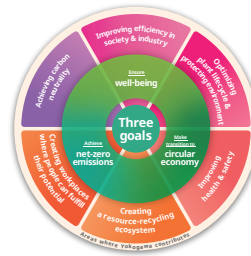


Dealing with a Changing Climate

Climate change has become an urgent issue that the world must come together to address. Yokogawa has set forth Net-zero emissions as the shape of society it aims to bring about by 2050, and “achieving carbon neutrality” is one of the six areas of contribution set out in AG2023. Recognizing the reduction of GHG emissions and the shift to cheap, reliable, and sustainable energy as key issues, we not only reduce GHG emissions from our own operations, but also contribute to the spread of renewable energy and the efficiency of energy use through our operations.



Support for TCFD

In an effort to proactively address the challenges of climate change and prepare for the future, in February 2019 Yokogawa has expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB) to promote the disclosure of climate-related financial information.

Governance

The Board of Directors establishes a basic policy for responding to climate change and a basic policy for developing risk and opportunity management systems, and monitors and supervises the effective operation of these systems and the appropriate response to sustainability issues. We also consider climate-related impacts when discussing business strategies and plans.

The management team, whose top decision-making body is the Management Board, considers the impact of climate change in terms of both risks and opportunities when developing business strategies and plans. In fiscal year 2022, we established the Sustainability Committee, which is chaired by the president and serves as an advisory body to the Management Board, to conduct materiality analysis covering various issues related to climate change and GHG emissions, as well as to discuss the risks and opportunities of climate change. Yokogawa has also established indicators and targets related to climate change, including carbon neutrality, and regularly reports the status of their progress to the Management Board and the Board of Directors.

Strategy

Yokogawa operates with manufacturing customers in industries such as energy and chemicals that have a significant impact on GHG emissions. Amid dramatic changes in the business environment, customers are shifting to low-carbon businesses including renewable energy and producing raw materials with a low environmental impact, such as biomaterials, and this is expanding our business opportunities.

Under the long-term business framework, we aim to achieve growth through the provision of shared social values, such as measures to address climate change, and under AG2023, we are working to expand our business by considering the transformation of our customers' business strategies in light of the growth of the renewable energy-related market and the issue of climate change as a major business opportunity. We help our customers to reduce their GHG emissions by providing solutions that improve the overall efficiency and achieve stable plant operations and save energy.

We delved into and organized risks and opportunities related to climate change by business segment and risk type.

Major opportunities for climate change

Business segments	Key opportunities	Direction of response
Energy & Sustainability Business	Energy management that enables optimal operation of the entire energy supply chain, including renewable energy Leveraging knowledge and experience in various industries to help customers decarbonize	<ul style="list-style-type: none"> Expand the range of solutions provided Promote partnerships with customers and related organizations Accelerate business development using M&A and government support schemes
Materials Business	Providing GHG reduction and resource recycling solutions from the customer's site to the management level and throughout the supply chain	<ul style="list-style-type: none"> Focus on the mobility supply chain in addition to Process Automation area centered on chemicals Strengthen solutions such as carbon management Strengthen our ability to provide solutions on a global level
Life Business	Supporting productivity improvements across the value chain against the backdrop of energy reduction and efficiency needs in the pharmaceutical and food industries Providing solutions in the water sector against the backdrop of the increasing need for a stable water supply and quality improvement	<ul style="list-style-type: none"> Accelerate overseas business development and new product development Continue M&A and alliance activities Promote digital transformation through genetic analysis and measurement technology developed through scientific instruments
Measuring Instruments Business	Helping power suppliers switch from fossil fuels to renewable energy	<ul style="list-style-type: none"> Further enhance high-precision broadband power measurement technology Offer more solutions for the renewable energy market Contribute to rapid and efficient development of electric vehicle (EV)

Key risks of climate change

Type	Key risks	Direction of response
Transition Risk	Higher costs due to the introduction of carbon taxes and changes in legislation Loss of business opportunities due to delays in developing technologies suitable for a decarbonized society and in responding to changes in the market environment	<ul style="list-style-type: none"> Undertake planning and initiatives to achieve GHG reduction targets Execute ICP Expand the solution portfolio using domain knowledge and DX Enhance the level of environmental friendliness of products Promote M&A and alliances to acquire technology
Physical Risks	Business impacts of social disruption caused by climate disasters, as well as business damage and supply chain impacts	<ul style="list-style-type: none"> Collect information and working with external organizations to prevent, avoid, and reduce impacts Thoroughly manage suppliers and decentralization of suppliers Continuously update the Business Continuity Plan (BCP)

Risk Management System

In order to achieve effective risk management within the Group, the Risk Management Committee, chaired by the President and Representative Director with overall responsibility for risk management, has been established. In addition, when risks become apparent and a crisis occurs that could have a significant impact on the management of the Group, the Crisis Management Committee, chaired by the President and Chief Executive Officer, deals with the situation.

Risk is defined as uncertainty that affects the Group's corporate value in areas such as the external environment, including climate change, strategy, quality, the environment, health and safety, crisis management and corporate ethics, and is classified and managed in terms of business opportunities and compliance and crisis events under the basic policy of integrally managing internal and external uncertainties relating to the business to maintain and increase the corporate value of the Yokogawa Group.

Macroeconomic trends and large-scale disasters such as floods caused by climate change are assessed as common risks by all organizations, and the results are factored into the selection of priority management risks along with the assessment of individual risks. Each organization assesses the risks associated with single-year and medium- to long-term climate change, and implements measures such as risk reduction.

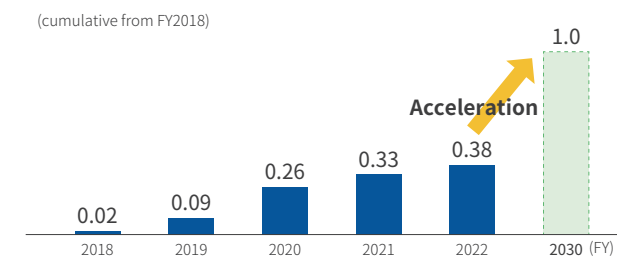


Indicators, Targets, and Performance

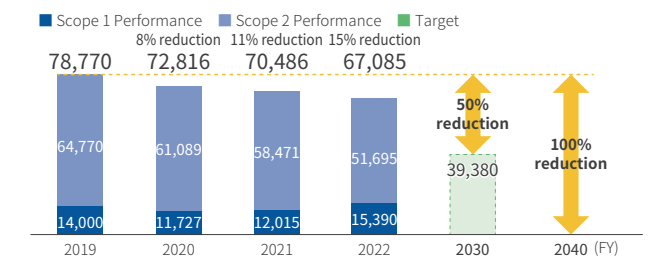
We set levels of CO₂ emissions control based on 1 billion t-CO₂ of customer emissions (fiscal year 2018 to fiscal year 2030) as an indicator in business. We compare CO₂ emissions from our customers' renewable energy generation and low carbon energy production with averages from fossil fuel generation, and record the difference as results.

Based on the methodology of the GHG protocol, Scope 1, Scope 2, and Scope 3 targets are set as indicators for business sites, and emissions are calculated. In Scope 1 and 2, we aim to reduce emissions 50% from fiscal year 2019 levels by fiscal year 2030, and to make our business sites carbon neutral by 2040. For Scope 3 (categories 1 and 11), we aim to reduce emissions 30% by fiscal year 2030 compared to fiscal year 2019 levels. These targets are in line with the Parisian Agreement's goal of limiting global warming to 1.5 degrees Celsius above preindustrial levels of GHG emissions. We acquired Science Based Targets (SBT) certification in fiscal year 2022.

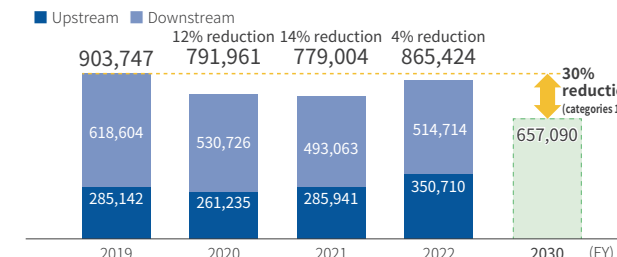
CO₂ emissions control amount through customers (billion t-CO₂)



GHG emissions (Scope1,2) (t-CO₂e)



Supply chain GHG emissions (Scope3) (t-CO₂e)



In fiscal year 2022, the CO₂ emissions from our customers' businesses avoided since fiscal year 2018 amounted to 380 million metric tons, mainly due to sales growth of products for wind power generation. GHG emissions (Scope 1 and 2) were reduced by 15% compared to fiscal year 2019 due to increased procurement of renewable energy. GHG emissions in our supply chain (Scope 3) were reduced by 4% compared to fiscal year 2019. Emissions increased from the previous fiscal year due to business growth and other factors. We will promote energy-saving product design and engagement with suppliers to achieve the target.

Introduction of Internal Carbon Pricing (ICP)

In order to promote economically rational GHG reduction measures, we began introducing ICP in fiscal year 2022. For the overall Group, we set carbon prices (¥1,000/t-CO₂) targeting the procurement of renewable energy power, which will contribute significantly to the reduction of Scope 2.

ICP policies and carbon prices are discussed by the Sustainability Committee and determined by the Management Board. Going forward, we will gradually apply ICP to Scope 1 and Scope 3, as well as to business planning.

For further information, please see our Sustainability Report and our website.

<https://www.yokogawa.com/about/sustainability/report/>