

2024 Yokogawa Report

For the year ended March 31, 2024

Chapter 1 Introduction 2

- 02 The Identity Shaping the Yokogawa Group
- 03 Tireless Efforts for Transformation
- 04 Yokogawa in Figures
- 05 Yokogawa's Business

Chapter 2 Message from the President & CEO 6

We share the thoughts of our senior management about the review of our previous AG2023 medium-term business plan, the growth strategy presented in the new medium-term business plan GS2028, our transition to a company with a Nominating Committee, etc., as we aim to achieve Yokogawa's vision for 2030.

Chapter 3 Value Creation Story 12

We provide an overview of the new medium-term business plan GS2028 announced in May 2024, as well as its focus points: sustainability initiatives, intangible capital, financial strategy, and DX strategy.

- 13 Our Goals
- 16 Realizing Our Goals (Medium-Term Business Plan)
- 21 Review of the AG2023 Medium-Term Business Plan
- 22 Foundation for Value Creation
(Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Chapter 4 Business Strategy 32

We will present our medium- to long-term growth strategies for each business to achieve the growth envisioned in the new medium-term business plan GS2028.

- 33 Yokogawa's Business Portfolio
- 34 Yokogawa's Products and Solutions
- 36 Business Model of Industrial Automation and Control Business
- 37 Service Networks of Industrial Automation and Control Business
- 38 Business Strategy
 - 38 Industrial Automation and Control Business
 - 38 Energy & Sustainability Business
 - 40 Materials Business
 - 42 Life Business
 - 44 Measuring Instruments Business
 - 45 New Businesses and Others

Chapter 5 Corporate Governance 46

We describe our governance system after the June 2024 transition to a company with a Nominating Committee, etc., and clarify the mechanism supporting sound business management and activities and its initiatives.

- 47 Thoughts on Governance
- 48 Basic Views on Corporate Governance/Transition to a Company with a Nominating Committee, etc.
(Continued Enhancement of Corporate Governance)
- 49 New Corporate Governance System
- 50 Board of Directors
- 55 Nominating Committee/Audit Committee
- 56 Compensation Committee/Executive Compensation
- 58 Cross-Shareholdings
- 58 Governance for Sustainability **TCFD** **TNFD**
- 59 Internal Control, Compliance, and Risk Management
- 60 Vice President & Executive Officers

Chapter 6 Information 61

- 62 Financial Highlights
- 64 ESG Highlights
- 66 Consolidated 11-Year Summary
- 68 Risks Relating to the Group's Business
- 70 Financial Section
- 103 Stock Information, IR Activities, and External Evaluations
- 104 Information Disclosure Framework/Editorial Policy



Chapter 1 Introduction

The Identity Shaping the Yokogawa Group

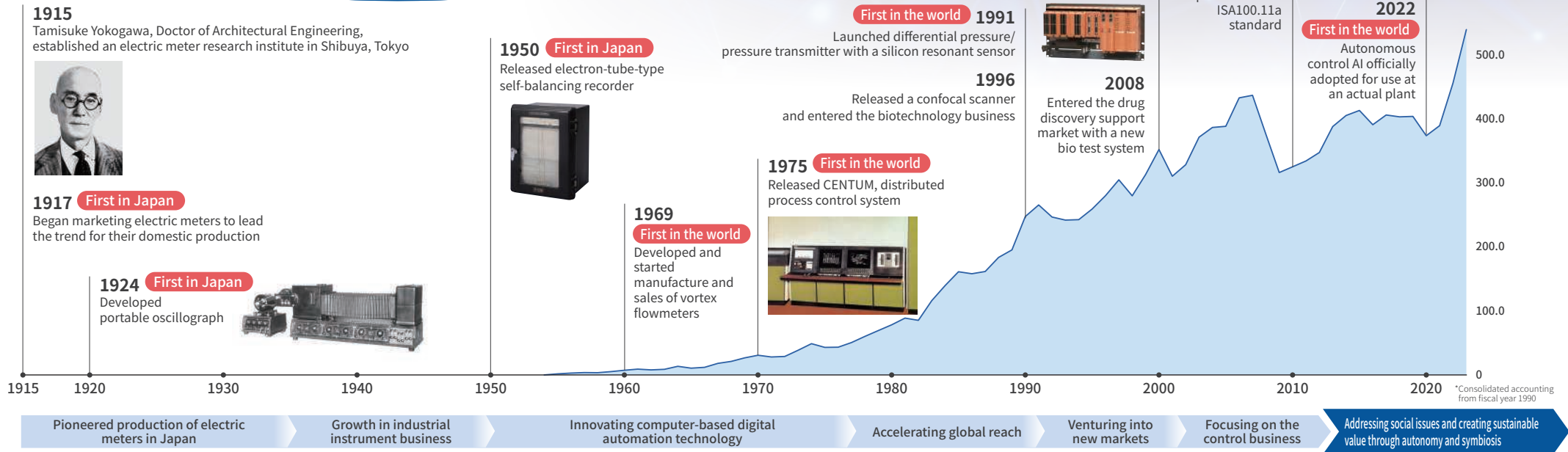




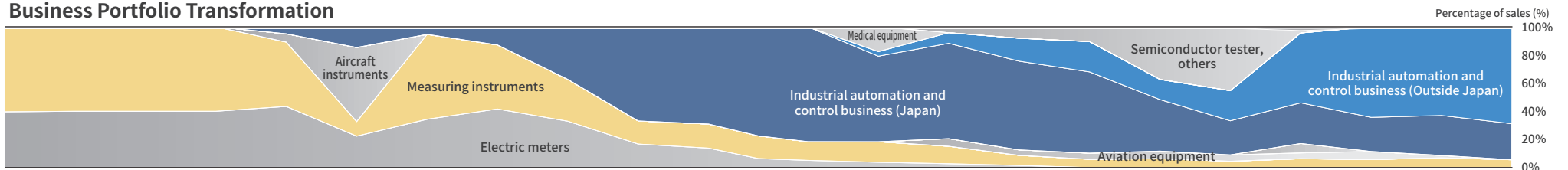
Tireless Efforts for Transformation

Constantly Tackling Difficult Challenges as a Trusted Company with a Wealth of Technology and a Strong Track Record

Since its foundation in 1915, Yokogawa has been contributing to social development by providing innovative products and solutions to industries based on its measurement, control, and information technologies. We will fulfill our responsibilities for the future of our planet by utilizing our ability to measure and connect that has been cultivated through the accumulation of technologies, long track record, and strong trust-based relationships, and by constantly reforming ourselves to keep up with the changing times, to solve today's social issues.



Business Portfolio Transformation





Yokogawa in Figures

Net sales

¥540.2 billion

Operating income ratio

14.6%

Earnings per share (EPS)

¥234.83

Return on equity (ROE)

15.1%

Founded

109 years ago

Number of employees

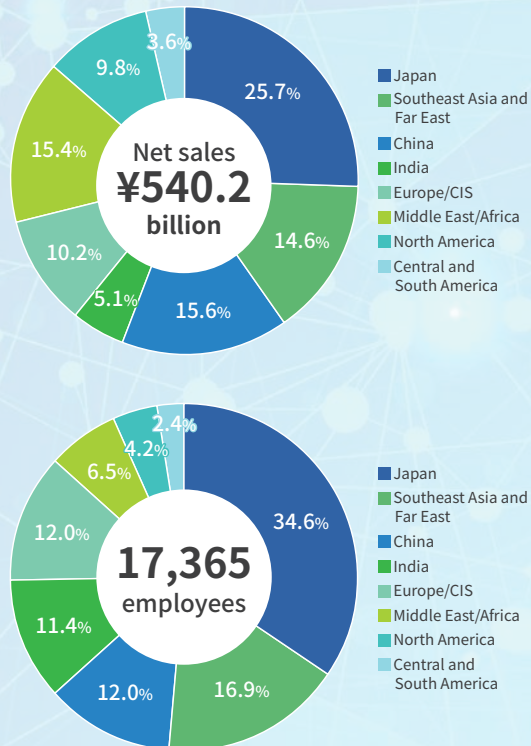
17,365

Projects executed

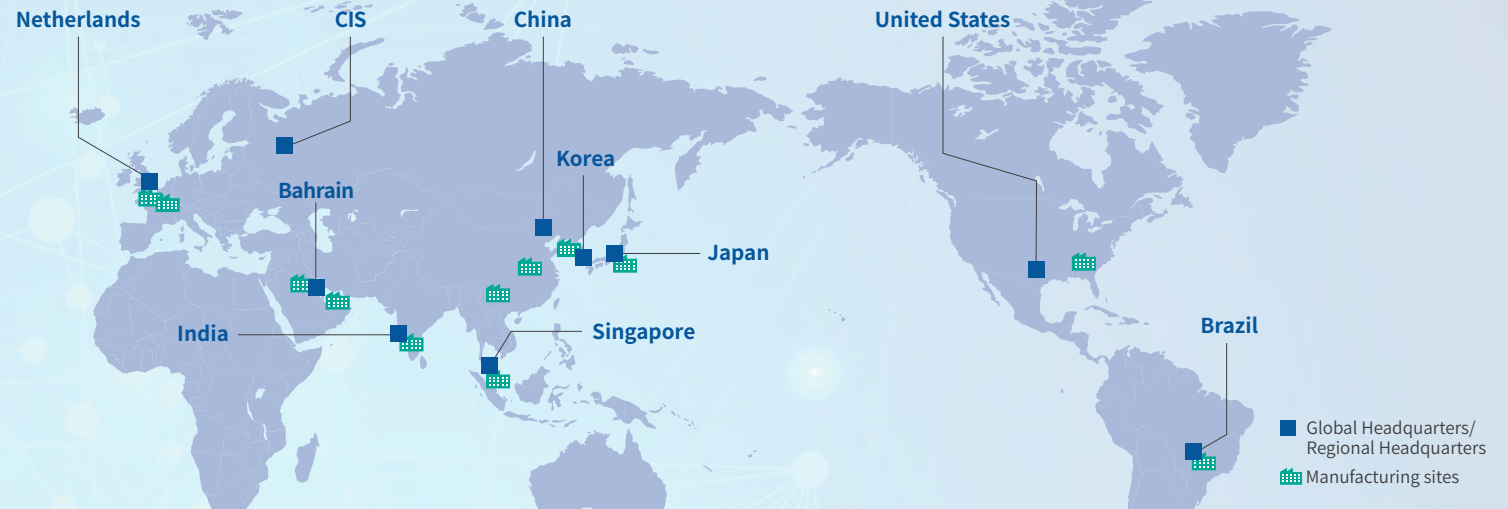
Over **40,000** (cumulative)

DJSI World Index

Selected for
the **2nd** consecutive year



Global Network



Business sites

60 countries

Manufacturing sites

12 countries

Service network

Service sites **180+** Service engineers **2,500+**

(Fiscal year 2023 results)



Yokogawa's Business

Yokogawa provides products and solutions to a wide variety of customers in the industrial sectors to support their daily operations, business transformation and optimization at the corporate management level.

Level 4

Corporate management

Level 3

Manufacturing execution control

Level 2

Production control and safety systems

Level 1

Data generation and collection



Power



Water



Hydrogen



Pharmaceuticals



Renewable energy



Petrochemicals



Bio



Food and beverage



Upstream (oil and gas)



Bulk chemicals and Specialty and fine chemicals



Mining and metals



Mobility



Liquefied natural gas (LNG)



Paper and pulp





1

Introduction

2

Message from the
President & CEO

3

Value Creation Story

4

Business Strategy

5

Corporate Governance

6

Information



Chapter / 2 Message from the President & CEO

Striving to Give Yokogawa a Strong Presence through Sustainability and Business Growth

Director, President & CEO, Representative Executive Officer

Reflecting on the Accelerate Growth 2023 Medium-term Business Plan

[Review of the AG2023 Medium-Term Business Plan P.21](#)

Q

In AG2023, Yokogawa set targets such as order growth of 8% to 10% per year, sales growth of 4% to 6% per year, and return on sales (ROS) of 10%. What progress was made in achieving these targets?

We were able to achieve all the performance targets that were set for AG2023. Even if one excludes the boost from foreign currency fluctuations, we achieved every target except for ROS (Return on Sales), which came in slightly under target. I am confident that Yokogawa will be able to take the next step forward thanks to the steady progress that has been achieved over the past three years.

Looking back on our business environment over the past three years from the fiscal year ended March 31, 2021 to the fiscal year ended March 31, 2023, we were impacted by factors such as the outbreak of COVID-19 and the conflict between Russia and Ukraine. In this situation, Yokogawa faced difficulties with the procurement of production components and project parts, as well as soaring parts prices. As a result, we faced extremely difficult challenges with the delivery of products to customers and the procurement of project parts, but were able to get through this situation thanks to the combined efforts of people throughout the Yokogawa Group. And while dealing with the pandemic, I personally gained a number of insights.



What are these insights?

Upon assuming the position of President in April 2019, I began to actively visit our customers and the company's sites outside Japan, but with the outbreak of COVID-19 in 2020, it became difficult to freely conduct these visits. Even during the pandemic, I was able to make use of already-established teleconference and e-mail lines of communication to stay in touch with our customers. And as it turned out, this gave me even more opportunities to engage in dialogue with our employees. Nothing can replace face-to-face communication, but now that we have an environment that makes it easier to communicate remotely, I have been able to engage in dialogue with many of our employees, especially those at our overseas sites. As I have tended to have more contact with customers than employees due to my long experience working on the client-facing side, it has been very meaningful and valuable for me to have this opportunity to learn more about what the people on the operations side of our business have been thinking. Through my communication with our employees, I realized that each and every employee is capable of creating new value when we can establish buy-in and commitment with our corporate direction, and by taking ownership of Yokogawa's goals. I also realized that this would lead to solid results for Yokogawa overall, reaffirming the importance of employee engagement.



What results were achieved during the three-year period of AG2023?

First, we divided the Industrial Automation and Control business into three business subsegments that are tailored to our customers' industries: Energy & Sustainability, Materials, and Life. In each of these business subsegments, we successfully strengthened our business foundations, improved our responsiveness to each industry, and firmly linked these initiatives to growth in orders and sales.

Second, we have made progress in building a foundation for long-term growth. Specifically, we have pursued our four transformation projects to unify our global operational platform and strengthen collaboration between our headquarters and the regions, as well as between corporate functions and business functions, in order to achieve overall optimization. Compared to three years ago, we can infer based on our success in growing net sales without growing the headcount that productivity has steadily improved. By harnessing this foundation going forward, our aim is to further increase productivity, enhance competitiveness, and establish the basis for sustainable growth.



What are the issues that will continue to be addressed under the new medium-term business plan?

There are three: The first is the pursuit of business growth through new business models and new solutions. The second is the acceleration of growth in new areas, such as the Life business and in the renewable energy field. The third is growth through M&A. Regarding M&A, Insilico Biotechnology AG in Germany, PxiSE Energy Solutions LLC in the United States, and Fluence Analytics, Inc. in the United States which all joined the Group during AG2023, have been slower than expected to contribute to business growth, resulting in the recording of impairment losses. We will continue to focus on these challenges under the new medium-term business plan.



How will you address the M&A issue?

I am keenly aware of the issues surrounding our M&A activities. With each of these companies that we have acquired, we will take corrective measures to quickly generate profits and create synergy.

With regard to M&A going forward, we need to make multiple changes to the approach we have taken so far. The first is to target deals that have a greater business impact. Looking back on our M&A deals over the past three years, many of these companies had not yet reached the full-fledged business stage and required upfront investments. In the future, we will actively pursue acquisitions that are expected to make an early contribution to our business. This could be, for example, companies that have well-established businesses with an existing customer base and sales network. To this end, I will conduct decision-making with a keen eye toward our priorities in a more top-down manner.

Second, we will take steps to make the overall M&A process more effective. For example, with our acquisitions of overseas companies, it was difficult for a team dispatched from Japan to fully grasp the situation and manage the acquisition process. Therefore, by more proactively utilizing local personnel, I would like to improve the effectiveness of the entire M&A process, from deal sourcing to post-merger integration (PMI).

The third change, which has already been implemented, is a change in our internal organizational structure. The M&A team, which had been under the supervision of the Marketing Headquarters, has been placed under the Corporate Strategy Office. Our aim is to have a system that enables closer examination from a more objective perspective that is



distanced from business operation. Under this new organizational structure, we will also work to develop and strengthen the human resources who are engaged in M&A.

Launch of the Growth for Sustainability 2028 (GS2028) Medium-term Business Plan

Q

Three years ago, you announced your vision for Yokogawa in the year 2030, as well as a long-term business framework to achieve that vision and a goal of seeking one trillion yen in sales, all of which provides the basis for the new medium-term business plan. It appears that this direction remains unchanged.

Yes, we will continue in this direction. Over the past three years, the external environment has continued to change significantly. But my conviction that we are heading in the right direction has only strengthened. Now there is a deep understanding within our company



that our products, solutions, and services generate considerable economic value for our customers, contribute to sustainability, help to address societal issues, and ultimately have a positive impact on our corporate value. This is what lies behind our new medium-term business plan, Growth for Sustainability 2028.

In line with Yokogawa's Purpose of "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," our aim for the year 2030 is to establish a strong presence by contributing to the realization of a sustainable society and growing our business, and to achieve this, we will become a trillion-yen company. Though this may seem a lofty target, Yokogawa achieved steady growth during the three years of AG2023, and I believe that the company can achieve growth on this scale if steady progress is made over the next five years in achieving the initiatives set out in the GS2028 medium-term business plan.

The presence we wish to have as a company in 2030 Aiming to contribute to society as a trillion-yen company

Through ESG management and a focus on the SDGs,
Yokogawa will contribute to society.

To have a greater impact on society,
a strong market presence is also required.



Q

Though Yokogawa's story of contributing to society and corporate growth is appealing, there likely are stakeholders who wonder, "Can you realistically earn money through sustainability?" How would you answer them?

For example, Yokogawa routinely provides solutions that measure various physical quantities at its customers' plants, collect and analyze that data, and operate these facilities while minimizing losses of energy and other resources. These solutions greatly contribute to sustainability. Outside directors have pointed out that, given the extent to which our work has a direct link to environmental, social, and governance (ESG) considerations, we should



express more clearly how our businesses are contributing to sustainability. We have long wanted to visualize this connection. Accordingly, in the new medium-term business plan, we have linked our business focus areas and business activities to six areas where we will contribute based on our Three Goals for sustainability (net-zero emissions, circular economy, and well-being), so that the connection between our achievement of business targets and contribution to society and the environment can be more clearly visualized. We have decided to calculate the total sales of the entire Group in areas that contribute to sustainability while achieving growth as sustainability transition sales.

[Sustainability Transition Sales p.17](#)

In response to the question of whether sustainability can be profitable, we can say that Yokogawa has an abundance of sustainability-related business opportunities. The key is to grow our business while carefully balancing our efforts in these focus areas.

For example, the renewable energy business still accounts for a small percentage of net sales, and while it is a focus area, it is not yet a main business. As for hydrogen projects, although they still only account for a small portion of net sales, many projects are emerging in Europe, and Yokogawa is strengthening its initiatives in this area. This includes locating our hydrogen business strategy function in the Netherlands to keep up on developments in the fast-moving European market and make any necessary revisions to our business strategy. In addition, our customers in the legacy fossil fuel sector are actively investing in carbon neutrality and energy transition initiatives, making this a core area for Yokogawa. Furthermore, in order to significantly reduce plant CO₂ emissions, it will be necessary to achieve a high level of operational autonomy and digitalization, and even more sophisticated cybersecurity measures will become necessary with the spread of digitalization. Accordingly, there will be a rising need for the kind of support that Yokogawa can provide, and by acting on these opportunities the company will be able to add to its capabilities, placing it in an upward spiral of growth.

The word “sustainability” is used widely in many different business contexts, but I believe it is important to take into account the unique circumstances in each business area and carefully determine how to maintain a realistic balance in our activities as we work to expand the scope of our business and achieve growth.



For orders and net sales, you have set a high average annual growth rate target of 10% for the five-year period under the new medium-term business plan. How will you achieve this target?

Although it may seem like a lofty target, I believe that it is possible to achieve this by resolutely carrying out the strategies and measures set out in the GS2028 medium-term business plan.

If we look at the subsegments of the Industrial Automation and Control business, in the Energy & Sustainability business, we expect that LNG demand will remain strong, and we will respond to demand for energy transition solutions. In the renewable energy sector, we will enhance our solutions by means such as M&A. In addition, our water business* will accelerate its efforts to meet rising demand and thereby achieve growth.

With the Materials business, we will enhance the solutions that we provide to the mining, specialty and fine chemicals industries, and the EV supply chain, and will grow this business by expanding our outreach to customers.

The Life business has high growth potential in such areas as bioprocessing, pharmaceuticals, and food, and we will aim for 15% annual growth over the next five years. While we had previously focused on product-oriented businesses, we hope to apply Yokogawa's strong integration capabilities to the pharmaceutical industry by developing our business in the laboratory automation field and enabling the R&D and drug discovery processes to be handled in an integrated fashion. To that end, we must provide a full range of solutions and services through M&A and so on.

In addition to the above, Yokogawa will expand its business as a whole by expanding the portfolio that is used by the overall Industrial Automation and Control business and by making an active effort to strengthen its digital transformation (DX) capabilities by engaging in M&A.

For the Measuring Instruments business, we have set a high annual growth target of 12%, since order levels were very weak in fiscal year 2023.

* Moved from the Life business to the Energy & Sustainability business from fiscal year 2024

The key strategies for business growth in each area are to increase the value that we provide to customers as a trusted partner in the system of systems domain, and to expand the industries and business areas that we cover by strengthening our industry responsiveness and expanding cross-industry business. These strategies have been carried over from the AG2023 medium-term business plan.

[Four Basic Strategies for Value Creation p.19](#)



Key performance indicators and targets to be achieved under the GS2028

■ Business growth targets (FY2024~FY2028)

Order growth	10%/ year or more (5-year average)
Sales growth	10%/ year or more (5-year average)
ROS	15% or more

■ Financial targets (FY2024~FY2028)

Return on equity (ROE)	10% or more	Ensuring profitability that exceeds cost of capital
Financial return on invested capital (ROIC)	10% or more	
Earnings per share (EPS)	¥300 or more (FY2028)	
Operating cash flow	¥300 billion or more (5 years cumulative)	

Forecast exchange rate (US\$1) = ¥130

■ Order growth targets by segment (FY2024~FY2028, 5-year average)

Industrial Automation and Control	10%/ year or more per year
Energy & Sustainability	10%/ year or more per year
Materials	10%/ year or more per year
Life	15%/ year or more per year
Measuring Instruments	12%/ year or more per year



It is also important to establish a new recurring revenue business model that will lead to business growth. We are taking on the challenge of establishing a business model that generates recurring revenues and provides value to our customers by analyzing and utilizing their data via the cloud. By placing these businesses on a solid trajectory, I believe that we will be able to achieve our growth targets.



In the GS2028 medium-term business plan, there is a strategy for creating value by utilizing and developing intangible capital. How will you do this?

In the GS2028 plan, we have incorporated the perspective of intangible capital as an important element of our value creation framework. Yokogawa's strengths lie in accurately identifying issues faced by our customers at their sites, reliably creating value, and maintaining solid relationships based on a long-term commitment to our customers. We have identified that it will be important to invest in and utilize the human capital, intellectual capital, and social and relationship capital that are the source of these strengths. It may sound rather commonplace and typical of a Japanese company, but I believe that Yokogawa's major strength lies in the trust that we have built up over many years through our basic policy of placing the highest priority on ensuring customers' safety and uninterrupted production. For example, one of our

customers was recently hit by a cyberattack. A Yokogawa employee responsible for this customer immediately rushed to their site, and while he of course examined their Yokogawa systems, he also examined the extent to which the attack could affect other systems connected to ours, an effort that the customer was very grateful for. I believe that our attitude of putting customers first and reliably performing to the limit of our capabilities earns us the trust of our customers that is a Yokogawa strength. While fully recognizing this strength, I believe it is important for the company to sustain its growth by building an environment in which employees are highly motivated in their work and where their personal growth leads to corporate growth. We are building a foundation to facilitate this, and by visualizing the experience and expertise of each individual, we will be able to deploy the right people to the right places around the globe. I believe that this will increase the mobility of human resources within the Group and lead to greater diversity.

We will also build human resources strategies that are linked to our business management strategies. Specifically, we will clarify how many and what kind of personnel are required to achieve the targets for each business. In the past, recruitment and deployment were led by our human resources organization. However, in recent years, individual business units have started to take leadership in recruiting personnel such as DX specialists and consultants who have the skills and experience needed to execute their business strategies. Going forward, we will further evolve our recruitment and development processes so that our human resources organization is able to support said processes as a partner to our business units.

As for intellectual capital, with the management of its intellectual property portfolio Yokogawa is increasing its corporate value by adopting an offensive stance with the acquisition and utilization of intellectual property, and is taking defensive measures to protect its businesses by establishing proprietary intellectual property rights. As part of these efforts, we are working to aggregate and visualize the intellectual capital held by the Yokogawa Group, and utilize it in our business strategies. In addition, a Corporate Technical Committee has been established to raise the motivation of technical engineers and strengthen their training.

Our relationships with customers and other major stakeholders are an important element of our social and relationship capital, and we will focus on deepening trust-based relationships with customers and leveraging our long-cultivated manufacturing expertise to co-create solutions that add high value. In addition, Yokogawa will work to build the strength of its brand and increase its recognition in the marketplace. In that sense, although Yokogawa has gained recognition in the process industry sector, its recognition is still low when looking at manufacturing industries overall. Although our business results have a direct bearing on the strength of the Yokogawa brand, I also believe that it is necessary to build awareness among each and every Group employee that they are the face of Yokogawa.



Completion of the Transition to a Company with a Nominating Committee, etc.

Q / What was the aim of transitioning from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc.? Also, what discussions were held internally that led to the decision to make this transition?

Following the approval of this measure at the Annual General Meeting of Shareholders held on June 18, 2024, Yokogawa initiated the transition from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc. This transition was aimed at clearly separating the management supervision and business execution functions and roles, and thereby strengthen supervision and accelerate business execution. Through collaboration and cooperation, we aim to enhance the quality and speed of business execution and decision-making, and increase our corporate value over the medium to long term.

Though we had previously been a Company with an Audit & Supervisory Board, we had voluntarily established a Nomination Advisory Committee and a Compensation Advisory Committee, and thus were operating in a manner that was quite similar to that of a Company with a Nominating Committee, etc. Therefore, some people were of the opinion that there was no need to change the institutional design. However, after much discussion, we concluded that amid changes in our increasingly competitive business environment, it was necessary to clarify responsibilities and increase the speed of business execution.

Going forward, as a Company with a Nominating Committee, etc., we will work to strengthen corporate governance and increase our corporate value.

To Our Stakeholders

Q / What approach does Yokogawa take to enhance shareholder value?

Investors often ask us which is more important, growth or profitability. Yokogawa aims to have both. In other words, we aim to increase profitability while expanding our business. Awareness of capital costs is a prerequisite when running a business, and so I feel that an

ROIC management approach that incorporates investment considerations is extremely important. In addition, capital efficiency is something that every employee, not just senior management, should always be aware of, and I would like to further instill in everyone a mindset in which we should try to maximize earnings with minimum capital. With the new medium-term business plan, we aim to achieve an ROS of 15% or more in fiscal year 2028. We are presently on track to achieve this target, and we will steadily work toward this end.

With respect to shareholder returns, Yokogawa will aim to pay out a stable dividend, with the goal of maintaining a dividend payout ratio of 30% or more. At the same time, over the first three years of the new medium-term business plan, we will allocate more than ¥100 billion to growth investments to drive Yokogawa further forward.

Q / The year 2024 marks six years since you assumed the office of President. Please tell us your ambitions for the future.

Companies are living entities, and are therefore in constant flux. My desire for Yokogawa is for it to be a company that keeps up with the changing times and becomes stronger with each new generation of employees. Yokogawa is proud of its ability to compete in the global marketplace. We will leverage Yokogawa's strengths to become the company that our customers turn to first, based on the value that we provide. With the conclusion of the three-year period covered by the AG2023 plan, everyone in the Yokogawa Group has a shared understanding of where we will head next, and a change in mindsets is underway. I am confident that we will be able to grow into a company that has a strong presence in terms of both business scale and the contribution that it makes to society.



Chapter

3

Value Creation Story

- 13 Our Goals
- 16 Realizing Our Goals (Medium-Term Business Plan)
- 21 Review of the AG2023 Medium-Term Business Plan
- 22 Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)



Our Goals

Yokogawa's Purpose

Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet.

This page presents an overview of our long-term business framework and medium-term business plan.

In 2017, following the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement in 2015, we formulated the “Three Goals” sustainability goals for the society we want to see by 2050.

To achieve these goals, we have drawn up a long-term business framework with an eye to 2030 and a medium-term business plan (GS2028) up to 2028.

In addition, we have conducted a materiality analysis for clarifying priority issues toward achieving the Three Goals and business growth. Based on the results, we identified the six contribution areas.

for 2030

Six contribution areas for accelerating contribution and growth toward 2030



Areas where Yokogawa contributes

for 2050

Sustainability Goals
“Three Goals”



Three Goals

Vision for society toward 2050

Achieve net-zero emissions; stopping climate change

We aim for net-zero emissions, which means that greenhouse gas concentrations in the atmosphere do not rise due to the balance of emissions and the absorption of greenhouse gases, which can be accomplished through the introduction of renewable energy and the efficient use of energy.

Ensure well-being; quality life for all

We support people's health and prosperity through the achievement of safe and comfortable workplaces and our pursuits in such areas as the life sciences and drug discovery.

We promote human resource development and employment creation in local communities, as well as diversity, equity, and inclusion.

Make the transition to a circular economy; circulation of resources and efficiency

We aim to realize a social framework and ecosystem in which resources are circulated without waste and assets are utilized effectively. We are also contributing to the efficient use of water resources and the supply of safe drinking water.

Long-term business framework

Aim for growth through the provision of shared value to society

Medium-term business plan *Accelerate Growth 2023*

Establish a business structure centered on addressing broad social issues to enable growth

Medium-term business plan *Growth for Sustainability 2028*

Speed up growth based on the previous medium-term business plan

2021

2023

2028

2030

2050



Our Goals

Vision Statement

Through autonomy and symbiosis, Yokogawa will create sustainable value and lead the way in solving global issues.

for 2030

To have a greater impact on society, a strong market presence is also required. Yokogawa strives to grow into a company with a bigger and stronger presence while contributing to society through ESG management and a focus on the SDGs.

Six contribution areas



Achieving carbon neutrality

Reducing GHG emissions and enabling the transition to affordable, reliable, and sustainable forms of energy

Optimizing plant lifecycle & protecting environment

Supporting both the long-term optimal operation of plant assets and the reduction of their environmental footprint

Creating a resource-recycling ecosystem

Fostering the development of the bioeconomy and a circular economy

Improving efficiency in society & industry

Optimizing production, enabling autonomy, and facilitating the efficient use of resources and energy through DX

Improving health & safety

Promoting life-related innovation and improving safety in plants and communities

Creating workplaces where people can fulfill their potential

Establishing an equal opportunity workplace where employees can be treated with dignity and fulfill their potential

Goals and targets for 2030

- Contributing to society as a **trillion-yen** company
- GHG emissions (Scope1, 2) **100%** reduction^{*1}
- Energy consumption (Intensity per sales) **30%** reduction^{*2}
- Engagement to enhance employee well-being **84%** or more
- Proportion of women in managerial positions **20%**

^{*1} Base year FY2019, ^{*2} Base year FY2023

Note: Among the many indicators and targets that have been set, the above have particular importance.

2024 Sustainability Report, p.15

Formulating long-term business framework and medium-term business plans based on changes in the business environment and customer trends

Major trends in the business environment surrounding us have remained the same since 2021 when we formulated the long-term business framework. However, some factors are wielding a growing impact on business, such as increasing nationalism, tighter legal restraints, resource depletion, food and water shortages, population aging, urbanization, and climate change. In addition, AI, 5G, and IoT are considered even more important. In this climate, our customers are urged to reduce environmental impact, implement digital transformation (DX), and address new technologies; and the process automation industry is working on the wider adoption of new business models, more open networks, and other issues.

2021

2023

2028

2030

2050



Our Goals

Materiality Assessment and Identifying Contribution Areas

We defined “materiality” as importance in terms of both “social and environmental impact” and “financial impact” on the group. In our previous AG2023 medium-term business plan, formulated in 2021, we identified issues that are highly important and to be resolved by the group (priority issues) and contribution themes (contribution areas) based on surveys conducted with stakeholders in each business area. For GS2028, we have performed a double materiality assessment, referencing the European Sustainability Reporting Standards, and established our sustainability indicators based on the assessment results.

Process of double materiality assessment

Step 1 Analysis of business structure

Organized and studied the group’s value chain and key stakeholders using transaction data and other relevant information.

Step 2 Identification of sustainability issues relevant to the Group

Identified and listed sustainability issues relevant to each element of the Group’s value chain.

Step 3 Assessment of social and environmental impact

Assessed the social and environmental impact of each item on the list created in Step 2, considering the extent of the impact, the scale of the impact, and the potential for remediation.

Step 4 Assessment of financial impact for the Group

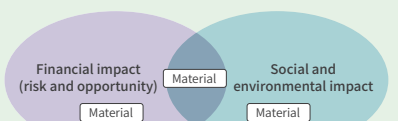
Assessed the potential financial impact and likelihood of the each items on the list created in Step 2, from risk and opportunity perspective.

Step 5 Identification of double materiality

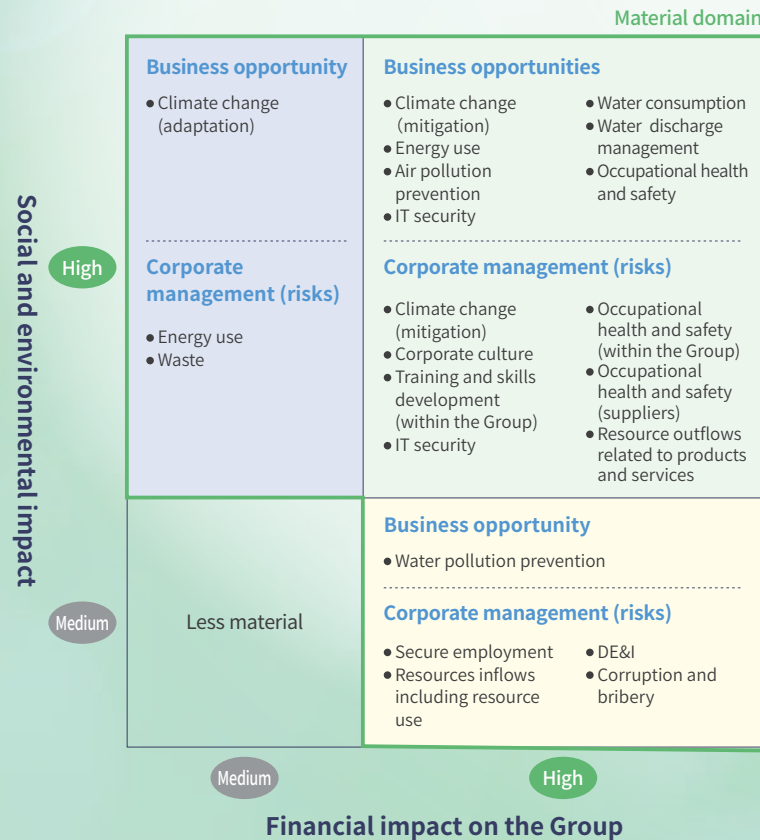
Identified items assessed to be material in Step 3 or Step 4 or both as double materiality criteria.

Concept of double materiality

Matters assessed to be material due to their impact on society and environment, or on the Group’s finances, or both, are considered material.



Materiality assessment result



Six contribution areas and priority issues

Achieving carbon neutrality

Reducing GHG emissions and enabling the transition to affordable, reliable, and sustainable forms of energy

Improving efficiency in society & industry

Optimizing production, enabling autonomy, and facilitating the efficient use of resources and energy through DX

Optimizing plant lifecycle & protecting environment

Supporting both the long-term optimal operation of plant assets and the reduction of their environmental footprint

Improving health & safety

Promoting life-related innovation and improving safety in plants and communities

Creating a resource-recycling ecosystem

Fostering the development of the bioeconomy and a circular economy

Creating workplaces where people can fulfill their potential

Establishing an equal opportunity workplace where employees can be treated with dignity and fulfill their potential





Realizing Our Goals (Medium-Term Business Plan)

Growth for Sustainability 2028(GS2028)

In order to achieve the vision for 2030 set out in our long-term business framework, we will accelerate growth in GS2028 based on the business structure established over the three years of AG2023, the previous medium-term business plan.

In addition, by promoting initiatives that are conscious of business focus regions and business activities in the six contribution areas, we will pursue both contributions to sustainability and our own growth, and realize improvements in both social value and corporate value.

Six Contribution Areas p.14

Accelerate Growth 2023

Establish a business structure centered on addressing broad social issues to enable growth

Review of the AG2023 Medium-Term Business Plan p.21

Growth for Sustainability 2028

Speed up growth based on the business structure established in AG2023

Business growth targets (FY2024 to FY2028)

Order growth	10%/year or more (5-year average)
Sales growth	10%/year or more (5-year average)
Return on sales (ROS)	15% or more

Sustainability transition sales ratio (FY2028)

50% or more

Sustainability Transition Sales p.17

Order growth targets by segment (FY2024 to FY2028, 5-year average)

Control	10%/year or more
Energy & Sustainability	10%/year or more
Materials	10%/year or more
Life	15%/year or more
Measuring Instruments	12%/year or more

Financial targets(FY2024 to FY2028)

Return on equity (ROE)	10% or more
Return on invested capital (financial ROIC)	10% or more
Earnings per share (EPS)	¥300 or more (FY2028)
Operating cash flow	¥300B or more (5 years cumulative)

Ensuring profitability that exceeds cost of capital

Note: Forecast exchange rate (US\$1) = ¥130

2021

FY2021 to FY2023

2023

FY2024 to FY2028

2028

2030

2050

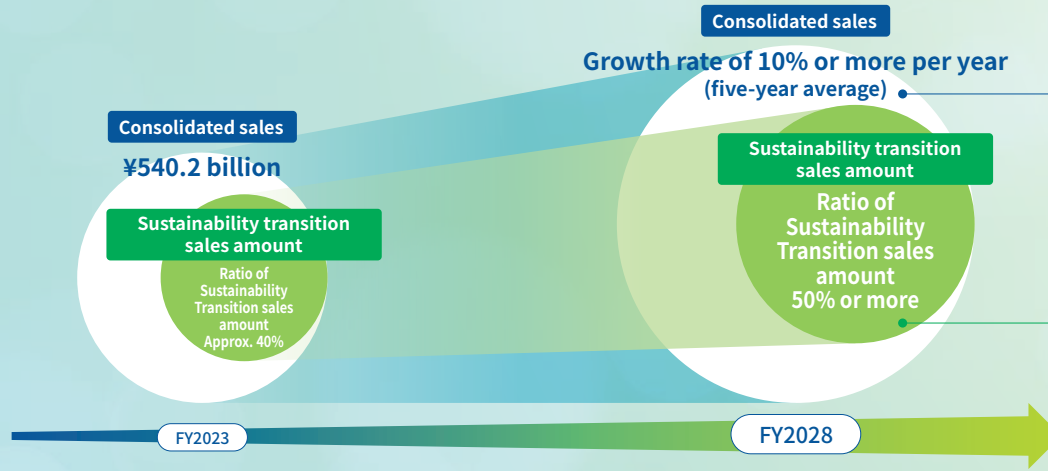


Realizing Our Goals (Medium-Term Business Plan)

Sustainability Transition Sales

In the GS2028, we will measure the sustainability transition sales amount in areas expected to grow and contribute to sustainability. We have set focus areas that contribute to sustainability transitions for each business segment and have already started activities.

As we grow our business, we will increase the ratio of sustainability transition sales amount from the current 40% to 50% by FY2028.



Sales of all Yokogawa's businesses

- All of the Group's businesses contribute to the environment and society. Yokogawa seek to grow our business and expand our contributions in six contribution areas, including achieving carbon neutrality, improving efficiency in society & industry, and improving health & safety.
- We will also address important themes in the transition to a decarbonized society, such as the efficient use of fossil fuels, low-carbon energy (LNG), conventional materials, and CCS*/CCUS*.

*CCS: Carbon dioxide Capture and Storage

*CCUS: Carbon Capture, Utilization and Storage

Business Strategy

Sales in Areas Contributing to Sustainability Transitions^{*1}

- Areas that have a significant positive impact on the environment and society, and where we will accelerate our contributions and growth.
- In the business strategy for GS2028, we will set focus areas and advance our activities accordingly.

Control business	Energy & Sustainability business	● Expanding value delivery for renewable energy market ● Supporting utilization of clean energy (low-carbon hydrogen and ammonia)	● Providing new value for water-related area (recycled water, PFAS^{*2})
	Materials business	● Supporting decarbonization of materials industry (chemicals, steel) ● Supporting optimization of mobility supply chain	● Supporting supply and use of sustainable materials
	Life business	● Improving productivity and quality for pharmaceutical, food & beverage, biotechnology and industries	● Improving efficiency and quality of drug discovery & development
	Common foundations Digital solutions, products	● Enabling IA2IA and system of systems ● Supporting long-term optimal operation and environmental footprint reduction of plants	● Promoting repair, calibration, and refurbishment
	Measuring Instruments business	● Supporting adoption and improvement of efficiency of renewable energy and electric vehicles ● Supporting improved efficiency of next-gen communication systems	● Contributing to environment and health through measurement
Yokogawa Operations (Domains indirectly affecting sustainability transition sales)		● Reducing GHG emissions and improving energy efficiency ● Factory environmental protection, occupational health and safety ● Employee well-being and engagement	● Diversity, equity, and inclusion ● Human resources development and capability building

^{*1} We have defined our own standards by referring to the criteria for "sustainable product and service sales" set by the EU Taxonomy, SASB Standards, and the Climate Bonds Initiative (CBI).

^{*2} Organofluorine compounds

Contribution Areas

Achieving carbon neutrality	Improving efficiency in society & industry	Optimizing plant lifecycle and protecting environment	Improving health & safety	Creating a resource-recycling ecosystem	Creating workplaces where people can fulfill their potential
●			●		
●	●			●	
	●		●		
	●	●		●	
●	●		●		
●	●	●	●		●

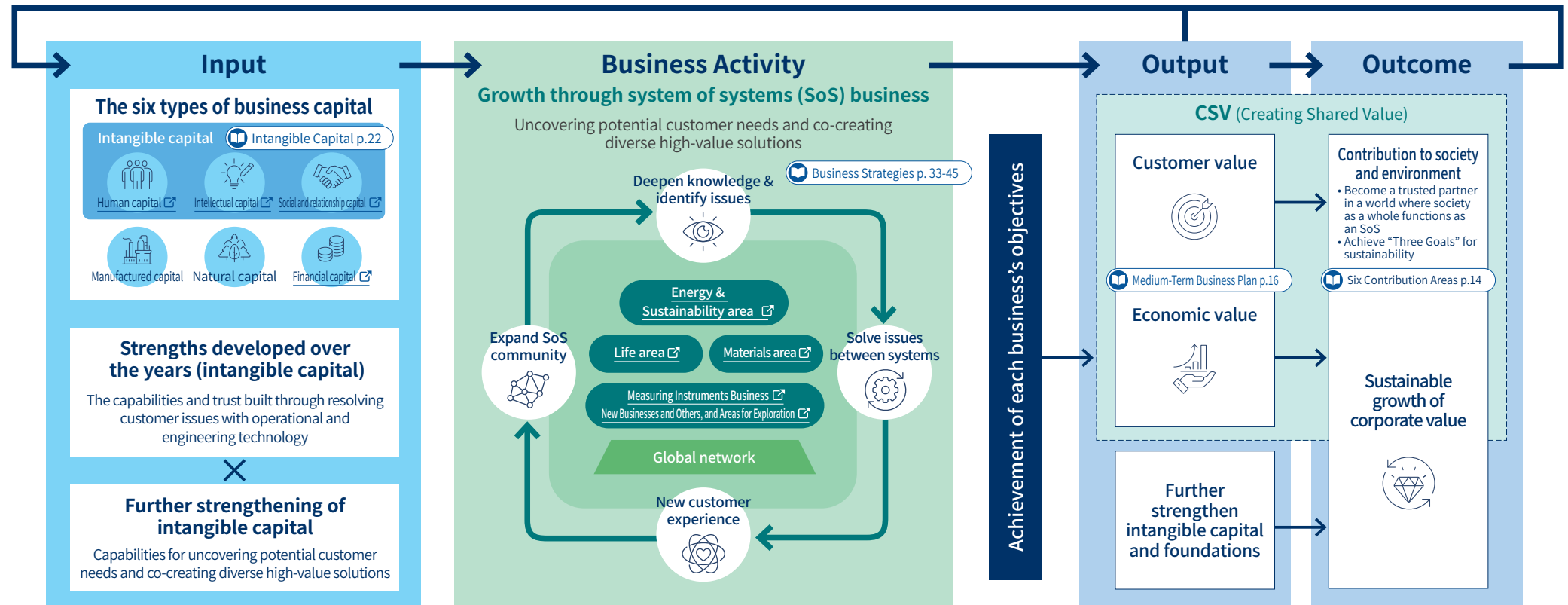


Realizing Our Goals (Medium-Term Business Plan)

Value Creation Process

Yokogawa has reorganized its value creation process based on past approaches and incorporated these into the framework of its new medium-term business plan.

Of the six management capitals, we place particular emphasis on intangible capital, such as human capital, intellectual capital, and social and relationship capital. Going forward, we will create value and contribute to customers and society by further strengthening and utilizing these kinds of intangible capital in our business activities. The key here is to uncover potential customer issues and deliver unprecedented value. In business activities, we aim to achieve targets in each business by strengthening our responsiveness to business and industry through the System of Systems concept and expanding businesses that are not dependent on specific industries. As a platform to support the creation of value, we have positioned initiatives to improve Company-wide profitability, DX strategies, governance, and product strategies.



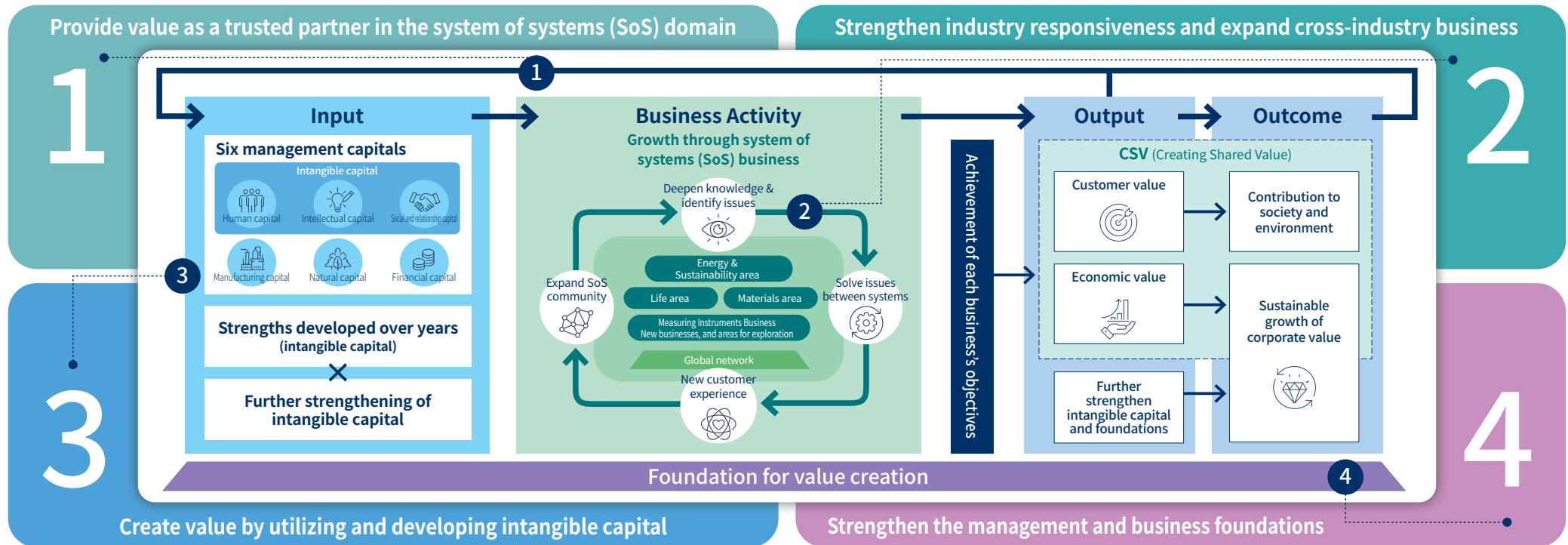
Foundations for value creation (Group-wide profitability improvement initiatives, [DX strategy](#), [governance](#), and product strategy)



Realizing Our Goals (Medium-Term Business Plan)

Four Basic Strategies for Value Creation

Under GS2028, we will strengthen the value creation process by promoting four basic strategies.



① Provide value as a trusted partner in the system of systems (SoS) domain

To provide value through the SoS concept, Yokogawa takes two approaches: IA2IA and smart manufacturing. We will leverage the expertise, experience, and advanced technical capabilities we have developed at numerous manufacturing sites, and provide value of strategic consulting and seamless integration.

[Provide Value as a Trusted Partner in the System of Systems \(SoS\) Domain p.20](#)

③ Create value by utilizing and developing intangible capital

Within intangible capital, we will focus in particular on the three areas of human capital, intellectual capital, and social and relationship capital, and leverage the strengths that Yokogawa has developed over the years in ability to create value, ability to empathize, ability to identify issues, and ability to connect stakeholders for business growth.

[Intangible Capital p.22-26](#)

② Strengthen industry responsiveness and expand cross-industry business

YOKOGAWA will strengthen its capabilities to address specific industries, and work to expand businesses that resolve issues common to all industries, such as productivity improvement, quality control, and facility management. We will the range of our solutions, from the field to the management level, and enhance our solutions to support our customers as they adapt to changes in the business environment and market needs.

[Business Strategy p.33-45](#)

④ Strengthen the management and business foundations

We will work to strengthen the management and business foundations that support the value creation process. Specifically, we will work to improve profitability by optimizing organizational structures and operations (Four Transformation Projects), strengthen the IT infrastructure (DX Strategy), and make institutional design changes and further strengthen governance (Corporate Governance).

[Four Transformation Projects p.31](#)

[DX Strategy p.30](#)

[Corporate Governance p.47-60](#)



Realizing Our Goals (Medium-Term Business Plan)

Provide Value as a Trusted Partner in the System of Systems (SoS) Domain

The world is now in an age where everything is ever more intricately connected. This leads to the growing importance of engaging in co-creative activities through such links to resolve issues toward the realization of a sustainable society. Under this situation, Yokogawa is committed to providing value through a SoS initiative.

■ SoS which Yokogawa advocates

Yokogawa defines SoS as a collection of independently operated and managed systems connected to form a larger system that delivers synergies and emergent value to all stakeholders in a plant, enterprise, supply chain, or society ecosystem. Yokogawa aims to create new value by advancing such connections effectively and achieving total optimization through integration, autonomy, and digitalization.

■ Two approaches to advancing SoS

Yokogawa intends to provide the value of SoS through two approaches: Industrial Automation to Industrial Autonomy (IA2IA), which raises the level of autonomy; and smart manufacturing, which broadens the targets of connection and drives total optimization.

To solve challenges and provide value, Yokogawa will work together with our customers to achieve total optimization for society through SoS, continuing to grow by sharing methods such as DX solutions.

■ Value provision as a trusted partner in the SoS domain

Drawing on its know-how, experience, and technological prowess developed at numerous industrial sites, Yokogawa is empowering SoS initiatives by providing the value of strategic consulting and seamless integration for customers as their trusted partner.

Yokogawa's value in empowering SoS initiatives



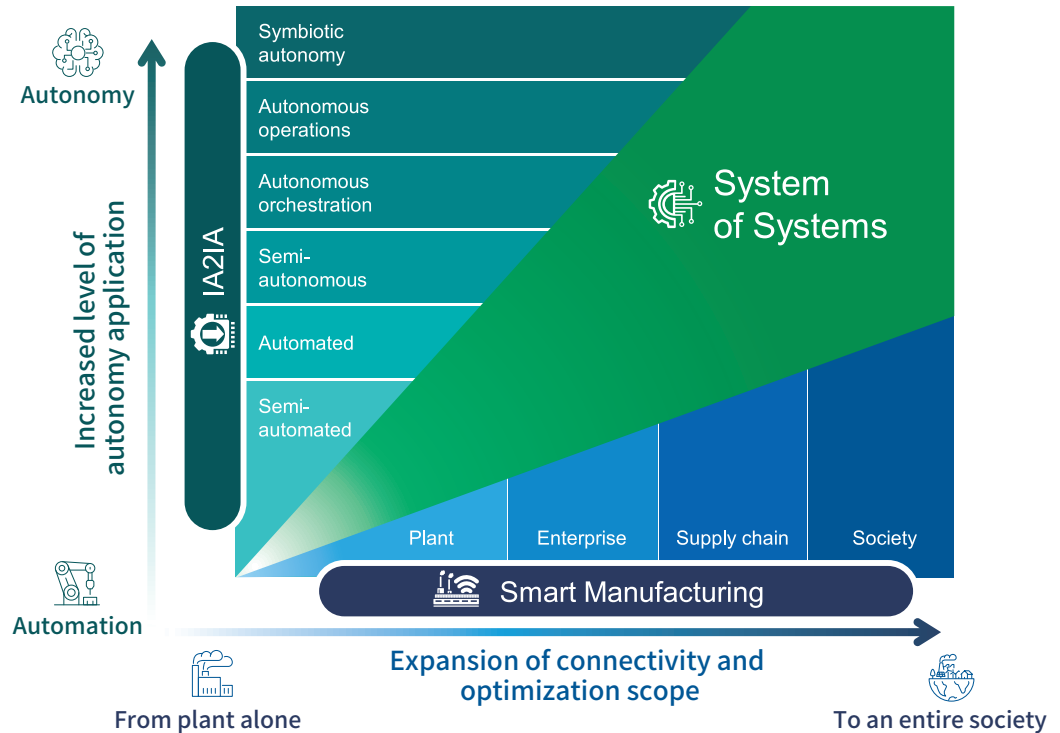
Strategic consulting

- Clarification of objectives and setting of goals
- Business model development, economic impact analysis, and forecasting
- Project design and related resource planning
- Stakeholder facilitation and relationship development



Seamless integration

- Determination, evaluation, and continuous improvement of system performance
- Integration, harmonization, and optimization of workflows throughout the system
- Lifecycle management
- Providing state-of-the-art technology to support SoS



Example: Study with the Port of Rotterdam Authority into cross-industry collaboration to achieve decarbonization goals Toward total optimization through SoS

Yokogawa, as a trusted partner, is committed to driving cross-industry collaboration the customer aims for by comprehensively monitoring and optimizing multiple digital and physical systems that operate within the industrial complex.

For further information, please see the related [press release](#).



Industrial complex in the Port of Rotterdam



Review of the AG2023 Medium-Term Business Plan

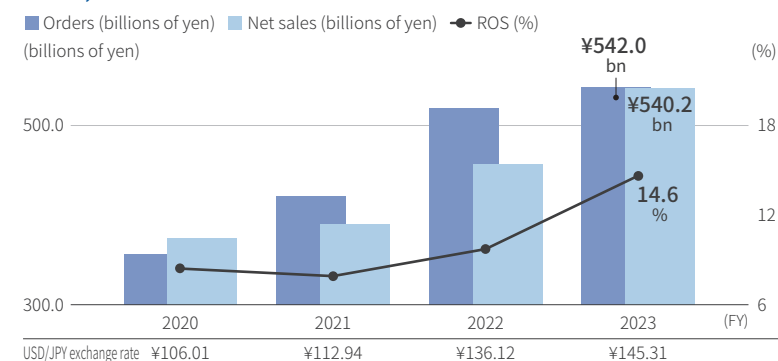
Key Performance Indicators and Targets

The business environment during the three-year period covering 2021 to 2023 proved to be exceptionally challenging following the impacts of the outbreak of COVID-19, the situation in Russia and Ukraine and difficulties in procuring production parts and project supplies. Despite this, we were able to achieve all of the KPI numerical targets set out in AG2023. Even if we exclude the impact of exchange rates with respect to inflating performance figures, we were still able to achieve all our targets except the operating income ratio (ROS), which fell slightly short of our expectations.

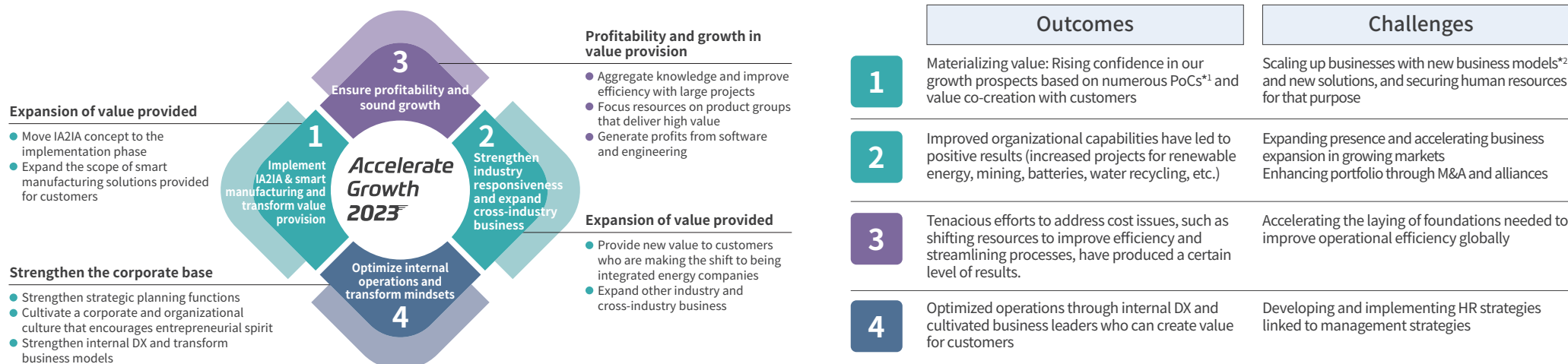
	AG2023 Target	FY2023 Results	(Reference) FY2023 Results Excluding the impact of exchange rates*
Order growth (FY2020-2023)	8-10%/year	15.1%/year	9.3%/year
Sales growth (FY2020-2023)	4-6%/year	13.0%/year	6.9%/year
ROS (in FY2023)	10%	14.6%	9.7%
Growth in EPS (FY2020-2023)	16-18%/year	48.3%/year	24.3%/year
ROE (in FY2023)	10%	15.1%	—
Operating cash flow (3 years cumulative)	¥140 billion or more	¥155.9 billion	—

*AG2023 budget rate: US\$1 = ¥105

Orders, Net Sales and ROS in FY2020-2023



AG2023: The Four Basic Strategies



*1 PoC: Proof of Concept

*2 Subscription and other recurring revenue models, etc.



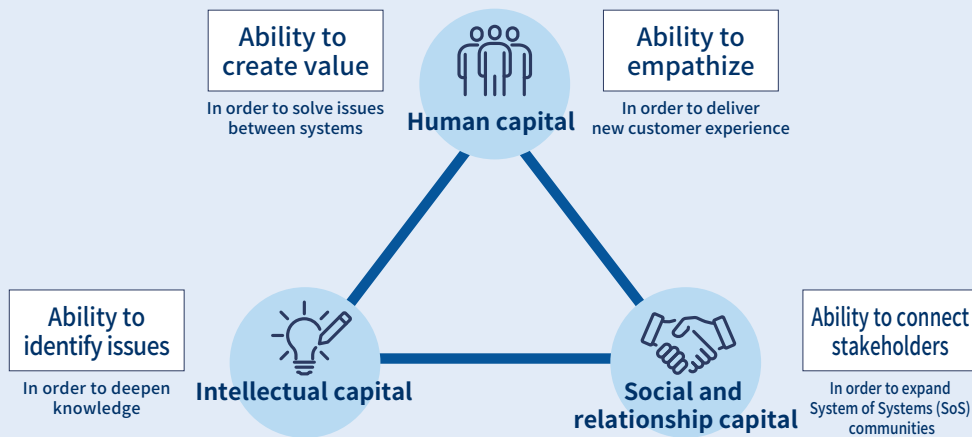
Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Intangible Capital

Leveraging Intangible Strengths Cultivated Over Many Years for Growth

Yokogawa considers human capital, intellectual capital, and social and relationship capital as three important types of intangible capital. Of these, human capital plays a central role. Human capital affects intellectual capital as people inspire each other, generate strong insights, technologies and know-how, and build shared knowledge. Accumulated insights, technologies and know-how can be organized and systematized, then utilized in the creation of products, services and new business models. Intellectual capital also affects human capital as the use of shared knowledge provides opportunities for individual growth and learning, and through the creation of highly engaged human resources. In addition, highly engaged human resources will increase customer orientation, elicit customer trust, recognition, and motivation for co-creation, and therefore contribute to social and relationship capital by contributing to business growth.

The three types of intangible capital that Yokogawa focuses on



Yokogawa strengths that should be utilized

- Exceptional project execution skills and mindset to deliver on commitments
- A network of offices covering global markets and numerous customer touchpoints
- Experienced people with the ability to meticulously analyze and understand customer needs and deliver customer lifetime value (LTV) solutions
- Strong trust-based relationships with customers, partners, and suppliers
- Know-how in manufacturing that ensures safety, security, and high-quality products
- Long-term experience in developing, improving, and supplying products, solutions, and services
- Problem-solving capabilities using operational technology (OT) and engineering technology (ET) at customer sites
- Personnel who work together to identify diverse and complex customer issues and co-create business value for customers
- Pioneering efforts and successes in promoting internal DX and external DX in the process industries

Initiatives in GS2028

Under GS2028, we will focus on creating value through the utilization and development of intangible capital as one of our four basic strategies.

[Create value by utilizing and developing intangible capital p.19](#)

In order to leverage the various strengths that Yokogawa has cultivated over the years in our business growth, we have set our goals for human capital, intellectual capital, and social and relationship capital. In the fiscal year 2024, we will clarify the gap between the “to be” vision and our “as is” situation, identify important issues, build a value creation story, and consider and implement specific measures. We aim to sustainably increase corporate value by implementing actions for the utilization of intangible capital, starting from identifying the current state and engaging in dialogue with stakeholders.



Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Intangible Capital Human Capital

To Be Each employee becomes a customer-oriented value co-creation promoter

Based on Yokogawa's Purpose of "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," we have set out a new medium-term business plan, Growth for Sustainability 2028. With this, we are aiming for growth that will put us on track to becoming a trillion-yen company by fiscal year 2030 through provision of shared value to society. In order to create the future we aim for, each and every employee must become a "customer-oriented value co-creation promoter," with a mindset of taking on the challenge of innovation. Such employees would be human capital who can encourage alignment of direction and drive consensus-building through actions and collaboration among all kinds of stakeholders and their varying interests, whether inside or outside, in a way that is rooted in their specializations. We believe that human capital are the key to Yokogawa's growth and the source of co-creation of new value. Through sustained human capital management, we will achieve both "our business strategies and corporate growth" alongside "employee well-being and engagement".

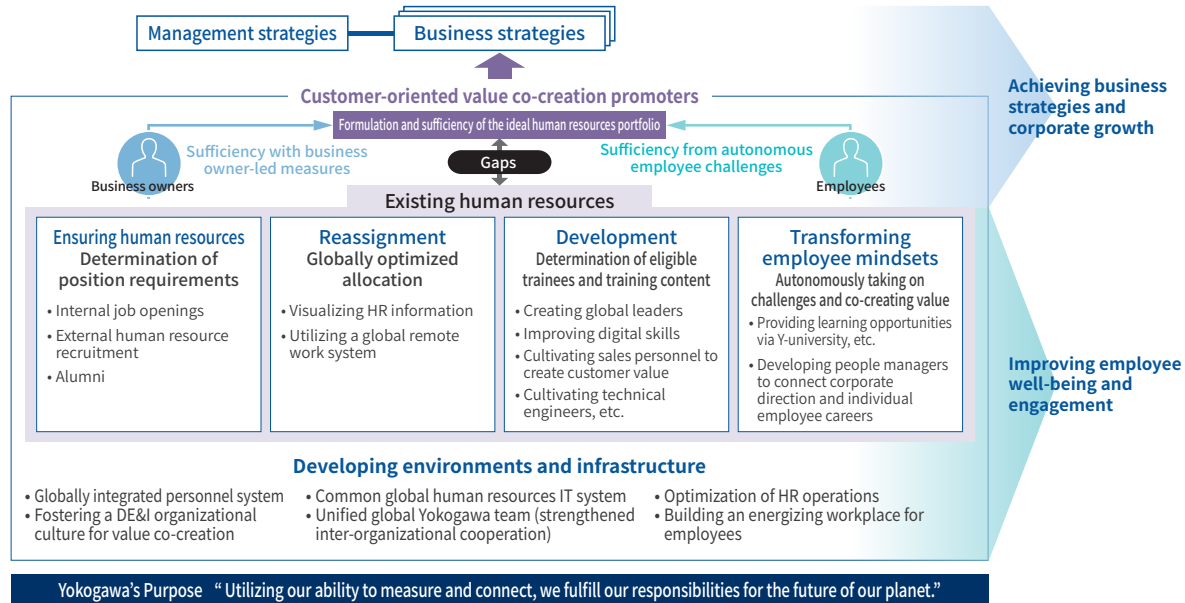


Figure: Overview of HR Strategy

Indicators, Targets, and Results		Results FY23	Targets FY28	Targets FY30
People capability development for change	Human resources portfolio sufficiency rate by business division*1	—	90%	90%
	People manager training attendance rate*2	—	80%	90%
	Learning hours per person	37.4 hours	45 hours or more	45 hours or more
Diversity, equity and inclusion	Ratio of women managers	14.5%	18%	20%
Employee well-being and engagement	Engagement score	79%	83%	84% or more

*1: Fulfillment ratio of the gap between the ideal human resource portfolio and the current status (updated annually)

*2: Training to develop people managers to connect the direction of the company with the careers of individual employees, increase team member engagement, and enable greater autonomy. Ratio of attendees to total eligible attendees.

Human Resource Strategy

In response to the evolving business landscape surrounding our customers, we initiated the Global HR Transformation Project in fiscal year 2021 in order to globally identify and address customer challenges and achieve "Yokogawa's Purpose" through value creation. In this project, we are promoting the global unification of personnel systems and processes and introducing a human resources IT system to effectively operate them. Now that foundations are being established, we will focus on utilizing human resources and implement the following human resource strategies.

- Defining the ideal human resources portfolio based on the business strategy, and analyzing the gaps with the current situation. To bridge this gap, Yokogawa will develop and swiftly acquire the human capital necessary for each business strategy and globally optimize human resources, in order to contribute to the achievement of its business strategies.
- Promoting reforms so that employees have a mindset toward autonomous career development, learn independently, take on challenges on their own, and co-create value.
- Cultivating a DE&I organizational culture for co-creation of value, strengthening organizational collaboration through global alignment between organizations, and use our unified global Yokogawa team to improve corporate value.

Human Resources Portfolio Management Connecting Business Strategies and Human Resource Strategy

As we transform our business model, business owners utilize a globally integrated human resources IT system to visualize HR data, efficiently and effectively formulate an ideal human resources portfolio, and identify new skilled human capital to be acquired. In addition, we will establish and implement a human capital acquisition plan that includes swift recruitment, transfer, and development, and we will achieve global optimization of human resources. Furthermore, it is essential for employees to have mindsets toward independently taking on the challenge of transformation. To this end, we will promote the development of people managers who will connect corporate direction and individual employee careers.

Also, based on the belief that it is important to provide career opportunities to enhance specialization, we will develop a learning environment for acquiring skills to hone this specialization, including cultivating global leaders, improving digital skills, cultivating problem-solving and value-creating sales and technical engineers.



Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Intangible Capital Human Capital

Please see more detailed information.

[2024 Sustainability Report p.27-32](#)

Fostering a Corporate Culture that Inspires Employees to Grow with the Company

Initiatives of Yokogawa University to Realize a “Learning Company”

In October 2018, we established “Yokogawa University”, an in-house institution, to provide our employees with an environment to acquire and increase their level of expertise and skills in a broad range of areas. E-learning is used as the primary method of training so that our employees around the globe have an equal opportunity to learn without time or location constraints. At the same time, we are developing instructors globally to ensure the availability of instructors at all our locations. Our officers serve as instructors to educate our employees. By offering employees opportunities to take on new challenges and helping motivated employees grow faster while cultivating a corporate culture where employees can learn from one another (“Learning Company”), Yokogawa aims to transform itself into an enterprise that is able to achieve sustained growth through employee growth and development.

Future Co-Creation Initiative: Nurturing Co-creative Talents and Shaping Collaborator Networks with External Parties

Under the president’s direct control, this cross-organizational virtual team is responsible for adapting to drastic external environmental changes, embodying Yokogawa’s Purpose, forming collaborative networks, creating value related to solving social issues, and nurturing co-creative talents. Yokogawa’s millennials in their 20s to 40s use future scenarios drawn up by scenario planning as a tool for dialogue, and engage in future-oriented dialogue with all stakeholders to explore the future, transcending organizational and industry boundaries.

Promotion of Diversity, Equity and Inclusion (DE&I)

Yokogawa believes in building a culture that accepts, values, and celebrates individual differences. Yokogawa is committed to providing an equitable and inclusive environment where everyone can belong, contribute, succeed, and demonstrate their full potential without fear of harassment, verbal abuse, or other behaviors that inhibit them from fully contributing or harm their dignity.

To achieve this, Yokogawa will actively recruit, develop, and promote people from a variety of backgrounds who differ in terms of experience, knowledge, thinking styles, perspective, cultural background, and socioeconomic status, and in so doing will not discriminate based on ethnicity, nationality, gender, religion, age, social position, or disability. By utilizing digital technology and cultivating an inclusive working environment, we will make it possible for every employee to demonstrate his or her full potential and to work comfortably with a flexible workstyle. Engaging communication and constructive collaboration based on mutual respect facilitates innovation and the co-creation of new value for our customers, partners, suppliers, and in so doing, improves our planet, thus contributing to realization of a sustainable society for future generations.

Promotion of Health and Productivity Management that Supports Employee Well-Being

In order for diverse human capital to grow by their own volition and continue to take on challenges, we are promoting health and productivity management, in which employee health is considered from a management perspective and strategically practiced. Our health and productivity management is aimed at helping employees autonomously maintain their health while improving their physical and mental health, satisfaction, and happiness in order to increase engagement and productivity across the Group.

As a result, in 2024, we were certified as belonging to “the Certified Health & Productivity Management Outstanding Organizations (White500)” for the sixth time.

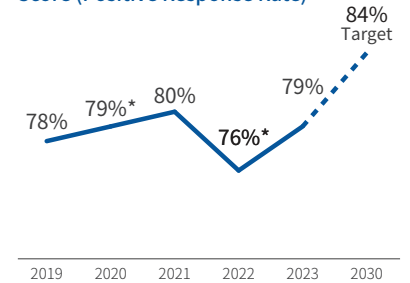


Improvement of Employee Engagement

Increasing employee engagement is essential for Yokogawa to enhance corporate value and achieve sustainable growth. When employees are passionate about their work and contribute to the achievement of the organization’s goals, the capability of the organization is enhanced, and the value provided to stakeholders is greater. We aim to ensure that each employee shares Yokogawa’s Purpose, Vision, Mission, and Shared Values, are proud to be a part of the organization, appreciate and admire each other, have a spirit of mutual respect, and contribute to the organization in a proactive manner.

The KPI of “sustainable engagement” is comprised of the following three capabilities. In order to ensure that all employees are enabled and energized, and to make efforts to create an environment that supports sustainable engagement, the management team conducts an annual survey, analyzes the results, and engages in improvement activities.

Global Employee Engagement Survey Score (Positive Response Rate)



*Global employee engagement pulse survey: A simplified version of GEES used to provide focused measurements with respect to specific matters of employee engagement such that it is possible to quickly identify issues surrounding employee circumstances, attitudes, etc. Performed once every two years.

Engaged	Employees have a high sense of belonging toward their organization, are excited about their work and desire to make strong contributions toward achieving the goals of the organization.
Enabled	Employees feel that an environment is in place where productivity is high and they can work flexibly.
Energized	Employees feel that they can maintain an energized state and a healthy state of mind and body throughout the day.

FY23 Results Analysis and Improvement Activities

Statistical analysis of the results of FY23 revealed that the items (key drivers) that had the greatest impact on sustainable engagement were “efficiency,” “strategy and direction,” and “diversity and work-life balance.” We will work as an overall global organization to address these, and each division head has set a mission to “improve sustainable engagement” and is focusing on improvement activities with numerical targets. In addition, the “connection between managers and general employees” is an issue requiring continued efforts. As ways of working become more diverse, we are continuing improvement activities with the keywords of “communication” and “teamwork.”

In addition, the Yokogawa Group Awards, an in-house awards system for the Yokogawa Group, are held every year (176 employees received 17 awards in FY23), recognizing and praising people and teams embodying the company’s strategy and direction (AG2023/Three Goals/Core Values) as role models and good practices.





Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Intangible Capital Intellectual Capital

To Be Visualize and value intellectual capital, and utilize it to solve social issues

Through businesses based on the System of Systems (SoS) concept, Yokogawa works to solve social issues not only by connecting individual control systems, but also by connecting systems such as those connecting companies to companies and industries to industries. In the business of SoS, it is necessary to discover and resolve obscure and complex issues between systems. To achieve this, it is important to utilize the energized human capital and the intellectual capital generated from it in business, and to promote the discovery and resolution of issues.

Based on the above recognition, Yokogawa is developing a framework for identifying and visualizing intellectual capital that has a significant impact on the provision of value through business.

Approach

Yokogawa's Business Strategies and Utilization of Intellectual Capital

Yokogawa aims to provide value by achieving SoS frameworks through its business activities. To provide value, we must have competitive products and the ability to provide solutions. Yokogawa must visualize and utilize its intellectual capital, which is important for providing value. Such intellectual capital includes intellectual property in the broad sense of technologies, know-how, empirical knowledge, collective knowledge, patent rights, and data usage rights. In particular, we will convert tacit knowledge that is easily lost and difficult to grasp, such as empirical knowledge, into explicit knowledge that can be grasped objectively and utilized in business.

Framework for Considering the Utilization of Intellectual Capital for Business Growth

The intellectual capital utilized in our businesses is generated from the energized human capital, that is, Yokogawa's human resources. Therefore, when considering strategies for intellectual capital, it is necessary to consider human resources and more broadly, the organization's structure and operations, corporate culture, and mindsets. In addition, intellectual capital can be used to create value in various businesses, so it is important to consider intellectual capital strategies and business strategies in a way that maintains a slight distance, that is, while being loosely coupled, while being aware of the relationship between them. In this way and with a foundation in our human capital strategy, we will capture our intellectual capital strategy and business strategies, and aim to maximally utilize these through overall optimization by aligning their respective directions.

Initiatives for Company-Wide Human Resources

In order to implement our intellectual capital strategy, it is necessary to engage in bottom-up initiatives aimed at a wide range of human resources throughout Yokogawa, which will form the foundation of the strategy. For example, Yokogawa provides company-wide intellectual property education so that its human resources can understand not only the procedures for intellectual capital but also the business significance of intellectual capital. Increasing the number of human resources who can understand and utilize intellectual capital forms a foundation for sharing our intellectual capital strategy, and also contributes to alleviating bottlenecks caused by human resources in intellectual property activities.

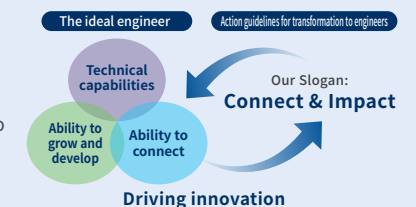
Initiatives for Internal Culture Transformation

Given that the creation of value from intellectual capital has human capital at its core, Yokogawa faces the challenge of transforming its internal culture into one that nurtures technology experts who can create new value. We need to transform our internal culture, which in turn will increase the number of internal human resources who can understand and utilize intellectual capital, which in turn will realize a situation where people inspire others and will serve as an originating point for value creation. As part of the transformation of our internal culture, we have set technical fields in consideration of changes in the business landscape, and will create and form intellectual property rights with a view to utilizing rights. In this way, we will enhance activities related to intellectual capital not only as simple tasks but also as processes toward value creation. Note that we have already addressed the transformation of our internal culture through our four transformation projects in the four transformation projects and in activities of the Technical Human Resources Subcommittee, and we are promoting initiatives for intellectual capital while aligning direction with the transformation through these overall measures.

[Four Transformation Projects p.31](#)

Culture Transformation Initiatives for Technical Human Capital "Connect & Impact (C&I)"

The Technical Human Capital Subcommittee under the Corporate Technical Committee operates a personnel system for creating changes in organizational culture and mindsets, and works to increase the motivation and growth of engineers, thereby enhancing Yokogawa's technical capabilities and competitiveness. Under the slogan of "Connect & Impact (C&I)," we aim to strengthen our technical capabilities, ability to connect, and ability to grow and develop, and to enhance the assertiveness and autonomy of our engineers. We will create an environment facilitative of a great deal of innovations by connecting people and technologies (Connect) and maximizing employee's own careers, organizational performance, and impact (Impact). In the fiscal year 2024, we are working to increase and permeate awareness of the value and significance of C&I, as well as training Change Agents from among heads of technology-related departments as drivers of action based on the C&I approach. We are also in the process of defining "Foremost experts in technology", creating a certification process for the same, and designing a globally common grading and evaluation system and operational methods that will enable our engineers to seek out this pinnacle of achievement through friendly competition.





Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Intangible Capital Social and Relationship Capital

To Be Co-create diverse high-value solutions Acquire brand strength to achieve corporate goals

As relationships with customers and other major stakeholders are an important element of social and relationship capital, we will focus on building strong trust-based relationships with customers, and work to make value proposals and co-create new value by leveraging our long-standing manufacturing know-how. We also view social and relationship capital from the brand power perspective, and are working to broaden awareness and promote understanding of our brand. While building a Group-wide structure, we will formulate and implement a strategy to improve brand value.

Approach

Strengthening Trust-Based Relationships with Customers and Co-Creating Value

Yokogawa's mainstay products have enjoyed many years of selection by customers around the world in various industries, providing us with a consistent level of market share. In addition, we have established a solid business foundation based on the large installed base we have acquired through involvement in more than 40,000 projects globally, as well as long-standing relationships of trust with customers. Based on these deep relationships of trust with our customers, Yokogawa is also working to visualize customers' latent issues, and to jointly create a vision for the future and a strategy for what it wants to be. By providing value that only Yokogawa can provide, Yokogawa aims to achieve further business growth. In addition, we have built good relationships with stakeholders such as business partners, suppliers, industry organizations, and local communities. With these as our foundation, we aim to create a sustainable society and are working to further strengthen and deepen these relationships.

Developing and Implementing Strategies to Expand Brand Recognition and Increase Brand Understanding/Improve Brand Value, and Building a Group-wide Structure

Brands are formed from each and every point of contact with stakeholders, and it is first necessary to raise awareness and promote understanding of one's brand. We will conduct surveys to identify how well the brand is recognized and how others perceive it (brand image), and based on an ISO-certified method for converting brand value into monetary value will set targets and seek to enhance the power of the brand. As a measure to increase recognition and promote understanding, we will identify priority regions and target audiences for the formulation and implementation of a communication plan. A brand is the result of all corporate activities, and each employee must be able to embody it. We aim to firmly establish that Yokogawa brand's image is consistent with the concepts expressed in Yokogawa's Purpose, and realize this purpose by having our employees embody the brand. This will be achieved by educating employees to build understanding of the brand and by establishing and thoroughly enforcing rules and strengthening the promotion activities required for brand governance.

Consulting to Design Future Visions Alongside Our Customers

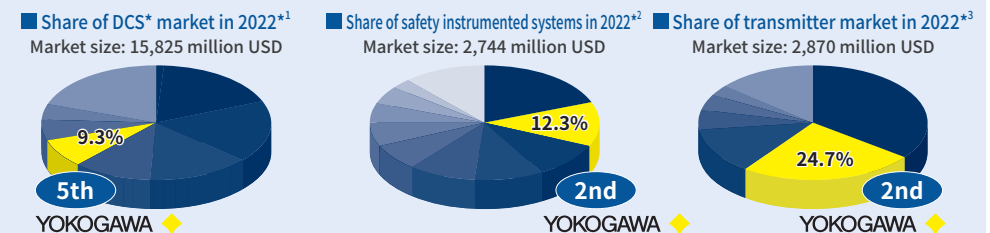
Yokogawa's Experience Design Department provided consulting to accompany customers in their challenges. In response to a request from Asahi Kasei Mitsubishi Chemical Ethylene Corporation (AMEC) to work with them to help transform production staff mindset, who are a key driving force for safe operations, we engaged in repeated communication with AMEC, resulting in the proposal that each person involved must maintain a firm vision of how operations ought to be. Through interviews and workshops, we designed a process to create this firm vision and worked with them to carry this out. Our customer praised our support, stating that it helped them understand issues from multiple perspectives through vigorous dialogue and comprehensive facilitation. This enabled them to determine the necessary actions for the future based on their current challenges.



A workshop with our customer

Global Market Share of Yokogawa's Mainstay Products

Yokogawa has built relationships of trust with its customers and maintained its global market share for many years.



*DCS: Distributed Control System

Source: *1 ARC Distributed Control Systems Global Market Research Study (Published in 2023)
*2 ARC Process Safety Systems Global Market Research Study (Published in 2023)
*3 ARC Pressure Transmitter Global Market Research Study (Published in 2023)
Share = Yokogawa estimation



Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Capital Policy and Financial Strategy

Maximizing “Shareholder Value” by Achieving a TSR that Exceeds the Cost of Shareholders’ Equity

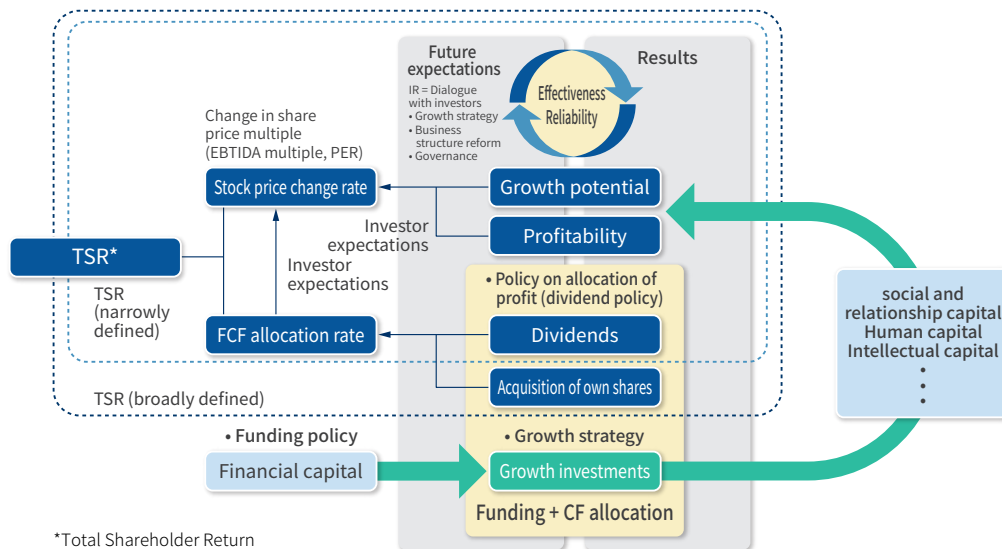
Through GS2028, we will strive to maximize shareholder value from a medium- to long-term perspective by achieving a total shareholder return (TSR) that exceeds the cost of equity.

Specifically, we will enhance growth potential and profitability through growth investments in Yokogawa’s important intangible capital such as “social and relationship capital”, “human capital”, and “intellectual capital”. and intellectual capital. We will further increase our cash flow generated from these activities and strive to achieve sustainable growth as well as to increase corporate value over the medium to long term. Meanwhile, we will actively provide returns to shareholders on the premise that we will maintain a certain financial base, thereby enhancing TSR.

Furthermore, by actively engaging in dialogue with stakeholders, including capital markets, through IR activities, we will strive to deepen common understanding and foster trust.

By steadily executing this cycle, we aim to maximize TSR and ultimately, shareholder value.

Maximizing Shareholder Value



*Total Shareholder Return

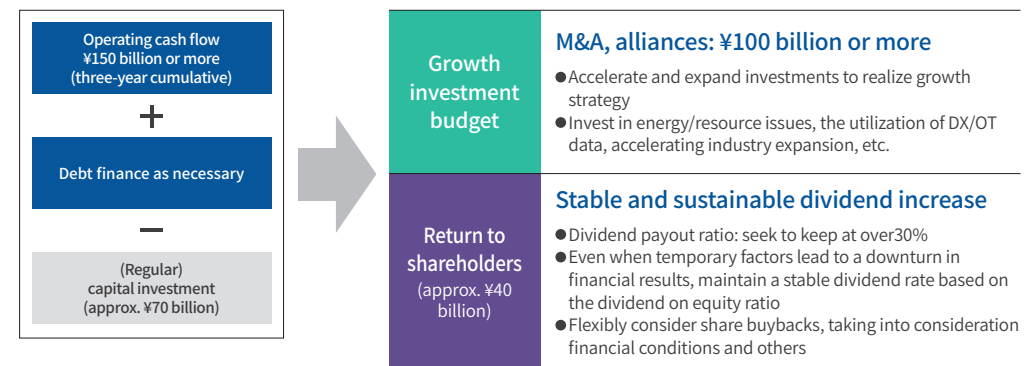
Cash Allocation in GS2028 (FY24 to FY26)

Cash allocation for the first three years of GS2028 is as shown in the chart below. Plans for the fourth and subsequent years will be formulated based on the progress of growth investments.

Cash flow generated through business operations will be preferentially allocated to growth investments aimed at increasing and maximizing corporate value over the medium to long term. Specifically, Yokogawa plans to generate cash of ¥150 billion or more, allocate ¥100 billion or more for growth investments such as for M&A and alliances, in addition to around ¥70 billion for regular capital investments. We will also allocate around ¥40 billion for stable and sustainable dividend increases as shareholder returns.

With regard to the funding for growth investments, Yokogawa’s basic policy is to allocate cash flow from operating activities first, then utilize leverage by funding from external sources, mainly debt finance, as necessary. However, for large-scale investments, etc., the company may consider, on a case-by-case basis, equity finance as well.

Cash Allocation in GS2028 (FY24 to FY26)



Precondition: Keep shareholders’ equity at a level that can maintain an A rating



Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

Capital Policy and Financial Strategy

Growth Investments

Under AG2023, many investments were made on a relatively small scale in the incubation field, resulting in investments of ¥29.4 billion versus an investment budget of ¥70 billion.

Under GS2028, we have set out four basic strategies for growing our business: “provide value as a trusted partner in the system of systems (SoS) domain”, “strengthen industry responsiveness and expand cross-industry business”, “create value by utilizing and developing intangible capital”, and “strengthen the management and business foundations”. In order to ensure success of these strategies, we are accelerating and expanding investment.

Specifically, through M&A and alliances, we will accelerate business growth in the manufacturing execution management level (Level3), including MES and in the corporate management level (Level4), including ERP, which are the top levels in the Industrial Automation and Control Business, including ERP. We will also acquire and strengthen companies with solid business foundations encompassing customer channels and sales networks. Through these efforts, we aim to further strengthen and expand our existing stronghold businesses and more quickly achieve improved earnings.

In order to bring the growth strategies in GS2028 to fruition and further improve and maximize corporate value over the medium to long term, we will make investment decisions based upon careful consideration of company priorities.

Major Growth Investments under AG2023

- Acquired **Insilico Biotechnology AG**, developer of innovative bioprocess digital twin technology/2021, Germany
- Acquired **PXiSE Energy Solutions LLC**, developer of high-speed control software for grids and renewable energy assets/2021, USA
- Acquired **Dublix Technology ApS**, provider of optimization technologies for waste-to-energy and biomass power plants/2022, Denmark
- Acquired **Votiva Singapore Pte. Ltd.**, Southeast Asian IT consulting company/2022, Singapore
- Acquired **Fluence Analytics, Inc.**, pioneer in digitalizing the monitoring of polymerization reaction* processes/2023, USA
- Acquired **Adept Fluidyne Pvt. Ltd.**, flow meter manufacturers in India/2024, India

* Polymerization reaction: The combination of small molecules, called monomers, to form larger molecules (polymers)

Dividend Policy

We recognize the distribution of earnings to shareholders as one of our highest management priorities and aim for a stable and continuous increase in dividends through earnings growth. Specifically, we strive to ensure a consolidated dividend payout ratio in excess of 30% based on a comprehensive consideration of securing investment capital with a view to maximizing business results and shareholder value from a medium- to long-term perspective, while also maintaining a financial base that supports growth investments.

In addition, even when temporary factors lead to a downturn in financial results, we will strive to maintain stable dividends based on the dividend on equity ratio. In addition, we will flexibly consider additional shareholder returns through share buybacks, taking into consideration factors such as opportunities for growth investments, the status of the company's finances, and the stock price level.

Initiatives for Achieving Management Conscious of Cost of Capital

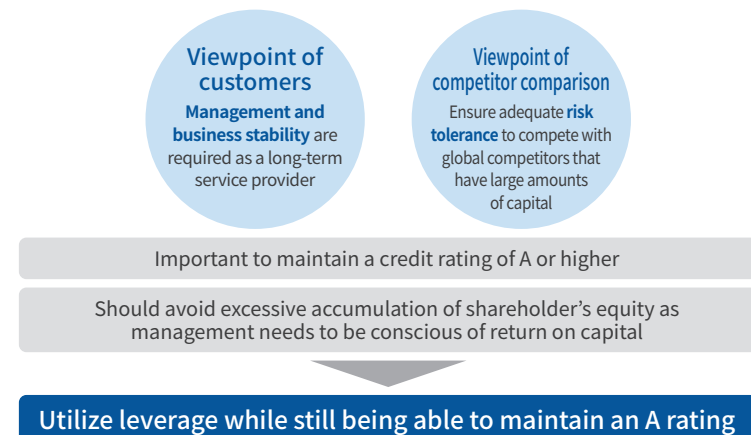
Ensuring the Optimal Capital Structure

Due to the nature of our business, customers require that we have “a system in place to reliably provide maintenance services over the long term”. Having a financial position that underpins “stability in business” will ultimately lead to our competitiveness. In addition, compared to globally competitive conglomerates, Yokogawa operates on a small scale both in business and finances, with a business portfolio focused on the Industrial Automation and Control Business. Therefore, it is important for us to adopt a sufficient risk tolerance given our financial position.

Based on a comprehensive assessment of these factors, we have defined our optimal capital structure as “a level of shareholders' equity that allows us to maintain an A rating even if multiple risks actualize at the same time”.

Furthermore, we place importance on maintaining a financial structure that ensures the capacity to invest towards the next stage of growth even in the event that multiple business risks actualize at the same time. In the past, when interest-bearing debt increased as a result of new business investment, our financial position deteriorated significantly as the compound result of expanding losses in unprofitable businesses and the impact of the global financial crisis. It then took an extremely long time for us to reach a point when we could make growth investments through reforms of our business and financial structures. Given this experience and assuming discontinuous risk from the past, including rapid changes in external business environments, we will seek to maintain an optimal capital structure.

Approach to Optimal Capital Structure





Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

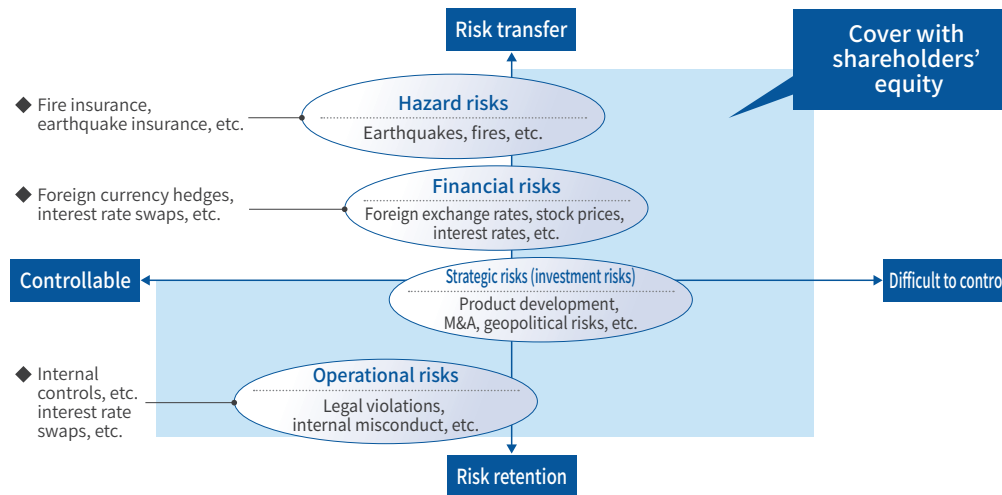
Capital Policy and Financial Strategy

Key Matters to be considered in relation to the Optimal Capital Structure

In considering the optimal capital structure, we classify our business risks into four major categories: “hazard risk”, “financial risk”, “strategic risk”, and “operational risk”. We recognize that it is necessary to pass on risks that can be passed on at an appropriate price through insurance and derivatives, etc., and cover risks that cannot be passed on through shareholders’ equity.

After organizing latent risks according to these risk categories, we quantify individual risk based on specific scenarios, such as the occurrence of natural disasters, rapid appreciation of the yen, and disruption of commercial flows in specific countries due to geopolitical risks. We also consider the possibility that these risks may materialize at the same time and regularly perform simulations of such situations accordingly to determine whether or not we would still be able to maintain the optimal capital structure. The investment budget set out in GS2028 has also been established based on these simulations.

Recognition of Business Risks

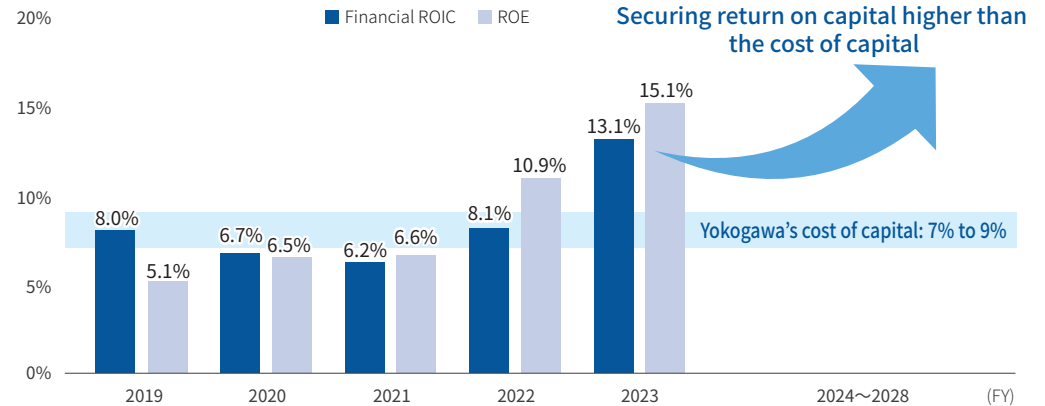


Recognition of the Cost of Capital and Target for Return on Capital

Yokogawa’s cost of capital is currently estimated to be between 7% and 9%. We recognize that there is the possibility of upward pressure on cost of capital due to changes in business domains and other results of progress in our growth investments. However, we also recognize that we have sufficient capacity to raise funds through liabilities, and we will therefore aim to reduce capital costs by appropriately utilizing leverage.

As for capital efficiency, we have set a target of “10% or more” for both financial ROIC and ROE throughout the period of GS2028. This is positioned as the minimum level based on the level of Yokogawa’s cost of capital. Although we expect an increase in invested capital as a result of growth investments, we will achieve a return on capital that exceeds the cost of capital by steadily improving profitability.

Financial ROIC* and ROE



* Financial ROIC: {Operating income × (1 - corporate tax rate 25%)} ÷ Invested capital (average at beginning and end of period)
Invested capital: Interest-bearing debt + Shareholders’ equity + Non controlling interest

Mechanism for Securing Spreads: Strengthening the Investment Decision-Making Process

As a decision-making process for risk investments such as those for growth, it is important to screen investments first from the perspective of strategic consistency, and then proceed to determining the rationality of business plans and prices. Yokogawa uses hurdle rates to determine price rationality. We formulate hurdle rates that are subdivided based on the “investment target’s regional location and currency”, “business phase”, “business domain”, and “existence of unique risk factors”, and apply hurdle rates that correspond to risks for each individual project. By carefully examining projects based on investment decisions made using this hurdle rate and steadily accumulating investment returns, we believe that we can continuously achieve returns on capital that exceed the cost of capital not only for individual investment projects but also for the company as a whole. In order to ensure that this process can be continued over the long term, it is important to ensure that we have the optimal capital structure.



Foundation for Value Creation (Intangible Capital, Capital Policy, Financial Strategy, and DX Strategy)

DX Strategy

DX Strategy in AG2023

Internal DX activities progressed as planned, while external DX activities require further strengthening

In our Internal DX activities during the AG2023 period, we mainly promoted the integration and standardization of global platforms such as infrastructure, security, applications, and data, and we exceeded targets for various KPIs of Internal DX. In External DX activities, Yokogawa Digital Corporation, which was launched in July 2022, led activities to expand DX services such as cloud, IIoT, AI, and cybersecurity and sustainability, and strengthen the IT/DX business in addition to the OT business, which has been our strength to date. However, the DX-related order ratio, which is a KPI of External DX, fell short of the target due to a robust increase in orders in existing domains. Further strengthening is therefore necessary going forward.

In addition, Yokogawa was selected as one of the DX Stocks 2024 as part of the Digital Transformation Selection 2024 program jointly conducted by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency in recognition of our efforts to promote innovation through both Internal and External DX.

Challenges ahead include the aforementioned expansion of orders and sales in the IT/DX business, as well as the achievement of increased productivity through the utilization of AI in an integrated global platforms and the promotion of M&A.

DX Strategy in GS2028

In GS2028, our DX strategy is positioned as the foundation that supports value creation, and the details of our strategy have been duly updated for this new plan. The key points are as follows.

First of all, there is no change in the overall concept of the two DX strategies: internal DX, which aims to improve in-house productivity, and External DX, which aims to support customers' DX activities and transform our business model.

In **Internal DX activities**, during the three years from fiscal year 2018 to fiscal year 2020, we promoted the globalization of our IT organization, the streamlining of systems, and the reduction of the number of systems. From fiscal year 2021 to fiscal year 2023, we promoted the development of global platforms for infrastructure and applications, the standardization of business processes, and the integration of data. From fiscal year 2024, we will aim to further improve productivity by utilizing AI technology such as generative AI on the new ERP system currently under development and on data integrated on the global CRM platform that we have already introduced.

Four Transformation Projects p.31

As for **External DX activities**, in addition to measurement equipment, sensors, and other products in Level 1, industrial automation and control systems and other products in Level 2, production execution systems, quality management systems, and other software solutions in Level 3, we will support the introduction of ERP systems and expand cloud services centered on Yokogawa Cloud including IIoT, AI, digital twins, and cybersecurity in Level 4 with the aim of being a trusted partner that resolves customer challenges in fields ranging from sensors to management. Customers are strongly demanding mutual utilization and integration of OT systems and IT systems, which had previously been separated. In response to these needs, Yokogawa will create digital connections between customers' factories/plants and headquarters, as well as among customers, aiming to help customers boost their productivity.

Yokogawa's Products and Solutions P.34

DX銘柄2024
Digital Transformation

Yokogawa was selected as 'DX Stocks 2024'

DX-related order ratio	FY20 result	2.0%	Digital process ratio	FY20 result	40%	IT infrastructure environmental impact reduction ratio	FY20 result	100%
	FY23 result	3.3%		FY23 result	70%		FY23 result	52%
	FY23 target	4.0%		FY23 target	63%		FY23 target	65%
Cloud ratio	FY20 result	61%	Agile project ratio	FY20 result	19%	DX human resources ratio	FY20 result	20%
	FY23 result	77%		FY23 result	77%		FY23 result	56%
	FY23 target	64%		FY23 target	35%		FY23 target	50%

*DX-related order ratio: Ratio of DX-related project orders to total orders

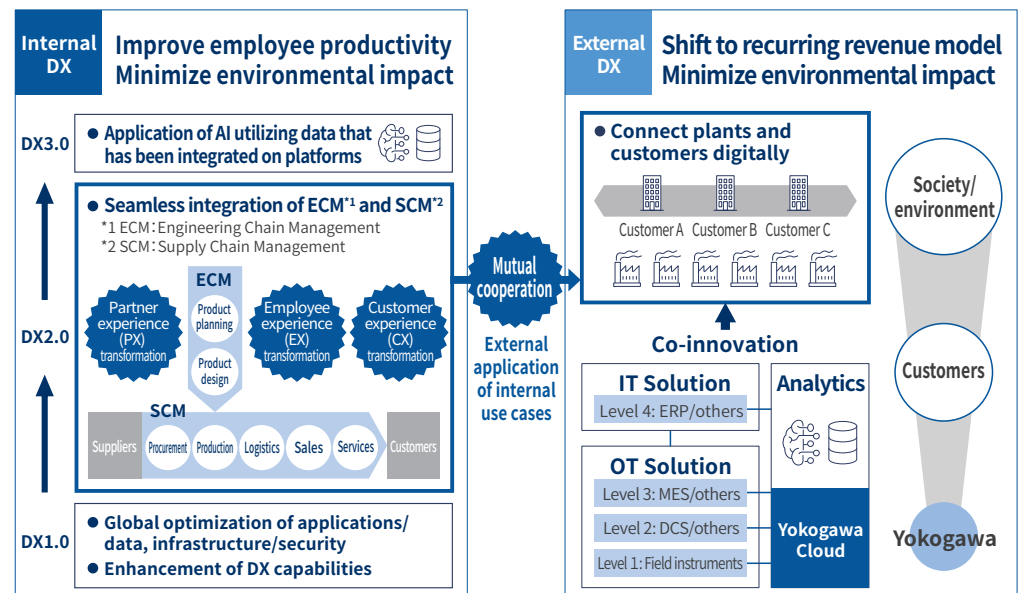
*Digital process ratio: Ratio of the number of processes utilizing global digitized platforms to the number of all processes defined for each business process

*IT infrastructure environmental impact reduction ratio: Reduction of power consumption from the FY2018 level through the shift to cloud computing

*Cloud ratio: Ratio of the number of cloud servers to the total number of servers

*Agile project ratio: Ratio of IT projects utilizing an agile approach to the total number of IT projects

*DX human resources ratio: Ratio of the number of talents with digital skills to the number of all talents in IT





1

Introduction

2

Message from the
President & CEO

3

Value Creation Story

4

Business Strategy

5

Corporate Governance

6

Information



Source of Value Creation (Intangible Capital, Capital Policy, Financial Strategy, DX Strategy)

Organizational structural reform

Building an organizational structure that is suitable for accomplishing strategies and clarifies responsibilities

Transformation of
Organization
and Personnel

Global HR Transformation

Visualizing the human capital needed to execute strategies and cultivating an organizational culture that encourages an openness to new challenges

Four Transformation Projects to Create Growth Potential

In the previous medium-term business plan (AG2023), we launched four transformation projects to strengthen global collaboration and optimize business processes. In these projects, we advanced reforms of our organizational structure, personnel system, and business processes that form the foundation of management, as well as the IT systems that support them. Our aim is to build a global and optimized organizational structure, establish a system that allows us to understand the skills of each employee, and enable allocation of resources to areas where greater value is expected to be created. In addition, we aim to review the way business operations should be conducted throughout the Company, and are working to optimize redundant operations between organizations and standardize operations that have become complicated due to individual optimization. These projects are generally progressing well, laying the foundations for our long-term growth. Going forward, we will continue to accelerate our efforts and aim for further growth by utilizing these foundations we have laid.

Deployment of a new ERP system and optimization of SCM^{*1}/ECM^{*2}

Increasing productivity by optimizing and standardizing operational processes and developing a digital platform that supports them

*1 SCM: Supply Chain Management

*2 ECM: Engineering Chain Management

Transformation of
Operational Processes
and IT Systems

Building a system of engagement (SoE)^{*1} through the deployment of CRM^{*2}

261.16
Increasing productivity by digitalizing marketing & sales and increasing the value provided through a customer-centric approach

*1 SoE: A system that is designed to foster connections with users

*2 CRM: Customer Relationship Management

Chapter

4

Business Strategy

33 Yokogawa's Business Portfolio

34 Yokogawa's Products and Solutions

36 Business Model of Industrial
Automation and Control Business

37 Service Structure of Industrial
Automation and Control Business

38 Business Strategy

38 Industrial Automation and
Control Business

38 Energy & Sustainability Business

40 Materials Business

42 Life Business

44 Measuring Instruments Business

45 New Businesses and Others

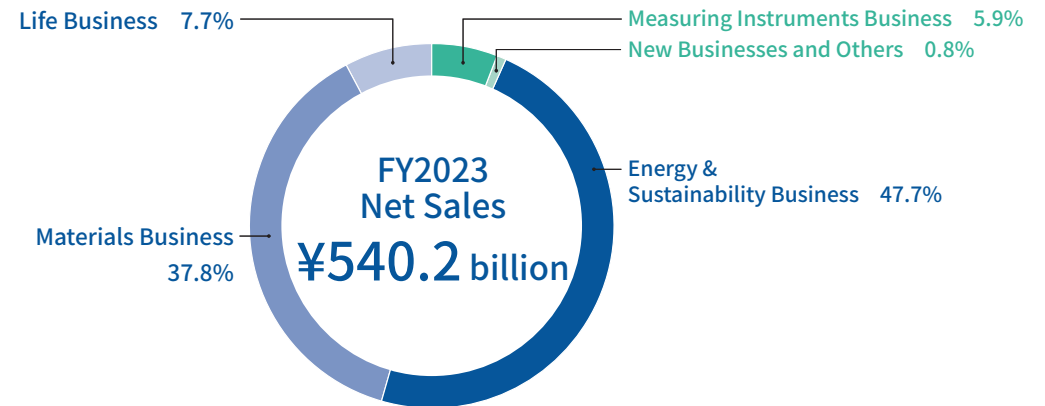


Yokogawa's Business Portfolio

The Industrial Automation and Control Business is Yokogawa's mainstay, serving customers in a wide variety of industries, which develops three business subsegments: "Energy & Sustainability", "Materials", and "Life".

The Measuring Instruments Business has been an integral part of Yokogawa's business since the Company's inception. We have contributed broadly to industrial and technological development by providing measuring instruments, which are known as the mother tools of industry, as well as measurement solutions.

In new businesses, Yokogawa is venturing into new fields.



*From fiscal year 2024, the water business was reorganized from part of the Life Business to the Energy & Sustainability Business. Accordingly, the figure for the Energy & Sustainability Business in the graph above includes the water business.

Industrial Automation and Control Business

Energy & Sustainability Business

- Renewable energy
- Oil and gas (upstream)
- Refining, petrochemicals (downstream)
- Power
- Energy management systems (EMS)
- Energy storage
- Water & wastewater, industrial water

Materials Business

- Specialty and fine chemicals
- Biochemicals
- Fertilizers
- Mining & metals
- Mobility
- Electrical machinery, electronics & semiconductors
- Iron & steel, nonferrous metals
- Pulp & paper
- Fibers & textiles

Life Business

- Pharmaceutical
- Healthcare
- Food & beverages

Measuring Instruments Business

- Energy
- Communications
- Healthcare

New Businesses and Others

- Imaging AI & IoT
- Bio-related
- Contract research, development, and manufacturing of active pharma ingredients, etc.



Yokogawa's Products and Solutions

Industrial Automation and Control Business Energy & Sustainability Business/Materials Business/Life Business

We provide products, services, and solutions that span every level of activity, from the collection of data generated in the field to the optimization of corporate management.

OpreX™

OpreX is the comprehensive brand of Yokogawa's Industrial Automation and Control Business.

IT
Information Technology

Level 4
Corporate management



Corporate strategy planning



Production planning optimization



Feedstock Purchasing optimization



Supply chain and logistics optimization



ERP



Energy and carbon management optimization



Security

Level 3
Manufacturing execution control



Production management and optimization



Advanced control and optimization



Quality management and optimization



Asset lifecycle optimization



Safety management



Operational risk management

Collaborative information server

Yokogawa Cloud Industrial cloud applications and solutions

Level 2
Production control and safety systems



Distributed control systems(DCS)



Safety instrumented systems(SIS)



Edge controllers and programmable logic controllers

Level 1
Data generation and collection



Field instruments, Pressure, differential pressure, and temperature transmitters, Wireless transmitters, Coriolis, magnetic, and vortex flowmeters



Process analyzers
Process gas chromatographs



IIoT wireless sensors



Data acquisition systems
Paperless recorders and data loggers



Film/sheet thickness gauges



Distributed temperature sensors

OT
Operational Technology



Yokogawa's Products and Solutions

Industrial Automation and Control Business (Life Business)- Life Sciences Products -

Our core competence lies in the CSU spinning disk confocal scanner unit series, and we have sold over 4,000 units to customers in academia and the pharmaceutical, food, and bio industries around the world. Serving as the de facto standard for live-cell imaging and drug discovery and development, the CSU series underpins cutting-edge life sciences research.

Confocal Scanner Unit

- Confocal scanner unit (CSU): Microscope device for observing live cells



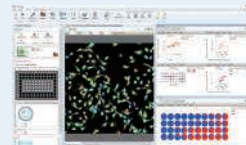
CSU-W1 SoRa Confocal Scanner Unit

High-Content Analysis Systems

- High-content analysis (HCA) systems: Systems that measure changes occurring in cells to support drug discovery and new drug development



CellVoyager High-Content Analysis System CQ3000



CellPathfinder High-Content Analysis Software

Single Cellome

- Devices that can inject a gene, drug, and other foreign substances into a cell, as well as sample whole single cells and intracellular components



Subcellular sampling system Single Cellome™ System SS2000



Minimally invasive intracellular nano-injector Single Cellome™ Unit SU10A

FlowCam

- Devices that automatically photograph and analyze microparticles and microorganisms in liquids



Flow imaging microscopy FlowCam 8000

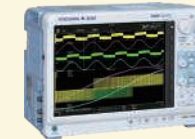
Measuring Instruments Business

We provide a wide range of measuring instruments, which are known as the mother tools of industry, along with relevant services.

Products of Yokogawa Test & Measurement Corporation



Precision power analyzers



ScopeCorders



Optical spectrum analyzers

New Businesses and Others

We are promoting services that utilize the industrial internet of things (IIoT) architecture.

Products and services of amnimo Inc.



AI edge gateways



Edge gateway (outdoor type)

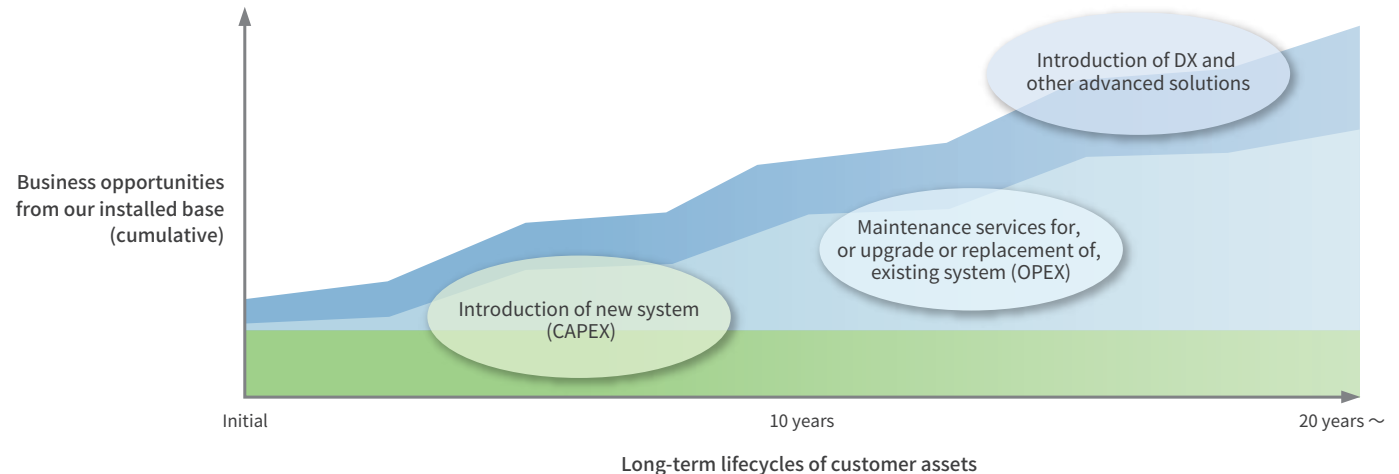


Business Model of Industrial Automation and Control Business

Partnering with Customers to Build a Business Foundation with Long-Term Stability and Forge New Business Opportunities

Our customers operate plants whose asset lifecycles are long, spanning 10 to 20 years or more.

As a partner they can rely on, Yokogawa continues to support customers' operations throughout these long lifecycles by proposing services and solutions for long-term stable operation and suggesting further productivity improvements and optimization driven by leading-edge DX and advanced solutions. These relationships of trust we have built with our customers over the years have served as a stable foundation for our business operations and have led to the development of new business opportunities.



Services Provided by Yokogawa

Consulting



As a company specializing in manufacturing, Yokogawa analyzes problems that individual customers face and proposes solutions leveraging its outstanding expertise while also applying its solid methodology and meticulous attention to detail.

Project delivery



With outstanding project execution capabilities developed through a wealth of project experience in countries around the world, as well as advanced system integration capabilities enabling IT/OT convergence, we bring projects ranging from small to large and complex to completion.

Lifecycle services



To ensure the long-term stable operation of customers' plants, we provide solutions for maintaining and enhancing the soundness of these plants and help to achieve revolutionary efficiency in their service and maintenance work.

Training

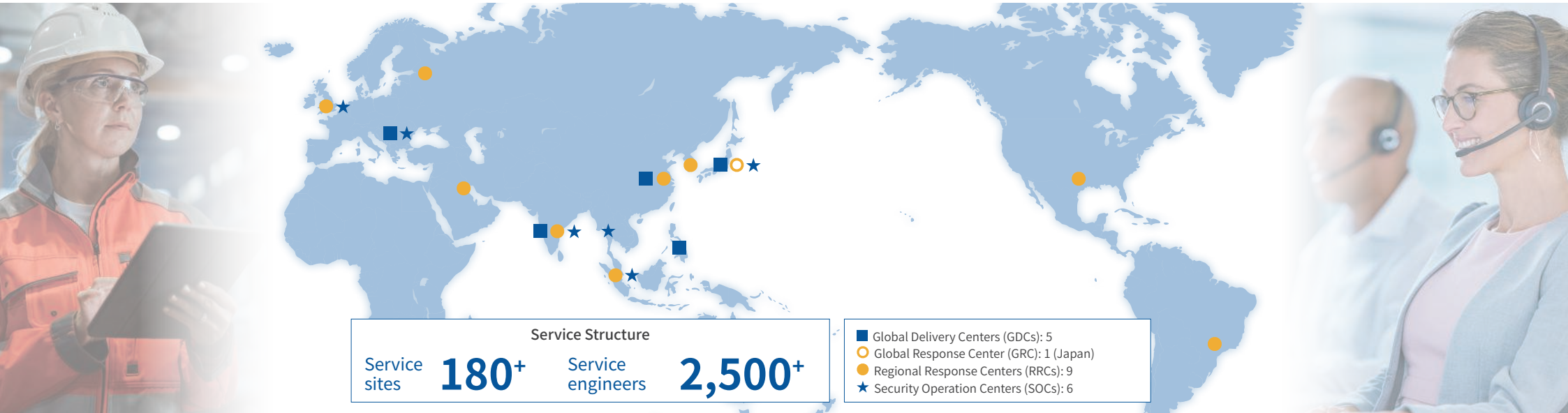


We provide comprehensive training programs that enable effective acquisition of the knowledge on measurement, control, and information that is needed to operate plants. In addition to hands-on training focused on actual work, we also offer e-learning courses.



Service Structure of Industrial Automation and Control Business

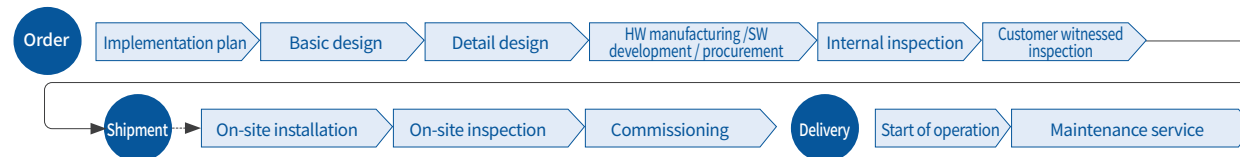
Outstanding Project Execution Structure and Global 24-7 Service Network



Global Delivery Structure Ensuring Project Execution

Our project delivery teams are supported by three types of organizations operating hand in hand: (1) nine regional centers worldwide that perform contractual obligations at the front line of customer engagement; (2) Global Delivery Centers that work together with the regional centers to offer efficient, high-quality engineering services; and (3) global headquarters, which spearheads the control and standardization of operations. This structure has enabled us to create globally optimal project teams tailored to national, regional, industrial, and other characteristics and requirements of individual projects and to build a strong track record in delivering projects, small and large, with globally consistent quality. Harnessing our excellent project execution capabilities developed through extensive experience and system integration capability enabling IT/OT convergence, we bring all projects to completion regardless of their size or contractual complexity.

<Project Delivery Flow>



Global 24-7 Service Network

Response Centers

We offer a reliable support system through a network of nine Regional Response Centers (RRCs) worldwide and local service engineers in respective countries, with the Global Response Center (GRC) at global headquarters in Musashino, Tokyo, at its core.

Security Operation Centers

Through a full line of IT and OT security services ranging from the remote monitoring of security conditions of customers' plants to assessment, prevention, and incident response, our Security Operation Centers (SOCs) have a structure in place to speedily provide services that address a wide range of issues concerning customer assets.



Business Strategy

Industrial Automation and Control Business

Energy & Sustainability Business

Vision

We will help create a sustainable society and increase our customers' corporate value through the provision of greater value building on our capabilities in the consulting, IT, and OT areas and of broader-ranging and enhanced solutions for the renewable energy and water markets.

Business Overview

Note: From fiscal year 2024, the water business has been reorganized from the Life Business to the Energy & Sustainability Business.

Business Description

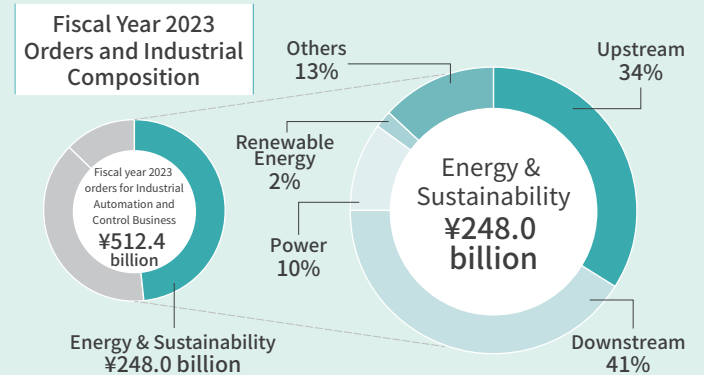
By supporting our customers operate safely and optimally across their energy value chains, we help address the continuing increase in energy demand and contribute to the creation of a low-carbon society. In parallel, we contribute to the overall water recycling chain.

Business Field

Our business covers the entire energy supply chain, from the production, refining, and transportation of oil and gas to electricity and renewable energy generation and the optimal control of power transmission and distribution networks. Moreover, we aim to expand our markets throughout the water recycling chain, including reclaimed water, which has great potential.

Strengths

- Integration capabilities in comprehensive systems including other companies' products, and excellent project execution capabilities
- A globally distributed, large installed base and long-term relationships of trust with customers
- Solutions that contribute to energy transition across customers' entire value chains

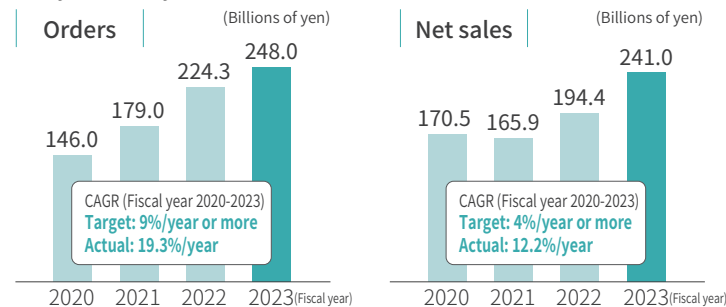


AG2023 Review

In pursuit of AG2023, we established a business structure centered on addressing broad social issues to enable growth. Specifically, we secured sales volumes by acquiring orders for large-scale, complex projects that use MAC* and other forms of contracts, shifted resources by raising efficiency in project execution processes, and solidified our foothold in the energy optimization management solution business for complex energy supply chains that include renewable energy, hydrogen, and storage batteries. As a result, we recorded a compound annual growth rate (CAGR; fiscal years 2020 to 2023) in orders of 19.3% and that in net sales of 12.2%, delivering growth that greatly exceeded the AG2023 targets.

Under GS2028, we will continue to expand system of systems (SoS) and other new solution businesses, hire and develop human resources both in Japan and overseas, transform employee mindsets so that they can propose solutions focused on customer value, build a track record and accelerate business development in growth markets, and enter new markets through M&A and alliances.

*Main automation contractor: A form of contract in which a control systems supplier is selected by the end user, not by the engineering, procurement, and construction company.



Note: Does not include orders or sales for the water business.

External Environment

Upstream/Downstream	● Investments coming back to the oil and gas businesses (especially gas) from the perspective of ensuring energy security in light of geopolitical risks ● On-going acquisition of low-cost and high-quality gas fields by international oil companies (IOCs) and others ● Increased investment in DX for operational efficiency improvement, unmanned and remote operation, and other purposes (especially for cybersecurity enhancement) ● Continued growth in investments in biofuels and other green energy for aviation and other uses ● Conventional downstream projects remaining strong driven by growing population and rising energy demand ● Diversification of business and selective investment in core businesses to address energy transformation
Power/Renewable Energy	● Diversification of renewable energy in terms of regions, customers, applications, and so forth ● Vigorous reinvestment in coal-fired and nuclear power plants to meet increased power demand and ensure energy security ● Cautious profitability forecasts at the time of FID (final investment decisions) on account of lower competitiveness than oil and gas in terms of the levelized cost of electricity generated as well as inflation pushing up costs
Water	● Increasing water demand due to population growth (especially in emerging countries), increasing infrastructure investment in India and the Middle East ● Measures against per- and polyfluoroalkyl substances (PFAS) ● Active initiatives being made to reclaim and otherwise recycle water ● Forward-looking regional and local governments working toward autonomous operation



Initiatives for GS2028

Strategy Overview



Note: From fiscal year 2024, the water business was reorganized from the Life Business to the Energy & Sustainability Business. Accordingly, the result for fiscal year 2023 above has been adjusted to include the results of the water business.

Key Measures

Existing markets × New products & services

Accelerate the deployment of solutions that utilize our capabilities in the consulting, IT, and OT areas

- Apply our consulting capabilities and simulation technology for the downstream market, construct a system for value chain optimization and realize value provision through SoS
- Provide MES-ERP to enable better visualization and management of logistics and inventory for customers in the energy industry

Maintain strong relationships with existing oil & gas customers to expand business and capture needs in growth areas

- Support the energy transformation (EX) of customers aiming to transform themselves from IOCs to integrated energy companies (IECs)
- Expand business in the Indian and African markets, where high growth is expected
- Leverage the installed base to further strengthen the OPEX business
- Expand business in the fields of low-carbon hydrogen and its derivatives (e.g., hydrogen, ammonia, and methane that are produced using renewable energy, CCS,*¹ or CCUS,*² and emit less CO₂ in production, transportation, and use)

Existing markets × Existing products & services

New markets × New products & services

Expand solution offerings for the renewable energy and water markets

- Further capitalize on the products and technologies of PXiSE*³ and Dublix*⁴ and enhance regional office sales structure
- Make a full-scale entry into the facilities management business that helps customers operate their facilities safely and optimally, through BaxEnergy*⁵
- Globally expand the water business and make upfront investments in future growth areas such as reclaimed water and PFAS

New markets × Existing products & services

We will continue to focus on oil and gas and other existing businesses in view of increased investment by IOCs and others on the back of stable energy prices, the perspective of energy security, and the long-term rise in demand for energy. In doing so, we will join hands with customers to advance energy transition by leveraging our installed base and supporting the stable supply of energy. At the same time, we will help utilize renewable energy and put clean energy (low-carbon hydrogen and ammonia), etc., into commercial use while contributing to business transformation tailored to the policies and regional characteristics of respective countries. In the water market, we will work together with water authorities in individual countries to pursue businesses that promise high growth and high public benefit, such as PFAS treatment and water recycling and reclamation, also utilizing government funds (in the U.S., Japan, and elsewhere). When pursuing M&A, we will aim to gain fresh insights on our domain and obtain new sales channels with the goal of business growth and, toward that end, will select acquisition candidates that enable us to create synergy and generate profits early.

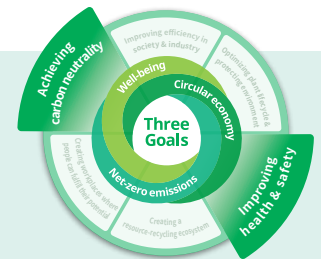
*1 CCS: Carbon capture and storage. *2 CCUS: Carbon capture, utilization, and storage. *3 PXiSE: Provides software solutions for renewable energy and distributed energy resource power systems. Headquartered in the United States.
 *4 Dublix: Provides feasibility studies on efficiency improvements of waste and biomass power plants, efficiency improvement solutions, and products that extend the lifespan of such facilities. Headquartered in Denmark.
 *5 BaxEnergy: Provides renewable energy monitoring solutions. Headquartered in Germany.

Six Contribution Areas and Business Focus Areas toward Achieving the Three Goals

The main initiatives of the Energy & Sustainability Business are particularly linked to “Achieving carbon neutrality” and “Improving health and safety”, among the six contribution areas. Our focus areas are threefold: **(1) Expanding value delivery for renewable energy market; (2) supporting utilization of clean energy (low-carbon hydrogen and ammonia); and (3) providing new value for water-related area (reclaimed water, PFAS).** We will redouble our efforts to enhance corporate value so that achieving our business goals will also contribute to society and the environment.

We present more detailed examples of our contribution to customers

2024 Sustainability Report, p.20-21





Business Strategy

Industrial Automation and Control Business

Materials Business

Vision

We will contribute to the realization of a convenient and comfortable material society and a recycling-oriented society that can coexist with the global environment, helping customers in the materials and other industries transform their business by building on the relationships of trust we have developed with them.

Business Overview

Business Description

Our business offers solutions to customer challenges in the production process—such as efficient energy use, recycling, and the switch to raw materials with lower environmental impact—and thereby contributes to the realization of a new recycling-oriented society that enables the development of a comfortable society that can coexist with the global environment.

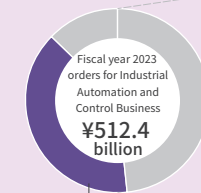
Business Field

Our business covers a broad range of industries centered on materials. We serve both existing markets, including chemicals and mining, and new markets such as batteries, EVs, semiconductor materials, and logistics by combining products, services, and solutions to meet their respective needs.

Strengths

- Numerous installed base as well as global sales and service networks
- Extensive experience and know-how accumulated through long-term partnerships with world-leading Japanese corporate customers.
- High-quality, high-reliability sensors and measuring instruments

Fiscal Year 2023 Orders and Industrial Composition



Materials
¥199.9 billion

Other materials 47%
(Mining & Metals, Iron & Steel, Pulp & Paper, Mobility, Electrical machinery, Semiconductors, etc.)

Materials
¥199.9 billion

Chemicals
53%

AG2023 Review

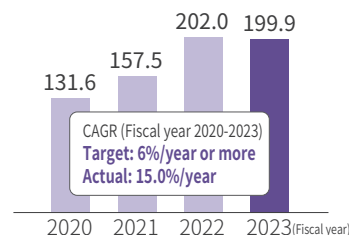
In pursuit of AG2023, we worked to strengthen industry responsiveness and expand cross-industry business while striving to contribute to the realization of both a convenient and comfortable material society and a new recycling-oriented society that can coexist with the global environment.

To strengthen our capability to meet the needs of various industries, we endeavored to increase sales by expanding the solution business for specialty chemicals customers. In enhancing our ability to make effective proposals across various industries, we focused on strengthening the proposal capabilities of regional offices, thereby accelerating the provision of services to customers in a wide range of industries on a global scale. As a result, we recorded a CAGR (fiscal years 2020 to 2023) in orders of 15.0% and that in net sales of 15.8%, delivering growth that greatly exceeded the AG2023 targets.

Under GS2028, we will work to expand business in growth markets such as batteries, mining, and fertilizers, as well as continue to implement existing initiatives. We aim to achieve growth working with our customers in various materials industries not only through the existing control-related business, an area where Yokogawa has traditionally been strong in, but also by proposing high value-added solutions.

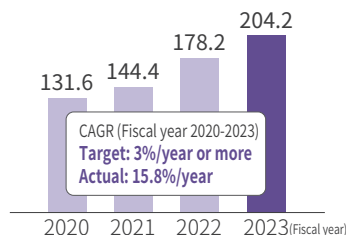
Orders

(Billions of yen)



Net sales

(Billions of yen)



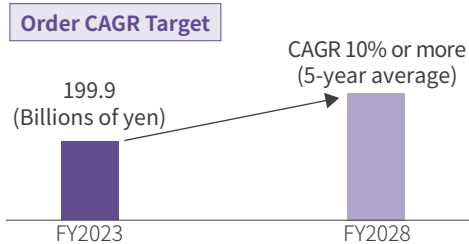
External Environment

Chemicals

- Multi-variety, small-lot production (batch production) due in part to the diversification of raw materials
- Globally increased demand for semiconductors and accelerated efforts for stable supply
- Growing need to develop new materials for EVs and materials with less environmental impact.
- Promotion of more efficient use of energy, such as reducing CO₂ emissions to achieve carbon neutrality

Mining & Metals

- Higher demand for mineral resources including copper and rare metals, primarily driven by increased demand for EVs and batteries
- Increasing need for optimal and autonomous operation of mines overall
- Issues such as environmental (decarbonization) safety, advanced control, advanced maintenance, and remote operation

**Initiatives for GS2028****Strategy Overview****Key Measures**

Existing markets × New products & services

Expand value through consulting and solution-based business

- Enhance batch solutions for mid-sized customers in the specialty chemicals market
- Expand DX solution offerings for mining customers
- Expand energy management and decarbonization solutions that utilize manufacturing data

A

New markets × New products & services

Optimize enterprise supply chains, including logistics

- Optimize logistics and other parts of the supply chain for enterprises in the EV, battery, semiconductor, and other materials fields

C**Realize the expansion of the customer base in the chemical and mining industries**

- Increase penetration of Yokogawa technologies and solutions among mid-sized companies
- Expand distribution and sales channel partners

Existing markets × Existing products & services

Leverage our foothold in the chemical industry to develop solutions for the battery, EV, and semiconductor materials fields

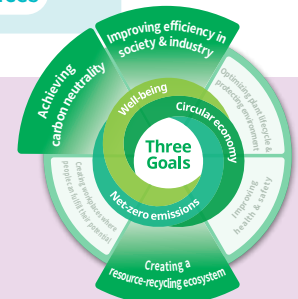
- Deploy products and solutions for the industries, making the most of Yokogawa's comprehensive capabilities, including its products and measuring instruments

New markets × Existing products & services

B**Six Contribution Areas and Business Focus Areas toward Achieving the Three Goals**

The main initiatives of the Materials Business are particularly linked to “Achieving carbon neutrality”, “Improving efficiency in society & industry”, and “Creating a resource-recycling ecosystem”, among the six contribution areas. Our focus areas are threefold: **(1) supporting decarbonization of materials industry (chemicals, steel); (2) supporting optimization of mobility supply chain; and (3) supporting supply and use of sustainable materials.** We will redouble our efforts to enhance corporate value so that achieving our business goals will also contribute to society and the environment.

We present more detailed examples of our contribution to customers [2024 Sustainability Report, p.22](#)





Business Strategy

Industrial Automation and Control Business

Life Business

Vision

We will lead the world in advancing “Bio Industrial Autonomy”, and contribute to a future embracing global harmony.

Business Overview

Business Description

The growing global population is expected to put a strain on the production and supply of food. Demand for pharmaceuticals is also rising steeply. We contribute to the supply of pharmaceuticals that save people's lives and health, and safe food everyone can eat with peace of mind. The Life Business provides solutions that support people's lives and protect their health and safety.

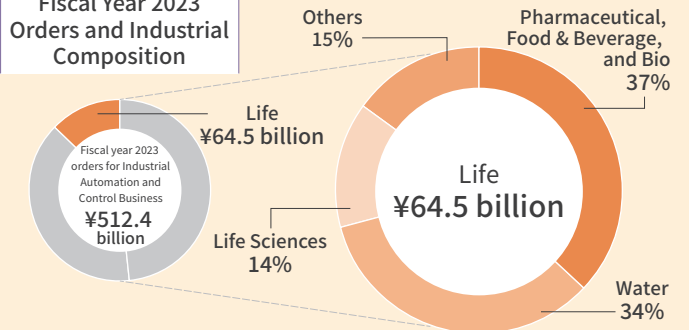
Business Field

We engage in business serving the life sciences, pharmaceutical, food and beverage, and bio industries. Our field of business encompasses customers' entire value chains from basic research to logistics and services.

Strengths

- Relationships of trust built working side by side with customers and a strong track record in Japan
- The ability to make effective proposals possessed by our personnel who also have extensive knowledge and insights and fully understand characteristics unique to individual customers.
- A wide-ranging portfolio of products that help resolve customer challenges.

Fiscal Year 2023 Orders and Industrial Composition

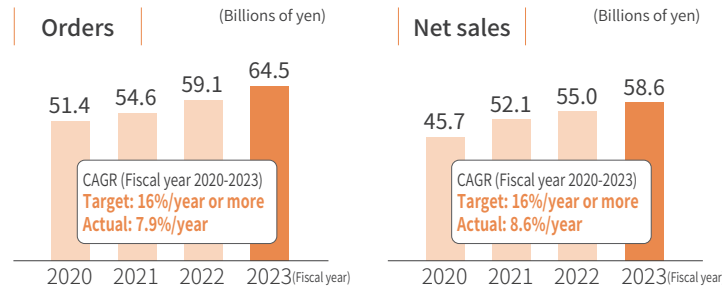


Note: From fiscal year 2024, the water business was reorganized from the Life Business to the Energy & Sustainability Business. Accordingly, until fiscal year 2023, the results of the water business include in the Life business.

AG2023 Review

In pursuit of AG2023, we broadened the life sciences portfolio by expanding existing businesses, carrying out product development, and executing M&A and forming alliances as part of our efforts to generate business growth in live cell imaging, lab automation, and other areas. For the pharmaceutical, food & beverage, and bio industries, we developed new products and promoted bio-DX solutions to expand the bioprocess business. As a result, albeit unable to reach AG2023's ambitious targets, we recorded a CAGR (fiscal years 2020 to 2023) in orders of 7.9% and that in net sales of 8.6%, delivering consistent growth. In particular, our business for the pharmaceutical and food & beverage industries in Japan received record-high orders.

Under GS2028, we will strive to establish and strengthen overseas sales and engineering structures, enhance applications, and launch overseas subsidiaries to achieve further growth.



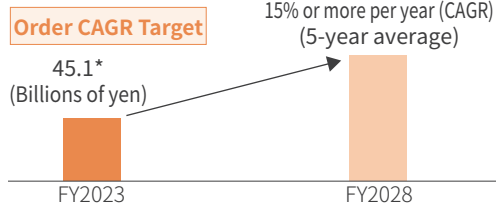
Note: Includes orders and sales for the water business.

External Environment

Life Sciences	• Consistent growth of the life sciences market • Increase and maturation of research on personalized medicine • Increasing needs for sophistication and automation of laboratory experiments • Advances in technologies such as genome analysis/manipulation and cell processing • Growing demand in the live cell imaging field
Pharmaceutical, Food & Beverage, and Bio	• Accelerating systemization from a data integrity perspective • Advances in biotechnology • Pursuit of automation and autonomization through smartification and digitalization • Acceleration of standardization requests (e.g., module type package and open process automation) • Increasing usage rate of digital twins • Increase in requests for energy efficiency improvements to address soaring energy costs and reduce environmental impact

**Initiatives for GS2028**

Strategy Overview



Note: From fiscal year 2024, the water business was reorganized from the Life Business to the Energy & Sustainability Business. Accordingly, the result for fiscal year 2023 above has been adjusted to exclude the results of the water business.

We expect that the markets for our business serving the life sciences, pharmaceutical, food & beverage, and bio industries will continue to grow stably, especially overseas. To expand our market share and increase sales as these markets grow, we will place the highest priority on enhancing the marketing capabilities of overseas bases and expediting product and solution development for the Life Business overall. As part of this effort, our overseas bases will be allocated more specialists in specific fields (SME*) and sales staff and provided greater support from global headquarters with a view to business expansion. In particular, we intend to roll out the problem-solving solution business, which has been successful in Japan, to other countries. Moreover, to expand business not only in existing markets but also into new markets, we will work to broaden our product and solution portfolio through M&A and alliances on top of in-house development and functional upgrades. Earning even greater trust from customers while increasing our visibility in the market through these initiatives, we will do our utmost to achieve the GS2028 targets.

*SME: Subject Matter Expert

Key Measures

Existing markets × New products & services

Provide value through problem-solving solutions centering on manufacturing execution systems (MES)

- Expand the provision of laboratory automation solutions for experimentation and testing
- Create new value by connecting R&D and production processes
- Develop products that support life sciences research, and also develop sales channels

A

New markets × New products & services

Create new value by developing new technologies for the rapidly growing fields of biotechnology and regenerative medicine

- Expand life sciences-related business by targeting the personalized medicine market
- Take on the challenge of developing business in new areas such as regenerative medicine and bio-DX

C

Accelerate our penetration and activities with industry-leading companies

- Intensify sales activities for life sciences products (e.g., CSU*¹ and HCA*²)
- Solidify our businesses serving the pharmaceutical and food & beverage industries in Japan
- Increase the number of subject matter experts (SME) and salespeople in the regions

Existing markets × Existing products & services

Establish the Industrial Automation and Control Business overseas and expand sales activities for life sciences products

- Establish the Industrial Automation and Control Business in the pharmaceutical, food & beverage, and biotechnology industries, and provide comprehensive solutions encompassing L1 (data measurement and gathering level) through L4 (corporate management level) for entire factories

New markets × Existing products & services

B

*1 CSU: Confocal Scanner Unit *2 HCA: High Content Analysis

Six Contribution Areas and Business Focus Areas toward Achieving the Three Goals

The main initiatives of the Life Business are particularly linked to “Improving efficiency in society & industry” and “Improving health and safety”, among the six contribution areas. Our focus areas are twofold: **(1) improving productivity and quality for pharmaceutical, food & beverage, biotechnology and industries** **(2) improving efficiency and quality of drug discovery & development.** We will redouble our efforts to enhance corporate value so that achieving our business goals will also contribute to society and the environment.

We present more detailed examples of our contribution to customers

2024 Sustainability Report, p.23





Business Strategy

Measuring Instruments Business

Vision

We will contribute to the realization of a sustainable society by providing measuring instruments, which are known as the mother tools of industry, and thereby assisting the growth of industries that facilitate the advancement of a digital society and support people's comfortable lifestyles, and aiding the innovation of electrical equipment in terms of energy saving and loss reduction.

Business Overview

Business Description

Our business provides a wide variety of unique high-precision measurement solutions: electrical measuring instruments that gauge electricity, etc.; optical measuring instruments that quantify the wavelengths and power of light; manometers; and software-based measurement systems. Through the provision of these solutions, we contribute to solve our customer's challenges in improving the energy efficiency of various devices, innovating data communications, laying fiber optic cables, and maintaining their plants.

Fields of Focus

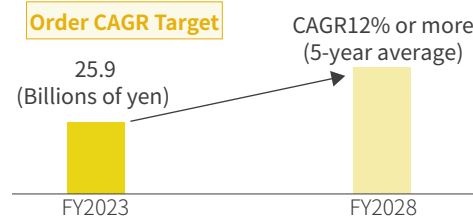
We focus on three fields: the next-generation communications field where all-photonics networks and other revolutionary technological advances are being made; the field contributing to realizing a decarbonized society, the primary examples being new energy, EVs, and batteries; and the industrial field that supports people's well-being through such services as the assessment of environmental and healthcare devices.

Realization of a Sustainable Society through Precision Making



Initiatives toward GS2028

Under GS2028, we will continue, as we did under AG2023, to shift from a product-based business to a solution business that offers system products and comprehensively resolves customer challenges. To that end, we will focus not only on addressing the problems that customers are actually facing but also on identifying challenges that are yet to emerge but are likely to do so in the future, with the aim of generating new value through co-creation with customers. At the same time, we will strategically invest in core technology development so that we can offer competitive solutions. To enable the early acquisition of technologies, we will actively utilize open innovation in addition to making in-house development efforts. Improving electric energy efficiency is a must in realizing a sustainable society, and generative AI is causing exponential growth in data communications traffic. These two factors will serve as strong growth drivers for our business. We will firmly seize this window of opportunity in the market and develop unique measurement solutions that meet customer needs in order to accelerate our growth and thereby achieve the GS2028 targets.



Key Measures

Existing markets × New products & services

Provide measurement solutions to improve energy efficiency

- Provide comprehensive measurement systems that utilize multiple measuring instruments for the renewable energy and EV industries

Pursue highly profitable business by developing and providing one-of-a-kind products

- Develop new products that contribute to next-generation communications, decarbonization, and well-being
- Propose solutions rapidly through co-creation with customers
- Strengthen service to increase customer loyalty and expand the product business

Existing markets × Existing products & services

New markets × New products & services

Create new business using spectroscopic application technology

- Develop high-speed waveform measurement equipment required for next-generation optical communications
- Support to realize "all-photonics networks" researched as the next-generation network by providing photonics-electronics convergence measurement solution.

Expand business areas by applying core technologies

- Expand the measurement business for battery development
- Provide new wavelength-range optical measuring instruments that meet the evolving needs of environmental analysis, healthcare, and semiconductor technology by applying existing core technology

New markets × Existing products & services

Six Contribution Areas and Business Focus Areas toward Achieving the Three Goals

The main initiatives of the Measuring Instruments Business are particularly linked to "Achieving carbon neutrality", "Improving efficiency in society & industry", and "Improving health and safety", among the six contribution areas. Our focus areas are threefold: **(1) supporting adoption and improvement of efficiency of renewable energy and electric vehicles** **(2) supporting improved efficiency of next-gen communication systems;** and **(3) contributing to environment and health through measurement.** We will redouble our efforts to enhance corporate value so that achieving our business goals will also contribute to society and the environment.

We present more detailed information [2024 Sustainability Report, p.19](#)





Business Strategy

New Businesses and Others

Setting its sights on providing an environment that allows the industrial Internet of Things (IIoT) to be used with ease, the Yokogawa Group is developing a solutions business that provides the necessary hardware, software, and cloud environment that are easy to use for service providers and that minimize operational load.

amnimo Inc.



Established in May 2018, amnimo is working to contribute to a world connected through IoT and AI by providing IoT devices and software services that are easy to use and highly reliable. amnimo flexibly combines its own IoT devices, cloud applications, and partner components to support customers' process transformation and contribute to their value creation.

Solutions Provided

Imaging Solutions	By recording images from surveillance cameras and enabling remote viewing and management of the images, our solutions make it possible to utilize the images in business operations.
Industrial IoT Solutions	We provide communication devices and functions for remote monitoring and remote control of industrial equipment.
Edge AI Solutions	We offer solutions that detect phenomena occurring in the field by analyzing images through AI processing.

Video surveillance solutions were provided by amnimo for the Ishikari Bay New Port Offshore Wind Farm, one of the largest offshore wind farms in Japan.

For details, please refer to the [press release](#) for this project and our [2024 Sustainability Report, P.20](#)



Ishikari Bay New Port Offshore Wind Farm
(Source: Green Power Investment Corporation)



Edge gateway (indoor model) for
video surveillance solutions: AG10

Areas for Exploration

Our areas of exploration are disaster prevention, space, and the ocean.

Space

We are engaged in a joint research project with JGC CORPORATION on remote control for a plant on the lunar surface.

Space exploration is a market that is expected to grow over the medium to long term as rocket technology innovations have made outer space more accessible. A number of studies have already begun on the construction of plants on the surface of the Moon, including the Ministry of Economy, Trade and Industry's (METI's) technical challenge study on the development of energy-related technologies on the Moon, and the Japan Aerospace Exploration Agency's (JAXA's) Conceptual Study of a Pilot Plant toward the Realization of a Lunar ISRU Plant. Yokogawa is also participating in the aforementioned initiative of METI, where we are studying lunar hydrogen energy plants as a field in which we can leverage our strengths in measurement and control technologies.

Yokogawa and JGC CORPORATION are leveraging our earth-based track record for plant operation, remote monitoring, and control technologies to advance R&D on control systems that support extraterrestrial communications, an important elemental technology. In this joint development, in order to reduce transportation costs to the Moon and improve maintainability, we will consider installing the controller, the core of the control system, on Earth rather than on the Moon. JGC CORPORATION's expertise in energy plant control and operation and knowledge obtained through various studies on lunar surface plants will be combined with Yokogawa's remote monitoring and control technologies in a study on the optimal control system that supports ultra-remote communications. The two companies plan to obtain the results of this study by the end of fiscal year 2024. By taking this technology and transferring it to Earth-based operations, Yokogawa is also looking to contribute to plant owners through solutions for flexible production planning and ease of maintenance.



Source: JGC CORPORATION
Conceptual image of a lunar society centered on a
hydrogen and oxygen production plant

Participation in HAKUTO-R as a Supporting Company

Yokogawa has signed a Supporting Company Agreement with ispace, inc. (ispace) to join HAKUTO-R, the company's lunar exploration program. Yokogawa will leverage knowledge gained through the HAKUTO-R program and its own proven industrial technologies to develop measurement technology that can be effective in searching for lunar water resources for industrial use, as well as control and other technologies necessary for the hydrogen value chain, and thereby help to realize the infrastructure necessary for lunar economic activities.



Source: ispace
Image as of August 2024.

Chapter

5

Corporate Governance

- | | | | |
|----|---|----|---|
| 47 | Thoughts on Governance | 56 | Compensation Committee/
Executive Compensation |
| 48 | Basic Views on Corporate Governance/
Transition to a Company with a
Nominating Committee, etc.
(Continued Enhancement of Corporate Governance) | 58 | Cross-Shareholdings |
| 49 | New Corporate Governance System | 58 | Governance on
Sustainability TCFD TNFD |
| 50 | Board of Directors | 59 | Internal Control, Compliance,
and Risk Management |
| 55 | Nominating Committee/
Audit Committee | 60 | Vice President &
Executive Officers |



Thoughts on Governance



Hisashi Maruyama
Outside Director

I will strive to ensure transparency and accountability through dialogue and strengthen governance to support swift and bold decision-making.

Masaru Ono
Outside Director

The organization's new governance system is an opportunity for further transformation, and I would like to not only play a supervisory role, but also be involved in driving this transformation.

Makoto Ohsawa
Outside Director

I will encourage further progress in the company's evolution of governance and contribute toward the sustained creation of value and the resolution of societal issues.

Kuniko Urano
Outside Director

I look forward to taking the next steps with the company, building on its power to sense the expectations of society (stakeholders) and enthusiasm to change itself.

Yujiro Goto
Outside Director

I view the trust that customers have placed in Yokogawa as a company strength, and will strive to supervise and strengthen governance focused on the frontlines, where the Group interfaces with its customers.

Takuya Hirano
Outside Director

I will work with determination to help boost corporate value as a global company with diversity and transparency.

Yasuko Takayama
Outside Director

To improve the effectiveness of the company's implementation of strategy and response to risks, I will emphasize promptness and flexibility in my supervisory and audit roles.

Akira Uchida
Outside Director

I will help to improve corporate value over the medium to long term, with an added focus on "aggressive" governance in the pursuit of growth.

Hitoshi Nara

Director, President & CEO, Representative Executive Officer

As a director and representative on the business execution side, I will supervise and lead our executive officers, and with an awareness of the need for quick action will seek to increase our corporate value.

Michiko Nakajima

Director, Vice President & Executive Officer

I value a healthy tension between those in the business execution and supervisory roles, and would like Yokogawa to achieve sustained growth.

Hikaru Kikkawa
Director

I will contribute to greater corporate value for Yokogawa by providing information to its Board of Directors in a timely and appropriate manner and encouraging prompt and decisive decision-making by the business execution side.



Basic Views on Corporate Governance

The Yokogawa Electric Group has established a corporate philosophy, the Yokogawa Philosophy, and the Yokogawa Group Code of Conduct that apply to the entire Group, and strives to maintain appropriate relationships with all stakeholders as well as aims for sustainable corporate growth and increased corporate value over the medium to long term. In addition, based on the philosophy that “a company is a public entity of society,” the Group positions answering the trust of all stakeholders, including shareholders, customers, business partners, society, and employees, via sound and sustainable growth, as the basic mission of its corporate management. In addition, we believe that solving environmental and social issues is the *raison d’être* of the Group, and we have established Yokogawa’s Purpose as “utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet,” in which the top management itself demonstrates strong conviction and leadership to promote management that values sustainability.

In order to experience healthy and sustainable growth of the Group and to maximize its corporate value, the Group believes that efforts such as thorough compliance, appropriate management of risks, and information disclosure in order to ensure constructive dialogue with shareholders and other stakeholders are also important.

The Group formulates and discloses these [Yokogawa Corporate Governance Guidelines](#) which serve as the basic policy for continually working on corporate governance in line with the above views.

Transition to a Company with Nominating Committee, etc. (Continued Enhancement of Corporate Governance)

In order to realize our group’s sustainable growth and increase its corporate value over the medium to long term, the Company has been working to strengthen its corporate governance. Until now, with

the aim of realizing transparent, fair, prompt, and bold decision-making and highly effective management supervision, the Board of Directors has established a voluntary Nominating and Compensation Advisory Committee and strengthening the functions of the Board of Directors based on the evaluation of the effectiveness of the Board, while by maintaining a balanced board structure based on the skills matrix considered necessary by the Company and perspective of diversity, while having a majority of outside directors.

Building an optimal corporate governance system is one of the important issues for the Company, and we had of repeated discussions at the Nominating Advisory Committee and the Board of Directors. As a result, in order to further strengthen corporate governance and improve our medium- to long-term corporate value, a proposal to amend the Articles of Incorporation was approved at the 148th Annual General Meeting of Shareholders held on June 18, 2024, following which Yokogawa transitioned from a Company with an Audit & Supervisory Board to a Company with a Nominating Committee, etc.

With this transition, we believe that the Board of Directors, which is in charge of the supervisory function, will be able to promote execution initiatives that require prompt responses in a rapidly changing environment by focusing on deciding on medium- to long-term business policies and supervising and advising business execution based on those policies. We also believe that having the three statutory committees determine the appointment and dismissal of Vice President & Executive Officers and their compensation, as well as auditing the execution of business operations, will further strengthen the supervisory function.

The Vice President & Executive Officers, in contrast, are responsible for decision-making regarding individual businesses and business execution, and are held accountable for results. Recognizing that Vice President & Executive Officers have the same status as Directors under the Companies Act, we aim to build an appropriate balance of tension and trust between them. By fulfilling the roles of supervision and business execution, the Company aims to enhance the quality and speed of business execution and decision making in collaboration and cooperation, and to improve corporate value over the medium to long term.

Corporate Governance Changes Over Time

	Until FY2023 Continuous enhancement					From FY2024 Further enhancement
		2005	2010	2015	2020	2024
Institutional design	Company with an Audit & Supervisory Board					
Outside Directors	●1 director	●2 directors ●3 directors		●4 directors	●5 directors, accounting for a majority of the Board of Directors	
Voluntary advisory committees			●Established a Nominating and Compensation Committee	●Established a Nominating Advisory Committee and Compensation Advisory Committee		
Compensation system	●Abolished retirement bonuses for Directors			●Introduced a restricted stock compensation plan (RS)	●Introduced a performance-linked stock compensation plan (performance share unit plan: PSU)	
Systems and policies	●Revised the Articles of Incorporation to reduce the number of Directors (25→15) Introduced a one-year tenure system for Directors					
	●Introduced takeover defense measures		●Discontinued (abolished) takeover defense measures			
			●Established the Company's independence standards			
Other			●Established the Yokogawa Corporate Governance Guidelines			
			●Abolished the positions of Senior Advisor, Advisor, and Honorary Corporate Associate			
			●Amendment of the Articles of Incorporation regarding an electronic provision system for informational materials for the General Meeting of Shareholders			
Other			●Conducted an outside evaluation of the Board of Directors*			
			●Appointed a woman as an outside Audit & Supervisory Board Member			
			Appointed foreign nationals as officers			
Other			●Appointed an Outside Director as chairman of the Board			
			●Appointed a foreign national as a Director			
			●Appointment of a female Outside Director			
Other			Appointment of female officers			
			●First female Director appointed from within Company			

Through a c
the followin

- Streamlin
- Clarifyin
- Strengthe

The followin

- Strengthe
- Diversifyi
- Restructu
- compensa
- Linking e
- Enhancin
- Strengthe

*Once every three years. Self-evaluation in other years

Transition to a Company with a Nominating Committee, etc. (June 2024)

Through a clear division of roles between supervision and execution, etc., the following will be pursued to enhance corporate value:

- Streamlining decision-making processes
- Clarifying responsibilities for management decisions and achievement of business plans
- Strengthening and streamlining the audit function

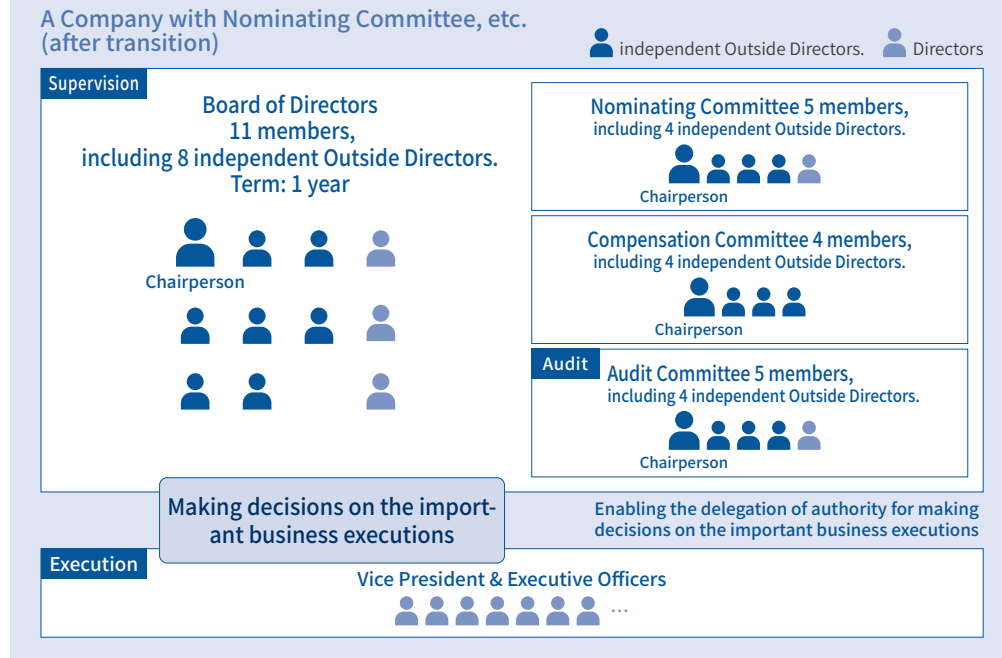
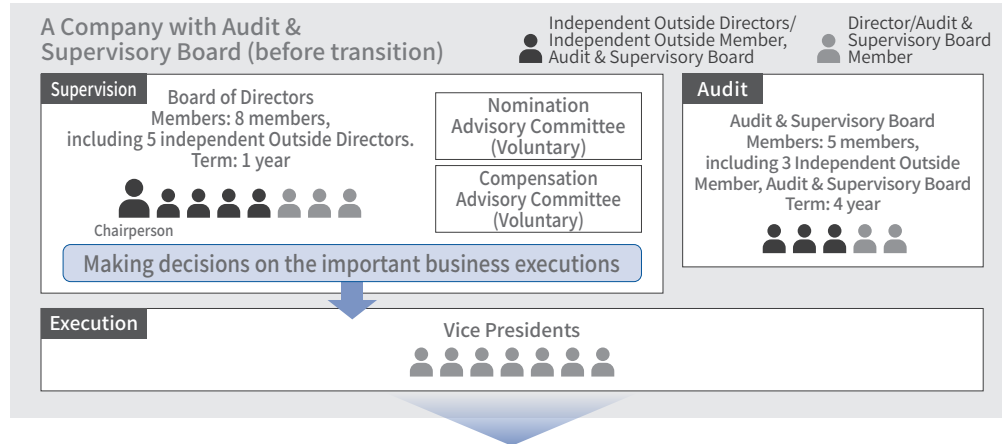
The following actions will be promoted under the new institutional design:

- Strengthening the quality and speed of business execution and decision-making
- Diversifying the Board of Directors and enhancing information disclosure
- Restructuring and improving human resource systems and appraisal/compensation systems for the Group
- Linking executive compensation and sustainability goals
- Enhancing Group governance
- Strengthening internal control and risk management systems



New Corporate Governance System

Overview of the Transition to a Company with Nominating Committee, etc.

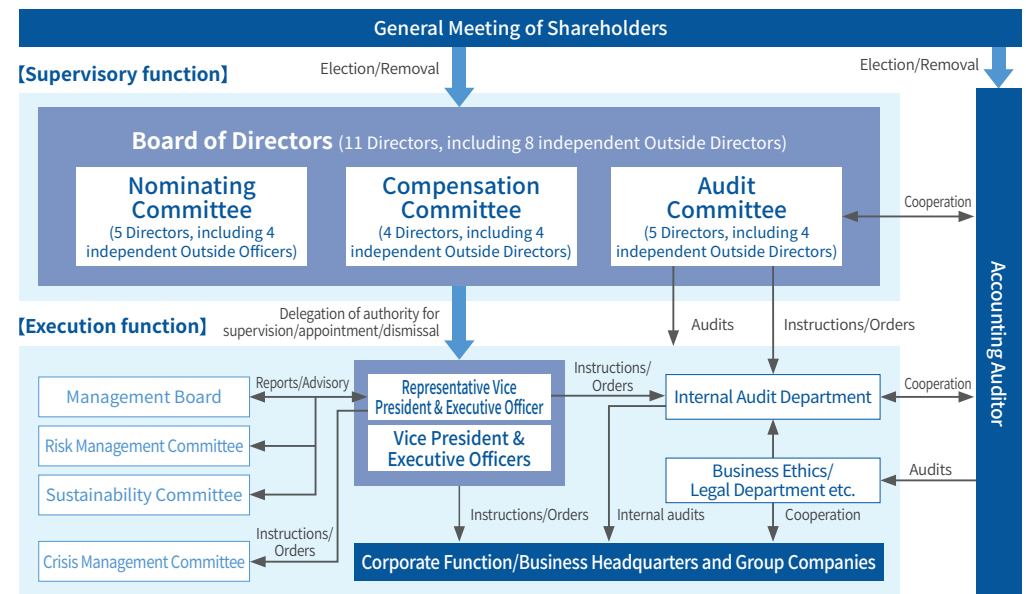


Key Points of the Corporate Governance Structure following the Transition to a Company with a Nominating Committee, etc.

By fulfilling the roles of supervision and business execution, the Company aims to enhance the quality and speed of business execution and decision making in collaboration and cooperation, and to improve corporate value over the medium to long term.

- (1) By concentrating on determining medium to long term business policies and supervising and advising business execution based on them, the Board of Directors, which is responsible for the supervisory function, will encourage execution efforts that require prompt action in a rapidly changing environment.
- (2) The Board of Directors will also strengthen its supervisory function more than ever by determining the appointment, dismissal, and remuneration of executive officers and auditing business execution through the three statutory committees.
- (3) Vice President & Executive Officers in charge of business execution are responsible for individual business and business execution decisions and are responsible for the results thereof. In addition, Vice President & Executive Officers will build an appropriate relationship of tension and trust with the Board of Directors, recognizing that executive officers have the same status as directors under the Companies Act.

Corporate Governance System (as of June 2024)



For more detailed and specific information about Corporate Governance, please refer to [our website](#).



Board of Directors

The Roles of the Board of Directors

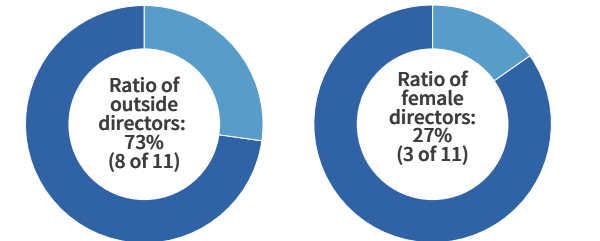
The Board of Directors is entrusted by shareholders with the aim of achieving sustainable growth and increasing the corporate value of the Group over the medium to long term.

To achieve these, considering its initiatives for sustainability as an important management issue, the Board of Directors shall determine the general direction of the Group, including corporate strategies, while improving profit earning capability and capital efficiency. To speed up management decision-making and business execution, authority for decision-making on business execution is largely delegated to Vice President & Executive Officers. The Board of Directors supervises the Vice President & Executive Officers' execution of duties, determines the basic policy for the internal control system for business execution, and monitors and supervises the establishment and operation of the system.

An independent Outside Director shall, in principle, act as the Chairman of the Board of Directors in order to separate the execution and supervision of business, and the Chairman of the Board of Directors shall strive to set the agenda and conduct the meeting of the Board of Directors in a way which creates a place for holding free and open discussions and constructive debates based on the knowledge and experience of each member.

Composition

■ Inside ■ Outside ■ Female ■ Male



Message from the Chairperson



Chairman of the Board
Akira Uchida

Seeking Even Greater Corporate Value under a New Institutional Design

The company's transition to a Company with a Nominating Committee, etc. was approved at the Annual General Meeting of Shareholders in June 2024. With this transition, Yokogawa will aim to achieve sustainable growth and improve its corporate value over the medium to long term.

The objectives of this change in institutional design are to clearly separate the functions and roles of management supervision and business execution, strengthen supervision functions, and accelerate business execution. Though we previously were a Company with an Audit & Supervisory Board, the majority of the members of the Board of Directors were outside directors, and the same was true for both the Nomination Advisory Committee and the Compensation Advisory Committee. The chairpersons of these committees were also outside directors. Thus, Yokogawa already had a structure in place whereby supervision could be kept separate from business execution. However, important business execution items required a resolution by the Board of Directors, leading to a lengthy decision-making process in which discussions and deliberations on business matters sometimes went into great detail. Another issue was whether a Board of Directors primarily made up of outside directors who are not involved in business execution should make decisions on the execution of business operations. As a result of the transition to a Company with a Nominating Committee, etc., we will achieve separation of supervision and business execution, and the making of decisions on important business execution matters to the executive officers, thereby resolving such issues.

For these reasons, in line with the transition to a Company with a Nominating Committee, etc., significant authority has been delegated to the business execution side. We expect that the business execution side will make effective use of this delegated authority, recognize growth opportunities in a timely manner, and ensure prompt implementation. In addition, executive officers must be aware that they hold greater responsibility for results than ever before as officers stipulated by law. Furthermore, it is necessary to improve the quality of business execution to produce solid results. For this reason, in

addition to increasing the awareness of executive officers, we have taken the opportunity of this change to institutional design to have the business execution side work on improving management mechanisms, such as how the Management Board should operate and how issues should be deliberated.

Meanwhile, we believe that the Board of Directors must fulfill its responsibility to deepen discussions by focusing more than ever on overarching management direction, medium- to long-term management strategies, and deliberations on important management issues. At the same time, we will strengthen the supervisory functions and play a role in objectively and fairly evaluating the implementation of strategies and achievement of results by the business execution side. It will be important to form an optimal execution team based on the results of these assessments.

There is another key supervisory function that I believe the Board of Directors should provide. It is urging the execution side to take action through so-called "aggressive governance." The company faces issues: It has not made use of all the funds allocated for growth investment, and sales growth has long been insufficient. We therefore recognize that the Board of Directors has the important role of encouraging the taking of reasonable risks.

Fiscal year 2024 is the first year under the new Growth for Sustainability 2028 (GS2028) medium-term business plan. In fiscal year 2023, Yokogawa achieved significant year-on-year increases in both sales and profits, and was able to generally achieve the management objectives of the previous medium-term business plan, even when excluding the effect of the depreciation of the yen. However, we still fall short of our global competitors in terms of business scale and profitability. In order to come out ahead in this global competition, we must expand our business and improve profitability through the steady implementation of GS2028. The Board of Directors will monitor the implementation of important tasks set out in GS2028, such as the execution of growth strategy and the strengthening of our management and business foundations, and we will focus our efforts on deliberating any management issues that emerge as the result of these activities. In addition, we believe that it will be necessary to monitor whether the speed and quality of business execution have improved as a result of the changes in the institutional design.

To deepen discussions by the Board of Directors and ensure appropriate monitoring, it is also important to strengthen communication with the business execution side. To this end, we plan to hold off-site meetings as necessary to exchange views and share information. In addition, we believe that attending meetings of the Management Board, engaging in Q&A sessions during agenda pre-briefings, and holding meetings with senior management during visits to business sites will also help strengthen communication.

Another important topic is the sharing of information between the Board of Directors and the three statutory committees, and unifying how they operate. In particular, with regard to the succession planning for the Representative Executive Officer and other officers, the Nominating Committee will enhance its deliberations and increase its observation of officer candidates by arranging for them to attend meetings of the Board of Directors so that appropriate decisions can be made.

The business areas in which Yokogawa operates are directly linked to sustainability, making Yokogawa a company whose business activities play a role in presenting solutions to societal issues. By expanding these businesses, Yokogawa will be able to achieve sustainable growth and improve its corporate value over the medium to long term. Under the new corporate institutional design, the Board of Directors will work together with those on the business execution side toward this common goal, and will fulfill its roles and responsibilities while maintaining a balance between cooperation and restraint.



Directors

Directors

**Hitoshi Nara**

Director
President and CEO,
Representative
Executive Officer
Member of the
Nominating Committee

Apr. 1985 Joined the Company
Oct. 2001 Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.
Oct. 2003 Managing Director of Yokogawa (Thailand) Ltd.
Apr. 2010 Senior Vice President of the Company
Jun. 2011 Director and Senior Vice President Head of Industrial Solutions Business Headquarters
Apr. 2013 Director of the Company President of Yokogawa Solution Service Corporation
Apr. 2017 Director and Executive Vice President of the Company
Apr. 2019 President and CEO
Jun. 2024 Director, President & CEO, Representative Executive Officer

**Hikaru Kikkawa**

Director
Member of the
Audit Committee

Apr. 1989 Joined the Company
Apr. 2011 Head of PR/IR Office, Corporate Administration Headquarters
Apr. 2012 Head of Corporate Planning Office, Corporate Headquarters
Apr. 2016 Head of Business Planning Office, Marketing Headquarters
May 2017 President of Yokogawa America do Sul S.A.S.
Apr. 2020 Vice President, Head of Audit, Compliance and Quality Assurance Headquarters of the Company
Apr. 2022 Vice President, Head of Audit & QHSE Headquarters
Apr. 2024 Internal Audit Headquarters
Jun. 2024 Director

**Michiko Nakajima**

Director
Vice President &
Executive Officer

Apr. 1994 Joined the Company
Apr. 2014 Head of Budget Control Department, Accounting & Treasury Headquarters
Apr. 2016 Head of Treasury Department, Accounting & Treasury Headquarters
Apr. 2018 Head of Accounting & Treasury Center, Corporate Administration Headquarters
Apr. 2021 Vice President, Head of Accounting & Treasury Headquarters
Jun. 2024 Director, Vice President & Executive Officer, Head of Accounting & Treasury Headquarters

**Akira Uchida**

Outside Director
Chairman of the Board
Member of the
Nominating Committee
Member of the
Compensation Committee

Joined Toray Industries, Inc.
Apr. 1975
Jun. 1996 Executive Vice President of Toray Industries (America), Inc.
Jun. 2000 Senior Manager of Corporate Planning 1st Department and Corporate Communications Department, Toray Industries, Inc.
Jun. 2004 Associate Director of Corporate Planning Department and Investor Relations Department, Toray Industries, Inc.
Jun. 2005 Vice President (Member of the Board), General Manager of Finance & Controller's Division, Toray Industries, Inc. President of Toray Holding (U.S.A.), Inc.
Jun. 2009 Senior Vice President (Member of the Board), General Manager of Finance & Controller's Division, Toray Industries, Inc. President of Toray Holding (U.S.A.), Inc.
Jun. 2012 Senior Vice President (Member of the Board), Chief Investor Relations Officer, Chief Social Responsibility Officer, General Supervisor for General Administration & Legal Division, Corporate Communications Department, Advertising Department, General Manager of Tokyo Head Office, Toray Industries, Inc.
Jun. 2016 Counselor, Toray Industries, Inc. (retired in March 2019)
Jun. 2019 Director of the Company

**Kuniko Urano**

Outside Director
Chairperson of the
Nominating Committee
Member of the
Compensation Committee

Apr. 1979 Joined Komatsu Ltd.
Apr. 2005 General Manager of Logistics Planning Department, Production Division of Komatsu Ltd.
Apr. 2010 General Manager of Corporate Communications Department of Komatsu Ltd.
Apr. 2011 Executive Officer, General Manager of Corporate Communications Department of Komatsu Ltd.
Apr. 2014 Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.
Apr. 2016 Senior Executive Officer, General Manager of Human Resources Department of Komatsu Ltd.
Jun. 2018 Director and Senior Executive Officer of Komatsu Ltd.
Apr. 2021 Director of Komatsu Ltd.
Jun. 2021 Director of the Company
Jul. 2021 Senior Adviser of Komatsu Ltd. (retired in June 2024)

**Takuya Hirano**

Outside Director
Member of the
Nominating Committee
Chairperson of the
Compensation Committee

Dec. 1995 Joined Kanematsu USA
Feb. 1998 Joined Hyperion Solutions Corporation (the present Oracle Corporation)
Feb. 2001 President of Hyperion Solutions Japan
Aug. 2005 Senior Director, Business & Marketing Division of Microsoft Co., Ltd. (the present Microsoft Japan Co., Ltd.)
Feb. 2006 General Manager, Enterprise Service of Microsoft Co., Ltd.
Mar. 2008 General Manager, Enterprise Business of Microsoft Japan Co., Ltd.
Sep. 2011 General Manager, Multi-country of Microsoft Central and Eastern Europe
Jul. 2014 Executive Vice President, Marketing & Operations of Microsoft Japan Co., Ltd.,
Mar. 2015 Representative Officer, Executive Deputy President of Microsoft Japan Co., Ltd.
Jul. 2015 President of Microsoft Japan Co., Ltd. (retired in August 2019)
Sep. 2019 Vice President, Global Service Partner Business of Microsoft Corporation (retired in September 2022)
Jun. 2022 Director of the Company

Outside Directors

**Yujiro Goto**

Outside Director
Member of the
Nominating Committee
Member of the
Compensation Committee

Apr. 1980 Joined Nippon Shokubai Kagaku Kogyo Co., Ltd. (the present NIPPON SHOKUBAI CO., LTD.)
Apr. 2011 Deputy Director of Production Div., and General Manager of Production & technology Dept. of NIPPON SHOKUBAI CO., LTD.
Apr. 2012 Plant Manager of Kawasaki Plant of NIPPON SHOKUBAI CO., LTD.
Jun. 2012 Executive Officer, Plant Manager of Kawasaki Plant of NIPPON SHOKUBAI CO., LTD.
Jun. 2015 Member of the Board, Managing Executive Officer in charge of production and technology departments of NIPPON SHOKUBAI CO., LTD.
Apr. 2017 President and Representative Member of the Board of NIPPON SHOKUBAI CO., LTD.
Jun. 2022 Member of the Board, Chairman of NIPPON SHOKUBAI CO., LTD.
Jun. 2023 Advisor of NIPPON SHOKUBAI CO., LTD. Director of the Company

**Yasuko Takayama**

Outside Director
Leading Outside Director
Member of the
Audit Committee

Apr. 1980 Joined Shiseido Co., Ltd.
Apr. 2005 General Manager, Website Planning Group, Consumer Information Center of Shiseido Co., Ltd.
Apr. 2006 General Manager, Consumer Information Center of Shiseido Co., Ltd.
Oct. 2008 General Manager, Consumer Relations Department of Shiseido Co., Ltd.
Apr. 2009 General Manager, Social Affairs and Consumer Relations Department of Shiseido Co., Ltd.
Apr. 2010 General Manager, Corporate Social Responsibility Department of Shiseido Co., Ltd.
Jun. 2011 Full-time Audit & Supervisory Board Member of Shiseido Co., Ltd.
Jun. 2015 Advisor of Shiseido Co., Ltd. (retired in June 2017)
Jun. 2017 Member of Audit & Supervisory Board of the Company
Jun. 2024 Director of the Company

**Makoto Ohsawa**

Outside Director
Member of the
Audit Committee

Apr. 1981 Joined the Bank of Japan
May 1990 Seconded to the International Monetary Fund (Asian Department)
Jun. 1997 Deputy Chief, London Representative Office of the Bank of Japan
Jun. 1999 Director, Financial Markets Department of the Bank of Japan
Jun. 2003 General Manager, Naha Branch (Okinawa) of the Bank of Japan
Sep. 2006 Joined PwC
Sep. 2008 Partner of PwC (in charge of Business Revitalization, Financial, Family Businesses, Healthcare, and Hospitality Industries)
Feb. 2012 Chief Executive Officer of FEMO Co., Ltd.
Jun. 2018 Member of Audit & Supervisory Board of the Company
Jun. 2024 Director of the Company

**Masaru Ono**

Outside Director
Member of the
Audit Committee

Apr. 1978 Registered Tokyo Bar Association
Jun. 1983 Certified New York State Bar
Feb. 1984 Joined Nishimura Sanada Law Firm (the present Nishimura & Asahi)
Jul. 1985 Partner of Nishimura & Asahi
Jun. 2007 Managing Director of Securitization Forum of Japan (the present President)
Apr. 2009 Visiting Professor of University of Tokyo (retired in March 2024)
Jun. 2020 Member of Audit & Supervisory Board of the Company
Dec. 2021 Of Counsel of Nishimura & Asahi (retired in December 2023)
Jan. 2024 Representative Partner, Ono & Partner
Jun. 2024 Director of the Company

**Hisashi Maruyama**

Outside Director
Chairperson of the
Audit Committee

Apr. 1983 Joined Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Apr. 2003 Head of President's Office and General Manager in charge of Legal and IR of Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Apr. 2011 Executive Officer, Deputy General Manager of CSR Management Department and Head of Finance Center of Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Apr. 2015 Managing Executive Officer of Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Apr. 2016 Representative Executive Officer and President of Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Jun. 2016 Director, Representative Executive Officer and President of Hitachi Chemical Company, Ltd. (the present Resonac Corporation)
Jan. 2022 Director, Showa Denko K.K. (the present Resonac Holdings Corporation), Representative Director and Chairman, Showa Denko Materials Co., Ltd. (the present Resonac Corporation)
Jan. 2023 Director, Resonac Holdings Corporation (retired in March 2023)
Jun. 2024 Director of the Company



Message from New Officers



Director
Member of the Audit Committee

Hikaru Kikkawa

It is a great honor for me to be elected to the positions of Director and full-time member of the Audit Committee of Yokogawa, which has transitioned to a Company with a Nominating Committee, etc., although, at the same time, I feel a heavy responsibility.

The primary objective of this transition in institutional design is to maximize corporate value by strengthening the supervisory function of the Board of Directors and accelerating business execution by Yokogawa's executive officers.

As the only full-time and internal member of the Audit Committee, I intend to strengthen the supervisory function of the Board of Directors through timely and appropriate provision of information to its outside members. In addition, I will provide advice to the executive officers to facilitate quick and resolute decisions, thereby helping to accelerate the execution of business.

In order to achieve these goals, I believe it is very important to build trust through active communication with stakeholders inside and outside Yokogawa.

Through these activities, I will contribute to the further enhancement of Yokogawa's corporate value.



Director, Vice President & Executive Officer
Head of Accounting & Treasury Headquarters

Michiko Nakajima

I feel a great weight of responsibility in assuming the position of Director at a time when Yokogawa is transitioning to a Company with a Nominating Committee, etc. and making changes in its governance structure.

With this change, the Board of Directors is required to strengthen its supervisory function. My understanding is that the essential roles of the Board of Directors are to protect the interests of a wide range of stakeholders, including shareholders and business partners, and to ensure corporate sustainability, that is, continuous growth and stability. Furthermore, the board must ensure fair and transparent governance to support the aforementioned two roles.

Given that Directors are also required to observe the business execution side with objectivity, I would hope to strengthen the functions of the Board of Directors by capitalizing on my experience of dealing with Yokogawa's business as a director and vice president who also serves as head of the Accounting & Treasury Headquarters. This experience has required me to maintain objectivity by making use of the feedback from the shareholders and capital markets gained through our investor relations activities, as well as data on our business operations.

While maintaining a long-term perspective and keeping in mind the nature of my role and the viewpoints of our stakeholders, I will fulfill my duties as a Director.



Outside Director
Chairperson of the Audit Committee

Hisashi Maruyama

Amid dramatic and unprecedentedly rapid changes in the business environment, companies are being required to carry out bold management reforms with transparency and accountability and to protect the environment and contribute to society. In response, Yokogawa has transitioned to a Company with a Nominating Committee, etc. to achieve rapid growth benefiting from enhanced governance and swift decision-making.

I am honored to have been appointed as an Outside Director at such a critical juncture, and at the same time am humbled by the heavy responsibilities that this entails. For many years, I worked at a specialty and fine chemicals manufacturing company. In my role in globalizing and restructuring their business, among other responsibilities, I also made an effort to eliminate unethical practices and prevent their recurrence, and learned the importance of sincere communication with stakeholders and flexible and agile management.

In a positive corporate culture that practices sincerity in all things, I hope through dialogue with many different parties, prompt and bold decision-making, and the provision of support to elicit the strengths of a Company with a Nominating Committee, etc., and will do all I can to further enhance the corporate value of Yokogawa.



Board of Directors Composition and Roles, and Directors' Primary Expertise and Experiences (Skill Matrix)

Name				No. of years as director (as of June 30, 2024)	Committees to which directors belong			Expertise and experiences							
					Nominating Committee: 5 members	Compensation Committee: 4 members	Audit Committee: 5 members	Corporate management	Internationality / Global experience	Treasury / Finance	Technology / Development	IT / Digital	Sales / Marketing	HR / HR development	Legal & Risk management
Directors	Hitoshi Nara	President & CEO, Representative Executive Officer		13 years	●			●	●			●			
	Hikaru Kikkawa	Non-executive		—	●				●	●		●			
	Michiko Nakajima	Vice President & Executive Officer, Head of Accounting & Treasury Headquarters		—						●					
Outside Directors	Akira Uchida	Chairman	Outside Independent	5 years	●	●			●	●					●
	Kuniko Urano	Chairwoman of the Nominating Committee	Outside Independent	3 years	◎*2	●							●		●
	Takuya Hirano	Chairman of the Compensation Committee	Outside Independent	2 years	●	◎*2			●		●	●			
	Yujiro Goto		Outside Independent	1 year	●	●		●			●				●
	Yasuko Takayama	Leading Outside Director	Outside Independent	7 years*1			●							●	●
	Makoto Ohsawa		Outside Independent	6 years*1			●		●						
	Masaru Ono		Outside Independent	4 years*1			●		●					●	●
	Hisashi Maruyama	Chairman of the Audit Committee	Outside Independent	—			◎*2	●		●				●	

*1. Years as an outside member of the Audit Committee *2. "◎" denotes committee chairperson.

Corporate management	In order to achieve the transformation set out in the long-term business framework and in the medium-term business plan GS2028 amid major changes in the business environment, such as structural changes in the energy industry and advances in digital technology innovation, a wealth of experience and knowledge in the field of corporate management in general is required, including leading the transformation as head of the corporate headquarters of a major company.
Internationality / Global experience	A wealth of experience and knowledge in global business and overseas culture and environments is required to develop and implement medium- to long-term growth strategies for the Company, which operates globally (ratio of overseas sales: approximately 70%, ratio of overseas employees: approximately 65%), and to properly supervise global management.
Treasury / Finance	Solid experience and knowledge in the fields of treasury and finance are required to build a strong financial base to support sustainable growth of the Company and to develop a financial strategy to promote aggressive investment in growth, including M&A and alliances, and to realize appropriate shareholder returns.
Technology / Development	To further evolve and develop the Company's strengths in technology and development in the fields of measurement, control, and information to achieve growth through innovative solutions incorporating new technologies, it is necessary to have solid experience and knowledge in the fields of innovation, technology, development, quality, and the environment.
IT / Digital	Achieving new solutions through integration, autonomization, and digitization and creating new value through OT and IT convergence and the System of Systems concept connecting multiple systems require extensive experience and knowledge in the fields of business operations and business model transformation using advanced IT and digital technologies.
Sales / Marketing	To achieve growth by solving customers' real problems through innovative solutions, it is essential to transform business models and to plan and develop new solutions that meet market needs, as well as to develop a strategy to expand orders and sales, which require extensive experience and knowledge in the sales and marketing fields.
HR / HR development	As the importance of human capital management increases, in order to transform the Company into what it aims to be in the medium to long term, it is important for the Company to develop and implement human resources strategies, such as securing, developing, and utilizing management personnel, DX personnel, and consultant personnel, in conjunction with management strategies, which require solid experience and knowledge in the fields of human resources and human resources development.
Legal & Risk management	Achieving sustainable corporate value growth requires risk management that can accurately and quickly address rapidly changing and diversifying risk factors in a rapidly changing business environment and requires solid experience and knowledge in the fields of risk management, compliance, and law.
Sustainability / ESG	To sustainably increase corporate value in keeping with Yokogawa's Purpose of "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," it is necessary to achieve both growth through ESG-focused management and the creation of social and environmental value, which in turn requires extensive experience and knowledge in the fields of sustainability and ESG.

For the Company's independence standards, please refer to [our website](#).



Board of Directors' Activity and Results in Fiscal Year 2023

*The activities and results of the Board of Directors as a Company with an Audit & Supervisory Board for fiscal year 2023.

Activities and Results

Number of meetings **14**

Attendance rate* **100%**

*Attendance rate of Directors (including Outside Directors): 100%
Attendance rate of Audit & Supervisory Board members (including outside members): 100%

Priority Items Discussed

Medium- to long-term growth strategy and important management issues

- Status of AG2023 achievement and issues to be continuously addressed
- Medium- to long-term growth strategy and important management issues (including the formulation of the next medium-term business plan)
- Medium- to long-term initiatives to increase Company-wide profitability
- Human capital management initiatives
- Progress and outcomes of, and issues to be addressed by, the management foundation transformation project

Sustainability

- Policy for setting the sustainability indicators and targets for 2030
- A story integrating the Group's contribution areas based on a reimplemented materiality analysis, its contribution to society and environment, and its growth strategy
- Disclosure of information concerning human capital management, internal and external communication, and sustainability

Governance

- Decided to submit a proposal on the transition to a Company with a Nominating Committee, etc. at the Annual General Meeting of Shareholders
- Enhanced information sharing at Board of Directors meetings with respect to risk management, internal audits, and activities of the Nomination Advisory Committee and the Compensation Advisory Committee

Board of Directors Evaluation

Based on the evaluations of each Director, each year the Board of Directors shall identify issues for further boosting the strengths and effectiveness of the Board of Directors, and make analysis and evaluations in order to clarify the points that should be emphasized when working on each issue. To make evaluations, the Board of Directors has used third-party evaluation organizations as appropriate.

■ Summary of the Fiscal Year 2023 Board of Directors Evaluation Results

*In fiscal year 2023, we evaluated the Board of Directors as a Company with Audit & Supervisory Board.

As a result of the Board of Directors evaluation, the Board of Directors was evaluated as open and highly effective, and it was also confirmed that it is important to develop a system for setting appropriate management-related targets and indicators, and to exercise a function that encourages risk-taking.

● Roles, size and composition of the Board of Directors

- The Group has engaged in initiatives to transform a company continuously creating values in the rapidly changing business environment. The Board of Directors appropriately fulfills its role based on the recognition that its important roles and functions are to provide medium- to long-term management direction, and to supervise and support the execution of operations from the perspective of each stakeholder. The Chairman and Directors appropriately fulfill their roles, and Audit & Supervisory Board Members also contribute to improving the effectiveness of the Board of Directors.
- While the size of the Board of Directors, the ratio of outside directors to inside directors, and the diversity of its members are recognized as appropriate, further enhancement of international and gender diversity is considered desirable. Some respondents also expressed the need to establish a system that enables discussion of best practices from a global perspective.

● Management status of the Board of Directors

- The frequency and duration of Board of Directors meetings were found to be appropriate, with open and constructive discussions. It is also considered that the agenda setting should be further focused on important management issues.
- The Board of Directors contributes to the formulation and implementation of the Medium-term Business Plan and Long-term Management Concept from a variety of knowledge and perspectives. The Board of Directors recognizes that securing and transforming human resources, expanding business, and improving profitability are issues that need to be addressed, and it is believed that the progress and results of these efforts should be strengthened.

■ Efforts for Future Improvement

In order to further accelerate the transformation of the Group based on the results of the Board of Directors evaluation, the Board of Directors will work to enhance effectiveness by bolstering the supervisory function further through the following initiatives.

● Establishment of governance structure as a Company with Nominating Committee, etc.

We have transitioned to a Company with Nomination Committee, etc. after the Board of Directors and others considered the optimum organizational design and decision-making process. After the transition, we aim to achieve sustainable growth and increase corporate value over the medium to long term by clearly separating management oversight and execution and further improving the quality and speed of business execution and decision-making.

● Deepen discussion of medium- and long-term management strategies

In fiscal year 2023, the Board of Directors and the executive side reviewed the current medium-term business plan and discussed the formulation of a new medium-term business plan, which was resolved by the Board of Directors. In fiscal year 2024, important medium- to long-term management issues will be selected for the agenda in light of the start of the new medium-term business plan and the transition to a Company with Nominating Committee, etc. Among them, we will take up as agenda items important management issues that should be discussed by the Board of Directors, which were raised in the Board of Directors evaluation and Outside Directors Meeting. In order to deepen these discussions, we will also further strengthen communication with the executive side.

● Strengthen monitoring functions

With the transition to a Company with Nominating Committee, etc., the Board of Directors will confirm whether the quality of execution is ensured as well as whether the speed of execution is increased by delegating significant authority to the executive side. In addition, as a Company with Nominating Committee, etc., the Board of Directors will develop an appropriate governance system and confirm the status of the system. As for the three statutory committees, we will also ensure their flexible operation while putting their operation on track.



Nominating Committee

Roles of the Nominating Committee

The Nominating Committee sets out the standard and procedure for new appointment, reappointment and dismissal of Directors and Vice President & Executive Officers, and deliberates based on them, so that desired human resources (qualifications, achievements, etc.) required of Directors and Vice President & Executive Officers and the selection process is optimal from the perspective of all stakeholders for the continued development of the Group and corporate governance. The Nominating Committee makes decisions on items set forth below.

- (1) Decisions on proposals regarding the election and dismissal of Directors to be submitted to the General Meeting of Shareholders
- (2) Details of the agenda item to be discussed at a meeting of the Board of Directors concerning the appointment, and dismissal or removal of the Representative Executive Officers and Vice President & Executive Officers
- (3) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the committee regarding an item stated in item (2)
- (4) Other matters that the committee recognizes as important in relation to the appointment of candidates, and dismissal or removal of the Representative Executive Officers and Vice President & Executive Officers stated in items (1) and (2)

Succession Plan

Evaluation of President & CEO, Representative Executive Officer

The Nominating Committee performs a yearly evaluation of President & CEO, Representative Executive Officer using basic evaluation criteria which incorporates quantitative aspects of the Company's results. By checking and confirming the comprehensive supervisory and business execution capabilities of management and carefully and appropriately deliberating the reasonableness of said persons continuing their respective roles, the committee is able to ensure the appropriateness of any new appointments, reappointments or dismissals. Further, by evaluating results from multiple perspectives, identifying issues, and providing feedback to individuals, the committee aims to improve the quality of management.

Succession Plan for President & CEO, Representative Executive Officer

The Nominating Committee, of which a majority is comprised of independent outside directors, deliberates and determines matters pertaining to the succession plan for President & CEO, Representative Executive Officer. The committee has also established requirements and selection process for selecting the next President & CEO, Representative Executive Officer, and reviews them as and when required. For future candidates for such appointments, the committee prepares development plans, provides the necessary training, and assigns them as appropriate.

Audit Committee

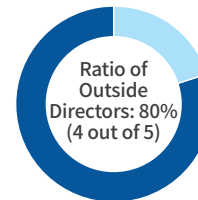
Roles of the Audit Committee

The Audit Committee, as a statutory body that plays a role in oversight functions fulfilled by the Board of Directors and audits Directors, Vice President & Executive Officers in execution of their duties, conducts high value-added audits and audits to determine reasonableness in the execution of duties. The committee also regularly provides the Board of Directors with an audit report, which is used as the basis for submitting recommendations to the President & CEO, and other executives. The main duties of the committee are as follows.

- (1) Auditing the execution of duties by Directors, Vice President & Executive Officers, and the preparation audit reports
- (2) Auditing the details of Board of Directors resolutions related to the internal control system, and the development and operational status of the internal control system by Vice President & Executive Officers.
- (3) Auditing the development and operational status of the risk management system
- (4) Auditing the appropriateness of the auditing methods employed by the accounting auditor and the results of their audits

Composition

■ Inside ■ Outside



Director Hitoshi Nara
 Outside Director Akira Uchida
 Outside Director Kuniko Urano ◎
 Outside Director Takuya Hirano
 Outside Director Yujiro Goto
 Note: "◎" denotes a committee chairperson.

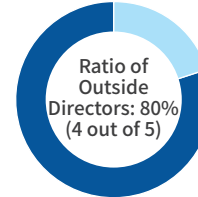
Activity Results in Fiscal Year 2023

Note: Activity as the Nomination Advisory Committee of a Company with an Audit & Supervisory Board.

Number of meetings	14
Attendance rate	99%
Matters discussed	- How the Board of Directors should function, the direction it should pursue in the future, and the composition of the Board of Directors - Optimal decision-making process and institutional design - Evaluation and reappointment of the President and CEO - Structure of vice presidents for fiscal year 2024 - Recommendation on the director candidates proposed for the Annual General Meeting of Shareholders held in June 2024 - Candidates for chairpersons and members of the three statutory committees, and for Vice President & Executive Officers submitted to the Board of Directors subsequent to the transition to a Company with a Nominating Committee, etc. - Confirmation on the progress of the CEO succession plan, the successor nurturing plan going forward, and so forth

Composition

■ Inside ■ Outside



Director Hikaru Kikkawa
 Outside Director Yasuko Takayama
 Outside Director Makoto Ohsawa
 Outside Director Masaru Ono
 Outside Director Hisashi Maruyama ◎
 Note: "◎" denotes a committee chairperson.

Activity Results in Fiscal Year 2023

Note: Activity as The Audit & Supervisory Board of a Company with an Audit & Supervisory Board.

Number of meetings	16
Attendance rate	100%
Priority audit items	- Progress of the medium-term business plan AG2023 - Establishment and operation of the Yokogawa Group's internal control system
Audit activity results	- Audits of Yokogawa Group subsidiaries - Audits of business execution by attending important meetings and viewing important documents - Audits through interviews with directors, vice presidents, and other key employees - Cooperation with the accounting auditor and the department in charge of internal auditing - Cooperation with outside directors and the Group's full-time Audit & Supervisory Board members - Measures in preparation for the institutional design change



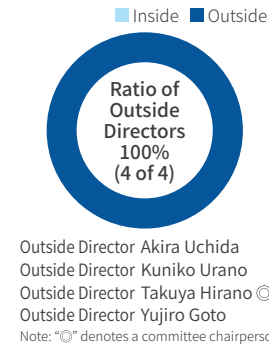
Compensation Committee

Roles of the Compensation Committee

The Compensation Committee deliberates and makes decisions based on the prescribed standard and procedure in order to ensure that the compensation system and compensation for Directors and Vice President & Executive Officers promotes the appropriate challenging attitude toward the Group's growth, enables hiring and retention of excellent human talent, and fosters a perspective that is held in common with all stakeholders. The Compensation Committee makes decisions on items set forth below.

- (1) Policy in relation to decisions concerning the details of compensation, etc. for Directors and Vice President & Executive Officers
- (2) Details and standards of compensation, etc. for individual Directors and Vice President & Executive Officers
- (3) Establishment, amendment or abolition of necessary basic policies, regulations, procedures, etc. to enable a decision by the Compensation Committee regarding a matter stated in each item above.
- (4) Other matters that the Compensation Committee recognizes as important in relation to compensation, etc. pertaining to each item above.

Composition



Activity Results in Fiscal Year 2023

Note: Activity as the Compensation Advisory Committee of a Company with an Audit & Supervisory Board.

Number of meetings	8
Attendance rate	98%
Matters discussed	- Amounts of performance-linked compensation paid in July 2023, as well as the performance indicators and formulas for performance-linked compensation to be paid in July 2024 - Comparison of executive compensation levels with benchmark companies to verify the appropriateness of current levels of executive compensation - Approach to a system of share-based compensation as medium- to long-term incentive compensation

Executive Compensation

Basic Policy

The basic policy on compensation for Directors and Vice President & Executive Officers shall be as follows:

- (a) Plan that promotes sustainable, medium- to long-term improvement in corporate value
- (b) Plan that reflects the medium- to long-term management strategy and strongly motivates the achievement of medium- to long-term management objectives
- (c) Plan that prevents bias toward short-term thinking
- (d) Plan and monetary amounts that secure and maintain excellent human resources
- (e) Plan that includes transparency, fairness, and rationality for stakeholders, decided through an appropriate process to ensure these factors

Policy for Determining Compensation, etc. for Officers

- 1) Compensation, etc. for Directors and Vice President & Executive Officers
The Compensation Committee establishes the system and the policy for determining the remuneration of Directors and Vice President & Executive Officers, and determines the content of remuneration for each Director and Vice President & Executive Officer in accordance with the system and policy.
- 2) Composition of the Compensation Committee
The Compensation Committee shall compose of three or more Directors appointed by the Board of Directors, the majority of whom are Independent Outside Directors. The Chairperson shall be selected from Independent Outside Directors by the Board of Directors.

Composition of Officers' Compensation

Directors shall be paid a fixed remuneration of basic compensation. This is because variable compensation such as performance-linked compensation is not appropriate for Directors who maintain position independent from the performance of duties, and as such only fixed compensation is paid, identically for non-executive Directors. However, Vice President & Executive Officers who also serve as Directors shall be paid as Vice President & Executive Officers.

Vice President & Executive Officers' compensation compose of (a) basic compensation, which is fixed compensation, and (b) performance-linked compensation ((b)-1 annual incentive and (b)-2 medium- to long-term incentive).

The levels of compensation for executive are set through a comparison with companies from the same industry and of the same scale, both domestically and internationally, based on the results of surveys conducted by external organizations, and the Company's financial conditions.

Compensation levels for each position are based on the level of 50%iles by peer companies. From the viewpoint of flexible management in response to changes in the environment and the acquisition and retention of talented management personnel, compensation levels shall generally be within the range of 25%iles to 75%iles.

Compensation for personnel hired overseas may be determined individually based on a compensation benchmark analysis that takes into account the responsibilities of each position based on executive compensation survey data in that overseas region.

The specific composition of compensation for executives and officers shall be as follows in accordance with the executive categories.

Executive categories	(a) Basic compensation	(b) performance-linked compensation ((b)-2 including non-monetary compensation)	
		(b)-1 Annual Incentive	(b)-2 Mid- to Long-Term Incentive
Director	○	—	—
Director Concurrent Executive Officer	○	○	○
Vice President & Executive Officer	○	○	○

**(a) Basic compensation**

Basic compensation shall be fixed monthly compensation and shall be determined based on the criteria established by the Compensation Committee in accordance with the roles and positions of Directors and Vice President & Executive Officers.

(b) Performance-linked compensation

Performance-linked compensation shall be determined by the Compensation Committee in order to raise awareness of the improvement of business performance in each fiscal year and the enhancement of corporate value in the medium term, and shall be paid in an amount or number calculated according to the degree of achievement of the target value (KPI).

The concept of performance-linked compensation is as follows.

- (1) Increase the ratio of performance-linked compensation to total compensation.
- (2) The higher the position, the higher the ratio of performance-linked compensation to total compensation.
- (3) Share-based compensation as a percentage of total compensation shall be at least equal to companies from the same industry or of the same scale.

(b)-1 Annual Incentives

Annual incentives in performance-linked compensation shall be calculated by the Compensation Committee on the basis of the company-wide performance evaluation and individual performance evaluation for a single fiscal year, and shall be paid once a year. The amount to be paid shall be designed to vary from 0% to 200% to a value of 100% when the performance target is achieved.

*The ratio of the basic compensation and the annual incentives when the performance target is achieved is designed so that the higher the position is, the higher the ratio of the annual incentive is set. From 1 to 0.75 for the representative executive officer, the lower the position is, the lower the ratio of annual incentives is set. The overall average is generally 1 to 0.5. This ratio may vary from 1 to 0 to 1 to 1, depending on the degree to which performance targets are achieved.

Figure 1 (image)

Basic compensation 1	Annual Incentive 0.5 (0-1)
-------------------------	-------------------------------

(b)-2 Medium-to long-term incentives

The Performance Share Unit Plan (the “PSU Plan”), a performance-based stock compensation plan, will be applied to medium- to long-term incentives of performance-based compensation. The PSU Plan provides Company shares and money in accordance with the level of achievement of the Company's performance indicators and sustainability indicators for a period determined by the Compensation Committee.

The performance indicators in medium-to long-term incentives are based on links with the medium-term business plan, and based on the belief that they are important indicators in terms of enhancing corporate value and shareholder value, return on invested capital (consolidated financial ROIC) and net income per share (EPS) growth rate are used.

Sustainability indicators consist of environmental indicators consisting of total greenhouse gas emissions (Scope 1 and 2) and the rate of reduction in unit energy consumption, as well as employee engagement scores.

During the period determined by the Compensation Committee, based on the performance targets and other requirements set by the Compensation Committee in advance, the number of shares obtained by dividing the standard amount of stock-based compensation set by the Compensation Committee for each position of Vice President & Executive Officers to be paid by the average closing price of the Company's shares for the month immediately preceding the applicable period shall be allotted, and at

the end of the applicable period, the number of shares to be individually compensated through medium-to long-term incentives for each Vice President & Executive Officer to be paid shall be determined by multiplying the number of shares by a coefficient set in advance by the Compensation Committee in accordance with the conditions for achieving the performance targets (the “Payment Rate”), and the amount equivalent to 60% of the number of shares to be paid shall be the Company's shares, and the amount equivalent to 40% shall be the money calculated by using the closing price of the Company's shares in the ordinary trading on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the day of resolution of the Board of Directors. The Payment Rate is designed to vary from 0% to 200% depending on the degree of achievement of performance targets.

The PSU Plan establishes a clawback provision under which, in the event of material fraud accounting or a large loss, all or a portion of the compensation paid as compensation related to the PSU Plan can be requested for reimbursement free of charge.

*The ratio of annual incentives and medium- to long-term incentives to basic compensation when the performance targets for each of the annual incentive and the medium-to long-term incentive are achieved in the fiscal year in which the medium-to long-term incentive is paid shall be set as the higher the position, the higher the ratio to the basic compensation shall be set, and as the position falls from 1 to 0.75 to 0.375 for the representative executive officer, the overall average shall be approximately 1 to 0.5 to 0.25. This ratio may vary from 1:0:0 to 1:1:0.5, depending on the degree of achievement of the performance objectives for each of the annual incentives and the medium-to long-term incentives. However, the ratio for medium- to long-term incentives varies depending on the stock price.

Figure2 (image)

Basic compensation 1	Annual Incentive 0.5 (0-1)	Mid- to Long-Term Incentive 0.25 (0-0.5)
-------------------------	-------------------------------	---

The Total Amount of Compensation and Others Paid to Directors and Audit & Supervisory Board Members in the Fiscal Year Ended March 31, 2024

		Total amount of compensation and others	Basic compensation	Performance-linked compensation
Directors	4 persons	224 millions of yen	80 millions of yen	143 millions of yen
Outside Directors	6 persons	72 millions of yen	72 millions of yen	—
Audit & Supervisory Board Members	2 persons	48 millions of yen	48 millions of yen	—
Outside Audit & Supervisory Board Members	3 persons	36 millions of yen	36 millions of yen	—

- Notes: 1. The total paid to Directors does not include employee salaries for Directors who are concurrently employees.
 2. Performance-linked compensation is comprised of annual incentives and medium- to long-term incentives. Since the fiscal year under review is the final year of the medium-term business plan AG2023, the medium-to long-term incentives will be finalized.
 3. The retirement bonuses for Directors were eliminated on the day of the 2004 Annual General Meeting of Shareholders held on June 25, 2004.

Compensation and other benefits to directors and Audit & Supervisory Board members for the fiscal year 2023 were determined based on the compensation system for the previous fiscal years.
 For the policy in relation to decisions concerning the details of compensation etc. for officers for the previous fiscal years, [Corporate Governance Report, p.21](#)



Revision to the PSU Plan

The Compensation Committee newly established with the Company's transition to a Company with a Nominating Committee, etc., decided to change the persons eligible for the PSU Plan from Directors (excluding outside directors) to Vice President & Executive Officers. The committee decided to change the PSU Plan's structure as well, in order to encourage the achievement of the management indicators that are prioritized in the new medium-term business plan GS2028, provide an incentive to work toward a sustainable increase in the Company's corporate value, and further promote the sharing of values with shareholders. The new structure dictates that, each fiscal year, the Compensation Committee at its meeting to be held within three months of the start of the fiscal year deliberate and determine performance targets, etc. for the third fiscal year therefrom, and that, in accordance with the degree of achievement of the performance targets, etc., the Company's shares and cash be delivered.

(1) Overview

The Plan is a performance-based stock compensation plan (performance share unit plan) whereby the Company's common stock (the "Company Shares") and money are paid as compensation for the Vice President & Executive Officers of the Company (Hereinafter referred to as the "Eligible Officers"). after the end of the performance evaluation period, in accordance with their tenure in office during the period from the beginning of each fiscal year that is the term of office of the Eligible Officers as an Vice President & Executive Officer to the end of the relevant fiscal year (Hereinafter referred to as the "Target Period") and the level of achievement of performance targets, etc. during three consecutive fiscal years including the Target Period (Hereinafter referred to as the "performance evaluation period").

(2) Structure

At a meeting of the Compensation Committee to be held within three months after the beginning of the first fiscal year of the target period, the Company shall determine (a) the target period, (b) the standard number of shares by position, (c) the payment rate, (d) the method of calculating the number of individual shares of compensation, and (e) other requirements set in advance by the Compensation Committee of the Company for the target period, such as the position adjustment ratio (The requirements in (e) below are collectively referred to as "Other Requirements."). The Compensation Committee of the Company resolved that (a) through (e) for the current fiscal year shall be as follows.

(a) Target period: 1 fiscal year

(b) Standard number of shares by position = standard amount of stock-based compensation by position ÷ standard stock price*

*Average closing price of the Company's shares on the Prime Market of the Tokyo Stock Exchange during the month immediately preceding the month to which the performance evaluation period begins

(c) Payout rate

Performance Indicators		Percentage
(1)	Average ROIC (return on invested capital) for the three years of the performance evaluation period	40%
(2)	Average annual EPS (net income per share) growth rate for the performance evaluation period (3 years)	40%
Sustainability Indicators		Composition Ratio
(3)	Reduction rate of greenhouse gas emissions (Scope 1 and 2)	5%
	Reduction in energy consumption (unit sales)	5%
(4)	Employee Engagement	10%

(d) Number of Individual Compensation Shares = Basic Number of Shares by Position × Payment Rate × Tenure Period Ratio ⁽¹⁾ × Position Adjustment Ratio ⁽²⁾

*1: Total number of months in office during the Target Period ÷ Total number of months in the Target Period

*2: If there is a change in position, adjustment is made so that the number of Individual Compensation Shares corresponding to that position is granted

Cross-Shareholdings

Method of Verifying Shareholding Policy and Rationality (Reduction Efforts)

The Group shall strategically hold shares, provided such shares are determined to contribute to maintaining and increasing corporate value. With respect to all cross-holding shares, the Board of Directors shall uphold a policy of keeping the minimum necessary amount of cross-holding shares and decide every year if it is suitable to hold the shares by examining the purpose and economic rationale, etc. of individual shares from a medium- to long-term perspective. Any strategically held share that is deemed as no longer suitable to hold as a result of the examination shall be sold with the attempt of reducing shares held. In the examination, the shares held are classified into the following three categories, and it is determined whether holding is suitable, with transaction status, share price and dividends, and capital costs deemed as KPIs.

- Business partners (for the purpose of maintaining and strengthening business transaction and partner relationships)
- Financial institutions (for the purpose of attempting to conduct financial transactions smoothly)
- Others (those which do not fall under the above categories)

Specifically, it is assessed and determined for each share held through the process of a. to d. below whether holding is suitable.

- Examination based on quantitative assessment of share price (market value, cost and carrying amount after impairment)
- Examination based on quantitative assessment with ROIC, which is calculated on the basis of each of market value and cost, compared with the share price assessed in a. (In the calculation of ROIC, after-tax gross income from sales and dividend income are used.)
- Examination based on qualitative assessment of purpose of holding, transaction results, estimate for future transactions, and other factors for each share held.
- The assessments through the examinations in a. to c. are taken into account comprehensively from perspectives of medium- to long-term economic value, business expansion and strengthening of relationships, and others.

Voting Rights

The Group shall make decisions based on sufficient examination, from the standpoint of increasing the corporate value of the Company and the companies that the Company has invested in over the medium to long term.

Particularly in the following cases, the Company shall exercise the voting rights based on careful examination on whether or not to exercise the voting rights:

- Cases where any violation of law, misconduct or anti-social behavior has occurred at the companies in which the Company has invested
- Cases of proposals that are considered to be likely to undermine the Company's corporate value, for organizational restructuring including merger or acquisition and business transfer, advantageous issue of shares to third parties, etc.

Governance regarding Sustainability TCFD TNFD

The Board of Directors formulates basic policies for addressing climate change and biodiversity, as well as basic policies regarding the improvement of the system for managing risks and opportunities, monitors and supervises the effective operation of the system and appropriate response to sustainability issues. The Board considers the climate-related impacts during its discussion of business strategies and plans.

Please see more detailed information. [2024 Sustainability Report p.42-46 / p.53-55](#)



Internal Control, Compliance and Risk Management

Internal Control

Yokogawa has established and is operating an internal control system to promote management efficiency while ensuring the appropriateness of business operations, and to achieve continuous growth and increase corporate value. The Group Management Standards were established as the most important regulations within Yokogawa Group, clarifying the roles and responsibilities of each business process, and implementing an internal control system based on autonomous control activities. Among the internal control systems, processes that are particularly important from the perspective of operational appropriateness are consolidated into a deployment system consisting of business ethics, decision-making, operations management, crisis management, and corporate auditing infrastructure. The system of overall responsibility for the Group has been established and is being operated. The person with overall responsibility for each process is tasked with managing, operating, and auditing the process, and works to ensure (i.e., maintain and improve) the effectiveness and efficiency of internal controls at each Group company. In operating the internal control system, clear action plans are formulated and PDCA is followed. The department in charge of internal audits conducts an internal audit of the effectiveness of the internal control system and reports important matters to the Board of Directors and the Audit Committee.

Specific Initiatives for Operations Management

For further information, please see the 2024 Yokogawa Sustainability Report.



Quality Management p.72

Human resource Management p.27-29

Environmental Management p.39-40

Health and safety Management p.33-34

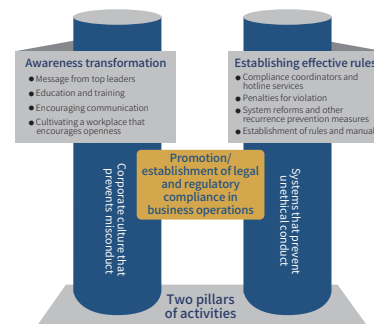
Information Security p.68-70

Procurement Environment p.65-67

Compliance

Yokogawa places the utmost priority on compliance and conducts its business activities in compliance with relevant laws, regulations, ordinances, and social norms while upholding the highest of ethical standards. Directors and executive officers take the lead in the Group's adherence to and dissemination of business ethics. The Yokogawa Group Code of Conduct sets out the Basic Policy and Standards of Conduct, which employees should observe to realize Yokogawa's corporate philosophy, while the Yokogawa Group Compliance Guidelines prescribe the specific actions each and every employee should take. Yokogawa aggressively promotes management practices built upon a foundation of compliance through the establishment of a business ethics department that is responsible for developing a compliance promotion structure and identifying and addressing issues pertaining to it. Yokogawa's goals are to be healthy and open, with both a culture that encourages and enforces proper ethical conduct and a system that prevents misconduct and scandal. In so doing, Yokogawa will meet the expectations of investors and other stakeholders.

Basic approach to thorough compliance

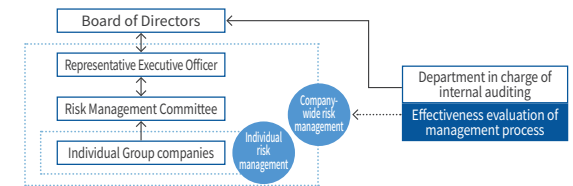


Risk Management

Risk Management Structure

We have established the Risk Management Committee as an advisory body to the President & CEO, Representative Executive Officer, to discuss matters related to risk management from a company-wide standpoint and properly control their impact on Group management. We identify the risks posed by uncertainties that may affect the Group's corporate value, including uncertainties in the external environment such as climate change, strategies, product quality, the internal environment, health and safety, crisis management, and corporate ethics. We also categorize and manage these uncertainties in terms of the external environment, strategies, and operations. The department in charge of internal audits evaluates the effectiveness of the Group's risk management process and reports important findings to the Audit Committee and the Board of Directors. In addition, in the event that a risk materializes, and a crisis occurs that may have a serious impact on the Group's management, the Crisis Management Committee, chaired by the President & CEO, Representative Executive Officer, will respond.

Risk management structure

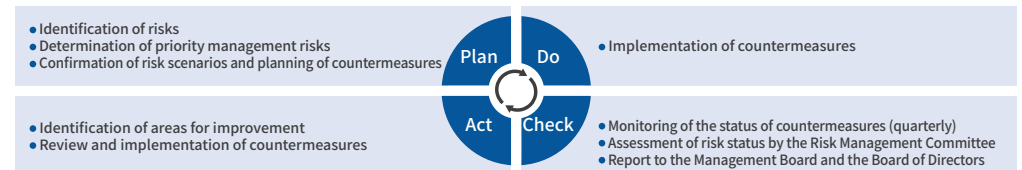


Promoting Risk Assessment and Management

Each year, individual Group companies identify their own risks and measures; then, the Risk Management Committee assesses and discusses those risks in terms of their severity (impact and likelihood of occurrence), taking into account management strategies, management issues, and the external risk environment and, based thereon, determines the risks to be intensively managed (priority management risks). The content and progress of measures to address priority management risks are reviewed quarterly. Also, the Risk Management Committee evaluates the status of the risks semiannually and reports the results to the Board of Directors. We also implement a review of measures and identify areas for improvement. These are, subsequent to factoring in the residual risks, reflected in the selection of priority management risks for the following year.

In addition, individual Group companies autonomously conduct a PDCA cycle to manage the risks identified.

PDCA cycle for priority management risks



For further information about business and other risks, [See the Risks Relating to the Group's Business p.68-69](#)



Vice Presidents & Executive Officers (as of June 18, 2024)

**Hitoshi Nara**

Director
President & CEO,
Representative Executive Officer

**Tsuyoshi Abe**

Senior Vice President & Executive
Officer
Head of Marketing Headquarters

**Yukihiro Funyu**

Senior Vice President & Executive
Officer
Head of Digital Strategy Headquarters

**Koji Nakaoka**

Senior Vice President & Executive
Officer
Head of Energy & Sustainability
Business Headquarters

**Kazuhiko Takeoka**

Senior Vice President & Executive
Officer
Regional Chief Executive for
ASEAN, Pacific, China and Korea
President of Yokogawa China
Co., Ltd.

**Kunimasa Shigeno**

Senior Vice President & Executive
Officer
Head of Digital Solutions
Headquarters

**Hiroshi Nakao**

Vice President & Executive Officer
Head of Life Business
Headquarters

**Hiromasa Yatsushashi**

Vice President & Executive Officer
Regional Chief Executive for Japan
President of Yokogawa Solution
Service Corporation

**Hiroshi Nagai**

Vice President & Executive Officer
President of Yokogawa
Manufacturing Corporation

**Sajiv Ravindran Nath**

Vice President & Executive Officer
Regional Chief Executive for
India and South Asia
President of Yokogawa India Ltd.

**Michiko Nakajima**

Director
Vice President & Executive Officer
Head of Accounting & Treasury
Headquarters

**Yoko Fujita**

Vice President & Executive Officer
Head of Business Strategy
Headquarters

**Toshiyuki Suzuki**

Vice President & Executive Officer
President of Yokogawa Test &
Measurement Corporation

**Hiroshi Tanoguchi**

Vice President & Executive Officer
Head of Yokogawa Products
Headquarters

**Akira Fukuda**

Vice President & Executive Officer
Head of Corporate
Administration Headquarters

**Kevin McMillen**

Vice President & Executive Officer
Regional Chief Executive for North
America and South America
President of Yokogawa
Corporation of America

**Naohisa Endo**

Vice President & Executive Officer
Head of Life Business
Headquarters

**Yasumasa Ogawa**

Vice President & Executive Officer
Head of Projects & Services
Business Div., Digital Solutions
Headquarters

**Norinao Sato**

Vice President & Executive Officer
Regional Chief Executive for
Middle East and Africa
President of Yokogawa Middle
East & Africa B.S.C.(c).

**Yoshiaki Asakura**

Vice President & Executive Officer
Head of Global Business Service
Headquarters

**Masaharu Maeda**

Vice President & Executive Officer
Head of Solutions Business Div.,
Digital Solutions Headquarters

**Masataka Tomonaga**

Vice President & Executive Officer
Head of Human Resources and
General Affairs Headquarters

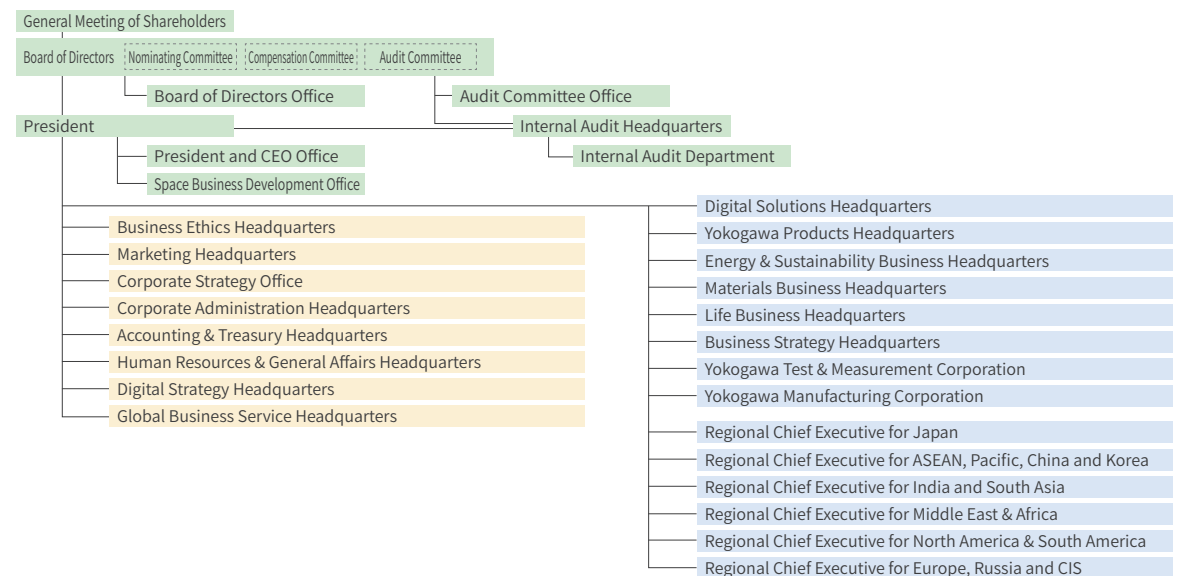
**Mitsuhiro Yamamoto**

Vice President & Executive Officer
Head of Systems Business Div.,
Digital Solutions Headquarters

**Seita Hagihara**

Vice President & Executive Officer
Regional Chief Executive for
Europe, Russia and CIS
President of Yokogawa Europe B.V.

Organization chart (as of June 18, 2024)



Chapter

6

Information

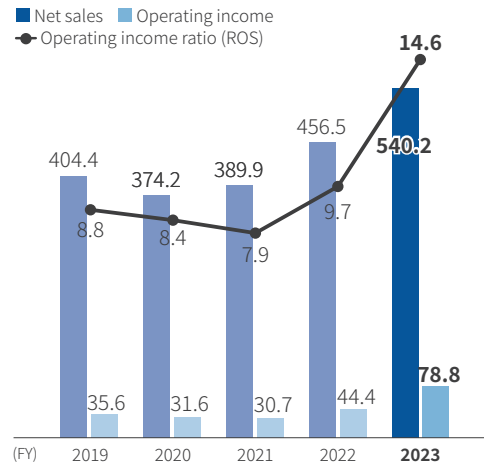
- 62 Financial Highlights
- 64 ESG Highlights
- 66 Consolidated 11-Year Summary
- 68 Risks Relating to the Group's Business
- 70 Financial Section
- 103 Stock Information, IR Activities, and External Evaluations
- 104 Information Disclosure Framework/Editorial Policy



Financial Highlights

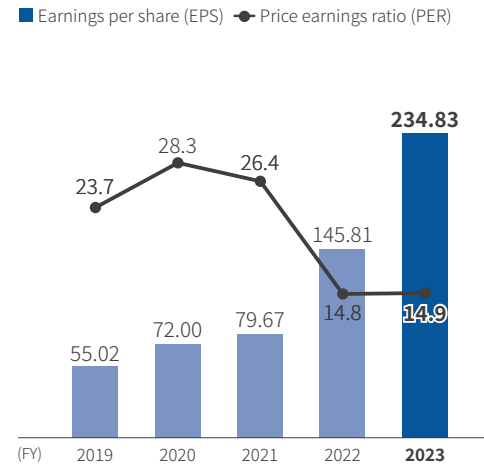
Profitability and Efficiency

Net Sales (billions of yen) / Operating Income (billions of yen) / Operating Income Ratio (ROS) (%)



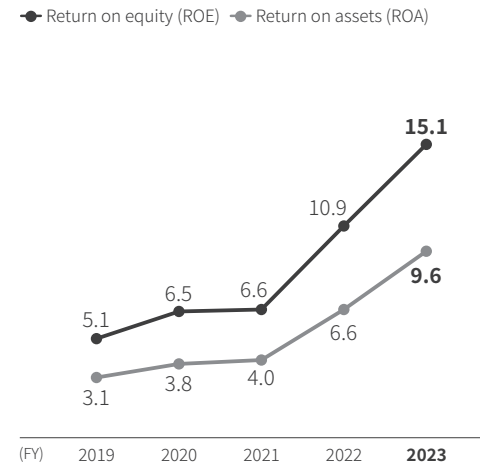
Note: As of March 31 each year

Earnings per Share (EPS) (yen) / Price Earnings Ratio (PER) (times)



Note: As of March 31 each year

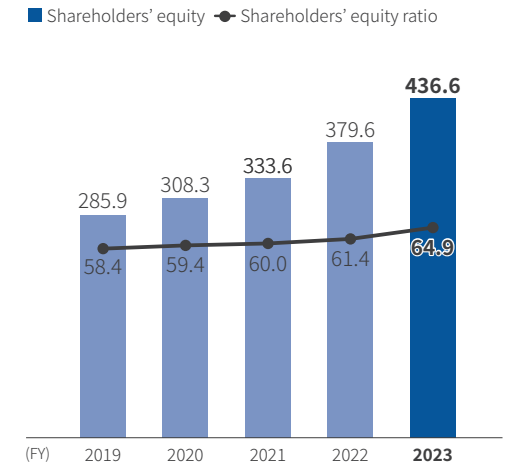
Return on Equity (ROE) (%) / Return on Assets (ROA) (%)



Note: As of March 31 each year

Soundness

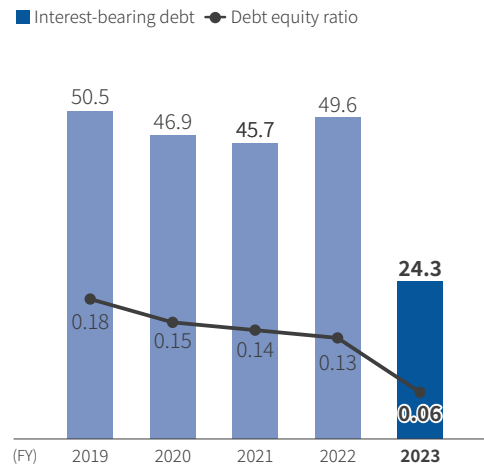
Shareholders' Equity (billions of yen) / Shareholders' Equity Ratio (%)



Note: As of March 31 each year

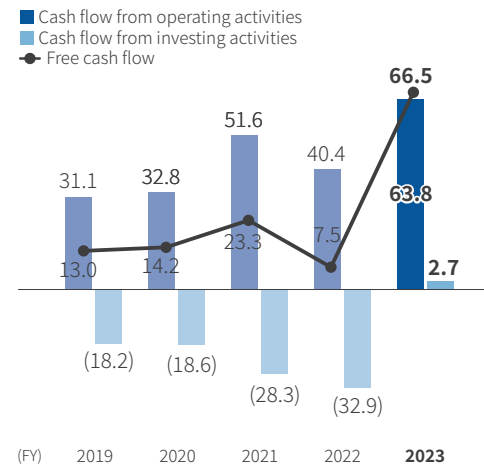
Distribution of Earnings

Interest-Bearing Debt (billions of yen) / Debt Equity Ratio (times)



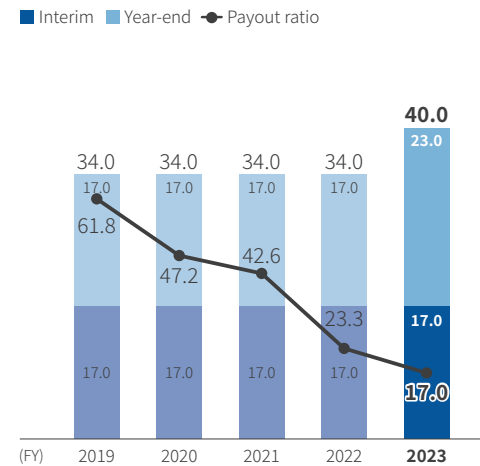
Note: As of March 31 each year

Cash Flows (billions of yen)



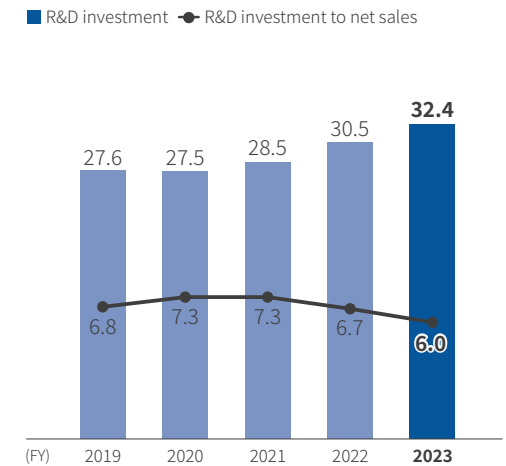
Note: As of March 31 each year

Dividend per Share (yen) / Payout Ratio (%)



Note: As of March 31 each year

R&D Investment (billions of yen) / R&D Investment to Net Sales (%)



Note: As of March 31 each year



Financial Highlights

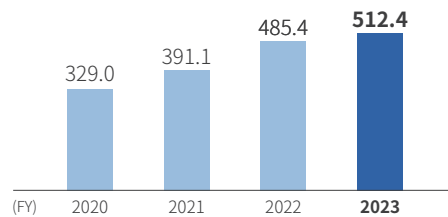
Highlights by Segment

Note: As of March 31 each year

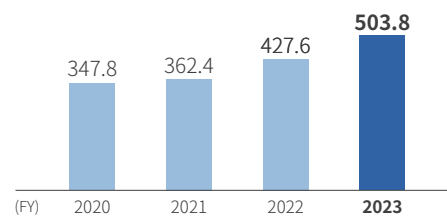
Note: Due to the transfer of the aviation equipment business, the name of the reportable segment previously known as the Aviation and Other Businesses has been changed to the New Businesses and Others from fiscal year 2022.

Industrial Automation and Control Business

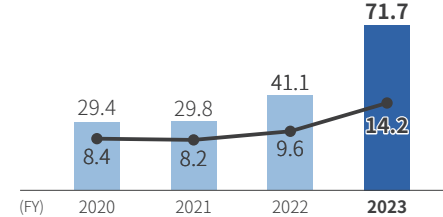
Orders (billions of yen)



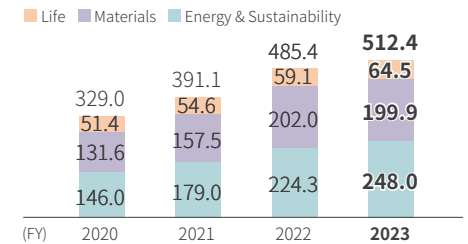
Net Sales (billions of yen)



Operating Income (billions of yen) / Operating Income Ratio (%)

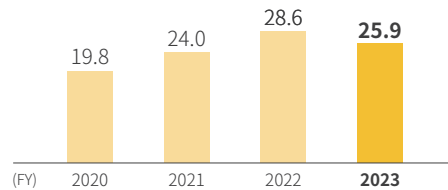


Orders by Subsegment (billions of yen)

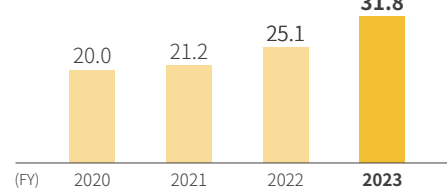


Measuring Instruments Business

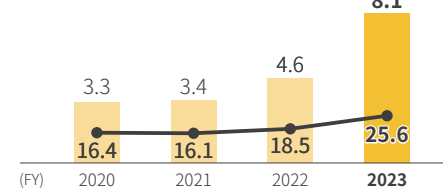
Orders (billions of yen)



Net Sales (billions of yen)

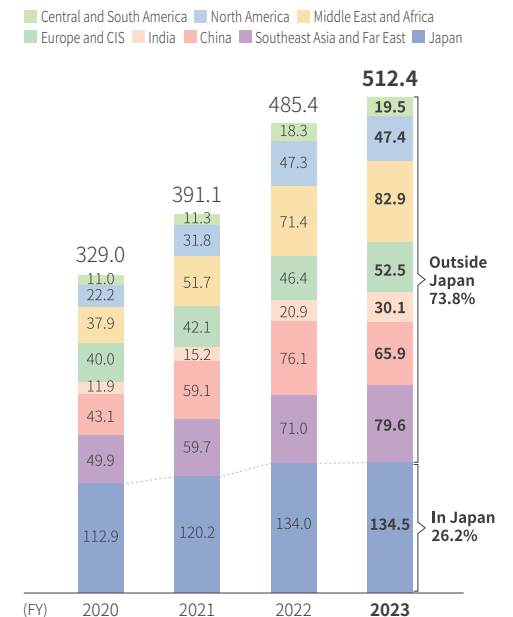


Operating Income (billions of yen) / Operating Income Ratio (%)



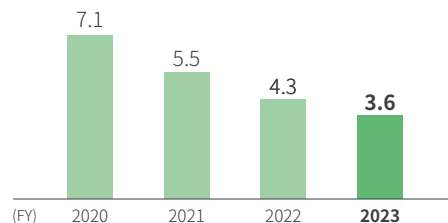
Industrial Automation and Control Business

Orders by Region (billions of yen) / Domestic and Overseas Orders Ratio (%)

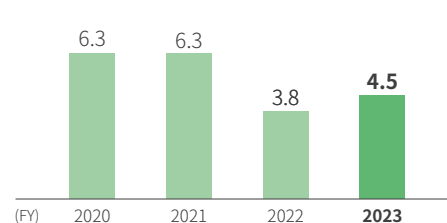


New Businesses and Others

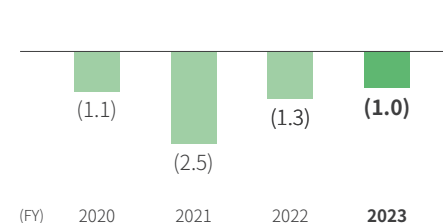
Orders (billions of yen)



Net Sales (billions of yen)



Operating Income (billions of yen)





ESG Highlights

Environment

Item		2019	2020	2021	2022	2023
Energy consumption (GJ)	In Japan	632,217	623,618	641,173	567,187	453,610
	Outside Japan	831,180	758,685	745,515	750,264	646,038
	Total	1,463,397	1,382,303	1,386,688	1,317,451	1,099,648
	Intensity per sales (GJ/¥100 million)	362	369	356	289	204
Renewable energy consumption (MWh)		112	175	2,594	10,730	26,362
Greenhouse gas (GHG) emissions (t-CO ₂ e)	In Japan	30,745	29,850	28,331	25,127	19,732
	Outside Japan	48,025	42,966	42,155	41,958	37,643
	Total	78,770	72,816	70,486	67,085	57,375
	Intensity per sales (t-CO ₂ e/¥100 million)	19.48	19.46	18.08	14.70	10.62
	Scope1	14,000	11,727	12,015	15,390	11,966
	Scope2	64,770	61,089	58,471	51,695	45,409

Item	Classification	Category	2023
Supply chain GHG emissions Scope 3 (t-CO ₂ e) Note: A dash indicates "not applicable."	Upstream	1 Purchased goods & services	274,575
		2 Capital goods	26,241
		3 Fuel- and energy-related activities not included in Scopes 1 or 2	11,164
		4 Transportation & distribution	15,711
		5 Waste generated in operations	1,253
	Downstream	6 Business travel	22,154
		7 Employee commuting	5,090
		8 Leased assets	—
		9 Transportation & distribution	—
		10 Processing of sold products	—
		11 Use of sold products	287,131
		12 End-of-life treatment of sold products	900
		13 Leased assets	—
		14 Franchises	—
		15 Investments	—
	Total		644,219

Item		2019	2020	2021	2022	2023
Water withdrawals (m ³)	In Japan	246,539	240,379	187,040	203,373	206,837
	Outside Japan	266,087	248,092	237,927	298,307	302,218
	Total	512,626	488,471	424,967	501,680	509,055
	Intensity per sales (m ³ /¥100 million)	127	130	109	110	94
Water discharges (m ³)	In Japan	246,248	235,432	184,289	197,012	202,139
	Outside Japan	228,154	227,369	218,831	242,676	222,643
	Total	474,402	462,801	403,120	439,688	424,782
Waste generated (t)	In Japan	2,414	1,977	2,530	2,203	2,176
	Outside Japan	2,499	2,406	2,162	2,310	2,700
	Total	4,913	4,383	4,692	4,513	4,876
	Intensity per sales (t/¥100 million)	1.22	1.17	1.20	0.99	0.9
Non-hazardous waste (t)	Recycled	3,333	2,851	3,142	2,877	3,164
	Incinerated	393	481	434	393	404
	Landfilled	613	524	333	489	597
	Total	4,339	3,856	3,909	3,759	4,165
Hazardous waste (t)	Recycled	—	—	708	546	425
	Incinerated	—	—	75	207	279
	Landfilled	—	—	0	1	7
	Total	574	527	783	754	711

Governance

Item	2019	2020	2021	2022	2023
Ratio of women on the Board of Directors (%)	0	11	11	13	27
Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.					
	(Jun. 2020)	(Jun. 2021)	(Jun. 2022)	(Jun. 2023)	(Jun. 2024)
Ratio of foreign nationals on the Board of Directors (%)	11	11	11	13	0
Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.					
	(Jun. 2020)	(Jun. 2021)	(Jun. 2022)	(Jun. 2023)	(Jun. 2024)
Ratio of independent outside directors on the Board of Directors (%)	50	56	56	63	73
Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.					
	(Jun. 2020)	(Jun. 2021)	(Jun. 2022)	(Jun. 2023)	(Jun. 2024)
Ratio of independent outside directors on the Nominating Advisory Committee (%)	66	71	71	83	80
Note: Figures in parentheses are numbers of outside directors.					
	(4)	(5)	(5)	(5)	(4)
Ratio of independent outside directors on the Compensation Advisory Committee (%)	66	71	71	83	100
Note: Figures in parentheses are numbers of outside directors.					
	(4)	(5)	(5)	(5)	(4)

Note: FY19-22: Results as a Company with an Audit & Supervisory Board
FY23: Results as a Company with a Nominating Committee, etc.



ESG Highlights

Social

Item		2019	2020	2021	2022	2023
Number of employees (persons)	Yokogawa Group	18,107	17,715	17,258	17,084	17,365
	Yokogawa Electric Co.	2,496	2,536	2,503	2,342	2,269
Ratio of foreign nationals among employees (%)	Yokogawa Group	64.4	64.5	64.0	64.0	65.1
	Yokogawa Electric Co.	3.5	3.7	4.1	4.7	5.1
Ratio of women employees (%)	Yokogawa Group	21.7	21.9	22.5	23.1	23.8
	Yokogawa Electric Co.	16.5	17.4	18.1	18.8	19.6
Ratio of women managers (%)	Yokogawa Group	10.2	11.7	12.6	13.3	14.5
	Yokogawa Electric Co.	6.3	7.7	8.6	8.7	9.5
Ratio of women new graduates joining the Company (%)	Yokogawa Electric Co.	41.3 (Apr. 2020)	52.5 (Apr. 2021)	26.7 (Apr. 2022)	46.7 (Apr. 2023)	25.6 (Apr. 2024)
Employment rate of persons with disability (%)	In Japan	2.27 (Jun. 2020)	2.40 (Jun. 2021)	2.46 (Jun. 2022)	2.52 (Jun. 2023)	2.58 (Jun. 2024)
Gender pay gap (%)	Yokogawa Electric Co.	—	—	—	77.1	77.0
Collective agreement coverage (%)	In Japan Note: Data for Yokogawa Electric Co. on a non-consolidated basis until FY2021; data for 4 Group companies in Japan from FY2022 onward.	73.1	73.7	72.7	77.7	76.8
Average hours per full-time equivalent (FTE) for training and development (hours/FTE)	Yokogawa Group	—	—	—	41.3	37.4
Total employee turnover rate (%)	In Japan Note: Data for 4 Group companies in Japan.	—	—	6.7	6.2	6.1
Employee engagement (%)	Yokogawa Group	78	79	80	76	79

For sustainability data, please refer to [our website](#).

Item		2019	2020	2021	2022	2023
Annual actual total working hours (hours/person)	Yokogawa Electric Co.	1,888	1,948	1,975	1,967	1,955
Average annual paid leave uptake rate (%/person)	Yokogawa Electric Co.	66.8	58.7	67.6	76.9	78.5
Average days of annual paid leave taken (days/person)	Yokogawa Electric Co.	14.3	12.6	17.4	20.4	20.8
Childcare leave uptake rate among male workers (%)	Yokogawa Electric Co.	7.9	16.2	36.8	49.2	58.9
Frequency rate of occupational accidents (Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000)	Employees (Yokogawa Group)	0.34	0.11	0.41	0.34	0.34
	Temporary and contract employees (Yokogawa Group)	0.28	0.00	0.23	0.32	0.20
Frequency Rate of Accidents Resulting in Lost Workdays (Number of accidents resulting in lost workdays / aggregate number of workhours × 1 million)	Employees, temporary and contract employees (Yokogawa Group)	0.64	0.59	0.69	0.80	0.82
Fatal accidents (cases)	Employees (Yokogawa Group)	0	0	0	0	0
	Temporary and contract employees (Yokogawa Group)	0	0	0	0	0

Item		2019	2020	2021	2022	2023
Donations and community investments (millions of yen)	Cash contributions	184.4	229.7	199.5	177.8	263.3
	Employee participation and dispatch	1.0	0.6	0.7	0.5	3.9
	In-kind giving and use of company facilities	45.9	4.1	12.7	3.5	4.2
	Management overheads	18.0	18.0	18.0	18.0	18.0
	Total	249.3	252.4	230.9	199.8	289.4
	In and outside Japan					
	In Japan	175.6	180.7	191.3	178.2	237.3
	Outside Japan	73.7	71.7	39.6	21.6	52.1
	Total	249.3	252.4	230.9	199.8	289.4



Consolidated 11-Year Summary

Fiscal year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(Billions of yen)											
Financial data											
Orders	406.0	417.1	421.1	390.7	400.3	432.0	418.7	355.8	420.5	518.4	542.0
Net sales	388.5	405.8	413.7	391.4	406.6	403.7	404.4	374.2	389.9	456.5	540.2
(Net sales outside Japan)	259.4	281.1	286.6	263.5	276.1	275.6	277.9	253.9	270.9	332.2	401.6
Cost of sales	229.3	236.6	236.9	222.3	231.3	230.6	227.9	210.0	217.1	252.0	285.3
Selling, general, and administrative expenses	133.3	139.4	137.1	137.5	142.6	138.5	140.9	132.6	142.1	160.1	176.1
Operating income	25.9	29.8	39.6	31.6	32.7	34.6	35.6	31.6	30.7	44.4	78.8
Profit attributable to owners of parent	12.3	17.2	30.2	25.8	21.4	28.4	14.7	19.2	21.3	38.9	61.7
Capital expenditures	14.0	14.1	15.4	14.2	13.2	15.0	19.6	20.6	21.7	22.2	27.4
Depreciation and amortization	13.6	14.5	15.1	18.0	18.3	17.7	18.8	17.6	17.9	19.7	22.6
Research and development costs	25.8	25.8	25.3	27.1	26.6	26.2	27.6	27.5	28.5	30.5	32.4
Cash flow from operating activities	30.1	38.3	31.9	39.2	32.0	21.4	31.1	32.8	51.6	40.4	63.8
Cash flow from investing activities	(13.9)	(1.8)	(10.9)	(36.5)	(6.6)	(4.1)	(18.2)	(18.6)	(28.3)	(32.9)	2.7
Free cash flow	16.2	36.5	21.0	2.7	25.4	17.3	13.0	14.2	23.3	7.5	66.5
Cash flow from financing activities	(21.6)	(20.2)	(26.9)	6.5	(22.4)	(7.0)	4.6	(17.1)	(16.2)	(10.9)	(57.5)
At fiscal year-end											
(Billions of yen)											
Total assets	398.9	440.0	412.8	440.5	448.8	470.1	489.7	519.1	556.0	618.6	672.9
Interest-bearing debt	81.4	65.3	30.5	44.6	30.5	32.5	50.5	46.9	45.7	49.6	24.3
Shareholders' equity	187.3	215.5	240.4	256.4	271.9	289.9	285.9	308.3	333.6	379.6	436.6
Financial indicators											
(%)											
Operating income ratio (ROS)	6.7	7.3	9.6	8.1	8.0	8.6	8.8	8.4	7.9	9.7	14.6
Debt equity ratio (times)	0.44	0.30	0.13	0.17	0.11	0.11	0.18	0.15	0.14	0.13	0.06
Return on equity (ROE)	6.9	8.6	13.2	10.4	8.1	10.1	5.1	6.5	6.6	10.9	15.1
Return on assets (ROA)	3.1	4.1	7.1	6.0	4.8	6.2	3.1	3.8	4.0	6.6	9.6
Shareholders' equity ratio	46.9	49.0	58.3	58.2	60.6	61.7	58.4	59.4	60.0	61.4	64.9
Per share data											
(yen)											
Earnings per share (EPS)	47.92	66.88	114.03	96.44	80.27	106.54	55.02	72.00	79.67	145.81	234.83
Cash dividends	12.00	12.00	25.00	25.00	30.00	32.00	34.00	34.00	34.00	34.00	40.00
Shareholders' equity	727.09	836.94	900.75	959.58	1,017.40	1,085.88	1,071.07	1,155.06	1,249.66	1,422.20	1,678.42
Stock information											
Stock price at fiscal year-end (yen)	1,667	1,295	1,163	1,752	2,198	2,291	1,303	2,038	2,099	2,150	3,494
Market capitalization (billions of yen)	447.8	347.9	312.4	470.6	590.4	615.4	350.0	547.5	563.8	577.5	938.6
Number of issued shares (shares)	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510	268,624,510
Exchange rate information											
(yen)											
Average yen / US dollar exchange rate during the fiscal year	100.67	110.58	119.99	108.95	110.70	111.07	108.96	106.01	112.94	136.12	145.31

Note: Figures are rounded down to the nearest billions of yen.



Consolidated 11-Year Summary

Fiscal year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Non-financial data*¹											
Number of employees (by segment)	19,837	19,601	18,646	18,329	18,290	17,848	18,107	17,715	17,258	17,084	17,365
Industrial Automation and Control Business	17,669	17,593	16,724	16,751	16,771	16,633	16,865	16,483	16,364	16,296	16,538
Measuring Instruments Business	1,328	1,171	1,122	802	770	945	980	990	668	656	690
New Businesses and Others	840	837	800	776	749	270	262	242	226	132	137
Environmental data											
Energy consumption (GJ)	1,732,042	1,710,907	1,552,937	1,494,818	1,505,947	1,538,983	1,463,397	1,382,303	1,386,688	1,317,451	1,099,648
Greenhouse gas emissions (t-CO ₂ e)	103,411	99,195	89,479	84,370	84,882	83,886	78,770	72,816	70,486	67,085	57,375
Renewable energy consumption (MWh)	86	85	69	56	83	131	112	175	2,594	10,730	26,362
Water withdrawals (m ³)	737,265	723,548	616,783	599,646	614,762	560,642	512,626	488,471	424,967	501,680	509,055
Waste generated (tons)	5,143	6,023	4,204	4,507	4,805	5,190	4,913	4,383	4,692	4,513	4,876
Occupational health & safety											
Frequency rate of occupational accidents* ²	0.39	0.53	0.38	0.46	0.33	0.28	0.34	0.11	0.41	0.34	0.34

*1 The results of each data for fiscal year 2023 have been assured by the third-party assessment of Lloyd's Register Quality Assurance Limited.

*2 Frequency rate of occupational accidents = Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000. Calculated on a calendar-year basis, including temporary and contract employees, until 2014, and on the newly defined basis from 2015 onwards.



Risks Relating to the Group's Business

Described below are matters related to the Group's business that are considered to be the main sources of risk or that could significantly affect investor's decision-making.

Recognizing the possibility that these risks may materialize, the Group will work to avoid these risks and take appropriate measures should they occur. However, investment decisions regarding Yokogawa's securities should be made carefully by evaluating the matters stipulated below along with the matters discussed in other sections of this document.

The risks described below include forward-looking statements that are based on judgments made by the Group at the end of fiscal year 2023 and are subject to uncertainties. Therefore, actual results may vary from the statements.

(1) Risks relating to the external environment

(Related to social conditions)

The scope of the Group's activities extends not just to Japan but also to various parts of the world. Changes in external conditions in each region could adversely affect the Group's business results and financial situation. Specifically, the following risks have been identified.

- Political or economic factors in each country
- Impact of taxation and trade restrictions
- Differences in commercial practices outside Japan
- Social turmoil stemming from natural disasters (earthquakes, fires, floods, tsunami, etc.), infectious diseases, strikes, and other factors
- Cyberattacks affecting the Company products, services and infrastructure
- Incomplete understanding of regulations, sanctions, patents, etc., and new laws or revision of regulations in countries where we operate, including those pertaining to the protection of the environment
- Economic sanction outside Japan, which geographical factors (wars, riots, terrorism and disagreement among major countries).

The Company strives to prevent, avoid, and reduce the impact of these risks by collecting information within the Group and contracting external organizations.

(Related to fluctuations in foreign exchange rates, interest rates, or stock prices)

The Group operates globally and uses many currencies for its business transactions and activities. The Group enters into forward exchange contracts in order to respond to fluctuations in foreign exchange rates. However, there is the risk that foreign exchange rates may swing rapidly and sharply, which may affect the Group's business results and financial situation.

There is the risk that changes of interest rates related to the Group's assets and liabilities may impact interest earnings and asset values, which may affect the Group's business results and financial situation.

There is the risk that the prices of the stocks and other securities held by the Group may fluctuate, which may affect the Group's business results and financial situation.

(2) Risks relating to strategy

(Related to markets/competitive environment)

1) Cost competitiveness

As the Company aggressively develops its businesses, competition in construction and modernization projects is intensifying, and demand for cost reduction is intensifying. At the same time, resource-rich and emerging countries are increasingly prioritizing their own countries, and there is increasing demand for the localization of employment, services and procurement, including product production. Although the Company is working to increase its cost competitiveness, there is the risk that the Company will lose business

opportunities if it cannot effectively respond to the demand in these markets that costs be reduced, including product and service costs and selling, general and administrative expenses. This could affect our Group's business results and financial situation.

2) Establishment of competitive advantages by the use of digital technologies

There is growing demand for a dramatic increase of productivity in business processes throughout the value chain and product life cycle through the utilization of digital technologies. The Company must respond to this demand as a business and establish a competitive advantage. Recognizing this as an opportunity for business growth, the Group is working to create new value through digital transformation in a wide range of fields, not only for itself but also for its customers. If the Company is unable to keep up with new technology or meet the demands of these markets, this could lead to the loss of business opportunities, which could affect the Group's business results and financial situation.

3) Transformation of business model to match market needs

While changes in society and technological innovations are creating many new business models, the Group's customers are also increasingly demanding subscription businesses and other businesses that reduce initial deployment costs and provide flexibility in operations and maintenance after deployment. The Group is also transforming its business model by working to establish performance-based compensation businesses and service-providing businesses. There is a risk that business opportunities will be lost if the Group is unable to adequately respond to the new market needs that are changing towards the future, or if it delays its efforts. This could affect the Group's business results and financial situation.

4) Changes in the market environment due to climate change initiatives

Society's increasing demand for action regarding climate change initiatives may affect the strategies of the Group's customers. In the energy-related field, in which the Group's major customers operate, it recognizes that they are studying measures to address environmental change, such as a shift of energy resources from a long-term perspective. The Group views these changes as business opportunities and is working to respond to changes in the market environment. However, if the Group is unable to respond to these changes in the customers' environments or if its efforts are delayed, there is the risk that business opportunities may be lost or corporate value may decline. This could affect the Group's business results and financial situation.

(Related to strategic investment)

The Group is investing mainly to acquire technologies, sales channels, products and services, customers, human resources, and expertise, while strengthening its strategic growth investments in the creation of new businesses and new fields and examining M&A and alliances as necessary. The Company is fully prepared to carry out the entire process from project discovery to investment, to improve the accuracy of evaluation and verification, and to swiftly launch businesses after investment. The Company is also working to develop and utilize the human resources that support it. However, there is the risk that the expected results will not be achieved due to unexpected changes in the environment. In addition, there is the risk that a business may not be able to start up quickly after investment if the acquired assets and opportunities are not fully utilized, and that the expected results may not be achieved. This could affect the Group's business results and financial situation.

(Related to R&D)

The Group regards basic research into measurement, control and information, and the development of advanced technologies and digital technologies such as the IoT and AI as its most important management issues, and is continuously promoting the development of new technologies with a view toward the future. In



addition, in response to changing international standards, efforts to realize a sustainable society such as the SDGs are being strengthened. However, there is the risk that development investments will not meet future market demands and targets as planned. In this event, business opportunity losses may affect the Group's business results and financial situation.

The Company also continues to invest in R&D for product technology and service innovation to maintain its competitiveness. However, there is the risk that the Company's R&D investments will not succeed if it fails to understand market trends regarding products and services with growth potential. In addition, there is the risk that R&D investments do not produce innovative technologies or produce the results that were expected even if they fit the market, or competitors may precede the Group in the development of the technology. In these cases, business opportunity losses may affect the Group's business results and financial situation.

(Related to the recruitment and training of human resources)

The Group's growth is supported by its capable personnel, such as the human resources who support its leading-edge technologies and the engineers who ensure high product quality. In particular, the importance of human resources capable of proposing solutions, human resources with engineering and project-management abilities, and human resources with skills and knowledge related to AI, digital technologies, and the company's new businesses is increasing. The Group continues to globally recruit and develop human resources through education and training. However, there is the risk that we may not be able to secure and train the necessary human resources as planned. If so, the Group's business results and financial situation may be affected as well as the effectiveness of its business operations.

(Related to human rights)

The Group's established policy is to respect human rights and it has expressed its support for the U.N. Global Compact. Consequently, the Group is stepping up its efforts based on the human rights policy and international human rights standards set forth in the Compact. Regarding human rights initiatives in the supply chain, the Group has provided guidelines prohibiting forced labor, inhumane treatment, child labor and discrimination, and protecting appropriate wages, compliance with laws regarding work hours, and the right to organize. The Group supports internationally demanded human rights and strives to respect human rights. However, if a human rights problem occurs due to an unexpected situation, there is the risk that the Group may be liable for compensation, and there is the risk that the Group's corporate value may decline, which could adversely affect its business results and financial situation.

(Related to depreciation of owned assets)

There is the risk that the value of the Group's business assets may decline due to decreased market prices or reduced profitability. If so, the Group's business results and financial situation could be affected, including the occurrence of impairment losses.

(3) Risks relating to operations

(Related to product quality and supply)

The Group provides highly reliable products and services to customers through its accumulation of technology and expertise over many years and the development of a strict quality control system. However, there is the risk that defects in the Group's products and services may exist, and that damage may result from these defects. In this event, the Group's business results and financial situation may be affected and the Group's overall business activities may be affected.

In addition, the Company is striving to reduce risks by constantly collecting information about market trends in major electronic parts and other products and striving to ensure stable procurement. In addition, the Company is thoroughly managing the quality and delivery dates of its suppliers and diversifying its

suppliers to avoid excessive concentration and dependence on specific suppliers. However, there is the risk that the delay or suspension of product supply in the event that the procurement of electronic parts and the manufacturing of important products become difficult due to supply chain disruptions caused by changes in the external environment. If this happens, the Group's business results and financial situation and the Group's overall business activities, including the Group's production activities, could be affected.

(Related to project management)

In the Group's business, particularly in project-type businesses that provide customers with the products, engineering solution services, and products of other companies in bulk, the reliable execution of project management is a necessity. We are striving to prevent the occurrence of unprofitable projects through such efforts as profit estimation in the process leading up to the receipt of orders, the improvement of the accuracy of profitability management until delivery, and the thorough control of production and quality. However, there is the risk that we may incur unexpected costs or may be liable for compensation due to delayed delivery if there are deviations from the assumed estimates, or problems in the management of profit, production, quality, etc. This could affect the Group's business results and financial situation.

(Related to intellectual property rights)

The Group has established a complete management system to protect its intellectual property rights and preventing its infringement on the rights of other companies in the course of its development of proprietary products and services. However, if intellectual property rights are infringed upon by a third party and the Group is therefore unable to make an expected profit, or if the Group is deemed to have infringed upon the intellectual property rights of another company due to a difference in viewpoint or some other reason, there is the risk that the Group will be subsequently disadvantaged by its inability to use important technology, may be liable for compensation, or its corporate value may decline, which could adversely affect the Group's business results and financial situation.

(Related to information security)

Through its business activities, the Group acquires personal or otherwise confidential information about its customers and trading partners. It therefore establishes systems to manage this information and provides its employees with training on information security and security measures for our systems. However, in the event that information is leaked or abused due to some unforeseen circumstances (include cyberattacks), there is the risk the Group will be liable for compensation or the Group's corporate value will decline, which could adversely affect the Group's business results and financial situation.

See p. 59 Internal Control, Compliance and Risk Management ➡



Financial Section

Consolidated Balance Sheet

Yokogawa Electric Corporation and Consolidated Subsidiaries
March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 9)	¥134,428	¥116,378	\$887,845
Receivables (Note 9)			
Accounts receivable	142,569	133,654	941,609
Trade notes receivable	14,278	10,318	94,305
Contract assets	85,856	65,297	567,049
Other	3,189	3,684	21,063
Less: Allowance for doubtful accounts	(6,280)	(6,106)	(41,476)
Net receivables	239,614	206,847	1,582,550
Inventories (Notes 5 and 6)	54,715	48,407	361,374
Other	26,415	25,628	174,460
Total current assets	455,173	397,261	3,006,230
Property, Plant, and Equipment (Notes 7 and 8):			
Land	15,852	15,570	104,701
Buildings and structures-net	47,022	46,183	310,562
Machinery, equipment, and vehicles-net	10,178	9,354	67,225
Tools, furniture, and fixtures-net	7,261	6,550	47,960
Construction in progress	2,113	1,780	13,961
Right-of-use assets-net (Note 14)	8,598	8,097	56,788
Lease assets-net (Note 14)	10	22	72
Total property, plant, and equipment	91,038	87,559	601,270
Investments and Other Assets:			
Investment securities (Notes 4, 9, and 15)	43,879	51,022	289,807
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 15)	21,736	19,763	143,558
Goodwill (Notes 3, 8, and 22)	5,971	14,614	39,440
Software (Note 8)	17,512	14,137	115,660
Other intangible assets (Notes 8 and 22)	20,283	19,782	133,966
Deferred tax assets (Note 12)	10,526	8,921	69,526
Other	7,337	6,433	48,463
Less: Allowance for doubtful accounts	(593)	(859)	(3,917)
Total investments and other assets	126,655	133,815	836,504
Total Assets	¥672,866	¥618,637	\$4,444,006

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term loans payable (Notes 9, 15, and 17)	¥295	¥460	\$1,954
Current portion of long-term debt (Notes 9 and 15)		20,014	
Commercial papers (Note 9)		25,000	
Current portion of lease obligations (Notes 9 and 15)	2,780	2,219	18,363
Payables (Note 9)			
Trade notes and accounts	31,818	31,226	210,149
Electronically recorded obligations-operating	9,657	10,098	63,783
Contract liabilities (Note 21)	51,588	45,837	340,723
Other	21,274	18,741	140,509
Income taxes payable	9,795	6,472	64,693
Accrued expenses	38,511	34,340	254,351
Provision for contract loss (Notes 3, 6, and 18)	8,746	7,380	57,765
Other	12,065	11,305	79,686
Total current liabilities	186,534	213,097	1,231,980
Long-Term Liabilities:			
Long-term debt (Notes 9 and 15)	24,000	4,087	158,510
Lease obligations (Notes 9 and 15)	5,808	5,292	38,363
Liability for retirement benefits (Note 10)	6,048	5,081	39,947
Deferred tax liabilities (Notes 12 and 22)	3,864	2,519	25,522
Other	1,848	1,732	12,207
Total long-term liabilities	41,569	18,713	274,551
Commitments and Contingent Liabilities (Notes 14, 16, and 17)			
Equity (Notes 11 and 23):			
Common stock, authorized, 600,000,000 shares; issued, 268,624,510 shares in 2024 and 2023	43,401	43,401	286,645
Capital surplus	54,464	54,392	359,717
Retained earnings (Note 22)	303,979	251,277	2,007,659
Treasury stock, 8,473,826 shares in 2024 and 1,695,433 shares in 2023	(19,357)	(1,410)	(127,848)
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	21,953	19,106	144,992
Deferred gain (loss) on derivatives under hedge accounting	43	(98)	289
Foreign currency translation adjustments	32,831	13,812	216,839
Defined retirement benefit plans	(674)	(854)	(4,453)
Total	54,154	31,965	357,667
Noncontrolling interests	8,120	7,200	53,633
Total equity	444,763	386,825	2,937,474
Total Liabilities and Equity	¥672,866	¥618,637	\$4,444,006



Financial Section

Consolidated Statement of Income

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net Sales (Note 21)	¥540,152	¥456,479	\$3,567,479
Cost of Sales (Notes 13 and 18)	285,260	252,019	1,884,024
Gross profit	254,891	204,459	1,683,454
Selling, General, and Administrative Expenses (Notes 13 and 18)	176,091	160,050	1,163,008
Operating income (Note 22)	78,800	44,409	520,446
Other Income (Expenses):			
Interest and dividend income	2,844	3,029	18,788
Interest expense	(1,485)	(1,423)	(9,810)
Loss on valuation of investment securities (Note 4)	(1,041)		(6,878)
Net gain on sales of investment securities and investment in affiliated companies (Note 4)	16,990	834	112,216
Foreign exchange gain (loss) -net	1,049	(1,009)	6,931
Net (loss) gain on sales and disposal of property, plant, and equipment (Note 18)	(163)	88	(1,080)
Loss on impairment of long-lived assets (Note 8)	(11,473)	(558)	(75,780)
Equity in earnings of affiliates	3,163	3,374	20,893
Gain on step acquisition (Note 18)		1,066	
Net loss on sale of investment in affiliates	(259)		(1,711)
Business structure improvement expense (Note 18)	(283)	(240)	(1,870)
Loss on termination of retirement benefit plan	(107)		(707)
Provision for allowance for doubtful accounts	(54)	(21)	(356)
Other-net	(220)	251	(1,456)
Other expenses-net	8,960	5,390	59,178
Income before Income Taxes (Note 22)	87,760	49,799	579,624
Income Taxes (Note 12):			
Current	22,531	11,662	148,813
Deferred	(763)	(3,799)	(5,041)
Total income taxes	21,768	7,863	143,771
Net income	65,992	41,936	435,853
Net income attributable to noncontrolling interests	4,306	3,015	28,445
Net income attributable to owners of the parent	¥61,685	¥38,920	\$407,407
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Note 20):			
Basic net income	¥234.83	¥145.81	\$1.55
Cash dividends applicable to the year	40.00	34.00	0.26

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net Income	¥65,992	¥41,936	\$435,853
Other Comprehensive Income (Note 19):			
Net unrealized gain on available-for-sale securities	2,840	7,529	18,763
Deferred gain (loss) on derivatives under hedge accounting	142	(98)	940
Foreign currency translation adjustments	19,580	8,826	129,319
Defined retirement benefit plans	53	57	350
Share of other comprehensive income in affiliates	134	63	888
Total other comprehensive income	22,751	16,378	150,263
Comprehensive Income	¥88,743	¥58,314	\$586,116
Total Comprehensive Income Attributable to:			
Owners of the parent	¥83,874	¥55,131	\$553,957
Noncontrolling interests	4,869	3,183	32,158

See notes to consolidated financial statements.



Financial Section

Consolidated Statement of Changes in Equity

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2024

	Outstanding number of shares of common stock	Millions of yen										
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income						Total equity
						Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non controlling interests	
Balance, April 1, 2022	266,930,415	¥43,401	¥54,392	¥221,431	¥(1,407)	¥11,592		¥5,137	¥(976)	¥15,753	¥6,769	¥340,340
Net income attributable to owners of the parent				38,920								38,920
Cash dividends, ¥34 per share				(9,075)								(9,075)
Purchase of treasury stock	(1,338)				(2)							(2)
Net change in the year						7,513	¥(98)	8,674	122	16,211	431	16,642
Balance, March 31, 2023	266,929,077	¥43,401	¥54,392	¥251,277	¥(1,410)	¥19,106	¥(98)	¥13,812	¥(854)	¥31,965	¥7,200	¥386,825
Net income attributable to owners of the parent				61,685								61,685
Cash dividends, ¥40 per share				(8,983)								(8,983)
Purchase of treasury stock	(6,778,393)				(17,947)							(17,947)
Capital increase of consolidated subsidiaries			72									72
Net change in the year						2,847	142	19,018	180	22,189	920	23,109
Balance, March 31, 2024	260,150,684	¥43,401	¥54,464	¥303,979	¥(19,357)	¥21,953	¥43	¥32,831	¥(674)	¥54,154	¥8,120	¥444,763

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income						Total equity
					Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non controlling interests	
Balance, April 1, 2023	\$286,645	\$359,237	\$1,659,581	\$(9,314)	\$126,187	\$(650)	\$91,227	\$(5,645)	\$211,118	\$47,554	\$2,554,822
Net income attributable to owners of the parent			407,407								407,407
Cash dividends, \$0.26 per share			(59,329)								(59,329)
Purchase of treasury stock				(118,534)							(118,534)
Capital increase of consolidated subsidiaries		479									479
Net change in the year					18,805	940	125,611	1,191	146,549	6,078	152,628
Balance, March 31, 2024	\$286,645	\$359,717	\$2,007,659	\$(127,848)	\$144,992	\$289	\$216,839	\$(4,453)	\$357,667	\$53,633	\$2,937,474

See notes to consolidated financial statements.



Financial Section

Consolidated Statement of Cash Flows

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Operating Activities:			
Income before income taxes	¥87,760	¥49,799	\$579,624
Adjustments for:			
Income taxes paid	(21,203)	(11,080)	(140,039)
Depreciation and amortization	20,272	18,037	133,892
Goodwill amortization	2,298	1,659	15,181
Equity in earnings of affiliates	(3,163)	(3,374)	(20,893)
Net loss (gain) on sales and disposal of property, plant, and equipment	163	(88)	1,080
Loss on valuation of investment securities	1,041		6,878
Gain on sales of investment securities and investment in affiliated companies	(16,990)	(834)	(112,216)
Gain on step acquisition		(1,066)	
Loss on impairment of long-lived assets	11,473	558	75,780
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(17,364)	(13,692)	(114,686)
Increase in inventories	(4,103)	(5,415)	(27,103)
(Decrease) increase in trade notes and accounts payable	(1,819)	3,421	(12,014)
Increase in other payables	1,203	587	7,950
(Decrease) increase in allowance for doubtful accounts	(782)	128	(5,167)
Increase in liability for retirement benefits	378	49	2,499
Increase (decrease) in provision for loss from program errors	339	(272)	2,243
Other assets and liabilities	1,651	2,216	10,908
Other-net	2,675	(211)	17,672
Total adjustments	(23,927)	(9,377)	(158,033)
Net cash provided by operating activities	63,833	40,422	421,590
Investing Activities:			
Purchases of property, plant, and equipment	(8,718)	(8,637)	(57,584)
Proceeds from sale of property, plant, and equipment	152	79	1,004
Acquisitions of intangible assets	(15,410)	(12,205)	(101,776)
Proceeds from sale of investment securities	28,266	1,087	186,685
Purchases of investment securities	(1,276)	(2,540)	(8,429)
Proceeds from business divestiture		428	
Purchases of investments in subsidiaries with changes in consolidation scope		(6,744)	
Purchases of investments in affiliates		(2,021)	
Other-net	(359)	(2,385)	(2,374)
Net cash provided by (used in) investing activities	2,653	(32,939)	17,524
Forward	¥66,486	¥7,482	\$439,115

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Forward	¥66,486	¥7,482	\$439,115
Financing Activities:			
Net decrease in short-term loans payable	(225)	(1,144)	(1,492)
Net (decrease) increase in commercial papers	(25,000)	5,000	(165,114)
Proceeds from long-term debt	20,000		132,091
Repayments of long-term debt	(20,110)		(132,822)
Repayments of lease obligations	(2,556)	(3,432)	(16,882)
Purchase of treasury stock	(17,947)		(118,534)
Cash dividends paid	(8,982)	(9,078)	(59,323)
Cash dividends paid to noncontrolling shareholders	(2,757)	(2,274)	(18,211)
Other-net	83	(2)	548
Net cash used in financing activities	(57,496)	(10,932)	(379,740)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	9,060	4,286	59,841
Net Increase in Cash and Cash Equivalents	18,050	836	119,215
Cash and Cash Equivalents, Beginning of Year	116,378	115,541	768,629
Cash and Cash Equivalents, End of Year	¥134,428	¥116,378	\$887,845

See notes to consolidated financial statements.



Financial Section

Notes to Consolidated Financial Statements

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2024

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yokogawa Electric Corporation (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.41 to \$1, the approximate rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen and U.S. dollar figures less than a thousand dollars are rounded down to the nearest million yen and thousand dollars, except for per share data. As a result, totals in millions of yen and thousands of U.S. dollars may not add up exactly.

2. Summary of Significant Accounting Policies

● **a. Consolidation** — The consolidated financial statements as of March 31, 2024 include the accounts of the Company and its 122 (123 in 2023) significant subsidiaries (together, the “Group”). Changes include i) establishment of Yokogawa Middle East and Africa Regional Office L.L.C. and Yokogawa Africa Holding W.L.L.; ii) liquidation of Industrial Evolution, LLC, Soteica Europe SL and Visual Mesa LLC.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in one (one in 2023) unconsolidated subsidiary and three (four in 2023) affiliated companies are accounted for by the equity method. Changes include exclusion of Yokogawa Shanghai Instrumentation Co., Ltd. due to termination of the joint venture agreement with the partner company.

The excess of the cost of acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis over a period of up to 20 years. However, any insignificant amount of goodwill is amortized in full upon its recognition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

● **b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** — Under Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or accounting principles generally accepted in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—FASB ASC) tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; (3) expensing capitalized development costs of research and development; (4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.



Financial Section

● **c. Business Combinations** — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

● **d. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Specifically, cash equivalents represent time deposits that mature within three months of the date of placement.

● **e. Inventories** — Inventories are stated at the lower of cost or the net selling value. Cost is mainly determined by the specific identification method for finished goods and work in process, and by the average method for merchandise, raw materials, and supplies.

● **f. Investment Securities** — Investment securities comprised available-for-sale securities. Except for equity securities without market price, available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported under accumulated other comprehensive income in a separate component of equity. Costs of securities sold are calculated primarily by the moving-average method.

Equity securities without market price are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

● **g. Property, Plant, and Equipment** — Property, plant, and equipment are stated at cost, less accumulated depreciation and any impairment loss. Depreciation of property, plant, and equipment is mainly calculated by the straight-line method over their estimated useful lives.

The estimated useful lives range principally from three to 50 years for buildings, and from four to 10 years for machinery and equipment. The estimated useful lives for leased assets are the terms of the respective leases.

● **h. Intangible Assets** — Intangible assets consist mainly of software, technology assets, customer-related intangible assets, and goodwill. Amortization of intangible assets is mainly calculated by the straight-line method over their estimated useful lives. Software for internal use is amortized using the straight-line method over the estimated useful life of principally five years. Customer-related intangible assets and technology assets are amortized using the straight-line method over periods of future revenue to be generated (mainly 10 years).

● **i. Leases** — Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

Depreciation of leased assets is calculated by the straight-line method over their lease periods. The residual value of leased assets with residual value guarantee clause is the guaranteed amount and zero for leased assets without such clause.

Depreciation of right-of-use assets is calculated by the straight-line method over shorter of their lease periods or their estimated useful lives.

● **j. Long-lived Assets** — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.



Financial Section

- **k. Allowance for Doubtful Accounts** — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- **l. Provision for Contract Loss** — When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.
- **m. Retirement and Pension Plans** — The Company and most of its consolidated subsidiaries have defined contribution plans, and some other consolidated subsidiaries have defined benefit plans for employees. Certain overseas subsidiaries account for their pension plans in conformity with the accounting principles generally accepted in the United States of America ("US GAAP") or IFRS.

The main method used to attribute expected benefits to each period is the benefit formula basis.

Actuarial gains or losses are amortized on a straight-line basis over a period within the average remaining years of service of the employees from the following year in which they arise.

Prior service cost is amortized on a straight-line basis over a period within the average remaining years of service.
- **n. Research and Development Costs** — Research and development costs are charged to income as incurred.
- **o. Bonuses to Directors** — Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.
- **p. Revenue Recognition** — The Group applied ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition" from the beginning of the year ended March 31, 2021, as they become effective for the annual periods beginning on or after April 1, 2018. As a result, the Group recognizes revenue at the time of the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on the following five steps.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Regarding Step 4 above, the Group utilizes cost plus a margin approach in determining stand-alone selling prices and allocates transaction prices to performance obligations.

(1) Sales of Products

With regard to sales of products, such as field instruments and others which are placed at production sites, performance obligations are determined based on each product, and contract prices are used as a basis for transaction prices if one contract contains multiple products. Revenues are recognized at the time of delivery as the customers obtain control of the assets at the time of delivery and performance obligations are deemed to be satisfied at the same time. Revenues are recognized at the time of shipment if contracts satisfy requirements of Paragraph 98 of the guidance. Considerations for performance obligations are received approximately within one year after the performance obligations are satisfied.

(2) Construction Contracts

Transactions in the forms of construction contracts, including engineering, involve the creation of assets, which cannot be directed to another customer or assets with no alternative use and accompany rights to payments for the completed work. Percentage of progress regarding satisfaction of performance obligations for construction contracts is estimated and revenues are recognized based on the estimated percentage over certain period of time. The percentage of progress is determined based on a ratio of actual costs incurred against the estimated total costs to satisfy the performance obligation. Net sales recorded using this method were ¥240,375 million (U.S.\$1,587,581 thousand) and ¥200,146 million for the years ended March 31, 2024 and 2023, respectively. If order amounts or total construction costs to satisfy the performance obligation cannot be reliably estimated, a portion of actual costs incurred of which collection is probable is recognized as revenue. Considerations for performance obligations are generally received as the performance obligations are satisfied in accordance with contract milestones. Transactions arising from maintenance services are recognized over the contract periods.



Financial Section

● **q. Income Taxes** — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and certain domestic subsidiaries file their tax returns under the group tax sharing system, which allows these companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries in Japan.

With regard to differences under the group tax sharing system established by “Act on Partial Revision of the Income Tax Act (Act No. 8, 2020)” and differences under the single tax return filing system reexamined together with transition to the group tax sharing system, the Company and certain domestic subsidiaries calculated the amounts of deferred tax assets and deferred tax liabilities based on the Income Tax Act before the revision for the fiscal year ended March 31, 2022, not applying Paragraph 44 of ASBJ Guidance No. 28, “Implementation Guidance on Tax Effect Accounting,” issued on February 16, 2018, as permitted by Paragraph 3 of the PITF No. 39 “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System,” issued on March 31, 2020.

● **r. Foreign Currency Transactions** — Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Japanese yen at the exchange rate as of that date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

● **s. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the prevailing exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income and noncontrolling interests in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

● **t. Fair Value Measurement** — From the beginning of the year ended March 31, 2022, the Group adopted ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement,” issued on July 4, 2019, and other related standards and guidance. The new accounting policies as stipulated in these standards and

guidance are applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the ASBJ Statement No. 10, “Accounting Standard for Financial Instruments,” issued on July 4, 2019. The effects of applying these standards and guidance on consolidated financial statements were immaterial.

From the beginning of the year ended March 31, 2023, the Group adopted ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement,” revised on June 17, 2021. The new accounting policies applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 27-2 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement.” The effects of applying this guidance on consolidated financial statements were immaterial.

● **u. Derivatives and Hedging Activities** — The Company and certain consolidated subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts, currency options, and interest rate swaps, as a means of hedging foreign currency and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives other than those which qualify for hedge accounting are measured at fair value, and gains or losses are recognized in the consolidated statement of income; and b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions. These amounts are shown as “deferred gain on derivative under hedge accounting” under accumulated other comprehensive income in a separate component of equity.

Foreign currency forward contracts are utilized to hedge the foreign currency risk of trade receivables denominated in foreign currencies. If the forward contracts qualify for hedge accounting, these trade receivables are translated at the contracted rates. Interest rate swaps are utilized to hedge the interest rate risk of long-term debt. Those interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

If the hedging relationships qualify for the application of ASBJ PITF No. 40 “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR,” the special treatment as prescribed in the PITF No. 40 is applied to those hedging relationships. The hedging relationships to which the PITF No. 40 is applied are the interest rate swaps that meet specific matching criteria.



Financial Section

● **v. Per Share Information** — Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

● **w. New Accounting Pronouncements** — ASBJ Statement No. 27, “Accounting Standard for Current Income Taxes,” ASBJ Statement No. 25, “Accounting Standard for Presentation of Comprehensive Income” and ASBJ Guidance No. 28, “Guidance on Accounting Standard for Tax Effect Accounting” were revised on October 28, 2022. ASBJ issued ASBJ Statement No. 28 “Partial Amendments to Accounting Standard for Tax Effect Accounting” and related guidance (“Statement No. 28, etc.”) in February 2018 and transfer of the practical guidance on tax effect accounting issued by Japanese Institute of Certified Public Accountants to ASBJ has been completed. ASBJ issued the results of the deliberations for the following two issues which have been identified during the process of initial deliberation for further examination after the issuance of Statement No. 28, etc.

- Presentation of income tax expenses (income taxes on items of other comprehensive income)
- Tax effects on sales of shares of subsidiaries and other companies (shares of subsidiaries and affiliates) when the group tax sharing system has been applied

The standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

The Group is currently in the process of determining the effects of applying the standards and guidance on the consolidated financial statements.

3. Significant Accounting Estimates

Provision for contract loss

(1) Carrying amounts

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Provision for contract loss	¥8,746	¥7,380	\$57,765

(2) Information on the significant accounting estimate

Provision for contract loss is provided when it is probable that the total construction costs will exceed total construction revenue and if the outcome of a construction contract can be estimated reliably. The amount of provision for contract loss is calculated as the excess amount (contract loss) deducted by profit or loss already recognized for the construction contract. Variation in the estimated amount of contract loss due to profitability, production, and quality issues that may arise in future may have a material impact on the future consolidated financial statements.

Goodwill and other intangible assets acquired through business combination

(1) Carrying amounts

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Goodwill	¥5,971	¥14,614	\$39,440
Other intangible assets	1,580	4,174	10,436

(2) Information on the significant accounting estimate

Goodwill and other intangible assets, such as technology assets, are recognized during the course of business combinations. The Group annually determines whether impairment indicators exist for these assets based on changes in business environment and deteriorated business results. Whenever the circumstance indicates the carrying amount of goodwill and other intangible assets may not be recoverable, undiscounted future cash flows are estimated based on business plans. An impairment loss is recognized if the carrying amount of goodwill and other intangible assets exceeds the sum of the undiscounted future cash flows and the carrying amount of the goodwill and other intangible assets is reduced to its recoverable amount. Impairment tests on goodwill and other intangible assets generated from the business combinations of overseas consolidated subsidiaries are carried out based US GAAP or IFRS. Assumptions such as sales forecast and operating expense forecast based on the plans for unit sales and unit price are included in estimation of future cash flows and any changes in these assumptions due to changes in economic environment and demand trends may have a material impact on the future consolidated financial statements.



Financial Section

4. Investment Securities

Investment securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Noncurrent:			
Equity securities	¥43,879	¥51,022	\$289,807

The cost and aggregate fair values of investment securities at March 31, 2024 and 2023, were as follows:

March 31, 2024	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥6,006	¥30,316	¥(20)	¥36,302

March 31, 2023

Securities classified as:				
Available-for-sale:				
Equity securities	¥6,202	¥26,736	¥(118)	¥32,819

March 31, 2024	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$39,668	\$200,228	\$(132)	\$239,764

The information for available-for-sale securities sold during the years ended March 31, 2024 and 2023, was as follows:

2024	Millions of yen		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥28,315	¥16,990	

2023	Millions of yen		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥1,087	¥834	

2024	Thousands of U.S. dollars		
	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	\$187,010	\$112,216	

Impairment losses are recognized for available-for-sale securities except for equity securities without market price if declines in fair value are 50% or more. If declines in fair value are 30% to 50%, impairment losses may be recognized for amount deemed to be irrecoverable considering the declines are other than temporary. Impairment losses for equity securities without market price may be recognized for amounts deemed to be irrecoverable if declines in fair value are 50% or more considering the declines are other than temporary.

Loss on valuation of investment securities for the years ended March 31, 2024 and 2023, was ¥1,041 million (U.S.\$6,878 thousand) and nil, respectively.



Financial Section

5. Inventories

Inventories at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Merchandise and finished goods	¥21,719	¥18,467	\$143,447
Work in process	5,857	4,932	38,688
Raw materials and supplies	27,138	25,006	179,238
Total	¥54,715	¥48,407	\$361,374

6. Expected Loss on Construction Contracts

The Group recognizes an expected loss on construction contracts when it is probable that total contract costs will exceed total contract revenue. The inventory and the expected loss on construction contracts are not offset, but are separately presented in the consolidated balance sheet.

The balance of inventories relating to the expected loss on construction contracts for the years ended March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Merchandise and finished goods	¥75	¥518	\$500
Work in process	55	46	369
Total	¥131	¥564	\$870

7. Property, Plant, and Equipment

Accumulated depreciation on property, plant, and equipment as of March 31, 2024 and 2023, was ¥162,888 million (U.S.\$1,075,813 thousand) and ¥150,406 million, respectively.

8. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of and for the years ended March 31, 2024 and 2023. As a result, impairment losses of ¥11,473 million (U.S.\$75,780 thousand) and ¥558 million were recognized for the years ended March 31, 2024 and 2023, respectively.

The main components of loss on impairment of long-lived assets for the year ended March 31, 2024, were as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Use	Category	Impairment loss	
United States	Business assets	Tools, furniture, and fixtures	¥38	\$254
		Right-of-use assets	103	685
		Goodwill	3,563	23,536
		Other intangible assets	3,701	24,445
Germany	Business assets	Goodwill	3,104	20,504
		Other intangible assets	881	5,824
Japan	Business assets	Machinery, equipment, and vehicles	46	308
		Other intangible assets	1	7
		Long-term prepaid expenses	4	27
		Idle assets	Machinery, equipment, and vehicles	28
		Total	¥11,473	\$75,780

The Group's business assets are grouped in accordance with management accounting classification.

The book values of business assets (goodwill and other assets) arising at the time of acquisition of the United States-based subsidiaries, PXiSE Energy Solutions, LLC and Yokogawa Fluence Analytics, Inc., as well as the Germany-based subsidiary, Yokogawa Insilico Biotechnology GmbH, have been reduced to the respective recoverable amount as their business results fell below initially forecasted business plans. The differences between the book values and recoverable amounts have been recorded as impairment losses.

Business assets are measured at their recoverable amounts, which are value in use that is calculated by discounting future cash flows at 10%.



Financial Section

The main components of loss on impairment of long-lived assets for the year ended March 31, 2023, were as follows:

			Millions of yen
Location	Use	Category	Impairment loss
United Kingdom	Business assets	Goodwill	¥261
Norway	Business assets	Other intangible assets	296
Total			¥558

The Group's business assets are grouped in accordance with management accounting classification.

The book values of business assets (goodwill) arising at the time of acquisition of shares of the UK-based subsidiary, Yokogawa RAP Limited, has been reduced to their respective recoverable amounts as the business results of Yokogawa RAP Limited are expected to fall below initially forecasted business plans in line with changes made to the company's positioning with respect to business expansion. The differences between the book values and recoverable amounts have been recorded as impairment losses.

Business assets are measured at their recoverable amounts, which are value in use that is calculated by discounting future cash flows at 10%.

The book values of business assets (other intangible assets) arising at the time of acquisition of shares of the Norway-based subsidiary, Yokogawa TechInvent AS, has been reduced to their respective recoverable amounts as the business results of Yokogawa TechInvent AS fell below initially forecasted business plans due to changes in its business environment surrounding the company. The differences between the book values and recoverable amounts have been recorded as impairment losses.

Business assets are measured at their recoverable amounts, which are value in use that is calculated by discounting future cash flows at 10%.

9. Short-term Loans, Commercial Papers, Lease Obligations, and Long-term Debt

Short-term bank loans at March 31, 2024 and 2023, included bank overdrafts. The annual average interest rates on the short-term bank loans were 0.019% and 3.612% for the years ended March 31, 2024 and 2023, respectively.

The annual average interest rate on commercial papers was 0.003% for the year ended March 31, 2023.

Long-term debt as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Loans from banks and other financial institutions	¥24,000	¥24,102	\$158,510
Lease obligations	8,589	7,512	56,727
Total	32,589	31,614	215,237
Less: Current portion	2,780	22,233	18,363
Long-term debt, less current portion	¥29,808	¥9,380	\$196,873

Annual maturities of long-term loans from banks and other financial institutions at March 31, 2024, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2025		
2026		
2027	¥24,000	\$158,510
2028		
2029 and thereafter		
Total	¥24,000	\$158,510

The annual average interest rates on long-term loans (excluding current portion) from banks were 0.593% and 0.434% for the years ended March 31, 2024 and 2023, respectively.



Financial Section

Annual maturities of leases obligations at March 31, 2024, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥2,780	\$18,363
2026	2,056	13,582
2027	1,001	6,614
2028	830	5,485
2029 and thereafter	1,920	12,681
Total	¥8,589	\$56,727

The annual average interest rates on lease obligations (excluding current portion) were 4.092% and 3.233% for the years ended March 31, 2024 and 2023, respectively.

Collateral and secured debt at March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Collateral:			
Deposits	¥12	¥12	\$82
Investment securities	5	4	39
Assets in consolidated subsidiaries outside Japan*	14,020	10,829	92,599
Total	¥14,038	¥10,847	\$92,721

* “Assets in consolidated subsidiaries outside Japan” represents the aggregate amount of accounts receivable and other assets of such subsidiaries.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Secured debt:			
Trade notes and accounts payable	¥24	¥25	\$163

The Group’s interest-bearing debt includes financial covenants which require the Company to maintain certain levels of equity and income on a consolidated basis. The balance of such debt as of March 31, 2024 and 2023, was ¥20,000 million (U.S.\$132,091 thousand) and ¥20,000 million, respectively.

10. Retirement and Pension Plans

The Company and most of its consolidated subsidiaries have defined contribution plans, while some other subsidiaries have defined benefit plans. In certain circumstances, additional payments are made upon the retirement of employees.

The simplified method is used to calculate defined benefit obligation for certain consolidated subsidiaries.

(a) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of year	¥12,717	¥12,492	\$83,993
Current service cost	829	780	5,479
Interest cost	381	287	2,521
Recognized prior service cost	17	(24)	118
Actuarial gain	(81)	(818)	(537)
Benefits paid	(810)	(885)	(5,353)
Others	1,031	886	6,815
Balance at end of year	¥14,087	¥12,717	\$93,039



Financial Section

(b) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at beginning of year	¥8,039	¥8,238	\$53,096
Expected return on plan assets	293	432	1,940
Actuarial loss	(163)	(855)	(1,078)
Contributions from the employer	200	468	1,326
Benefits paid	(670)	(784)	(4,431)
Others	622	539	4,113
Balance at end of year	¥8,322	¥8,039	\$54,967

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined benefit obligation	¥14,087	¥12,717	\$93,039
Plan assets	(8,322)	(8,039)	(54,967)
Total	5,764	4,678	38,071
Net liability for defined benefit obligation	¥5,764	¥4,678	\$38,071

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liability for retirement benefits	¥6,048	¥5,081	\$39,947
Asset for retirement benefits	(284)	(402)	(1,875)
Net liability for defined benefit obligation	¥5,764	¥4,678	\$38,071

(d) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥829	¥780	\$5,479
Interest cost	381	287	2,521
Expected return on plan assets	(293)	(432)	(1,940)
Amortization of actuarial loss	217	121	1,437
Amortization of prior service cost		(24)	
Others	32	270	216
Net periodic benefit costs	¥1,167	¥1,002	\$7,714

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gain	¥117	¥84	\$776

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial loss	¥(1,027)	¥(1,163)	\$(6,788)



Financial Section

(g) Plan assets as of March 31, 2024 and 2023, were as follows:

(1) Components of plan assets

Plan assets:

	2024	2023
Equity investments	2%	2%
Debt investments	63	65
Cash and cash equivalents	29	28
Others	6	5
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined based on the expected long-term rates of return for the various plan asset components.

(h) Assumptions used for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Discount rate	4.29%	3.51%
Expected rate of return on plan assets	3.81%	3.81%

(i) Payments to defined contribution plans amounted to ¥4,058 million (U.S.\$ 26,801 thousand) and ¥4,114 million for the years ended March 31, 2024 and 2023, respectively.

11. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon the passing of a resolution at the shareholders’ meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) prescribing a one-year term of service for directors (rather than the conventional two-year term) in its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulates. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.



Financial Section

12. Income Taxes

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Provision for bonuses	¥3,817	¥3,203	\$25,215
Write-down of inventories	2,165	1,920	14,303
Unrealized profit of inventories	2,916	2,717	19,259
Impairment loss on investment securities	1,618	795	10,687
Tax losses carryforwards (Note)	4,099	5,808	27,076
Other	15,792	14,453	104,305
Subtotal	30,410	28,899	200,848
Less: Valuation allowance for tax loss carryforwards (Note)	(2,455)	(2,397)	(16,216)
Less: Valuation allowance for temporary differences	(8,029)	(7,704)	(53,030)
Total valuation allowance	(10,484)	(10,101)	(69,246)
Total	¥19,925	¥18,797	\$131,601
Deferred tax liabilities:			
Net realized gain on available-for-sale securities	¥(8,691)	¥(7,661)	\$(57,401)
Undistributed earnings of consolidated subsidiaries outside Japan	(2,008)	(2,285)	(13,266)
Intangible assets recognized on business combination	(333)	(197)	(2,199)
Property, plant, and equipment	(450)	(457)	(2,972)
Other	(1,780)	(1,793)	(11,758)
Total	(13,263)	(12,395)	(87,598)
Net deferred tax assets	¥6,662	¥6,402	\$44,003

Note:

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2024 and 2023, were as follows:

	Millions of yen						
	2024						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	¥520	¥434	¥336	¥124	¥140	¥2,544	¥4,099
Less valuation allowance for tax loss carryforwards	(85)	(19)	(19)	(19)	(34)	(2,277)	(2,455)
Net deferred tax assets relating to tax loss carryforwards	434	415	317	105	105	266	1,644

	Millions of yen						
	2023						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	¥717	¥1,791	¥594	¥271	¥124	¥2,309	¥5,808
Less valuation allowance for tax loss carryforwards	(76)	(264)	(217)	(163)	(29)	(1,645)	(2,397)
Net deferred tax assets relating to tax loss carryforwards	641	1,527	376	108	94	663	3,411



Financial Section

Thousands of U.S. dollars							
	2024						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Deferred tax assets relating to tax loss carryforwards*	\$3,434	\$2,868	\$2,224	\$820	\$925	\$16,803	\$27,076
Less valuation allowance for tax loss carryforwards	(563)	(126)	(126)	(126)	(230)	(15,042)	(16,216)
Net deferred tax assets relating to tax loss carryforwards	2,870	2,742	2,098	694	694	1,760	10,860

* Deferred tax assets relating to tax loss carryforwards were calculated by applying the normal effective statutory tax rate.

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2024 and 2023, was as follows:

	2024	2023
Normal effective statutory tax rate	30.6%	30.6%
Inhabitant taxes per capita	0.2	0.3
Permanent difference		
Expenses not deductible for income tax purposes	0.9	1.4
Foreign withholding taxes	2.4	2.4
Loss on impairment of long-lived assets	2.1	0.3
Changes in valuation allowance	0.5	(8.6)
Lower income tax rates applicable to certain consolidated subsidiaries outside Japan	(8.3)	(9.5)
Equity in earnings of affiliates	(1.1)	(2.1)
Other-net	(2.6)	1.0
Actual effective tax rate	24.8%	15.8%

The Company and certain domestic subsidiaries file their tax returns under the group tax sharing system. The PITF No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," issued on August 12, 2021, is applied with regard to accounting treatment and disclosures of national and local taxes and tax effect accounting.

13. Research and Development Costs

Research and development costs were ¥32,435 million (U.S.\$ 214,223 thousand) and ¥30,492 million for the years ended March 31, 2024 and 2023, respectively and were included in the cost of sales and selling, general, and administrative expenses in the consolidated statement of income.

14. Leases

The Group leases certain tools, furniture, and fixtures; and other assets.

Right-of-use assets comprised primarily of building and structures.

15. Financial Instruments and Related Disclosures

(1) Information regarding financial instruments

(a) Group policy on financial instruments

In accordance with the Group's capital expenditure program for the industrial automation and control business and the test and measurement business, the Group uses financial instruments such as bank loans to obtain necessary funding. Cash surpluses are invested in low-risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used to manage exposure to financial risks as described in Note 16 and are not used for speculative purposes.

(b) Nature of the financial instruments and risk management

Receivables such as trade notes and trade accounts, are exposed to customer credit risk. Those securities are mainly issued by the Group's customers and suppliers, and are managed by regularly monitoring market value and the financial position of the issuers.



Financial Section

Investment securities are exposed to the risk of market price fluctuations. The Group reviews its holdings of these securities, whose issuers are mainly its customers and suppliers, by regularly checking their market value and the financial position of the issuers.

Payment terms of payables such as trade notes and trade accounts, are less than one year.

Long-term debt is used for capital expenditures and investments. In order to manage exposure to market risks from fluctuations in interest rates, the Group principally uses fixed-rate contracts; otherwise, interest rate swap contracts are used for variable rate loans.

Lease obligations are used primarily for capital expenditures and are exposed to liquidity risk at the time of settlement. The Group manages the risk by reviewing funding plan monthly by the group companies.

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by foreign currency forward contracts.

Basic policies on derivative transactions are set out in the Group's internal guidelines. The guidelines prescribe a control policy, designate authorized departments, specify the purpose of the transactions, define the basis for selecting financial institutions, and specify the reporting route.

The fair value of financial instruments is based on the quoted price in an active market. If a quoted price is not available, other valid valuation techniques are used instead.

(2) Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and unrealized gain (loss) as of March 31, 2024 and 2023, were as detailed below. Equity securities without market price and investments in partnerships are not included.

Millions of yen			
	2024		
	Carrying amount	Fair value	Difference
Investment securities	¥36,302	¥36,302	
Total	¥36,302	¥36,302	
Long-term debt	¥24,000	¥23,830	¥(169)
Lease obligations (*3)	8,589	8,273	(315)
Total	¥32,589	¥32,103	¥(485)
Derivatives (*4)	¥(456)	¥(456)	

Millions of yen			
	2023		
	Carrying amount	Fair value	Difference
Investment securities	¥32,819	¥32,819	
Total	¥32,819	¥32,819	
Long-term debt (*2)	¥24,102	¥24,014	¥(87)
Lease obligations (*3)	7,512	7,298	(213)
Total	¥31,614	¥31,312	¥(301)
Derivatives (*4)	¥(500)	¥(500)	

Thousands of U.S. dollars			
	2024		
	Carrying amount	Fair value	Difference
Investment securities	\$239,764	\$239,764	
Total	\$239,764	\$239,764	
Long-term debt	\$158,510	\$157,388	\$(1,121)
Lease obligations (*3)	56,727	54,644	(2,082)
Total	\$215,237	\$212,033	\$(3,203)
Derivatives (*4)	\$(3,014)	\$(3,014)	

(*1) Disclosure of cash and cash equivalents, trade notes receivable, accounts receivable, trade notes and accounts payable, electronically recorded obligations-operating, short-term loans payable, commercial papers, payables-other, income taxes payable is omitted since their carrying amounts approximate their fair values because of their short maturities.

(*2) Long-term debt includes current portion of long-term debt which is presented on the consolidated balance sheet.

(*3) Current portion of lease obligations is included.

(*4) Assets/liabilities arising from derivative transactions are disclosed as the net amount, and the net payable is shown in parentheses.

(*5) Investments in partnerships are not included in the above table in accordance with Paragraph 24-16 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," revised on June 17, 2021. The carrying amounts of investments in partnerships were ¥545 million (U.S.\$3,603 thousand) and ¥295 million as of March 31, 2024 and 2023, respectively.



Financial Section

Notes:

(a) Equity securities without market price as of March 31, 2024 and 2023, are as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Equity securities without market price	¥28,767	¥37,670	\$189,997

Equity securities without market price include unlisted equity securities which are not subject to the fair value disclosure in accordance with Paragraph 5 of ASBJ Guidance No. 19, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments,” revised on March 31, 2020.

(b) Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2024, is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2024		2024	
	Due in one year or less	Due after one to five years	Due in one year or less	Due after one to five years
Cash and cash equivalents	¥139,884		\$923,878	
Trade notes receivables	14,278		94,305	
Accounts receivable	141,111	¥1,457	931,980	\$9,629
Total	¥295,274	¥1,457	\$1,950,164	\$9,629

(c) Fair value measurement of financial instruments and breakdown by level of fair values

Fair values of financial instruments are categorized into following three levels depending on observability and materiality of inputs used for the measurement of fair values.

Level 1: Fair values determined based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair values determined based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair values determined based on unobservable inputs for the asset or liability.

If multiple inputs that have significant impact on the fair value measurement are used, the fair value is categorized in the level of the lowest-level input used in the fair value measurement.

(i) Financial assets and liabilities whose fair values are presented as carrying amounts in the consolidated balance sheets

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	¥35,977			¥35,977
Total	¥35,977			¥35,977
Derivatives				
Foreign exchange related		¥(229)		¥(229)
Currency related		(226)		(226)
Total		¥(456)		¥(456)

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	¥32,603			¥32,603
Total	¥32,603			¥32,603
Derivatives				
Foreign exchange related		¥(122)		¥(122)
Currency related		(377)		(377)
Total		¥(500)		¥(500)



Financial Section

Thousands of U.S. dollars				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	\$237,616			\$237,616
Total	\$237,616			\$237,616
Derivatives				
Foreign exchange related		\$(1,516)		\$(1,516)
Currency related		(1,497)		(1,497)
Total		\$(3,014)		\$(3,014)

Investment trusts are not included in the above table in accordance with Paragraph 24-3 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," revised on June 17, 2021. The carrying amounts of investment trusts were ¥325 million (U.S.\$2,147 thousand) and ¥216 million as of March 31, 2024 and 2023, respectively.

- (ii) Financial assets and liabilities whose carrying amounts in the consolidated balance sheets are not based on fair values

Millions of yen				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Long-term debt		¥23,830		¥23,830
Lease obligations		8,273		8,273
Total		¥32,103		¥32,103

Millions of yen				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Long-term debt		¥24,014		¥24,014
Lease obligations		7,298		7,298
Total		¥31,312		¥31,312

Thousands of U.S. dollars				
2024				
Fair value				
	Level 1	Level 2	Level 3	Total
Long-term debt		\$157,388		\$157,388
Lease obligations		54,644		54,644
Total		\$212,033		\$212,033

Explanation on techniques and inputs used for fair value measurement

Investment securities:

The fair values of listed equity shares are determined based on quoted market prices and categorized in Level 1 as they are actively traded on stock exchanges.

Long-term debt and lease obligations:

The fair values of long-term debt and lease obligations are determined by discounting cash flows related to the debt at the Group's assumed corporate borrowing rate and categorized in Level 2.

Derivatives:

The fair values of derivatives are determined by discounting cash flows using observable inputs, including interest rates, foreign exchange rates and others and categorized in Level 2.



Financial Section

16. Derivatives

Derivative transactions are used to manage foreign exchange risk and the risk of market rate fluctuations that occur in the normal course of business. The Group does not use derivatives for speculative purposes or for highly leveraged transactions.

(1) Derivative transactions to which hedge accounting was not applied at March 31, 2024 and 2023, are as follows:

Millions of yen				
	2024			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Forward exchange contracts				
Selling contracts				
U.S. dollar	¥10,462		¥(217)	¥(217)
Others	6,783		(87)	(87)
Buying contracts				
U.S. dollar	1,249		21	21
Currency swaps	9,912		(226)	(226)
Total	¥28,408		¥(510)	¥(510)

Millions of yen				
	2023			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Forward exchange contracts				
Selling contracts				
U.S. dollar	¥10,244		¥2	¥2
Others	3,979		20	20
Buying contracts				
U.S. dollar	440		(23)	(23)
Currency swaps	13,289		(377)	(377)
Total	¥27,953		¥(378)	¥(378)

Thousands of U.S. dollars				
	2024			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Forward exchange contracts				
Selling contracts				
U.S. dollar	\$69,099		\$(1,438)	\$(1,438)
Others	44,805		(578)	(578)
Buying contracts				
U.S. dollar	8,250		141	141
Currency swaps	65,470		(1,497)	(1,497)
Total	\$187,625		\$(3,372)	\$(3,372)



Financial Section

Note: The contract amount, fair value and unrealized gain (loss) on the above tables include those for currency and interest rate related derivative transactions that are executed for hedging foreign exchange and other risks associated with receivables and payables between consolidated companies which are eliminated on the consolidated balance sheets.

(2) Derivative transactions to which hedge accounting was applied at March 31, 2024 and 2023, are as follows:

Millions of yen				
		2024		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
	U.S. dollar	Payables	¥4,371	¥499
				¥54
Interest rate swaps				
	Pay fixed/receive floating	Long-term debt	¥20,000	Note (b)

			Millions of yen	
2023				
	Hedged item	Contract amount		Fair value
		Total	Due after one year	
Forward exchange contracts				
Buying contracts				
U.S. dollar	Payables	¥2,533	¥330	¥(121)
Interest rate swaps				
Pay fixed/receive floating	Long-term debt	¥20,000		Note (b)

Thousands of U.S. dollars

		2024		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
U.S. dollar	Payables	\$28,875	\$3,300	\$358
Interest rate swaps				
Pay fixed/receive floating	Long-term debt	\$132,091		Note (b)

Notes:

- (a) The above interest rate swaps, which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.
- (b) The fair value of such interest rate swaps is included in that of hedged items disclosed in Note 15.

The contract or notional amounts of the derivatives shown in the above table do not represent the amounts exchanged by the parties and are not a measure of the Group's exposure to credit or market risk.



Financial Section

17. Commitment Line Agreements

The Company has commitment line agreements with financial institutions in order to obtain funds for stable and efficient operation.

The commitment line of credit as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total commitment line of credit	¥45,000	¥45,000	\$297,206
Outstanding borrowings			
Unused credit line	¥45,000	¥45,000	\$297,206

18. Other Notes to Consolidated Statement of Income

(1) Provision for contract loss

The following provision for contract loss was included in the cost of sales in the consolidated statement of income:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Provision for contract loss	¥548	¥672	\$3,623

(2) Selling, general, and administrative expenses

The major components of selling, general, and administrative expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries	¥49,933	¥48,403	\$329,787
Net periodic retirement benefit costs	4,758	4,428	31,427
Provision for bonuses	8,306	7,531	54,864
Allowance for doubtful accounts	(311)	379	(2,060)
Research and development costs	32,371	30,169	213,798

(3) Net gain (loss) on sales and disposal of property, plant, and equipment

The net gain (loss) on sales and disposal of property, plant, and equipment was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings and structures	¥(132)	¥(314)	\$(877)
Machinery, equipment, and vehicles	8	5	55
Tools, furniture, and fixtures	(14)	(12)	(95)
Other intangible assets	(24)	409	(163)
Total	¥(163)	¥88	\$(1,080)

(4) Gain on step acquisition

Gain on step acquisition was recorded due to the step acquisition of shares of Yokogawa Fluence Analytics, Inc. (formerly Fluence Analytics Inc.) for the year ended March 31, 2023.



Financial Section

19. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥19,819	¥11,574	\$130,902
Reclassification adjustments to profit or loss	(15,949)	(834)	(105,337)
Amount before income tax effect	3,870	10,739	25,564
Income tax effect	(1,029)	(3,210)	(6,801)
Total	¥2,840	¥7,529	\$18,763
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥191	¥(132)	\$1,267
Reclassification adjustments to profit or loss			
Amount before income tax effect	191	(132)	1,267
Income tax effect	(49)	34	(327)
Total	¥142	¥(98)	\$940
Foreign currency translation adjustments:			
Adjustments arising during the year	¥19,693	¥8,825	\$130,067
Reclassification adjustments to profit or loss	(113)	1	(747)
Amount before income tax effect	19,580	8,826	129,319
Income tax effect			
Total	¥19,580	¥8,826	\$129,319
Defined retirement benefit plans:			
Adjustments arising during the year	¥(100)	¥(12)	\$(660)
Reclassification adjustments to profit or loss	217	96	1,437
Amount before income tax effect	117	84	776
Income tax effect	(64)	(27)	(425)
Total	¥53	¥57	\$350
Share of other comprehensive income in affiliates:			
Gains arising during the year	¥331	¥187	\$2,187
Reclassification adjustments to profit or loss	(196)	(124)	(1,298)
Total	¥134	¥63	\$888
Total other comprehensive income	¥22,751	¥16,378	\$150,263

20. Per Share Information

Basic net earnings per share (EPS) for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
2024				
Basic EPS				
Net income attributable to common shareholders	¥61,685	262,686	¥234.83	\$1.55
2023				
Basic EPS				
Net income attributable to common shareholders	¥38,920	266,929	¥145.81	

Diluted net income per share was not disclosed because there were no dilutive securities for the years ended March 31, 2024 and 2023.



Financial Section

21. Revenue Recognition

Breakdown of revenue arising from contracts with customers for the years ended March 31, 2024 and 2023, was as follows:

Millions of yen							
2024							
Reportable segment							
Industrial automation and control							
	Energy & sustainability	Material	Life	Total	Measuring instruments	New business and others	Consolidated
Goods transferred at one point of time	¥87,360	¥116,816	¥30,284	¥234,461	¥31,816	¥3,484	¥269,762
Service transferred over certain period of time	153,634	87,401	28,352	269,387	1	249	269,638
Revenue from contracts with customers	240,994	204,217	58,636	503,849	31,817	3,733	539,400
Other revenue						751	751
Sales to customers	¥240,994	¥204,217	¥58,636	¥503,849	¥31,817	¥4,485	¥540,152

Millions of yen							
2023							
Reportable segment							
Industrial automation and control							
	Energy & sustainability	Material	Life	Total	Measuring instruments	New business and others	Consolidated
Goods transferred at one point of time	¥73,265	¥102,922	¥25,690	¥201,878	¥25,049	¥2,863	¥229,790
Service transferred over certain period of time	121,096	75,272	29,322	225,691	16	251	225,958
Revenue from contracts with customers	194,361	178,194	55,013	427,569	25,065	3,114	455,749
Other revenue						729	729
Sales to customers	¥194,361	¥178,194	¥55,013	¥427,569	¥25,065	¥3,844	¥456,479

Thousands of U.S. dollars

2024							
Reportable segment							
Industrial automation and control							
	Energy & sustainability	Material	Life	Total	Measuring instruments	New business and others	Consolidated
Goods transferred at one point of time	\$576,980	\$771,526	\$200,013	\$1,548,519	\$210,132	\$23,013	\$1,781,665
Service transferred over certain period of time	1,014,688	577,248	187,257	1,779,194	6	1,645	1,780,847
Revenue from contracts with customers	1,591,668	1,348,774	387,271	3,327,714	210,139	24,659	3,562,513
Other revenue						4,965	4,965
Sales to customers	\$1,591,668	\$1,348,774	\$387,271	\$3,327,714	\$210,139	\$29,625	\$3,567,479

Notes:

- (a) Other revenue represents lease revenues accounted for in accordance with the accounting standards for lease transactions.
- (b) From the year ended March 31, 2024, industrial automation and control segment has been presented with subsegments of Energy & sustainability, Material, and Life, according to the customers' industries. 2023 disclosure is presented in accordance with the revised classification.

Basic information to understand the revenue arising from contracts with customers are disclosed in Note 2, "Summary of Significant Accounting Policies."

The amounts of contract liabilities as of March 31, 2023 and 2022, for which revenue was recognized during the years ended March 31, 2024 and 2023, were ¥39,826 million (U.S.\$263,039 thousand) and ¥35,085 million, respectively.

Contract assets are unbilled receivables for revenues recognized based on the construction progress, mainly under construction contracts. They are reclassified to receivables when the right to the consideration to be received becomes unconditional.

Contract liabilities are primarily advances received from customers in advance of the performance of a contract and are reversed as the performance obligations under the contract are satisfied.



Financial Section

As of March 31, 2024 and 2023, the amounts of revenue expected to be recognized in future for performance obligations, which are fully or partially unsatisfied, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Within one year	¥288,121	¥278,674	\$1,902,925
After one year	109,339	84,342	722,143
Total	¥397,461	¥363,016	\$2,625,069

22. Business Combination

Finalization of provisional accounting treatment for business combinations

For business combination of Fluence Analytics Inc. on January 30, 2023, a provisional accounting treatment had been applied for the year ended March 31, 2023 and it was finalized for the year ended March 31, 2024.

As a result, the amount of goodwill totaled ¥4,922 million (U.S.\$32,510 thousand), which is a decrease of ¥1,170 million (U.S.\$7,732 thousand) from the provisional amount of ¥6,093 million (U.S.\$40,242 thousand). The decrease in goodwill was due to increases in intangible assets of ¥1,481 million (U.S.\$9,787 thousand) and deferred tax liabilities of ¥311 million (U.S.\$2,055 thousand).

The financial statements of the company acquired Fluence Analytics Inc. are prepared in conformity with the US GAAP and Accounting Standards Updates (“ASU”) 2015-16 is applied. Comparative information did not reflect the revision of initial allocation of acquisition costs because ASU 2015-16 requires the acquiring company to recognize adjustments to the provisional accounting treatment recognized in the measurement period in the reporting period such adjustments were determined.

As a result, operating income and income before income taxes increased by ¥49 million (U.S.\$327 thousand) for the year ended March 31, 2024.

23. Subsequent Events

Appropriation of retained earnings

The board of directors proposed the following appropriation of retained earnings at March 31, 2024, which was approved at the general meeting of the shareholders of the Company held on June 18, 2024.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥23.0 (U.S.\$0.15) per share	¥5,983	\$39,518

Business combination by acquisition

The Company agreed with BaxEnergy GmbH (Headquarters: Hanover, Germany) on May 16, 2024, to start the procedures to acquire shares of BaxEnergy GmbH and make it a wholly owned subsidiary and acquired the shares on May 29, 2024.

(1) Outline of the business combination

(a) Name of acquired company and its business outline

Name: BaxEnergy GmbH

Business outline: Provision of renewable energy management solutions

(b) Major reason for the business combination

BaxEnergy GmbH has been providing a proven range of solutions that have already been adopted by major power companies throughout Europe. The acquisition will make these solutions available to global energy asset owners, supported by consultation on implementation and after-sales services through the existing global network of the Company.

(c) Date of the business combination

May 29, 2024

(d) Legal form of the business combination

Share acquisition in consideration for cash



Financial Section

(e) Name of the company after the business combination

No change

(f) Ratio of voting rights after the acquisition

100.00%

(g) Basis for determining the acquirer

It is based on the fact that the Company acquired shares in consideration for cash.

(2) Details of acquisition cost and consideration by type

Cash consideration of EUR 20 million

(3) Details and amounts of main acquisition costs

Not finalized as of the reporting date

(4) Amount, reason, and amortization method and period of goodwill recognized

Not finalized as of the reporting date

(5) Details of assets acquired and liabilities assumed at the acquisition date

Not finalized as of the reporting date

24. Segment Information

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. The Group operates in three business segments: industrial automation and control, measuring instruments, and new business and others.

The industrial automation and control business offers comprehensive solutions, including field instruments such as flow meters, differential pressure/pressure transmitters, and process analyzers; control systems and programmable controllers; various types of software to enhance productivity; and services that minimize plant life cycle costs.

The measuring instruments business mainly offers waveform measuring instruments; optical communications measuring instruments; signal generators; and electric voltage, current, and power measuring instruments.

The new business and others mainly offer services that utilize IoT and AI, and manufacturing and distribution of biomass materials, etc.

(2) Accounting methods for each reportable segment’s sales, income (loss), assets, and other items

The accounting policies for each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

The aggregate of the income or loss for each reportable segment corresponds to the operating income or loss in the consolidated statement of income.

The assets of a reportable segment consist of trade notes receivable; accounts receivable; contract assets; inventories; property, plant, and equipment; and intangible assets.



Financial Section

(3) Information about sales, income (loss), assets, and other items

Millions of yen					
	2024				
	Reportable segment				
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/Corporate	Consolidated
Sales to customers	¥503,849	¥31,817	¥4,485		¥540,152
Intersegment sales					
Total sales	¥503,849	¥31,817	¥4,485		¥540,152
Segment income (loss)	¥71,592	¥8,133	¥(1,005)		¥78,800
Segment assets	410,405	13,116	8,704		432,226
Depreciation and amortization	19,413	696	161		20,272
Loss on impairment of long-lived assets	11,473				11,473
Increase in property, plant, and equipment and intangible assets	26,397	967	72		27,438
Amortization of goodwill	2,298				2,298
Goodwill	5,971				5,971

Millions of yen					
	2023				
	Reportable segment				
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/Corporate	Consolidated
Sales to customers	¥427,569	¥25,065	¥3,844		¥456,479
Intersegment sales					
Total sales	¥427,569	¥25,065	¥3,844		¥456,479
Segment income (loss)	¥41,081	¥4,632	¥(1,304)		¥44,409
Segment assets	373,695	12,491	7,585		393,772
Depreciation and amortization	17,081	784	172		18,037
Loss on impairment of long-lived assets	558				558
Increase in property, plant, and equipment and intangible assets	28,395	996	190		29,582
Amortization of goodwill	1,659				1,659
Goodwill	14,614				14,614



Financial Section

Thousands of U.S. dollars					
2024					
	Reportable segment				Consolidated
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/Corporate	
Sales to customers	\$3,327,714	\$210,139	\$29,625		\$3,567,479
Intersegment sales					
Total sales	\$3,327,714	\$210,139	\$29,625		\$3,567,479
Segment income (loss)	\$472,841	\$53,717	\$(6,642)		\$520,446
Segment assets	2,710,557	86,631	57,486		2,854,676
Depreciation and amortization	128,220	4,602	1,068		133,892
Loss on impairment of long-lived assets	75,780				75,780
Increase in property, plant, and equipment and intangible assets	174,344	6,392	480		181,217
Amortization of goodwill	15,181				15,181
Goodwill	39,440				39,440

(4) Information about geographical areas

(a) Sales

Millions of yen									
2024									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
¥138,601	¥79,065	¥84,021	¥27,420	¥52,650	¥2,767	¥52,882	¥83,222	¥19,520	¥540,152

Millions of yen									
2023									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
¥124,329	¥73,064	¥74,865	¥19,528	¥38,298	¥7,199	¥44,475	¥59,730	¥14,987	¥456,479

Thousands of U.S. dollars									
2024									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
\$915,402	\$522,195	\$554,923	\$181,102	\$347,734	\$18,279	\$349,269	\$549,649	\$128,922	\$3,567,479

Note: Sales are categorized in each country or area based on the location of end users.



Financial Section

(b) Property, plant, and equipment

Millions of yen

2024									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
¥53,056	¥11,569	¥6,825	¥2,363	¥10,102	¥106	¥2,872	¥3,509	¥633	¥91,038

Millions of yen

2023									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
¥53,426	¥10,498	¥6,740	¥1,668	¥8,980	¥324	¥2,621	¥2,980	¥317	¥87,559

Thousands of U.S. dollars

2024									
Japan	Southeast Asia, Far East	China	India	Europe	Russia	North America	Middle East, Africa	Middle and South America	Total
\$350,418	\$76,409	\$45,077	\$15,610	\$66,721	\$700	\$18,972	\$23,179	\$4,181	\$601,270

(5) Information about major customers

No customer accounts for 10% or more of total sales of the Group.



Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan
Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Yokogawa Electric Corporation:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Yokogawa Electric Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

Estimation of the total costs of construction contracts	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group sells products and provides services related to engineering and maintenance in the Industrial Automation and Control business, which is a core business of the Group. As described in Note 2(p), "Summary of Significant Accounting Policies - Revenue Recognition" to the consolidated financial statements, the Group recognizes revenue based on the progress measured if the progress towards satisfaction of performance obligations for construction contracts related to engineering services can be reasonably measured. Of the total net sales of 540,152 million yen for the year ended March 31, 2024, 240,375 million yen was revenue recognized in accordance with this accounting policy. In addition, as described in Note 2(l), "Summary of Significant Accounting Policies - Provision for Contract Loss" to the consolidated financial statements, an estimated loss on the contract is provided for as a provision for contract loss when it is probable that the estimated total costs of the construction contract will exceed total construction revenue and the excess amount can be reasonably estimated. Provision for contract loss as of March 31, 2024, was 8,746 million yen. The progress towards satisfaction of performance obligations, which is used to recognize revenue for certain construction contracts that contain engineering services, is measured on the basis of the percentage of actual costs incurred since the inception of the contract up to the end of the year against the estimated total costs. In addition, the provision for contract loss is calculated by deducting the amount of profit or loss already recognized from the excess, if any, of the total estimated cost of construction over the contract amount. Therefore, the estimation of total costs of construction contracts has a significant impact on both revenue recognition and the calculation of the provision for contract loss. Some construction contracts are large scale and have a wide scope, and others involve a high degree of complexity, such as those requiring advanced system integration. Therefore, events that were not anticipated at the beginning of the construction may occur during the construction period, and conversion costs, such as labor and subcontracting costs as well as expenses related to the event, could be incurred. In such instances, estimating the total costs of a construction contract may involve a high degree of uncertainty.	Our audit procedures related to the estimation of the total costs of construction contracts that may affect both the revenue recognition of construction contracts and the calculation of the provision for contract loss included the following, among others: (1) Evaluation of internal controls We tested the design and operating effectiveness of the following controls over the estimation of the total costs of construction contracts: - Internal controls to monitor the progress of construction with qualitative or quantitative significance on a regular basis in order to keep track of any changes in the status after the commencement of construction and to take corrective measures in a timely manner - Internal controls to ensure the reasonableness of the estimated total costs of construction contracts at the commencement of construction and to revise such costs in a timely manner in accordance with any changes in circumstances after the commencement of construction - Internal controls to ensure the completeness of the provision for contract loss for the construction contracts of which the estimated total costs will exceed the total construction revenue (2) Evaluation of the reasonableness of the estimated total costs of construction contracts We obtained the relevant documents related to controls that monitor the progress of construction contracts, selected contracts in which the estimated total costs significantly increased or are expected to increase in the future in comparison with the initial total costs estimated at the commencement of construction, and performed the following procedures for the selected construction contracts: - We assessed the reasonableness of the assumptions used by the Group by making inquiries of the personnel in charge of monitoring the progress of construction regarding their estimates for additional conversion costs, which are labor and subcontracting costs, and expenses that are required to respond to events that cause a significant increase in total construction costs.



Therefore, we determined that the estimation of the total costs of construction contracts that contain engineering services was a key audit matter as it affects both the measurement of the progress towards satisfying performance obligations, which is used to recognize revenue for certain construction contracts, and the calculation of the provision for contract loss.	• We compared the estimated total costs of construction with the latest construction schedule plan, the cost calculation sheet, and other related documents to evaluate their consistency. • We compared the estimated total costs of construction at the end of the year with the initial estimated total costs of construction at the commencement of construction or with the estimated total costs after the change if there was a change during the year to evaluate the accuracy of the estimated total costs of construction.
--	--

Reasonableness of the estimates of the future cash flows used in the valuation of goodwill and other intangible assets identified in the business combinations	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group is using M & A as part of its strategic growth investments to expand into new businesses and fields to realize the basic strategy of its medium-term business plan. As a result of multiple M & A transactions, goodwill and other intangible assets (hereinafter referred to as "goodwill and other assets") are recorded in the Group's consolidated balance sheet. As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, the balances as of March 31, 2024, were 5,971 million yen for goodwill and 1,580 million yen for other intangible assets, respectively. In addition, as described in Note 8, "Long-lived Assets" to the consolidated financial statements, the Group recorded an impairment loss of 11,473 million yen for the year ended March 31, 2024, as a result of the determination on whether to recognize an impairment loss. Goodwill and other assets are amortized on a straight-line basis, but if there are any indications of impairment, the Group determines whether an impairment loss should be recognized by comparing the carrying amount with total undiscounted future cash flows from the asset group. If it is determined that an impairment loss is necessary to be recognized, the carrying amount is reduced to the recoverable amount, and the reduction in the carrying amount is recognized as an impairment loss. In addition, for goodwill and other assets arising from business combinations conducted by overseas consolidated subsidiaries, impairment testing is performed in accordance with accounting principles generally accepted in the United States of America or IFRS Accounting Standards.	Our audit procedures related to reasonableness of the estimates of the future cash flows used in the valuation of goodwill and other assets identified in the business combinations included the following, among others: (1) Evaluation of internal controls We evaluated the design and operating effectiveness of controls over impairment assessment of fixed assets. The evaluation focused on the development and approval processes of the future business plans as well as the review and approval processes of the significant assumptions included in the business plans. (2) Examination of the significant assumptions included in the estimates of the future cash flows To assess the accuracy of future business plans used to estimate the future cash flows and the reasonableness of the significant assumptions applied by management, we inquired of persons in the relevant departments, inspected the meeting minutes of the Board of Directors and Management Board, and performed the following procedures: • Regarding the future business plans, we examined whether previous business plans were achieved. When the Group did not achieve the business plans in past years, we investigated the reason for the variance and considered any effects on the future business plans.

The Group identifies each consolidated subsidiary related to goodwill and other assets as an asset group. The Group calculates the recoverable amount used in measuring an impairment loss using the value in use of each asset group, which is calculated by discounting the future cash flows to present value. The future cash flows used to evaluate goodwill and other assets are estimated based on the future business plans of each consolidated subsidiary and also reflect the fluctuation risk considered by evaluating the magnitude and likelihood of the impact of business risks that may affect the future performance of the subsidiary. In addition, the development of business plans and the assessment of uncertainties focus in particular on significant assumptions such as sales forecasts estimated based on sales volume and sales price plans and operating expenses forecasts. In this regard, the estimates of these assumptions involve uncertainties being subject to external factors such as future economic environment and demand trends and require advanced judgment by management. As such, we have determined that the reasonableness of the estimates of the future cash flows used in the evaluation of goodwill and other assets identified in the business combinations was a key audit matter.	• For the significant assumptions such as sales and operating expenses forecasts included in the future business plans, we compared them with historical results and performed trend analysis. We examined management's planned measures for their feasibility and consistency with these assumptions. We also compared them with the latest status of orders and contracts and available external data such as reports on market forecasts and examined results of the sensitivity analysis performed by management which considered the fluctuation risk of the significant assumptions in the future.
--	--

Other Information

Management is responsible for the other information. The Audit Committee (formerly, Audit & Supervisory Board members and the Audit & Supervisory Board) is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated Report (Yokogawa Report), but does not include the consolidated financial statements and our auditor's report thereon. The Integrated Report (Yokogawa Report) is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Yokogawa Electric Corporation and its subsidiaries were 458 million yen and 55 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
August 8, 2024



Stock Information, IR Activities, and External Evaluations

Stock Information (as of March 31, 2024)

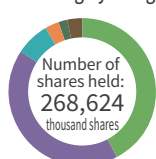
- Number of Shares Authorized 600,000,000
- Number of Shares of Common Stock Issued 268,624,510
- Number of Shareholders 14,041
- Stock Exchange Listing Tokyo Stock Exchange
- Administrator of the Register of Shareholders Mizuho Trust & Banking Co., Ltd. 2-8-4 Izumi, Suginami-ku, Tokyo 168-8507, Japan
- Annual General Meeting of Shareholders June
- Accounting Auditor Deloitte Touche Tohmatsu LLC

Shareholders by Category



Individual investors	13,006 (92.6%)
Foreign investors	753 (5.4%)
Others	193 (1.4%)
Financial institutions	49 (0.3%)
Securities companies	39 (0.3%)
Treasury stock	1 (0.0%)

Shareholding by Category



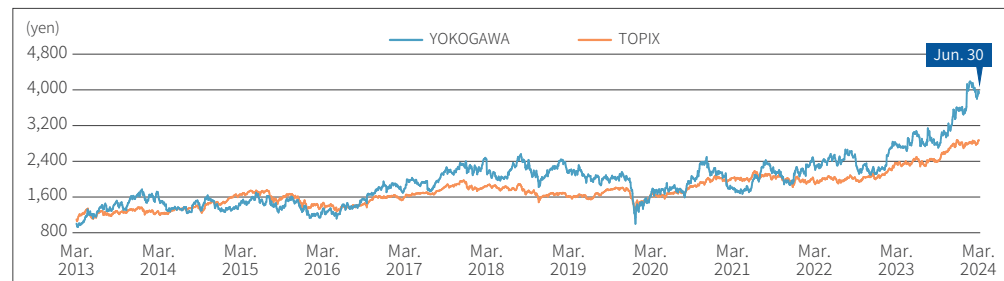
Financial institutions	113,678,720 (42.3%)
Foreign investors	113,057,382 (42.1%)
Individual investors	19,701,490 (7.3%)
Others	8,609,348 (3.2%)
Securities companies	5,103,744 (1.9%)
Treasury stock	8,473,826 (3.2%)

Major Shareholders (Top 10)

Shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)
Master Trust Bank of Japan Limited (trust account)	51,680	19.9
Custody Bank of Japan, Ltd. (trust account)	18,160	7.0
The Dai-ichi Life Insurance Company, Limited	15,697	6.0
Nippon Life Insurance Company	13,484	5.2
State Street Bank and Trust Company 505223	6,272	2.4
Retirement benefit trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Custody Bank of Japan, Ltd. as a Trustee of Retruster	6,141	2.4
BNYM as AGT/CLTS 10 Percent	5,951	2.3
State Street Bank and Trust Company 505038	5,482	2.1
State Street Bank West Client-Treaty 505234	4,887	1.9
Yokogawa Electric Employee Shareholding Program	4,645	1.8

Note: Shareholding ratios were calculated after deducting the 8,473,826 shares of treasury stock held by the Company. These shares of treasury stock were not included in the above list of major shareholders.

Stock Price Trend



IR Activities

Major Activities

Major initiatives	Number of times held	Objective	Contents
Financial results briefings	4 times	Understanding of our financial results, management policies and strategies	Held quarterly*1 (presentation and Q&A sessions by the president and the vice president in charge of IR for 2Q and 4Q, and by the vice president in charge of IR for 1Q and 3Q)
Meetings with president	7 times (approx. 17)		Meetings with analysts and investors in Japan and overseas*1,2 (including small meetings)
Meetings with IR staff	Approx. 350		Meetings with analysts and investors in Japan and overseas*1,2
Business briefings/IR Day/and sustainability meetings	1 time	Understanding of our business	Held briefings (explanations by directors in charge and members of management team) on such matters as sustainability initiatives (2019); industrial automation to industrial autonomy initiatives*2 (2020); bio economy initiatives*2 the business outline and strategies of the Industrial Automation and Control Business subsegments of Energy & Sustainability Business, Materials Business, and Life Business, and the goals, results, and progress of DX**2 (2021); the progress of management by industry, Energy & Sustainability Business, and Yokogawa's approach to DX and its progress*2 (2022); and an overview and progress of DX strategy, and Yokogawa Digital Corporation's consultation services*2 (2023).
Other	1 time	Understanding of our efforts to enhance corporate value over the medium to long term	The Company's president appeared on Nikkei CNBC's Top Interview, a program for individual investors (June 2023)

*1. Used teleconferencing. *2. Used remote tools.

Meetings with Investors: Main Matters of Interest and Requests

Investors' questions and suggestions are reported by the IR Department to the Board of Directors and relevant personnel to raise management quality.

Actual and forecast financial results

- Recognition of the business environment (overview of individual regions and industries)
- Reasons for change in operating income
- Measures to address rising costs
- Status of the order backlog reduction resulting from smoother procurement of materials

Capital policy and financial strategy

- Optimal capital structure
- Cash allocation

New medium-term business plan

- Thinking behind setting, and specific measures to achieve, growth targets
- Quantification of progress on the System of Systems (SoS) and IA2IA businesses
- A pathway to solidifying a recurring business
- Issues recognized in M&As

Sustainability

- Linkage between sustainability strategy and business strategy
- Business opportunities that allow for contribution to sustainability

External Evaluations

Global



Japan

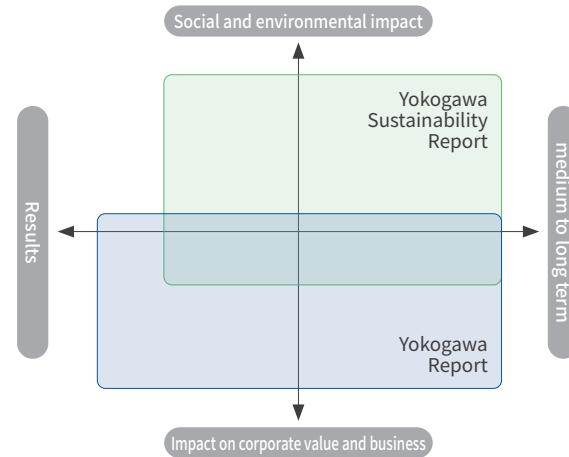


For further information, please see our website [Yokogawa.com](#).



Information Disclosure Framework

Yokogawa comprehensively discloses its value creation story in the Yokogawa Report, which provides a summary based on medium- to long-term impact with regard to corporate value and business models, and in the Yokogawa Sustainability Report, which summarizes the Company's impact on society and environment.



Editorial Policy

This report is designed to provide shareholders, institutional investors, and other stakeholders with an integrated understanding of Yokogawa Group's efforts to realize a sustainable society and increase corporate value over the medium- to long-term in the context of its value creation story.

In our editorial work, we draw on the International Integrated Reporting Framework advocated by the Value Reporting Foundation and the Guidance for Collaborative Value Creation (Comprehensive Disclosure and Dialogue Guidance for Collaborative Value Creation) advocated by the Ministry of Economy, Trade and Industry. We are also working to improve and expand our disclosure by incorporating comments received from external evaluation organizations and other sources, as well as feed-back received through dialogue with shareholders and institutional investors. In producing this year's edition in particular, we aimed for even more integrated disclosure and deepened collaboration between teams by holding, among other things, joint kick-off and progress meetings between the respective departments responsible for producing this report and the sustainability report.

We hope this report will be a useful and valuable tool that helps you understand the Yokogawa Group's contributions to realizing a sustainable society and our initiatives for enhancing corporate value.



[Yokogawa Sustainability Report](#)



Yokogawa Report

Cover Concept

The dawn of a new morning symbolizes the start of the first year of our new medium-term business plan, GS2028. The city filled with lush greenery and an expansive horizon represent our global growth, while the beautiful blue sky and ocean express our commitment to create a sustainable society and new value.



<Further information is available on our website:>

- Website of Yokogawa Electric Corporation
- Investor Relations website
- Sustainability website
- Corporate Governance website

Activities with External Organizations

United Nations Global Compact



World Business Council for Sustainable Development (WBCSD)



Task Force on Climate-Related Financial Disclosures



Period covered by the Report: Fiscal year 2023, the period from April 1, 2023, to March 31, 2024 (includes some information on fiscal year 2024)

Scope of the Report: Yokogawa Electric Corporation and its subsidiaries and affiliates

Corporate Data

• Corporate Name	Yokogawa Electric Corporation	• Founded	September 1, 1915
• Director President & CEO, Representative Executive Officer	Hitoshi Nara	• Incorporated	December 1, 1920
• Headquarters	2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan	• Paid-in Capital	43,401 million yen
		• Number of Employees	17,365 (consolidated) 2,269 (non-consolidated)
		• Subsidiaries and Affiliates	113 outside Japan 13 in Japan

Cautionary statement regarding forward-looking statements

Statements made in this report regarding Yokogawa's plans, estimates, strategies, and beliefs are forward-looking statements about the future performance of Yokogawa. These statements are based on management's assumptions and beliefs in the light of currently available information. Yokogawa cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

Co-innovating tomorrow, Opnex, CENTUM, ProSafe-RS, IA2IA, CSU, CSU-W1, DTSX, ScopeCorder, S-CNF, and amnimo are registered trademarks or trademarks of Yokogawa Electric Corporation and its subsidiaries and affiliates.

Yokogawa Electric Corporation

IR Department, Accounting & Treasury Headquarters

2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan

Phone: +81-422-52-6845

E-mail:Yokogawa_Electric_IR6841@cs.jp.yokogawa.com

<https://www.yokogawa.com/>

Published in November 2024
Printed in Japan