

Consolidated Financial Results for the Year Ended March 31, 2023 (Japan GAAP)

May 9, 2023

Name of Listed Company: Yokogawa Electric Corporation (the “Company” herein)
 Stock Exchanges Where the Company’s Shares Are Listed: Tokyo Stock Exchange
 Securities Code: 6841 URL <https://www.yokogawa.com/>
 Name and Position of the Representative: Hitoshi Nara, President and Chief Executive Officer
 Name and Position of Person in Charge: Hirohiko Nakatani, Department Manager of IR Department
 Telephone Number: +81-422-52-6845
 Planned Date of the Regular General Meeting of Shareholders: June 27, 2023
 Planned Dividend Payment Starting Date: June 28, 2023
 Planned Annual Report Filing Date: June 27, 2023
 Financial Results Supplemental Materials: Yes
 Financial Results Presentation Meeting: Yes (for institutional investors)

(Any amount less than one million yen is disregarded.)

1. Consolidated Business Results for the Year Ended March 31, 2023 (April 1, 2022-March 31, 2023)

(1) Results of Operations on a Consolidated Basis

(Percentages show the change from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For year ended March 31, 2023	456,479	17.1	44,409	44.8	48,608	36.0	38,920	83.0
For year ended March 31, 2022	389,901	4.2	30,668	(2.9)	35,739	4.8	21,267	10.7

(Note) Comprehensive income For year ended March 31, 2023 58,314 million yen [56.4%]
 For year ended March 31, 2022 37,290 million yen [9.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total asset ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
For year ended March 31, 2023	145.81	-	10.9	8.3	9.7
For year ended March 31, 2022	79.67	-	6.6	6.6	7.9

(Reference) Profit or loss from investments accounted for by the equity method: For year ended March 31, 2023 3,374 million yen
 For year ended March 31, 2022 3,128 million yen

(2) Financial Conditions on a Consolidated Basis

	Total assets	Net assets	Shareholders’ equity ratio	Shareholders’ equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	618,637	386,825	61.4	1,422.20
As of March 31, 2022	555,968	340,340	60.0	1,249.66

(Reference) Shareholders’ equity: As of March 31, 2023: 379,625 million yen As of March 31, 2022: 333,571 million yen

(3) Consolidated Cash Flow Status

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For year ended March 31, 2023	40,422	(32,939)	(10,932)	116,378
For year ended March 31, 2022	51,644	(28,327)	(16,165)	115,541

(Note) In the fiscal year under review, the Company finalized the provisional accounting treatment for the business combination of Insilico Biotechnology AG. Amounts for the previous fiscal year therefore reflect a revision to the initial allocation of the acquisition cost that was performed due to the finalization of the provisional accounting treatment.

2. Dividend Status

	Dividends per share					Total dividends (annual)	Payout ratio (consol.)	Net asset dividend rate (consol.)
	June 30	September 30	December 31	End of period	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
For year ended March 31, 2022	-	17.00	-	17.00	34.00	9,075	42.7	2.8
For year ended March 31, 2023	-	17.00	-	17.00	34.00	9,075	23.3	2.5
For year ending March 31, 2024 (forecast)	-	17.00	-	17.00	34.00		20.6	

3. Consolidated Business Forecast for the Year Ending March 31, 2024 (April 1, 2023-March 31, 2024)

(Percentages show the change from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	470,000	3.0	48,000	8.1	49,000	0.8	44,000	13.1	164.84

<Notes>

- (1) Changes to important subsidiaries during the period: No
(changes to specific subsidiaries resulting in the change in range of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates, and restatements
 - a. Changes in accounting policies accompanying revision of accounting standards: Yes
 - b. Changes in accounting policies other than (a) above: No
 - c. Changes in accounting estimates: No
 - d. Restatements: No
- (3) Number of shares issued (common stock)
 - a. Number of shares outstanding at the end of the period (including treasury shares)

As of March 31, 2023	268,624,510 shares
As of March 31, 2022	268,624,510 shares
 - b. Number of treasury shares at the end of the period

As of March 31, 2023	1,695,433 shares
As of March 31, 2022	1,694,095 shares
 - c. Average number of shares in the period

For year ended March 31, 2023	266,929,766 shares
For year ended March 31, 2022	266,931,237 shares

(Reference) Summary of Non-consolidated Business Results

1. Non-consolidated Business Results for the Year Ended March 31, 2023 (April 1, 2022-March 31, 2023)

(1) Results of Operations on a Non-consolidated Basis

(Percentages show the change from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For year ended March 31, 2023	124,495	18.7	(268)	-	23,023	52.9	25,471	98.6
For year ended March 31, 2022	104,926	0.1	(3,570)	-	15,054	1.0	12,822	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For year ended March 31, 2023	95.42	-
For year ended March 31, 2022	48.04	-

(2) Financial Conditions on a Non-consolidated Basis

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	303,905	211,065	69.5	790.72
As of March 31, 2022	275,623	187,045	67.9	700.73

(Reference) Shareholders' equity: As of March 31, 2023: 211,065 million yen As of March 31, 2022: 187,045 million yen

Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

Other special notes

The Company plans to hold a financial results presentation meeting for institutional investors via web conference on May 9, 2023.
The Company also plans to promptly post to its website the materials that are used at the meeting.

Attachment Contents

1. Overview of Business Results and Others.....	- 5 -
(1) Overview of Business Results for the Fiscal Year Under Review	- 5 -
(2) Overview of Financial Conditions for the Fiscal Year Under Review	- 6 -
(3) Overview of Cash Flow for the Fiscal Year Under Review	- 6 -
(4) Future Forecast.....	- 6 -
(5) Policy on Appropriation of Profit and Dividends for the Period Under Review and Subsequent Periods	- 7 -
2. Policy on Selection of Accounting Standards.....	- 8 -
3. Consolidated Financial Statements	- 9 -
(1) Consolidated Balance Sheets	- 9 -
(2) Consolidated Statements of Income and Statements of Comprehensive Income	- 11 -
Consolidated Statements of Income for the FY2022	- 11 -
Consolidated Statements of Comprehensive Income for the FY2022	- 12 -
(3) Consolidated Statements of Changes in Net Assets.....	- 13 -
(4) Consolidated Cash Flow Statements.....	- 15 -
(5) Notes on Consolidated Financial Statements	- 17 -
Notes for Going Concern.....	- 17 -
Important Items Used as the Basis for Creation of Consolidated Financial Statements	- 17 -
Changes in Accounting Policies	- 17 -
Consolidated Statements of Income	- 18 -
Segment Information	- 20 -
Per-Share Information	- 21 -
Business Combinations.....	- 22 -
Important Post-Balance Sheet Events.....	- 24 -
[Reference]	- 25 -
Consolidated Financial Statements for the Year Ended March 31, 2023	- 25 -

1. Overview of Business Results and Others

(1) Overview of Business Results for the Fiscal Year Under Review

In accordance with the mid-term business plan, “Accelerate Growth 2023,” the Group has been working to establish a business structure centered on solving common social issues towards growth, focusing on four key strategies: “Implement IA2IA and smart manufacturing and transform value provision,” “Strengthen industry responsiveness and expand cross-industry business,” “Ensure profitability and sound growth,” and “Optimize internal operations and transform mindsets.”

In terms of the Group’s business performance during the fiscal year under review, net sales increased by 66.5 billion yen year on year mainly due to foreign exchange fluctuations. In line with this, operating profit rose 13.7 billion yen year on year. Ordinary profit increased by 12.8 billion yen year on year and profit attributable to owners of parent increased by 17.6 billion yen year on year.

Business results are as follows.

	FY2021	FY2022	Difference	Change
Net sales	389.901	456.479	66.578	17.1%
Operating profit	30.668	44.409	13.741	44.8%
Ordinary profit	35.739	48.608	12.869	36.0%
Profit attributable to owners of parent	21.267	38.920	17.653	83.0%
(Reference) Average rate to 1 U.S. dollar (Yen)	112.94	136.12	23.18	—

Results by individual segment are outlined below.

The name of the reportable segment previously known as “aviation and other businesses” has been changed to “new businesses and others” from the fiscal year under review following the transfer of the aviation equipment business.

<Industrial Automation and Control Business>

	FY2021	FY2022	Difference	Change
Net sales	362.408	427.569	65.160	18.0%
Operating profit	29.753	41.081	11.327	38.1%

Net sales for the industrial automation and control business segment increased by 65.1 billion yen year on year, mainly due to foreign exchange fluctuations. In line with this, operating profit rose 11.3 billion yen year on year.

<Measuring Instruments Business>

	FY2021	FY2022	Difference	Change
Net sales	21.218	25.065	3.846	18.1%
Operating profit	3.419	4.632	1.213	35.5%

In the measuring instruments business, net sales and operating profit increased by 3.8 billion yen year on year and 1.2 billion yen year on year, respectively.

<New Businesses and Others>

	FY2021	FY2022	Difference	Change
Net sales	6.274	3.844	(2.429)	(38.7)%
Operating profit	(2.504)	(1.304)	1.199	—

With the transfer of the aviation equipment business, net sales for new businesses and others decreased by 2.4 billion yen year on year, and operating loss shrunk by 1.1 billion yen year on year.

(2) Overview of Financial Conditions for the Fiscal Year Under Review

In comparison to March 31, 2022, total assets as of March 31, 2023 were up 62.6 billion yen to 618.6 billion yen, mainly due to increases in accounts receivable - trade, contract assets, and investment securities.

In addition, total liabilities were 231.8 billion yen, up 16.1 billion yen compared to March 31, 2022, due mainly to increases in commercial papers and contract liabilities.

As of March 31, 2023, net assets were 386.8 billion yen, up 46.4 billion yen compared to March 31, 2022, due mainly to the recognition of profit attributable to owners of parent and an increase in foreign currency translation adjustment.

As a result, the shareholders' equity ratio was 61.4%, up 1.4 percentage points from the end of the previous fiscal year.

(3) Overview of Cash Flow for the Fiscal Year Under Review

The cash flow from operating activities in the fiscal year under review was a net inflow of 40.4 billion yen (down 11.2 billion yen from the previous fiscal year), reflecting the recording of profit before income taxes and depreciation.

The cash flow from investing activities was a net outflow of 32.9 billion yen (up 4.6 billion yen from the previous fiscal year), mainly reflecting purchase of property, plant and equipment, intangible assets, and shares of subsidiaries resulting in change in scope of consolidation.

The cash flow from financing activities was a net outflow of 10.9 billion yen (down 5.2 billion yen from the previous fiscal year), mainly due to dividends paid.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review was 116.3 billion yen, up 0.8 billion yen from the end of the previous fiscal year.

(4) Future Forecast

The future world affairs and the global economy are becoming increasingly uncertain amidst advance of inflation around the world, and prolonged situation in Russia and Ukraine causing stressed energy supply-and-demand, surging prices for resources and raw materials, and heightened geopolitical tensions.

The Group's consolidated earnings forecast for the coming fiscal year (FY2023) are projecting decrease for orders based on expectation of slow growth of the global economy as a whole, a perception that the cycle of the orders received for large-scale projects restarted after COVID-19 was coming to an end, and expectation of slowdown in investment in the materials industry. Net sales and operating profit are expected to grow to a limited extent due to ongoing difficulties in procuring production parts including semiconductors and project-procured products. As a result, ordinary profit is expected to increase slightly, while profit attributable to owners of parent is expected to increase due to gains on sales of investment securities.

The world is experiencing increasing needs for the resolution of social issues such as the energy transition to realize a low-carbon society and innovation in digital technology. The Group sees these changes in the business environment as opportunities and will establish a business structure focused on solving common social issues for growth, while expanding its contribution to society and the environment to achieve growth.

In addition, the operating results forecast assumes a foreign exchange rate of 1 USD = 130 yen (compared to 1 USD = 136.12 yen in the fiscal year ended March 31, 2022). This consolidated business forecast has been calculated using information, etc. available at the present time. Actual business performance may vary from this forecast due to a variety of factors arising in the future. The impact of such factors as the advance of inflation around the world, remaining concerns about the reemergence of COVID-19 infections, difficulties in procuring and surging prices for production parts including semiconductors and project-procured products, and heightened geopolitical tensions on our business may fluctuate significantly, and in the event of any changes affecting the Group's business performance, this consolidated business forecast will be revised and announced swiftly.

The Company's net sales and operating profit tend to increase in the second and fourth quarters, and this is particularly the case with the industrial automation and control business in Japan.

Based on the above, the current consolidated business forecasts are as follows. The results for fiscal year 2022 are provided for comparison.

<Consolidated Business Forecast (Full Year)>

	FY2022 (results)	FY2023 (forecast)	Difference	Change
Orders received	518.389	490.0	(28.389)	(5.5)%
Net sales	456.479	470.0	13.520	3.0%
Operating profit	44.409	48.0	3.590	8.1%
Ordinary profit	48.608	49.0	0.391	0.8%
Profit attributable to owners of parent	38.920	44.0	5.079	13.1%
(Reference) Average rate to 1 U.S. dollar (Yen)	136.12	130.00	(6.12)	-

The forecast by segment is as follows.

In our mainstay industrial automation and control businesses, based on the perception that the cycle of the orders received for large-scale projects restarted after COVID-19 was coming to an end, and expectation of slowdown in investment in the materials industry, we expect orders to decrease. Net sales and profit are expected to grow to a limited extent due to ongoing difficulties in procuring production parts including semiconductors and project-procured products.

In our measuring instruments business and new businesses and others, we expect orders, net sales and operating profit to perform on par with the current fiscal year.

(Reference) Consolidated Business Forecast by New Segment

<Orders Received (Full Year)>

	FY2022 (results)	FY2023 (forecast)	Difference	Change
Industrial automation and control business	485.440	457.5	(27.940)	(5.8)%
Measuring instruments business	28.603	28.5	(0.103)	(0.4)%
New businesses and others	4.344	4.0	(0.344)	(7.9)%
Total	518.389	490.0	(28.389)	(5.5)%

<Net Sales (Full Year)>

	FY2022 (results)	FY2023 (forecast)	Difference	Change
Industrial automation and control business	427.569	440.5	12.930	3.0%
Measuring instruments business	25.065	25.5	0.434	1.7%
New businesses and others	3.844	4.0	0.155	4.0%
Total	456.479	470.0	13.520	3.0%

<Operating Profit (Full Year)>

	FY2022 (results)	FY2023 (forecast)	Difference	Change
Industrial automation and control business	41.081	44.5	3.418	8.3%
Measuring instruments business	4.632	5.0	0.367	7.9%
New businesses and others	(1.304)	(1.5)	(0.195)	-
Total	44.409	48.0	3.590	8.1%

(5) Policy on Appropriation of Profit and Dividends for the Period Under Review and Subsequent Periods

The distribution of earnings to shareholders is a top management priority for the Company. By achieving growth in earnings, we aim to steadily increase our dividend payments. While giving overall consideration to our business results, the need to secure investment funds for maximizing mid- to long-term shareholder value, and maintain the financial base supporting growth investment, we will strive to secure a consolidated dividend payout ratio in excess of 30%. Furthermore, we will maintain a stable dividend based on the shareholders' equity ratio, even when business results deteriorate due to temporary factors.

Furthermore, regarding the year-end dividend for the fiscal year under review, the year-end dividend will be 17 yen per share as planned initially by giving consideration on the consolidated dividend payout ratio, shareholders' equity ratio, financial positions and other related factors based on the above dividend policy. As a result, we plan to pay 34 yen per share in dividend payments for the fiscal year when including the interim dividend.

With regard to dividends for the next fiscal year, we plan to pay 34 yen per share (interim dividend of 17.00 yen and year-end dividend of 17.00 yen) based on the above policy.

2. Policy on Selection of Accounting Standards

For the time being, the Group will compile its consolidated financial statements based on generally accepted Japanese accounting principles.

We have been monitoring accounting trends in and outside Japan and will consider the adoption of other accounting standards if it is judged that this will enhance our corporate value.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Reference) End of FY2021 (March 31, 2022)	End of FY2022 (March 31, 2023)
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	117,687	121,438
Notes receivable - trade	11,572	10,318
Accounts receivable - trade	116,601	133,654
Contract assets	58,155	65,297
Merchandise and finished goods	16,662	18,467
Work in process	4,584	4,932
Raw materials and supplies	21,758	25,006
Other	22,479	24,251
Allowance for doubtful accounts	(5,304)	(6,106)
Total current assets	364,195	397,261
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,089	46,183
Machinery, equipment and vehicles, net	8,159	9,354
Tools, furniture and fixtures, net	6,144	6,550
Land	15,448	15,570
Leased assets, net	57	22
Right-of-use assets	8,083	8,097
Construction in progress	2,961	1,780
Total property, plant and equipment	86,943	87,559
Intangible assets		
Software	13,997	14,137
Goodwill	11,993	14,614
Other	12,472	19,782
Total intangible assets	38,463	48,534
Investments and other assets		
Investment securities	53,241	70,786
Deferred tax assets	7,154	8,921
Other	7,124	6,433
Allowance for doubtful accounts	(1,154)	(859)
Total investments and other assets	66,366	85,281
Total non-current assets	191,773	221,375
Total assets	555,968	618,637

(Millions of yen)

	(Reference) End of FY2021 (March 31, 2022)	End of FY2022 (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,590	31,226
Electronically recorded obligations - operating	10,119	10,098
Short-term borrowings	1,576	20,475
Commercial papers	20,000	25,000
Accounts payable - other	19,046	18,741
Income taxes payable	5,926	6,472
Contract liabilities	41,124	45,837
Lease liabilities	2,758	2,219
Provision for bonuses	17,127	20,776
Provision for loss on construction contracts	6,499	7,380
Other	26,424	24,869
Total current liabilities	177,192	213,097
Non-current liabilities		
Long-term borrowings	24,095	4,087
Deferred tax liabilities	2,240	2,519
Retirement benefit liability	4,687	5,081
Lease liabilities	5,619	5,292
Other	1,792	1,732
Total non-current liabilities	38,435	18,713
Total liabilities	215,628	231,811
Net assets		
Shareholders' equity		
Share capital	43,401	43,401
Capital surplus	54,392	54,392
Retained earnings	221,431	251,277
Treasury shares	(1,407)	(1,410)
Total shareholders' equity	317,817	347,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,592	19,106
Deferred gains or losses on hedges	—	(98)
Foreign currency translation adjustment	5,137	13,812
Remeasurements of defined benefit plans	(976)	(854)
Total accumulated other comprehensive income	15,753	31,965
Non-controlling interests	6,769	7,200
Total net assets	340,340	386,825
Total liabilities and net assets	555,968	618,637

(2) Consolidated Statements of Income and Statements of Comprehensive Income
Consolidated Statements of Income for the FY2022

(Millions of yen)

	(Reference) FY2021 (April 1, 2021-March 31, 2022)	FY2022 (April 1, 2022-March 31, 2023)
Net sales	389,901	456,479
Cost of sales	217,091	252,019
Gross profit	172,810	204,459
Selling, general and administrative expenses	142,142	160,050
Operating profit	30,668	44,409
Non-operating income		
Interest income	605	1,058
Dividend income	1,785	1,970
Foreign exchange gains	1,346	—
Share of profit of entities accounted for using equity method	3,128	3,374
Miscellaneous income	679	1,617
Total non-operating income	7,546	8,021
Non-operating expenses		
Interest expenses	684	1,091
Foreign exchange losses	—	1,009
Provision of allowance for doubtful accounts	294	21
Commission expenses	244	332
Miscellaneous losses	1,252	1,365
Total non-operating expenses	2,475	3,821
Ordinary profit	35,739	48,608
Extraordinary income		
Gain on sale of non-current assets	33	526
Gain on sale of investment securities	58	834
Gain on step acquisitions	—	*1 1,066
Total extraordinary income	92	2,428
Extraordinary losses		
Loss on sale of non-current assets	1	5
Loss on retirement of non-current assets	372	432
Impairment losses	*2 1,410	*2 558
Loss on valuation of investment securities	1,758	—
Loss on sale of shares of subsidiaries and associates	139	—
Business restructuring expenses	*3 2,058	240
Total extraordinary losses	5,740	1,237
Profit before income taxes	30,092	49,799
Income taxes - current	8,165	11,662
Income taxes - deferred	(1,732)	(3,799)
Total income taxes	6,432	7,863
Profit	23,659	41,936
Profit attributable to non-controlling interests	2,392	3,015
Profit attributable to owners of parent	21,267	38,920

Consolidated Statements of Comprehensive Income for the FY2022

(Millions of yen)

	(Reference) FY2021 (April 1, 2021-March 31, 2022)	FY2022 (April 1, 2022-March 31, 2023)
Profit	23,659	41,936
Other comprehensive income		
Valuation difference on available-for-sale securities	221	7,529
Deferred gains or losses on hedges	—	(98)
Foreign currency translation adjustment	12,971	8,826
Remeasurements of defined benefit plans, net of tax	81	57
Share of other comprehensive income of entities accounted for using equity method	356	63
Total other comprehensive income	13,630	16,378
Comprehensive income	37,290	58,314
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,327	55,131
Comprehensive income attributable to non-controlling interests	2,963	3,183

(3) Consolidated Statements of Changes in Net Assets
(Reference) FY2021 (April 1, 2021-March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	43,401	54,392	209,240	(1,404)	305,629
Changes during period					
Dividends of surplus			(9,075)		(9,075)
Profit attributable to owners of parent			21,267		21,267
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		0	0
Net changes in items other than shareholders' equity					
Total changes during period	—	0	12,191	(3)	12,188
Balance at end of period	43,401	54,392	221,431	(1,407)	317,817

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,351	(7,568)	(1,088)	2,694	6,447	314,770
Changes during period						
Dividends of surplus						(9,075)
Profit attributable to owners of parent						21,267
Purchase of treasury shares						(3)
Disposal of treasury shares						0
Net changes in items other than shareholders' equity	241	12,706	111	13,059	321	13,381
Total changes during period	241	12,706	111	13,059	321	25,569
Balance at end of period	11,592	5,137	(976)	15,753	6,769	340,340

FY2022 (April 1, 2022-March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	43,401	54,392	221,431	(1,407)	317,817
Changes during period					
Dividends of surplus			(9,075)		(9,075)
Profit attributable to owners of parent			38,920		38,920
Purchase of treasury shares				(2)	(2)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	29,845	(2)	29,842
Balance at end of period	43,401	54,392	251,277	(1,410)	347,660

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,592	—	5,137	(976)	15,753	6,769	340,340
Changes during period							
Dividends of surplus							(9,075)
Profit attributable to owners of parent							38,920
Purchase of treasury shares							(2)
Net changes in items other than shareholders' equity	7,513	(98)	8,674	122	16,211	431	16,642
Total changes during period	7,513	(98)	8,674	122	16,211	431	46,485
Balance at end of period	19,106	(98)	13,812	(854)	31,965	7,200	386,825

(4) Consolidated Cash Flow Statements

(Millions of yen)

	(Reference) FY2021 (April 1, 2021-March 31, 2022)	FY2022 (April 1, 2022-March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	30,092	49,799
Depreciation	16,935	18,037
Amortization of goodwill	1,020	1,659
Increase (decrease) in allowance for doubtful accounts	185	128
Increase (decrease) in provision for bonuses	123	3,091
Increase (decrease) in retirement benefit liability	(64)	49
Interest and dividend income	(2,391)	(3,029)
Interest expenses	684	1,091
Share of loss (profit) of entities accounted for using equity method	(3,128)	(3,374)
Loss (gain) on sale of investment securities	(58)	(834)
Loss (gain) on valuation of investment securities	1,758	—
Loss (gain) on sale of non-current assets	(32)	(520)
Loss on retirement of non-current assets	372	432
Loss (gain) on step acquisitions	—	(1,066)
Increase (decrease) in allowance for soft error	(259)	(272)
Impairment losses	1,410	558
Decrease (increase) in trade receivables	13,684	(13,692)
Decrease (increase) in inventories	(4,906)	(5,415)
Increase (decrease) in trade payables	858	3,421
Increase (decrease) in accounts payable - other	714	587
Increase (decrease) in accrued expenses	(173)	(874)
Other, net	1,822	(253)
Subtotal	58,648	49,521
Interest and dividends received	2,214	2,983
Interest paid	(690)	(1,002)
Income taxes refund (paid)	(8,528)	(11,080)
Net cash provided by (used in) operating activities	51,644	40,422
Cash flows from investing activities		
Payments into time deposits	(892)	(3,284)
Proceeds from withdrawal of time deposits	705	278
Purchase of property, plant and equipment	(8,281)	(8,637)
Proceeds from sale of property, plant and equipment	140	554
Purchase of intangible assets	(9,838)	(12,205)
Purchase of investment securities	(1,310)	(2,540)
Proceeds from sale and redemption of investment securities	807	1,087
Proceeds from sale of businesses	—	428
Purchase of shares of subsidiaries and associates	(438)	(2,021)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,330)	(6,744)
Other, net	111	145
Net cash provided by (used in) investing activities	(28,327)	(32,939)

(Millions of yen)

	(Reference) FY2021 (April 1, 2021-March 31, 2022)	FY2022 (April 1, 2022-March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,388)	(1,144)
Net increase (decrease) in commercial papers	–	5,000
Proceeds from long-term borrowings	4,000	–
Repayments of long-term borrowings	(4,080)	–
Repayments of lease liabilities	(3,116)	(3,432)
Dividends paid	(9,072)	(9,078)
Dividends paid to non-controlling interests	(2,261)	(2,274)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(242)	–
Other, net	(3)	(2)
Net cash provided by (used in) financing activities	(16,165)	(10,932)
Effect of exchange rate change on cash and cash equivalents	7,186	4,286
Net increase (decrease) in cash and cash equivalents	14,337	836
Cash and cash equivalents at beginning of period	101,204	115,541
Cash and cash equivalents at end of period	115,541	116,378

(5) Notes on Consolidated Financial Statements
Notes for Going Concern
Not applicable

Important Items Used as the Basis for Creation of Consolidated Financial Statements

1. Items Related to the Range of Consolidation

(1) Consolidated subsidiaries: 123 companies

The range of consolidation has been revised due to changes involving the following companies:

As the Company acquired shares in Dublix Technology ApS, it has been newly included in the scope of consolidation. As the Company also acquired shares in Yokogawa Votiva Solutions Pte. Ltd. (former Votiva Singapore Pte. Ltd.), both it and its five subsidiaries have been newly included in the scope of consolidation.

Yokogawa Digital Corporation and one company are newly included in the scope of consolidation due to the establishment of the company.

As the Company acquired all shares issued by Yokogawa Fluence Analytics, Inc. (former Fluence Analytics, Inc.), which was previously an equity method affiliate, it has been newly included in the scope of consolidation.

Three companies are no longer subsidiaries due to liquidation, etc., and are therefore excluded from consolidated subsidiaries from the fiscal year under review.

(2) Non-consolidated subsidiaries: 1 company

(Name of major company) Yokogawa Foundry Corporation

Non-consolidated subsidiaries do not significantly influence the consolidated financial statements regarding to any of their total assets, net sales, profit or loss for the period (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others, and have therefore been excluded from the range of consolidation.

2. Items Related to Application of the Equity Method

(1) Non-consolidated subsidiaries: 1 company

(Name of major company) Yokogawa Foundry Corporation

(2) Affiliated companies: 4 companies

(Name of major company) Yokogawa Rental & Lease Corporation

The range of application of the equity method has been revised due to changes involving the following companies:

As the Company newly acquired shares in SynCrest Inc., it has been included in the range of the application of the equity method.

As the Company additionally acquired shares in Yokogawa Fluence Analytics, Inc. (former Fluence Analytics Inc.) and its classification was changed to a consolidated subsidiary, it has been excluded from equity-method affiliates.

(3) For certain equity method affiliates whose closing dates differ from the consolidated closing date, financial statements based on a provisional closing conducted as of the consolidated closing date are used.

3. Items Related to the Fiscal Year of Consolidated Subsidiaries, Etc.

The closing date for Yokogawa Electric China Co., Ltd. and 16 other non-Japan subsidiaries is December 31. For creation of consolidated financial statements, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for these companies.

4. Application of Group Tax Sharing System

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system.

Changes in Accounting Policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "The Implementation Guidance on Accounting Standard for Fair Value Measurement") has been applied from the start of the fiscal year under review. In accordance with the transitional treatment provided in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy set out in the Implementation Guidance on Accounting Standard for Fair Value Measurement has been applied prospectively.

The impact of the application of the accounting standard on the consolidated financial statements is negligible.

Consolidated Statements of Income

*1 Gain on Step Acquisitions

FY2022 (April 1, 2022-March 31, 2023)

This was recognized as a result of the step acquisition of shares of Yokogawa Fluence Analytics, Inc. (former Fluence Analytics Inc.).

*2 Impairment Losses

I. (Reference) FY2021 (April 1, 2021-March 31, 2022)

Impairment losses were recorded for the following asset groups.

(Millions of yen)			
Location	Use	Category	Impairment losses
Denmark	Business assets	Goodwill	1,084
Japan	Business assets	Buildings and structures	7
		Machinery, equipment and vehicles	8
		Tools, furniture and fixtures	50
		Software	68
United States	Idle assets	Leased assets	191
		Total	1,410

The Group's business assets are grouped based on management accounting classification. Furthermore, idle assets have been grouped by individual property.

The book values mainly with respect to the goodwill arising at the time of acquisition of shares of the Denmark based consolidated subsidiary, Grazper Technologies ApS were reduced to their respective recoverable amounts and the amount of said reductions have been recorded as impairment losses on account of the business results of these companies falling below the initially forecasted business plans due to the impact of changes in the business environments surrounding the company. The recoverable amounts for the said asset group are measured by value in use and are calculated by discounting future cash flows at a rate of 10%.

As no future use is expected for idle assets, the book values for each asset group have been reduced to their respective recoverable amounts (true cash value), and the reductions have been recorded as impairment losses.

II.FY2022 (April 1, 2022-March 31, 2023)

Impairment losses were recorded for the following asset groups.

(Millions of yen)			
Location	Use	Category	Impairment losses
United Kingdom	Business assets	Goodwill	261
Norway	Business assets	Other intangible assets	296
		Total	558

The Group's business assets are grouped based on management accounting classification.

The book value with respect to the goodwill arising at the time of acquisition of shares of the UK-based consolidated subsidiary, Yokogawa RAP Limited, was reduced to its recoverable amount and the amount of said reduction has been recorded as impairment loss because the non-consolidated business performance of the company is expected to fall below the initially forecasted business plans in line with changes made to the company's positioning with respect to business expansion.

The recoverable amount for the said asset group is measured by value in use and is calculated by discounting future cash flows at a rate of 10%.

The book value with respect to the other intangible assets arising at the time of acquisition of shares of the Norway based consolidated subsidiary, Yokogawa TechInvent AS, was reduced to its recoverable amount and the amount of said reduction has been recorded as impairment loss on account of the business results of the company falling below the initially forecasted business plans due to the impact of changes in the business environments surrounding the company.

The recoverable amounts for the said asset group are measured by value in use and are calculated by discounting future cash flows at a rate of 10%.

*3 Business Restructuring Expenses

(Reference) FY2021 (April 1, 2021-March 31, 2022)

Business restructuring expenses pertaining to extraordinary measures with the aim of optimizing the Group overall were recorded and the expenses were mainly related to the transfer of the aviation equipment business.

Segment Information

1. Overview of Reporting Segments

The business segments for financial reporting are categorized as the industrial automation and control business, measuring instruments business, and new businesses and others.

The industrial automation and control business offers comprehensive solutions including field instruments such as flowmeters, differential pressure/pressure transmitters, and process analyzers; control systems, programmable controllers, industrial recorders, etc.; various types of software that enhance productivity; and services that minimize plant lifecycle costs.

The measuring instruments business offers waveform measuring instruments; optical communications measuring instruments; signal generators; and electric power, temperature, and pressure measuring instruments.

New businesses and others provide services that utilize IoT and AI, and manufacture and sell biomass materials, etc.

2. Segment Sales and Profits (Losses)

(Millions of yen)

		(Reference) FY2021 (April 1, 2021-March 31, 2022)		FY2022 (April 1, 2022-March 31, 2023)		Change
		Amount	Composi- tion ratio (%)	Amount	Composi- tion ratio (%)	Amount
Industrial automation and control	Net sales to unaffiliated customers	362,408	93.0	427,569	93.7	65,160
	Operating profit (loss)	29,753	97.0	41,081	92.5	11,327
Measuring instruments	Net sales to unaffiliated customers	21,218	5.4	25,065	5.5	3,846
	Operating profit (loss)	3,419	11.2	4,632	10.4	1,213
New businesses and others	Net sales to unaffiliated customers	6,274	1.6	3,844	0.8	(2,429)
	Operating profit (loss)	(2,504)	(8.2)	(1,304)	(2.9)	1,199
Consolidated net sales	Net sales to unaffiliated customers	389,901	100.0	456,479	100.0	66,578
	Operating profit (loss)	30,668	100.0	44,409	100.0	13,741

(Change of Reportable Segment Name)

The name of the reportable segment previously known as “aviation and other businesses” has been changed to “new businesses and others” from the fiscal year under review following the transfer of the aviation equipment business. There is no change in segment classification due to this change.

(Significant Decrease in Assets Due to Business Transfer)

During the fiscal year under review, we transferred the Company’s and Yokogawa Manufacturing Corporation’s aviation equipment business, which comprised “aviation and other businesses.” As a result, segment assets of “new businesses and others” decreased 1,483 million yen compared to the last day of FY2021.

3. Net Sales by Geographical Location

(Millions of yen)

	(Reference) FY2021 (April 1, 2021-March 31, 2022)		FY2022 (April 1, 2022-March 31, 2023)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	118,960	30.5	124,329	27.2	5,368
Outside Japan	270,941	69.5	332,150	72.8	61,209
Southeast Asia, Far East	60,708	15.6	73,064	16.0	12,356
China	61,044	15.7	74,865	16.4	13,821
India	15,407	3.9	19,528	4.3	4,121
Europe	33,012	8.5	38,298	8.4	5,286
Russia	13,239	3.4	7,199	1.6	(6,039)
North America	33,160	8.5	44,475	9.7	11,315
Middle East, Africa	43,409	11.1	59,730	13.1	16,320
Central and South America	10,959	2.8	14,987	3.3	4,027
Consolidated	389,901	100.0	456,479	100.0	66,578

Sales are based on a customer's geographical location (classified above as a country or region).

The breakdown of countries and regions belonging to groups is as follows.

- | | |
|-------------------------------|--|
| (1) Southeast Asia, Far East | Singapore, South Korea, etc. |
| (2) China | China |
| (3) India | India |
| (4) Europe | Netherlands, France, United Kingdom, Germany, etc. |
| (5) Russia | Russia |
| (6) North America | United States, Canada |
| (7) Middle East, Africa | Bahrain, Saudi Arabia, etc. |
| (8) Central and South America | Brazil, etc. |

Per-Share Information

	FY2021	FY2022
Net assets per share (yen)	1,249.66	1,422.20
Basic earnings per share (yen)	79.67	145.81

(Notes) 1. The amount of the fully diluted earnings per share for the fiscal year under review is not described because there is no residual security.

2. In the fiscal year under review, the Company finalized the provisional accounting treatment for business combination. Per-share information for the previous fiscal year therefore reflect a significant revision to the initial allocation of the acquisition cost that was performed due to the finalization of the provisional accounting treatment.

3. The basis for calculation of basic earnings per share is as follows:

(Millions of yen)

	FY2021	FY2022
Profit attributable to owners of parent	21,267	38,920
Profit attributable to owners of parent related to common stock	21,267	38,920
Average number of shares during the period	266,931,237	266,929,766

Business Combinations

Business Combination Through Acquisition

On January 21, 2023, the Company's subsidiary and Fluence Analytics, Inc. (Headquarters: Texas State, USA, hereinafter "Fluence Analytics") agreed to begin the process of making it a wholly owned subsidiary by acquiring the outstanding shares of Fluence Analytics. The Company's subsidiary acquired the shares on January 30, 2023.

1. Overview

(1) Name and Business Description of the Acquiree

Name of the Acquiree:	Fluence Analytics, Inc.
Business Description:	Developing and providing real-time industrial and laboratory analysis solutions for polymer and biopharmaceutical companies

(2) Reason for Acquisition

The Company and Fluence Analytics entered into an investment and business alliance agreement in August 2021 and have been collaborating to expand business. Through this acquisition, Fluence Analytics will continue to integrate with the Group's business and further enhance its technological capabilities.

(3) Date of Business Combination

January 30, 2023 (share acquisition date)

January 1, 2023 (deemed acquisition date)

(4) Legal Form of Business Acquisition

Share acquisition in exchange for cash

(5) Company Name After Business Combination

Yokogawa Fluence Analytics, Inc.

(6) Percentage of Voting Rights Acquired

Percentage of voting rights held just before the acquisition:	19.40%
Percentage of voting rights additionally acquired on the date of business combination	80.60%
Percentage of voting rights after acquisition	100.00%

(7) Main Grounds for Determining the Acquirer

The acquisition of shares of Fluence Analytics by the Company's subsidiary in exchange for cash.

2. Period of Operating Results of the Acquiree Included in the Consolidated Financial Statements

This includes the operating results of the acquiree from January 1, 2023 to March 31, 2023. Since the deemed acquisition date is set for January 1, 2023, the operating results for prior periods are reflected in the share of profit or loss of entities accounted for using equity method.

3. Acquisition Cost of the Acquiree and Component by Type of Consideration

This cannot be disclosed due to confidentiality obligations between the parties.

4. Difference Between the Acquisition Cost of the Acquiree and the Total of Acquisition Costs in Each Transaction That Led to the Acquisition

Gain on step acquisitions	1,066 million yen
---------------------------	-------------------

5. Details and Amounts of Main Acquisition-related Costs

Advisory fees, etc.	399 million yen
---------------------	-----------------

6. Amount, Reason, Amortization Method and Amortization Period of Goodwill Recognized

(1) Amount of Goodwill Recognized

6,093 million yen

Moreover, as for the amount of goodwill, the identification of identifiable assets and liabilities, and the calculation of their fair value as of the date of business combination have not been completed as of the end of the fiscal year under review. Since the allocation of the acquisition cost has not been completed, provisional accounting treatment has been performed based on reasonable information at that time.

(2) Reason for Recognition

Future excess earning power expected from future business development.

(3) Amortization Method and Amortization Period

Amortized by the straight-line method over six years

7. Assets Acquired and Liabilities Assumed on the Date of Business Combination and Their Major Components

Current assets	329 million yen
Non-current assets	615 million yen
Total assets	944 million yen
Current liabilities	115 million yen
Non-current liabilities	201 million yen
Total liabilities	316 million yen

8. Approximate Amounts of Impact on the Consolidated Statements of Income for the Fiscal Year Under Review, Assuming That the Business Combination Was Completed at the Beginning of the Fiscal Year, and the Calculation Method Thereof

The information is omitted as it is immaterial.

Important Post-Balance Sheet Events

(Acquisition of own shares)

At the meeting of the Board of Directors held on May 9, 2023, the Company resolved the following matters concerning the acquisition of own shares, 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 acquisition of own shares

To enhance shareholder returns and capital efficiency, and to enable the execution of flexible capital policies in response to changes in the business environment.

2. Details on matters related to acquisition

(1) Class of shares to be acquired:	Common shares
(2) Total number of shares to be acquired:	16,000,000 shares (maximum) (6.0% of total number of issued shares, excluding treasury shares)
(3) Total amount of share acquisition costs:	20,000,000,000 yen (maximum)
(4) Acquisition period:	From May 22, 2023, through December 29, 2023
(5) Acquisition method:	Open-market purchase on the Tokyo Stock Exchange

[Reference]

May 9, 2023
Yokogawa Electric Corporation

Consolidated Financial Statements for the Year Ended March 31, 2023

(Millions of yen)

	FY2021		FY2022		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	389,901	-	456,479	-	66,578	-
Operating profit	30,668	7.9%	44,409	9.7%	13,741	1.9%
Ordinary profit	35,739	9.2%	48,608	10.6%	12,869	1.5%
Profit attributable to owners of parent	21,267	5.5%	38,920	8.5%	17,653	3.1%
Comprehensive income	37,290	9.6%	58,314	12.8%	21,024	3.2%
Total assets	555,968		618,637		62,668	
Net assets	340,340		386,825		46,485	
Return on equity	6.6%		10.9%		4.3%	
Basic earnings per share	79.67 yen		145.81 yen		66.14 yen	
Shareholders' equity per share	1,249.66 yen		1,422.20 yen		172.54 yen	
Capital investment	21,698		22,176		477	
Depreciation	17,955		19,696		1,740	
Research and development expenses	28,520		30,492		1,971	
Average exchange rate during the period (USD)	112.94 yen		136.12 yen		23.18 yen	

Consolidated Orders by Segment

(Millions of yen)

	FY2021	FY2022	FY2023 full year (forecast)
Industrial automation and control business	391,063	485,440	457,500
Measuring instruments business	23,968	28,603	28,500
New businesses and others	5,464	4,344	4,000
Total	420,496	518,389	490,000

Consolidated Sales by Segment

(Millions of yen)

	FY2021	FY2022	FY2023 full year (forecast)
Industrial automation and control business	362,408	427,569	440,500
Measuring instruments business	21,218	25,065	25,500
New businesses and others	6,274	3,844	4,000
Total	389,901	456,479	470,000

Consolidated Operating Profit by Segment

(Millions of yen)

	FY2021	FY2022	FY2023 full year (forecast)
Industrial automation and control business	29,753	41,081	44,500
Measuring instruments business	3,419	4,632	5,000
New businesses and others	(2,504)	(1,304)	(1,500)
Total	30,668	44,409	48,000