Chapter 6

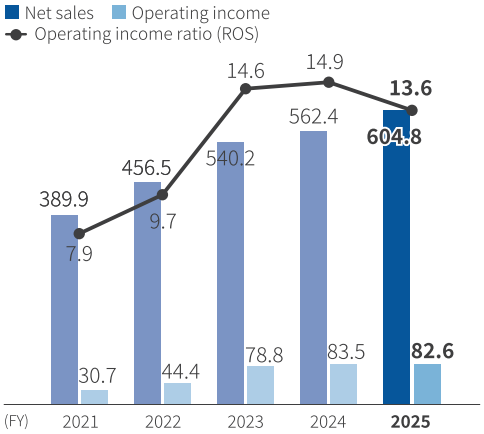
Information

P.63 Financial Highlights
P.65 ESG Highlights
P.69 Risks Relating to the Group's Business
P.72 Financial Section
P.106 Stock Information, IR Activities, and External Evaluations

Financial Highlights

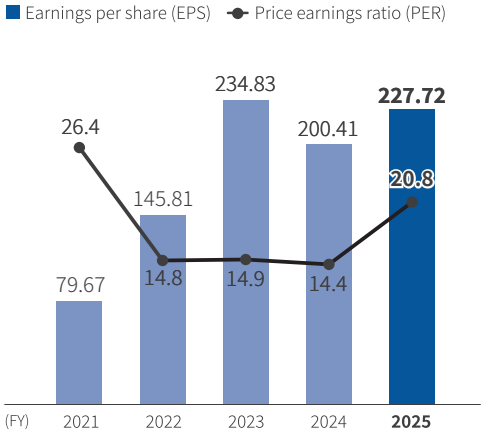
Profitability and Efficiency

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



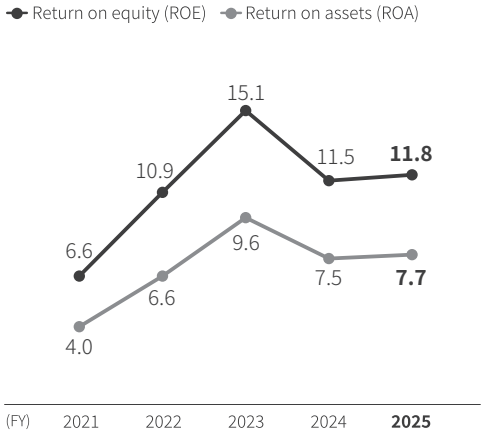
Note: As of March 31 each year

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



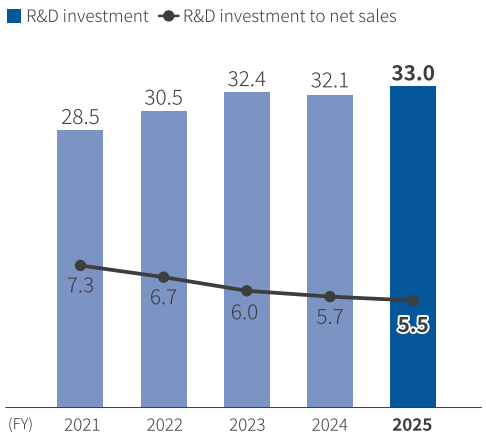
Note: As of March 31 each year

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



Note: As of March 31 each year

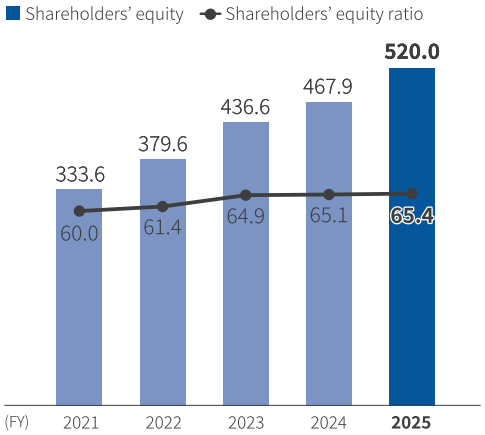
R&D Investment (billions of yen) / R&D Investment to Net Sales (%)



Note: As of March 31 each year

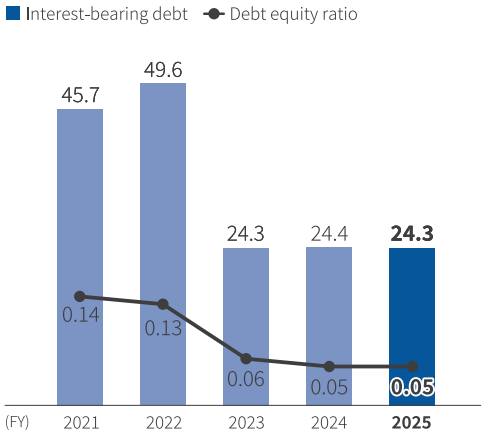
Soundness

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



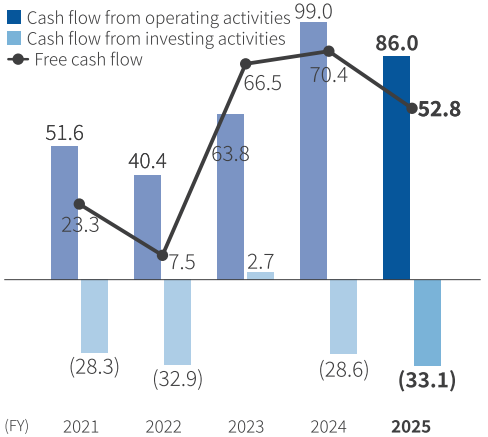
Note: As of March 31 each year

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



Note: As of March 31 each year

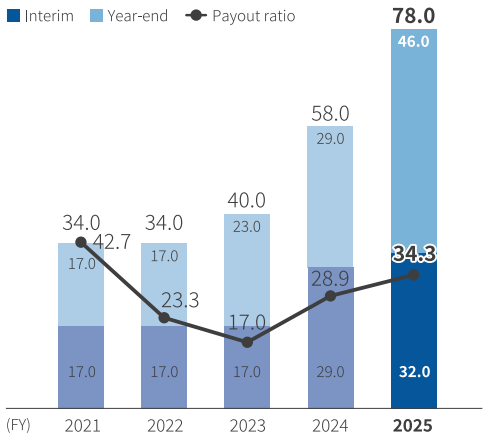
Cash Flows (billions of yen)



Note: As of March 31 each year

Distribution of Earnings

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



Note: As of March 31 each year

Financial Highlights

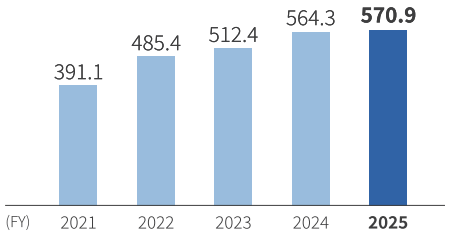
Highlights by Segment

Note: As of March 31 each year

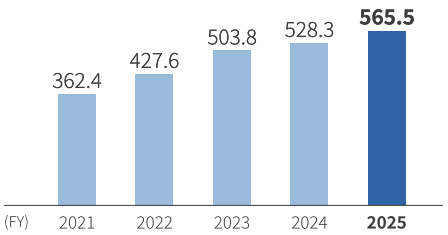
Note: Due to the transfer of the aviation equipment business, the name of the reportable segment previously known as the Aviation and Other Businesses has been changed to the New Businesses and Others from fiscal year 2022.

Industrial Automation and Control Business

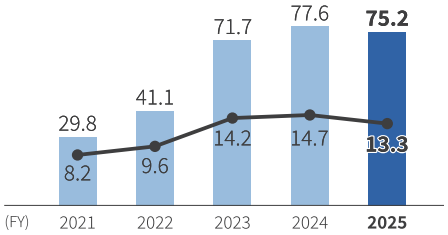
Orders (billions of yen)



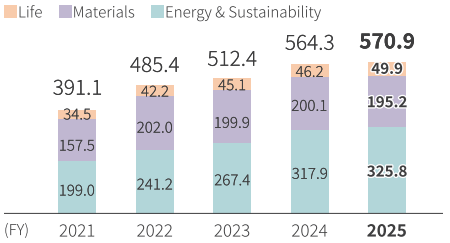
Net Sales (billions of yen)



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

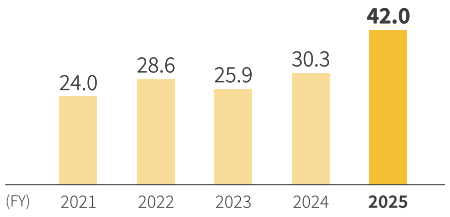


Orders by Subsegment (billions of yen)

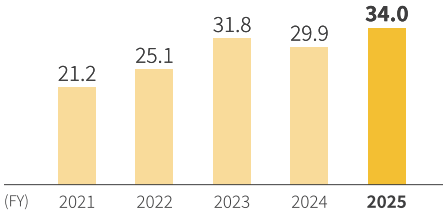


Measuring Instruments Business

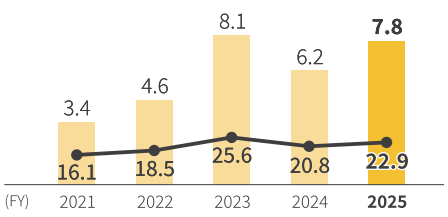
Orders (billions of yen)



Net Sales (billions of yen)

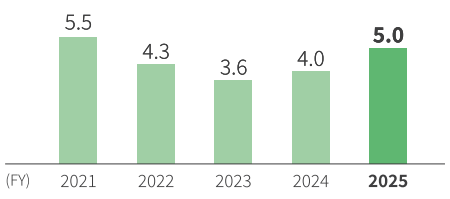


Operating Income (billions of yen) / **Operating Income Ratio** (%)

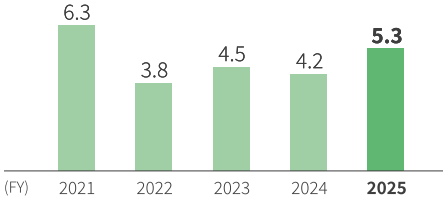


New Businesses and Others

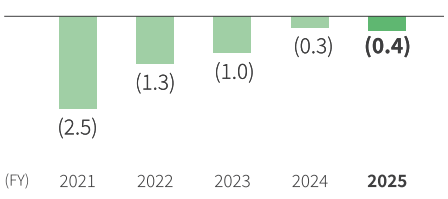
Orders (billions of yen)



Net Sales (billions of yen)

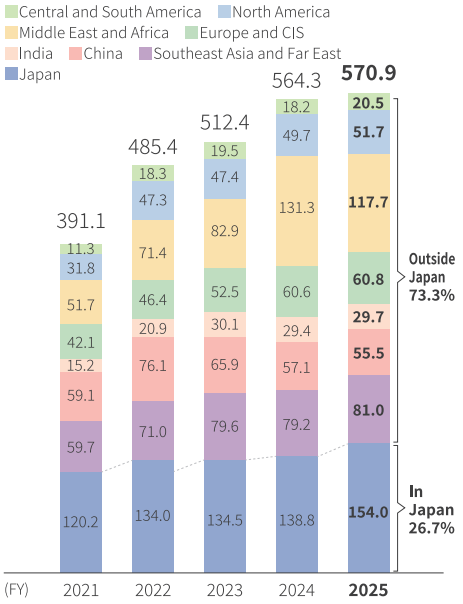


Operating Income (billions of yen)



Industrial Automation and Control Business

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



ESG Highlights

Environment

Item		2021	2022	2023	2024	2025
Energy consumption (GJ)	Yokogawa Group	1,386,688	1,317,451	1,099,648	980,953	804,611
	Intensity per sales (GJ/¥100 million)	356	289	204	174	133
Renewable energy consumption (MWh)	Renewable electricity procurement	2,480	10,546	25,733	28,796	48,807
	Purchased renewable energy certificates	0	0	5,784	21,192	33,514
	Renewable energy generation	114	184	629	1,909	2,307
	Total	2,594	10,730	32,146	51,897	84,628
Greenhouse gas (GHG) emissions (t-CO_2e)	Yokogawa Group	70,486	67,085	57,375	45,924	31,609
	Intensity per sales (t-CO_2e/¥100 million)	18.08	14.70	10.62	8.17	5.23
	Scope 1	12,015	15,390	11,966	12,141	11,853
	Scope 2 (market-based)	58,471	51,695	45,409	33,783	19,756

Item	Classification		Category	2025
Supply chain GHG emissions (Scope 3) (t-CO_2e) Note: A dash indicates "not applicable."	Upstream	1	Purchased goods & services	419,977
		2	Capital goods	33,483
		3	Fuel- and energy-related activities not included in Scopes 1 or 2	11,038
		4	Transportation & distribution	17,003
		5	Waste generated in operations	962
		6	Business travel	30,524
		7	Employee commuting	6,278
		8	Leased assets	—
	Downstream	9	Transportation & distribution	—
		10	Processing of sold products	—
		11	Use of sold products	241,294
		12	End-of-life treatment of sold products	500
		13	Leased assets	—
		14	Franchises	—
		15	Investments	—
	Total			761,059

Item		2021	2022	2023	2024	2025
Water withdrawals (m³)	Yokogawa Group	424,967	501,680	509,055	555,933	528,435
	Intensity per sales (m³/¥100 million)	109	110	94	99	87
Water discharges (m³)	Yokogawa Group	403,120	439,688	424,782	555,933	528,435
Waste generated (t)	Yokogawa Group	4,692	4,513	4,876	5,139	5,144
	Intensity per sales (t/¥100 million)	1.20	0.99	0.90	0.91	0.85
Non-hazardous waste (t)	Recycled	3,142	2,877	3,164	3,421	3,516
	Incinerated	434	393	404	415	307
	Landfilled	333	489	597	573	567
	Total	3,909	3,759	4,165	4,409	4,390
Hazardous waste (t)	Recycled	708	546	425	572	675
	Incinerated	75	207	279	158	54
	Landfilled	0	1	7	0	25
	Total	783	754	711	730	754

Governance

Item	2021	2022	2023	2024	2025
Ratio of women on the Board of Directors (%) Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.	11 (2022/6)	13 (2023/6)	27 (2024/6)	25 (2025/6)	27 (2026/6)
Ratio of foreign nationals on the Board of Directors (%) Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.	11 (2022/6)	13 (2023/6)	0 (2024/6)	8 (2025/6)	9 (2026/6)
Ratio of independent outside directors on the Board of Directors (%) Note: As of the conclusion of the Annual General Meeting of Shareholders in June each year.	56 (2022/6)	63 (2023/6)	73 (2024/6)	67 (2025/6)	64 (2026/6)
Ratio of independent outside directors on the Nominating Advisory Committee (%) Note: Figures in parentheses are numbers of outside directors.	71 (5)	83 (5)	80 (4)	80 (4)	80 (4)
Ratio of independent outside directors on the Compensation Advisory Committee (%) Note: Figures in parentheses are numbers of outside directors.	71 (5)	83 (5)	100 (4)	100 (4)	100 (4)

Note: FY2020-FY2022: Results as a Company with an Audit & Supervisory Board
Since FY2023: Results as a Company with a Nomination Committee, etc.

ESG Highlights

Social

Item		2021	2022	2023	2024	2025
Number of employees (persons)	Yokogawa Group	17,258	17,084	17,365	17,670	18,313
	Yokogawa Electric Co.	2,503	2,342	2,269	2,242	2,240
Ratio of foreign nationals among employees (%)	Yokogawa Group	64.0	64.0	65.1	66.6	67.5
	Yokogawa Electric Co.	4.1	4.7	5.1	6.2	7.0
Ratio of women employees (%)	Yokogawa Group	22.5	23.1	23.8	23.9	24.1
	Yokogawa Electric Co.	18.1	18.8	19.6	20.3	21.7
Ratio of women managers (%)	Yokogawa Group	12.6	13.3	14.5	14.8	15.5
	Yokogawa Electric Co.	8.6	8.7	9.5	11.0	11.0
Ratio of women new graduates joining the Company (%)	Yokogawa Electric Co.	26.7 (2022/4)	46.7 (2023/4)	25.6 (2024/4)	24.5 (2025/4)	45.7 (2026/4)
Employment rate of persons with disability (%)	In Japan	2.46 (2022/6)	2.52 (2023/6)	2.58 (2024/6)	2.65 (2025/6)	2.86 (2026/6)
Gender pay gap (%)	Yokogawa Electric Co.	—	77.1	77.0	78.0	77.2
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.	72.7	77.7	76.8	76.0	76.6
Average hours per full-time equivalent (FTE) for training and development (hours/FTE)	Yokogawa Group	—	41.3	37.4	38.7	41.2
Total employee turnover rate (%)	In Japan Note: Data for 4 Group companies in Japan.	6.7	6.2	6.1	6.9	5.7
Employee engagement (%)	Yokogawa Group	80	76	79	82	82

Sustainability Data (our website)

Item		2021	2022	2023	2024	2025
Annual actual total working hours (hours/person)	Yokogawa Electric Co.	1,975	1,967	1,955	1,960	1,959
Average annual paid leave uptake rate (%/person)	Yokogawa Electric Co.	67.6	76.9	78.5	79.8	76.1
Average days of annual paid leave taken (days/person)	Yokogawa Electric Co.	17.4	20.4	20.8	21.1	20.2
Childcare leave uptake rate among male workers (%)	Yokogawa Electric Co.	36.8	49.2	58.9	60.9	74.7
Frequency rate of accidents resulting in lost workdays (Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000)	Employees (Yokogawa Group)	0.41	0.34	0.34	0.44	0.52
	Temporary and contract employees (Yokogawa Group)	0.23	0.32	0.20	0.58	0.26
Frequency rate of occupational accidents (Number of occupational accidents ÷ Aggregate number of work-hours × 1,000,000)	Employees, temporary and contract employees (Yokogawa Group)	0.69	0.80	0.82	1.02	0.89
Fatal accidents (cases)	Employees (Yokogawa Group)	0	0	0	0	0
	Temporary and contract employees (Yokogawa Group)	0	0	0	0	0

Item			2021	2022	2023	2024	2025
Donations and community investments (millions of yen)	Activities	Cash contributions	199.5	177.8	263.3	226.1	271.0
		Employee participation and dispatch	0.7	0.5	3.9	7.9	6.7
		In-kind giving and use of company facilities	12.7	3.5	4.2	76.4	15.9
		Management overheads	18.0	18.0	18.0	18.0	18.0
		Total	230.9	199.8	289.4	328.5	311.6
	In and outside Japan	In Japan	191.3	178.2	237.3	188.4	186
		Outside Japan	39.6	21.6	52.1	140.1	125.6
		Total	230.9	199.8	289.4	328.5	311.6

Consolidated 11-Year Summary

(Billions of yen)

Fiscal year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Financial data											
Orders	421.1	390.7	400.3	432.0	418.7	355.8	420.5	518.4	542.0	598.6	**617.8**
Net sales	413.7	391.4	406.6	403.7	404.4	374.2	389.9	456.5	540.2	562.4	**604.8**
(Net sales outside Japan)	286.6	263.5	276.1	275.6	278.0	253.9	270.9	332.2	401.6	418.6	**443.6**
Cost of sales	236.9	222.3	231.3	230.6	227.9	210.0	217.1	252.0	285.3	295.0	**328.4**
Selling, general, and administrative expenses	137.1	137.5	142.6	138.5	140.9	132.6	142.1	160.1	176.1	183.9	**193.8**
Operating income	39.6	31.6	32.7	34.6	35.6	31.6	30.7	44.4	78.8	83.5	**82.6**
Profit attributable to owners of parent	30.2	25.7	21.5	28.4	14.7	19.2	21.3	38.9	61.7	52.1	**58.1**
Capital expenditures	15.4	14.2	13.2	15.0	19.6	20.6	21.7	22.2	27.4	33.1	**32.2**
Depreciation and amortization	15.4	18.0	18.3	17.0	18.8	17.6	17.9	19.7	22.6	22.9	**25.0**
Research and development costs	25.3	27.1	26.6	26.2	27.6	27.5	28.5	30.5	32.4	32.1	**33.0**
Cash flow from operating activities	31.9	39.2	32.0	21.4	31.1	32.8	51.6	40.4	63.8	99.0	**86.0**
Cash flow from investing activities	(10.9)	(36.5)	(6.6)	(4.1)	(18.2)	(18.6)	(28.3)	(32.9)	2.7	(28.6)	**(33.1)**
Free cash flow	21.0	2.7	25.4	17.3	13.0	14.2	23.3	7.5	66.5	70.4	**52.8**
Cash flow from financing activities	(26.9)	6.5	(22.4)	(7.0)	4.6	(17.1)	(16.2)	(10.9)	(57.5)	(26.2)	**(35.2)**
At fiscal year-end											(Billions of yen)
Total assets	413.1	440.7	444.6	470.1	489.7	519.1	556.0	618.6	672.9	718.3	**795.6**
Interest-bearing debt	30.5	44.6	30.5	32.5	50.5	46.9	45.7	49.6	24.3	24.4	**24.3**
Shareholders' equity	240.4	256.4	271.9	289.9	285.9	308.3	333.6	379.6	436.6	467.9	**520.0**
Financial indicators											(%)
Operating income ratio (ROS)	9.6	8.1	8.0	8.6	8.8	8.4	7.9	9.7	14.6	14.9	**13.6**
Debt equity ratio (times)	0.13	0.17	0.11	0.11	0.18	0.15	0.14	0.13	0.06	0.05	**0.05**
Return on equity (ROE)	13.2	10.4	8.1	10.1	5.1	6.5	6.6	10.9	15.1	11.5	**11.8**
Return on assets (ROA)	7.1	6.0	4.8	6.2	3.1	3.8	4.0	6.6	9.6	7.5	**7.7**
Shareholders' equity ratio	58.2	58.2	61.2	61.7	58.4	59.4	60.0	61.4	64.9	65.1	**65.4**
Per share data											(yen)
Earnings per share (EPS)	114.03	96.40	80.39	106.54	55.02	72.00	79.67	145.81	234.83	200.41	**227.72**
Cash dividends	25.00	25.00	30.00	32.00	34.00	34.00	34.00	34.00	40.00	58.00	**78.00**
Shareholders' equity	900.75	959.54	1,017.51	1,085.88	1,071.07	1,155.06	1,249.66	1,422.20	1,678.42	1,807.37	**2,042.26**
Stock information											
Stock price at fiscal year-end (yen)	1,163	1,752	2,198	2,291	1,303	2,038	2,099	2,150	3,494	2,893	**4,744**
Market capitalization (billions of yen)	312.4	470.6	590.4	615.4	350.0	547.5	563.8	577.5	938.6	777.1	**1,220.2**
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	**257,201,210**
Exchange rate information											(yen)
Average yen / US dollar exchange rate during the fiscal year	119.99	108.95	110.70	111.07	108.96	106.01	112.94	136.12	145.31	152.55	**151.17**

Note: Figures are rounded to the nearest 100 million yen.

Consolidated 11-Year Summary

Fiscal year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Non-financial data*1											
Number of employees (by segment)	18,646	18,329	18,290	17,848	18,107	17,715	17,258	17,084	17,365	17,670	**18,313**
Industrial Automation and Control Business	16,724	16,751	16,771	16,633	16,865	16,483	16,364	16,296	16,538	16,781	**17,504**
Measuring Instruments Business	1,122	802	770	945	980	990	668	656	690	694	**729**
New Businesses and Others	800	776	749	270	262	242	226	132	137	195	**80**
Environmental data											
Energy consumption (GJ)	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	980,953	**804,611**
Greenhouse gas emissions (t-CO_2e)	89,479	84,370	84,882	83,886	78,770	72,816	70,486	67,085	57,375	45,924	**31,609**
Renewable energy consumption (MWh)	69	56	83	131	112	175	2,594	10,730	26,362	30,705	**51,114**
Water withdrawals (m^3)	616,783	599,646	614,762	560,642	512,626	488,471	424,967	501,680	509,055	555,933	**528,435**
Waste generated (tons)	4,204	4,507	4,805	5,190	4,913	4,383	4,692	4,513	4,876	5,139	**5,144**
Occupational health & safety											
Frequency rate of accidents resulting in lost workdays*2	0.38	0.46	0.33	0.28	0.34	0.11	0.41	0.34	0.34	0.44	**0.52**

*1 The results of each data for fiscal year 2025 have been subject to limited assurance by the third-party assessment of Lloyd's Register Quality Assurance Limited.
*2 Frequency rate of accidents resulting in lost workdays = Number of accidents resulting in lost workdays ÷ Aggregate number of work-hours × 1,000,000.

Risks Relating to the Group's Business

Described below are the risks surrounding the Group that are believed to significantly affect investors' decision-making.

While the Group will make every effort to establish risk management systems and risk management process to mitigate and avoid risks, should any of these risks materialize they could impact the Group's business performance and our financial status.

The matters described below are based on judgments made by the Group at the end of current consolidated fiscal year, and may vary from the actual results.

(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 the external environment including political, economic or social conditions in each region could have an impact on factors including customer needs, various costs, the safety of expatriate workers and employees on business travel, and the supply chain, etc. Specifically, the following risks have been identified.

- Policy factors such as regulations, taxation, industrial policies and commerce policies
- Economic factors such as business conditions, inflation and unemployment rates
- Social factors including crime, abduction, terrorism, rioting, and labor strikes
- Geopolitical factors such as war, regional conflicts, disputes among major countries and economic sanctions

To address these risks, the Company strives to collect information on a regular basis through its headquarters, business divisions and affiliates, etc., as well as by utilizing specialist external organizations. The Company also works to keep up to date with evolving customer needs due to the changing external environment, enhancing its solutions to ensure delivery of prompt and accurate customer support.

(Related to fluctuations in financial markets)

The Group operates globally and uses many currencies in its business activities. Rapid or sharp swings in foreign exchange markets could have various effects such as reducing product competitiveness or increasing procurement costs. The Group uses forward exchange contracts in order to respond to fluctuations in foreign exchange rates.

Changes in interest rates related to the Group's assets and liabilities may impact increase or decrease in interest payments and the value of assets, etc.

Additionally, if prices of the shares and other securities held by the Group fall, there could be an impact on business results due to the recognition of valuation losses, as well as an impact on the Group's financial situation due to reduced capital efficiency. Regarding cross-shareholdings, the Board of Directors decides 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. The Group's policy is to hold the minimum necessary amount of such shares while working to reduce them.

(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 miss out on 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.

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, including AI. 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, including the use of AI, in a wide range of fields for both itself and its customers. If the Company is unable to keep up with new technology, this could lead to the loss of business opportunities due to a decline in its competitive advantage or an inability to meet increasingly sophisticated customer demands.

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.

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

Society's heightened demand for action regarding climate change initiatives is affecting the strategies of the Group's customers. The Group recognizes that energy-related companies, which are among the Group's major customers, 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 could be lost.

(Related to strategic investment)

The Group is focusing on strengthening its strategic growth investments to advance into new businesses and fields, while also pursuing M&A activities and alliances to acquire technologies, sales channels, products and services, customers, human resources, and expertise. However, it may not be possible to swiftly launch new businesses due to unexpected environmental changes or difficulty fully utilizing the acquired assets or opportunities. In addition, there is a risk that integration failures in terms of the management, operations or awareness of an acquired company could prevent the Company from achieving the intended results.

To address these risks, the Company has formulated guidelines to ensure the efficient implementation of activities from the discovery of a potential acquisition to its post-investment integration, and ensure the guidelines are disseminated among stakeholders. Moreover, the Company is working to strengthen its project implementation framework in order 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 secure, train and utilize the specialized human resources that support it.

(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 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 are being strengthened. However, there is the risk that R&D investments will not meet future market demands and targets as planned, leading to lost business opportunities.

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.

(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. 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 ability to conduct effective business operations or execute strategies may be affected.

We are working to mitigate these risks by providing employees with growth opportunities and developing an environment that makes it easy for them to succeed. Additionally, we are unifying our personnel systems and processes globally, and advancing the utilization of personnel IT systems to ensure they operate effectively. The Group has defined a human resource portfolio that aligns with its business strategies, and is working to globally optimize its human resources by securing and developing the human resources needed for each business strategy.

(Related to human rights)

If a human rights issue such as harassment, discrimination or poor working environment arose within the Group, it could have wide-ranging effects, including the physical and mental wellbeing of victims, legal action, the cessation of business and damage to the Group's corporate image.

To address this, the Group has established the YOKOGAWA Group Human Rights Policy. 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 works to identify, prevent or mitigate risks that could have a negative impact on human rights, including in its business activities and the supply chain, and advances human rights due diligence to fulfill its accountability in explaining how it addresses such issues. In addition, as a means to prevent human rights violations before they occur, we have established a point of contact for consultation and reporting to all people working in the Group, putting in place a framework that seeks solutions in response to reports of human rights issues.

(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 compliance)

While the Group needs to conduct business activities in compliance with various laws, regulations and social norms, there is a risk that legal violations or misconduct causing a social uproar could lead to administrative penalties, lawsuits, or a decline in corporate image.

The Group has established the YOKOGAWA Group Code of Conduct as its basic principles on compliance. We have also established the YOKOGAWA Group Compliance Guidelines and Anti-Bribery and Corruption Regulations which lay out compliance requirements for issues encountered in day-to-day operations. The Group has also established and continues to operate a point of contact for internal reporting and consultation for compliance issues. We provide compliance-related education to employees, and strongly encourage compliance-focused management based on the compliance-first declaration made by the President & CEO, Representative Executive Officer.

(Related to product quality)

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 could cause damage to customers as a result. This could affect the Group's overall business activities, adversely impact its corporate image, and result in the loss of key customers.

The Group embraces the fundamental spirit of "quality first" and advances initiatives that place top priority on customer satisfaction. We operate a quality management system that complies with international standards, and thoroughly enforce quality control across all processes, from development and design to manufacturing, sales and service. Our employees work with a quality-first mindset and engage in initiatives aimed at ongoing quality improvements based on the Group's common rules and approaches.

(Related to procurement and supply)

There is a risk that the supply of products could be delayed or suspended if it becomes difficult to procure items such as electrical components or manufacture key products due to supply chain disruptions caused by large-scale natural disasters, war or regional conflicts, the inability to procure mineral resources, or key suppliers suspending operations. This could lead to breaches of contractual terms with customers and the suspension of transactions.

To address risks related to the procurement of components and other items, the Group works to establish stable procurement by collecting information on market trends such as key electrical components on a regular basis, while also thoroughly managing supplier quality and delivery deadlines and diversifying its supplier network to avoid excessive concentration or dependence on specific suppliers.

(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.

(Related to intellectual property rights)
There is a risk that the Group will be unable to earn expected profits if intellectual property rights are infringed upon by a third party. There is also a risk that the Group will be disadvantaged by the inability to use key technologies and liable for compensation 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.

The Group manages these issues based on an intellectual property portfolio. We also conduct employee training to encourage higher sensitivity to patent risks and prevent infringing upon the patents of other parties.

(Related to information security)
Through its business activities, the Group acquires personal or otherwise confidential information about its customers and trading partners. However, there is a risk that the information could be leaked or abused due to a cyberattack on the Group or misconduct on the part of an employee, etc. Those risks could leave the Group liable for compensation, lead to the suspension of transactions, and adversely affect its corporate image.

The Group has established an information security promotion framework and advances information security measures. We conduct information security activities based on the approaches laid out in the ISO 27001 standard, assess the implementation status of related measures and their operation, and work to make the necessary improvements. We have also established an Information Security Committee chaired by the director in charge of information security and composed of cyber security personnel from each field, including product-related fields. We also work to share information within the Group and monitor the latest trends to enhance our ability to respond to cyber-attacks.

(Related to natural disasters)
There is a risk that the Group could suspend operations if its property or human resources sustained severe damage due to a natural disaster, including wind and flood damage intensified by climate change, a major earthquake, or a large-scale volcanic eruption. If key functions or operations of the Group were shut down and their restoration was delayed, it could impact the Group's business results.

The Company responds to large-scale natural disasters through a Crisis Management Committee. We have established the initial response to be undertaken immediately following a natural disaster as guidelines, and clarified the action expected to employees and organizations. The Company has also established a business continuity plan (BCP) and formulated measures to restore or replace key operations and functions. BCP training is periodically conducted to improve the effectiveness and practicality of the formulated BCP, with any identified issues utilized in ongoing BCP improvement activities.

(Related to nature and biodiversity)
The Group's business activities both depend on the blessings of nature and impact it to a certain degree. Across the Group's value chain, there is a risk of impacting nature and ecosystems due to land alterations from resource mining in the procurement process, climate change such as warming and drought associated with greenhouse gas emissions in the use process, and water pollution in the disposal process.

The Group has set out efforts to address biodiversity challenges in its Group Environmental Policy and conducts conservation activities in cooperation with local governments, NPOs and other organizations. The Group also supports the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and has declared its intent to make disclosures based on the TNFD recommendations. We are analyzing the dependencies, impacts, risks and opportunities in our operations in line with the approach developed by the TNFD, and are in the process of reviewing measures to mitigate the adverse effects on nature and associated risks.

P.59 Risk Management, Internal Control, and Compliance

Financial Section
Consolidated Balance Sheet

Yokogawa Electric Corporation and Consolidated Subsidiaries
March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 9 and 15)	¥208,540	¥179,257	$1,304,359
Receivables (Notes 9 and 15)			
Accounts receivable	158,203	140,063	989,511
Trade notes receivable	8,877	11,309	55,527
Contract assets	93,221	87,118	583,074
Other	3,642	3,737	22,784
Less: Allowance for doubtful accounts	(6,271)	(4,801)	(39,224)
Net receivables	257,674	237,426	1,611,673
Inventories (Notes 5 and 6)	52,645	50,927	329,283
Other	32,734	28,701	204,743
Total current assets	551,595	496,313	3,450,059
Property, Plant, and Equipment (Notes 7 and 8):			
Land	13,172	13,581	82,392
Buildings and structures-net	43,842	43,161	274,224
Machinery, equipment, and vehicles-net	12,580	11,001	78,689
Tools, furniture, and fixtures-net	8,116	7,483	50,765
Construction in progress	4,589	2,794	28,707
Right-of-use assets-net (Note 14)	9,643	9,677	60,319
Lease assets-net (Note 14)	48	32	304
Total property, plant, and equipment	91,995	87,732	575,402
Investments and Other Assets:			
Investment securities (Notes 4, 9, and 15)	46,701	41,015	292,103
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 15)	24,094	23,274	150,706
Goodwill (Notes 3, 8, and 22)	12,987	6,563	81,230
Software (Notes 3 and 8)	21,604	21,387	135,126
Other intangible assets (Notes 3 and 8)	29,402	25,117	183,904
Deferred tax assets (Note 12)	11,046	10,547	69,095
Other	6,953	7,528	43,494
Less: Allowance for doubtful accounts	(763)	(1,193)	(4,776)
Total investments and other assets	152,027	134,240	950,885
Total Assets	¥795,618	¥718,285	$4,976,347

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term loans payable (Notes 9, 15, and 17)	¥210	¥310	$1,315
Current portion of long-term debt (Notes 9 and 15)	24,108	17	150,790
Current portion of lease obligations (Notes 9 and 15)	2,589	2,584	16,197
Payables (Note 9)			
Trade notes and accounts	41,446	34,730	259,232
Electronically recorded obligations-operating	5,918	7,509	37,019
Contract liabilities (Note 21)	63,667	59,524	398,217
Other	20,952	21,444	131,048
Income taxes payable	11,741	12,730	73,438
Accrued expenses	44,141	38,932	276,089
Provision for contract loss (Notes 3, 6, and 18)	12,869	8,847	80,495
Other	13,726	11,153	85,854
Total current liabilities	241,370	197,784	1,509,699
Long-Term Liabilities:			
Long-term debt (Notes 9 and 15)	18	24,025	115
Lease obligations (Notes 9 and 15)	7,313	7,115	45,744
Liability for retirement benefits (Note 10)	9,310	6,726	58,237
Deferred tax liabilities (Note 12)	5,615	4,916	35,121
Other	2,094	1,996	13,100
Total long-term liabilities	24,352	44,779	152,318
Commitments and Contingent Liabilities (Notes 14, 16, and 17)			
Equity (Notes 11 and 23):			
Common stock, authorized, 600,000,000 shares; issued, 257,201,210 shares in 2026 and 268,624,510 shares in 2025	43,401	43,401	271,460
Capital surplus	36,305	54,575	227,076
Retained earnings	373,700	342,573	2,337,382
Treasury stock, 2,572,843 shares in 2026 and 9,765,129 shares in 2025	(6,668)	(23,251)	(41,710)
Accumulated other comprehensive income			
Net unrealized gain on available-for-sale securities	26,071	21,599	163,072
Deferred gain (loss) on derivatives under hedge accounting	61	(38)	383
Foreign currency translation adjustments	47,019	28,576	294,089
Defined retirement benefit plans	126	419	789
Total	73,278	50,557	458,335
Noncontrolling interests	9,878	7,865	61,785
Total equity	529,894	475,721	3,314,328
Total Liabilities and Equity	¥795,618	¥718,285	$4,976,347

Consolidated Statement of Income

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net Sales (Note 21)	¥604,829	¥562,404	$3,783,021
Cost of Sales (Notes 13 and 18)	328,436	294,959	2,054,268
Gross profit	276,392	267,444	1,728,752
Selling, General, and Administrative Expenses (Notes 13 and 18)	193,836	183,921	1,212,390
Operating income	82,555	83,523	516,362
Other Income (Expenses):			
Interest and dividend income	4,297	3,917	26,877
Interest expense	(1,310)	(1,285)	(8,197)
Loss on valuation of investment securities (Note 4)	(287)	(3,130)	(1,800)
Net gain on sales of investment securities and investment in affiliated companies (Note 4)	525	645	3,289
Foreign exchange loss -net	(1,135)	(2,074)	(7,100)
Net (loss) gain on sales and disposal of property, plant, and equipment (Note 18)	(2,720)	1,284	(17,017)
Loss on impairment of long-lived assets (Note 8)	(855)	(3,987)	(5,348)
Equity in earnings of affiliates	524	2,058	3,278
Business structure improvement expense	(509)	(297)	(3,188)
Loss on termination of retirement benefit plan (Note 10)		(1,338)	
Retirement benefit expenses (Note 10)	(1,659)		(10,378)
Gain on step acquisition (Note 22)	176		1,103
Other-net	(672)	(787)	(4,204)
Other expenses-net	(3,626)	(4,995)	(22,684)
Income before Income Taxes	78,929	78,527	493,677
Income Taxes (Note 12):			
Current	19,480	22,910	121,846
Deferred	(1,519)	411	(9,503)
Total income taxes	17,961	23,321	112,342
Net Income	60,967	55,206	381,334
Net income attributable to noncontrolling interests	2,854	3,082	17,854
Net income attributable to owners of the parent	¥58,113	¥52,123	$363,479

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Note 20):			
Basic net income	¥227.72	¥200.41	$1.42
Cash dividends applicable to the year	78.00	58.00	0.48

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net Income	¥60,967	¥55,206	$381,334
Other Comprehensive Income (Note 19):			
Net unrealized gain (loss) on available-for-sale securities	4,493	(342)	28,105
Deferred gain (loss) on derivatives under hedge accounting	99	(82)	624
Foreign currency translation adjustments	18,491	(4,606)	115,657
Defined retirement benefit plans	(20)	989	(125)
Share of other comprehensive income in affiliates	297	268	1,860
Total other comprehensive income (loss)	23,362	(3,773)	146,123
Comprehensive Income	¥84,329	¥51,432	$527,457
Total Comprehensive Income Attributable to:			
Owners of the parent	¥80,834	¥48,525	$505,594
Noncontrolling interests	3,495	2,906	21,862

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2026

Millions of yen

	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain on available-for-sale securities	Accumulated other comprehensive income: Deferred gain (loss) on derivatives under hedge accounting	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Defined retirement benefit plans	Accumulated other comprehensive income: Total	Non controlling interests	Total equity
Balance, April 1, 2024	260,150,684	¥43,401	¥54,464	¥303,979	¥(19,357)	¥21,953	¥43	¥32,831	¥(674)	¥54,154	¥8,120	¥444,763
Net income attributable to owners of the parent				52,123								52,123
Cash dividends, ¥58 per share				(13,529)								(13,529)
Purchase of treasury stock	(1,357,903)				(4,046)							(4,046)
Disposal of Treasury Stock	66,600		110		152							263
Net change in the year						(353)	(82)	(4,255)	1,093	(3,597)	(255)	(3,852)
Balance, March 31, 2025	258,859,381	¥43,401	¥54,575	¥342,573	¥(23,251)	¥21,599	¥(38)	¥28,576	¥419	¥50,557	¥7,865	¥475,721
Net income attributable to owners of the parent				58,113								58,113
Cash dividends, ¥78 per share				(15,655)								(15,655)
Purchase of treasury stock	(4,231,084)				(13,022)							(13,022)
Disposal of treasury stock	70		0		0							0
Cancellation of treasury stock			(18,275)	(11,330)	29,605							
Change in ownership interest of parent due to transactions with noncontrolling interests			4									4
Net change in the year						4,472	99	18,442	(293)	22,721	2,012	24,733
Balance, March 31, 2026	254,628,367	¥43,401	¥36,305	¥373,700	¥(6,668)	¥26,071	¥61	¥47,019	¥126	¥73,278	¥9,878	¥529,894

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income: Net unrealized gain on available-for-sale securities	Accumulated other comprehensive income: Deferred gain (loss) on derivatives under hedge accounting	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Defined retirement benefit plans	Accumulated other comprehensive income: Total	Non controlling interests	Total equity
Balance, April 1, 2025	$271,460	$341,353	$2,142,689	$(145,432)	$135,099	$(240)	$178,737	$2,624	$316,220	$49,196	$2,975,488
Net income attributable to owners of the parent			363,479								363,479
Cash dividends, $0.48 per share			(97,917)								(97,917)
Purchase of treasury stock				(81,454)							(81,454)
Disposal of treasury stock		0		1							1
Cancellation of treasury stock		(114,305)	(70,869)	185,174							
Change in ownership interest of parent due to transactions with noncontrolling interests		27									27
Net change in the year					27,973	624	115,352	(1,835)	142,115	12,588	154,703
Balance, March 31, 2026	$271,460	$227,076	$2,337,382	$(41,710)	$163,072	$383	$294,089	$789	$458,335	$61,785	$3,314,328

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Operating Activities:			
Income before income taxes	¥78,929	¥78,527	$493,677
Adjustments for:			
Income taxes paid	(22,168)	(16,521)	(138,655)
Depreciation and amortization	23,085	21,064	144,393
Goodwill amortization	1,962	1,800	12,276
Equity in earnings of affiliates	(524)	(2,058)	(3,278)
Net loss (gain) on sales and disposal of property, plant, and equipment	2,720	(1,284)	17,017
Loss on valuation of investment securities	287	3,130	1,800
Loss on impairment of long-lived assets	855	3,987	5,348
Loss on termination of retirement benefit plan		1,338	
Changes in assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable	(9,749)	10,214	(60,979)
Decrease in inventories	1,368	5,256	8,557
Increase in trade notes and accounts payable	3,609	1,566	22,573
Decrease in other payables	(800)	(891)	(5,007)
Increase in accrued expenses	2,529	954	15,821
Increase (decrease) in allowance for doubtful accounts	743	(759)	4,647
Increase (decrease) in provision for bonuses	210	(810)	1,315
Increase in provision for contract loss	3,666	327	22,934
Increase in liability for retirement benefits	2,093	629	13,096
Other-net	(2,869)	(7,444)	(17,944)
Total adjustments	7,022	20,497	43,920
Net cash provided by operating activities	85,951	99,025	537,597
Investing Activities:			
Purchases of property, plant, and equipment	(11,124)	(10,845)	(69,580)
Proceeds from sale of property, plant, and equipment	1,235	6,628	7,730
Acquisitions of intangible assets	(16,558)	(16,069)	(103,568)
Proceeds from sale and redemption of investment securities	1,132	796	7,080
Purchases of investment securities	(295)	(782)	(1,845)
Purchases of investments in subsidiaries with changes in consolidation scope	(8,508)	(4,471)	(53,220)
Purchase of shares of subsidiaries and associates	(369)		(2,311)
Other-net	1,361	(3,895)	8,514
Net cash used in investing activities	(33,127)	(28,639)	(207,200)
Forward	¥52,823	¥70,386	$330,397

(Continued)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Forward	¥52,823	¥70,386	$330,397
Financing Activities:			
Net decrease in short-term loans payable	(99)	(23)	(620)
Proceeds from long-term debt		14	
Repayments of long-term debt	(42)	(17)	(264)
Repayments of lease obligations	(3,034)	(3,821)	(18,981)
Purchase of treasury stock	(13,022)	(4,046)	(81,453)
Increase in deposits paid for purchase of treasury stock		(960)	
Cash dividends paid	(15,646)	(13,521)	(97,864)
Cash dividends paid to noncontrolling shareholders	(3,329)	(3,861)	(20,825)
Net cash used in financing activities	(35,175)	(26,237)	(220,010)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	11,634	680	72,772
Net Increase in Cash and Cash Equivalents	29,283	44,828	183,159
Cash and Cash Equivalents, Beginning of Year	179,257	134,428	1,121,199
Cash and Cash Equivalents, End of Year	¥208,540	¥179,257	$1,304,359

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2026

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 2025 consolidated financial statements to conform to the classifications used in 2026.

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 ¥159.88 to $1, the approximate rate of exchange at March 31, 2026. 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, 2026 include the accounts of the Company and its 130 (124 in 2025) significant subsidiaries (together, the "Group"). Changes include i) purchases of Web Synergies (S) Pte. Ltd. and its 6 subsidiaries; ii) purchases of Intellisync S.r.l. and its subsidiary, WiSNAM S.r.l., and subsequent absorption merger by BaxEnergy Italia S.r.l; iii) liquidation of Yokogawa Africa Holding B.V.

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 2025) unconsolidated subsidiary and four (three in 2025) affiliated companies are accounted for by the equity method. The change is due to purchase of Semantum Oy.

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.

● **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 are amortized using the straight-line method over periods of future revenue to be generated (mainly 12 years (10 years in 2025)).

● **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.

● **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 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 ¥291,967 million (U.S.$1,826,165 thousand) and ¥260,397 million for the years ended March 31, 2026 and 2025, 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.

● **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.

● **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.

● **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.34, "Accounting Standard for Leases" and ASBJ Guidance No.33 "Guidance on Accounting Standard for Leases" were issued on September 13, 2024. As part of the initiatives to make Japanese GAAP consistent with international standards, ASBJ conducted a study based on international accounting standards to develop an accounting standard relating to leases that will have lessees recognize assets and liabilities for all leases, and issued an accounting standard for leases and a guidance. While the basic policy of the standard is based on a single lessee accounting model of IFRS 16, by only adopting the main provisions instead of the whole of IFRS 16, the standard aimed to be simple and highly convenient, basically requiring no modification when applying the provisions of IFRS 16 to non-consolidated financial statements.

For the accounting treatment of lessees, lessees shall adopt the single lessee accounting model as the method to allocate expenses arising from leases as with IFRS 16, under which depreciation on right-of-use assets and interests on lease liabilities for all leases, regardless of a finance lease or an operating lease are recorded.

The standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

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

ASBJ Statement No. 41, "Accounting Standard for Subsequent Events" and ASBJ Guidance No. 35 "Guidance on Accounting Standard for Subsequent Events" were issued on January 9, 2026. In developing the "Accounting Standard for Subsequent Events" and related guidance, the priority was to establish comprehensive accounting standards covering the definition, accounting treatment, and disclosure of subsequent events. As a basic policy, the clauses addressing accounting matters in the Auditing Standards Report No. 560, Practical Guideline No. 1 "Audit Treatment of Subsequent Events," issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants, were transferred to the ASBJ, generally maintaining their existing content. The "Accounting Standard for Subsequent Events" and related guidance prescribe the accounting treatment and disclosure of subsequent events with certain revisions in wording. In addition, they streamline the evaluation period for subsequent events and newly require disclosures regarding the approval of financial statements for publication.

The standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

3. Significant Accounting Estimates

Provision for contract loss

(1) Carrying amounts

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Provision for contract loss	¥12,869	¥8,847	$80,495

(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
	2026	2025	2026
Goodwill	¥12,987	¥6,563	$81,230
Software	774	840	4,844
Other intangible assets	522	49	3,267

(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.

4. Investment Securities

Investment securities as of March 31, 2026 and 2025, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Noncurrent:			
Equity securities	¥46,701	¥41,015	$292,103

The cost and aggregate fair values of investment securities at March 31, 2026 and 2025, were as follows:

	Millions of yen			
March 31, 2026	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,722	¥36,785	¥(18)	¥42,488

March 31, 2025				
Securities classified as:				
Available-for-sale:				
Equity securities	¥5,862	¥30,122	¥(16)	¥35,968

	Thousands of U.S. dollars			
March 31, 2026	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	$35,790	$230,080	$(115)	$265,755

The information for available-for-sale securities sold during the years ended March 31, 2026 and 2025, was as follows:

	Millions of yen		
2026	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥1,154	¥525	
Total	¥1,154	¥525	

	Millions of yen		
2025	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	¥786	¥635	
Other securities	49	10	
Total	¥835	¥645	

	Thousands of U.S. dollars		
2026	Proceeds	Realized gain	Realized loss
Available-for-sale:			
Equity securities	$7,218	$3,289	
Total	$7,218	$3,289	

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, 2026 and 2025, was \287 million (U.S.$1,800 thousand) and \3,130 million, respectively.

5. Inventories

Inventories at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Merchandise and finished goods	¥21,492	¥20,174	$134,429
Work in process	6,619	5,791	41,402
Raw materials and supplies	24,533	24,962	153,451
Total	¥52,645	¥50,927	$329,283

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, 2026 and 2025, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Merchandise and finished goods	¥78	¥126	$491
Work in process	267	157	1,672
Total	¥346	¥284	$2,164

7. Property, Plant, and Equipment

Accumulated depreciation on property, plant, and equipment as of March 31, 2026 and 2025, was \166,849 million (U.S.$1,043,589 thousand) and \157,778 million, respectively.

8. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of and for the years ended March 31, 2026 and 2025. As a result, impairment losses of \855 million (U.S.$5,348 thousand) and \3,987 million were recognized for the years ended March 31, 2026 and 2025, respectively.

The main components of loss on impairment of long-lived assets for the year ended March 31, 2026, were as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Use	Category	Impairment loss	
Japan	Business assets	Buildings and structures	¥2	$14
		Tools, furniture, and fixtures	9	59
		Software	423	2,648
		Other	39	247
	Idle assets	Buildings and structures	25	158
		Machinery, equipment, and vehicles	27	173
		Land	4	29
United States	Business assets	Goodwill	297	1,860
Denmark	Business assets	Goodwill	25	157
		Total	¥855	$5,348

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 the United States-based subsidiary, Yokogawa Fluid Imaging Technologies, Inc., have been reduced to the respective recoverable amount as their business results are expected to fall below forecasted business plans in response to changes in the business environment surrounding the subsidiary. 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 main components of loss on impairment of long-lived assets for the year ended March 31, 2025, were as follows:

			Millions of yen
Location	Use	Category	Impairment loss
United States	Business assets	Machinery, equipment, and vehicles	¥97
		Tools, furniture, and fixtures	2
		Right-of-use assets	25
		Software	0
		Goodwill	2,222
		Other intangible assets	1,480
Japan	Business assets	Tools, furniture, and fixtures	15
		Software	5
	Idle assets	Buildings and structures	115
		Land	22
		Total	¥3,987

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 subsidiary, Yokogawa Fluence Analytics, Inc., 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%.

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

Short-term bank loans at March 31, 2026 and 2025, included bank overdrafts. The annual average interest rate on the short-term bank loans was 4.449% and 2.565% for the years ended March 31, 2026 and 2025, respectively.

Long-term debt as of March 31, 2026 and 2025, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loans from banks and other financial institutions	¥24,126	¥24,043	$150,905
Lease obligations	9,903	9,700	61,942
Total	34,030	33,743	212,848
Less: Current portion	26,698	2,602	166,988
Long-term debt, less current portion	¥7,332	¥31,141	$45,860

Annual maturities of long-term loans from banks and other financial institutions at March 31, 2026, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2027	¥24,108	$150,790
2028	15	97
2029	2	17
2030		
2031 and thereafter		
Total	¥24,126	$150,905

The annual average interest rates on long-term loans (excluding current portion) from banks were 0.150% and 0.593% for the years ended March 31, 2026 and 2025, respectively.

Annual maturities of leases obligations at March 31, 2026, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2027	¥2,589	$16,197
2028	2,194	13,725
2029	1,533	9,593
2030	1,110	6,943
2031 and thereafter	2,475	15,482
Total	¥9,903	$61,942

The annual average interest rates on lease obligations (excluding current portion) were 4.734% and 4.690% for the years ended March 31, 2026 and 2025, respectively.

Collateral and secured debt at March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Collateral:			
Deposits	¥20	¥17	$126
Investment securities	7	5	45
Assets in consolidated subsidiaries outside Japan*	13,856	14,599	86,665
Total	¥13,883	¥14,622	$86,837
Secured debt:			
Trade notes and accounts payable	¥138	¥119	$864

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

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, 2026 and 2025, was ¥20,000 million (U.S.$125,093 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, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at beginning of year	¥10,199	¥14,087	$63,793
Current service cost	1,170	632	7,318
Interest cost	207	279	1,295
Recognized prior service cost	1,659	(8)	10,378
Actuarial loss	16	67	100
Benefits paid	(1,151)	(777)	(7,199)
Termination of retirement benefit plan		(4,910)	
Others	829	829	5,191
Balance at end of year	¥12,930	¥10,199	$80,878

(b) The changes in plan assets for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at beginning of year	¥3,714	¥8,322	$23,234
Expected return on plan assets	103	108	646
Actuarial (loss) gain	(1)	42	(6)
Contributions from the employer	505	274	3,162
Benefits paid	(671)	(558)	(4,197)
Termination of retirement benefit plan		(4,906)	
Others	235	430	1,473
Balance at end of year	¥3,887	¥3,714	$24,313

(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, 2026 and 2025, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Funded defined benefit obligation	¥12,930	¥10,199	$80,878
Plan assets	(3,887)	(3,714)	(24,313)
Total	9,043	6,484	56,565
Net liability for defined benefit obligation	¥9,043	¥6,484	$56,565

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Liability for retirement benefits	¥9,310	¥6,726	$58,237
Asset for retirement benefits	(267)	(241)	(1,671)
Net liability for defined benefit obligation	¥9,043	¥6,484	$56,565

(d) The components of net periodic benefit costs for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Service cost	¥1,170	¥632	$7,318
Interest cost	207	279	1,295
Expected return on plan assets	(103)	(108)	(646)
Amortization of actuarial loss	1	45	6
Amortization of prior service cost	1,659	(8)	10,378
Others	(2)	(190)	(16)
Net periodic benefit costs	¥2,931	¥649	$18,335

Notes: (a) Loss on termination of retirement benefit plan for a consolidated subsidiary in the United States disclosed in the consolidated statement of income as other income (expenses) is not included in the above table for the year ended March 31, 2025.

(b) In a consolidated subsidiary in India, calculation factors applied for the retirement benefit plan were revised in connection with enactment of new labor laws in India. As a result, defined benefit obligation related to the retirement benefit plan increased. This increase is treated as prior service cost and presented as retirement benefit expenses under other income (expenses) in the consolidated statement of income.

(e) Amounts recognized in other comprehensive income (before income taxes and income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Actuarial (loss) gain	¥(16)	¥1,257	$(100)

(f) Amounts recognized in accumulated other comprehensive income (before income taxes and income tax effect) in respect of defined retirement benefit plans as of March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unrecognized actuarial gain	¥213	¥229	$1,336

(g) Plan assets as of March 31, 2026 and 2025, were as follows:

(1) Components of plan assets

Plan assets:

	2026	2025
Equity investments	7%	5%
Debt investments	9	8
Cash and cash equivalents	65	73
Others	19	14
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, 2026 and 2025, were as follows:

	2026	2025
Discount rate	3.92%	3.25%
Expected rate of return on plan assets	2.31%	1.85%

(i) Payments to defined contribution plans amounted to ¥4,446 million (U.S.$27,808 thousand) and ¥4,443 million for the years ended March 31, 2026 and 2025, 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.

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, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Provision for bonuses	¥3,587	¥3,436	$22,437
Write-down of inventories	1,871	1,760	11,707
Unrealized profit of inventories	2,418	2,471	15,125
Impairment loss on investment securities	2,536	2,563	15,867
Tax losses carryforwards (Note)	3,696	4,541	23,122
Other	16,017	14,630	100,183
Subtotal	30,128	29,403	188,443
Less: Valuation allowance for tax loss carryforwards (Note)	(2,067)	(2,480)	(12,932)
Less: Valuation allowance for temporary differences	(7,079)	(8,472)	(44,282)
Total valuation allowance	(9,147)	(10,952)	(57,214)
Total	¥20,980	¥18,450	$131,228
Deferred tax liabilities:			
Net realized gain on available-for-sale securities	¥(11,000)	¥(8,685)	$(68,802)
Undistributed earnings of consolidated subsidiaries outside Japan	(1,722)	(1,659)	(10,776)
Intangible assets recognized on business combination	(297)	(232)	(1,858)
Property, plant, and equipment	(440)	(444)	(2,754)
Other	(2,088)	(1,798)	(13,062)
Total	(15,549)	(12,819)	(97,255)
Net deferred tax assets	¥5,431	¥5,630	$33,973

Note:
The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2026 and 2025, were as follows:

Millions of yen

	2026						
	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*	¥232	¥6			¥0	¥3,456	¥3,696
Less valuation allowance for tax loss carryforwards					0	(2,067)	(2,067)
Net deferred tax assets relating to tax loss carryforwards	232	6				1,389	1,629

Millions of yen

	2025						
	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*	¥530	¥233	¥516	¥141	¥157	¥2,961	¥4,541
Less valuation allowance for tax loss carryforwards	(125)	(9)	(9)	(25)	(41)	(2,268)	(2,480)
Net deferred tax assets relating to tax loss carryforwards	405	223	506	116	116	692	2,060

Thousands of U.S. dollars

	2026						
	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*	$1,455	$43			$0	$21,621	$23,122
Less valuation allowance for tax loss carryforwards					0	(12,931)	(12,932)
Net deferred tax assets relating to tax loss carryforwards	1,455	43				8,690	10,189

* 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, 2026 and 2025, was as follows:

	2026	2025
Normal effective statutory tax rate	30.6%	30.6%
Inhabitant taxes per capita	0.3	0.5
Permanent difference		
Expenses not deductible for income tax purposes	1.2	1.8
Foreign withholding taxes	1.5	1.8
Loss on impairment of long-lived assets	0.1	1.0
Changes in valuation allowance	0.4	2.6
Lower income tax rates applicable to certain consolidated subsidiaries outside Japan	(7.1)	(8.9)
Equity in earnings of affiliates	(0.2)	(0.8)
Tax credit for research and development expenses	(2.6)	(2.9)
Other-net	(1.4)	3.9
Actual effective tax rate	22.8%	29.7%

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 ¥33,011 million (U.S.$206,479 thousand) and ¥32,061 million for the years ended March 31, 2026 and 2025, 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.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2026 and 2025, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Due within one year	¥1,094	¥993	$6,848
Due after one year	16,156	16,844	101,053
Total	¥17,251	¥17,837	$107,901

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.

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, trade accounts, and electronically recorded obligations-operating, 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, 2026 and 2025, were as detailed below. Equity securities without market price and investments in partnerships are not included.

Millions of yen

	2026		
	Carrying amount	Fair value	Difference
Investment securities	¥42,488	¥42,488	
Total	¥42,488	¥42,488	
Long-term debt (*2)	¥24,126	¥23,944	¥(182)
Lease obligations (*3)	9,903	9,714	(189)
Total	¥34,030	¥33,658	¥(371)
Derivatives (*4)	¥(489)	¥(489)	

Millions of yen

	2025		
	Carrying amount	Fair value	Difference
Investment securities	¥35,968	¥35,968	
Total	¥35,968	¥35,968	
Long-term debt	¥24,043	¥23,798	¥(244)
Lease obligations (*3)	9,700	9,610	(90)
Total	¥33,743	¥33,408	¥(334)
Derivatives (*4)	¥316	¥316	

	Thousands of U.S. dollars		
	2026		
	Carrying amount	Fair value	Difference
Investment securities	$265,755	$265,755	
Total	$265,755	$265,755	
Long-term debt (*2)	$150,905	$149,766	$(1,139)
Lease obligations (*3)	61,942	60,758	(1,184)
Total	$212,848	$210,524	$(2,324)
Derivatives (*4)	$(3,061)	$(3,061)	

(*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, payables-other, income taxes payable is omitted since their carrying amounts approximate their fair values because of their short maturities.

(*2) Current portion of long-term debt is included.

(*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 ¥760 million (U.S.$4,759 thousand) and ¥583 million as of March 31, 2026 and 2025, respectively.

Notes:

(a) Equity securities without market price as of March 31, 2026 and 2025, are as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Equity securities without market price	¥27,546	¥27,737	$172,295

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, 2026, is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2026		2026	
	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	¥217,549		$1,360,704	
Trade notes receivables	8,877		55,527	
Accounts receivable	156,338	¥1,864	977,847	$11,663
Total	¥382,765	¥1,864	$2,394,079	$11,663

(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

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	¥41,928			¥41,928
Total	¥41,928			¥41,928
Derivatives				
Foreign exchange related		¥(463)		¥(463)
Currency related		(25)		(25)
Total		¥(489)		¥(489)

Millions of yen

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	¥35,533			¥35,533
Total	¥35,533			¥35,533
Derivatives				
Foreign exchange related		¥153		¥153
Currency related		162		162
Total		¥316		¥316

Thousands of U.S. dollars

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Equity securities	$262,251			$262,251
Total	$262,251			$262,251
Derivatives				
Foreign exchange related		$(2,901)		$(2,901)
Currency related		(159)		(159)
Total		$(3,061)		$(3,061)

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 ¥560 million (U.S.$3,503 thousand) and ¥435 million as of March 31, 2026 and 2025, respectively.

(ii) Financial assets and liabilities whose carrying amounts in the consolidated balance sheets are not based on fair values

Millions of yen

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt		¥23,944		¥23,944
Lease obligations		9,714		9,714
Total		¥33,658		¥33,658

Millions of yen

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt		¥23,798		¥23,798
Lease obligations		9,610		9,610
Total		¥33,408		¥33,408

Thousands of U.S. dollars

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term debt		$149,766		$149,766
Lease obligations		60,758		60,758
Total		$210,524		$210,524

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.

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, 2026 and 2025, are as follows:

Millions of yen

	2026			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Selling contracts				
U.S. dollar	¥13,759		¥(443)	¥(443)
Others	2,215		(92)	(92)
Buying contracts				
U.S. dollar	1,055		1	1
Currency swaps				
	8,271		(25)	(25)
Total	¥25,301		¥(560)	¥(560)

Millions of yen

	2025			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Selling contracts				
U.S. dollar	¥12,128		¥169	¥169
Others	2,611		27	27
Buying contracts				
U.S. dollar	986		4	4
Currency swaps				
	14,596		162	162
Total	¥30,323		¥364	¥364

Thousands of U.S. dollars

	2026			
	Contract amount			
	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward exchange contracts				
Selling contracts				
U.S. dollar	$86,060		$(2,775)	$(2,775)
Others	13,855		(580)	(580)
Buying contracts				
U.S. dollar	6,600		8	8
Currency swaps				
	51,734		(159)	(159)
Total	$158,250		$(3,507)	$(3,507)

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, 2026 and 2025, are as follows:

Millions of yen

		2026		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
U.S. dollar	Payables	¥4,220	¥395	¥71
Interest rate swaps				
Pay fixed/receive floating	Long-term debt	¥20,000		Note (b)

Millions of yen

		2025		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
U.S. dollar	Payables	¥3,823	¥370	¥(47)
Interest rate swaps				
Pay fixed/receive floating	Long-term debt	¥20,000		Note (b)

		Thousands of U.S. dollars		
		2026		
		Contract amount		
	Hedged item	Total	Due after one year	Fair value
Forward exchange contracts				
Buying contracts				
U.S. dollar	Payables	$26,400	$2,475	$445
Interest rate swaps				
Pay fixed/receive floating	Long-term debt	$125,093		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.

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, 2026 and 2025, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total commitment line of credit	¥35,000	¥35,000	$218,914
Outstanding borrowings			
Unused credit line	¥35,000	¥35,000	$218,914

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
	2026	2025	2026
Provision for contract loss	¥3,686	¥290	$23,057

(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
	2026	2025	2026
Salaries	¥57,728	¥53,624	$361,070
Net periodic retirement benefit costs	4,734	4,447	29,614
Provision for bonuses	10,468	9,826	65,478
Allowance for doubtful accounts	1,364	(572)	8,536
Research and development costs	32,907	31,975	205,827

(3) Net (loss) gain on sales and disposal of property, plant, and equipment

The net (loss) gain on sales and disposal of property, plant, and equipment was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Land	¥173	¥(1,232)	$1,086
Buildings and structures	(373)	2,676	(2,338)
Machinery, equipment, and vehicles	(21)	(7)	(135)
Tools, furniture, and fixtures	(37)	(14)	(232)
Construction in progress	(8)	(2)	(52)
Other intangible assets	(2,453)	(134)	(15,343)
Total	¥(2,720)	¥1,284	$(17,017)

19. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Net unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥7,046	¥(2,833)	$44,073
Reclassification adjustments to profit or loss	(238)	2,485	(1,489)
Amount before income taxes and income tax effect	6,808	(348)	42,584
Income taxes and income tax effect	(2,314)	6	(14,479)
Total	¥4,493	¥(342)	$28,105
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	¥(115)	¥(110)	$(723)
Reclassification adjustments to profit or loss	250		1,565
Amount before income taxes and income tax effect	134	(110)	841
Income taxes and income tax effect	(34)	28	(217)
Total	¥99	¥(82)	$624
Foreign currency translation adjustments:			
Adjustments arising during the year	¥18,479	¥(4,582)	$115,581
Reclassification adjustments to profit or loss	17	(24)	108
Amount before income taxes and income tax effect	18,496	(4,606)	115,690
Income taxes and income tax effect	(5)		(32)
Total	¥18,491	¥(4,606)	$115,657
Defined retirement benefit plans:			
Adjustments arising during the year	¥(17)	¥(61)	$(107)
Reclassification adjustments to profit or loss	1	1,318	6
Amount before income taxes and income tax effect	(16)	1,257	(100)
Income taxes and income tax effect	(3)	(268)	(24)
Total	¥(20)	¥989	$(125)
Share of other comprehensive income in affiliates:			
Gains arising during the year	¥295	¥262	$1,850
Reclassification adjustments to profit or loss	1	5	9
Total	¥297	¥268	$1,860
Total other comprehensive income	¥23,362	¥(3,773)	$146,123

20. Per Share Information

Basic net earnings per share (EPS) for the years ended March 31, 2026 and 2025, 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	
2026				
Basic EPS				
Net income attributable to common shareholders	¥58,113	255,197	¥227.72	$1.42
2025				
Basic EPS				
Net income attributable to common shareholders	¥52,123	260,086	¥200.41	

Diluted net income per share was not disclosed because there were no dilutive securities for the years ended March 31, 2026 and 2025.

21. Revenue Recognition

Breakdown of revenue arising from contracts with customers for the years ended March 31, 2026 and 2025, was as follows:

Millions of yen

	2026						
	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	¥104,534	¥109,836	¥25,162	¥239,533	¥33,959	¥4,597	¥278,091
Service transferred over certain period of time	210,293	91,990	23,705	325,989	46	259	326,294
Revenue from contracts with customers	314,828	201,826	48,868	565,523	34,006	4,856	604,385
Other revenue						443	443
Sales to customers	¥314,828	¥201,826	¥48,868	¥565,523	¥34,006	¥5,300	¥604,829

Millions of yen

	2025						
	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	¥99,502	¥112,090	¥25,461	¥237,054	¥29,933	¥3,303	¥270,291
Service transferred over certain period of time	180,475	89,071	21,701	291,247	13	260	291,521
Revenue from contracts with customers	279,977	201,161	47,162	528,302	29,946	3,564	561,813
Other revenue						591	591
Sales to customers	¥279,977	¥201,161	¥47,162	¥528,302	¥29,946	¥4,155	¥562,404

Thousands of U.S. dollars

	2026						
	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	$653,832	$686,992	$157,385	$1,498,210	$212,405	$28,757	$1,739,373
Service transferred over certain period of time	1,315,323	575,369	148,268	2,038,961	291	1,620	2,040,873
Revenue from contracts with customers	1,969,156	1,262,361	305,654	3,537,172	212,697	30,378	3,780,247
Other revenue						2,773	2,773
Sales to customers	$1,969,156	$1,262,361	$305,654	$3,537,172	$212,697	$33,152	$3,783,021

Note:

Other revenue represents lease revenues accounted for in accordance with the accounting standards for lease transactions.

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, 2025 and 2024, for which revenue was recognized during the years ended March 31, 2026 and 2025, were \49,239 million (U.S.$307,975 thousand) and ¥42,675 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.

As of March 31, 2026 and 2025, 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
	2026	2025	2026
Within one year	¥330,149	¥303,975	$2,064,983
After one year	135,053	123,222	844,718
Total	¥465,203	¥427,197	$2,909,701

22. Business Combination

Business combination by acquisition

(1) Outline of the business combination

(a) Name of acquired company and its business outline

Name: Web Synergies (S) Pte. Ltd. (“Web Synergies”)

Business outline: Provision of digital solutions and services, IT/OT integration, ERP solutions

(b) Major reason for the business combination

For more than a decade, Web Synergies and the Company have successfully collaborated in the provision of solutions and services for internal and external digital transformation (DX), and the Company invested in Web Synergies in October 2021. This acquisition will enable the Company to strengthen its DX-related business for the delivery of cloud services, enterprise data management and integration services, and IT/OT security solutions to its customers.

(c) Date of the business combinationn

May 9, 2025 (date of share acquisition)

June 30, 2025 (deemed date of acquisition)

(d) Legal form of the business combination

Share acquisition in consideration for cash

(e) Name of the company after the business combination
No change

(f) Ratio of voting rights after the acquisition
Ratio of voting rights held by the Company immediately before the acquisition: 15.50%
Ratio of voting rights additionally acquired on the date of business combination: 63.50%
Ratio of voting rights after the acquisition: 79.00%

(g) Basis for determining the acquirer
It is based on the fact that the Company acquired shares in consideration for cash.

(2) Period for which the acquired company's business results are included in the consolidated financial statements
July 1, 2025, to March 31, 2026

(3) Details of acquisition cost and consideration by type

	Millions of yen	Thousands of U.S. dollars
Market value of stock held before acquisition as of the acquisition date	¥251	$2,250
Additional purchase consideration - cash	2,073	14,234
Purchase price	¥2,324	$16,484

(4) Details of conditional acquisition cost prescribed in the business combination agreement and accounting policy thereof after the year ended March 31, 2026
(a) Details of conditional acquisition cost
Additional payment may be made as the conditional acquisition cost depending on the level of achievement of business results for specified fiscal years.
(b) Accounting policy after the year ended March 31, 2026
In the event that additional payment of the acquisition cost is made, the acquisition cost shall be revised as if it had been paid at the time of the acquisition, and the amount of goodwill and amortization of goodwill shall be revised.

(5) Difference between cost of acquisition and total of individual transactions leading to the acquisition
Gain on step acquisition: \176 million (U.S.$1,103 thousand)

(6) Details and amounts of main acquisition costs
Advisory fees: \39 million (U.S.$247 thousand)

(7) Amount, reason, and amortization method and period of goodwill recognized
(a) Amount of goodwill recognized
¥1,271 million (U.S.$7,950 thousand)

(b) Reason for goodwill recognized
The future excess earning power expected as a result of business development going forward

(c) Method and period of amortization
Straight-line method over four years

(8) Details of assets acquired and liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,375	$8,606
Non-current assets	569	3,561
Total assets	¥1,945	$12,167
Current liabilities	¥324	$2,027
Long-term liabilities	109	686
Total liabilities	¥433	$2,713

(9) Estimated impact on the consolidated statement of income for the year ended March 31, 2026, assuming the business combination was completed at the beginning of the current fiscal year
The information is not disclosed because the estimated impact is immaterial.

Business combination by acquisition

(1) Outline of the business combination

(a) Name of acquired company and its business outline
Name: Intellisync S.r.l. (“Intellisync”)
Business outline: Provision of cybersecurity and digital transformation solutions and development of advanced grid control and energy management solutions

(b) Major reason for the business combination
In order to expand its cybersecurity capabilities and advanced grid control products, and elevate its presence in the renewable energy sector, the Company acquired the entire interest of Intellisync on October 30, 2025 and made Intellisync a consolidated subsidiary. Intellisync was absorbed by BaxEnergy Italia S.r.l., a consolidated subsidiary of the Company on January 1, 2026.

(c) Date of the business combination
October 30, 2025 (date of share acquisition)
December 31, 2025 (deemed date of acquisition)

(d) Legal form of the business combination
Share acquisition in consideration for cash

(e) Name of the company after the business combination
No change

(f) Ratio of voting rights acquired
100%

(g) Basis for determining the acquirer
It is based on the fact that the Company acquired shares in consideration for cash.

(2) Period for which the acquired company’s business results are included in the consolidated financial statements

January 1, 2026, to March 31, 2026

(3) Details of acquisition cost and consideration by type

Cash consideration of EUR 40 million (¥7,402 million)

(4) Details and amounts of main acquisition costs

Advisory and other fees: ¥82 million (U.S.$512 thousand)

(5) Amount, reason, amortization method, and period of goodwill recognized

(a) Amount of goodwill recognized
¥6,968 million (U.S.$43,584 thousand)
At March 31, 2026, allocation of the acquisition cost has not been completed since identifiable assets and liabilities as of the business combination date have not been identified and measurement of the fair values has not been completed. Accordingly, the provisional accounting treatment has been applied for the amount of goodwill based on the reasonable information available at that time.

(b) Reason for goodwill recognized
The future excess earning power expected as a result of business development going forward

(c) Method and period of amortization
Straight-line method over six years

(6) Details of assets acquired and liabilities assumed at the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥537	$3,361
Non-current assets	172	1,080
Total assets	¥709	$4,442
Current liabilities	¥259	$1,618
Long-term liabilities	17	107
Total liabilities	¥276	$1,726

(7) Estimated impact on the consolidated statement of income for the year ended March 31, 2026, assuming the business combination was completed at the beginning of the current fiscal year

The information is not disclosed because the estimated impact is immaterial.

Transaction under common control

(1) Outline of the transaction under common control

(a) Names of companies under business combination and their business outline
(Merging company)
Name: BaxEnergy Italia S.r.l.
Business outline: Provision of renewable energy management solutions
(Merged company)
Name: Intellisync S.r.l.
Business outline: Provision of cybersecurity and digital transformation solutions and development of advanced grid control and energy management solutions

(b) Date of the business combination
January 1, 2026

(c) Legal form of the business combination
Absorption-type merger in which BaxEnergy Italia S.r.l. is the merging company and Intellisync is the merged company

(d) Name of the company after the business combination
No change

(e) Other matters related to the business combination
This merger aims to enhance the corporate value of the Group by consolidating and streamlining the management resources of the consolidated subsidiaries.

(2) Outline of the accounting treatment

The business combination is accounted for as a transaction under common control in accordance with the ASBJ Statement No. 21, "Accounting Standard for Business Combinations," issued on January 16, 2019, and the ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," issued on September 13, 2024.

(3) Change in the Company's equity due to transaction with noncontrolling shareholders

Not applicable

23. Subsequent Events

Appropriation of retained earnings

The board of directors proposed the following appropriation of retained earnings at March 31, 2026, which was approved at the general meeting of the shareholders of the Company held on June 23, 2026.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, \46.0 (U.S.$ 0.28) per share	¥11,712	$73,260

Acquisition of treasury stock

At the meeting of the Board of Directors held on May 7, 2026, the Company resolved the following matters concerning the acquisition of treasury stock, pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act.

(1) Reason for the acquisition of treasury stock

In order to enhance shareholder return and improve capital efficiency as well as to enable execution of flexible capital policy in response to changes in business environment.

(2) Details of the acquisition of treasury stock

(a) Class of shares to be acquired: Common stock
(b) Total number of shares to be acquired: Up to 9,000,000 shares(3.5% of issued and outstanding number of shares, excluding treasury stock)
(c) Total amount of acquisition price of shares: Up to ¥30,000 million (U.S.$187,640 thousand)
(d) Period of acquisition: From May 8, 2026 through September 30, 2026
(e) Method of acquisition: Through market purchase on the Tokyo Stock Exchange

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 solution services that provide hardware, software and cloud computing environment for Industrial IoT, 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.

(3) Information about sales, income (loss), assets, and other items

Millions of yen

	2026				
	Reportable segment				
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/ Corporate	Consolidated
Sales to customers	¥565,523	¥34,006	¥5,300		¥604,829
Intersegment sales					
Total sales	565,523	¥34,006	¥5,300		¥604,829
Segment income (loss)	75,155	¥7,792	¥(391)		¥82,555
Segment assets	449,009	14,394	5,533		468,937
Depreciation and amortization	22,241	736	106		23,085
Loss on impairment of long-lived assets	855				855
Increase in property, plant, and equipment and intangible assets	39,284	1,433	96		40,813
Amortization of goodwill	1,962				1,962
Goodwill	12,987				12,987

Millions of yen

	2025				
	Reportable segment				
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/ Corporate	Consolidated
Sales to customers	¥528,302	¥29,946	¥4,155		¥562,404
Intersegment sales					
Total sales	¥528,302	¥29,946	¥4,155		¥562,404
Segment income (loss)	¥77,582	¥6,223	¥(282)		¥83,523
Segment assets	412,085	11,912	6,221		430,220
Depreciation and amortization	20,325	616	122		21,064
Loss on impairment of long-lived assets	3,987				3,987
Increase in property, plant, and equipment and intangible assets	37,846	794	187		38,828
Amortization of goodwill	1,800				1,800
Goodwill	6,563				6,563

Thousands of U.S. dollars

	2026				
	Reportable segment				
	Industrial automation and control	Measuring instruments	New business and others	Eliminations/ Corporate	Consolidated
Sales to customers	$3,537,172	$212,697	$33,152		$3,783,021
Intersegment sales					
Total sales	$3,537,172	$212,697	$33,152		$3,783,021
Segment income (loss)	$470,072	$48,737	$(2,448)		$516,362
Segment assets	2,808,413	90,035	34,612		2,933,061
Depreciation and amortization	139,116	4,608	668		144,393
Loss on impairment of long-lived assets	5,348				5,348
Increase in property, plant, and equipment and intangible assets	245,709	8,965	601		255,276
Amortization of goodwill	12,276				12,276
Goodwill	81,230				81,230

(4) Information about geographical areas

(a) Sales

Millions of yen

2026								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
¥161,241	¥88,100	¥67,159	¥29,107	¥67,190	¥56,312	¥116,030	¥19,685	¥604,829

Millions of yen

2025								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
¥143,762	¥86,518	¥73,252	¥30,163	¥57,185	¥54,220	¥97,791	¥19,510	¥562,404

Thousands of U.S. dollars

2026								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
$1,008,518	$551,044	$420,064	$182,060	$420,254	$352,216	$725,736	$123,126	$3,783,021

Note: Sales are categorized in each country or area based on the location of end users.

(b) Property, plant, and equipment

Millions of yen

2026								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
¥48,645	¥11,580	¥7,195	¥4,269	¥11,572	¥4,533	¥3,563	¥636	¥91,995

Millions of yen

2025								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
¥48,218	¥10,845	¥6,626	¥4,540	¥10,459	¥3,092	¥3,404	¥544	¥87,732

Thousands of U.S. dollars

2026								
Japan	Southeast Asia, Far East	China	India	Europe, CIS	North America	Middle East, Africa	Middle and South America	Total
$304,262	$72,433	$45,003	$26,703	$72,379	$28,353	$22,285	$3,980	$575,402

(5) Information about major customers

No customer accounts for 10% or more of total sales of the Group.

Deloitte.

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, 2026, 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, 2026, 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, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, 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.

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 604,829 million yen for the year ended March 31, 2026, 291,967 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, 2026, was 12,869 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.

Member of
Deloitte Touche Tohmatsu Limited

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, 2026, were 12,987 million yen for goodwill and 1,296 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 855 million yen for the year ended March 31, 2026, 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 the 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 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, 2026, which were charged by us and our network firms to Yokogawa Electric Corporation and its subsidiaries were 518 million yen and 24 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 6, 2026

Stock Information, IR Activities, and External Evaluations

Stock information (as of March 31, 2026)

- **Number of Shares Authorized** 600,000 thousand shares
- **Number of Shares of Common Stock Issued** 257,201 thousand shares
- **Number of Shareholders** 16,581
- **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

Shareholding by Category



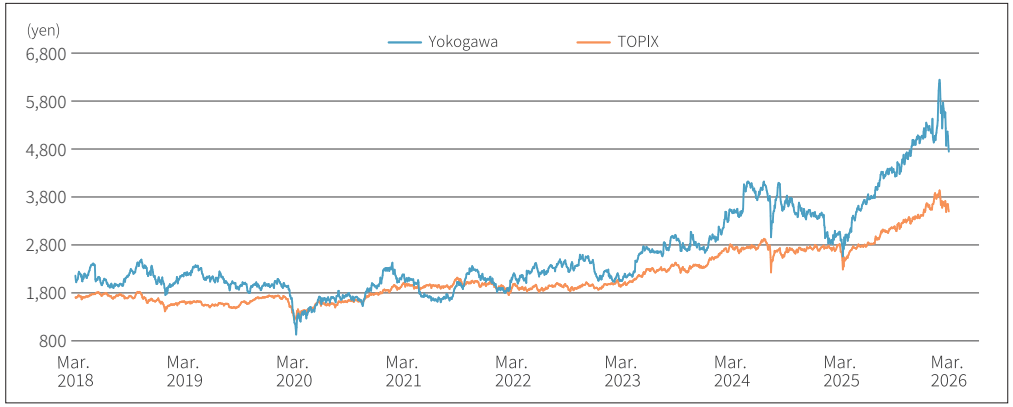
Financial institutions	103,574,281
Foreign investors	118,247,651
Individual investors	19,226,268
Others	8,289,564
Securities companies	5,290,603
Treasury stock	2,572,843

Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Shareholding ratio(%)
The Master Trust Bank of Japan Ltd. (trust account)	48,776,400	19.2
Custody Bank of Japan, Ltd. (trust account)	18,893,500	7.4
Nippon Life Insurance Company	13,484,615	5.3
The Dai-ichi Life Insurance Company, Limited	7,197,000	2.8
Retirement benefit trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Custody Bank of Japan, Ltd. as a Trustee of Retrust	6,141,000	2.4
State Street Bank and Trust Company 505038	5,928,100	2.3
State Street Bank and Trust Company 505001	5,505,829	2.2
Yokogawa Electric Employee Shareholding Program	3,805,588	1.5
JPMorgan Chase Bank 385781	3,611,678	1.4
HSBC Hong Kong-Treasury Services A/C Asian Equities Derivatives	3,044,033	1.2

Note: Shareholding ratios were calculated after deducting the 2,572,843 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	Frequency	Objective	Contents
Financial results briefings	4	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		Meetings with analysts and investors in Japan and overseas*1, 2 (including small meetings)
Meetings with IR staff	Approx. 600		Meetings with analysts and investors in Japan and overseas*1, 2
Business briefings/ IR Day/ Sustainability meetings	2	Understanding of our business	Held briefings (explanations by directors in charge and members of management team) on such matters as the progress of management by industry, Energy & Sustainability Business, and Yokogawa's approach to DX and its progress*2 (2022); an overview and progress of DX strategy, and Yokogawa Digital Corporation's consultation services*2 (2023); the business strategies and contributions to sustainability*2, and AI-first manufacturing*2 (2024).
Factory tour	1		A tour of Kofu Factory, the mother factory of the Yokogawa Group (February 2026)

*1: Using teleconferencing. *2: Using 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
- Impact of tariff policies of various countries
- Business risks such as the emergence of competitors

Capital policy and financial strategy
- Optimal capital structure
- Cash allocation

Medium-term business plan
- New president's policy
- Specific measures to achieve growth targets
- Current issues and future measures
- Quantification of progress on the System of Systems (SoS) and IA2IA businesses
- Issues recognized in M&As

Sustainability
- Linkage between sustainability strategy and business strategy
- Business opportunities that allow for contribution to sustainability

External Evaluations

Global

S&P Global Sustainability Yearbook Member | FTSE4Good | Corporate ESG Performance Prime (ISS ESG) | ecovadis GOLD | Top 5% | Sustainability Rating OCT 2025 | CDP A List 2025 | CDP Supplier Engagement Leader 2025

Japan

FTSE Blossom Japan Index | FTSE Blossom Japan Sector Relative Index | 2026 Sompo Sustainability Index | MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2026 | S&P/JPX カーボン エフィシェント 指数

Investor Relations (IR) website (our website)

Editorial Policy

Based on the Yokogawa Group's philosophy of pursuing contributions to society and the environment as our primary business objective while simultaneously increasing corporate value, this report is designed to provide our stakeholders, including shareholders and institutional investors, with a clear and accessible understanding of our value creation story and business strategies.

In the 2026 edition, we outline the progress and challenges in the second year of our medium-term business plan. We also explain Yokogawa's strengths, including the stability and competitive advantages of our existing businesses, and our efforts to pursue new growth areas, while highlighting how these are connected to our business model and business strategies. Through this approach, we aim to deepen stakeholders' understanding of our business performance and our initiatives to increase corporate value.

In our editorial work, we draw on the International Integrated Reporting Framework advocated by the IFRS Foundation, while reflecting comments received from external evaluation organizations and feedback gained through dialogue with shareholders and institutional investors. Through these efforts, we strive to enhance the content and clarity of our disclosures. Furthermore, the departments responsible for producing this report and the sustainability report collaborate closely to promote integrated information disclosure.

- **Period Covered by the Report**
  FY2025 (April 1, 2025 to March 31, 2026)
  This Report also includes some information on major activities in prior years and some of the latest information in FY2026.
- **Scope of the Report**
  Yokogawa Electric Corporation and all its consolidated companies
  Where the scope is different, a note is added to the relevant data.
- **Timing of Publication**
  October 2026 (published annually)
- **Intended Readership**
  This Report is intended for a wide range of stakeholders, including customers, shareholders, investors, business partners, employees, local communities, NPOs, NGOs, and governments.
- **Company Names**
  In this Report, "Yokogawa" and "Yokogawa Group" refer to Yokogawa Electric Corporation and all its consolidated companies.
  "Yokogawa Electric" and "Yokogawa Electric Co." refer to Yokogawa Electric Corporation.
- **Reference Guidelines**
  - International Integrated Reporting Framework (IFRS Foundation)
  - Guidance for Collaborative Value Creation 2.0 (Ministry of Economy, Trade and Industry)



Cover Concept

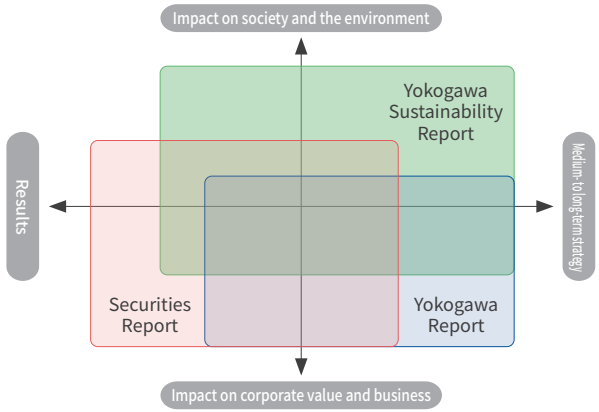
This landscape, where people, goods, and energy flow across the world as one interconnected system, symbolizes the continuous circulation of value within a complex social environment.

Company Profile (as of March 31, 2026)

Corporate Name	Yokogawa Electric Corporation	**Paid-in Capital**	43,401 million yen
Headquarters	2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan	**Number of Employees**	18,313 (Yokogawa Group) 2,240 (Yokogawa Electric Co.)
Founded	September 1, 1915	**Subsidiaries and Affiliates**	121 outside Japan 14 in Japan

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 on corporate value and business, and in the Yokogawa Sustainability Report, which summarizes the Company's impact on society and the environment.



Further information is disclosed on our website.

Disclosure information	URL
Website of Yokogawa Electric Corporation	https://www.yokogawa.com/
Sustainability Report	https://www.yokogawa.com/about/sustainability/report/
Investor Relations	https://www.yokogawa.com/about/ir/

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.

The names of corporations, organizations, products and logos herein are either registered trademarks or trademarks of Yokogawa Electric Corporation and their respective holders.

Yokogawa Electric Corporation

Treasury& Investor Relations Depertment, 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 October 2026
Printed in Japan