a return to profitability compared to the previous fiscal year because of fluctuations in orders, normalization of ocean freight rates, and a series of business structure reforms, however both CTC and FC/MD segments saw significant declines in both revenue and profit. Under these circumstances, while the Yokowo Group’s consolidated net sales were 76,895 million yen (down 1.4% from the previous year) and operating profit 1,617 million yen (down 65.9% from the previous year), with these figures exceeding the performance forecast announced during the period, the results were extremely disappointing.

Looking to rebuild from this and return to medium- to long-term growth, we formulated and announced the “New Medium-Term Management Plan 2024-2028” in May 2024, with its implementation progressing steadily. The expected performance for the fiscal year ending March 31, 2025 is consolidated net sales at 82 billion yen and operating profit at 4.45 million yen, with sales projected to reach a record high and operating profit to reach around 80% of the record-high levels attained in the fiscal year ended March 31, 2021.



New Medium-Term Management Plan 2024-2028

In terms of business, the New Medium-Term Management Plan 2024-2028 (hereafter, "New Medium-Term Plan") focuses on the same two pillars as before—"expanding and strengthening core businesses" and "expanding business domains through the acquisition of new core competencies and alliances," but naturally, the content and weight of individual business themes have changed with a clearer focus on alliances. Additionally, with the full penetration of ROIC-based management, we aim to transform our business structure into one with high profitability and capital efficiency by setting both company-wide ROIC targets and those by business segments.

The VCCS segment is planning to expand its existing automotive antennas, including shark fin antennas, in growth markets such as China and India. At the same time, by positioning next-generation products with specifications tailored to autonomous driving and advanced driver assistance systems (ADAS) as core offerings, we are aiming for sales of 61 billion yen, operating profit of 4.6 billion yen, and ROIC of 11.0% by the fiscal year ending March 2029.

The CTC segment is focusing on restructuring its business model in the fiscal year ending March 31, 2025 but is also steadily implementing measures to bring about a comeback. While we specialize in spring probe-type contactors, we are also actively incorporating new technologies through M&A, in view of the expansion of testing methods using other contactors such as micro electro mechanical systems (MEMS), and so we are aiming to become a comprehensive test system supplier covering a wide range of processes from front-end to back-end testing. Our targets for the fiscal year ending March 31, 2029 include sales of 29.4 billion yen, segment profit of 6.65 billion yen, and ROIC of 20.7%.

In the FC/MD segment, the FC business will focus on its core product, the spring pin connector (SPC), to drive stable business

growth by pursuing miniaturization, weight reduction, and cost efficiencies, as well as by entering new markets and acquiring new customers to bring about steady business expansion. Our targets for the fiscal year ending March 31, 2029 include sales of 8.7 billion yen, operating profit of 1.4 billion yen, and ROIC of 12.4%. For the MD business, we are establishing a position as a manufacturing partner in a venture ecosystem comprising industry, government, and academia, thereby creating innovative advanced medical devices. Additionally, we are leveraging the approval received for manufacturing and selling of medical devices to promote the development and proposals for our own planned generics and improved medical devices. With these two areas of growth, we are aiming for sales of 8.7 billion yen, operating profit of 1.4 billion yen, and ROIC of 12.4% by the fiscal year ending March 31, 2029.

The Incubation Center segment is focusing on mobility as a service (MaaS) and Internet of things (IoT), and identifying global market needs. As well, it is actively promoting the evolution of our business model from selling things to selling solutions, while making use of M&A and regional partnerships. Our target for the fiscal year ending March 31, 2029 is to achieve sales of 2.5 billion yen and to return to profitability.

Along with promoting the spread of ROIC management, a pillar of the New Medium-Term Plan emphasizes tackling sustainability issues. We believe in a strong advance on human capital management (see p.45), which we consider the most important of these. In pursuit of our purpose—to be a good company by employing people and technologies that work for the benefit of society today and tomorrow—we are committed to promoting "diversity, fairness, and inclusion" as well as "global talent development" as materialities in order to strengthen and enhance human capital in the same way as with technical capital, targeting continuous growth and evolution.



■ And most importantly, a company where the employees of the Yokowo Group think, "I am very satisfied with to be working for this company. I will work harder to make it an even better company." I think that a company such as that is truly a good company.

To make Yokowo a good company, we should ensure that officers and employees of the Yokowo Group both within Japan and overseas, regardless of nationality, gender and other differences, are content and fulfilled in their work, and have a foundation of reliability and trust. Through the evolution of our technology, we will continue to offer quality products and services to improve customer satisfaction. We will contribute to local communities which we rely on to ensure that we are welcomed by them, and to bring satisfaction to our neighbors. As a member of the global society, we will respect the human rights of people globally and contribute to preserving the natural environment that sustains the lives of people around the world, including that of our stakeholders. Based on the above, we have taken this opportunity to review our materialities, and have set five key areas and 13 materialities issues (see p.17).

Additionally, in our vision of being an "ever-evolving company," we have formulated and are steadily implementing a succession plan which forms the foundation of this (see p.36). Initially, we have created a succession plan for top management, and in the future we plan to expand its scope to include officers and general managers. By sharing a strong belief in "continuing to evolve together," we believe that the integrated formulation and implementation of these measures will solidify a solid foundation upon which the group will be able to continue growing and evolving for the next 100 years. Throughout this process, we will actively engage and maintain dialogue with all stakeholders, and through this contribute to the realization of a sustainable and better society.

In the years to come, we look forward to the ongoing support, guidance, and encouragement of our shareholders and other stakeholders.

So we can achieve sustainability with our stakeholders

Since being appointed as President in 2007, I have constantly conveyed my desire to make Yokowo a good company to our employees. I think that a better company is:

- A company about which customers say, "It was good that we have conducted business with Yokowo. We will expand our business relationship with Yokowo."
- A company about which contractors say, "It was good that we performed business operations for Yokowo. We will work harder to contribute more." A company about which local communities say, "I'm glad Yokowo is in our town. I'd be very happy for my children to join Yokowo."

▼ Targets by segment (fiscal year ending March 31, 2029)

	Sales	Operating profit	ROIC
VCCS	¥61 billion	¥4.6 billion	11.0%
CTC	¥29.4 billion	¥6.65 billion	20.7%
FC	¥8.7 billion	¥1.4 billion	12.4%
MD	¥7.15 billion	¥1.05 billion	12.0%
Incubation Center	¥2.5 billion	¥50 million	1.1%

New medium-term management plan 2024 – 2028 Consolidated performance targets (fiscal year ending March 31, 2029)	
Sales:	108.75 billion yen
Operating profit:	13.75 billion yen
Ordinary Profit:	12.6 billion yen
Profit attributable to owners of parent company:	8.8 billion yen
ROIC:	11.6%