Chapter 2 Messages from Top Management

Message from the Chairperson and President

Hitoshi Nara
Director,
Executive Chairperson,
Representative Executive Officer

Kunimasa Shigeno
Director, President & CEO,
Representative Executive Officer

First, allow us to express our appreciation for your continued support.

Since its foundation in 1915, the Yokogawa Group has been contributing to the advancement of society by providing industries with innovative products and solutions based on its measurement, control, and information technologies.

Under the Yokogawa's Purpose statement, which reads, "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," we work with stakeholders around the world to co-create a sustainable society. One of the Yokogawa Group's core competences is its ability to measure and connect. We want to leverage that capability to find solutions to today's social issues and achieve a future where humans and the earth exist in harmony. Those fundamental aims underly our commitment to fulfilling our responsibilities for the future of our planet.

To define what it envisions as the ideal society in the year 2050, the Yokogawa Group has set the Three Goals for achieving sustainability: "Achieve net-zero emissions; stopping climate change," "Ensure well-being; quality life for all," and "Make the transition to a circular economy; circulation of resources and efficiency." We have thus formulated a long-term business framework with an eye to 2030 and established the Growth for Sustainability 2028 (GS2028) medium-term business plan that charts out our path for the five years from fiscal year 2024 through fiscal year 2028, and are now working to achieve the goals set therein. The long-term business framework establishes priority issues and sets indicators for business activities and social impact, and as such provides solid guidance for our efforts. Our vision statement of "Through autonomy and symbiosis, Yokogawa will create sustainable value and lead the way in solving global issues" expresses where Yokogawa wishes to be in 2030.

In GS2028, our medium-term business plan, we lay out four basic strategies that will need to be implemented to achieve the vision for 2030 set out in our long-term business framework.

Yokogawa is undertaking initiatives in these four basic strategies: provide value as a trusted partner in the system of systems (SoS) domain, strengthen industry responsiveness and expand cross-industry business, create value by utilizing and developing intangible capital, and strengthen management and business foundations. In pursuing these strategies, we will collaborate with our customers to create value in more diverse and higher-level ways and strive for success in our business initiatives by leveraging business resources such as the customer relationships, expertise, and human capital that have been enhanced through this process.

In April 2025 Hitoshi Nara assumed the posts of Director, Executive Chairperson, and Representative Executive Officer, and in June 2025 Kunimasa Shigeno took over as Director and President & CEO, Representative Executive Officer. Under this new arrangement, Yokogawa aims to enhance its ability to execute measures that are designed to achieve the targets of the GS2028 medium-term business plan, and thereby propel further growth.

We will keep working to further expand our businesses and enhance our corporate value to fulfill the expectations of our shareholders and investors. We would appreciate your continued support.

Interview with the President & CEO

As a trusted partner, we work side by side with our customers to solve problems. We are building a business foundation that is unaffected by the external environment, and accelerating growth.

Kunimasa Shigeno
Director, President & CEO,
Representative Executive Officer

The Future of Yokogawa: A Journey with Our Customers

Q1 Tell us about the journey that brought you to where you are today as Yokogawa's new President & CEO.

When I joined Yokogawa Electric Corporation in 1991, my first assignment was to the Startup Division, which was responsible for launching plant systems. Getting firsthand experience that allowed me to see how customers use and evaluate Yokogawa products and systems has been an invaluable asset in my career.

From there, I moved on to the Project Engineering Division. One thing that made a particularly strong impression on me was landing Yokogawa's first order for a MAC*[1] project. It was a project with an enormous scope: In addition to Yokogawa products and systems, it also involved products and services from other companies. Dealing with that kind of variety was a challenging experience that I gained much from.

In 2007, I went on assignment to the Middle East. In this and other postings, I worked closely with our customers on their plant startup, upgrade, and expansion projects.

I have also headed up the Global Business Service Headquarters, which promotes company-wide business process reforms and supply chain optimization, served as Regional Chief Executive for the Middle East and Africa, and headed the Digital Solutions Headquarters, which oversees the provision of systems and solutions, project delivery, and other functions. After serving in these different posts, I assumed the positions of Director and President & CEO, Representative Executive Officer in June 2025.

*1 Main automation contractor: covers all aspects of an automation project, including the customer budget, scheduling, resources, and risk management

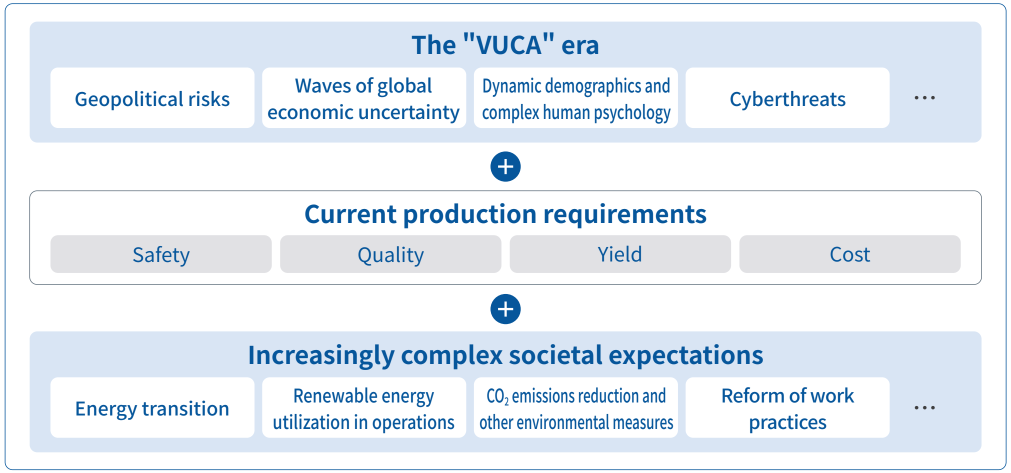
Q2 As President, what is most important to you?

It all comes down to the customer. It is important for us to go to the front lines where our business takes shape and study market and business conditions from the same perspective as the customer, while always acting on the belief that "Your success is our success." Yokogawa has to show them that it understands their issues and has what it takes to help them overcome those challenges, and thereby have a positive impact on their businesses and profitability.

Products and solutions that are grounded in a deep understanding of the customer are sure to have value for other customers as well, and customers who have worked with us to address specific issues will look to partner with us when they have other problems to solve.

Q3 What is your perspective on the issues customers are facing?

In this VUCA era, constant change and the difficulty of predicting what will happen next pose an ever-greater challenge for our customers in their manufacturing operations and business management. Societal needs such as the demands for an energy transition, the reduction of environmental impact, and work practice reforms are also becoming increasingly complex. Even under such circumstances companies have to safely produce high-quality products and systems, and do so profitably. In other words, our customers are working towards two different kinds of sustainability: a sustainable society and sustained corporate growth. That trend, I think, is sure to continue. In tackling these issues, we need to promote stable operations that balance safety and security with efficiency and quality while driving industry's transition from automation to autonomy. From my perspective, this is what lies at the heart of the challenges that our customers face.



Q4 Where does Yokogawa excel in addressing the challenges that its customers are dealing with?

From my perspective, Yokogawa has four core strengths.

The first is our robust and highly reliable products and systems, and our cutting-edge technologies. The second is our ability to integrate complex systems and carry out difficult projects, rooted in personnel who are committed to working together to resolve customer issues. The third is our global sales and service network. Finally, the fourth strength is the high level of customer loyalty and the strong reputation that we have established based on an extensive delivery track record.

In terms of products and systems, CENTUM is a good example. This distributed control system was launched in 1975, and we are marking its 50th anniversary this year. The technologies that we have refined and the level of trust that our customers have in us are powerful and enduring, and this is a foundation that does not just develop overnight.

By leveraging these strengths, we aim to lead the way in establishing stable operations and autonomy in our customers' industries and be a trusted partner capable of both cultivating a sustainable society and maximizing our customers' business growth and profits.

Yokogawa's four strengths

*2 Based on the number of projects and countries provided the CENTUM series integrated production control system and ProSafe-RS safety instrumentation system. If delivered as a set, counted as one project.

Accomplishing the Goals of the GS2028 Medium-Term Business Plan: Taking the Customer Perspective

Q5 Now that one year has passed since the launch of the GS2028 medium-term business plan, can you offer us your thoughts on what has been achieved thus far?

I think we made a decent start in fiscal year 2024, the first year under the GS2028 medium-term business plan.

In addition to implementing M&A and capital alliances to help execute our strategies more quickly, including the acquisition of renewable-energy management solutions provider BaxEnergy, we also released numerous solutions and products to expand our business. We also hired SMEs*3 and SAs*4 to play key roles in bringing our strategies to fruition. On the other hand, there is more to be done for us to hit our 10% target for top-line average annual growth.

We have positioned the first half of our five-year GS2028 medium-term business plan as a phase in which we will firmly make growth investments and take other measures that will put us on track to achieve our ambitious growth targets. For M&A, which will play an important role in this, the company has allocated over 100 billion yen for investments in the three-year period of fiscal years 2024 to 2026 that will drive growth. However, the actual amount invested to date comes to a total of around 9 billion yen. Starting in fiscal year 2024, we have been reviewing our M&A process, reassessing our organizational structure, and restructuring our project list, with a focus on companies of a certain business scale. Looking ahead, we are going to accelerate our activities in this area. P.18 Review of the Numerical Management Targets of the GS2028 Medium-Term Business Plan

*3 SME: Subject Matter Expert (an expert in a specific industry)
*4 SA: Solution Architect (a specialist who leads the overall design and coordination of technical solutions to corporate issues)

Business growth targets (5-year average)

		FY2024 results	FY2025 forecast	FY2023-FY2025
Order growth	10% /year or more	10.4% (7.8)	-3.1% (3.2)	3.4% (5.5)
Sales growth	10% /year or more	4.1% (1.9)	-0.4% (5.9)	1.8% (3.9)
Return on sales (ROS)	15% or more	14.9% (13.3)	14.3% (13.8)	—
	GS2028 assumed rate US$1 = ¥130	Actual rate in FY2024 US$1 = ¥152.55	Forecast exchange rate for FY2025 US$1 = ¥140	

*5 Figures in parentheses are based on the GS2028 medium-term business plan's assumed exchange rate

Q6 How do you assess the current business environment?

We believe that customers' willingness to invest remains strong, albeit with some variability from region to region. Interest in sustainable growth by such means as reducing environmental impacts, improving productivity, reducing headcounts, and enhancing cybersecurity is growing across the industrial landscape, as is the need for DX solutions. Business in the cybersecurity field is showing particularly strong growth, and we are receiving many inquiries about our autonomous control AI (FKDPP*6) solution. Meanwhile, uncertainty is also on the rise due to geopolitical risks and US tariff policies. Customers are facing a wide range of challenges in an increasingly precarious situation. Although the negatives tend to weigh on overall perceptions, we see this as an opportunity to work with our customers to overcome these challenges.

*6 FKDPP: Factorial Kernal Dynamic Policy Programming, an algorithm jointly developed by Yokogawa Electric Corporation and the Nara Institute of Science and Technology (NAIST)

Q7 Have there been any changes in the basic strategies and measures of the GS2028 medium-term business plan?

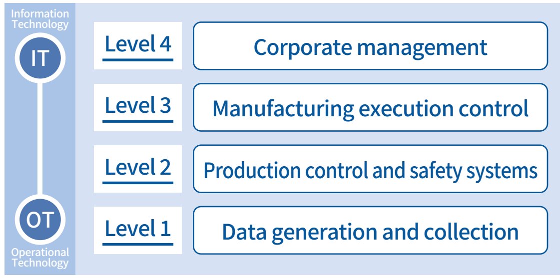
There have been no changes in the four basic strategies of the GS2028 medium-term business plan. We will continue to steadily and thoroughly implement these strategies. However, given the rising uncertainty in our business environment, there is the risk that these four basic strategies will not be sufficient to achieve our goals. To address this risk, we need to place our business on a solid foundation that is not affected by fluctuations in the external environment.

At the heart of the challenges faced by our customers are the issues of how to achieve stable operations that maintain a balance between safety and security, efficiency and quality, and how to accomplish the transformation from industrial automation to industrial autonomy. The more uncertain the external environment becomes, the greater the importance of addressing these issues.

By developing close relationships with its customers and working with them as a trusted partner to resolve these core issues, Yokogawa aims to place its business on a solid foundation that is not affected by changes in its external environment. To do so, we will implement four additional measures in addition to the four basic strategies. P.20-21 Four Basic Strategies for Value Creation

The first measure is to bolster our front-line sales functions across the board and increase the number of personnel who have the capability to propose solutions. Without having a proper understanding of our customers' issues and operations, there is no way one can tailor proposals that will meet their needs. That is why we are now making an upfront investment to recruit SMEs and SAs. By thoroughly strengthening our front-line sales functions, we aim to work as a trusted partner for our customers.

Second, we will clarify the roles of the headquarters and regional offices, and implement transnational operations*7. The headquarters and regional offices all differ in their strengths and areas for improvement. For Yokogawa products and solutions, particularly those at levels 3 and 4, there are regional differences in market maturity and customer needs. To speed up our response, we are currently working to establish a CoE*8 system for the regional offices, starting with the placement of CoEs in those offices that have the most active markets.



Third, we will give our products an even stronger competitive edge and enhance our portfolio of solutions. Our core competences lie in level 1 field instruments, such as transmitters and flowmeters, and level 2 control systems such as distributed control systems (DCS) and safety instrumented systems (SIS). These products and systems are Yokogawa strengths, and the headquarters should be continually investing in their development to strengthen our competitiveness. In addition, we will thoroughly strengthen our solution portfolio by implementing the transnational system mentioned above.

The fourth measure centers on fostering a corporate culture that encourages employees to take on new challenges. Our employees will play a vital role in our efforts to implement the measures that I have talked about so far. Given how important this human element is, we will establish a system that encourages everyone to take on challenges and recognizes their achievements.

I believe that these four measures are all connected, and are essential elements for improving Yokogawa's corporate value over the medium- to long-term.

*7 Operations that leverage the strengths derived from working closely with customers in each region and the strengths derived from engaging in activities on a global scale
*8 CoE: Center of Excellence (an organization that brings together people and know-how to promote projects)

Growing Yokogawa's Business by Contributing to Sustainability

Q8 How will Yokogawa work to achieve its sustainability targets?

Yokogawa has established the Three Goals based on its vision for society in the year 2050. To achieve these goals, we are promoting the Creating Shared Value (CSV) management approach, which seeks to increase corporate value in a sustainable fashion by engaging in business activities that contribute to society and the environment.

There is a widely shared understanding among the Yokogawa Group's employees that its business activities and the contributions it makes to society and the environment are interlinked. Each and every employee has a deep and strong understanding of this concept, and makes it a regular part of their work.

In the GS2028 medium-term business plan, we define sustainability transition sales as sales in growth areas that contribute to sustainability transitions. This links the social and environmental

contributions of our business activities to financial indicators.

In fiscal year 2024, sustainability transition sales accounted for approximately 42% of net sales, an increase of about 1 percentage point from fiscal year 2023. While this may be considered progress, we do believe that we will need to pick up the pace of our efforts.

P.15 Sustainability Transition Sales

The business fields that we have defined as focus areas represent new endeavors that take us outside our conventional areas of expertise. Another thing to remember is that the value customers attach to sustainability not only varies by region and industry but also evolves with the times. Rather than being fixated on short-term results, that is why we will balance our efforts to accelerate growth with a perspective that focuses on persevering over the long term, and will work tirelessly together with society and our customers to achieve the transition to sustainability.

To Our Stakeholders

Q9 How will you increase shareholder value?

By continuing to pursue both growth and profitability, the Group will maximize shareholder value over the medium to long term.

If we can solve essential issues and deliver value as a trusted partner for our customers, the top line will keep growing. Growth in our installed base will also create new business opportunities, propel standardization and optimization, and strengthen our earning power. To cultivate this cycle and enhance growth and profitability, we will accelerate investments that have a positive impact in realizing our growth strategy.

Of course, we will also be mindful of the cost of capital when making investment decisions. Our goal is to elevate shareholder value by improving growth and profitability while securing a return on capital that surpasses our cost of capital, which currently ranges between 7% and 9%.

With regard to shareholder returns, we will strive to secure a consolidated dividend payout ratio of at least 30% and maintain stable dividends even if temporary factors lead to a downturn in financial results. In addition, we will also flexibly consider additional shareholder returns through share buybacks, taking into consideration factors such as opportunities for growth investments, the status of our finances, and the stock price. We decided to increase the dividend per share for fiscal year 2024 to 58 yen, up 18 yen from fiscal year 2023. We also decided to acquire up to 20 billion yen in treasury shares starting March 2025.

While we preferentially allocate resources to investments that improve and maximize corporate value over the medium to long term, we will also continue to improve shareholder returns through the proactive payment of dividends. P.28-30 Capital Policy and Financial Strategy

Q10 Finally, please tell us how you feel as you embark on your new role as President.

One of my strengths is my ability to execute, which my experience in the Start-up and Project Engineering divisions helped me hone. To me, my mission as President is not just to talk about strategies and concepts but to execute them and produce results. By steadily moving down the path set out in the GS2028 medium-term business plan and achieving results, I want to make Yokogawa a top-tier company that makes every stakeholder happy.