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**Yokogawa Announces *Growth for Sustainability 2028* Medium-term Business Plan
- Approaching business from an ESG perspective and picking up the pace of efforts to
enhance social and corporate value in alignment with Yokogawa's Purpose -**

Yokogawa Electric Corporation (TOKYO: 6841) announces the formulation of *Growth for Sustainability 2028* (GS2028), a new medium-term business plan for the period ending fiscal year 2028.

In fiscal year 2021, Yokogawa fundamentally revised its long-term business framework and announced the *Accelerate Growth 2023* (AG2023) medium-term business plan with the aim of achieving sustainable growth through the provision of shared value to society. For the three-year period ending with fiscal year 2023, Yokogawa worked to establish a business structure centered on addressing broad social issues, with the aim of realizing its vision for where it wishes to be as a company in the year 2030. Under the new *Growth for Sustainability 2028* medium-term business plan commencing this fiscal year, the company will pick up the pace of its efforts to achieve a transformation that will enhance social and corporate value based on an environmental, social, and governance (ESG) business approach and the industry-oriented business structure that was established under AG2023.

Long-term Business Framework

Yokogawa's long-term business framework was fundamentally revised when AG2023 was being drawn up, and no major revisions have been made this time. The same Vision statement outlining where Yokogawa wishes to be in 2030 has been carried over to GS2028.

Vision statement

Through autonomy and symbiosis, Yokogawa will create sustainable value and lead the way in solving global issues.

Value provision to customers

The world is now in an age where everything is ever more intricately connected. In this system of systems (SoS) world, where independently operated and managed systems connect to form a larger system that delivers synergies and emergent value, Yokogawa will promote effective connections and enable overall optimization through integration, autonomy, and digitalization. The company will lead the way forward and achieve this through its IA2IA^{*1} and smart manufacturing^{*2} approaches.

- *1 An initiative to promote the evolution from industrial automation to industrial autonomy (IA2IA) by incorporating DX enablers such as AI, digital twins, and robotics
- *2 The achievement of autonomy and improvement of productivity in production operations, enterprises, and supply chains through DX and IA2IA

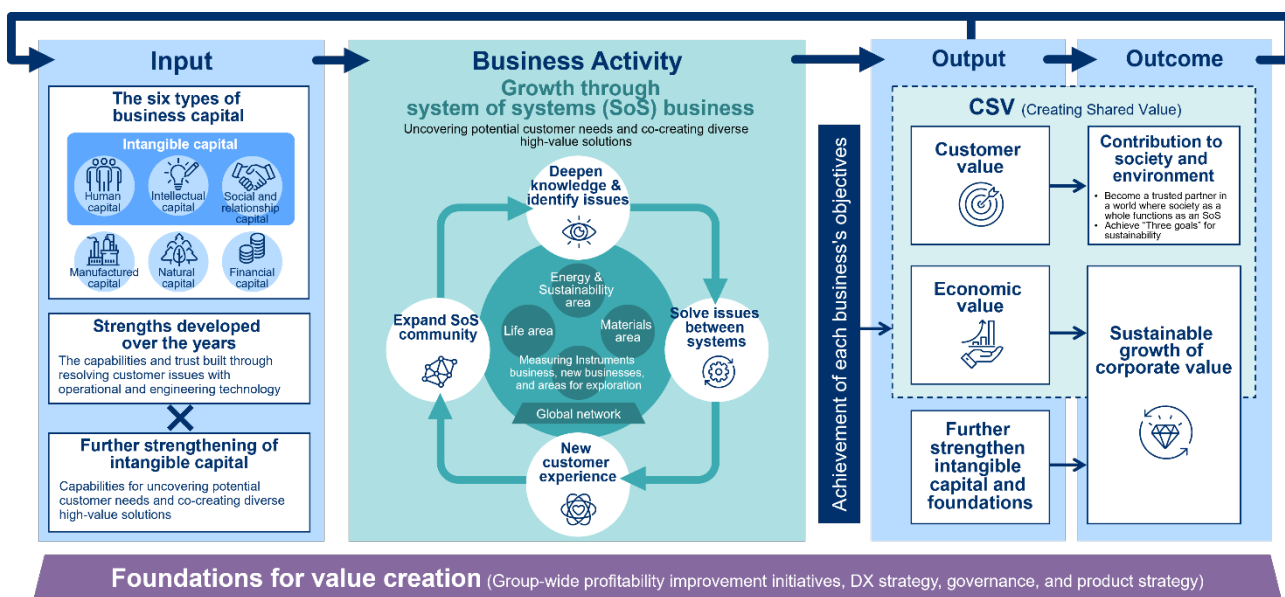
Growth for Sustainability 2028 Medium-term Business Plan

The starting point for GS2028 is Yokogawa’s Purpose, which states, “Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet.”

Value creation process

In line with Yokogawa’s Purpose, the company has defined the following value creation process for achieving the goals of its medium-term business plan:

“Based on the strengths and the trust that have been built up over the years by solving operational technology (OT) issues for our customers, we will leverage our human capital and DX-enabling technologies to co-create diverse high-value solutions in SoS-related businesses. We will utilize the strong trust-based relationships with customers, know-how, human resources, and other forms of business capital enhanced through this process to achieve our business aims.”

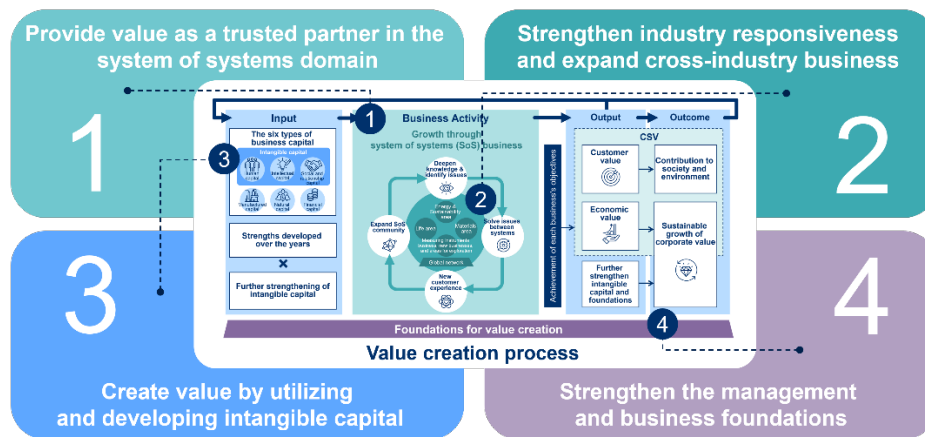


Yokogawa’s value creation process

Basic strategies for value creation

To realize the vision for 2030 defined in Yokogawa’s long-term business framework, and to achieve the aims of the value creation process described above, the company has formulated four basic strategies to be carried out over the five-year period ending with fiscal year 2028. The overview of each basic strategy is below.

Growth for Sustainability 2028



Four basic strategies of Growth for Sustainability 2028

1. Provide value as a trusted partner in the system of systems domain

To deliver value through SoS, Yokogawa takes a two-pronged approach: IA2IA and smart manufacturing. By leveraging the know-how, experience, and advanced technological capabilities that have been accumulated at numerous manufacturing sites, the company will deliver value through strategic consulting and seamless integration.

2. Strengthen industry responsiveness and expand cross-industry business

In response to customers who are seeking to improve production efficiency and stabilize their production operations, Yokogawa will strengthen its ability to provide integrated IT/OT solutions to targeted industries. At the same time, the company will work to grow its business by addressing issues in areas such as quality control and facility management that are common concerns in every industry. To support customer DX, Yokogawa will expand on its strengths in field instruments and control systems to also offer solutions that include MES, ERP, and other upper-layer systems.

The company will also enhance the solutions provided to customers who are adapting their business operations in response to a changing business environment and evolving market needs.

3. Create value by utilizing and developing intangible capital

Yokogawa will focus on utilizing its human capital, intellectual capital, and social and relationship capital. These three types of intangible capital contain hidden strengths that have been built up over the years, such as the ability to create value, empathize, identify issues, and connect to stakeholders. The company will make use of these strengths to spur growth.

4. Strengthen the management and business foundations

The company will work to strengthen the management and business foundations that support Yokogawa's value creation process.

- Group-wide profitability improvement initiatives: The company will generate and allocate strategic resources, optimize operations, and optimize its management foundations.
- DX strategy: Based on its global IT foundation, the company will promote internal DX measures to improve the customer experience, partner experience, and employee experience.

As for external DX, with the overall aim of shifting to a recurring revenue business model it will actively apply the know-how cultivated in the OT field to develop applications and services that utilize Yokogawa Cloud.

- Enhancement of corporate governance: Yokogawa will transition from “a company with a board of auditors” to “a company with a nominating committee, etc.” This will clarify the division of supervisory and execution roles, improve the efficiency of decision-making processes, clarify responsibility for the achievement of business decisions and business plans, strengthen auditing functions, and improve efficiency.

Business Strategies in GS2028

In fiscal year 2021, Yokogawa transitioned to a structure that is based on industry-oriented business segments, and established a system for expanding its business through global collaboration. These business segments are based on the businesses that customers are engaged in and center on issues that need to be resolved in order to realize a sustainable society.

The main strategies and policies of each business segment aim for growth in specific business areas while also connecting to the business focus areas and activities of the six contribution areas that have been defined based on Yokogawa’s Three Goals for sustainability.

Energy & Sustainability

- Expand solution offerings for the renewable energy market.
- Accelerate solution deployment by leveraging consulting and IT capabilities.
- Maintain strong relationships with oil & gas customers to expand business and capture needs in growth areas.

Materials

- Optimize supply chains; expand into the mobility sector.
- Further accelerate consulting and solution-based business.
- Expand customer base in chemical and mining industries.

Life

- Develop new technologies for the rapidly growing fields of biotechnology and regenerative medicine.
- Accelerate overseas deployment of solutions that have a strong track record in the Japanese market.
- Provide value through problem-solving solutions.
- Further develop relations and expand activities with leading companies.

Measuring Instruments

- Provide measurement solutions to improve energy efficiency.
- Expand business areas by applying core technologies.
- Create new business using spectroscopic application technology.
- Pursue highly profitable business by developing and providing one-of-a-kind products.

New Businesses and Others

Yokogawa will accelerate activities to establish and quickly monetize businesses in areas such as video analysis AI, IoT, bio-related fields, and research and development/contract manufacturing of pharmaceutical APIs.

Areas for Exploration

These will continue to be disaster prevention, space, and ocean.

Management Targets

1. Sustainability targets under the long-term business framework (FY2030)

Social impact indicator	Target
Greenhouse gas emissions Scope 1, 2 (base year: FY2019)	100% reduction (brought forward from FY2040 to FY2030)
Energy usage (per unit of sales) (base year: FY2023)	30% reduction (average 5% improvement/year)
Engagement to enhance employee well-being	84% or higher
Achievement level of diversity and inclusion: proportion of women in managerial positions	20%

(Note) These are the most important indicators and targets. For details of other indicators and targets, please refer to the company website and the Sustainability Report.

2. Business growth and financial targets for GS2028 (FY2024 to FY2028)

Business growth targets

Indicator	Target
Order growth	10% / year or more
Sales growth	10% / year or more
Operating margin (ROS)	15% or more (FY2028)

(Assumed exchange rate: US\$1 = ¥130)

Financial targets

Indicators	Target value
Return on equity (ROE)	10% or more ^{*3}
Return on invested capital (ROIC ^{*4})	10% or more ^{*3}
Net earnings per share (EPS)	300 yen or more (FY2028)
Operating cash flow	300 billion yen or more (5 years cumulative)

*3 Ensuring profitability that exceeds cost of capital

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

3. Capital policy and financial strategy

Under GS2028, Yokogawa will enhance investments to realize the growth strategy set out in the long-term business framework, while aiming for the achievement of sustainable improvement in corporate value and shareholder value.

- The company will set aside a total of 100 billion yen for capital investments for growth (strategic investments) to be made over the first three years of the business plan (FY2024 to FY2026). It will maintain an optimal capital structure that takes into account overall risks, increases or decreases in equity, and the assumption of increased risk associated with the execution of investments that use debt financing, in order to maintain a level of shareholders' equity that can retain a Grade A rating even when risks materialize, and to secure a certain level of risk investment capacity for the next stage of growth.
- Under its dividend policy (basic policy on allocation of profits), the company will seek to preferentially allocate profits to investments that maximize corporate value over the medium-to long-term, but will also strive to improve shareholder return through the proactive payment of dividends, while ensuring it retains a certain financial stability. Yokogawa will continue to return a certain percentage of profit each period based on the target dividend payout ratio, and maintain a stable dividend based on the equity dividend rate, while also flexibly considering share buybacks to provide additional shareholder returns, taking into consideration financial conditions, stock price levels, etc.

In full alignment with Yokogawa's Purpose, and with the aim of being a company that is depended upon by society into the future, Yokogawa will accelerate its efforts to achieve a transformation that enables it to achieve its vision for the year 2030.

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