

Editorial Policy

This report is designed to provide shareholders, institutional investors, and other stakeholders with an integrated understanding of Yokogawa Group's efforts to realize a sustainable society and increase corporate value over the mid- to long-term in the context of its value creation story.

In our editorial work, we draw on the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (now the Value Reporting Foundation*) and, since 2019, the Guidance for Collaborative Value Creation (Comprehensive Disclosure and Dialogue Guidance for Collaborative Value Creation) advocated by the Ministry of Economy, Trade and Industry. This report is made in collaboration with multiple organizations. We are also working to improve and expand our disclosure by incorporating comments received from external evaluation organizations and other sources, as well as feedback received through dialogue with shareholders and institutional investors.

To clearly organize and express our initiatives, including our long-term business framework, mid-term business plan Accelerate Growth 2023, sustainability, digital transformation (DX), management capital, and governance, 2022 Yokogawa Report was structured with an emphasis on storytelling. In addition, we have expanded original content on topics ranging from business to governance, including our climate change initiatives, the renewable energy business, future co-creation initiatives, SDGs and space in Yokogawa, and a roundtable discussion with outside directors on the theme of "effectiveness and transparency of the Board of Directors." Furthermore, by describing our business activities centering on three subsegments of the main control business and showing our efforts to solve environmental and social issues together with our customers, we are seeking to gain a deeper understanding and empathy from our stakeholders and institutional investors throughout the report.

We hope that this report will be a useful and valuable tool that helps readers understand the Yokogawa Group's contributions to the realization of a sustainable society and the enhancement of corporate value.



* The Value Reporting Foundation (VRF) was established in June 2021 through the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).

Positioning of this report



Further information is available on our website:

- Website of Yokogawa Electric Corporation: <https://www.yokogawa.com/>
- Investor Relations website: <https://www.yokogawa.com/about/ir/>
- Sustainability website: <https://www.yokogawa.com/about/sustainability/>
- Corporate Governance website: <https://www.yokogawa.com/about/ir/governance/>
- Yokogawa Report website: <https://www.yokogawa.com/about/ir/reports/annual/>

Cover Concept

The cover expresses that Yokogawa is a company that:

- is directly linked to the SDGs and contributes to solving social issues, and
- fulfils a role to "connect" customers and society as a whole.



Report Configuration

With an emphasis on storytelling, 2022 Yokogawa Report is designed to provide readers, including shareholders, investors and all other stakeholders, with an understanding of Yokogawa (our group)'s value creation process.

We also reflected the feedback we received through dialogue in this report in an effort to gain deeper understanding and empathy.

1 Perspective of a Sustainable Growth Story **Top Message**

As the company connects society as a whole with businesses that are directly linked to the SDGs, and leads the world in integration, autonomy, and digitalization, the president & CEO himself expresses his view as the top management on Yokogawa's value, the current situation and recognition of issues, and our direction.

2 Unraveling the Mechanism of Value Creation **Value Creation Process**

Yokogawa's value creation process, which aims to sustainably improve corporate value by leading to a world in which society as a whole becomes a system of systems and contributing to the realization of a sustainable society, is organized.

3 Strategies for Mid- to Long-Term Growth and Their Results

We review the basic strategy of our mid-term business plan, AG2023, sustainability strategy, and DX strategy, and introduce special features and case studies of results.

Management Strategy

4 Sources of Growth, Human, Intellectual and Financial Capital

We arranged the six capitals, focusing on the three capitals that are of particular importance in our dialogue with you, and developed them with strategies and case studies.

Management Capital

5 Earn in Three Subsegments of The Control Business

The focus industries and key measures, business developments, and industry splits are introduced along with a review in fiscal year 2021 and future growth strategies to reveal the true state of the business.

Business Strategy

6 7 Important Foundations That Support Sound Corporate Management and Activities

In addition to an overview of the structure of corporate governance, it focuses on activities that enhance objectivity and effectiveness, including a roundtable discussion with outside directors, messages from the chairpersons of the Nomination Advisory Committee and the compensation Advisory Committee, and details of the skills matrix.

The risk management chapter clarifies the main items that can be considered as risks, the risks that are currently realized, risk management structure, etc., and also provides an overview of the internal control that are two sides of the same coin. It also includes information on the status of various related management activities.

Corporate Governance

Risk Management / Internal Control

Responding to Major Comments from Shareholders and Investors in this Report

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|---|---|
| 1 The president and CEO's own words about his recognition of the current situation and issues P. 3-11 | 8 Creating opportunities in the energy transition P. 40-42, 59-67 |
| 2 The reorganization of business segments P. 17, 26 | 9 Materiality and its analysis process P. 22-23 |
| 3 The content and progress of the AG2023 mid-term business plan P. 18, 26-29 | 10 The link between contribution to sustainability and business and its progress P. 34-35 |
| 4 The key performance indicators of AG2023 and their progress P. 18, 30-33 | 11 The strategy of human resources, innovation and intellectual property based on AG2023 P. 46-56 |
| 5 Earnings forecast including operating profit analysis (step chart) P. 30-31 | 12 Actual state of the activities of the Board of Directors P. 24-25, 70-75, 80 |
| 6 The risks that are currently realized, including how to deal with them P. 31, 36-37, 84 | 13 The activities of the Nomination Advisory Committee and the Compensation Advisory Committee P. 76-79 |
| 7 The progress of capital policy and financial strategy, basis for M&A, business withdrawals, the cost of shareholders equity, and the dividend payout ratio P. 57-58 | 14 Skills Matrix and its thought P. 76-77 |