

**Securities Code: 6841  
Yokogawa Electric Corporation**

# **Financial Results for Fiscal Year 2022**

May 9, 2023

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**Michiko Nakajima**

Vice President

Accounting & Treasury Headquarters

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**Hitoshi Nara**

President & Chief Executive Officer

# Financial Results for Fiscal Year 2022

(April 1, 2022 – March 31, 2023)

**Michiko Nakajima**

Vice President  
Accounting & Treasury Headquarters

May 9, 2023

# Key Points

## ■ FY22 results: Sales and operating income were up

- **Summary:** Orders increased significantly. Sales also increased  
Operating income increased due to an increase in sales and the impact of fluctuations in exchange rates and other factors  
Profit attributable to owners of parent increased
- **Segments: Control:** Sales and operating income were up  
excluding the impact of exchange rates, orders increased 13.4% and sales increased 7.5% year on year
- **Measuring instruments:** Sales and operating income were up
- **New businesses and others:** Sales declined, and the operating loss shrunk
- **Regions:** Strong in the Middle East and Africa, Central and South America, India, and North America. Solid in Japan and China
- **Subsegments:** The energy & sustainability and materials businesses were both strong
- **Industries:** The upstream and downstream sectors and the chemicals industry were all strong

## ■ FY22 year-end dividend : No change (¥17, as originally planned)

## ■ FY23 earnings forecast : A year-on-year increase in sales and operating income

## ■ FY23 annual dividend forecast :

- Same as the previous year
- Implement shareholder returns by acquisition of own shares(up to ¥20.0 billion)

• From FY21, as a result of revising the Group's internal management classification, the life innovation business that was previously included in the test and measurement business segment has been reclassified into the industrial automation and control business segment. In addition, the name of the reportable segment previously known as the test and measurement business has been changed to the measuring instruments business. Moreover, segment information for FY20 has been presented based on the changed classification.

• The name of the reportable segment previously known as "aviation and other businesses" has been changed to "new businesses and others" since FY22 following the transfer of the aviation equipment business.

# Summary of FY22 Results (year on year comparison)

- ◆ Orders increased significantly. (excluding the impact of exchange rates: +12.6% year on year)
- ◆ Sales also increased. (excluding the impact of exchange rates: +6.7%)
- ◆ Operating income increased due to an increase in sales and the impact of fluctuations in exchange rates and other factors. (excluding the impact of exchange rates: -0.8%)

(Billion ¥)

	FY21	FY22	Difference	Growth rate	Impact of exchange rate
Orders	420.5	518.4	+97.9	+23.3%	+45.0
Sales	389.9	456.5	+66.6	+17.1%	+40.3
Operating income	30.7	44.4	+13.7	+44.8%	+14.0
ROS(%)	7.9	9.7	+1.9pt	—	—
Ordinary income	35.7	48.6	+12.9	+36.0%	+15.1
Profit attributable to owners of parent	21.3	38.9	+17.7	+82.9%	+14.4
Exchange rate	US\$1= ¥112.94	¥136.12	+23.18	—	—

<Reference: Comparison with forecast >

	FY22 2/7 forecast	Difference
Orders	516.0	+2.4
Sales	442.5	+14.0
Operating income	38.5	+5.9
ROS(%)	8.7	+1.0pt
Ordinary income	39.5	+9.1
Profit attributable to owners of parent	26.0	+12.9
Exchange rate	US\$1= ¥135.00	+1.12

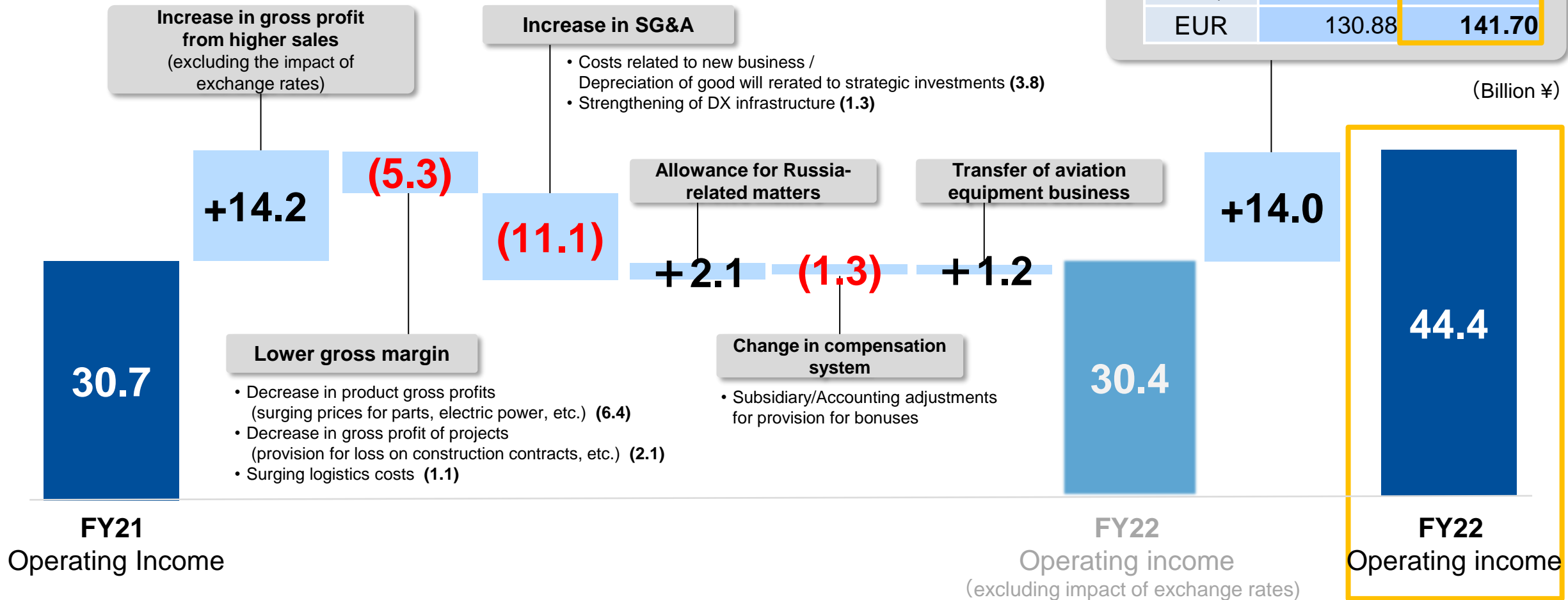
# Analysis of Operating Income (year on year comparison)

- ◆ Operating income increased due to an increase in sales and the impact of fluctuations in exchange rates and other factors.

Exchange rates (¥)

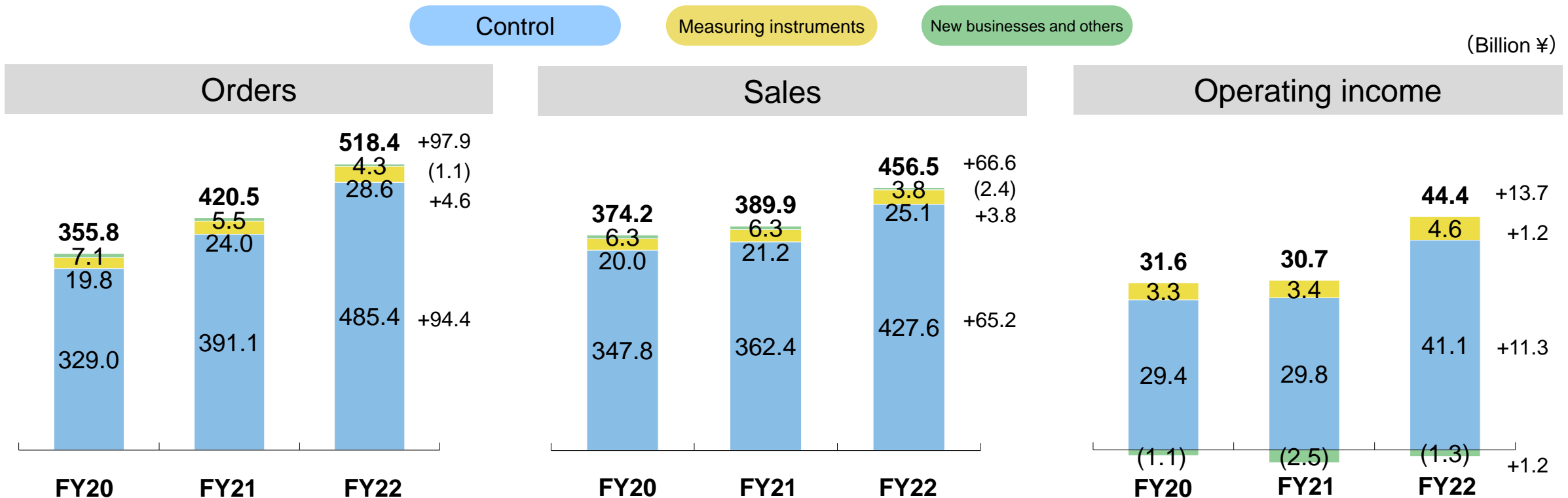
	FY21	FY22
US\$	112.94	136.12
EUR	130.88	141.70

(Billion ¥)



# Comparison for Orders, Sales, and Operating Income by Segment

- ◆ **Control:** Orders increased significantly. Sales also increased.  
(excluding the impact of exchange rates, orders increased 13.4% and sales increased 7.5% year on year.)  
Operating income increased due to an increase in sales and the impact of fluctuations in exchange rates and other factors.  
(excluding the impact of exchange rates: -¥0.6 billion, -2.1%.)
- ◆ **Measuring instruments:** Orders and sales were strong. Operating income were up.
- ◆ **New businesses and others:** Sales declined, and the operating loss shrunk due to the transfer of the aviation equipment business



\*The FY20 figures have been changed based on the new segmentation.

# Control Segment Orders and Sales by Region

- ◆ Orders were strong throughout the year in the Middle East and Africa, Central and South America, India, and North America although there is the perception that this cycle of large orders is coming to an end. Japan and China were solid.
- ◆ Orders: +¥52.3 billion, +13.4% (excluding impact of exchange rates)  
Sales: +¥27.3 billion, +7.5% (excluding impact of exchange rates)

Orders	FY21 (A)	FY22 (B)	Difference (B-A)
Japan	120.2	134.0	+13.8
Asia	134.0	168.0	+34.0
(Southeast Asia, Far East)	59.7	71.0	+11.3
(China)	59.1	76.1	+17.0
(India)	15.2	20.9	+5.7
Europe and CIS	42.1	46.4	+4.3
Middle East and Africa	51.7	71.4	+19.7
North America	31.8	47.3	+15.5
Central and South America	11.3	18.3	+7.0
<b>Outside Japan</b>	<b>270.9</b>	<b>351.4</b>	<b>+80.5</b>
<b>Consolidated</b>	<b>391.1</b>	<b>485.4</b>	<b>+94.4</b>
Exchange rate USD1\$ =	¥112.94	¥136.12	+23.18

Sales	FY21 (A)	FY22 (B)	Difference (B-A)
Japan	109.4	116.0	+6.6
Asia	125.7	153.8	+28.1
(Southeast Asia, Far East)	56.7	68.5	+11.8
(China)	54.6	66.8	+12.2
(India)	14.4	18.5	+4.1
Europe and CIS	43.2	42.4	(0.8)
Middle East and Africa	43.2	59.9	+16.7
North America	30.2	40.7	+10.5
Central and South America	10.7	14.8	+4.1
<b>Outside Japan</b>	<b>253.0</b>	<b>311.6</b>	<b>+58.6</b>
<b>Consolidated</b>	<b>362.4</b>	<b>427.6</b>	<b>+65.2</b>
Exchange rate USD1\$ =	¥112.94	¥136.12	+23.18

(Billion ¥)

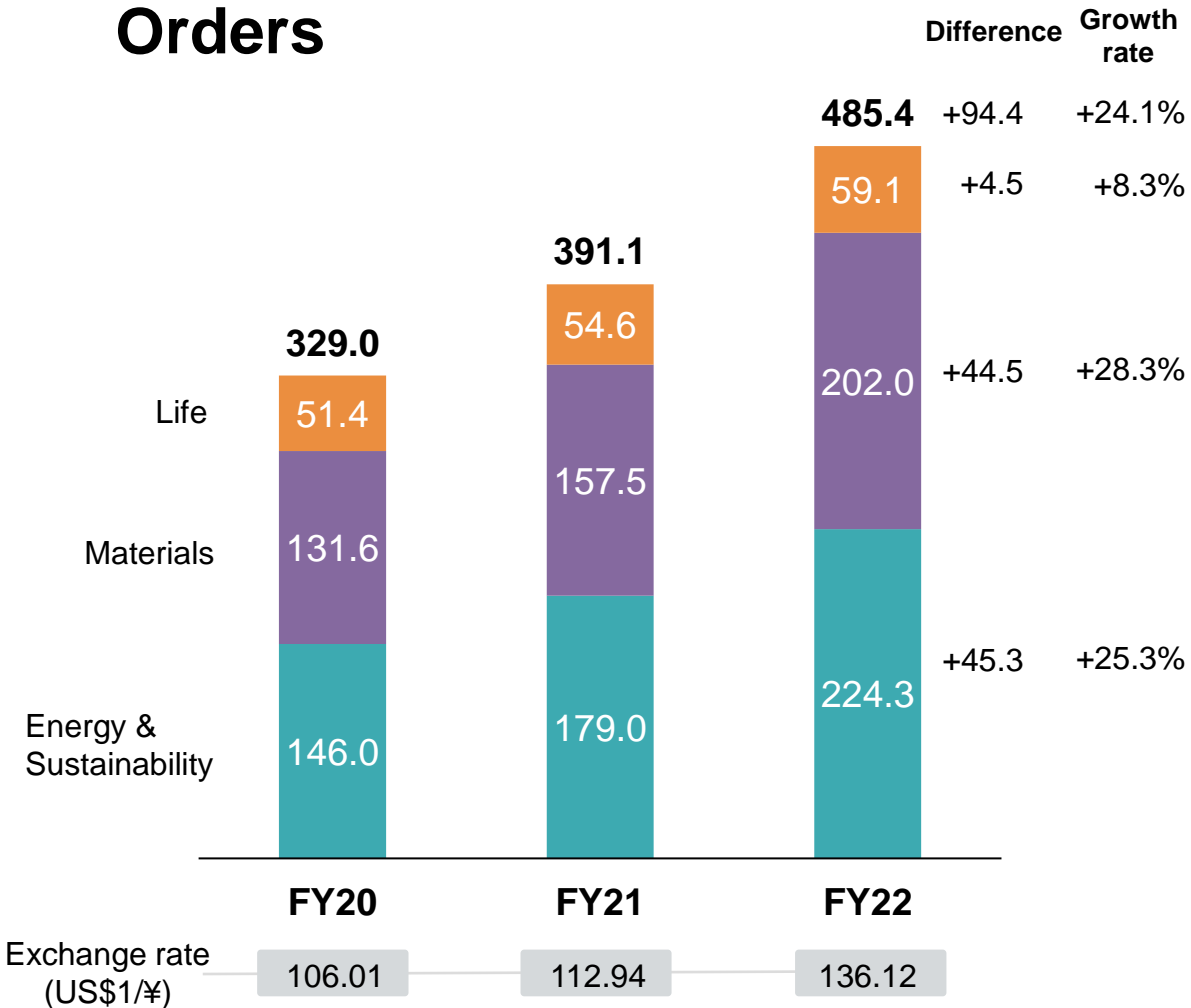


# Orders and Sales by Control Subsegment

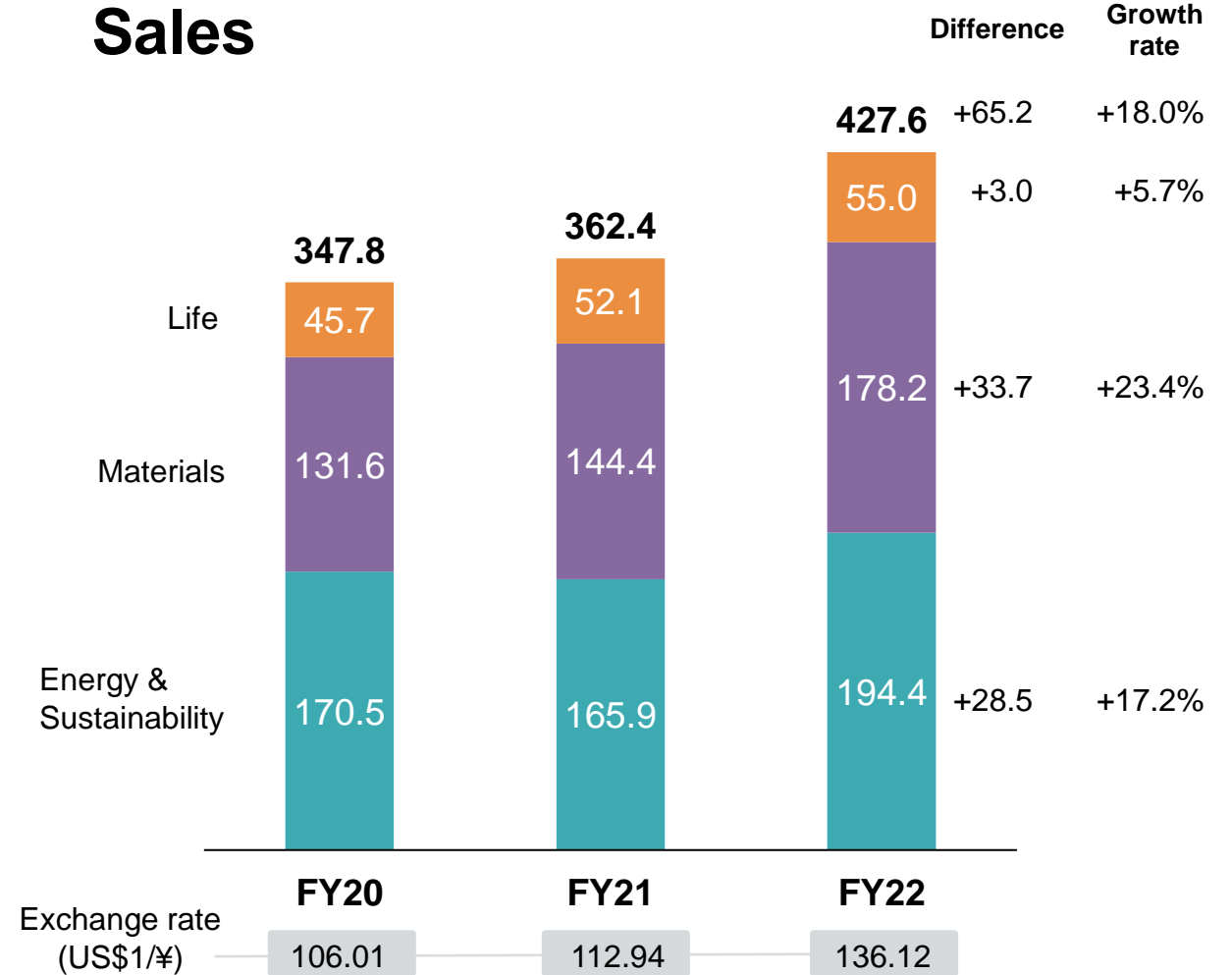
◆ Orders were strong in the energy & sustainability and materials businesses.

(Billion ¥)

## Orders



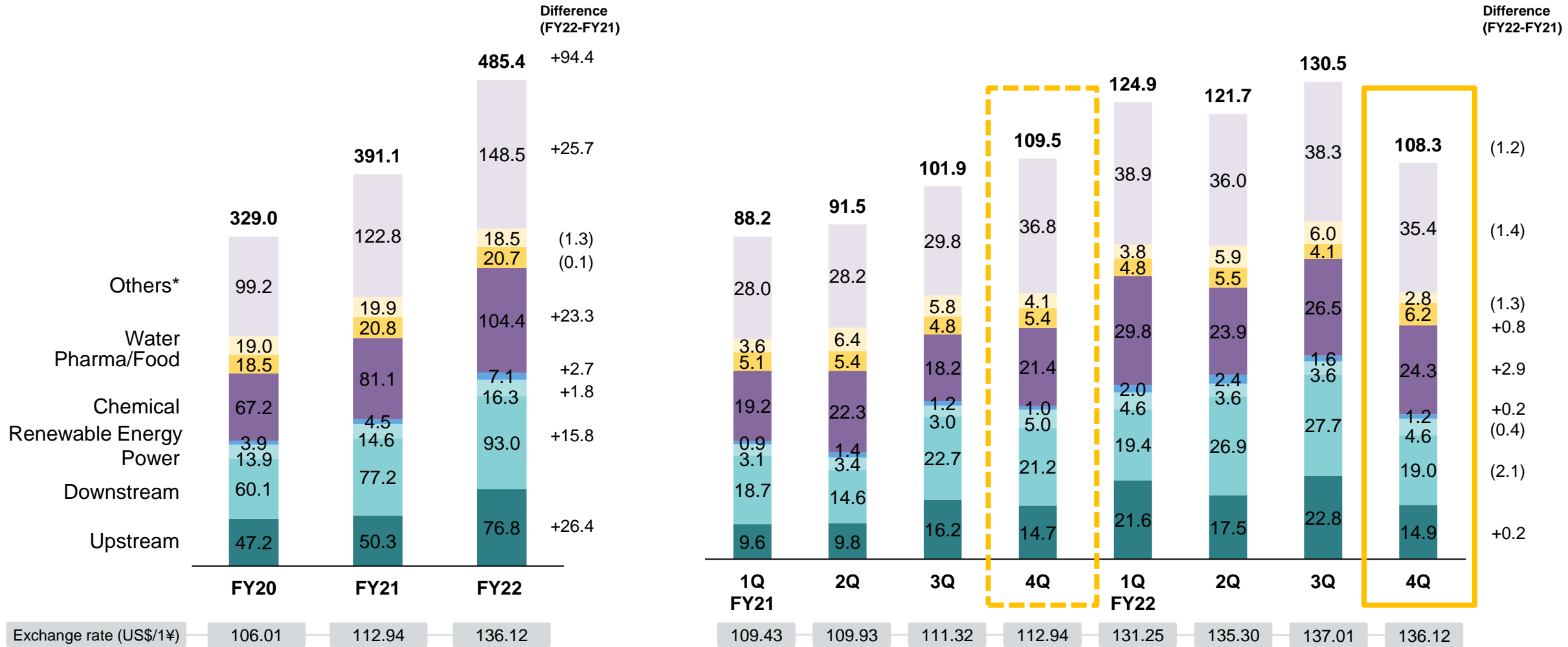
## Sales



# Orders by Industry in Control Segment

◆ The upstream and downstream sectors and the chemicals industry were all strong.

(Billion ¥)



\*Electrical & electronics, iron & steel, pulp & paper, etc.

# Trend of Cash Flow



# FY23 Forecast

- ◆ Orders are expected to decline due to the expected low growth of the global economy, a perception that the surge in large orders following the ending of the COVID-19 pandemic may be coming to an end, the prospect of slowing investment in the materials industry, and other factors.
- ◆ Growth in sales and operating income is expected to be limited due to continued difficulties in procuring semiconductors and other parts for production as well as goods for projects.

		FY22	FY23 forecast	Year on year difference	Growth rate
		(A)	(B)	(B-A)	(B/A-1)
Orders		518.4	490.0	(28.4)	(5.5%)
Sales		456.5	470.0	+13.5	+3.0%
Operating income		44.4	48.0	+3.6	+8.1%
ROS(%)		9.7%	10.2%	+0.5pt	—
Ordinary income		48.6	49.0	+0.4	+0.8%
Profit before income taxes		49.8	65.5	+15.7	+31.5%
Tax, etc.		10.9	21.5	+10.6	+97.6%
Profit attributable to owners of parent		38.9	44.0	+5.1	+13.1%
EPS(¥)		145.81	164.84*	+19.03	—
Exchange rate	US\$1=	¥136.12	¥130.00	(6.12)	—

(Billion ¥)

#### ■ Variable factors

- An economic slowdown and worsening conditions in the financial environment due to inflation and monetary tightening
- Changes in the market that impact the procurement of semiconductors and other parts for production as well as goods for projects
- Cost increases for parts, energy, labor, etc.
- Increased geopolitical risks and resulting supply chain impacts

\* The Company has resolved to acquire of own shares.

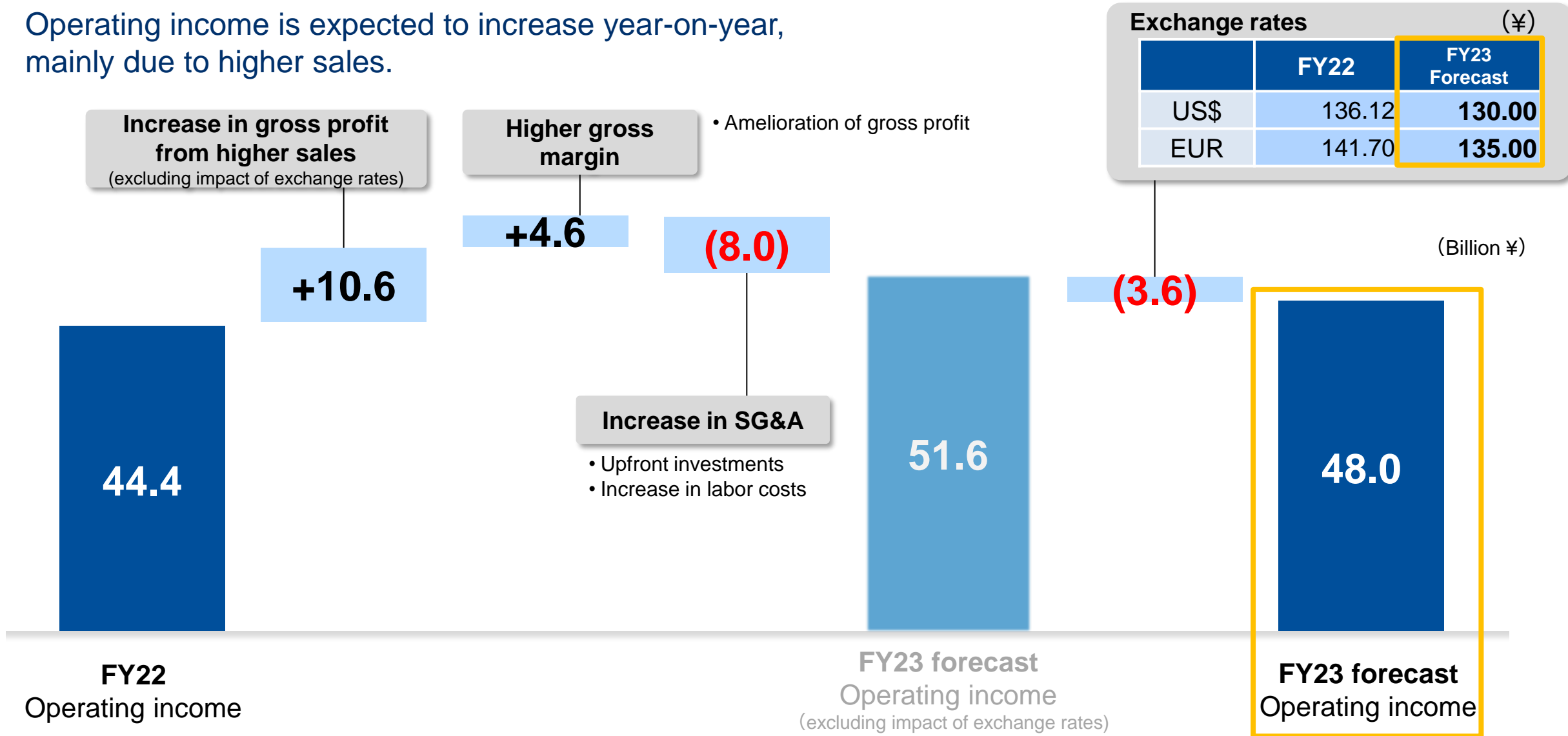
"EPS (yen)" in the FY23 forecast does not consider the impact of the acquisition of own shares.

Therefore, it may change depending on the status of future acquisition of own shares.

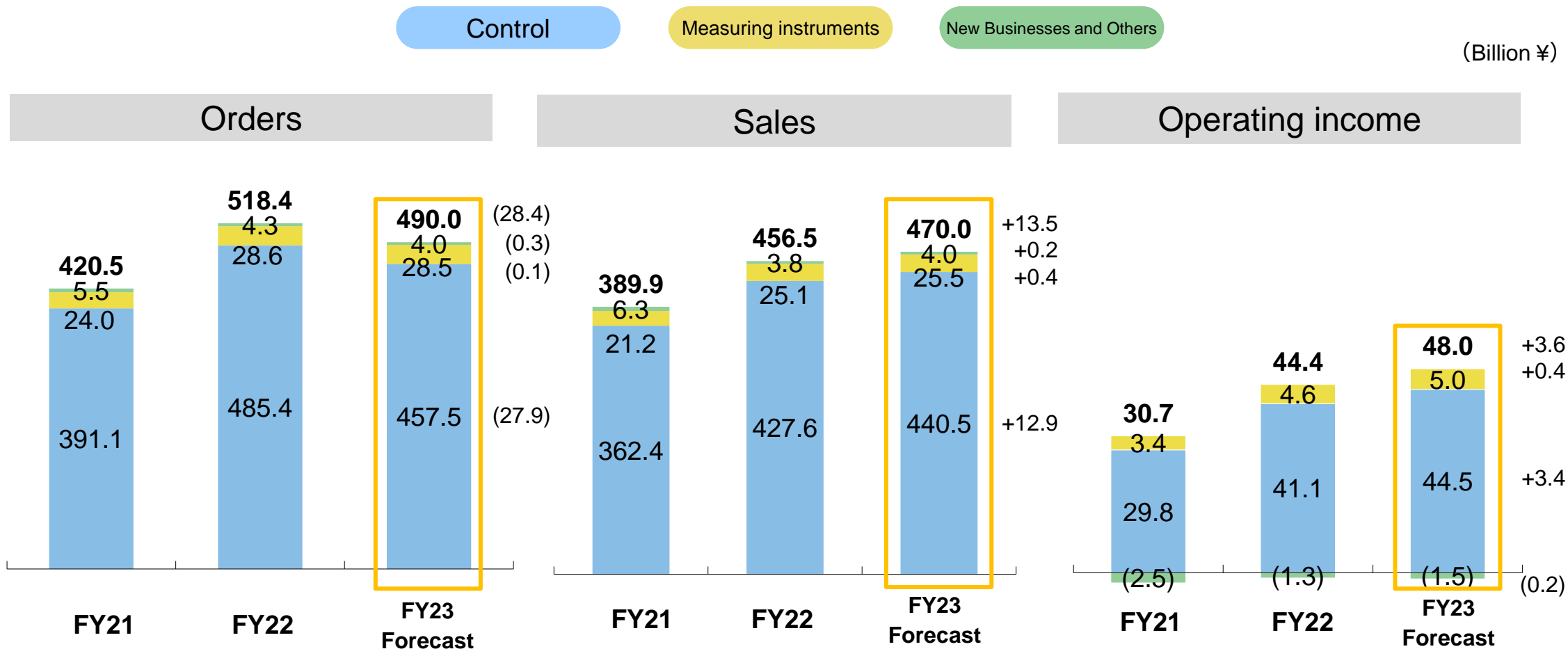
For information on the acquisition of own shares, please refer page 17.

# Factors Accounting for Increase/Decrease in FY23 Operating Income

- ◆ Operating income is expected to increase year-on-year, mainly due to higher sales.



# FY23 Forecast for Orders, Sales, and Operating Income by Segment



\* **New Businesses and Others:** The figures for FY21 show the results of Aviation and other businesses.

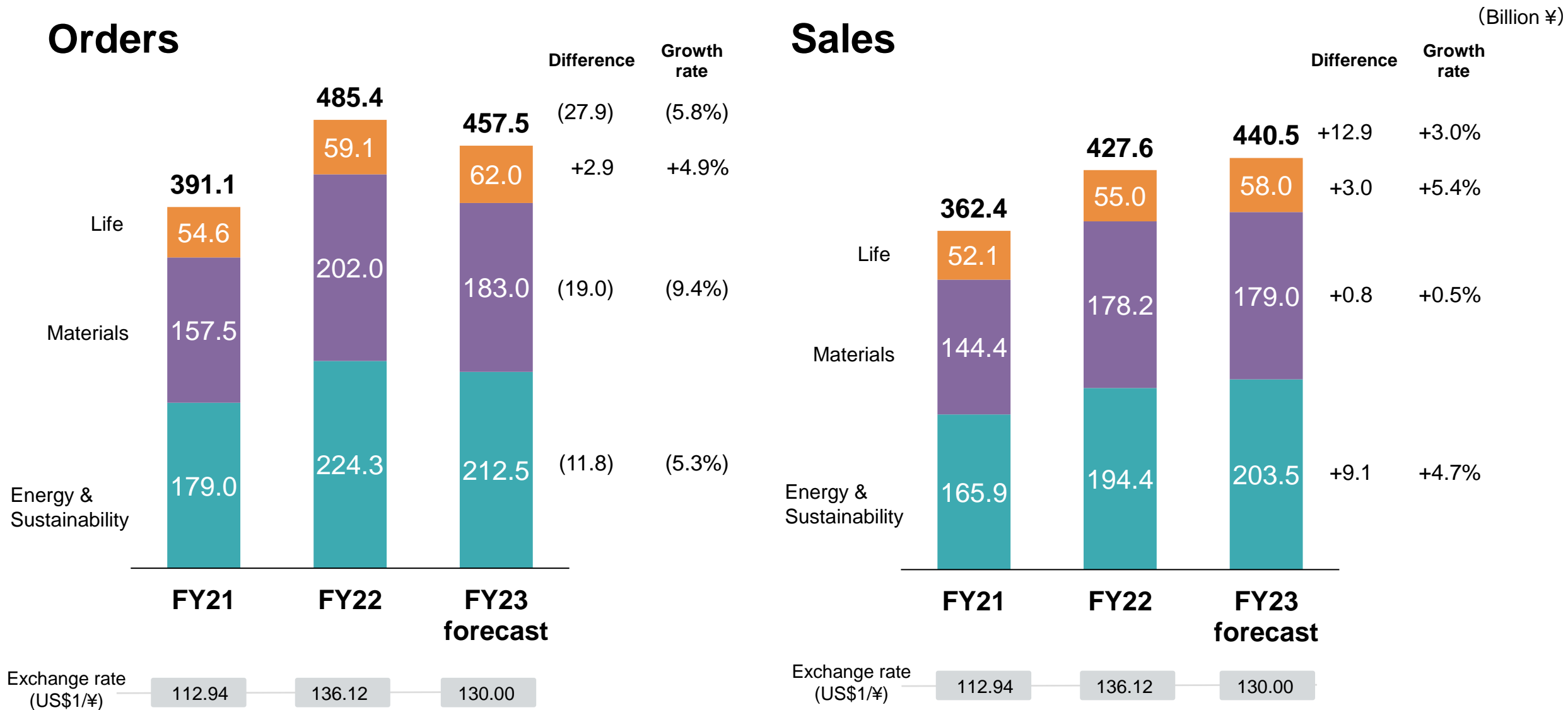
# FY23 Forecast for Control Orders and Sales by Region

(Billion ¥)

Orders	FY22 (A)	FY23 (B)	Difference (B-A)
Japan	134.0	125.0	(9.0)
Asia	168.0	160.5	(7.5)
(Southeast Asia, Far East)	71.0	69.5	(1.5)
(China)	76.1	72.0	(4.1)
(India)	20.9	19.0	(1.9)
Europe and CIS	46.4	42.0	(4.4)
Middle East and Africa	71.4	67.0	(4.4)
North America	47.3	47.0	(0.3)
Central and South America	18.3	16.0	(2.3)
<b>Outside Japan</b>	<b>351.4</b>	<b>332.5</b>	<b>(18.9)</b>
<b>Consolidated</b>	<b>485.4</b>	<b>457.5</b>	<b>(27.9)</b>
Exchange rate US\$1 =	¥136.12	¥130.00	(6.12)

Sales	FY22 (A)	FY23 (B)	Difference (B-A)
Japan	116.0	122.0	+6.0
Asia	153.8	153.6	(0.2)
(Southeast Asia, Far East)	68.5	68.5	+0.0
(China)	66.8	67.0	+0.2
(India)	18.5	18.0	(0.5)
Europe and CIS	42.4	43.0	+0.6
Middle East and Africa	59.9	64.0	+4.1
North America	40.7	43.0	+2.3
Central and South America	14.8	15.0	+0.2
<b>Outside Japan</b>	<b>311.6</b>	<b>318.5</b>	<b>+6.9</b>
<b>Consolidated</b>	<b>427.6</b>	<b>440.5</b>	<b>+12.9</b>
Exchange rate US\$1 =	¥136.12	¥130.00	(6.12)

# FY23 Forecast for Orders and Sales by Control Subsegment





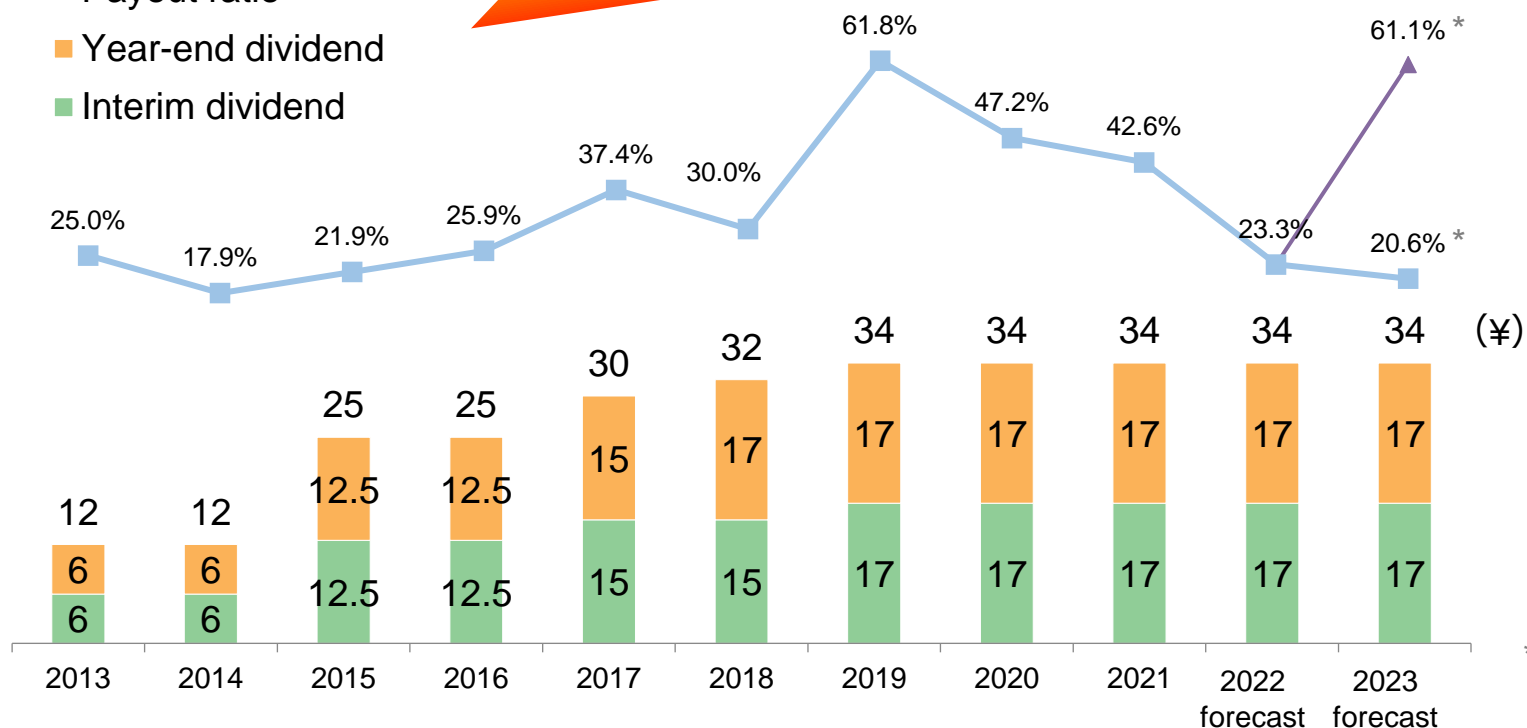
# Dividend

- ◆ The FY23 annual dividend will be the same as the previous year.
- ◆ Resolved to acquire of own shares (up to ¥20.0 billion)

## <Dividend>

- Total payout ratio
- Payout ratio
- Year-end dividend
- Interim dividend

**Stable and sustainable dividend payment policy**



## <Acquisition of own shares>

Implement shareholder returns by acquisition of own shares



Up to ¥20.0 billion

through open-market purchases  
(acquisition period: from May 22, 2023, through December 29, 2023)

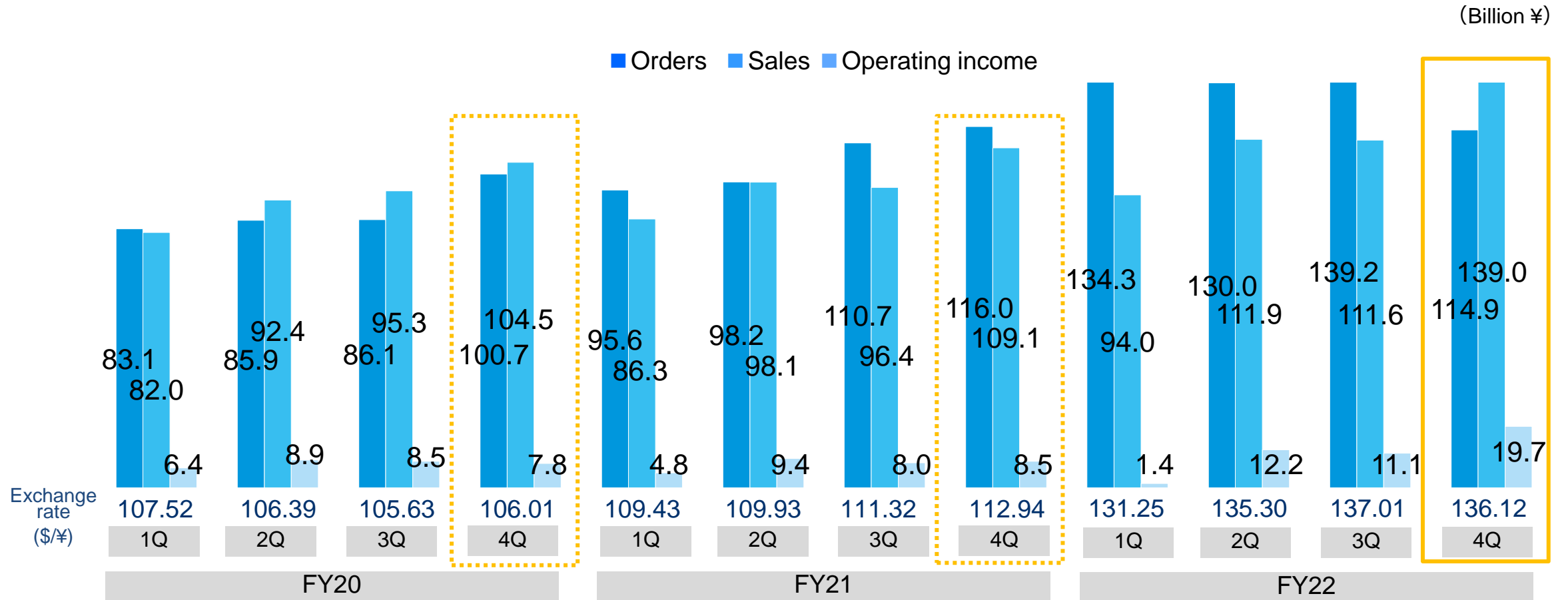
\* "Total payout ratio and Payout ratio" in the graph of Dividend does not consider the impact of the acquisition of own shares. Therefore, it may change depending on the status of future acquisition of own shares.

## Financial Appendix:

- Quarterly Financial Results
- Non-operating / Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Control Segment Order Trend by Project Size
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Stock Price

# Appendix: Quarterly Financial Results

◆ Sales and operating income tend to be higher in 2Q and 4Q, especially in the Japanese control segment.



# Appendix: Non-operating /Extraordinary Income and Expenses

(Billion ¥)

	FY21	FY22
Operating income	30.7	44.4
Non-operating income	7.5	8.0
Non-operating expenses	2.5	3.8
Ordinary income	35.7	48.6
Extraordinary income	0.1	2.4
Extraordinary expenses	5.7	1.2
Income before tax	30.1	49.8
Tax, etc.	8.8	10.9
Profit attributable to owners of parent	21.3	38.9
(Effective tax rate)	21.4%	15.8%

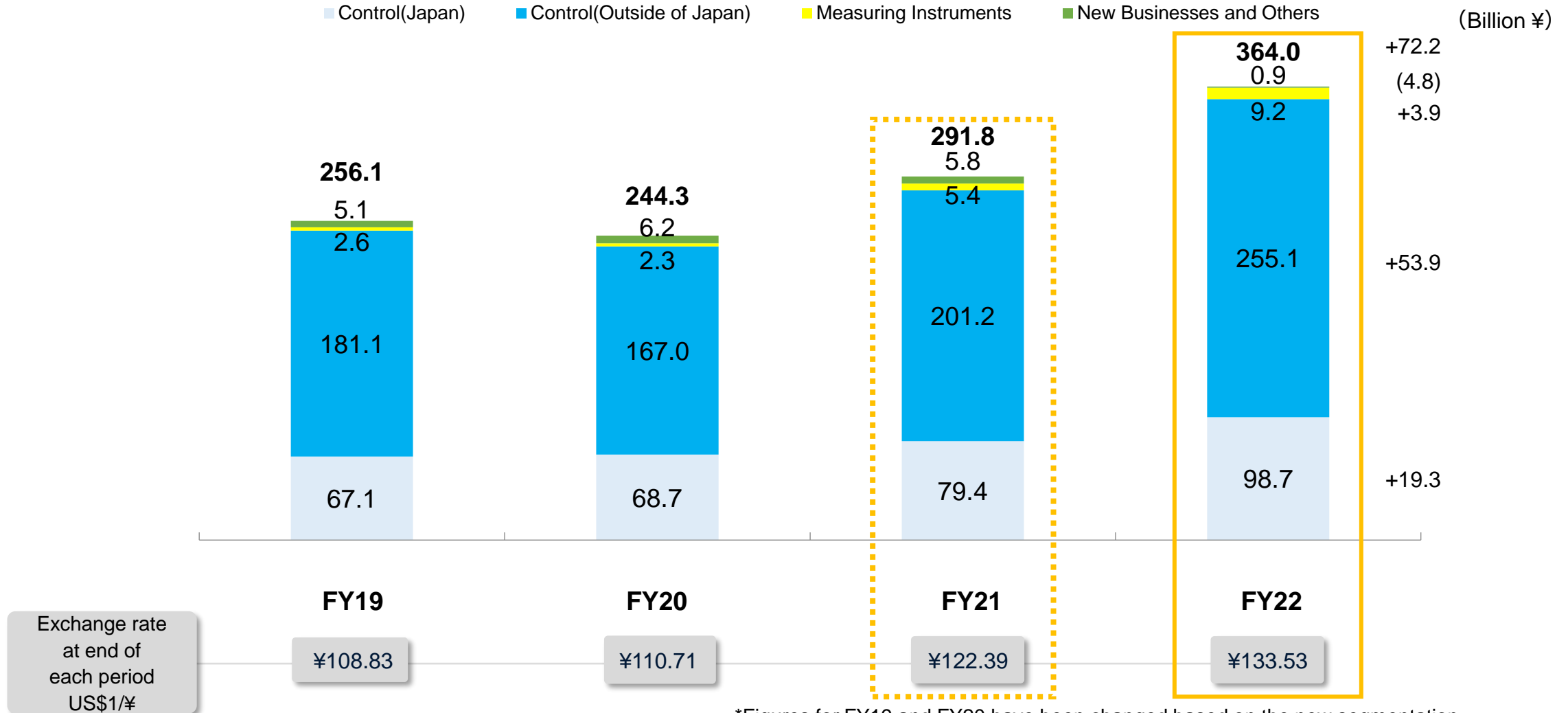
## 【Extraordinary income】

FY22: Gain on sale of non-current assets      ¥0.5 billion  
 Gain on sale of investment securities      ¥0.8 billion  
 Marginal gains on phased acquisitions      ¥1.1 billion

## 【Extraordinary expenses】

FY21: Impairment loss      ¥1.4 billion  
 Loss on valuation of investment securities      ¥1.8 billion  
 Business restructuring expenses      ¥2.1 billion

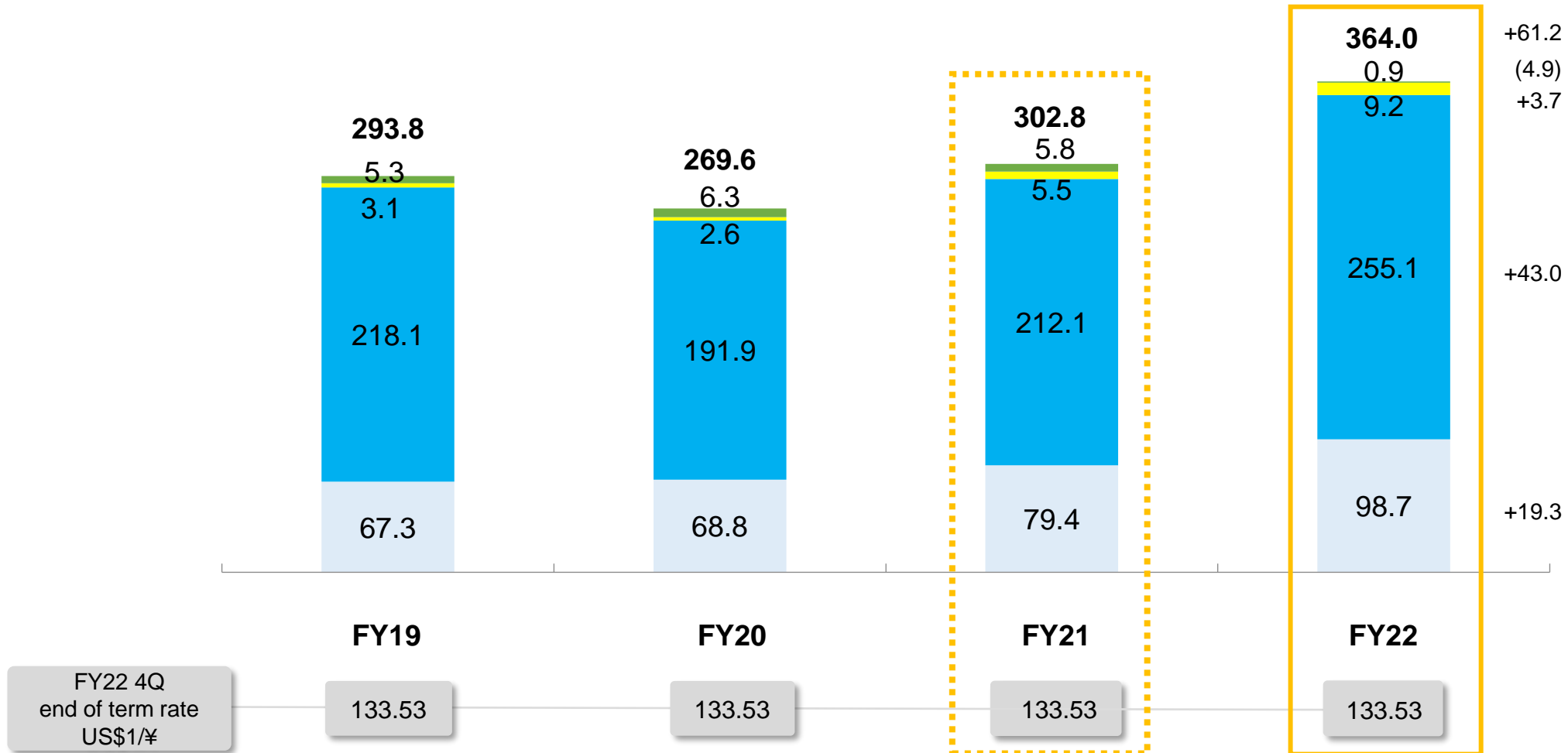
# Appendix: Order Backlog Trend by Segment



\*Figures for FY19 and FY20 have been changed based on the new segmentation. Figures for FY19, FY20, and FY21 include subject to transfer, such as the aviation equipment business.

# Appendix: Order Backlog Trend by Segment (using FY22 4Q end of term rate)

Control(Japan) Control(Outside of Japan) Measuring Instruments New Businesses and Others (Billion ¥)



\*Figures for FY19 and FY20 have been changed based on the new segmentation. Figures for FY19, FY20, and FY21 include subject to transfer, such as the aviation equipment business.

# Appendix: Control Segment Order Trend by Project Size

Large projects (¥300 million\* or larger) account for only 10-15% of control segment revenues.

\* 3MUS\$

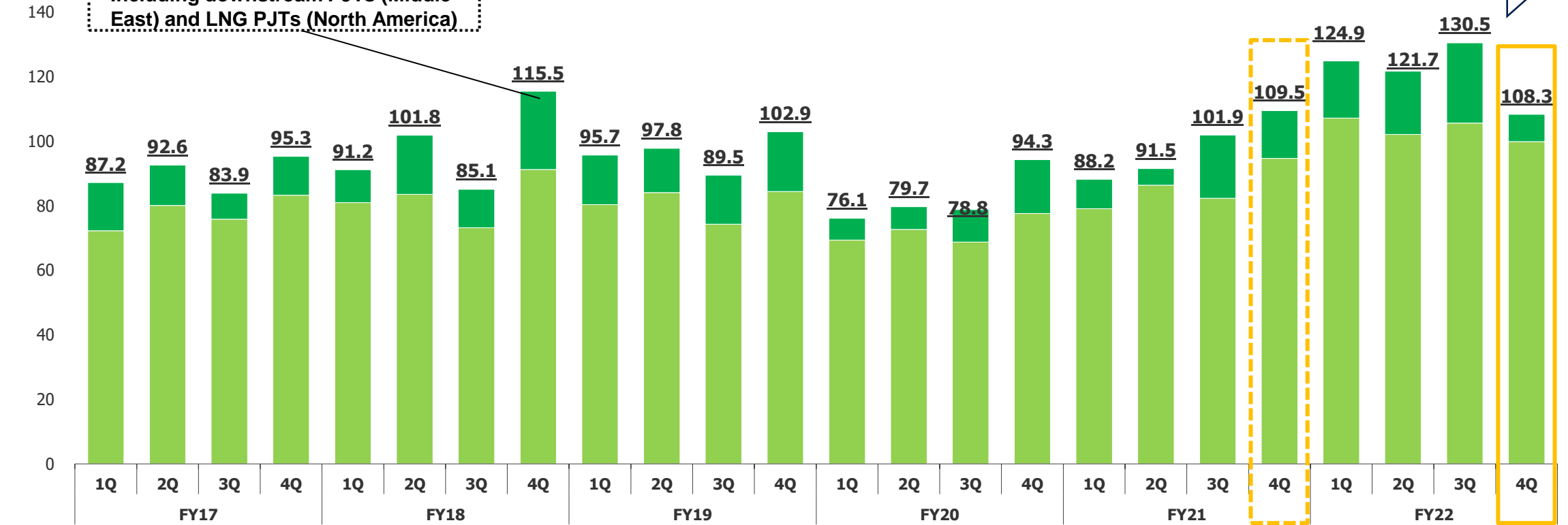
(Billion ¥)

■ Less than ¥300M (small PJTs)  
Mainly OPEX business such as MRO and system upgrades

■ More than ¥300M (large PJTs)  
Mainly CAPEX business such as FEED and engineering

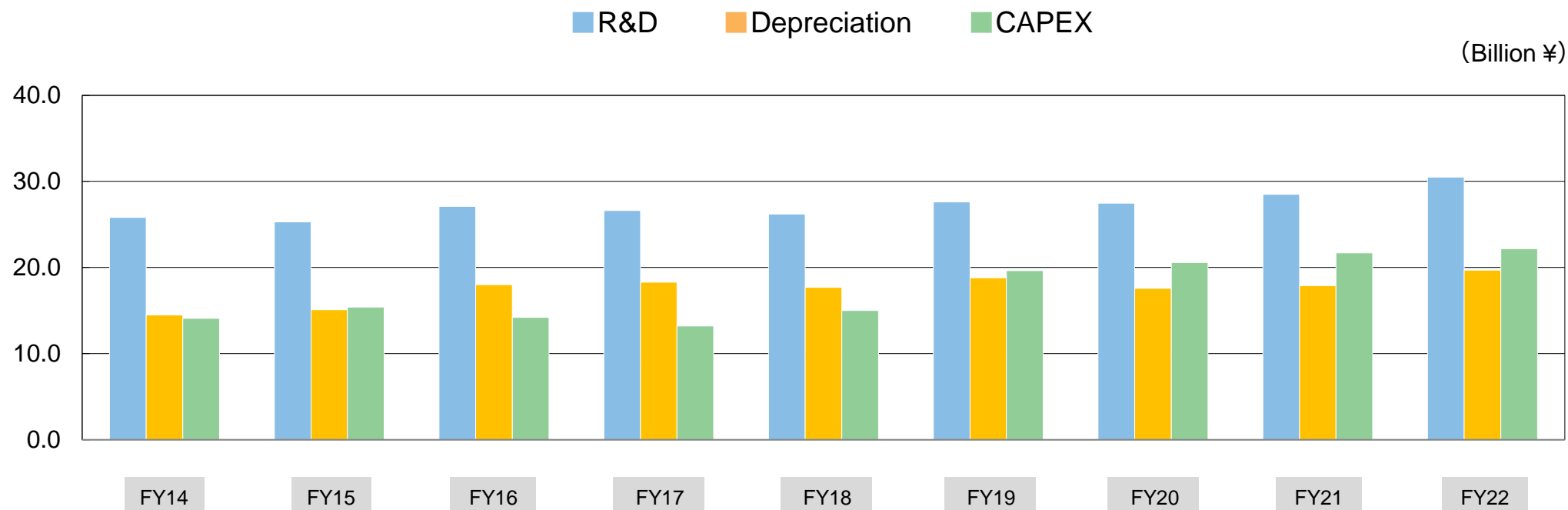
Including downstream PJTs (Middle East) and LNG PJTs (North America)

Figures from FY20 are changed based on the new segmentation



US\$	FY17				FY18				FY19				FY20				FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	111.42	111.29	111.77	110.70	109.53	110.72	111.34	111.07	109.67	108.67	108.90	108.96	107.52	106.39	105.63	106.01	109.43	109.93	111.32	112.94	131.25	135.30	137.01	136.12

# Appendix: Trend of R&D Expenses, Depreciation, and CAPEX



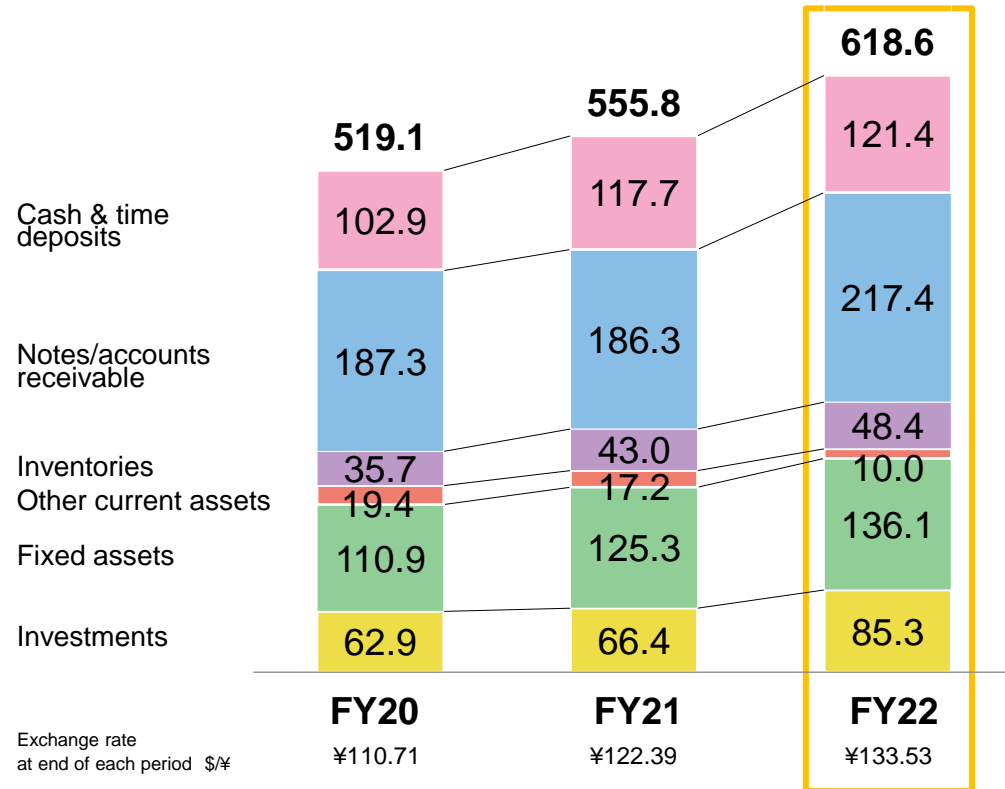
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
R&D expenses (% of sales)	6.4%	6.1%	6.9%	6.5%	6.5%	6.8%	7.3%	7.3%	6.7%
Depreciation (% of sales)	3.6%	3.6%	4.6%	4.5%	4.4%	4.6%	4.7%	4.6%	4.3%
CAPEX (% of sales)	3.5%	3.7%	3.6%	3.2%	3.7%	4.9%	5.5%	5.6%	4.9%

\*The Group's consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from FY19.



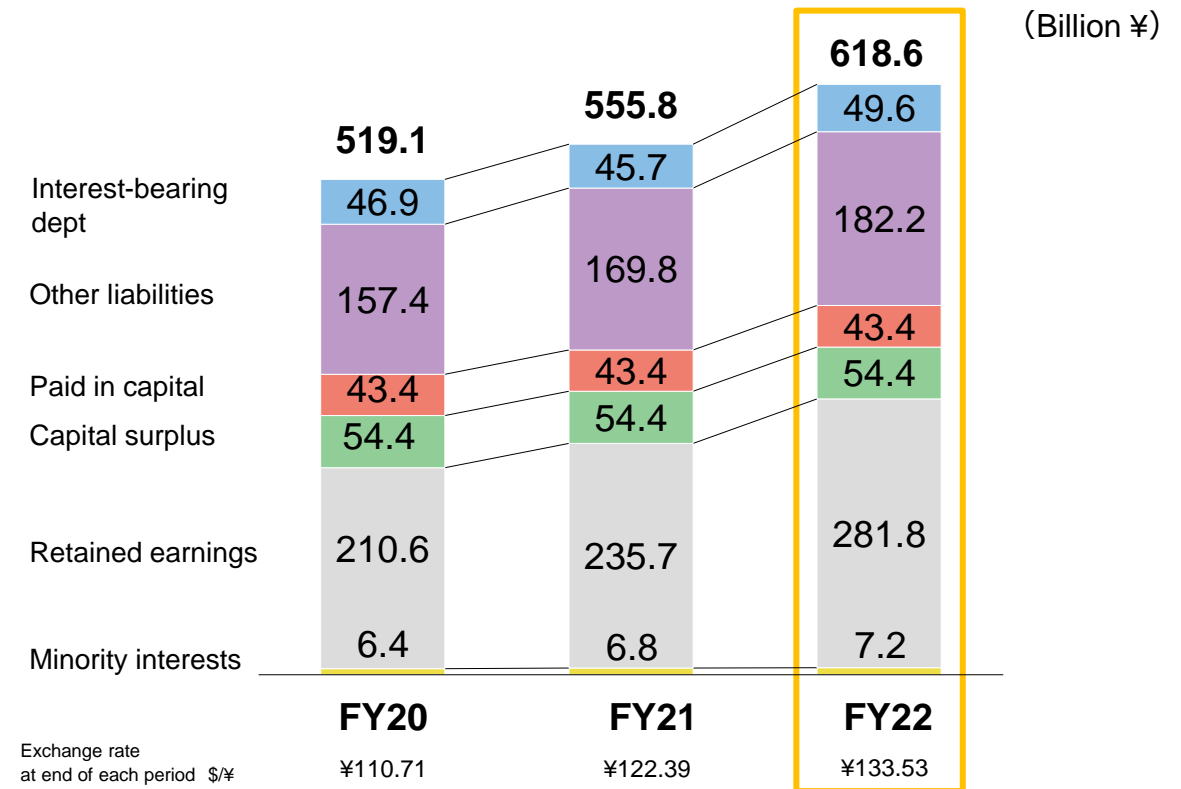
# Appendix: Trend of Balance Sheet

## Assets



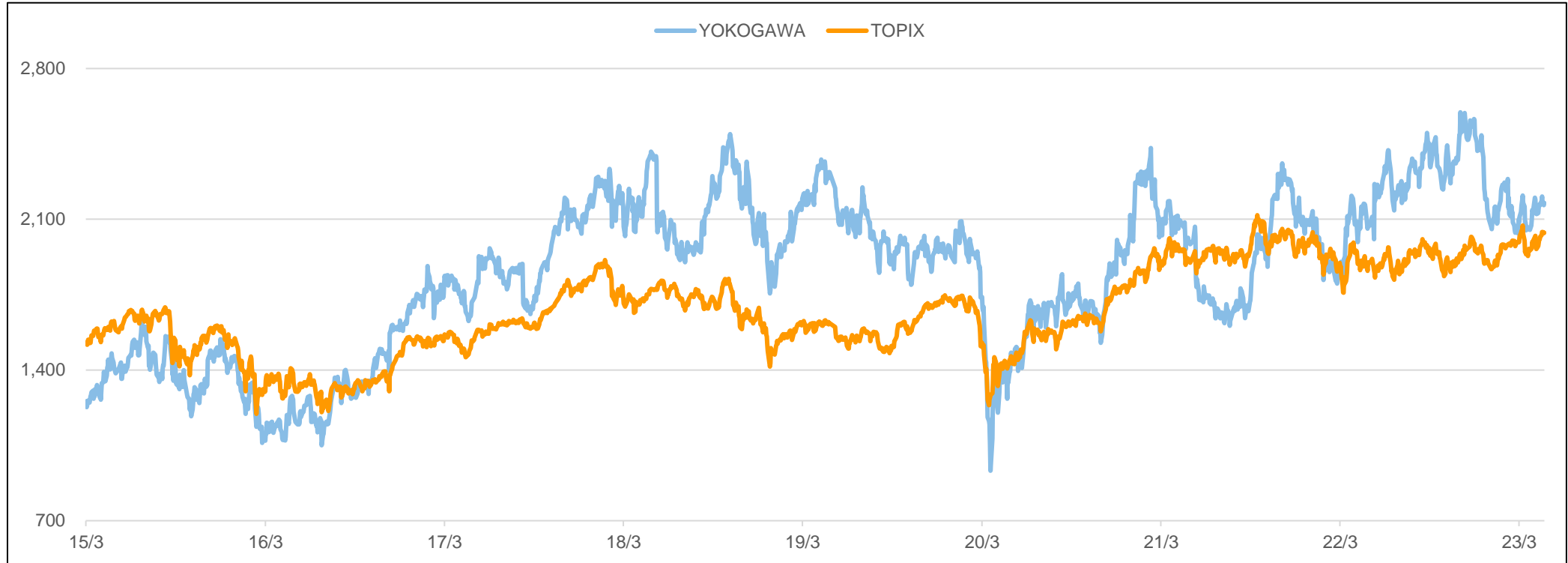
	FY20	FY21	FY22
Total asset turnover (ROA)	3.8%	4.0%	<b>6.6%</b>
Return on equity (ROE)	6.5%	6.6%	<b>10.9%</b>
Total asset turnover	0.74	0.73	<b>0.78</b>

## Liabilities and equity



	FY20	FY21	FY22
Debt/equity ratio	15.2%	13.7%	<b>13.1%</b>
Shareholders' equity ratio	59.4%	60.0%	<b>61.4%</b>
Net assets per share (yen)	¥1,155	¥1,250	<b>¥1,422</b>

# Appendix: Trend of Stock Price



(¥)

	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	22/6	22/9	22/12	23/3	23/4/24
YOKOGAWA	1,295	1,163	1,752	2,198	2,291	1,303	2,038	2,099	2,241	2,275	2,105	2,150	2,176
TOPIX	1,543	1,347	1,512	1,716	1,592	1,403	1,954	1,946	1,871	1,836	1,892	2,004	2,037

**Financial Results for Fiscal Year 2022  
Current Situation and Future Outlook/  
Progress Toward Achievement of  
Accelerate Growth 2023**

**Hitoshi Nara**

President & Chief Executive Officer

May 9, 2023

# Current Situation

# Understanding Our Business Environment

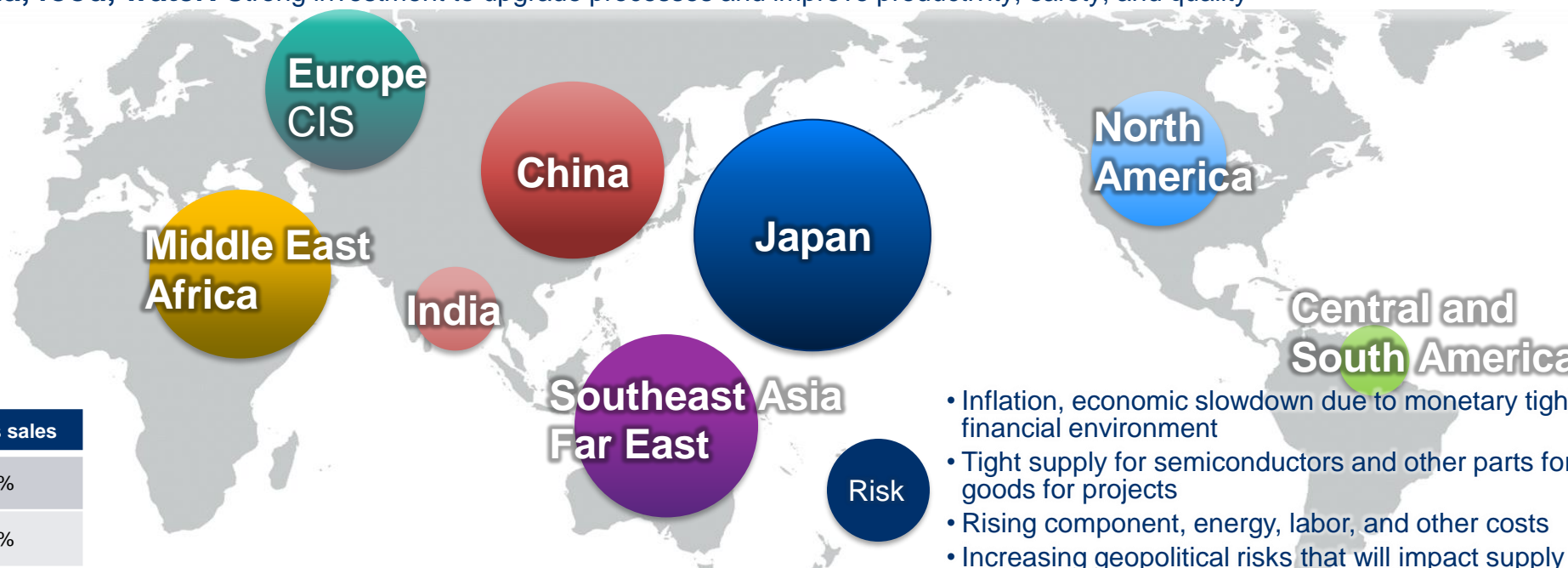
Although prospects for investment by our customers remain strong in the medium to long term, increasing economic uncertainty raises concerns about slowing demand.

## Regions

**Middle East:** Continuing to invest **India:** Refining sector active, but competition is tough **North America:** Many inquiries, but recession fears persist  
**China:** Demand remains weak. Capturing stimulus-package-related environmental investments will be key.  
**Japan:** Concerns over declining investment in manufacturing

## Industries

**Upstream:** Stable oil and gas prices driving investment **Renewable:** Active in each region. Many hydrogen and ammonia deals  
**Downstream, chemical:** Sluggish business environment due to weak investment in electronic components and EV-related materials  
**Pharma, food, water:** Strong investment to upgrade processes and improve productivity, safety, and quality



- Inflation, economic slowdown due to monetary tightening and worsening financial environment
- Tight supply for semiconductors and other parts for production as well as goods for projects
- Rising component, energy, labor, and other costs
- Increasing geopolitical risks that will impact supply chains

## Percentage of overseas sales

FY21	69.5%
FY22	72.8%

# Control Subsegment Growth

## Steady growth by expanding opportunities through industry-wide collaboration Aiming to achieve FY23 forecast and further growth

### Focus Activities

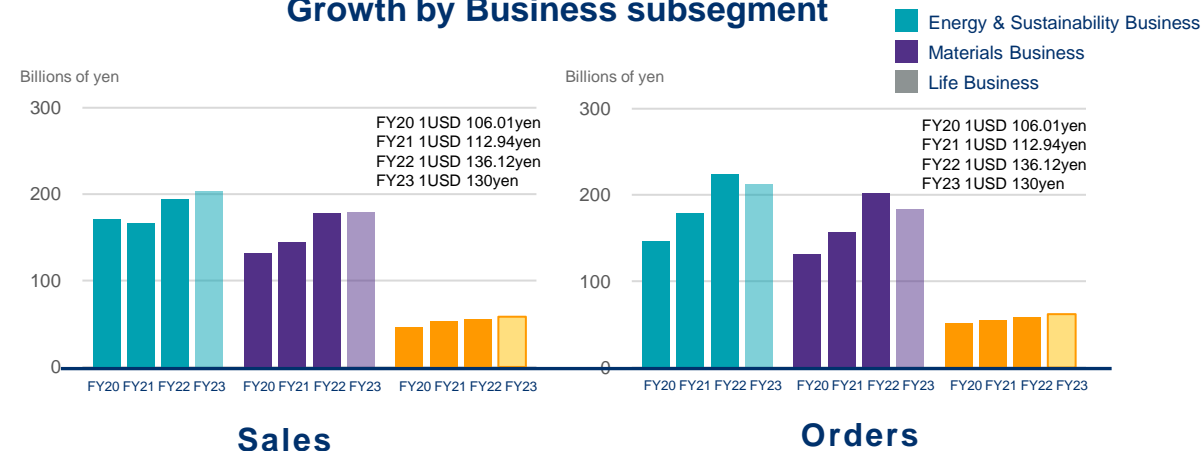
Energy & Sustainability : Comprehending customers' energy transition and carbon neutrality needs and expanding our business through co-creation with them  
Materials : The ability to co-innovate solutions is constantly improving, leading to business growth.  
Life : Steady growth by building business infrastructure and enhancing collaboration. Increased inquiries from overseas

	Sales growth * 2			(Reference) Order growth *2		
	CAGR (FY20-22)	CAGR (FY20-FY23)		CAGR (FY20-22)	CAGR (FY20-FY23)	
	Actual	Forecast * 1	AG2023 Target	Actual	Forecast * 1	AG2023 Target
Energy & Sustainability Business	6.8% (▲1.6%)	6.1% (0.9%)	4% or more	23.9% (14.3%)	13.3% (7.8%)	9% or more
Materials business	16.4% (9.6%)	10.8% (7.4%)	3% or more	23.9% (16.9%)	11.6% (8.1%)	6% or more
Life Business	9.7% (6.0%)	8.3% (6.5%)	16% or more	7.2% (4.0%)	6.4% (4.8%)	16% or more

\*1: FY23 Earnings Forecast Achieved

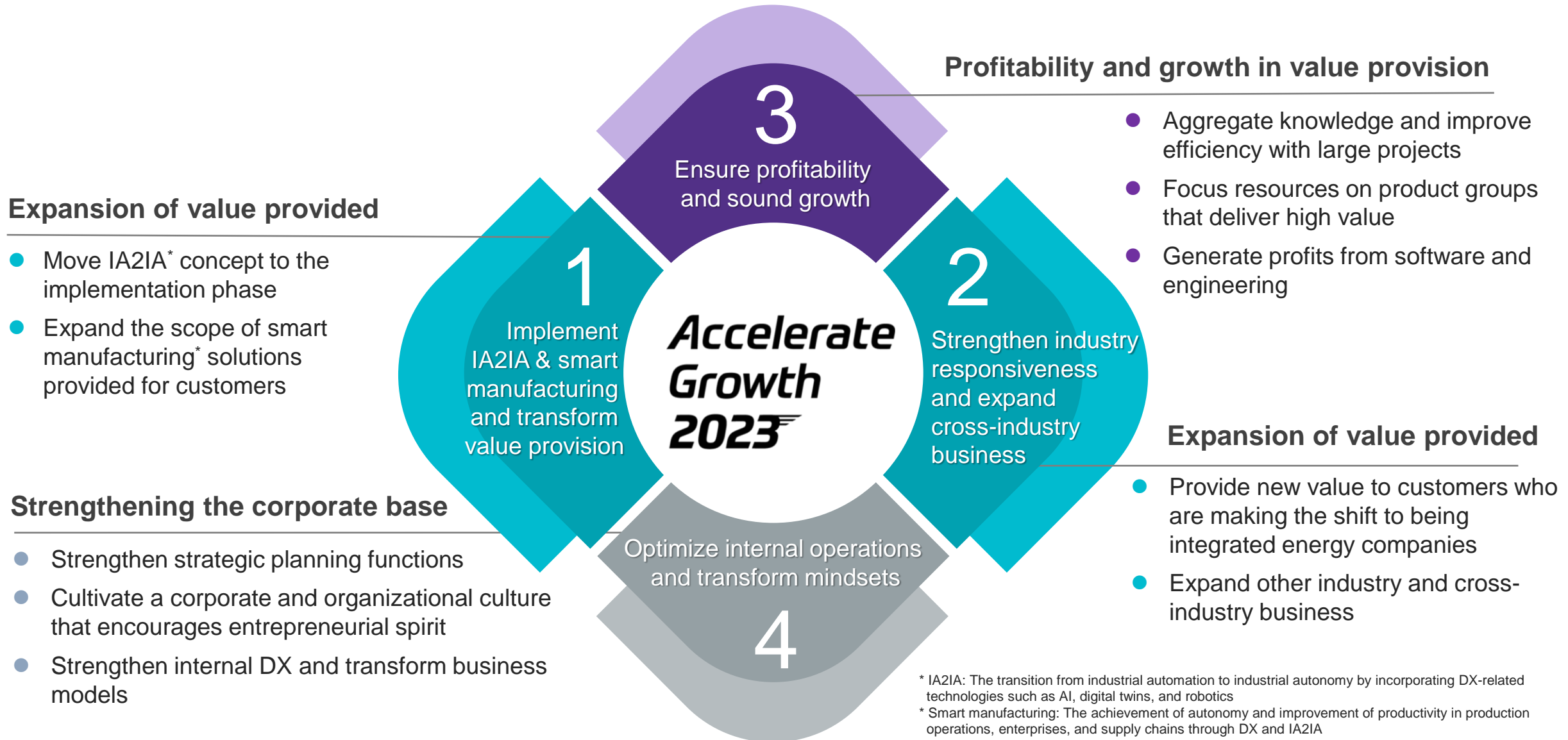
\*2: Figures in parentheses are organic growth excluding foreign exchange

### Growth by Business subsegment



# Review of Accelerate Growth 2023 (AG2023)

# Accelerate Growth 2023: 4 Basic Strategies



\* IA2IA: The transition from industrial automation to industrial autonomy by incorporating DX-related technologies such as AI, digital twins, and robotics

\* Smart manufacturing: The achievement of autonomy and improvement of productivity in production operations, enterprises, and supply chains through DX and IA2IA



# Accelerate Growth 2023 Review of Four Basic Strategies

1

## Implement IA2IA & Smart manufacturing and transform value provision

Expansion of value provided

- Move IA2IA concept to the implementation phase
- Expand the scope of smart manufacturing solutions provided for customers

### Outcomes

#### ◆ Steady progress in IA2IA/smart manufacturing business development initiatives

- Number of new solutions released by IA2IA/smart manufacturing business
- |        | FY21      | FY22 | FY23 |
|--------|-----------|------|------|
| Actual | 50        | 50   |      |
| Target | 150 cases |      |      |
- Number of orders received for IA2IA/smart manufacturing business  
Number of orders remained steady  
Size of individual orders showed an upward trend.
- FY21 results: 195  
FY22 results: 160

#### ◆ Increasing number of projects involving integrated operations and inter-system integration, with broad proposition of value

- Increase in number of orders for MAC/MAIC\*1 projects requiring high-level project execution and integration capabilities
- Ongoing Inter-Industry Collaboration Study Project for the Realization of a Carbon-Neutral Industrial Complex
- FKDPP \*2, an autonomous control AI algorithm, took the highest honor in the Japan Industrial Technology Awards

\*1 Main automation contractor / Main automation and information contractor

\*2 Factorial Kernel Dynamic Policy Programming

- ✓ Expansion of value provision is taking form, actual results are being achieved, and external expectations are rising.
- ✓ Accelerating the scaling up of business is a challenge.

### Challenges and Activities

Establish recurring/subscription and other new business models and accelerate scaling up of business

- Strengthen the quality and quantity of human resources to promote DX and IT/OT convergence to customers.  
Example) Employees acquired S.I.R.I.\*3 certification for promotion of business\*4
- Develop solution providers and nurture solution provider mindset  
Example) Establishment of global training center in Singapore\*4
- Strengthen communication and KPI monitoring with regional offices
- Accelerate Yokogawa Digital Corporation's business by responding to the many inquiries that it receives

\*3 The Smart Industry Readiness Index was created by the Singapore Economic Development Board in partnership with a network of leading technology companies, consultancy firms, industries, and academics. It assesses the digital readiness level based on the three core elements of Industry 4.0: Process, Technology, and Organization.

\*4 For more information, see slide#12 Optimize internal operations and transform mindsets.

# AI Solutions for Industrial Autonomy (IA2IA)

## Leading the way forward with AI solutions for industrial autonomy that contribute to customers' ESG and sustainability efforts

In a field test, an autonomous control AI stably operated in a distillation column at an ENEOS Materials' chemical plant for one year, a great step toward commercialization.

Stable operation

Reduced environmental impact

Quality & cost reduction

Lightened workload & improved safety



- **Proprietary autonomous control AI FKDPP**<sup>\*1</sup> technology has succeeded in controlling a process that previously could not be automated and had necessitated manual control.
- In comparison to manual control, steam consumption and CO<sub>2</sub> emissions<sup>\*2</sup> were reduced **approx. 40%**
- Achieved one year of continuous stable operation and **officially adopted** for use at customer site
- Launch of consulting services by Yokogawa Digital that utilize this knowledge and experience
- Received **the Prime Minister's Award** at this year's Japan Industrial Technology Awards



ENEOS Materials chemical plant



Awards ceremony \* 3  
(Credit: Nikkan Kogyo Shimbun)

\*1 Factorial Kernel Dynamic Policy Programming

\*2 In comparison to the amount of steam previously used to maintain the liquid level and the corresponding amount of CO<sub>2</sub> emissions

\*3 From left: Vice Minister Yanagi of the Ministry of Education, Culture, Sports, Science and Technology; Yokogawa Electric Corporation President Nara; Yokogawa Digital Corporation President Kanokogi; Vice President Ota of Nara Institute of Science and Technology

### A wide range of Yokogawa AI Solutions

- ▶ AI plant operation support solution to learn and replicate operations performed by experienced operators [Yokogawa Solution Services/NTT Communications]
- ▶ An expanding portfolio of products, software, and platforms for a wide variety of industries

For details, please visit the Yokogawa website: [Industrial AI, Building Next-Gen Autonomous Operations | Yokogawa Electric Corporation](#)

# Accelerate Growth 2023 Review of Four Basic Strategies

2

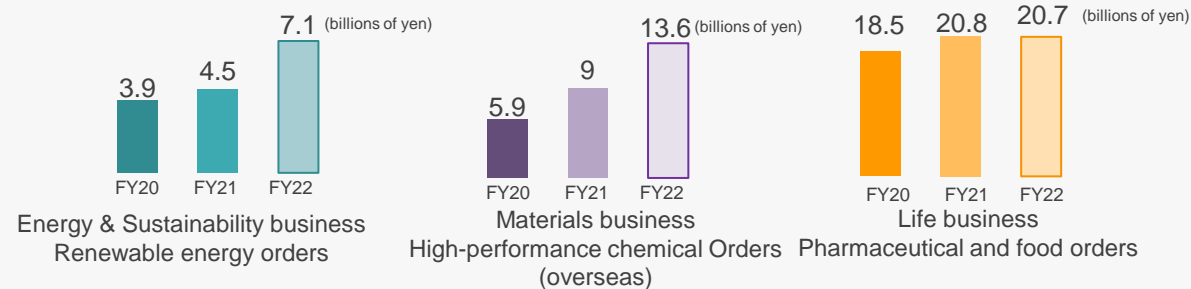
## Strengthen industry responsiveness and expand cross-industry business

Expansion of value provided

- Provide new value to customers who are making the shift to being integrated energy companies
- Expand other industry and cross-industry business

### Outcomes

#### ◆ Orders received in focus industries



#### ◆ M&A and alliances to grow focus industries

- Acquired Dublix, a provider of optimization technologies for waste-to-energy and biomass power plants
- Otsuka Chemical and Yokogawa Electric launched SynCrest Inc., a JV targeting the Contract Research, Development and Manufacturing Organization (CRDMO) business

#### ◆ Increased orders for hydrogen, ammonia, and renewable fuel projects that will contribute towards carbon neutrality

#### ◆ Increased orders for advanced water solutions (seawater desalination and reclaimed water)

- ✓ Materials business - Accelerate overseas growth through expansion of customer networks.
- ✓ Slight delay in growth of the Life Business. Establishing the strong foundation needed for growth of this business.

### Challenges and Activities

Growth of the Life business, particularly in overseas markets

- Taking advantage of our Japan market expertise, building a strong foundation for the existing pharma, food, and water businesses and accelerating growth overseas
- Pursuit of M&A deals and alliances, particularly in the life science and pharma fields, to strengthen our business platforms and portfolio

Examples) Upskilling overseas personnel at Global Training Center

Strengthen support from Japan for overseas operations (caravan activities, etc.)

More customer demonstrations (building of special sites, organizational strengthening)

Use of digital marketing (webinars, etc.)

# Accelerate Growth 2023 Review of Four Basic Strategies

3

## Ensure profitability and sound growth

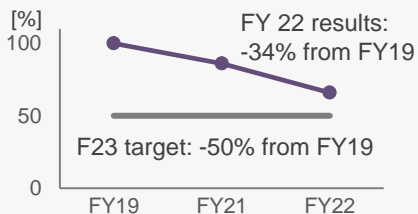
Profitability and growth in value provision

- Aggregate knowledge and improve efficiency with large projects
- Focus resources on product groups that deliver high value
- Generate profits from software and engineering

- ✓ Steady implementation of countermeasures to address rising costs
- ✓ Progress is being made in building a business process and system for operational excellence, which is the key to improving profitability in the medium to long term. We have drawn up an overall picture of what we wish to achieve and will accelerate our efforts.

## Outcomes

- ◆ Improvement of efficiency in product development by shifting resources and resolving difficulties in procuring production parts

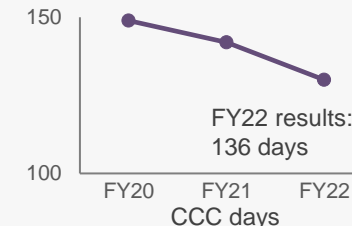


Reduction of maintenance man-hours in product development

- ◆ Implementation of initiatives to improve efficiency in project delivery and services
  - Improved the efficiency and optimized delivery process through use of remote engineering in cloud and virtual environments
  - Maximized utilization of GDC\*1 by developing resource management infrastructure, etc.
  - Completion of system integration for all global service sites\*2
- \*1 Global Delivery Center
- \*2 Through introduction of Yokogawa's ServAir after-sales service core business system
- ◆ Cost reduction in project procurement: approx. 2 billion yen (FY21 and FY22)  
Improved efficiency and reduced costs in global procurement process

## Challenges and Activities

- ◆ Difficulty in procuring manufacturing parts and goods for projects, and rising prices
  - Continue to negotiate, expand suppliers, use alternative parts, design changes, etc.
  - Ongoing selling price optimization initiatives
- ◆ Accelerate infrastructure development to globally improve operational efficiency
  - Reform organizational structure
  - Unify HR management systems and improve HR system infrastructure
  - Standardize business processes and improve process connectivity, and make major changes to information infrastructure
  - Develop infrastructure to improve customer experience
- ◆ Reduce CCC
  - Through persistent effort, change local business customs and long-standing habits
  - Continue PDCA for improvement



# Accelerate Growth 2023 Review of Four Basic Strategies

4

## Optimize internal operations and transform mindsets

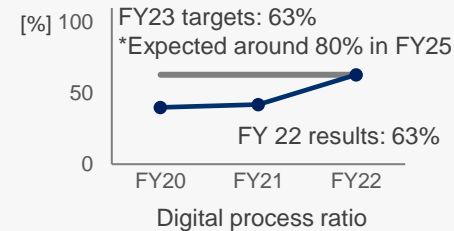
Strengthening the corporate base

- Strengthen strategic planning functions
- Cultivate a corporate and organizational culture that encourages entrepreneurial spirit
- Strengthen internal DX and transform business models
- Transform skills and improve engagement

### Outcomes

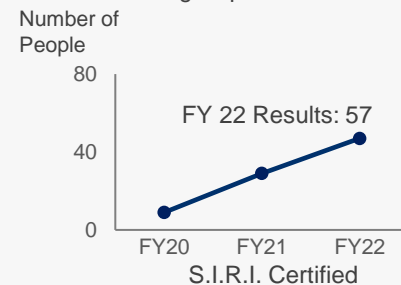
#### ◆ Internal DX efforts

- Steady progress in global efforts to digitalize business processes  
Achieved FY23 digital process ratio\* 1 target ahead of schedule



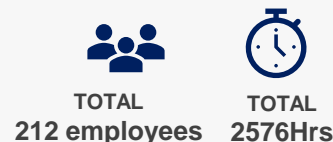
#### ◆ Progress in efforts to transform the skills and mindset of human resources

- Increased number of DX human resources in IT sector
- Progress in training S.I.R.I. \*2 certified personnel to lead IA2IA/smart manufacturing



- Established a global training center  
Development of solution proposers is making good progress.

Global Training Center Achievements (FY22)



- ✓ The importance of skills transformation and mindset change is well recognized. Every initiative is moving forward.
- ✓ Creating an organization that enables collaboration and optimization across various borders, and a system that enables each employee to grow by fully understanding what is required of them in the future (Global HR Transformation Project)
- ✓ Accelerating efforts to move into the implementation phase an HR strategy that is aligned with management strategy

### Challenges and Activities

#### ◆ Accelerate efforts to move into the implementation an HR strategy that is aligned with management strategy

- Integrate global HR systems, processes, and databases to create a "best person for the right job" platform across the organization.
- Define the quality and quantity of HR required to meet future needs and align this with business strategy.
- In alignment with business strategy, train personnel to work in DX, solution proposal, and other areas, and strengthen recruiting.

Example) Enhance educational opportunities for all Group employees through Yokogawa-University. Strengthen development of business leaders (e.g., global training centers).

\*1 Digital process ratio: Ratio of the number of processes utilizing global digitalized platforms to the total number of processes defined for each business process

\*2 The Smart Industry Readiness Index was created by the Singapore Economic Development Board in partnership with a network of leading technology companies, consultancy firms, industries, and academics. It assesses the digital readiness level based on the three core elements of Industry 4.0: Process, Technology, and Organization.

# AG2023 Growth Investment

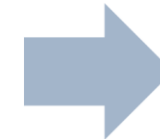
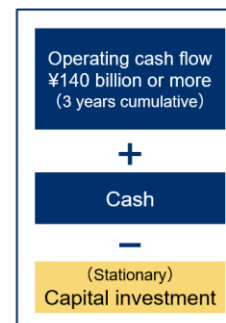
Steadily execute growth investments to enhance and maximize corporate value over the mid to long term.

- Growth investment budget: 70 billion yen
- AG2023 progress: 24.3 billion yen
- FY22 results: 12.1 billion yen

## Key results of FY22

- Acquisition of Dublix Technology ApS (May 2022)  
The addition of Dublix's combustion control and boiler performance enhancement solutions to Yokogawa's lineup enables the provision of solutions that make both WTE and biomass power plants more efficient and profitable.
- Acquisition of Fluence Analytics, Inc. (Jan. 2023)  
Fluence Analytics is a global leader in polymerization\* reaction monitoring and control. Combining Fluence Analytics' technology with Yokogawa's industry know-how will enable us to work with our customers to digitalize and autonomize processes in the polymer and biopharma industries.
- SynCrest Inc. established (Mar. 2023)  
A joint venture that will engage in research, development, and manufacturing in the promising field of middle-molecular pharmaceuticals as a Contract Research, Development and Manufacturing Organization (CRDMO).

No change in cash flow allocation policy under AG2023



Precondition: keep shareholder capital at a level that can maintain an A rating

\* The combination of small molecules, called monomers, to form larger molecules (polymers)

# AG2023 Management Indicators

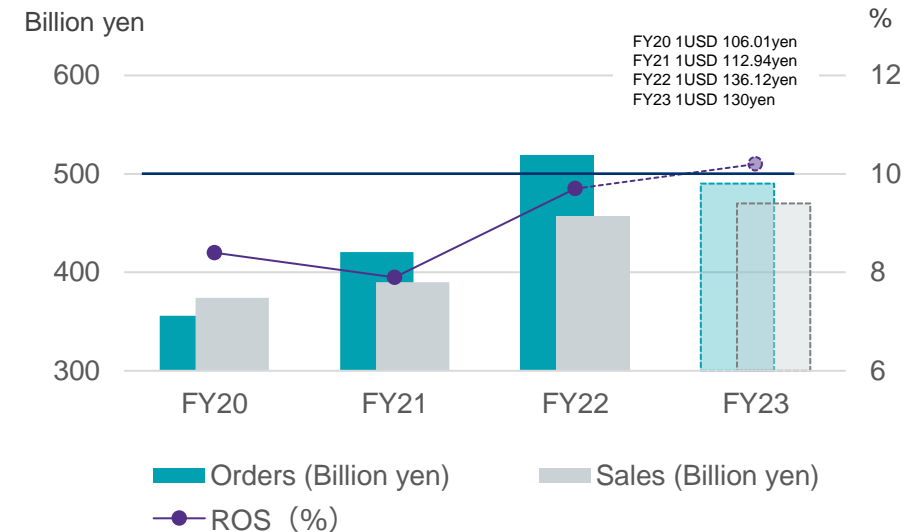
Although we faced a challenging business environment that has included repeated waves of COVID-19 outbreaks, the conflict in Ukraine, tight supply of semiconductors and other parts for production as well as goods for projects, energy cost increases, and inflation,

**We achieved growing both sales and earnings in FY22.**

**To achieve our goals,**

**We will continue to do our best in the final year of the AG2023 plan**

	AG2023 Target	FY22 Results	FY23 Forecast
<b>Order growth</b>	8 ~ 10% per year *FY20 to FY23	20.7% per year *FY20 to FY22	11.3% per year *FY20 to FY23
<b>Sales growth</b>	4 ~ 6% per year *FY20 to FY23	10.5% per year *FY20 to FY22	7.9% per year *FY20 to FY23
<b>ROS</b>	10% (FY23)	9.7%	10.2%
<b>EPS growth</b>	16 ~ 18% per year *FY20 to FY23	42.3% per year *FY20 to FY22	31.8% per year ** *FY20 to FY23
<b>ROE</b>	10% (FY23)	10.9%	11.1% **
<b>Operating cash flow</b>	¥140B or more (3 years cumulative)	¥92B (2 years cumulative)	¥140B (3 years cumulative)
	AG2023 exchange rate (1USD): 105 yen	FY22 average exchange rate (1USD): 136.12yen	FY23 forecast exchange rate (1USD): 130yen



\*\* The Company has resolved to acquire of own shares.

"EPS growth and ROE" in the FY23 forecast does not consider the impact of the acquisition of own shares. Therefore, it may change depending on the status of future acquisition of own shares.

For information on the acquisition of own shares, please refer to page 17 of the financial results briefing material "Financial Results for the Fiscal Year 2022".

# ESG Management Supporting YOKOGAWA

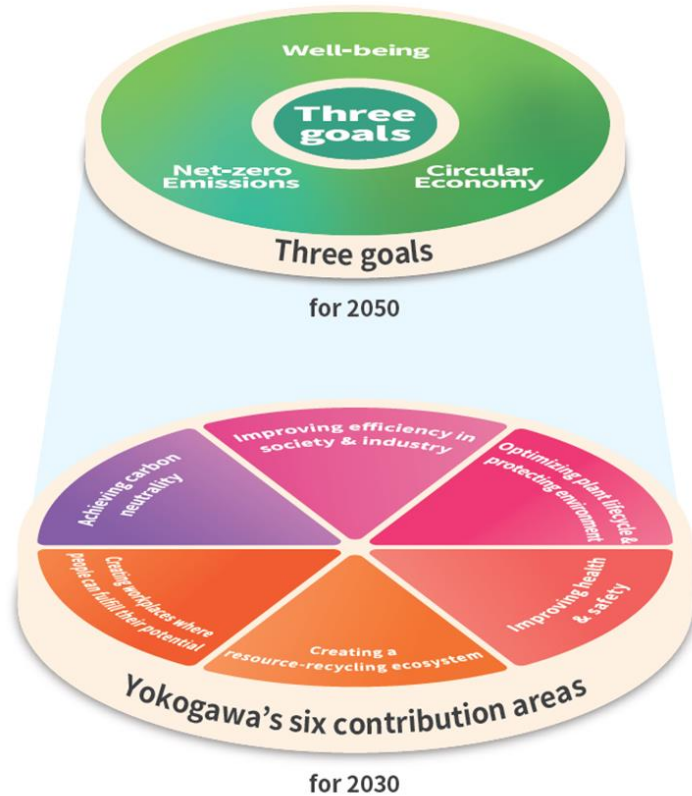


## Managing from an ESG perspective



# Sustainability Strategy

Through our business, we solve the issues of our customers' businesses and make a significant contribution to society and the environment.



**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.

**“Three goals” in achieving a sustainable society by the year 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.

**Make transition to 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.

**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

**Six contribution areas for accelerating contribution and growth toward 2030**

**Creating workplaces where people can fulfill their potential**

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

**Creating a resource-recycling ecosystem**

Fostering the development of the bioeconomy and a circular economy

**Improving health & safety**

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

# Further enhancement of corporate governance

~FY20 Continuous enhancement

FY21~ Further enhancement



	2005	2010	2015	2021
<b>Outside directors</b>	● 1 director	● 2 directors ● 3 directors	● 4 directors	● 5 directors, comprising a majority of the board of directors
<b>Voluntary advisory body</b>			● Established nomination and compensation committee	● Established nomination advisory committee and compensation advisory committee
<b>Compensation system</b>	● Abolished retirement bonuses for directors		● Introduced a restricted stock compensation plan (RS)	● Introduced a performance-linked stock compensation plan (performance share unit plan (PSU))
<b>Systems and policies</b>	● Revised articles of incorporation to reduce number of directors (25→15) Introduced one year tenure system for directors	● Introduced takeover defense measures	● Discontinued (abolished) takeover defense measures ● Established the Company's independence standards ● Established the Yokogawa corporate governance guidelines	● Abolished the senior advisor, advisor, and honorary corporate associate positions ● Revision of Articles of Incorporation concerning the electronic provision of documents for the general meeting of shareholders (planned)
<b>Other</b>			● Conducted outside evaluation of the board of directors*	● Appointed a woman as an outside audit & supervisory board member Appointed foreign nationals as officers ● Appointed an outside director as the chairman of the Board ● Appointed a foreign national as a director ● Appointed a female outside director Appointed female officers

- Using and improving existing systems and frameworks
- Diversifying the board of directors, and enhancing information disclosure
- Creating global human resource system and appraisal/compensation system for the Group
- Enhancing Group governance
- Strengthening internal control and risk management systems

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

# Toward the Achievement of AG2023

# Toward the Achievement of the AG2023 Targets

In a rapidly changing business environment, we are **implementing the AG2023 strategies with a sense of urgency and accelerating efforts to achieve our targets.**

- ✓ Leveraging Yokogawa's strengths to drive **further growth and development**
- ✓ Achieving **high profitability** by expanding the value that we provide and improving productivity
- ✓ With a long-term perspective, **expanding our business in non-energy industries** and contributing to the realization of a sustainable society

## *Accelerate Growth 2023*

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

*Measuring* represents Yokogawa's origin as a company. We measure things, grasp and analyze their state, and add value through the information that is derived. *Connecting* refers to how Yokogawa not only combines valuable information, but also builds trusted relationships with customers in various industries and brings together businesses and industries, giving resonance to the value that we create.

*Our ability to measure and connect* is a core competence that Yokogawa must never lose. We wish to use this strength to find solutions to various social issues and create a future where humanity and planet Earth can co-exist in symbiotic harmony. This aspiration is expressed in our commitment to *fulfill our responsibilities for the future of our planet*.

## Reference:

- FY22 News
- Yokogawa's Main ESG Indexes, etc.

# Reference: FY22 Topics (Alliances · Acquisitions / Orders)

Based on press release date

For more information, see <https://www.yokogawa.com/news/>

## Alliances · Acquisitions

- Apr.** (Shionogi Pharma/Chiyoda/Taisei/Fujimoto Chemicals/Takenaka/Yokogawa/Nagase & Co.) Commencement of business of Pharmira Co., Ltd., a joint venture for contract development and manufacturing of active pharmaceutical ingredients and intermediates
- May.** Yokogawa acquires Dublix, a provider of optimization technologies for waste-to-energy and biomass power plants
- Sep.** Yokogawa acquires Votiva to accelerate ERP business growth in Southeast Asia
- Feb.** Yokogawa acquires Fluence Analytics, a pioneer in digitalizing the monitoring of polymerization reaction processes
- Mar.** Otsuka Chemical and Yokogawa Electric to launch SynCrest Inc., a joint venture targeting the CRDMO business for middle-molecular drugs

## Orders

- Aug.** Yokogawa completes installation of IoT system for integrated remote performance management at Kenya's Olkaria geothermal complex, the largest in Africa
- Sep.** Yokogawa selected by Grön Fuels as the preferred supplier of technology, equipment, and services for North America's largest renewable fuels complex  
Yokogawa Selected as MAC for Construction of Europe's Largest Renewable Hydrogen Plant
- Nov.** Yokogawa to provide integrated control system for Australian green hydrogen project

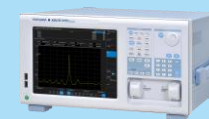
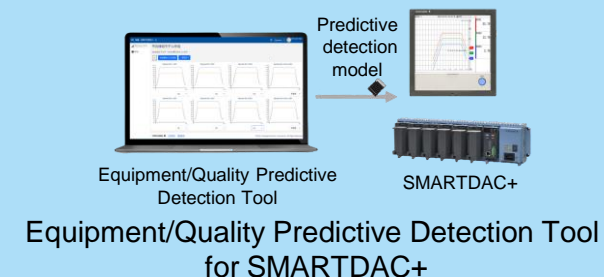


# Reference: FY22 Topics (Solutions & Products / R&D)

Based on press release date  
For more information, see <https://www.yokogawa.com/news/>

## Solutions & Products

- Apr.** Yokogawa to release Equipment/Quality Predictive Detection Tool for SMARTDAC+ paperless recorders and data loggers
- Jul.** Yokogawa Test & Measurement releases AQ6375E and AQ6376E near/mid-infrared band optical spectrum analyzers
- Dec.** (Cosmo Oil/Denka/Iwatani/JFE Steel/JNC/KH Neochem/Maruzen Petrochemical/UBE Elastomer/Ube Material Industries/Yokogawa) Signing of MoU on joint study of activities for the realization of a carbon neutral industrial complex in Japan's Chiba Prefecture
- Jan.** Yokogawa Solution Service and NTT Communications to start providing "Autopilot" that enables automatic plant operation with AI that learns from operators, a first in Japan
- Feb.** Yokogawa launches autonomous control AI service for use with edge controllers
- Mar.** In a world first, Yokogawa's autonomous control AI is officially adopted for use at an ENEOS Materials chemical plant  
Yokogawa releases new software Gas Chromatograph AI Maintenance Support



AQ6375E Optical Spectrum Analyzer



e-RT3 Edge Controller

## R&D

- May** Yokogawa and DOCOMO successfully conduct test of remote control technology using 5G, cloud, and AI

# Reference: FY22 Topics (Others)

Based on press release date  
For more information, see <https://www.yokogawa.com/news/>

## Others

- Jun.** Yokogawa selected as “Noteworthy DX Company for 2022” by METI and the Tokyo Stock Exchange  
Yokogawa joins HAKUTO-R Commercial Lunar Exploration Program as a Supporting Company
- Jul.** Yokogawa Digital Corporation established to support DX in manufacturing
- Sep.** 2022 Yokogawa Sustainability Report published
- Nov.** Yokogawa receives IR Special Award from JIRA  
2022 Yokogawa Report published
- Dec.** Held Yokogawa IR Day 2022 (“The progress of management by industry” and “Energy & Sustainability Business” ) and Yokogawa DX briefing  
Yokogawa included in Dow Jones Sustainability World Index  
CDP recognizes Yokogawa with a prestigious 'A' score for initiatives and transparency on water security for the third time
- Feb.** “Yokogawa Report 2022” highly rated by GPIF’s domestic equity management organizations
- Mar.** Factorial Kernel Dynamic Policy Programming (FKDPP) autonomous control AI algorithm takes highest honor in Japan Industrial Technology Awards  
Yokogawa acquires Science Based Targets (SBT) Certification for greenhouse gas emission reduction targets



Noteworthy DX Company for 2022



IR Special Award

# Reference: Yokogawa's Main ESG Indexes, etc.

- DJSI-World Index
- DJSI-Asia Pacific Index
- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- MSCI ESG Ratings AA
- MSCI ESG Leaders Indexes
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index
- ISS ESG - ESG Corporate Rating Prime status
- Sustainalytics Top-Rated ESG Regional Performer
- CDP Water Security A List
- CDP Supplier Engagement Leader
- SNAM Sustainability Index
- S&P/JPX Carbon Efficient Index
- Carbon Clean 200 (Clean200) selected
- EcoVadis Gold Rating for Sustainability



FTSE4Good FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

Member of

As of April 2023

## Dow Jones Sustainability Indices

Powered by the S&P Global CSA



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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The information has not been restated to reflect the revision of the initially allocated acquired costs that was decided upon finalization of the tentative accounting treatment and application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting."

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