Yokogawa Electric Corporation

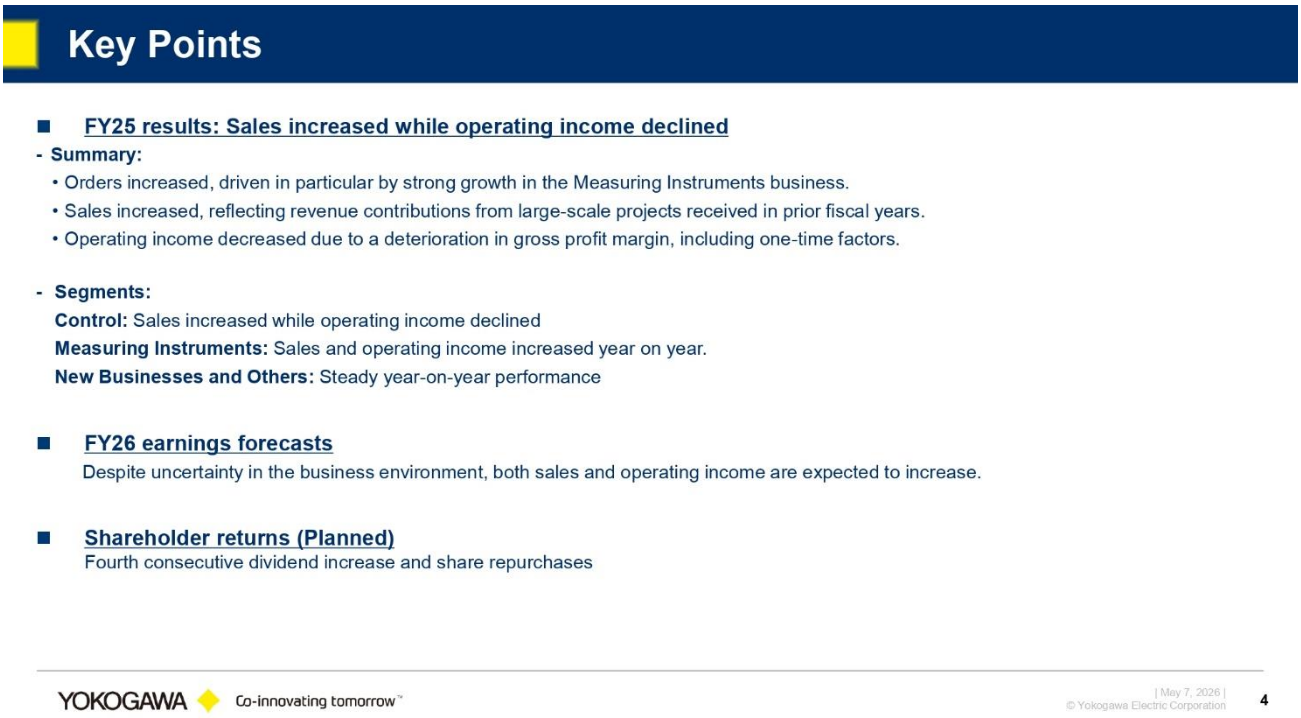
Financial Results Briefing for the Fiscal Year Ended March 2026

May 7, 2026

Event Summary

[Company Name]	Yokogawa Electric Corporation	
[Company ID]	6841-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2026	
[Fiscal Period]	FY2026 Annual	
[Date]	May 7, 2026	
[Number of Pages]	39	
[Time]	17:30 – 18:55 (Total: 85 minutes, Presentation: 39 minutes, Q&A: 46 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Kunimasa Shigeno	Director, President & CEO, Representative Executive Officer
	Michiko Nakajima	Director, Vice President & Executive Officer, Head of Accounting & Treasury Headquarters

Presentation



Nakajima: I am Nakajima, Executive Officer, Head of Accounting & Treasury Headquarters.

Please refer to page 4 of the document, which describes the key points. I will explain this content on the next and subsequent pages.

Summary of FY25 Results (year on year comparison)

- ◆ Orders increased, driven by the acquisition of multiple large-scale projects in the Control business, as well as rising demand related to AI data centers in the Measuring Instruments business (excluding the impact of exchange rates: +¥15.3 billion, +2.5%).
- ◆ Sales increased, supported by a solid order backlog (excluding the impact of exchange rates: +¥38.5 billion, +6.8%).
- ◆ Operating income decreased mainly due to a deterioration in gross profit margin in the Control business, including one-time factors (excluding the impact of exchange rates: +¥0.8 billion, +1.0%).

(Billion ¥)

		FY24	FY25	Difference	Growth rate	Impact of exchange rate
Orders		598.6	**617.8**	+19.2	+3.2%	+4.0
Sales		562.4	**604.8**	+42.4	+7.5%	+3.9
Operating income		83.5	**82.6**	(1.0)	(1.2%)	(1.8)
ROS(%)		14.9	**13.6**	(1.2pt)	—	—
Ordinary income		85.4	**84.3**	(1.1)	(1.3%)	(1.5)
Profit attributable to owners of parent		52.1	**58.1**	+6.0	+11.5%	(1.5)
Exchange rate	US$1=	¥152.55	**¥151.17**	(1.38)	—	—

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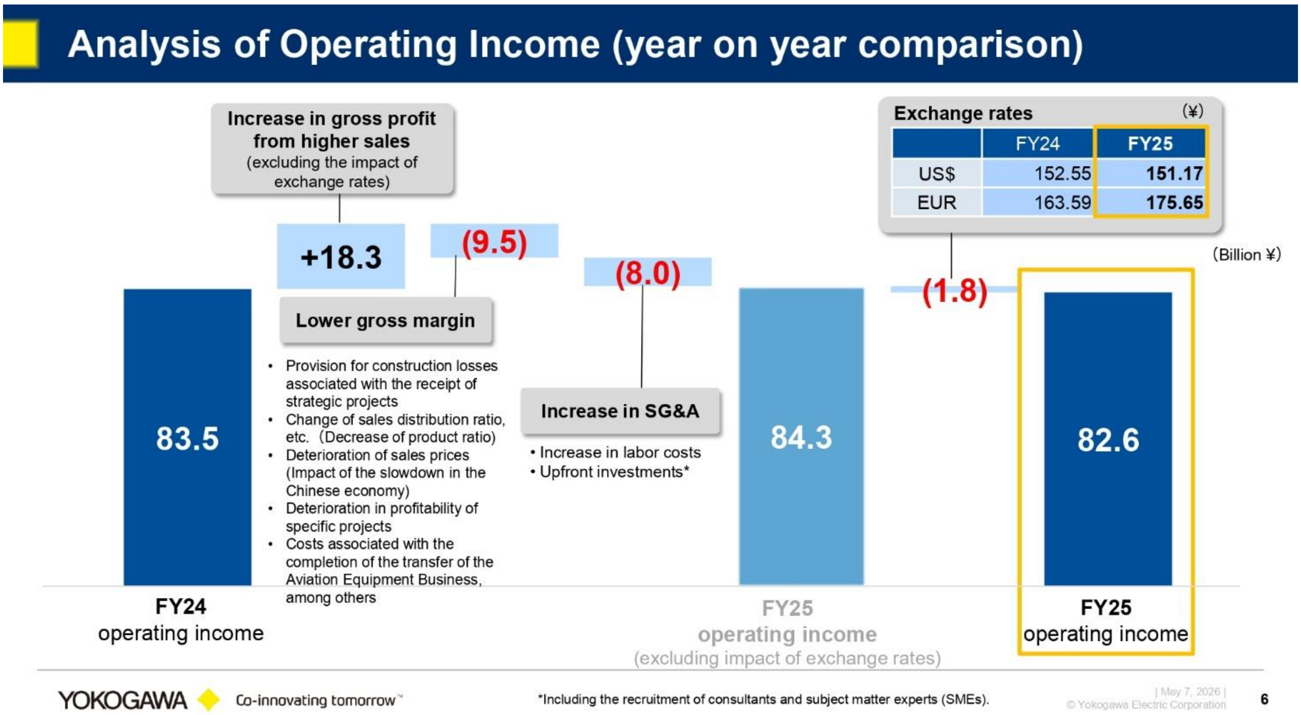
Page 5 shows a financial results summary.

Orders totaled JPY617.8 billion, an increase of JPY15.3 billion, or +2.5%, excluding foreign exchange effects. Sales amounted to JPY604.8 billion, a significant increase of JPY38.5 billion, or +6.8%, excluding foreign exchange effects. Operating income was JPY82.6 billion, down JPY1 billion from the previous fiscal year, but up by JPY0.8 billion excluding foreign exchange effects.

As for non-operating income and expenses, net income increased by JPY6 billion from the previous fiscal year due to a decrease in impairment losses and income taxes, despite the absence of gains on sales of fixed assets recorded in the previous fiscal year.

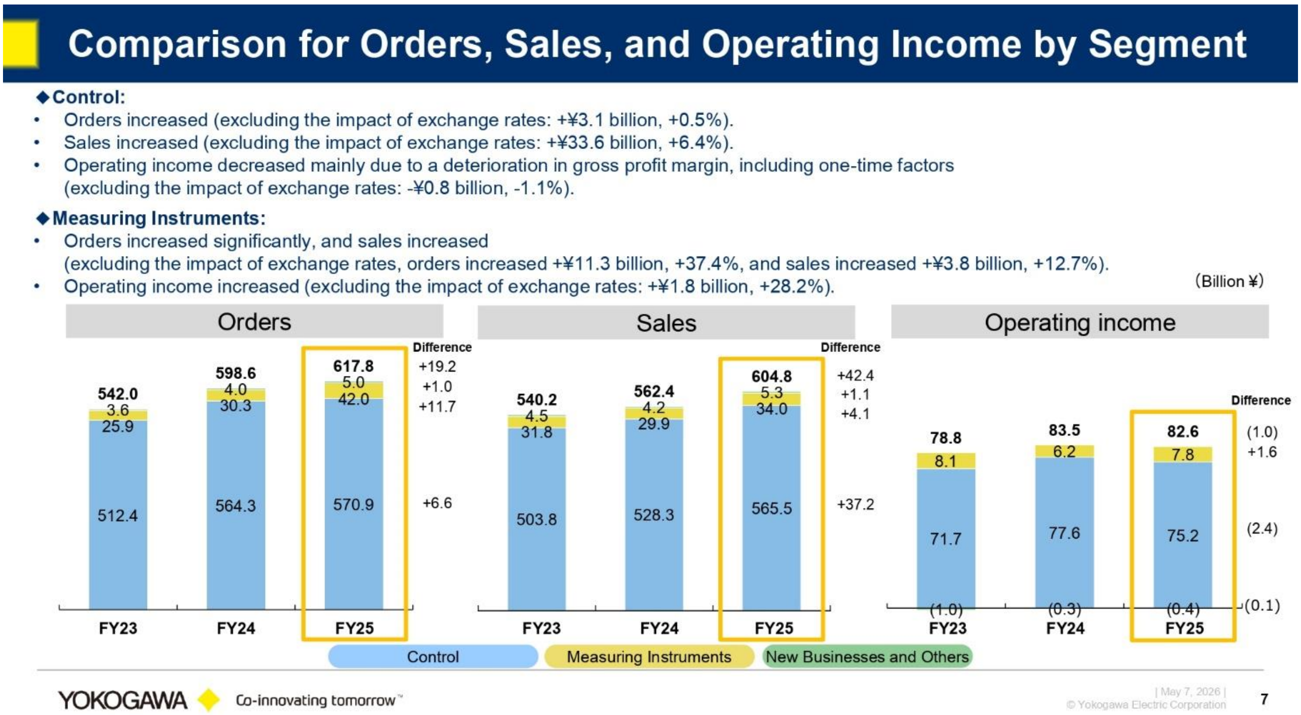


Page 6 shows an analysis of changes in operating income.

Operating income increased by JPY0.8 billion from JPY83.5 billion in the previous fiscal year, excluding foreign exchange effects. The breakdown of the increase and decrease is as follows: gross profit increased by JPY18.3 billion due to the increase in sales, while the deterioration of gross margin was a negative factor of JPY9.5 billion.

In addition to the nominal expansion resulting from the steady growth in sales from project business, which was anticipated in our initial annual plan, strategic price discounting in China in product business and the strengthening of strategic orders with construction losses in the project business, as well as a slight deterioration in profitability of individual projects, had an impact on the Company's performance.

The increase in SG&A expenses was JPY8 billion. This includes not only an increase in base costs such as higher labor cost levels due to inflation, but also upfront investment-type expenses, including the amortization of goodwill arising from companies acquired through M&A and the period expenses of the acquired companies themselves.



Page 7 shows orders, sales, and operating income by segment.

Regarding the Control business in blue, orders increased by JPY6.6 billion from the previous fiscal year, or +0.5% excluding foreign exchange effects. Sales grew by JPY37.2 billion, or +6.4% excluding foreign exchange effects. Operating income was minus JPY2.4 billion, and minus JPY0.8 billion excluding foreign exchange effects.

Next is the Measuring Instruments business in yellow. Orders increased by JPY11.7 billion from the previous fiscal year, representing strong growth of 37.4% excluding foreign exchange effects. This is due to a sharp increase in orders related to AI data centers since Q3. Sales increased by JPY4.1 billion compared to the previous fiscal year, representing a +12.7% increase excluding foreign exchange effects. The difference between the growth of orders and sales is due to the fact that the contribution to sales from the sharp increase in orders was limited in FY25. Operating income was up JPY1.6 billion, or JPY1.8 billion excluding foreign exchange effects.

For New Businesses and Others in green, there is no significant change from the previous fiscal year.

Orders and Sales by Region in Control Segment

- Despite a reactionary decline following large-scale orders in the Middle East in the previous fiscal year, orders increased, mainly due to the acquisition of large-scale projects in Japan.
- Orders: +¥3.1 billion, +0.5% (excluding the impact of exchange rates)
  Sales: +¥33.6 billion, +6.4% (excluding the impact of exchange rates)

(Billion ¥)

Orders	FY24 (A)	FY25 (B)	Difference (B-A)
Japan	**138.8**	**154.0**	**+15.2**
Asia	165.7	166.1	+0.4
(Southeast Asia, Far East)	79.2	81.0	+1.8
(China)	57.1	55.5	(1.6)
(India)	29.4	29.7	+0.3
Europe and CIS	60.6	60.8	+0.3
Middle East and Africa	131.3	117.7	(13.6)
North America	49.7	51.7	+2.0
Central and South America	18.2	20.5	+2.3
Outside Japan	**425.5**	**416.9**	**(8.6)**
Consolidated	**564.3**	**570.9**	**+6.6**
Exchange rate USD1$＝	¥152.55	¥151.17	(1.38)

Sales	FY24 (A)	FY25 (B)	Difference (B-A)
Japan	**135.5**	**151.5**	**+16.0**
Asia	173.5	164.2	(9.2)
(Southeast Asia, Far East)	81.0	79.8	(1.2)
(China)	64.0	56.7	(7.3)
(India)	28.4	27.7	(0.7)
Europe and CIS	52.6	63.6	+11.0
Middle East and Africa	96.8	115.3	+18.5
North America	50.4	51.6	+1.1
Central and South America	19.4	19.3	(0.1)
Outside Japan	**392.8**	**414.0**	**+21.2**
Consolidated	**528.3**	**565.5**	**+37.2**
Exchange rate USD1$＝	¥152.55	¥151.17	(1.38)

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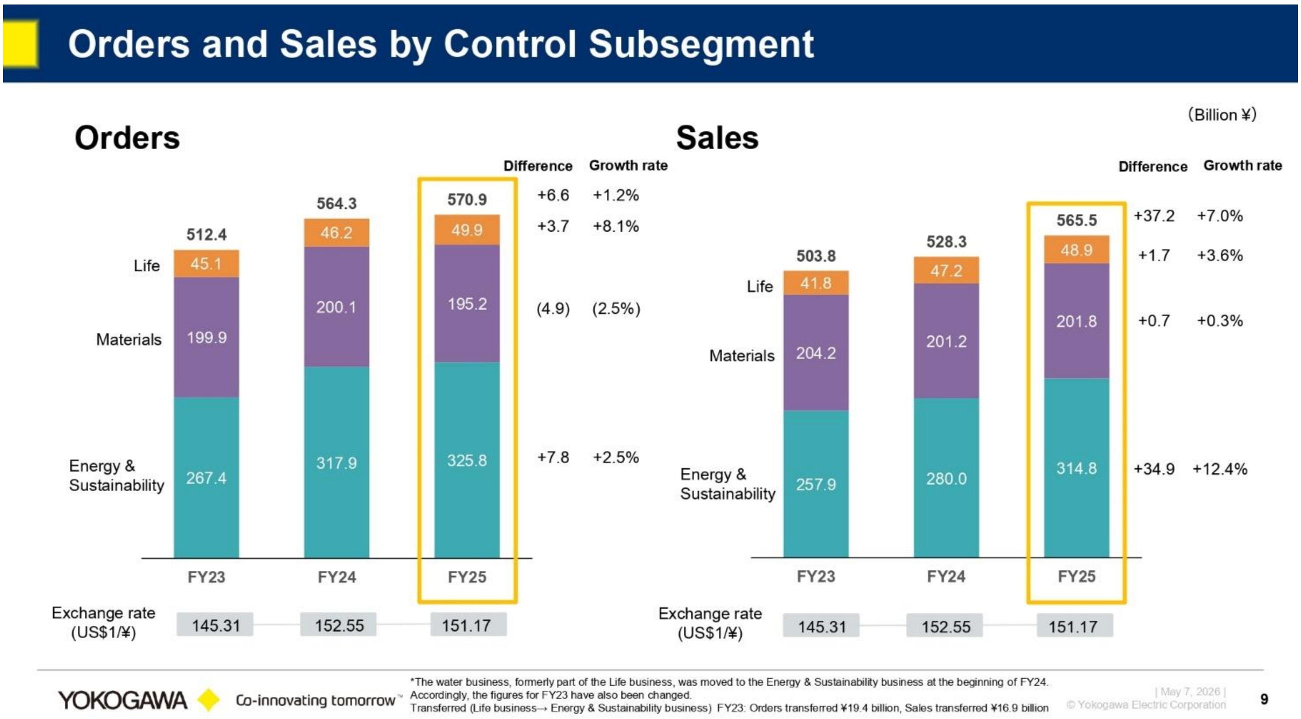
Page 8 shows orders and sales by region for the Control segment.

As for the orders on the left side, there was a reactionary decrease from the large projects in the Middle East that were intensively booked in FY24, but this was absorbed by the acquisition of several large projects in other regions and in Japan as well, resulting in an overall increase of 0.5%.

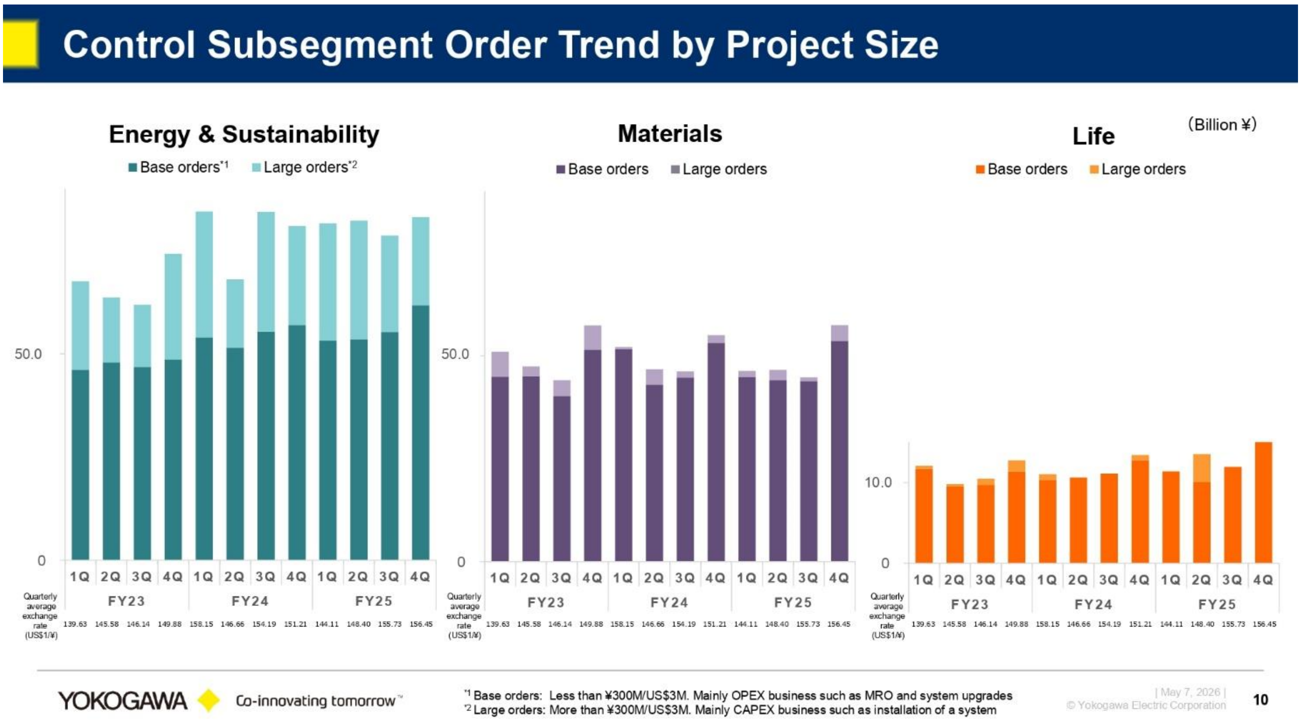


Page 9 shows orders and sales by industry in Control business.

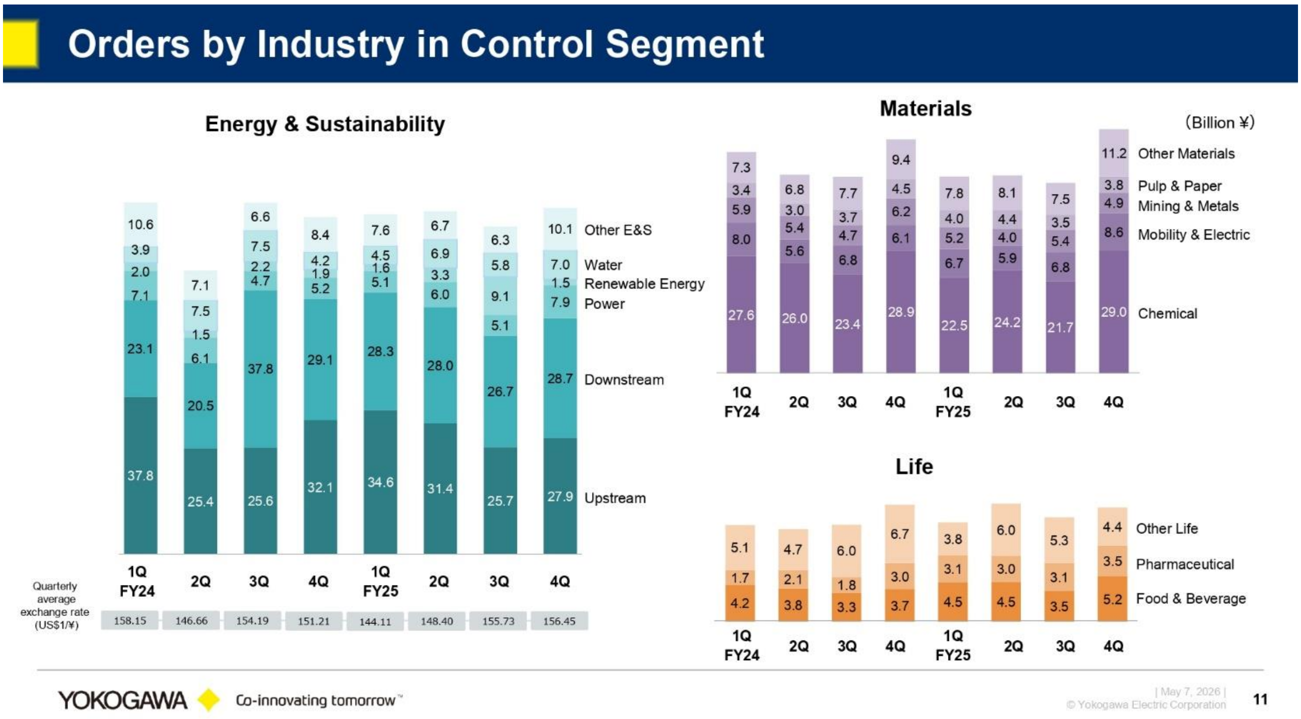
The graph on the left shows orders. The bottom line, Energy & Sustainability, shows an increase of JPY7.8 billion over the previous fiscal year, or JPY6.2 billion, or +2%, excluding foreign exchange effects. We had expected a negative result at the beginning of the year due to the concentration of large orders for Saudi Arabia in the previous fiscal year, but we received large orders in several regions overseas, led by the UAE. In Japan, we have also recovered by winning several large orders, including renewable energy projects. Base orders also remained strong.

Next, Materials in purple. This represents a decrease of JPY4.9 billion compared to the previous fiscal year; excluding foreign exchange effects, the decrease is JPY6.5 billion, or -3.2%. The prolonged economic slowdown in China has weakened investment in the chemical sector in a wide range of regions, including Japan, Korea, Southeast Asia and other neighboring regions in addition to China, as well as in Europe, which has strong economic ties with China. On the other hand, even within the same Materials business, although the percentage is not so high, orders from mobility & electronics customers, especially for semiconductor-related products, have been increasing in each region since the latter half of this fiscal year. The situation is a mixture of positive and negative factors.

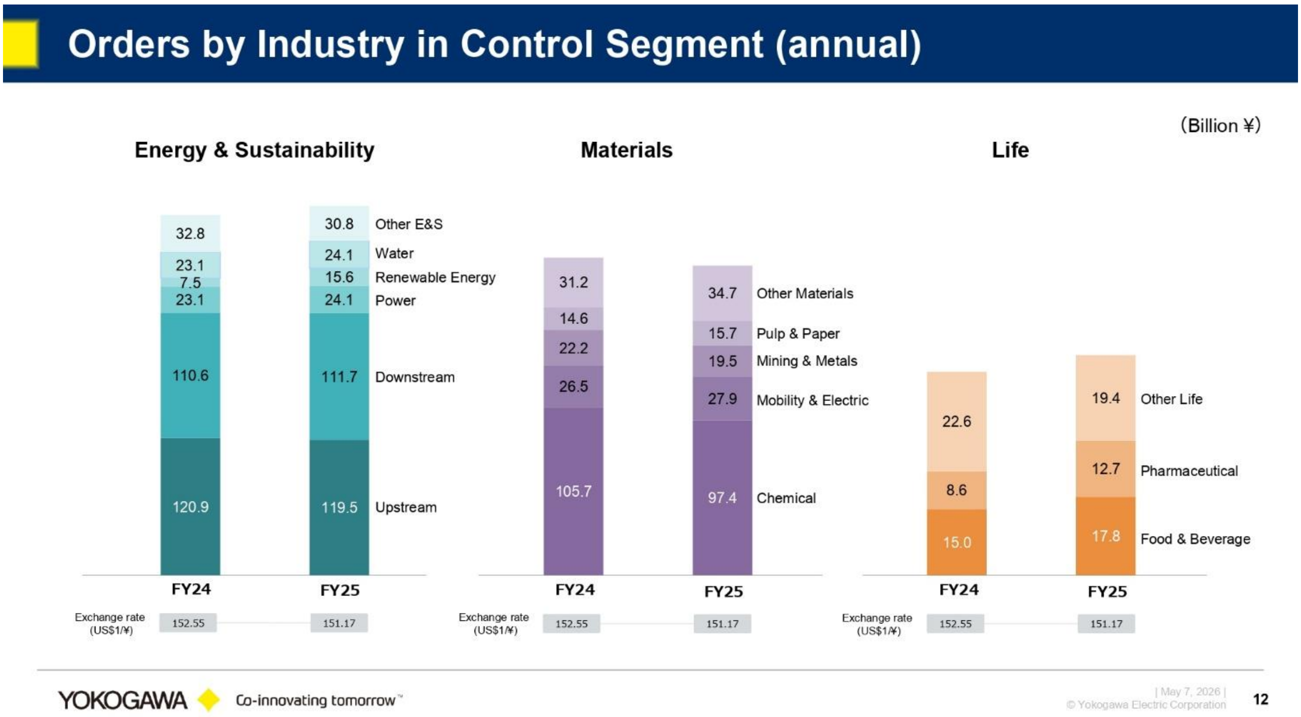
Next is Life in orange. This is an increase of JPY3.7 billion over the previous year, or JPY3.3 billion, +7.2% excluding foreign exchange effects. Although a large order for an urban greening project in the Middle East, which was recorded in Q2, boosted our figures, even excluding the impact of this order, orders from the food and pharmaceutical industries in Japan and from Europe and China in the life science field increased.



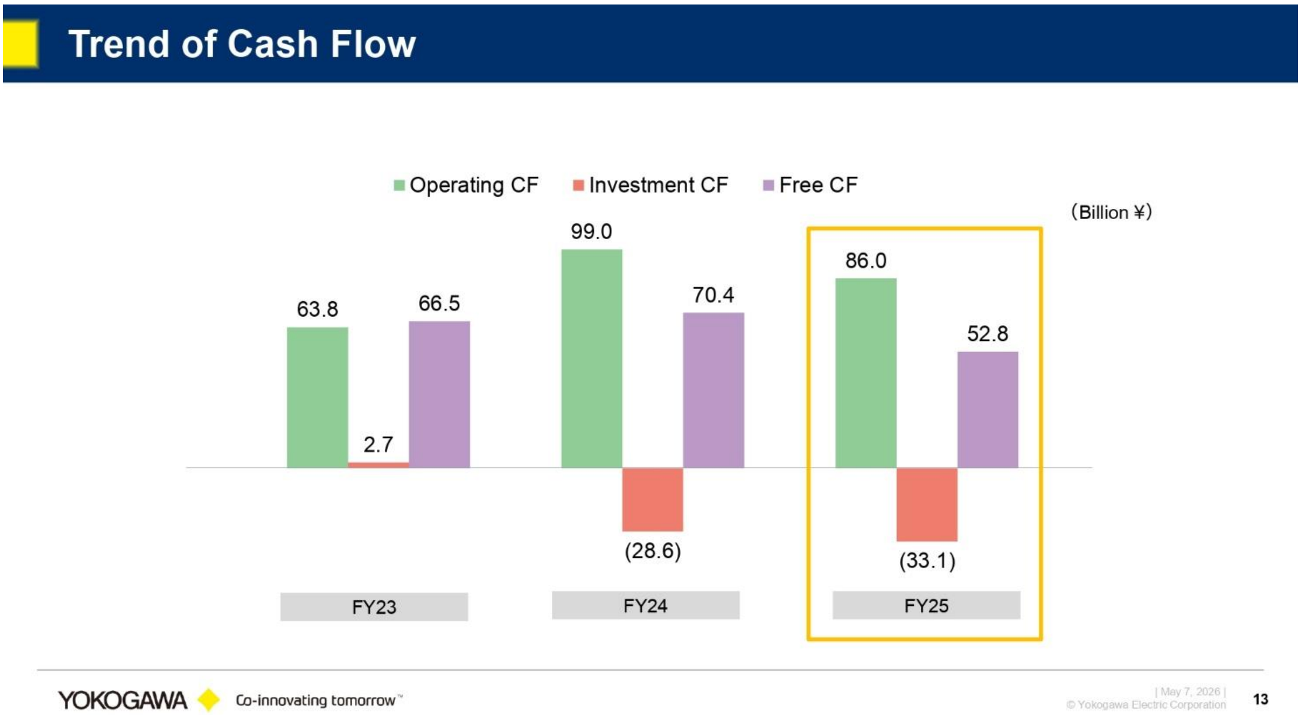
Page 10 shows the quarterly trends by industry segment, broken down into large and base orders.



Page 11 shows the same trends of industry segments, broken down into sub-segments below that.



Page 12 shows the annual results at the same level of detail as before. I will refrain from providing specific details.



Page 13 shows the cash flow.

Although operating cash flow appears to have weakened in FY25 due to a temporary boost in FY24 resulting from improved collection conditions and other factors, the reality is that cash generation has remained solid, with stable cash generation continuing.

FY26 Forecast

- While there are short-term concerns about the impact of the Middle East geopolitical situation, orders are expected to increase, supported by robust energy demand and a continued strong customer appetite for investment (excluding the impact of exchange rates: +¥31.3 billion, +5.1%).
- Sales are expected to increase, but growth will be limited after factoring in the impact of the Middle East situation.(excluding the impact of exchange rates: +¥14.2 billion, +2.4%).
- Operating income is expected to increase, mainly due to higher sales.

		FY25 (A)	FY26 forecast (B)	Difference (B-A)	Growth rate (B/A-1)	Difference (excl.forex)	Growth rate (excl.forex)
Orders		617.8	**645.0**	+27.2	+4.4%	+31.3	+5.1%
Sales		604.8	**615.0**	+10.2	+1.7%	+14.2	+2.4%
Operating income		82.6	**85.0**	+2.4	+3.0%	+3.0	+3.7%
ROS(%)		13.6	**13.8**	+0.2pt	–		
Ordinary income		84.3	**85.0**	+0.7	+0.9%		
Profit before income taxes		78.9	**85.0**	+6.1	+7.7%		
Tax, etc.		20.9	**26.5**	+5.6	+26.8%		
Profit attributable to owners of parent		58.1	**58.5**	+0.4	+0.7%		
EPS(¥)		227.72	**229.75**	+2.03	–		
Exchange rate	US$1=	¥151.17	**¥150.00**	(1.17)	–		

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*The Company has resolved to acquire its own shares (acquisition period: May 8, 2026 to September 30, 2026).
"EPS (yen)" in the FY26 forecast does not consider the impact of the acquisition of own shares.
Therefore, it may change depending on the status of the future acquisition of own shares.
For information on the acquisition of own shares, please refer to page 19.

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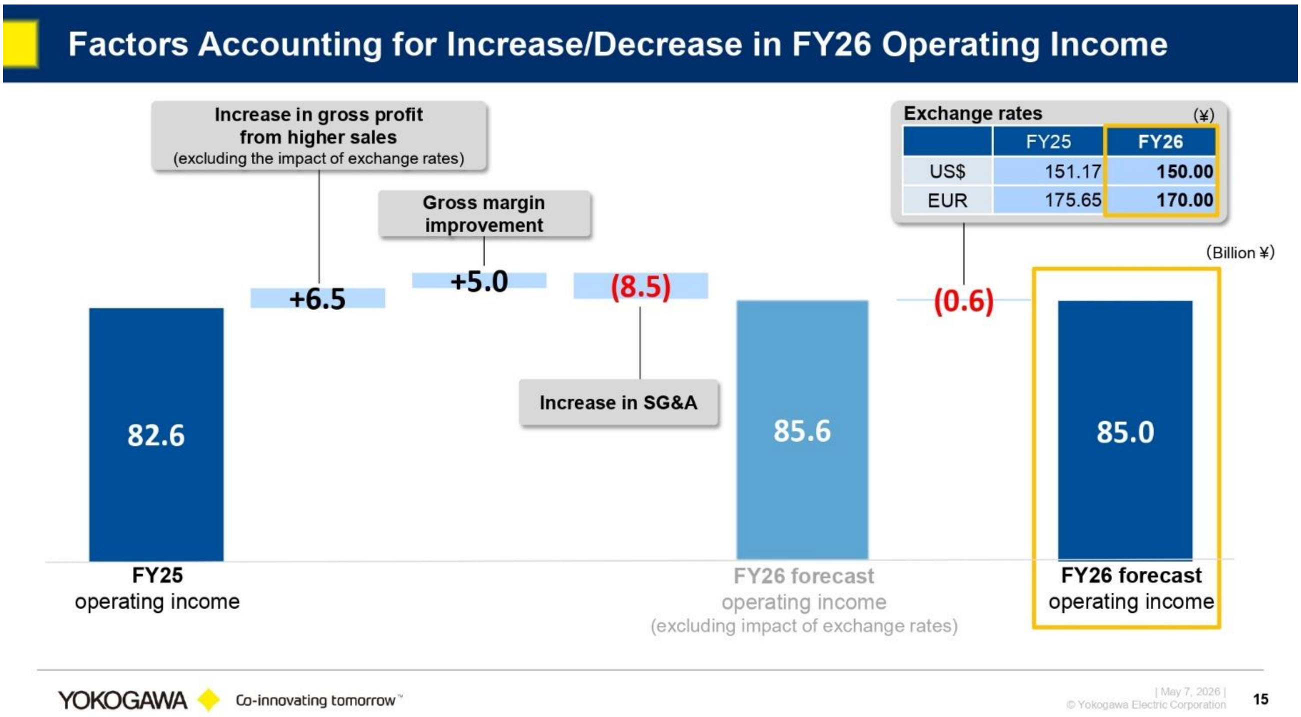
From page 14 onward, the slides are related to the FY26 forecast. The exchange rate has been set at JPY150 per US dollar, considering the current level of exchange rates.

Orders are expected to be JPY645 billion, representing a YoY increase of JPY31.3 billion, or +5.1%, excluding foreign exchange effects. In the short term, there are concerns that it may be affected by the Middle East situation, however, customers' appetite for investment remains strong against a backdrop of solid energy demand, and the renewed recognition of geopolitical risk should help strengthen investment from the perspective of ensuring a stable energy supply and enhancing supply chain risk tolerance.

Excluding foreign exchange effects, sales are expected to increase by JPY14.2 billion, or +2.4% YoY, reaching JPY615 billion. As I mentioned earlier, there are concerns about the short-term impact of the Middle East situation, and we expect orders to be weak until the situation in the Middle East stabilizes, which will have an impact on sales throughout the year, and we have factored this into our assumptions.

We plan to achieve an operating income of JPY85 billion, representing an increase of JPY2.4 billion YoY; excluding foreign exchange effects, this amounts to an increase of JPY3 billion. Net income is JPY58.5 billion, almost unchanged from the previous fiscal year.

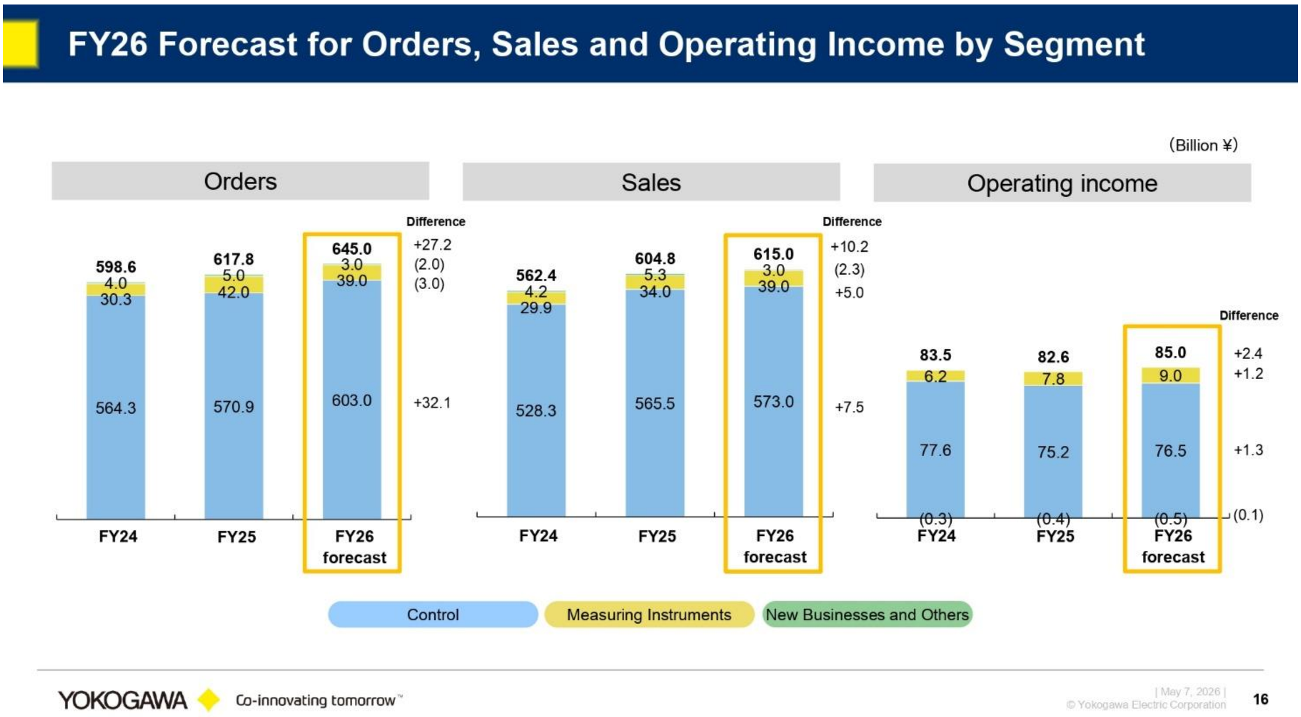
Regarding the business outlook presented here, our assumptions for a scenario in which the situation in the Middle East stabilizes are broadly aligned with the timeline of the reference scenario in the economic outlook released by the IMF in mid-April.



Page 15 shows the analysis of changes in operating income from the previous fiscal year.

Compared to JPY82.6 billion in FY25, the increase in gross profit is expected to be JPY6.5 billion due to an increase in sales, and the improvement in gross margin is expected to be JPY5 billion. As for gross margin, we expect an improvement due to the elimination of temporary factors that depressed gross profit in the previous fiscal year, growth in sales of measuring instruments, and the termination of production contracts in the Aviation Equipment business, etc. On the other hand, we have also factored in the deterioration in transportation costs, which have already become apparent due to the worsening situation in the Middle East, and the rising cost of parts.

SG&A expenses are expected to increase by JPY8.5 billion from the previous fiscal year, and this is reflected as a factor pushing down profits. In addition to the increase in base costs resulting from factors such as rising compensation levels, this increase also includes upfront investment costs—which encompass amortization of goodwill and other items related to M&A transactions completed in FY25, as well as the target companies' selling, general, and administrative expenses.



Page 16 shows orders, sales, and operating income by segment.

Excluding foreign exchange effects, Control is expected to grow +6.3% in orders, +2% in sales, and +JPY1.8 billion in operating income.

For Measuring Instruments, while we have factored in a YoY reactionary decline in orders, we expect sales to grow by 15.5% on the back of an abundant order backlog. Operating income is expected to increase by JPY1.2 billion, and JPY1.3 billion excluding foreign exchange effects.

In new business and others, orders and sales are expected to decrease due to the termination of production contracts in the Aviation Equipment business, but there will be almost no impact on operating income, which is expected to remain at the same level as the previous fiscal year.

FY26 Forecast for Control Orders and Sales by Region

(Billion ¥)

Orders	FY25 (A)	FY26 (B)	Difference (B-A)
Japan	**154.0**	**151.0**	**(3.0)**
Asia	166.1	182.0	+15.9
(Southeast Asia, Far East)	81.0	87.0	+6.1
(China)	55.5	59.0	+3.5
(India)	29.7	36.0	+6.3
Europe and CIS	60.8	61.5	+0.7
Middle East and Africa	117.7	120.0	+2.3
North America	51.7	62.0	+10.3
Central and South America	20.5	26.5	+6.0
Outside Japan	**416.9**	**452.0**	**+35.1**
Consolidated	**570.9**	**603.0**	**+32.1**
Exchange rate US$1 =	¥151.17	¥150.00	(1.17)

Sales	FY25 (A)	FY26 (B)	Difference (B-A)
Japan	**151.5**	**145.5**	**(6.0)**
Asia	164.2	172.5	+8.3
(Southeast Asia, Far East)	79.8	81.0	+1.1
(China)	56.7	58.0	+1.3
(India)	27.7	33.5	+5.8
Europe and CIS	63.6	62.0	(1.6)
Middle East and Africa	115.3	112.0	(3.3)
North America	51.6	59.0	+7.4
Central and South America	19.3	22.0	+2.7
Outside Japan	**414.0**	**427.5**	**+13.5**
Consolidated	**565.5**	**573.0**	**+7.5**
Exchange rate US$1 =	¥151.17	¥150.00	(1.17)

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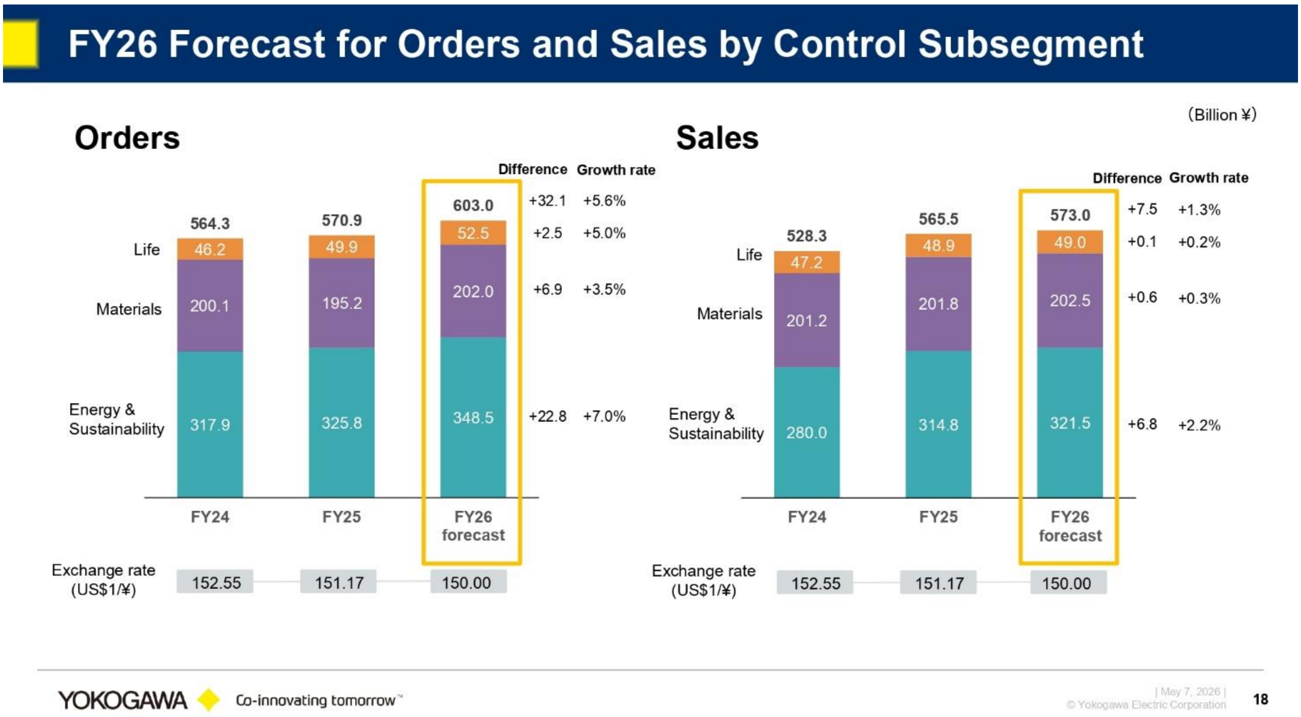
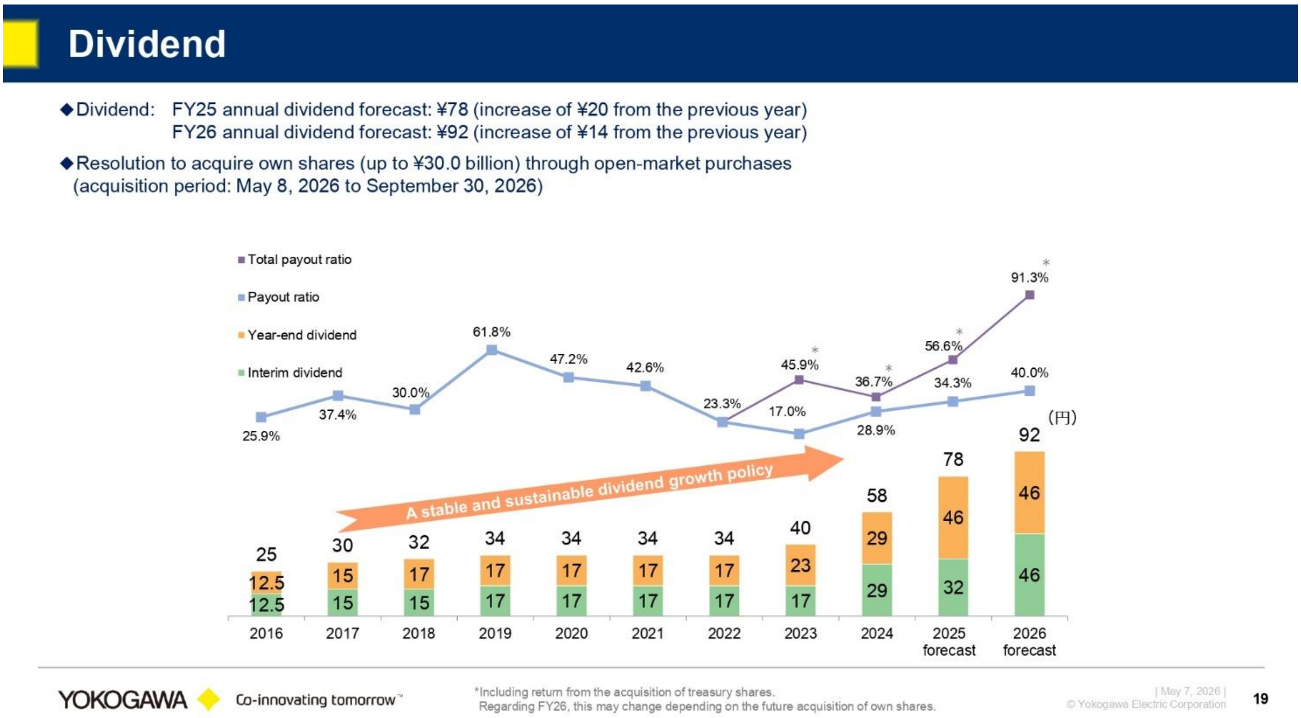
Page 17 shows orders and sales of the Control segment by region.

Regarding orders, although we assume a reactionary decline following the large-scale projects secured in Japan in FY25, total overseas orders are expected to increase by more than 9% excluding foreign exchange effects. In particular, we expect high growth in India, North America, and South America.



Page 18 shows orders and sales by Control subsegment.



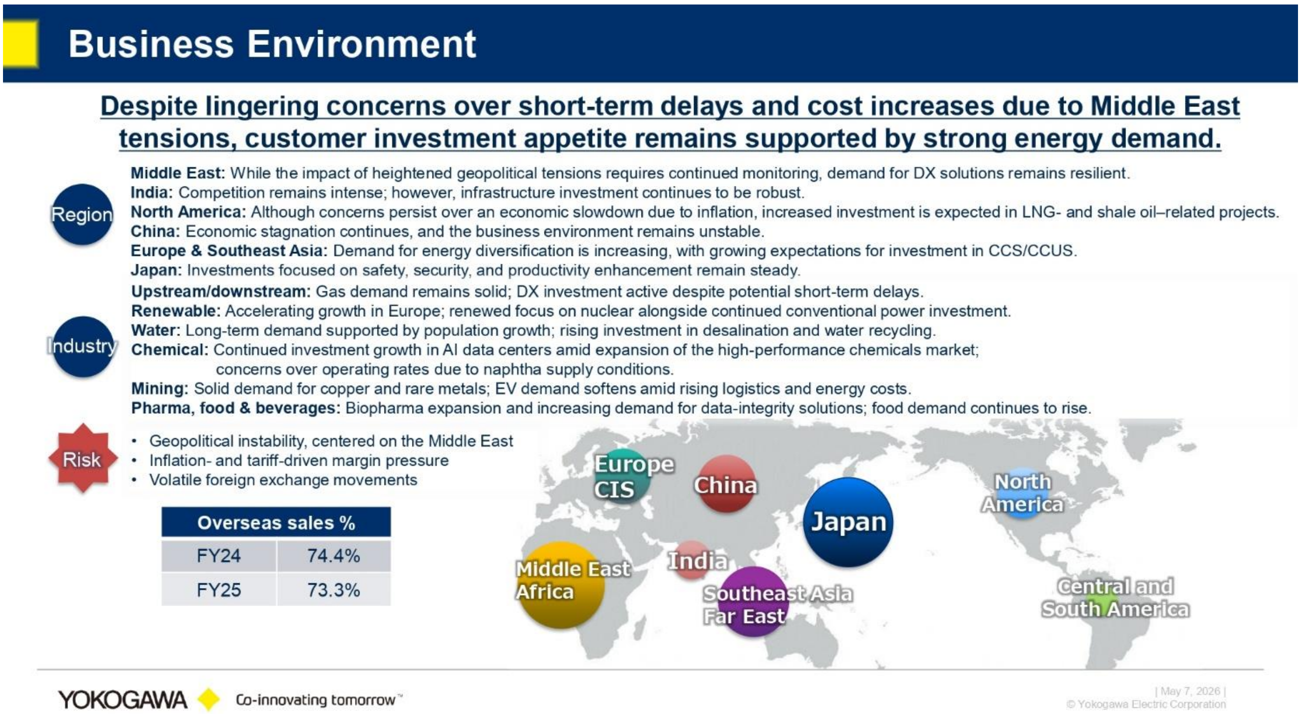
Page 19 shows shareholder returns.

For FY25, we plan to pay a year-end dividend of JPY46 per share, or JPY78 for the full year, as previously forecast.

The dividend forecast for FY26 will be JPY92 per share, or an annual dividend increase of JPY14 per share, which represents a payout ratio of 40%, based on the earnings forecast explained earlier.

In addition to this, the Company today resolved to repurchase its own shares. There is no change in our policy of prioritizing the allocation of funds for investment in growth, which is to make strategic investments of JPY100 billion or more during the first three years of the medium-term business plan until FY26. However, we have decided to implement the repurchase from the viewpoint of capital policy in light of the substantial improvement in cash flow generation compared to the assumptions made at the time the medium-term business plan was formulated. The total return ratio, including dividends and share buybacks, is expected to be 91.3%.

That is all from me.

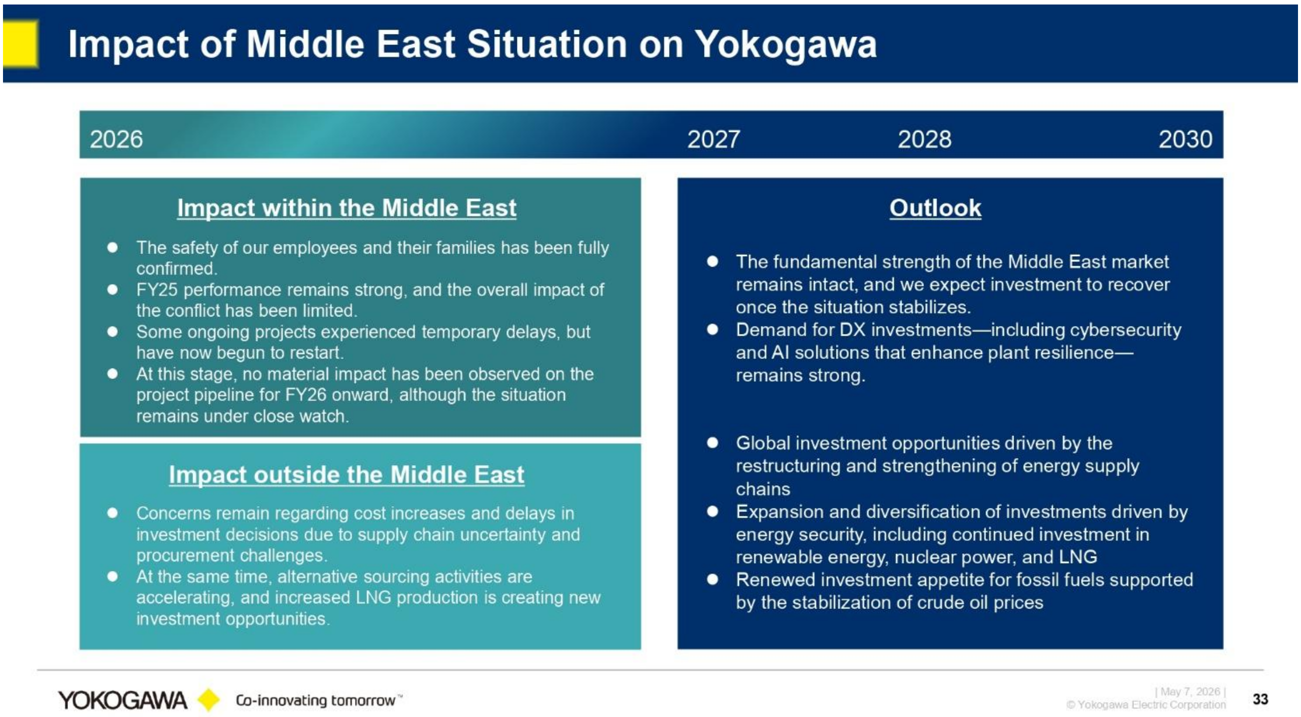


Shigeno: Hello, everyone. I am President Shigeno. I will now explain our mid-term management plan, Growth for Sustainability 2028, and the initiatives we are undertaking to achieve GS2028.

First is the perception of the business environment. In general, while concerns about short-term security risks and rising costs persist due to the escalating tensions in the Middle East, we believe that customer investment appetite will remain strong, driven by energy demand.

By region, demand continues to be strong, especially for gas-related areas, although the impact of the situation in the Middle East needs to be monitored closely. The Indian market also continues to show active investment trends. While economic stagnation continues in China, we expect firm market conditions to continue in Europe, Southeast Asia, and Japan, mainly due to investments aimed at energy diversification and productivity improvement.

I believe that your greatest concern is the impact of the situation in the Middle East, so I will focus on this issue this year and explain it on the next page.



The first is the impact in the Middle East region.

Fortunately, we have confirmed the safety of our employees and their families. In terms of business, the Middle East originally had a very strong FY24, so we were prepared for some backlash in FY25. However, FY25 continued to be strong. There was an impact at the end, but in general, the conflict did not have a significant impact.

Many of our customers are also operating in their plants. There were some stalls in some of the ongoing projects, but they too have begun to move. Damaged customers are also trying to move forward strongly while recovering.

Yokogawa is also providing maximum cooperation. At the affected plants, limited information is supplemented by on-site surveys, and a rapid and flexible response is implemented.

Since the beginning of April, we have received a large order from the UAE. This is not a reconstruction process. This is a large CAPEX investment for upstream that was in the pipeline. Although still unpredictable, at this time we have not seen any impact on the pipeline beyond FY26. We have factored in the short-term effects of the next few months or so, and while delays may be inevitable, we believe that a strong Middle East will definitely return in the second half of the year.

On the other hand, impacts are seen outside the Middle East. There are concerns about rising costs and delays in investment decisions due to supply chain uncertainties and difficulties in procuring raw materials. In Europe and Japan in particular, which rely on energy imports, soaring logistics costs are a serious issue. In Yokogawa's business, we will continue to pass on higher logistics costs and other costs through pricing.

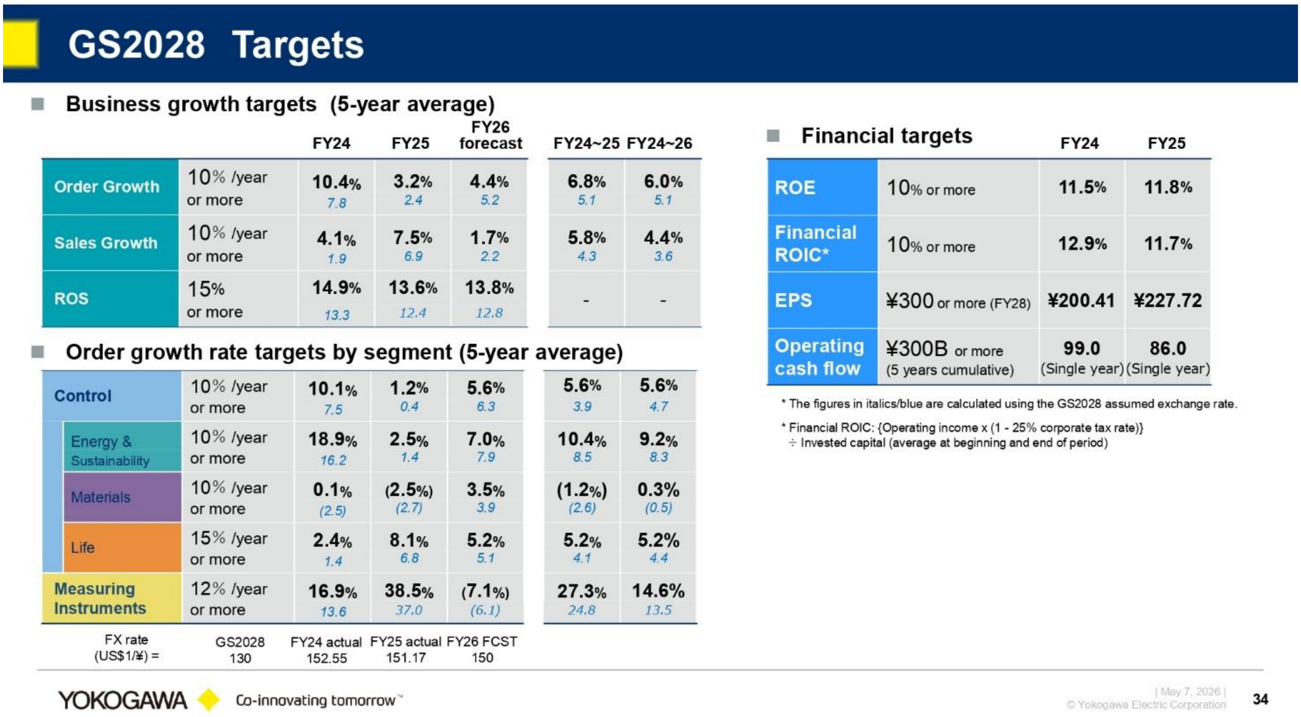
However, Yokogawa now does business globally. A pinch somewhere is always an opportunity somewhere. This is a tailwind for fossil fuel producing countries that are not directly affected, such as North America, Latin America, Africa, and Southeast Asia.

Europe and Japan also need to increase productivity even more than they do now in order to solve the problem of high costs. This is where Yokogawa's solutions are proposed. We will keep our antennae up all over the world and will not miss those opportunities to expand our business globally.

Against this background, we are also positive about the medium- to long-term prospects for the future. The Middle East has not lost its potential as an oil-producing country. Once the situation settles down, investments will surely be rather active to make up for lost time. The appetite for DX investments, especially in cybersecurity and AI, which enhance plant resilience, remains strong and is expected to continue.

We also believe that opportunities will arise to restructure and reshape energy supply chains around the world. For energy security, investments in renewable energy, nuclear power, and LNG will accelerate. In order to enable alternative procurement in a contingency, there will be some modification of facilities to accommodate the diversification of raw materials. Also, once the conflict subsides and oil prices stabilize, the appetite for investment in conventional fossil fuels will recover.

To reiterate, while concerns about short-term delays and cost increases due to the situation in the Middle East remain, we believe that, in the medium to long term, customer investment appetite will continue to grow in both the Middle East and other regions, driven by energy demand.



GS2028 Targets

Business growth targets (5-year average)

	Target	FY24	FY25	FY26 forecast	FY24~25	FY24~26
Order Growth	10% /year or more	10.4% *7.8*	3.2% *2.4*	4.4% *5.2*	6.8% *5.1*	6.0% *5.1*
Sales Growth	10% /year or more	4.1% *1.9*	7.5% *6.9*	1.7% *2.2*	5.8% *4.3*	4.4% *3.6*
ROS	15% or more	14.9% *13.3*	13.6% *12.4*	13.8% *12.8*	-	-

Order growth rate targets by segment (5-year average)

	Target	FY24	FY25	FY26 forecast	FY24~25	FY24~26
Control	10% /year or more	10.1% *7.5*	1.2% *0.4*	5.6% *6.3*	5.6% *3.9*	5.6% *4.7*
Energy & Sustainability	10% /year or more	18.9% *16.2*	2.5% *1.4*	7.0% *7.9*	10.4% *8.5*	9.2% *8.3*
Materials	10% /year or more	0.1% *(2.5)*	(2.5%) *(2.7)*	3.5% *3.9*	(1.2%) *(2.6)*	0.3% *(0.5)*
Life	15% /year or more	2.4% *1.4*	8.1% *6.8*	5.2% *5.1*	5.2% *4.1*	5.2% *4.4*
Measuring Instruments	12% /year or more	16.9% *13.6*	38.5% *37.0*	(7.1%) *(6.1)*	27.3% *24.8*	14.6% *13.5*

FX rate (US$1/¥) =	GS2028	FY24 actual	FY25 actual	FY26 FCST
	130	152.55	151.17	150

Financial targets

	Target	FY24	FY25
ROE	10% or more	11.5%	11.8%
Financial ROIC*	10% or more	12.9%	11.7%
EPS	¥300 or more (FY28)	¥200.41	¥227.72
Operating cash flow	¥300B or more (5 years cumulative)	99.0 (Single year)	86.0 (Single year)

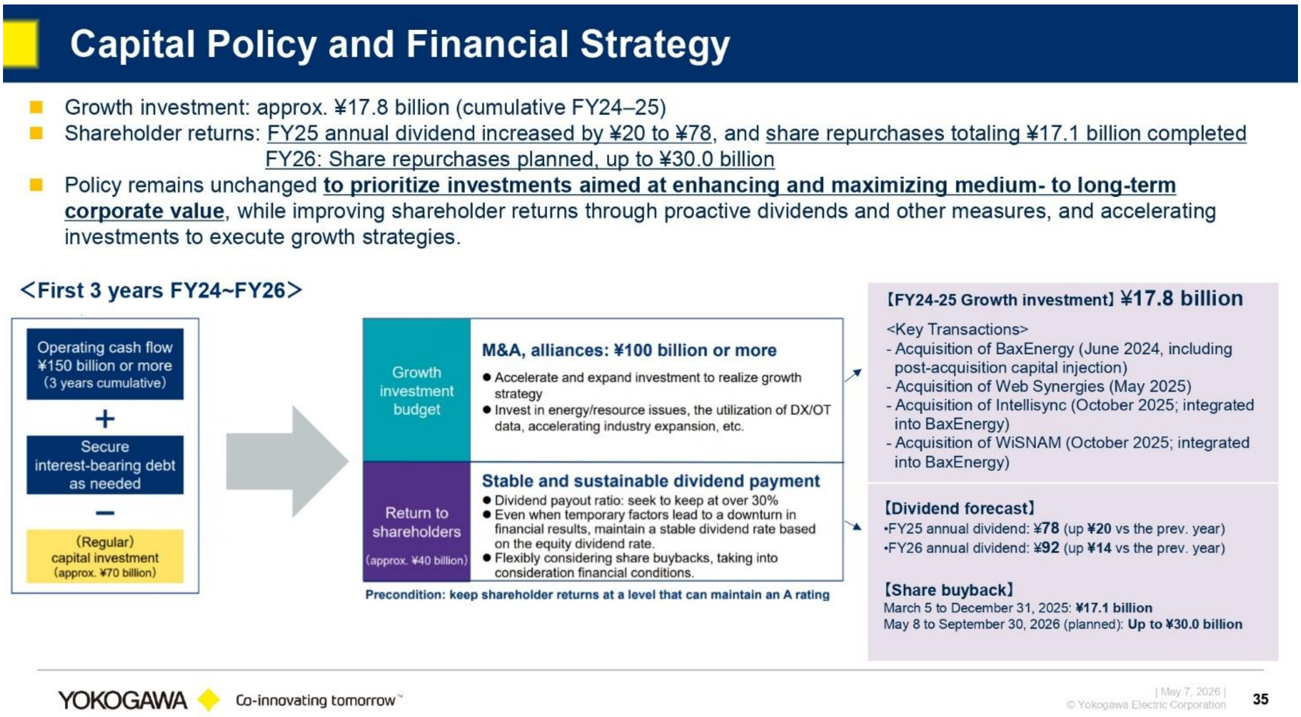
* The figures in italics/blue are calculated using the GS2028 assumed exchange rate.

* Financial ROIC: {Operating income x (1 - 25% corporate tax rate)} ÷ Invested capital (average at beginning and end of period)

Here are each indicator and target value we are aiming for in GS2028. I am showing side by side the FY25 results and FY26 forecast as explained by Nakajima earlier. In particular, I'd like to discuss our business growth targets here.

FY25's results were record highs in terms of orders and sales. However, in existing businesses, while the Measuring Instrument business grew significantly, the Control business, especially the materials business and the products business struggled due to the sluggish Chinese market and chemical industry. The growth rate from FY24 to FY26, including the forecast for FY26, is +6% for orders and +4.4% for sales, which is still far from the target of +10%.

This year marks the turning point of GS2028. Once again, to fill the gap, we will step up the execution of growth investments for the advancement of existing businesses and inorganic growth.



Continuing on, here are the results of our capital policy and financial strategy.

Cumulative growth investments in FY24 and FY25 totaled JPY17.8 billion. Unfortunately, we were not able to make today's announcement, but we are in the process of discussing several growth investments and M&A deals right now. We hope to have some kind of announcement in the near future.

In order to close the gap toward achieving GS2028, we would like to once again place the highest priority on allocating funds to investments that will enhance and maximize our corporate value over the medium to long term.

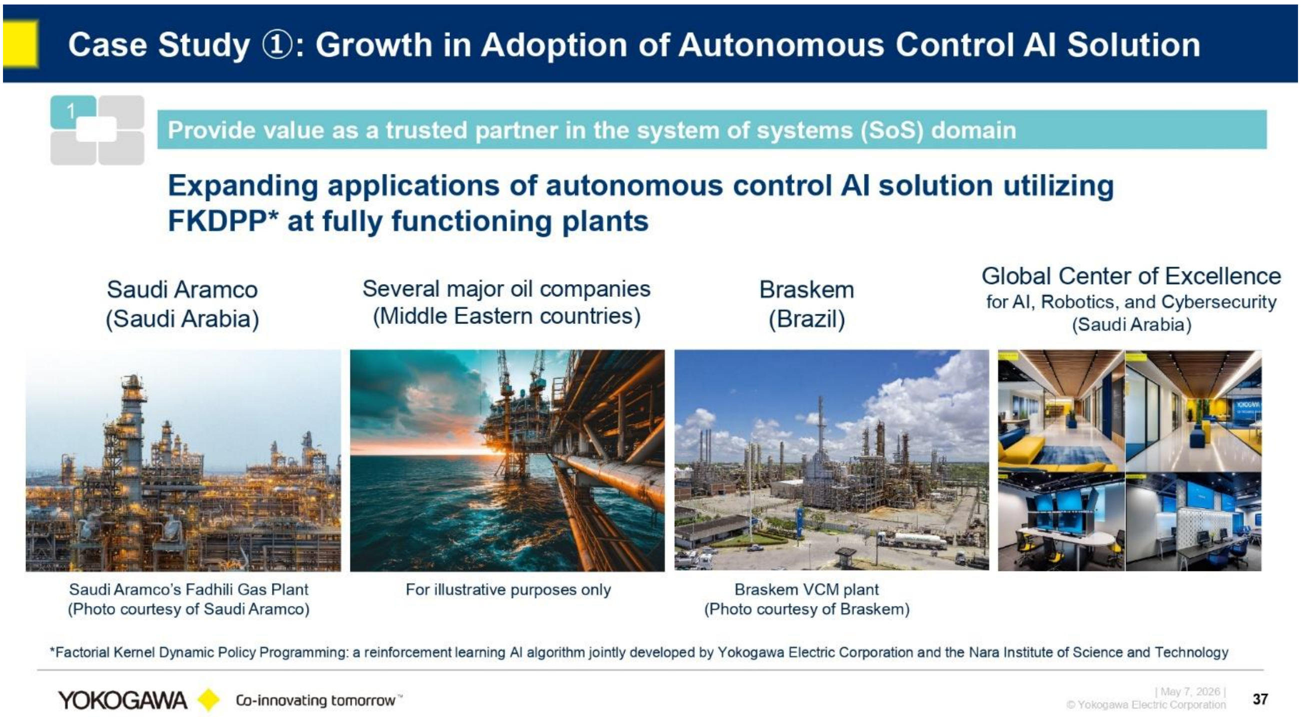
In terms of shareholder returns, we plan to increase the annual dividend by JPY20 to JPY78 in FY25. Furthermore, the annual dividend for FY26 is expected to increase by JPY14 to JPY92. In addition, from March to December last year, the Company repurchased a total of JPY17.1 billion in treasury stock. The Company plans to repurchase up to JPY30 billion of its own shares in the future. In parallel with investments in growth, we will continue to be flexible in terms of shareholder returns.

I will now explain the measures and initiatives we are implementing to achieve GS2028. These are three things I have been working on particularly strongly since I became president.

The first is to strengthen the front functions. We will develop new business close to the customer and from the customer's point of view. We will also establish a global CoE, Center of Excellence, close to the market to gather and enhance industry and OT know-how and deploy it globally. In addition, we will strengthen our local production capabilities to accommodate our customers' desire to respond to their needs in their own countries.

The second is to look at the business from a lifecycle perspective across the entire group. By leveraging our installed base, we will firmly earn our customers' reputation. This will steadily increase opportunities for OPEX proposals such as solutions and services. Even if the project is unprofitable at the time we receive the order, we will formulate a solid mid- to long-term strategy over the lifecycle of the project and grow together with the client as a trusted partner.

Third, the Company must be known as the Yokogawa of technology. What I strongly feel as president is the speed and level of technological innovation in the world. A new CTO position has been established to provide cross-sectional control over company-wide technology and promote product competitiveness. We will also clarify gaps and missing pieces between the ideal image and the growth strategy, and accelerate investments in growth such as in-house development, M&A, and alliances.



Here are some examples of FY25 initiatives. First, regarding AI.

As I indicated earlier, investment in AI and other DX has been very active in Middle Eastern countries even before the current conflict. Following Saudi Aramco, which we introduced at last year's Q2 results briefing, several major oil companies are now adopting Yokogawa's autonomous control AI solutions.

Of course, we have received a great response from many customers not only in the Middle East but also around the world. For example, Braskem, a major petrochemical company in Brazil, made an enthusiastic offer to work with us on the challenge of unmanned operation as soon as they learned of Yokogawa's track record in the AI solutions. We are currently working with the client to implement specifics.

The strength of Yokogawa's autonomous control AI solutions lies in the fact that we use FKDPP—the brain—and DCS or control systems—the body—to autonomously recognize and assess situations, and translate that into actual control actions, such as operating valves. Although not a robot in form, we are proud to say that this is exactly the type of physical AI that is currently attracting attention.

In the Middle East, we have opened a global Center of Excellence in AI, robotics, and cybersecurity, and a facility to promote co-innovation with our customers. We will expand the results here globally. We will steadily capture customers' expectations for AI and link them to future business expansion.

Case Study ②: Strengthening Industry Coverage

2 Strengthen industry responsiveness and expand cross-industry business

Contributing to energy security through renewable energy, nuclear power, and other energy sources

- Cosmo Eco Power Shimamaki–Kuromatsunai Wind Farm
  - An integrated solution has been adopted at Cosmo Eco Power's wind power generation facilities. This was developed by one of the two companies that were acquired in FY25 and integrated into BaxEnergy, which itself was acquired by Yokogawa in FY24.
  - End-to-end support from installation to operation, including Tesla battery systems

Shimamaki–Kuromatsunai Wind Farm proposed site
(Photo courtesy of Cosmo Eco Power Co., Ltd.)

- Strategic collaboration agreement with Rolls-Royce SMR
  - Provision of data processing and control systems (DPCS) for small modular reactor (SMR) program
  - Participation across the full lifecycle, including control system design, engineering, validation and certification, hardware, system integration and testing, installation, and commissioning

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Next, this is an example of strengthening industry coverage.

As I explained earlier, diversification and expansion of energy sources are being promoted around the world for energy security. Yokogawa acquired BaxEnergy in 2024, which has robust solutions for renewable energy, and acquired two more companies in 2025, integrating them into BaxEnergy.

The solution has now been adopted for Cosmo Eco Power's wind farm, a major project that includes the supply of Tesla storage batteries. In nuclear energy, we also signed a strategic collaboration agreement with Rolls-Royce SMR. The small modular reactor SMR is an area of great promise that is receiving renewed attention from an energy security perspective.

Please also allow me to introduce value creation through the utilization and cultivation of intangible capital.

Since last year, we have been gaining a foothold to strengthen our technical control, and this year we have officially established the CTO position. The CTO draws a growth curve for the next future from a technology perspective.

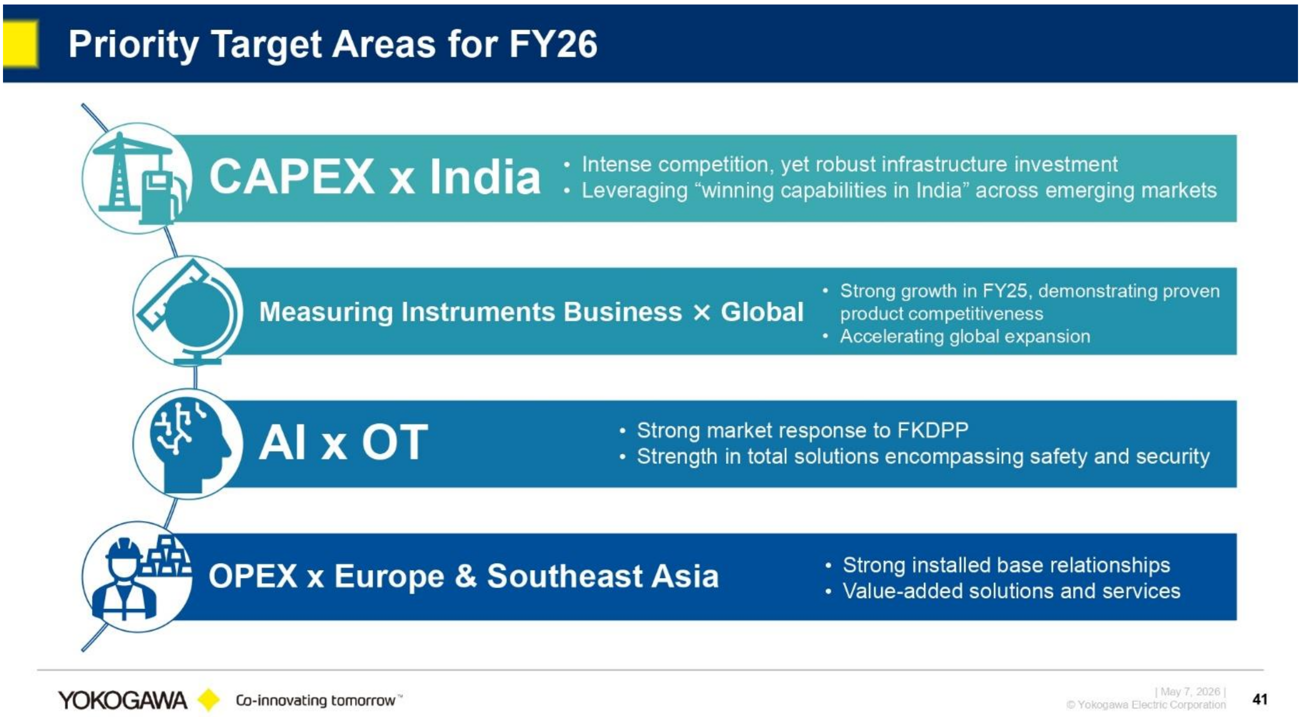
We will define a mid- to long-term technology strategy for the entire company, which will combine the sophistication of existing businesses with discontinuous growth. We will also use this strategy as a management and investment decision-making tool to focus resources on winning technologies.

We will communicate our vision internally and externally to show how Yokogawa's technology will change the future of industry. Ultimately, we aim for Yokogawa's technologies and portfolio to shape the future of our customers' roadmaps.

Technological innovations represented by AI have provided a unique opportunity to fundamentally review internal operations and structures. Technology transfer, human resource shortages, and efficiency improvement are longstanding issues for Yokogawa. The longstanding issue means that we cannot continue to do things the way we are doing now as an extension of our current approach.

Reforms are being implemented on a top-down, headquarters-led basis, focusing on areas where concrete, quantifiable effects can be achieved. In particular, we will not let AI remain merely a convenient tool; rather, we will take a flexible approach to expanding its scope of application. We will strongly promote organizational and functional transformation to improve profitability and achieve operations that accelerate growth even as the workforce shrinks.

We are transforming ourselves into a strong management foundation by realizing a new reality through zero reset, without being bound by the past.



Finally, I would like to explain the priority targets that we will focus on this fiscal year.

The first is to expand CAPEX business in India. India is a huge CAPEX market, second only to the Middle East, where infrastructure investment is booming as its population grows. Competition is tough, but if we do not develop a winning edge in India now, it will remain difficult to compete in emerging markets in the future. For example, in the area of products, we acquired a flow meter manufacturer in India in order to respond to Make in India. In addition to strengthening our product portfolio, we will also begin manufacturing Yokogawa products. We already have more than 1,300 engineers in India, including those for global projects, and we intend to double that number in the future. We will then use the power we gain there to expand into Africa and the Global South, as well as future emerging countries.

Second, further global expansion of the Measuring Instrument business. The Measuring Instrument business grew rapidly last year, capturing the demand associated with the construction of the AI data center. On the other hand, on a global scale, the areas where we have been able to expand are still limited. Since the competitiveness of our products has been proven, we will expand them globally. We will also continue to be aggressive in strengthening our portfolio.

Third, expanding the application of AI in the OT domain. This is as explained earlier. In particular, Yokogawa has strengths in OT and in providing total solutions that encompass plant safety and reliability. We will leverage these strengths as key differentiators and build up our track record.

Finally, OPEX expansion in Europe and Southeast Asia. Yokogawa has been growing its solution services business that are close to its installed base in the Japanese market, where new plants are rarely built. Similarly, we will strengthen our ability to propose OPEX solutions and services to customers in Europe and Southeast Asia—regions where we have a large and high-quality installed base—and drive business growth.

We will focus particularly on these four areas as key targets, identifying our ideal state, the gaps between that and our growth strategy, and the missing pieces, and accelerate growth investments through in-house development, M&A, and alliances.

"Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet." Although 2026 is unfortunately a year in which geopolitical issues have become more apparent, Yokogawa's stance remains the same. We will continue to fulfill our responsibilities hand in hand with our customers for the future of the earth.

We would like to ask for your continued support and encouragement.

That concludes my explanation. Thank you for your attention.

Question & Answer

[Q]: On the FY25 operating income variance, I understand that the deterioration in the gross profit margin came in about JPY 5.5 billion below your forecast from three months ago.

SG&A expenses also seem to be around JPY 1.5 billion below your previous outlook, bringing the total downside to roughly JPY 7.0 billion versus your forecast. Could you walk us through what changed compared with your assumptions three months ago?

Also, for FY26, you are expecting about JPY 5.0 billion year-on-year improvement from higher gross margins. Could you break this down, including factors such as the absence of one-off losses and headwinds like higher logistics and material costs? And could you also explain the drivers behind the roughly JPY 8.5 billion increase in SG&A expenses year on year?

Nakajima [A]: Starting with the variance versus three months ago, the biggest factor was that the decline in gross margin turned out to be larger than we had expected. This was mainly due to the impact of projects that we have been strategically pursuing. While these projects were already approved internally and progressing at that time, there was still some uncertainty around how many would actually be won. So in our previous forecast, we did not fully factor them in, assuming that their impact could be absorbed through sales growth to some extent. In the end, more of these projects were secured than expected, and as a result, items such as provisions for project losses materialized and weighed margins. We also saw a few cases where project profitability worsened after work had started, due to factors like design changes, which led to additional loss provisions.

As for SG&A, this came in about JPY 1.5 billion below our estimate from three months ago. This was not driven by any single factor, but rather by a buildup of items such as M&A-related costs incurred during the period and provisions for doubtful accounts on some overseas projects.

So overall, rather than a big change in assumptions, the difference mainly reflects the fact that uncertainties we had at the time became more visible in the numbers toward the end of the fiscal year.

For FY26, we have factored in around JPY 3.0 billion of downside risk from factors such as higher logistics costs and inflation. On the upside, we expect several improvements. First, the costs associated with strategic projects, which were concentrated in FY25, are expected to decline in FY26. We also do not anticipate the kind of project-specific profitability deterioration that we saw in FY25. In addition, the impact of U.S. tariffs, which was not fully passed through to prices in the first half of FY25, is expected to improve in FY26. We also expect a better product mix, driven by higher sales of Measuring Instruments, which should support margins. Finally, the termination of our Aviation Equipment-related contract manufacturing business, which had been operating at an essential break-even, is expected to lift the gross profit margin by around JPY 1.5 billion.

Shigeno [A]: The largest factor behind the decline in profits in FY25 was the impact of strategically secured projects. While orders themselves have been steadily accumulating, some of these projects carry an upfront burden in terms of profitability for the current fiscal year.

The backdrop to this is the increasingly competitive pricing environment we are facing year by year. Against this backdrop, we have been making decisions on a project-by-project basis, based on our fundamental approach of securing the installed base and then linking that to future services and solutions. Although this has had a short-term impact on profitability, we believe this is the result of deliberate and strategic decisions.

That said, going forward, we need to carefully assess how much return these projects are generating over the medium to long term. At the same time, our stance remains unchanged—we will continue to pursue projects we should take, while being disciplined and selective where necessary.

[Q]: Regarding the JPY 5.0 billion improvement in gross profit for the new fiscal year, is it correct to understand that you are factoring in around JPY 3.0 billion of downside from factors such as higher component prices and logistics costs, but expecting roughly JPY 8.0 billion of gross improvement, resulting in a net improvement of JPY 5.0 billion?

Nakajima [A]: Yes, that understanding is correct. We are factoring in approximately JPY 3.0 billion of downside, mainly from higher logistics and other cost increases. At the same time, we expect around JPY 8.0 billion improvements, driven by factors such as the absence of one-off items and improvements in the sales mix. As a result, we are looking at a net improvement of about JPY 5.0 billion.

[Q]: That was very helpful in understanding the qualitative impact of the situation in the Middle East.

That said, I understand it is difficult to fully isolate the quantitative impact, but could you give us a sense—within a reasonable range—of how much impact there was in FY25 in terms of orders, sales, and profit due to delays or slippage?

Also, for the new fiscal year, including the earlier discussion around the JPY 3.0 billion impact, could you share how much impact from the Middle East you are factoring in for orders, sales, and profit, respectively?

Nakajima [A]: As you pointed out, it is difficult to fully isolate the impact. However, compared with our assumptions as of February, I will limit my comments to cases in the Middle East where we can clearly identify slippage in orders or delays in sales attributable to the situation.

For FY25, we estimate the impact to be approximately JPY 5.0 billion in orders, around JPY 4.0 billion in sales, and about JPY 1.5 billion at the operating income level. Overall, these impacts are relatively limited in the context of our total business.

For FY26, we expect orders to be somewhat weak in the short term. However, assuming the situation stabilizes, we believe recovery can come relatively quickly, and therefore we currently expect the full-year impact on orders to be around net neutral. On the other hand, weaker orders at the beginning of the year, including the impact of percentage-of-completion accounting, are more likely to affect sales within the fiscal year. As such, we are factoring in an impact of approximately JPY 3.0 billion on sales. At the profit level, taking into account not only the impact on gross margin but also some offset from reduced activity levels, we are also assuming an impact of around JPY 3.0 billion at the operating income level.

That said, there are multiple scenarios regarding how the situation may evolve. We will continue to monitor developments during the year, refine our assumptions, and provide updates as appropriate.

[Q]: Regarding regions such as strengthening energy resilience and restructuring supply chains, should we think about the medium-term pipeline as trending upward rather than declining compared to before the deterioration in the Middle East situation? Could you share your thoughts on this?

Shigeno [A]: In regions such as strengthening energy resilience and restructuring supply chains, we are actually seeing an increase in inquiries and project opportunities. At this point, we do not have the view that our overall pipeline is declining.

That said, there is still uncertainty in the external environment, including geopolitical risks, so we are not taking an overly optimistic view and will continue to monitor the situation closely.

[Q]: Regarding the factors behind the change in operating income, you mentioned that in FY25 there were one-off costs associated with strategically securing so-called “challenge projects” with lower margins.

Could you clarify the extent of the negative impact on operating income from these factors? And for the new fiscal year, how much improvement are you factoring in as a reversal of this impact?

Nakajima [A]: For FY25, on a year-on-year basis, we recognize that this factor had a negative impact of slightly over JPY 3.0 billion on operating income.

That said, we do not expect this to be fully reversed in the new fiscal year, as this is a region we intend to continue reinforcing. Therefore, we do not assume that the entire amount will translate into an improvement. Based on our current view, we see a potential improvement of around JPY 1.0 to 1.5 billion year on year.

In practice, this will depend on the types of projects we secure during the year. We will continue to make careful decisions, including how to manage the cost impact when pursuing such opportunities, while closely monitoring the situation.

[Q]: Earlier, you mentioned some individual projects where costs were incurred due to redesign or similar factors. Could you give us a sense of the magnitude of those impacts?

Nakajima [A]: If we were to disclose the amounts for individual projects, there is a possibility that specific customers could be identified. So we would prefer to refrain from commenting on that.

[Q]: Is it correct to understand that these specific projects will not have an impact in the new fiscal year, and therefore are being factored in as a year-on-year positive?

Nakajima [A]: For the projects that became negative factors toward the end of the fiscal year, we have carefully reviewed their contents and are not assuming that similar issues will newly arise in the next fiscal year. That said, as is the case every year, there will always be some level of minor fluctuations in project profitability, so we maintain a certain level of risk buffer. However, we are not factoring in anything of a similar magnitude to what we saw this time into our assumptions for the new fiscal year.

[Q]: Regarding the JPY 30.0 billion share buyback announced this time, could you explain how you determined the size and timing of the program?

Also, in terms of funding, should we understand this as being partially funded by unused capacity within the JPY 100.0 billion-plus strategic investment framework, given that progress there has been somewhat limited so far, or was this decision made independently of that?

Nakajima [A]: This decision was not based on the idea of allocating delays in strategic investments toward the share buyback. While progress on strategic investments has been somewhat slower than initially expected up to FY25, our assumption remains that we will continue to execute and make up for this going forward.

As for the source of funds for the share buyback, it reflects a combination of factors, including our ongoing efforts to improve cash collection terms and enhance working capital efficiency, as well as stronger-than-expected profit and cash flow levels, partly supported by foreign exchange tailwinds.

Against this backdrop, we determined that it would be appropriate to return a portion of this excess capacity to shareholders, rather than continuing to accumulate it. This decision was made in consideration of our overall financial position.

[Q]: Do you have any plans to further disclose your thinking on the appropriate level of cash on hand and your overall cash allocation policy? Or should we consider that this has been sufficiently addressed in your explanation today?

Nakajima [A]: When we think about cash on hand, we look at it from two perspectives. One is the level required to ensure smooth day-to-day operations, and the other is what level is appropriate from a capital policy standpoint, including a risk buffer.

From an operational perspective, we believe that approximately 2.5 months of monthly sales in cash is sufficient to run the business. Even after the share buyback, we will still maintain a certain level of buffer above that. Looking ahead, if we decide to execute M&A transactions, we would utilize our cash on hand, while also considering the use of debt as needed.

From an overall capital efficiency standpoint, we take a somewhat conservative view on risk tolerance, also taking into account differences in scale compared to our global peers. Based on our risk simulations, we manage our financial position with the aim of maintaining an A credit rating even under various stress scenarios. On that basis, we believe that we still have sufficient capacity to execute the remaining strategic investments, and even to make additional investments if attractive opportunities arise.

[Q]: Could you walk us through your assumptions for orders and sales in FY26? While your opening remarks were generally positive about the market environment, your order assumptions appear fairly strong across regions, including Southeast Asia, China, India, as well as North and Latin America. Could you elaborate on the key drivers behind these strong order expectations in each of these regions?

On the other hand, looking at sales, you are assuming declines in Japan and Europe, and overall growth appears to lag behind orders. Could you also explain the reasons behind this?

Shigeno [A]: Let me start with our assumptions for orders.

For the Middle East, while we need to continue monitoring geopolitical risks, we believe that customer investment appetite remains strong, supported by underlying energy demand. In particular, our pipeline related to AI- and DX-driven solutions remains solid.

In India, although the competitive environment is intense, infrastructure investment is very active, and we have set relatively ambitious targets.

In North America, this has not necessarily been a strong market for us historically, but we expect energy-related investments—particularly in LNG—to continue expanding, which should provide us with a certain level of order opportunities.

In China, while the economic environment remains weak and somewhat volatile, we are starting to see early signs of a recovery.

In Europe and Southeast Asia, we expect investments related to energy diversification, as well in as areas such as CCS and CCUS.

In Japan, we expect stable investment to continue, particularly in areas such as safety, security, and productivity improvement.

[Q]: How about Latin America?

Nakajima [A]: In FY25, there were some large-scale projects where the timing of orders was postponed due to the impact of the situation in the Middle East. However, we have been informed that these orders are expected to proceed once the situation stabilizes, and we have incorporated such projects into our current outlook.

In addition, we see multiple opportunities in the pipeline, particularly in areas such as mining and energy. Taking these into account, we believe the overall level we are projecting is achievable.

[Q]: That helps clarify the outlook for orders. On the other hand, sales do not seem to grow as much relative to orders this fiscal year. Could you explain the reason behind this?

Nakajima [A]: For sales, we expect that the impact of the situation in the Middle East will lead to periods where customers take a more cautious stance. As a result, sales may be somewhat weak, particularly in the first quarter.

At the same time, if the situation stabilizes and investment recovers, we expect more project decisions to be made in the latter half of the fiscal year. This would lead to a scenario where orders come in first, while sales recognition is pushed back. As a result, we believe that this fiscal year is likely to show a relatively clear time lag between orders and sales.

[Q]: Regarding the Measuring Instruments business, performance has been strong recently, driven by demand from AI-related data centers. How do you view the sustainability of this growth going forward?

In your presentation, you also mentioned further growth potential through global expansion. Could you elaborate on your outlook for the Measuring Instruments business, including from a medium-term perspective?

Shigeno [A]: As you pointed out, the Measuring Instruments business is currently performing very well, supported by demand from AI and data centers. In particular, products such as optical spectrum analyzers and power analyzers are seeing strong growth.

At present, this growth is driven mainly by regions such as China, Japan, and the United States. However, there are still many regions where we have not yet fully expanded, so from a global perspective, we believe there is significant room for further growth.

In addition, we are looking to evolve beyond our traditional hardware-focused business toward providing solutions and higher value-added services.

From that perspective, we believe the Measuring Instruments business will continue to offer solid growth potential going forward.

[Q]: While there may not be clear numerical guidance at this point, is it fair to say that this is a business where we can continue to have positive expectations going forward?

Shigeno [A]: Yes.

[Q]: Regarding the Measuring Instruments business, your FY26 orders plan appears to be slightly lower year on year. Could you explain the background behind this?

Nakajima [A]: As you pointed out, we are committed to steadily growing the Measuring Instruments business. However, in our initial plan for the fiscal year, we have set a somewhat conservative order outlook, mainly due to constraints in our production capacity.

Specifically, it is not a situation where we can quickly increase output simply by adding equipment or personnel. In some areas, component procurement remains a bottleneck. Given the large number of parts involved, and the fact that some components have limited sourcing options, it is difficult to significantly ramp up production in the short term.

As a result, our initial plan reflects this level. That said, if we see improvements in our production capabilities during the year and determine that we can respond, we would look to capture additional orders.

[Q]: In the AI data center area, there is a view that the CPO market could expand significantly over the next few years. If CPO adoption accelerates, is it fair to assume that this would also significantly expand business opportunities for your Measuring Instruments business?

Shigeno [A]: Yes, we are optimistic about such market expansion and see it as a potential growth opportunity for our Measuring Instruments business.

[Q]: Regarding production capacity in the Measuring Instruments business, is it correct to understand that, over time, you will be able to build a structure that can accommodate market expansion?

Shigeno [A]: We have already taken steps to address production capacity. Looking ahead, we will continue to strengthen our production capabilities in line with expected demand growth, while also considering expanding our product portfolio as needed**.**

[Q]: Regarding the impact of the Middle East situation in your FY26 plan, is it correct to understand that you are factoring in an impact of approximately JPY 3.0 billion on both sales and operating income?

Nakajima [A]: Yes, we have factored in that assumption.

[Q]: Regarding gross profit margins, I understand that your FY26 plan includes approximately JPY 8.0 billion of upside factors, while also factoring in around JPY 3.0 billion of downside related to the impact of the Middle East situation. Could you elaborate on the components of these negative factors affecting gross margins?

Nakajima [A]: The approximately JPY 3.0 billion downside we are factoring into gross margins is essentially attributable to the impact of the situation in the Middle East.

For component prices, it is somewhat difficult to clearly distinguish how much of the increase is directly attributable to geopolitical factors versus general supply-demand dynamics. However, based on current conditions, we believe this is a reasonable estimate at this point.

As for logistics costs, we are seeing upward pressure due to tight transportation conditions around the Strait of Hormuz, as well as a shift in some cases from sea freight to air freight, which has increased costs.

We are incorporating these factors as part of the Middle East-related impact.

There may also be smaller fluctuation factors beyond these, but we intend to absorb those through ongoing efficiency improvements and cost optimization, and continue working toward achieving our plan.

[Q]: Regarding the impact of strategic pricing adjustments in China, I understand that there was still a negative impact in FY26. Given your comment that there are some signs of improvement in the business environment in China, is it fair to assume that these negative effects from strategic price reductions will no longer remain in FY26?

Nakajima [A]: In China, it is difficult to say that the overall situation is clearly improving, as conditions vary significantly by customer and by industry. For example, the chemical sector continues to face a challenging environment, while some sectors, such as electrical and electronics, are showing signs of improvement. Taking this mix into account, our plan does not assume an overall recovery in gross margins at this stage.

At the same time, we are working to carefully differentiate between segments where price increases can be implemented and those where further competitive pricing is still required. Overall, our assumption is to prevent any further deterioration, rather than expecting a full recovery at this point.

Shigeno [A]: In FY25 as well, the challenging environment continued, particularly against the backdrop of lower operating rates in petrochemical facilities. That said, we are starting to see some early signs of recovery.

On the product side, while strategic pricing adjustments temporarily weighed both sales and gross profit, they have helped improve our competitive positioning, and volumes are gradually recovering. Going forward, we believe the next step will be to translate this recovery into improved profitability.

In addition, in our Materials business, we are seeing new opportunities related to chemical recycling. We are also beginning to see signs of recovery in regions such as life sciences and measuring instruments.

[Q]: Regarding SG&A expenses, you mentioned that in FY25 they increased versus your initial plan, and for FY26 you are expecting a year-on-year increase of approximately JPY 8.5 billion. Could you break down the main drivers of the increase for each period?

Nakajima [A]: Starting with FY25, the increase versus the initial plan was mainly driven by goodwill amortization associated with M&A transactions completed during the year, as well as the inclusion of SG&A expenses from the acquired companies. In addition, more recently, we recorded provisions for doubtful accounts related to certain overseas projects, which also contributed to the increase. Beyond these factors, we are also seeing a gradual impact from inflation, particularly in personnel costs.

Turning to FY26, of the approximately JPY 8.5 billion increase, around JPY 4.5 billion is attributable to higher base costs, mainly personnel-related expenses. The remaining portion mainly reflects the full-year impact of M&A executed in FY25, including goodwill amortization and SG&A from acquired entities, as well as upfront investments such as personnel allocation and spending to strengthen growth regions. Taken together, these account for roughly JPY 3.5 billion. Including other smaller factors, the total increase amounts to approximately JPY 8.5 billion.

[Q]: Regarding your autonomous control AI solution using FKDPP, I understand that it is currently centered on pilot projects and proof-of-concept initiatives. How do you envision monetizing this going forward?

Shigeno [A]: For FKDPP, we have already confirmed tangible results in multiple actual plants, and we are now transitioning from the demonstration phase to full-scale implementation and broader rollout.

Our strength lies in our ability to provide not only AI itself, but also an integrated offering that includes control, safety, and security within the OT domain. Given the high barriers to entry in this region, we believe this is a field where we can demonstrate a clear competitive advantage.

In terms of the business model, rather than a one-off sales approach, we are aiming to build a recurring sales model.

[Q]: Regarding solution businesses including FKDPP, how do you plan to disclose details such as sales contribution or mix going forward?

Shigeno [A]: Rather than presenting FKDPP as a standalone sales item, we believe it should be positioned as part of the broader solution and service offering, representing a new form of value creation.

Accordingly, when it comes to sales contribution, we intend to consider how best to present this within the context of the overall expansion of our solution and service business.

[Q]: Regarding orders by control business model, solution services orders grew significantly in FY25, up 18.8% year on year. Could you elaborate on what types of solutions or services contributed to this growth? Also, should we view this growth as sustainable going forward, or were there any one-off factors in FY25?

Nakajima [A]: For FY25, solution services orders were supported significantly by a large project in Japan related to renewable energy, which contributed at a relatively high level. This project is categorized under our solutions business, but we recognize that it includes a one-off element. While we have not disclosed the exact figure, you can consider that it contributed slightly over JPY 5.0 billion to the increase.

Shigeno [A]: From a strategic perspective, our direction remains unchanged—we aim to expand high value-added solutions and services, starting from our installed base.

Within the solutions domain, the L3 layer has been expanding and is becoming a key growth driver. On the other hand, the L4 layer remains a region where challenges still exist.

In addition, DX proposals based on SIRI (Smart Industry Readiness Index) increased by approximately 1.5 times in FY25, and our cybersecurity business continues to grow at around a 20% CAGR.

On the services side, we are seeing continued double-digit growth globally, driven by combining maintenance contracts with higher value-added services.

Over the medium to long term, we aim to increase service sales to around 30% of total sales.

[Q]: Regarding the Measuring Instruments business, I understand that instruments for optical transceivers have been performing well recently. Among your peers, there has been growth in orders and sales of products supporting 1.6T. Is it fair to assume that orders for your 1.6T-compatible products are also increasing?

Nakajima [A]: I'm sorry, but we do not have the information available to provide a clear answer on that at this moment, so I would prefer to refrain from commenting in detail.

We will review the facts internally and aim to provide a more comprehensive explanation at a future opportunity.

[END]

Disclaimer