


# Six Management Capitals as the Foundation of Value Creation

Data in the table are current as of March 31, 2023

	Source of Value		Approaches to Enhancing Corporate Value and Maximizing Shareholder Value	Relevant page in this report
 <b>Human capital</b>	<ul style="list-style-type: none"> <li>● Yokogawa Group Identity: “Individually, we aim to combine good citizenship with the courage to innovate.” (Yokogawa Philosophy), “Respect/Value Creation/Collaboration/Integrity/Gratitude” (shared values)</li> <li>● Number of consolidated employees: 17,084</li> <li>● High employee engagement</li> </ul>		<ul style="list-style-type: none"> <li>● Transforming mindsets</li> <li>● Improvement in educational environments for employees to act on their own initiative to improve individual capabilities and skills (e.g. the corporate university Yokogawa University)</li> <li>● “Global HR Transformation Project” Integration of personnel systems, processes, and HR databases</li> <li>● Promotion of DE&amp;I</li> <li>● Respect for workers’ rights</li> <li>● Health and productivity management</li> <li>● ESG management</li> </ul>	<ul style="list-style-type: none"> <li>● Human capital <a href="#">See P. 62-65.</a></li> <li>● Yokogawa Group Identity <a href="#">See P. 16.</a></li> <li>● ESG management <a href="#">See P. 18.</a></li> <li>● Health and productivity management, occupational health and safety <a href="#">See P. 94.</a></li> <li>● Special Feature: Initiatives for Realizing Smart Manufacturing with S.I.R.I. human resources as a Core <a href="#">See P. 33.</a></li> <li>● ESG Highlights <a href="#">See P. 100-101.</a></li> </ul>
 <b>Intellectual capital</b>	<ul style="list-style-type: none"> <li>● Yokogawa Group Identity: “Pioneering spirit” (Founding Principles)</li> <li>● R&amp;D expenses/R&amp;D expenses to net sales ratio: ¥30.5 billion/6.7%</li> <li>● Intellectual property holdings based on IP strategy (number of patents held: approx. 5,500)</li> <li>● Development centers outside Japan: 10 countries</li> <li>● Open innovation activity’s structure</li> <li>● Participation in international standardization activities</li> <li>● OpreX, comprehensive brand of control business</li> </ul>		<ul style="list-style-type: none"> <li>● Investments to increase and maximize corporate value over the medium to long term</li> <li>● DX strategy</li> <li>● Development of new technologies and solutions in existing business areas</li> <li>● Trying new businesses and areas for exploration</li> </ul>	<ul style="list-style-type: none"> <li>● Intellectual capital <a href="#">See P. 66-67.</a></li> <li>● Yokogawa Group Identity <a href="#">See P. 16.</a></li> <li>● DX strategy <a href="#">See P. 54-55.</a></li> <li>● Special Feature: AI Solutions for Industrial Autonomy (IA2IA) <a href="#">See P. 56-57.</a></li> <li>● Initiatives for Open Process Automation (OPA) <a href="#">See P. 32.</a></li> <li>● Activities in New Businesses and Others and Areas for Exploration <a href="#">See P. 48.</a></li> </ul>
 <b>Social capital</b>	<ul style="list-style-type: none"> <li>● Yokogawa Group Identity: “Contribution to society” (Founding Principles) “Individually, we aim to combine good citizenship with the courage to innovate.” (the Yokogawa Philosophy)</li> <li>● A close, trust-based, and long-term relationship with customers built throughout the lifecycle of their plant facilities and our large installed base</li> <li>● Global business foundation and service networks (service centers: 180 or more, service engineers: approx. 2,500 engineers)</li> <li>● Participation in projects that contribute to the development of emerging and developing countries</li> <li>● Contributions to local communities as a good citizen and good relationships with local residents through Yokogawa Festival and other opportunities</li> </ul>		<ul style="list-style-type: none"> <li>● Resolution of social issues and customer issues through our business</li> <li>● Establishment of a human rights management system and human rights due diligence</li> <li>● Fair and impartial transactions</li> <li>● Local contribution (e.g., use of company facilities, support for local residents in times of disaster, Yokogawa Festival)</li> <li>● Donations and support to outside charity organizations and communities</li> <li>● Support for universities and research institutes, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Social capital <a href="#">See P. 68-69.</a></li> <li>● Yokogawa Group Identity <a href="#">See P. 16.</a></li> <li>● ESG management <a href="#">See P. 18.</a></li> <li>● Compliance <a href="#">See P. 92.</a></li> <li>● Respect for human rights <a href="#">See P. 93.</a></li> <li>● Business activities <a href="#">See P. 34-48.</a></li> <li>● ESG Highlights <a href="#">See P. 100-101.</a></li> </ul>
 <b>Manufacturing capital</b>	<ul style="list-style-type: none"> <li>● Yokogawa Group Identity: “Quality first” (Founding Principles)</li> <li>● Globally expanding production bases</li> <li>● Excellent manufacturing ability and production technology ability that realize high-quality and high-reliability products</li> <li>● Yokogawa’s production system NYPS (New Yokogawa Production System)</li> <li>● Process-oriented organizational culture in which management and on-site work together to discuss repeatedly and continue to improve</li> </ul>		<ul style="list-style-type: none"> <li>● Continuous maintaining and improvement of hands-on approaches (improvement activities and systematic human resource development)</li> <li>● Supply chain risk management for the Groups: <ul style="list-style-type: none"> <li>- Reconstructing supply chains taking geopolitical risk into account</li> <li>- Next-generation SCM by DX including AI</li> <li>- Renewal of designs that realizes longer product life cycles</li> </ul> </li> <li>● Value provision activities to customers utilizing our plants</li> </ul>	<ul style="list-style-type: none"> <li>● Manufacturing capital <a href="#">See P. 70.</a></li> <li>● Yokogawa Group Identity <a href="#">See P. 16.</a></li> <li>● Risk management <a href="#">See P. 90.</a></li> </ul>
 <b>Natural capital</b>	<ul style="list-style-type: none"> <li>● Maintaining and continuously improving policies, promotion system, and management system toward reductions in environmental emissions in business activities</li> <li>● Provision of environmentally friendly products</li> </ul>		<ul style="list-style-type: none"> <li>● GHG reduction — Acquisition of SBT certification, introduction of ICP, reductions of energy consumption, promotion of introduction of renewable energy, etc.</li> <li>● Water resource conservation — Reductions in the amount of water usage by improving our production processes and introducing water-saving systems in our office water supplies, etc.</li> <li>● Waste reduction — Promotion of reusing, reducing, and recycling resources in plants and offices and in product packaging, etc.</li> <li>● Chemical substance reduction — Strict management on hazardous chemicals, reductions through development, introduction of alternative processes, etc.</li> <li>● Biodiversity conservation — Raising awareness among employees through seminars and events, etc.</li> <li>● Environmental assessment standards (product design, lifecycle)</li> <li>● Product design standards (environmentally friendly design, management of chemical substances in products, recycled product design, and energy-saving design)</li> <li>● Promotion of green procurement</li> </ul>	<ul style="list-style-type: none"> <li>● ESG management <a href="#">See P. 18.</a></li> <li>● Sustainability initiatives <a href="#">See P. 18-23.</a></li> <li>● Environmental management <a href="#">See P. 95.</a></li> <li>● ESG Highlights <a href="#">See P. 100-101.</a></li> <li>● Included in major ESG indexes <a href="#">See P. 105.</a></li> </ul>
 <b>Financial capital</b>	<ul style="list-style-type: none"> <li>● Stable financial foundation (maintaining an A rating)</li> <li>● Operating cash flow of ¥40.4 billion (FY2022), 3 year (FY2021–FY2023) cumulative operating cash flow of target ¥140 billion or more</li> <li>● Good relationships with high quality long-term institutional investors and analysts through IR activities</li> </ul>		<ul style="list-style-type: none"> <li>● Ensure the implementation of the four basic strategies of AG2023 to increase order volume, sales growth, an increase of ROS and increase business asset turnover.</li> <li>● Maintain a financial base to support growth, invest in growth, and allocate optimal cash flow to shareholder returns.</li> <li>● Providing an explanation about and facilitating understanding of management policies, business strategies, and financial results to the capital market</li> </ul>	<ul style="list-style-type: none"> <li>● Financial capital <a href="#">See P. 71.</a></li> <li>● Medium- to long-term Growth Strategies <a href="#">See P. 50-51.</a></li> <li>● Review of the four basic strategies of AG2023 <a href="#">See P. 52-53.</a></li> <li>● Financial highlights <a href="#">See P. 98-99.</a></li> <li>● IR Activities <a href="#">See P. 105.</a></li> </ul>