

Chapter

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Our Goals

Yokogawa has established the “Three Goals” in achieving a sustainable society by the year 2025.

To achieve these goals, we have formulated and are working on a long-term business framework with an eye to 2030 and a medium-term business plan, GS2028, that charts a path through 2028.

Yokogawa's
Purpose

Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet.

2024

2028

2030

2050

Three Goals

The Group has set three sustainability goals that reflect its vision for society toward 2050 and indicated the direction in which the Group will transform itself to achieve these goals.

Long-term business framework

This presents Yokogawa's vision with an eye to 2030 and our direction for its realization.

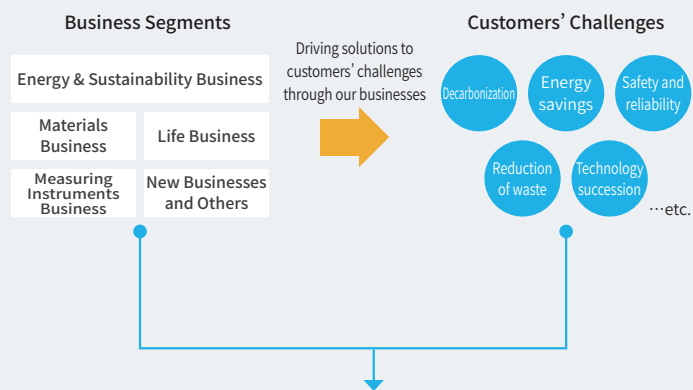
Medium-term business plan *Growth for Sustainability 2028*

Under GS2028, we are implementing measures to achieve business growth and meet financial targets for the achievement of the vision for 2030 set out in our long-term business framework.

In addition, by promoting initiatives in our business focus areas and pursuing business activities in the six contribution areas, we will aim for both contributions to sustainability and our own growth, and realize improvements in both social value and corporate value.

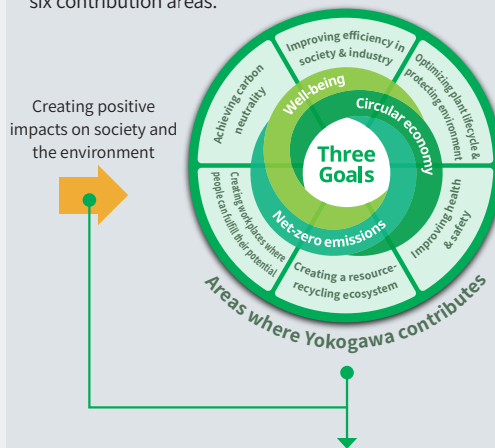
Business Growth

We have identified focus areas and launched initiatives by recognizing our customers' social issues as business opportunities for Yokogawa. We will accelerate the growth of our business by expanding the value we provide in these focus areas.



Expansion of Contributions to Society and the Environment

Yokogawa will expand its contribution to the environment and society through six contribution areas.



Achieve net-zero emissions; stopping climate change

We aim for net-zero emissions, which means that greenhouse gas concentrations in the atmosphere do not rise due to the balance of emissions and the absorption of greenhouse gases, which can be accomplished through the introduction of renewable energy and the efficient use of energy.

Ensure well-being; quality life for all

We support people's health and prosperity through the achievement of safe and comfortable workplaces and our pursuits in such areas as the life sciences and drug discovery. We promote human resource development and employment creation in local communities, as well as diversity, equity, and inclusion.

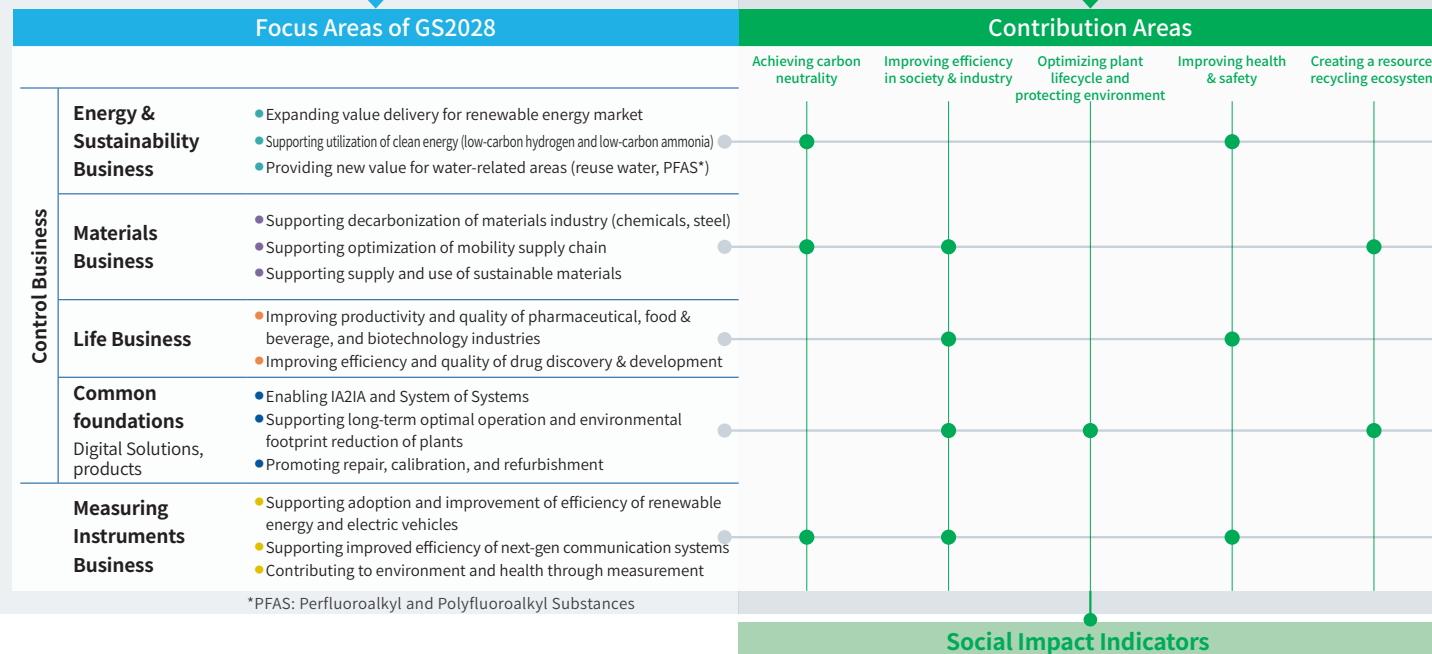
Make the transition to a circular economy; circulation of resources and efficiency

We aim to realize a social framework and ecosystem in which resources are circulated without waste and assets are utilized effectively. We are also contributing to the efficient use of water resources and the supply of safe drinking water.



Our Goals

Business Growth



Goals and targets for 2030

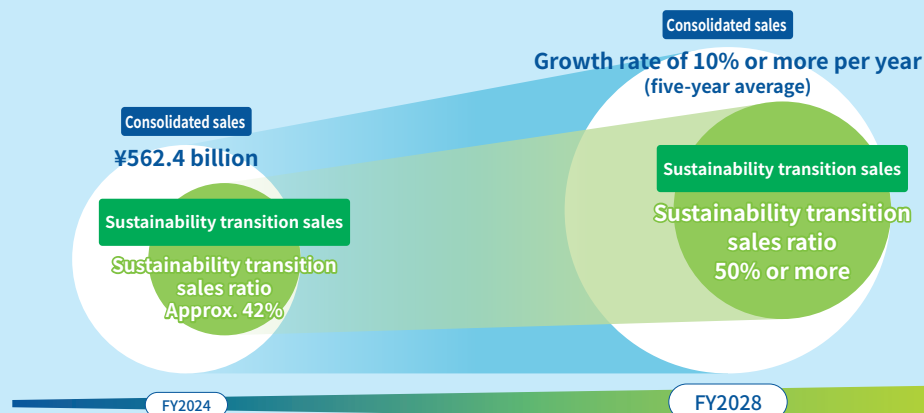
- Contributing to society as **a trillion-yen** company
- GHG emissions (Scope1, 2) **100%** reduction*¹
- Energy consumption (Intensity per sales) **30%** reduction*²
- Engagement to enhance employee well-being **84%** or more
- Proportion of women in managerial positions **20%**

*1. Base year FY2019 *2. Base year FY2023

Note: Among the many indicators and targets that have been set, the above have particular importance.

Sustainability Transition Sales

Under the GS2028 medium-term business plan, Yokogawa defines group-wide revenue generated from areas contributing to sustainable growth as the sustainability transition sales. We have set focus areas that contribute to sustainability transitions for each business segment. As the business continues to grow, we aim to increase the sustainability transition sales ratio from approximately 40% in fiscal year 2023 to over 50% by fiscal year 2028. In fiscal year 2024, the 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.



GS2028 Management Targets

Business growth targets (FY2024 to FY2028)

Order growth	10%/year or more (5-year average)
Sales growth	10%/year or more (5-year average)
Return on sales (ROS)	15% or more

Order growth targets by segment (FY2024 to FY2028, 5-year average)

Control	10%/year or more
Energy & Sustainability	10%/year or more
Materials	10%/year or more
Life	15%/year or more
Measuring Instruments	12%/year or more

Financial targets (FY2024 to FY2028)

Return on equity (ROE)	10% or more
Return on invested capital (financial ROIC)	10% or more
Earnings per share (EPS)	¥300 or more (FY2028)
Operating cash flow	¥300B or more (5 years cumulative)

Note: Forecast exchange rate US\$1 = ¥130

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

Materiality Analysis

We defined materiality in terms of the importance of social and environmental impact and the financial impact for the Group.

In 2021, Yokogawa conducted surveys of stakeholders across our businesses to identify priority issues and selected the six contribution areas. In 2022, we reviewed the relevance from double materiality perspective. In 2024, we refined our double materiality analysis with reference to European standards, and used the results as one of the inputs for defining contribution areas and sustainability indicators in the medium-term business plan, GS2028. In July 2025, we reviewed the results of the analysis in response to internal and external environmental changes. The results of the materiality analysis are discussed annually by the Sustainability Committee and reported to the Board of Directors.

Process of Double Materiality Analysis

Step 1 Analysis and understanding of business structure

Used transaction data and other relevant information to organize and study the Group's value chain and key stakeholders.

Step 2 Identification of sustainability issues relevant to the Group

Identified and listed sustainability issues relevant to each element of the Group's value chain

Step 3 Assessment of social and environmental impact

Evaluated the social and environmental impacts of each item identified in Step 2 based on the scope, scale, and the potential for remediation.

Step 4 Assessment of financial impact for the Group

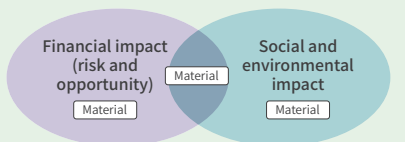
Assessed the financial impact and likelihood of Step 2 from risk and opportunity perspectives.

Step 5 Identification of double materiality

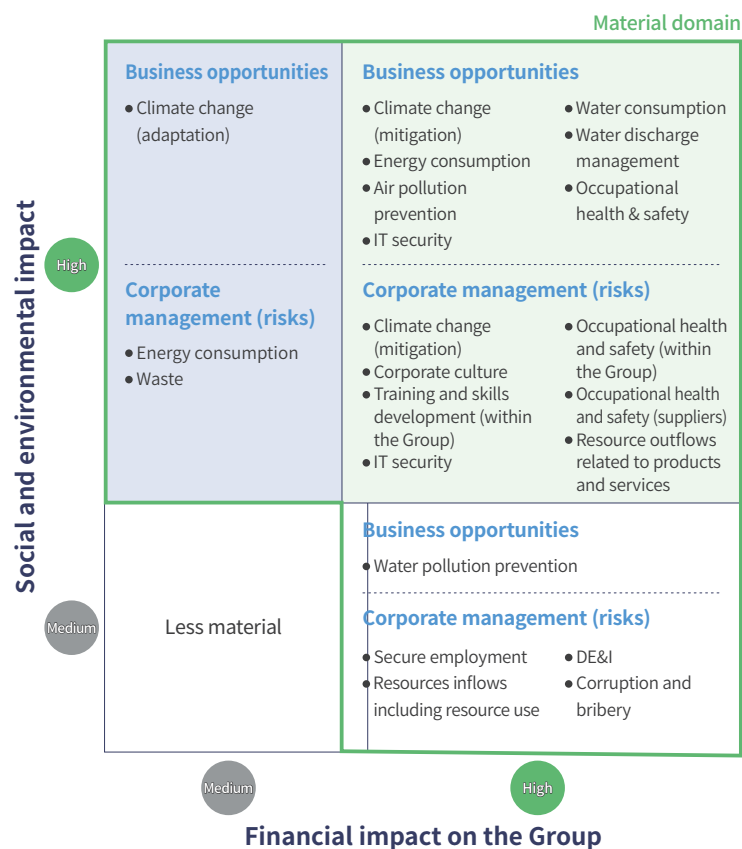
Identified items assessed as material in Step 3 or Step 4, or both, as criteria for double materiality.

Concept of double materiality

We define material items as those that have an impact on society and the environment, the Group's financial performance, or both.



Double Materiality Analysis Result



Six contribution areas and priority issues

- Achieving carbon neutrality**
Reducing GHG emissions and enabling the transition to affordable, reliable, and sustainable forms of energy
- Improving efficiency in society & industry**
Optimizing production, enabling autonomy, and facilitating the efficient use of resources and energy through DX
- Optimizing plant lifecycle and protecting environment**
Supporting both the long-term optimal operation of plant assets and the reduction of their environmental footprint
- Improving health & safety**
Promoting life-related innovation and improving safety in plants and communities
- Creating a resource-recycling ecosystem**
Fostering the development of the bioeconomy and a circular economy
- Creating workplaces where people can fulfill their potential**
Establishing an equal opportunity workplace where employees can be treated with dignity and fulfill their potential





Social Impact Indicators

The Social impact indicators are long-term indicators for measuring the degree of social contribution, and are connected with the results of Materiality Analysis. In fiscal year 2024, while progress was generally in line with expectations, issues were identified regarding water withdrawals and the total reportable incident frequency rate. The Sustainability Committee reviewed the causes and discussed appropriate measures to address these issues. We will continue steadily with activities toward achieving the targets for fiscal year 2030 and fiscal year 2050.

Contribution areas and indicators	Materiality	FY2030 target	FY2024 result	Progress
Achieving carbon neutrality				
CO ₂ emissions control amount through customers	Climate change (mitigation)	1 billion t-CO ₂ (FY2018 to FY2030 cumulative total)	0.43 billion t-CO ₂	The increase was mainly due to contributions from wind power generation.
GHG emissions Scope 1, 2 (base year: FY2019)	Climate change (mitigation)	100% reduction	41.7% reduction	Steady reductions were made in Scope 1 and 2 emissions through reviewing the roadmaps and consistent efforts in energy efficiency and renewable energy procurements, etc.
GHG emissions Scope 3 (base year: FY2019)	Climate change (mitigation)	30% reduction by FY2030*/100% reduction by FY2050	3.8% reduction*	For Category 1, emissions decreased due to the start of cooperative activities with major suppliers, etc.
Improving efficiency in society & industry				
Economic value created by improving customer productivity efficiency	Energy consumption	2 trillion yen	247.8 billion yen	We are expanding the production and energy efficiency businesses.
Energy consumption (Intensity per sales, base year FY2023)	Energy consumption	30% reduction (Average 5% improvement per year)	14.3% reduction	Energy consumption decreased as a result of progress with measures to reduce the use of energy.
Optimizing plant lifecycle and protecting environment				
Number of plants/factories where Yokogawa has contributed to sustainable and secure operations	Occupational health & safety IT security	20,000 plants	6,560 plants	We are contributing to sustainable and secure operations with lifecycle support.
Water withdrawals (Intensity per sales, base year FY2023)	Water consumption	20% reduction	4.9% increase	Water consumption increased as a result of business expansion and utilization of well water as cooling sources at the Komagane site. We have implemented measures for efficient water consumption.
Improving health & safety				
Total number of people whose health & safety have been enhanced through solutions provided by Yokogawa's customers	Water consumption	100 million people	71.38 million people	We are expanding the water environment solution business overseas.
Total reportable incidents frequency rate ((Number of accidents with lost days + Number of accidents without lost days) / Total actual working hours × 1,000,000)	Occupational health and safety (within the Group)	0.40 or less	1.02	There was an increase in the number of slips, trips, and falls accidents. We conduct group-wide training and have implemented initiatives to prevent and reduce work-related accidents.
Creating a resource-recycling ecosystem				
Indicators related to sustainable raw materials	Resource outflows related to products and services Resources inflows including resource use	To be determined in FY2025	Still under consideration with an aim to set targets in FY2025.	
Creating workplaces where people can fulfill their potential				
Engagement to enhance employee well-being	Corporate culture	An engagement score 84% or higher	82%	The score improved significantly from the previous year as recorded the highest score. We continue to analyze the survey results and implement targeted improvements to address each department's issues accordingly.
Achievements in human resource development and capacity development for transformation	Training and skills development (within the Group)	Improving the abilities of employees (including skills, etc.) to respond to future Yokogawa business needs	We are working to update and enhance our human resources portfolio for the realization of our business strategy.	
Achievement level of diversity, equity, and inclusion	DE&I	Proportion of women in managerial positions 20%	14.8%	We are striving to improve the rate with consideration given to the specific conditions of each region.
		Enhanced diversity at senior decision-making levels	We are promoting the diversification of potential successors for management team and global leader positions.	

* This covers emissions from purchased goods and services (Category 1) and emissions from use of sold products (Category 11)



Review of the Numerical Management Targets of the GS2028 Medium-Term Business Plan

Results for FY2024, the First Year of GS2028

GS2028 is our medium-term business plan for the acceleration of growth based on the business structure established over the three years of AG2023, the previous medium-term business plan, in order to achieve the vision for 2030 set out in our long-term business framework.

Results in FY2024, the first year of GS2028, showed a solid start for the Plan, supported by a significant increase in orders in the Middle East region and the contribution to sales of large-scale projects for which orders were received in the previous fiscal year and earlier.

On the other hand, we still have progress to make on our top-line growth target of 10% or more per year.

GS2028 is a five-year plan, the first half of which has been positioned as a phase for implementing upfront investments and other measures to put us on track for ambitious growth targets.

We will once again accelerate the implementation of investments and initiatives, including M&A and alliances, to achieve our growth strategy.

Business Growth Targets (5-Year Average)		FY2024 Result	FY2025 Forecast	FY2023-2025
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)	—

Order growth targets by segment (5-year average)

Control	10% /year or more	10.1% (7.5)	-3.5% (2.8)	3.1% (5.1)
Energy & Sustainability	10% /year or more	18.9% (16.2)	-6.1% (0.1)	5.7% (7.9)
Materials	10% /year or more	0.1% (-2.5)	-0.3% (6.0)	-0.1% (1.6)
Life	15% /year or more	2.4% (1.4)	0.7% (7.3)	1.6% (4.3)
Measuring Instruments	12% /year or more	16.9% (13.6)	4.0% (9.1)	10.2% (11.3)

GS2028 budget rate
US\$1 = ¥130

Actual rate
US\$1 = ¥152.55

Forecast rate
US\$1 = ¥140

Financial Targets

Return on equity (ROE)	10% or more	11.5%	10.9%
Return on invested capital (financial ROIC)	10% or more	12.9%	11.6%
Earnings per share (EPS)	¥300 or more (FY2028)	¥200.41	¥202.81
Operating cash flow	¥300B or more (5 years cumulative)	¥99.0B (single fiscal year)	¥71.1B (single fiscal year)

*Figures in parentheses are based on GS2028 budget rate.

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

*Growth for
Sustainability
2028*

Accelerate Growth 2025

M&A Issues and Countermeasures

Although M&A and alliances are key means that are indispensable to achieving the ambitious growth targets of GS2028, we encountered a number of issues with their implementation. Therefore, we took countermeasures with target companies, the M&A process, and organizational structure.

While continuing to educate and strengthen our M&A personnel, we will accelerate the execution of M&A and alliances.

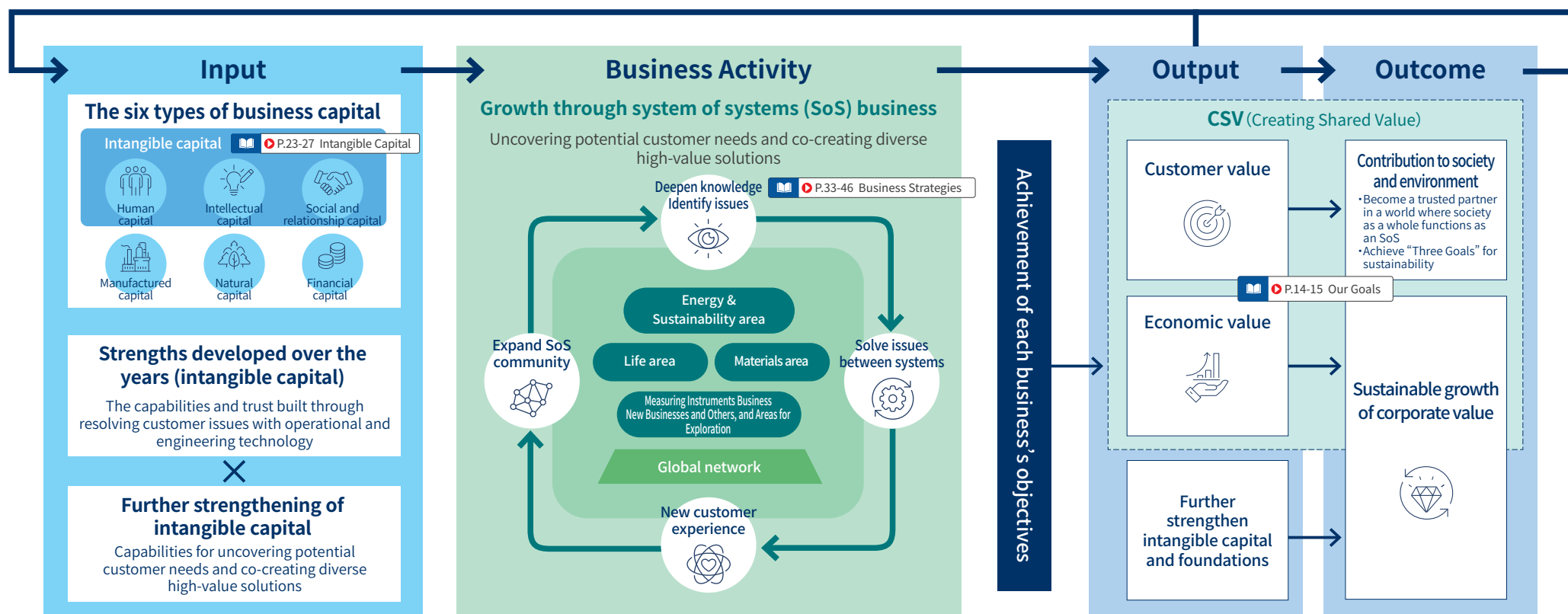
	Past issues	Countermeasures taken in FY2024
Target companies	Many M&A targets are small companies that are not yet at the full-fledged business stage, resulting in longer lead times for the generation of profits and synergies.	Rebuilt our project list by targeting companies of a certain business scale, using strategic alignment, scale of operations, and pricing rationale as targeting criteria.
Process	Inconsistencies in quality observed in various stages of M&A process	Reviewed timing of decision-making, launched due diligence guidebook, PMI playbook, etc.
Organizational structure	Organizational structure that made prioritization and objective examination difficult	Brought the M&A Team directly under the President for top-down determination of priority and objective examination



Value Creation Process

Yokogawa's value creation process forms the framework of our activities for the achievement of the Medium-Term Business Plan GS2028.

Of the six management capitals, we place particular emphasis on intangible capital, such as human capital, intellectual capital, and social and relationship capital. Going forward, we will create value by further strengthening and utilizing these kinds of intangible capital in our business activities to contribute to the realization of a sustainable society and to the maximization of customers' businesses and profits as a trusted partner. The key here is to look at markets and businesses from the same perspective as customers, uncover potential customer issues, and co-create and provide diverse high-value solutions. In business activities, we aim to achieve targets in each business by strengthening our responsiveness to business and industry through the System of Systems concept and expanding businesses that are not dependent on specific industries. As a platform to support the creation of value, we have positioned initiatives to improve Company-wide profitability, DX strategies, governance, and product strategies.



Foundations for value creation (Group-wide profitability improvement initiatives, [DX strategy](#), [governance](#), and product strategy)

Four Basic Strategies for Value Creation

Results

GS2028 Basic Strategies Review (FY2024)

Under GS2028, we will strengthen the value creation process and accelerate our growth by implementing the following four basic strategies.

In FY2024, the first year of GS2028, we actively worked to provide the value of SoS, while also proactively pursuing M&A, capital alliances, and the launch of new solutions and products, with a view to strengthening our industry responsiveness and expanding cross-industry business. There has also been strong global interest in autonomous control AI (FKDPP^{*1}) projects and the security business.

In intangible capital, we promoted the recruitment of specialist personnel, including SMEs and SAs^{*2}, and launched global DX training programs, as well as training aimed at transforming mindsets. We are also working to execute measures to implement our intellectual property strategy, with a focus on leveraging intellectual capital.

In terms of strengthening our management and business foundations, we have completed our transition to a Company with a Nominating Committee, etc., and our efforts to speed up management through the separation of execution and supervision received high recognition from external parties. At the same time, we launched global operations of our in-house IT infrastructure, and we are continuing to execute the implementation program for the next-generation ERP system.

1 Provide value as a trusted partner in the system of systems (SoS) domain

We will realize this strategy by providing value in strategic consulting and seamless integration with two approaches: IA2IA and smart manufacturing.

1

- Many achievements, including cross-industry collaboration to achieve decarbonization with Port of Rotterdam Authority and green hydrogen plants built at an offshore wind farm
- Brisk global inquiries about autonomous control AI (FKDPP) projects
- Numerous customer supply chain optimization projects

2 Strengthen industry responsiveness and expand cross-industry business

We will strengthen its capabilities to address specific industries, and work to expand businesses that resolve issues common to all industries, such as productivity improvement, quality control, and facility management.

2

- Implemented M&As and capital alliances to speed up execution of strategy, including acquisition of renewable-energy monitoring solutions provider BaxEnergy GmbH
- Released numerous solutions and products to expand our industries and L3-L4 business
- Brisk activity in the cyber security business, where needs continue to grow

3 Create value by utilizing and developing intangible capital

We will focus in particular on the three areas of human capital, intellectual capital, and social and relationship capital, and leverage the strengths that Yokogawa has developed over the years in ability to create value, ability to empathize, ability to identify issues, and ability to connect stakeholders for business growth.

3

- Launched initiatives focused on development of human resources portfolio and mindset transformation training
- Conducted recruitment activities targeting SMEs and SAs for the expansion of business
- As an intellectual property strategy, launched initiatives to increase patent quantity and quality.
- Improved brand value by holding CENTUM 50th anniversary events and establishing a special website

4 Strengthen the management and business foundations

We will work to improve profitability by optimizing organizational structures and operations, strengthen the IT infrastructure (DX Strategy), and make institutional design changes, and further strengthen governance.

4

- Completed transition to a Company with a Nominating Committee, etc.
- Corporate Governance of the Year 2024  Received Special Award/Minister of Economy, Trade and Industry Award
- Started operation of global HR platform, customer portal, and CRM on a global scale
- Measures to realize data-driven factories by strengthening SCM/ECM^{*3} and next-generation ERP implementation program are in progress

^{*1} FKDPP: Factorial Kernel Dynamic Policy Programming, an algorithm jointly developed by Yokogawa Electric Corporation and the Nara Institute of Science and Technology (NAIST)

^{*2} SME: Subject Matter Expert (an expert in a specific industry)

SA: Solution Architect (a specialist who leads the overall design and coordination of technical solutions to corporate issues)

^{*3} SCM/ECM: Supply Chain Management and Engineering Chain Management



Four Basic Strategies for Value Creation

Challenges and Responses

Establishment of a Business Foundation Unaffected by the External Environment

If we are to achieve the targets of GS2028 amid ongoing high uncertainty in the external environment, it is essential to establish a solid and sustainable business foundation that is not affected by external factors. This will require addressing customers' core issues.

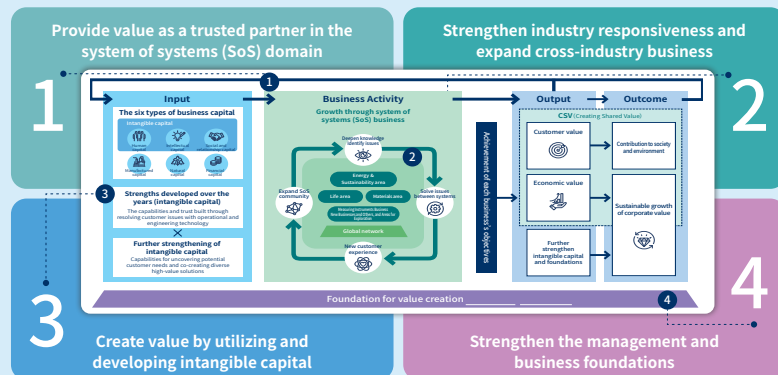
The problems confronting customers' manufacturing sites and management are becoming increasingly volatile and unpredictable. In addition, societal demands in such areas as the energy transition, the reduction of environmental impact, and work style reforms are becoming more complex. They must respond to all of these while safely producing high-quality products and securing profits.

What is required under these circumstances is to promote stable operations that maintain a balance between safety, security, efficiency, and quality, while driving the transformation from Industrial Automation to Industrial Autonomy (IA2IA).

By engaging deeply with our customers and working on substantive solutions to their problems, Yokogawa will contribute to the maximization of customers' business and profits as their trusted partner. We also aim to establish a solid and sustainable business foundation that is not affected by the external environment. To further reinforce and accelerate these initiatives, we will implement the following four additional measures.

Contributing to the maximization of customers' business and profits as their trusted partner

Four Basic Strategies



Four Additional Measures

Point to be strengthened 1	Contributing to our customers' growth and profits, and earning their trust •Thoroughly strengthening front-line sales functions and increasing the number of proposal-capable personnel •Getting closer to our customers, viewing the market and business from their perspective, and becoming a trusted partner
Point to be strengthened 2	Clarifying the roles of the head and regional offices, and implementing transnational operations •Placing CoEs* in the hottest markets to quickly plan and develop solutions •The head office should handle core product planning and development, and support global solution deployment and governance.
Point to be strengthened 3	Thoroughly strengthening product competitiveness and further enhancing the solutions portfolio •Thoroughly strengthening competitiveness by accelerating investment in existing product lines •Through the CoE system, thoroughly strengthening the solution portfolio from the customers' perspective
Point to be strengthened 4	Fostering a corporate culture that encourages people to take on challenges •Supporting and recognizing individuals and organizations that, rather than setting easily achievable goals, pursue high goals that truly add value for customers and stakeholders

Achieving a sustainable society and corporate growth

Stable operations that maintain a balance between safety, security, efficiency, and quality



The transformation of industry from automation to Autonomy operations

The transformation from automation to autonomous operations, achievement of stable, safe, secure, and efficient operations, and the conduct of work practice reforms are indispensable to achieving a sustainable society and corporate growth.

Establishment of a Business Foundation Unaffected by the External Environment

*CoE: Center of Excellence (an organization that brings together people and know-how to promote projects)



Providing Value as a Trusted Partner in the System of Systems Domain

The world is now in an age where everything is ever more intricately connected. This leads to the growing importance of engaging in co-creative activities through such links to resolve issues toward the realization of a sustainable society. Under this situation, Yokogawa is committed to providing value through a SoS initiative.

■ SoS which Yokogawa advocates

[System of Systems \(our website\)](#)

Yokogawa defines SoS as a collection of independently operated and managed systems connected to form a larger system that delivers synergies and emergent value to all stakeholders in a plant, enterprise, supply chain, or society ecosystem. Yokogawa aims to create new value by advancing such connections effectively and achieving total optimization through integration, autonomy, and digitalization.

■ Two approaches to advancing SoS

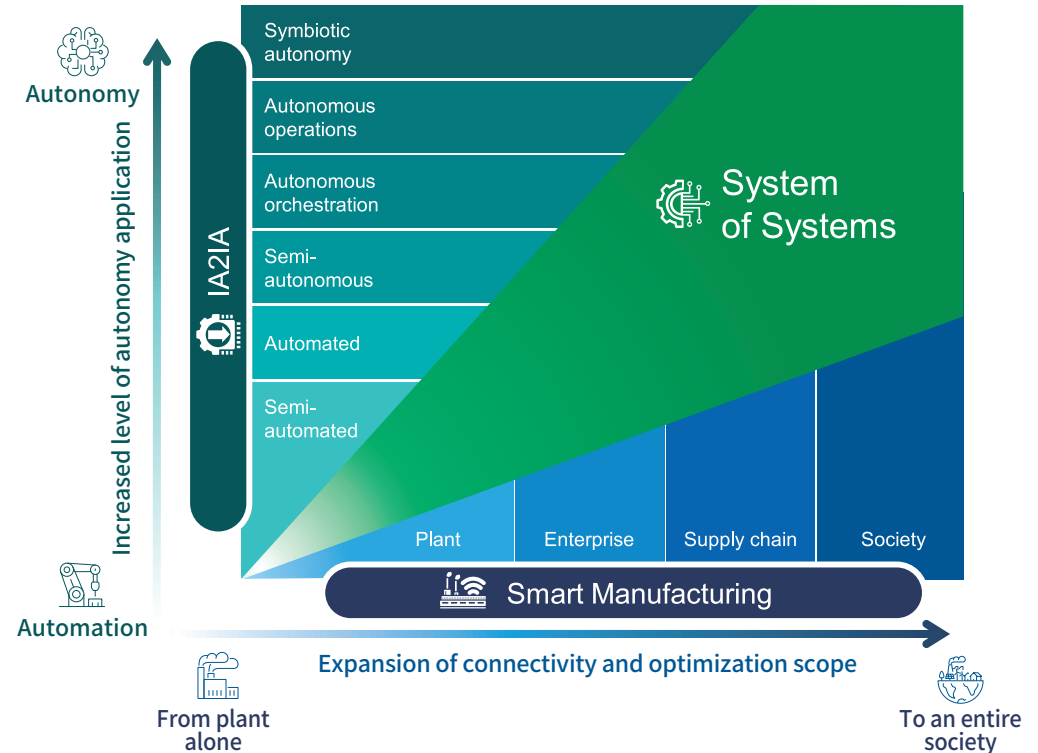
Yokogawa intends to provide the value of SoS through two approaches: Industrial Automation to Industrial Autonomy (IA2IA), which raises the level of autonomy; and smart manufacturing, which broadens the targets of connection and drives total optimization.

[IA2IA \(our website\)](#)

To solve challenges and provide value, Yokogawa will work together with our customers to achieve total optimization for society through SoS, continuing to grow by sharing methods such as DX solutions.

■ Value provision as a trusted partner in the SoS domain

Drawing on its know-how, experience, and technological prowess developed at numerous industrial sites, Yokogawa is empowering SoS initiatives by providing the value of strategic consulting and seamless integration for customers as their trusted partner.



Yokogawa's Core Competencies

Cultural Foundation	Yokogawa's culture of building strong relationships with stakeholders and breaking down silos within and among companies
Integration	Yokogawa's capability to integrate different systems across organizations
Knowledge & Expertise	Yokogawa's broad-based business and technical knowledge and awareness of societal goals
Technology	Yokogawa's world-class technologies that support continuous improvement and innovation

Yokogawa's Role

Strategic consulting - Clarification of objectives and setting of goals - Business model development, economic impact analysis, and forecasting - Project design and related resource planning - Stakeholder facilitation and relationship development	Seamless integration - Determination, evaluation, and continuous improvement of system performance - Integration, harmonization, and optimization of workflows throughout the system - Lifecycle management - Providing state-of-the-art technology to support SoS
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Trusted partner in the system of systems domain

Foundation for Value Creation

Intangible Capital

Initiatives in GS2028

Under GS2028, we focus on creating value through the utilization and development of intangible capital as one of our four basic strategies. In order to leverage the various strengths that Yokogawa has cultivated over the years in our business growth, we have set our goals for human capital, intellectual capital, and social and relationship capital, and we are implementing specific measures to realize that vision.  P.19 Value Creation Process

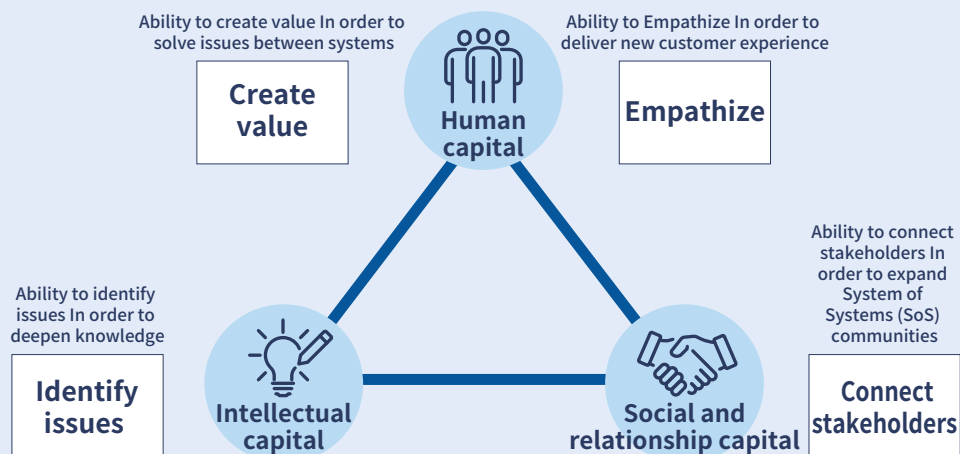
To Be

Human capital: Each employee becomes a customer-oriented value co-creation promoter

Intellectual capital: Visualize and value intellectual capital, and utilize it to solve social issues

Social and relationship capital: Co-create diverse high-value solutions & acquire brand strengths to achieve corporate goals

The three types of intangible capital that Yokogawa focuses on



Yokogawa strengths that should be utilized

- Exceptional project execution skills and mindset to deliver on commitments
- A network of offices covering global markets and numerous customer touchpoints
- Experienced people with the ability to meticulously analyze and understand customer needs and deliver customer lifetime value (LTV) solutions
- Strong trust-based relationships with customers, partners, and suppliers
- Know-how in manufacturing that ensures safety, security, and high-quality products
- Long-term experience in developing, improving, and supplying products, solutions, and services
- Problem-solving capabilities using operational technology (OT) and engineering technology (ET) at customer sites
- Personnel who work together to identify diverse and complex customer issues and co-create business value for customers
- Pioneering efforts and successes in promoting internal DX and external DX in the process industries

Yokogawa considers human capital, intellectual capital, and social and relationship capital as three important types of intangible capital. Of these, human capital plays a central role. Human capital affects intellectual capital as people inspire each other, generate strong technologies and know-how, and build shared knowledge. Accumulated insights, technologies and know-how can be organized and systematized, then utilized in the creation of products, services and new business models. Intellectual capital also affects human capital as the use of shared knowledge provides opportunities for individual growth and learning, and through the creation of highly engaged human resources. In addition, highly engaged human resources will increase customer orientation, elicit customer trust, recognition, and motivation for co-creation, and therefore contribute to social and relationship capital by contributing to business growth.

Foundation for Value Creation

Foundation for Value Creation

Intangible Capital

Capital Policy and Financial Strategy

DX Strategy

Intangible Capital Human Capital

To Be Each employee becomes a customer-oriented value co-creation promoter

Based on Yokogawa's Purpose of "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," we have set out our medium-term business plan, Growth for Sustainability 2028. With this, we are aiming for growth that will put us on track to becoming a trillion-yen company by fiscal year 2030 through provision of shared value to society. In order to create the future we aim for, each and every employee must become a "customer-oriented value co-creation promoter," with a mindset of taking on the challenge of innovation. Such employees would be human capital who can encourage alignment of direction and drive consensus-building through actions and collaboration among all kinds of stakeholders and their varying interests, whether inside or outside, in a way that is rooted in their specializations. We believe that human capital is the key to Yokogawa's growth and the source of co-creation of new value. Through sustained human capital management, we will achieve both "our business strategies and corporate growth" alongside "employee well-being and engagement."

Human Resource Strategy

In response to the evolving business landscape surrounding our customers, we initiated the Global HR Transformation Project in fiscal year 2021 in order to globally identify and address customer challenges and embody "Yokogawa's Purpose" through value creation. In this project, we are promoting the global unification of personnel systems and processes and introducing a human resources IT system to effectively operate them. Now that foundations are being established, we will focus on utilizing human resources and implement the following human resource strategies.

- Defining the ideal human resources portfolio based on the business strategy, and analyzing the gaps with the current situation. To bridge this gap, Yokogawa will develop and swiftly acquire the human capital necessary for each business strategy and globally optimize human resources, in order to contribute to the achievement of its business strategies.
- Promoting reforms so that employees have a mindset toward autonomous career development, learn independently, take on challenges on their own, and co-create value.
- Cultivating a DE&I organizational culture for co-creation of value, strengthening organizational collaboration through global alignment between organizations, and use our unified global Yokogawa team to improve corporate value.

Main Achievements in FY2024

- Launched "To Be" vision formation initiatives focused on development of human resources portfolio
- Recruited SMEs/SAs*1 (18 SMEs, 12 SAs) by strengthening strategic sourcing and recruitment branding in new areas set as future growth strategy and key areas such as DX
- Built and launched a new framework for supporting autonomous career development leveraging talent management system, etc.
- Launched people manager**2 training (Japan)
- Conducted trial of reverse mentoring*3

Initiatives to Address Issues

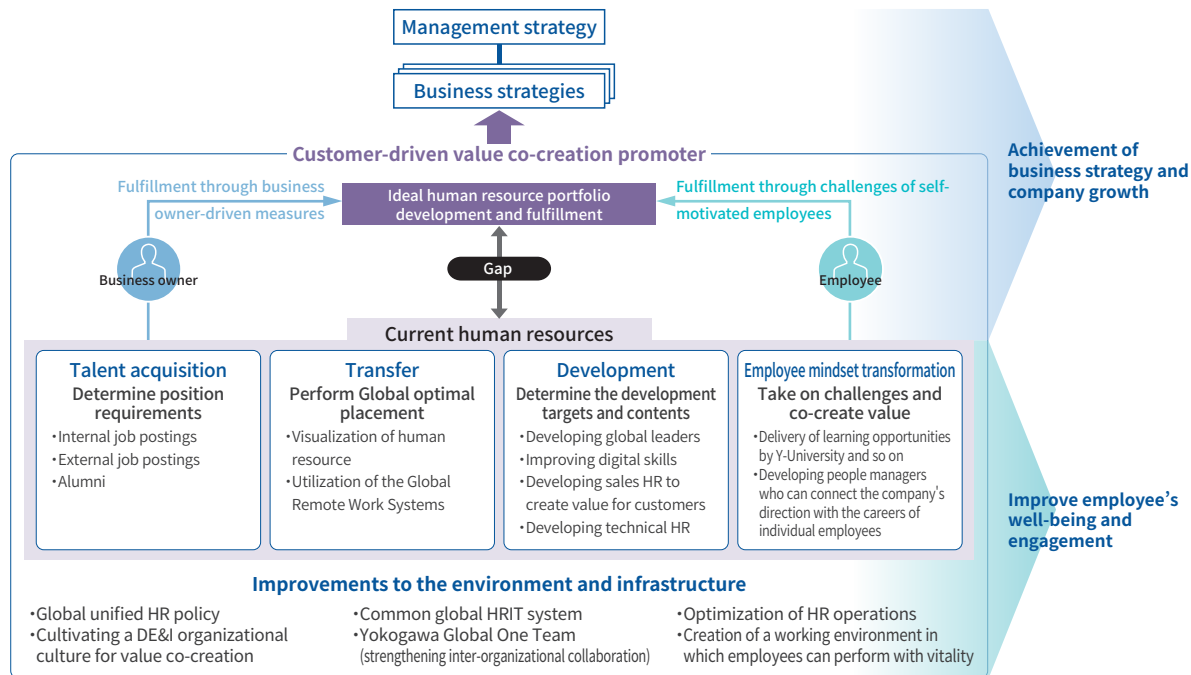
- Enhancement of human resources portfolio
 - Initiatives for the visualization of the human resources portfolio from qualitative perspectives, such as individual skills and capabilities, through skill management
 - Ongoing recruitment of SMEs and SAs
- Transforming employee mindsets to strive for change
 - Promotion of career autonomy and ongoing roll-out of people manager training
 - Initiatives to cultivate a corporate culture that encourages employees to take on new challenges

*1 SME: Subject Matter Expert (an expert in a specific industry)

SA: Solution Architect (a specialist who leads the overall design and coordination of technical solutions to corporate issues)

**2 People manager: Manager who is in charge of the development, evaluation, and career support of employees and who has the important role of connecting the company's directions with individual employees' careers.

*3 Reverse Mentoring: A program where junior employees mentor senior leaders by offering diverse perspectives and digital knowledge, fostering psychological safety, and encouraging open dialogue to co-create innovative solutions.



Yokogawa's Purpose "Utilizing our ability to measure and connect, we fulfil our responsibilities for the future of our planet."

Figure: Overview of HR Strategy

Indicators, Targets, and Results		Results FY24	Targets FY26	Targets FY28	Targets FY30
People capability development for change	Human resources portfolio sufficiency rate by business division*1	—	90%	90%	90%
	People manager training attendance rate*2	31%*3	60%	80%	90%
	Learning hours per person	38.7 hours	42 hours or more	45 hours or more	45 hours or more
Diversity, equity and inclusion	Ratio of women managers	14.8%	15.8%	18%	20%
Employee well-being and engagement	Engagement score	82%	82%	83%	84% or more

*1 Fulfillment ratio of the gap between the ideal human resource portfolio and the current status (updated annually) *2 Ratio of attendees to total eligible attendees

*3 Non-consolidated results for Yokogawa Electric Co.

Foundation for Value Creation

Foundation for Value Creation

Intangible Capital

Capital Policy and Financial Strategy

DX Strategy

Fostering a Corporate Culture that Inspires Employees to Grow with the Company

Under its corporate vision of “creating sustainable value through autonomy and symbiosis,” Yokogawa has positioned the strengthening of human resources as a key issue of management, in the belief that the growth of each and every one of our employees is what will lead to the creation of sustainable corporate value. Through diverse learning opportunities, we support our employees’ independent growth and the evolution of leadership, in our aim to become a “Learning Company.”

As the foundation for this, we have adopted a globally common action guideline, “Yokogawa Leadership Competency (YLC),” which is being put to use for talent management overall, including recruitment, evaluation, and development. Further, at our in-house institution, Yokogawa University, which is our core body for learning to support employees’ growth, we encourage all employees to learn voluntarily to facilitate the growth of motivated talent, and are working to foster an environment in which employees both teach and learn from each other as well.

Promotion of Diversity, Equity and Inclusion (DE&I)

Yokogawa believes in building a culture that accepts, values, and celebrates individual differences. Yokogawa is committed to providing an equitable and inclusive environment where everyone can belong, contribute, succeed, and demonstrate their full potential without fear of harassment, verbal abuse, or other behaviors that inhibit them from fully contributing or harm their dignity.

To achieve this, Yokogawa will actively recruit, develop, and promote people from a variety of backgrounds who differ in terms of experience, knowledge, thinking styles, perspective, cultural background, and socioeconomic status, and in so doing will not discriminate based on ethnicity, nationality, gender, religion, age, social position, or disability. By utilizing digital technology and cultivating an inclusive working environment, we will make it possible for every employee to demonstrate his or her full potential and to work comfortably with a flexible workstyle. Engaging in communication and constructive collaboration based on mutual respect facilitates innovation and the co-creation of new value for our customers, partners and suppliers, and in so doing, improves our planet, thus contributing to realization of a sustainable society for future generations.



Diversity, Equity & Inclusion (our website)

Promotion of Health and Productivity Management that Supports Employee Well-Being

In order for diverse human capital to grow by their own volition and continue to take on challenges, we are promoting health and productivity management, in which employee health is considered from a management perspective and strategically practiced. Our health and productivity management is aimed at helping employees autonomously maintain their health while improving their physical and mental health, satisfaction, and happiness in order to increase engagement and productivity across the Group. As a result, in 2024, we were certified as belonging to “the Certified KENKO Investment for Health Outstanding Organizations (White500 - 2025)” for the seventh time.



Human Resource Management / Comfortable Work Environment (2025 Yokogawa Sustainability Report P.29-34)

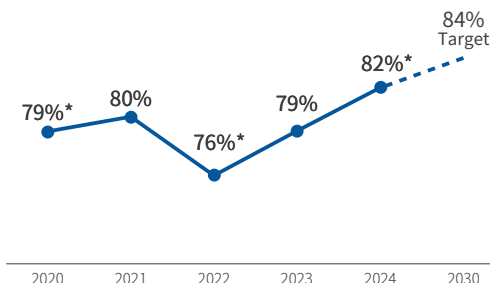
Improvement of Employee Engagement

Increasing employee engagement is essential for Yokogawa to enhance corporate value and achieve sustainable growth. When employees are passionate about their work and contribute to the achievement of the organization’s goals, the capability of the organization is enhanced, and the value provided to stakeholders is greater. We aim to ensure that each employee shares Yokogawa’s Purpose, Vision, Mission, and Shared Values, are proud to be a part of the organization, appreciate and admire each other, have a spirit of mutual respect, and take on challenges in a proactive manner.

The KPI of “sustainable engagement” is comprised of the following three capabilities.

Engaged	Employees have a high sense of belonging toward their organization, are excited about their work and desire to make strong contributions toward achieving the goals of the organization.
Enabled	Employees feel that an environment is in place where productivity is high and they can work flexibly.
Energized	Employees feel that they can maintain an energized state and a healthy state of mind and body throughout the day.

Global Employee Engagement Survey Score (Positive Response Rate)



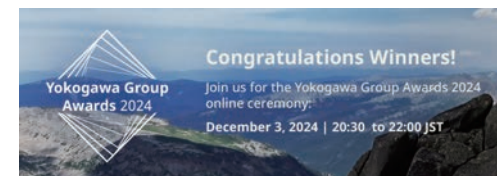
*Global employee engagement survey (GEES) pulse survey: A simplified version of GEES used to provide focused measurements with respect to specific matters of employee engagement such that it is possible to quickly identify issues surrounding employee circumstances, attitudes, etc. Performed once every two years.

FY2024 Results Analysis and Improvement Activities

The FY2024 employee engagement pulse survey results showed a record high sustainable engagement score of 82%. Many employees’ evaluation was that they “could recommend Yokogawa as a good place to work,” showing a result that exceeded the target.

On the other hand, areas where employees sought improvement included “response to pressure,” “efficiency,” and “diversity.” We will work as an overall global organization to address these, and each division head has set a mission to “improve sustainable engagement” and is focusing on improvement activities with numerical targets. Further, while there is a trend toward improvement in the “connection between managers and general employees,” we will strengthen those “connections” through 1-on-1 meetings and communication within teams in the course of promoting diverse work styles.

In addition, the Yokogawa Group Awards, an in-house awards system for the Yokogawa Group, are held every year (14 awards/122 employees in 2024), recognizing and praising people and teams embodying the company’s strategy and direction (AG2023/Three Goals/Core Values) as role models and good practices.



Intangible Capital Intellectual Capital

To Be Visualize and value intellectual capital, and utilize it to solve social issues

In FY2024, we worked to build an operational infrastructure that would serve as the foundation for realizing the “visualization” and “value creation” of intellectual capital. In FY2025, based on the results of activities undertaken in FY2024, we will keep working on the building of our operational infrastructure and proceed with activities that will lead to the implementation of that “visualization” and “value creation.” An explanation of the intellectual property strategy and technical human resources transformation elements of our intellectual capital is provided below.

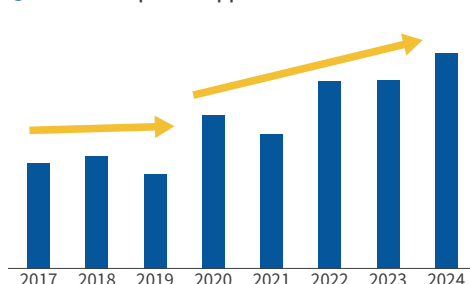
Intellectual Property Strategy — Evolution and Implementation as a Foundation of Value Creation (Cross-organizational Problem-solving for Achieving Both Quantity and Quality) —

Challenges for Achieving Both Quantity and Quality of Patents and Emerging Issues to Address

To cope with a new trend of IT/OT integration, since FY2019, we have been pursuing a patent strategy that includes intensive invention generation activities in specific technology areas. In FY2024, we engaged in operational reforms to improve the quality of patents while maintaining the quantity of generated inventions and set KPIs for both quantity and quality. In addition, by developing a training system and establishing and operating a forum for discussions with the business divisions, we focused our efforts on strengthening the foundation for intellectual property operations.

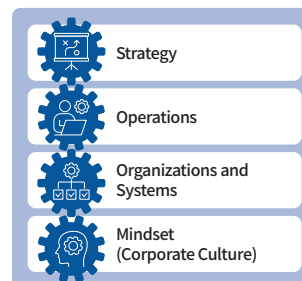
The outcomes of those efforts included the establishment of evaluation criteria needed to improve patent quality and the accumulation of evaluation data. On the other hand, new issues were also identified. One example was the inadequate development of mechanisms for providing the information needed for patent evaluation to evaluators smoothly across departments and countries. This is a cross-divisional issue that involves a complex interplay of factors, such as the penetration of approaches and the establishment and implementation of cross-divisional cooperative systems, as well as the operational frameworks. As such, we recognize that there is a limit to the effectiveness of initiatives solely conducted by the intellectual property department.

Number of patent applications



Analysis of Complex Issues and Cross-divisional Problem-solving

In FY2025, in response to these complex issues, we will identify the root causes from a systems-wise perspective and work on measures to resolve them. For example, to improve the quality of patents, we will promote practical activities that are not confined to the intellectual property department, such as improving the efficiency of evaluation operations and developing and establishing cooperation between departments, as well as analyzing and responding to complex issues surrounding mindset, organization, and mechanisms. Cross-divisional problem-solving is not an easy undertaking. However, by cooperating with the relevant divisions and approaching it with a shared sense of purpose, we will further advance the “visualization” and “value creation” of intellectual capital. By continuing to solve these kinds of fundamental issues, we will position intellectual capital not merely as a resource that we own, but as “critical capital” that supports our competitive advantage and sustainable growth, and we will achieve both solutions to social problems and the enhancement of corporate value.

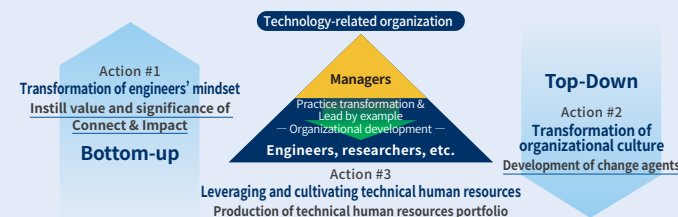


Technical Human Resources — Initiatives for Internal Culture Transformation —

Given that the creation of value from intellectual capital has human capital at its core, Yokogawa faces the challenge of transforming its internal culture into one that nurtures technology experts who can create new value. We need to transform our internal culture, which in turn will increase the number of internal human resources who can understand and utilize intellectual capital, which in turn will realize a situation where people inspire others and will serve as an originating point for value creation. As part of the transformation of our internal culture, we have set technical fields in consideration of changes in the business landscape, and will create and form intellectual property rights with a view to utilizing rights. In this way, we will enhance activities related to intellectual capital not only as simple tasks but also as processes toward value creation. Note that we have already addressed the transformation of our internal culture through our four transformation projects and in activities of the Technical Human Resource sub-committee, and we are promoting initiatives for intellectual capital while aligning direction with the transformation through these overall measures.

Slogan for Technical Human Capital Transformation “Connect & Impact (C&I)”

Under the slogan of “Connect & Impact,” for the development of Yokogawa’s engineers, the Technical Human Resource sub-committee, a specialist subcommittee established under the Yokogawa Technical Committee, aims to strengthen our technical capabilities, ability to connect, and ability to grow and develop, and to enhance the assertiveness and autonomy of our engineers. We will create an environment that facilitates a great deal of innovations by connecting people and technologies (Connect) and maximizing employee’s own careers, organizational performance, and influence (Impact). This fiscal year, by instilling the value and significance of C&I and supporting the organization revitalization activities by managers (Change agents) with a C&I mindset, we will promote the transformation of engineers’ mindset and the organizational culture. In addition, with the objective of the use and development of technical human resources, we will draft a “technical human resources portfolio” and promote the development and acquisition of technical talent.



Intangible Capital Social and Relationship Capital

To Be Co-create diverse high-value solutions Acquire brand strength to achieve corporate goals

As relationships with customers and other major stakeholders are an important element of social and relationship capital, we will focus on building strong trust-based relationships with customers, and work to make value proposals and co-create new value by leveraging our long-standing manufacturing know-how. We also view social and relationship capital from the brand power perspective, and are working to broaden awareness and promote understanding of our brand. While building a Group-wide structure, we will formulate and implement a strategy to improve brand value.

Approach

Strengthening Trust-Based Relationships with Customers and Co-Creating Value

Yokogawa's mainstay products have enjoyed many years of selection by customers around the world in various industries, providing us with a consistent level of market share. In addition, we have established a solid business foundation based on the large installed base we have acquired through involvement in more than 40,000 projects globally, as well as long-standing relationships of trust with customers. Based on these deep relationships of trust with our customers, Yokogawa is also working to visualize customers' latent issues, and to jointly create a vision for the future and a strategy for what it wants to be. By providing value that only Yokogawa can provide, Yokogawa aims to achieve further business growth. In addition, we have built good relationships with stakeholders such as business partners, suppliers, industry organizations, and local communities. With these as our foundation, we aim to create a sustainable society and are working to further strengthen and deepen these relationships.

Developing and Implementing Strategies to Expand Brand Recognition and Increase Brand Understanding/Improve Brand Value, and Building a Group-wide Structure

Brands are formed from each and every point of contact with stakeholders, and it is first necessary to raise awareness and promote understanding of one's brand. We will set targets and strengthen our brand power by identifying the level of recognition and brand image, while referring to third-party evaluations of brand value. In 2024, we conducted a global image survey of current and potential customers in our core businesses. Based on the results of that survey, we are identifying priority regions and target audiences and implementing measures to increase brand recognition and promote understanding. A brand is the result of all corporate activities, and each employee must be able to embody it. We aim to firmly establish that the Yokogawa brand's image is consistent with the concepts expressed in Yokogawa's Purpose, and realize this purpose by having our employees embody the brand. This will be achieved by educating employees to build understanding of the brand and by establishing and thoroughly enforcing rules and strengthening the promotion activities required for brand governance.

"50 Years of CENTUM history Built with Our Customers / Our Vision for Plant Operations"

CENTUM is the distributed control system (DCS) that Yokogawa Electric first launched worldwide and was developed by combining Yokogawa's proprietary digital control technology, experience, and know-how. As a core system that revolutionizes the way plant control is conducted and offers operational control with reliability, stability, and continuity, together with our total engineering and services network, it has contributed to the improvement of safety, security, and productivity. It supports a wide range of industries, including petroleum refining, petrochemicals, specialty and fine chemicals, textiles, iron and steel, pharmaceuticals, food, water, power and gas, and a cumulative total of over 30,000 systems have been adopted in more than 100 countries around the world.

Since it was first released in 1975, it has continued to evolve amid changes in the market environment and customers' needs. In addition to its stable operation and continuity due to its high reliability, through improvements in control functions it has played a major role in the enhancement of customers' products and energy conservation, and has earned high praise from our customers. This journey truly represents our history of strengthening and deepening our relationships of trust with our customers, and the trust that we have thus earned has contributed significantly to Yokogawa's brand image. We will continue to strengthen and deepen those relationships and further enhance our brand image.

As the issues faced by industry have become increasingly complex in recent times, to enhance competitiveness, management and the frontlines of all companies are being called on to strike a balance between the stable manufacture of outstanding products and securing profits by streamlining their operations. The expectations being placed on control technologies are also increasing, including the promotion of digitalization and responses to decarbonization. For this reason, with the aim of achieving autonomous operation in stages, we will evolve CENTUM to a stage where operational optimization and stability will be further enhanced through collaboration between human knowledge and the system.

In June 2025, we announced CENTUM VP R7, the 10th generation of the CENTUM series as a first step toward autonomous control using CENTUM. Even in these turbulent times, while further refining the value that CENTUM has provided in the past, we will promote the transformation of its plant operation from automation to autonomy, and aim to solve customers' issues with cutting-edge operation. We will also pursue sustainability and innovation and provide technologies that will support the industry of the future toward autonomous operation.



Capital Policy and Financial Strategy

Maximizing “Shareholder Value” by Achieving a TSR that Exceeds the Cost of Shareholders’ Equity

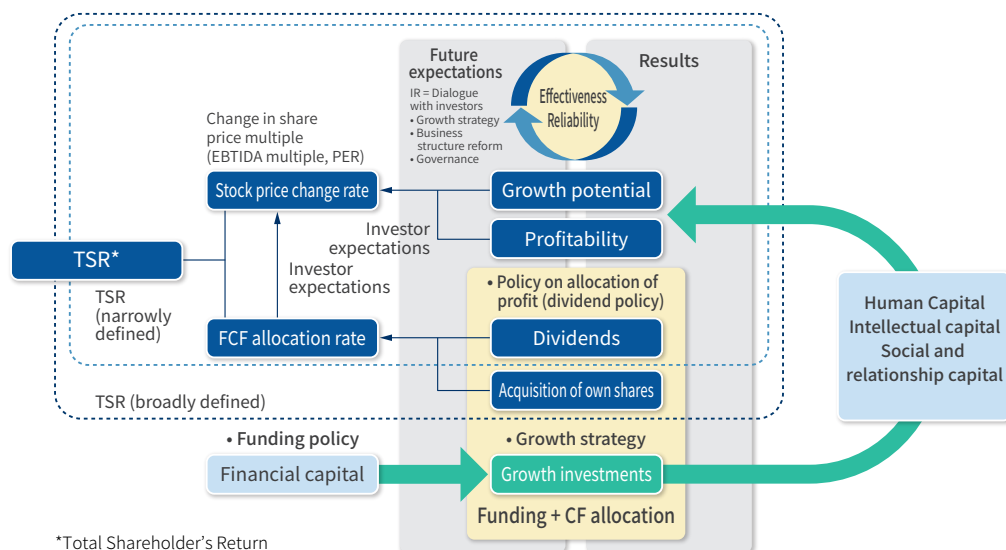
Through GS2028, we will strive to maximize shareholder value from a medium- to long-term perspective by achieving a total shareholder return (TSR) that exceeds the cost of equity.

Specifically, we will enhance growth potential and profitability through growth investments in Yokogawa's important intangible capital such as "human capital," "intellectual capital" and "social and relationship capital." We will further increase our cash flow generated from these activities and strive to achieve sustainable growth as well as to increase corporate value over the medium to long term. Meanwhile, we will actively provide returns to shareholders on the premise that we will maintain a certain financial base, thereby enhancing TSR.

Furthermore, by actively engaging in dialogue with stakeholders, including capital markets, through IR activities, we will strive to deepen common understanding and foster trust.

By steadily executing this cycle, we aim to maximize TSR and ultimately, shareholder value.

➤ Maximizing Shareholder Value



*Total Shareholder's Return

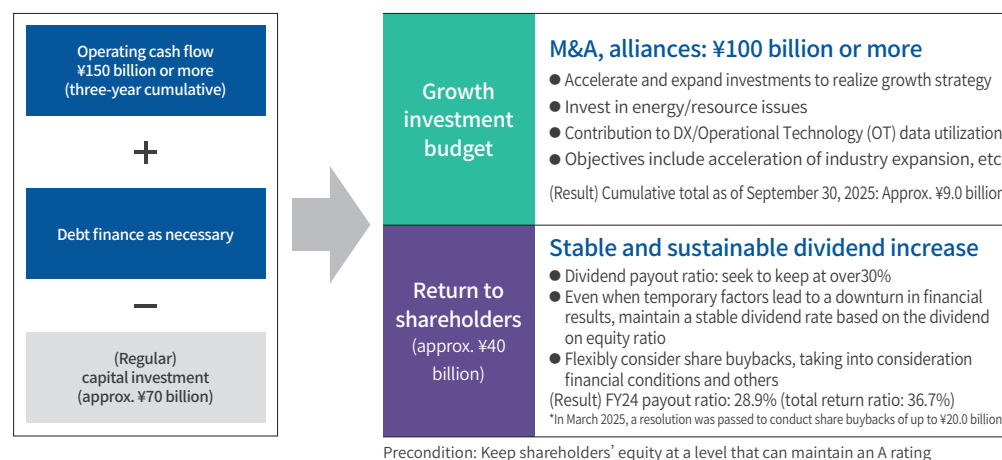
Cash Allocation in GS2028 (FY24 to FY26)

Cash allocation for the first three years of GS2028 is as shown in the chart below. Plans for the fourth and subsequent years will be formulated based on the progress of growth investments.

Cash flow generated through business operations will be preferentially allocated to growth investments aimed at increasing and maximizing corporate value over the medium to long term. Specifically, Yokogawa plans to generate cash of ¥150 billion or more, allocate ¥100 billion or more for growth investments such as for M&A and alliances, in addition to around ¥70 billion for regular capital investments. We also plan to allocate around ¥40 billion yen for stable and sustainable dividend increases as shareholder returns.

With regard to the funding for growth investments, Yokogawa's basic policy is to allocate cash flow from operating activities first, then utilize leverage by funding from external sources, mainly debt finance, as necessary. However, for large-scale investments, etc., the company may consider, on a case-by-case basis, equity finance as well.

➤ Cash Allocation in GS2028 (FY24 to FY26)



Foundation for Value Creation

Foundation for Value Creation

Intangible Capital

Capital Policy and Financial Strategy

DX Strategy

Growth investments

Under GS2028, we have set out four basic strategies for growing our business: “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 the management and business foundations.” In order to ensure success of these strategies, we are accelerating and expanding investment.

Specifically, through M&A and alliances, we will accelerate business growth in the manufacturing execution management level (Level3), including MES and in the corporate management level (Level4), including ERP, which are the top levels in the Industrial Automation and Control Business. We will also acquire and strengthen companies that have solid business foundations, including distribution channels and sales networks. Through these efforts, we aim to further strengthen and expand our existing stronghold businesses and more quickly achieve improved earnings.

In FY2024, we took countermeasures in response to M&A-related issues that had emerged to date from the perspectives of target companies, the M&A process, and organizational structure. As we focused our efforts on rebuilding the project list and other measures in association with the above, so far under GS2028, we have made approximately ¥9.0 billion in growth investments. (As of September 30, 2025)

To continue bringing the growth strategies in GS2028 to fruition under new policies and frameworks, and to further improve and maximize corporate value over the medium to long term, we will make investment decisions based upon careful consideration of company priorities.

Examples of Major Growth Investments Made under GS2028

- Acquired a flow meter manufacturer, Adept Fluidyne Pvt. Ltd.(2024, India)
- Acquired BaxEnergy, a provider of renewable energy monitoring solutions (2025, Headquarters: Germany; Operating company: Italy)
- Acquired Web Synergies (S) Pte. Ltd., a provider of IT and IT/OT integrated solutions (2025, Singapore)



P.18 M&A Issues and Countermeasures

Dividend Policy

We recognize the distribution of earnings to shareholders as one of our highest management priorities and aim for a stable and continuous increase in dividends through earnings growth. Specifically, we strive to ensure a consolidated dividend payout ratio in excess of 30% based on a comprehensive consideration of securing investment capital with a view to maximizing business results and shareholder value from a medium- to long-term perspective, while also maintaining a financial base that supports growth investments. In addition, even when temporary factors lead to a downturn in financial results, we will strive to maintain stable dividends based on the dividend on equity ratio.

In addition, we will flexibly consider additional shareholder returns through share buybacks, taking into consideration factors such as opportunities for growth investments, the status of the company’s finances, and the stock price level.

* In March 2025, a resolution was passed to conduct share buybacks of up to ¥20.0 billion.

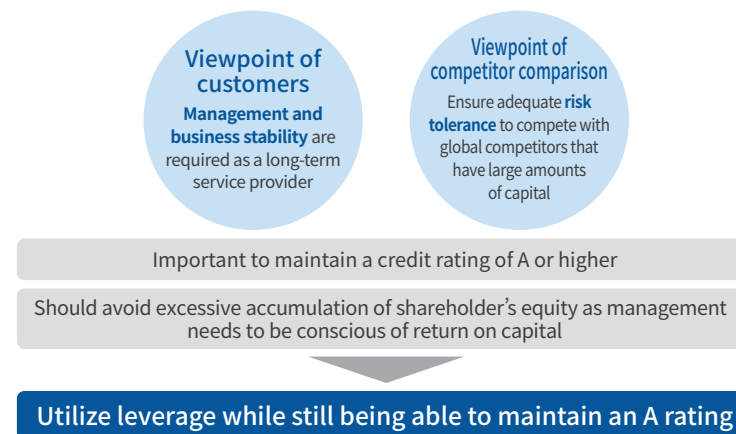
Initiatives for Achieving Management Conscious of Cost of Capital Ensuring the Optimal Capital Structure

Due to the nature of our business, customers require that we have “a system in place to reliably provide maintenance services over the long term.” Having a financial position that underpins “stability in business” will ultimately lead to our competitiveness. In addition, compared to globally competitive conglomerates, Yokogawa operates on a small scale both in business and finances, with a business portfolio focused on the Industrial Automation and Control Business. Therefore, it is important for us to adopt a sufficient risk tolerance given our financial position.

Based on a comprehensive assessment of these factors, we have defined our optimal capital structure as “a level of shareholders’ equity that allows us to maintain an A rating even if multiple risks actualize at the same time.”

Furthermore, we place importance on maintaining a financial structure that ensures the capacity to invest towards the next stage of growth even in the event that multiple business risks actualize at the same time. In the past, when interest-bearing debt increased as a result of new business investment, our financial position deteriorated significantly as the compound result of expanding losses in unprofitable businesses and the impact of the global financial crisis. It then took an extremely long time for us to reach a point when we could make growth investments through reforms of our business and financial structures. Given this experience and assuming discontinuous risk from the past, including rapid changes in external business environments, we will seek to maintain an optimal capital structure.

Approach to Optimal Capital Structure



Foundation for Value Creation

Foundation for Value Creation

Intangible Capital

Capital Policy and Financial Strategy

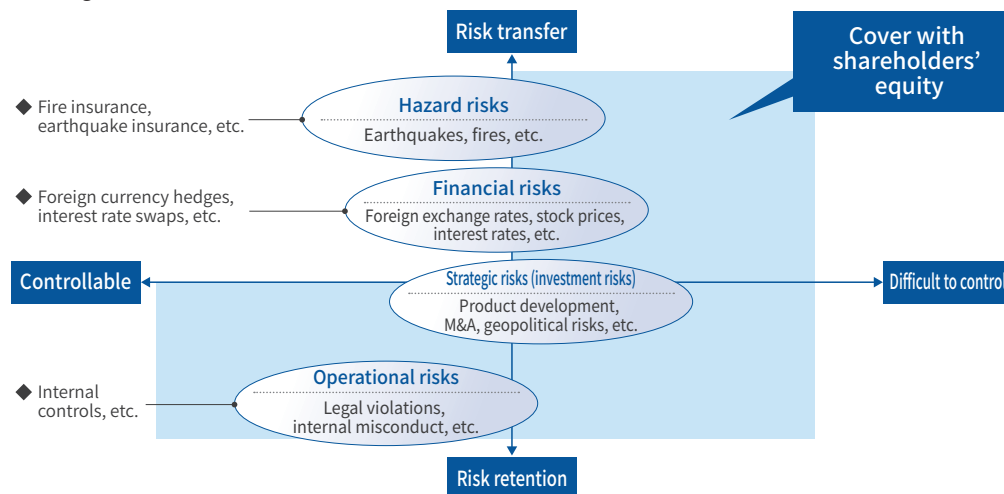
DX Strategy

Key Matters to Be Considered in Relation to the Optimal Capital Structure

In considering the optimal capital structure, we classify our business risks into four major categories: “hazard risk,” “financial risk,” “strategic risk,” and “operational risk.” We recognize that it is necessary to pass on risks that can be passed on at an appropriate price through insurance and derivatives, etc., and cover risks that cannot be passed on through shareholders’ equity.

After organizing latent risks according to these risk categories, we quantify individual risk based on specific scenarios, such as the occurrence of natural disasters, rapid appreciation of the yen, and disruption of commercial flows in specific countries due to geopolitical risks. We also consider the possibility that these risks may materialize at the same time and regularly perform simulations of such situations accordingly to determine whether or not we would still be able to maintain the optimal capital structure. The investment budget set out in GS2028 has also been established based on these simulations.

Recognition of Business Risks



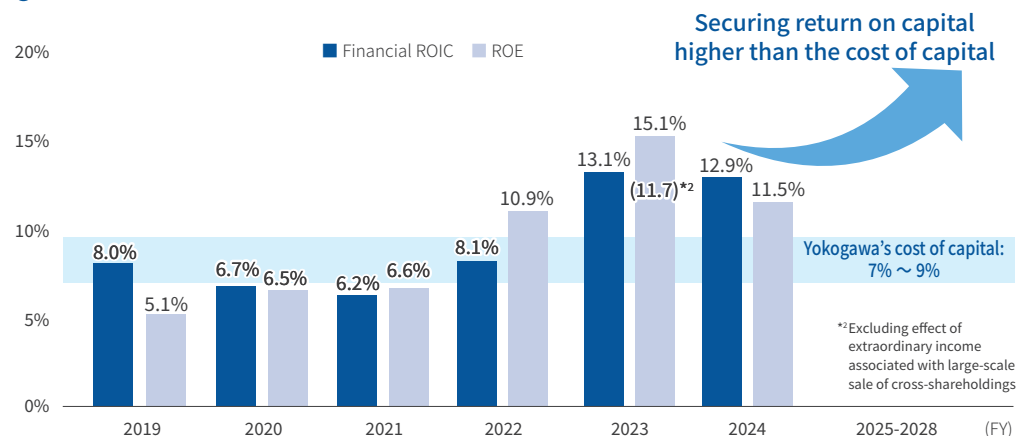
P.67-68 Risks Relating to the Group's Business

Recognition of the Cost of Capital and Target for Return on Capital

Yokogawa’s cost of capital is currently estimated to be between 7% and 9%. We recognize that there is the possibility of upward pressure on cost of capital due to changes in business domains and other results of progress in our growth investments. However, we also recognize that we have sufficient capacity to raise funds through liabilities, and we will therefore aim to reduce capital costs by appropriately utilizing leverage.

As for capital efficiency, we have set a target of “10% or more” for both financial ROIC and ROE throughout the period of GS2028. This is positioned as the minimum level based on the level of Yokogawa’s cost of capital. Although we expect an increase in invested capital as a result of growth investments, we will achieve a return on capital that exceeds the cost of capital by steadily improving profitability.

Financial ROIC*1 and ROE



*1 Financial ROIC: {Operating income × (1 - corporate tax rate 25%)} ÷ Invested capital (average at beginning and end of period)
Invested capital: Interest-bearing debt + Shareholders' equity + Non controlling interest

Mechanism for Securing Spreads: Strengthening the Investment Decision-Making Process

As a decision-making process for risk investments such as those for growth, it is important to screen investments first from the perspective of strategic consistency, and then proceed to determining the rationality of business plans and prices. Yokogawa uses hurdle rates to determine price rationality. We formulate hurdle rates that are subdivided based on the “investment target’s regional location and currency,” “business phase,” “business domain,” and “existence of unique risk factors,” and apply hurdle rates that correspond to risks for each individual project. By carefully examining projects based on investment decisions made using this hurdle rate and steadily accumulating investment returns, we believe that we can continuously achieve returns on capital that exceed the cost of capital not only for individual investment projects but also for the company as a whole. In order to ensure that this process can be continued over the long term, it is important to ensure that we have the optimal capital structure.

DX Strategy

DX Strategy in GS2028

In GS2028, DX strategy is positioned not merely as an IT initiative but as a core element of the value creation process aimed at improving social value and corporate value. Overall, there are concepts of two DX strategies: Internal DX, which aims to improve in-house productivity, and External DX, which aims to support customers' DX activities and transform our business model.

In Internal DX activities, with the aim of improving the three types of experience value, namely the customer experience (CX), partner experience (PX), and employee experience (EX), we promoted the globalization of our IT organization, the global standardization and optimization of systems, the standardization of business processes, the integration of data, and the strengthening of IT/OT security. From fiscal year 2025, we will aim to further improve productivity by utilizing AI technology such as generative AI on the new ERP system currently under development and on data integrated on the global customer relationships management (CRM) system platform that we have already introduced. We will also expand internal DX education and roll it out globally, with the aim of helping employees to build their careers.

As for External DX activities, in addition to measurement equipment, sensors, and other products in Level 1, industrial automation and control systems and other products in Level 2, and production execution systems, quality management systems, and other software solutions in Level 3, we will support the introduction of ERP systems and expand cloud services centered on Yokogawa Cloud including IIoT, AI, Digital Twins, and cybersecurity in Level 4, with the aim of being a trusted partner that resolves customer challenges in fields ranging from sensors to management. Customers are strongly demanding mutual utilization and integration of OT systems and IT systems, which had previously been separated. In response to these needs, Yokogawa will create digital connections between customers' factories/plants and headquarters, as well as among customers, aiming to help customers boost their productivity.

Internal DX Activities

In GS2028, we have set out a clear goal of improving employee productivity by 30% through Internal DX. One important measure for achieving that goal is the use of a CRM (customer relationship management) system. Installation of this system has been completed at 13 sites worldwide, and it is being used by approximately 7,000 people. It serves the following kinds of roles as infrastructure for the support of sales and marketing activities.

- Acquiring potential customers and increasing the number of business negotiations
- Deepening understanding of customers and optimizing customer approaches
- Support for data-driven decision-making and strategy formulation

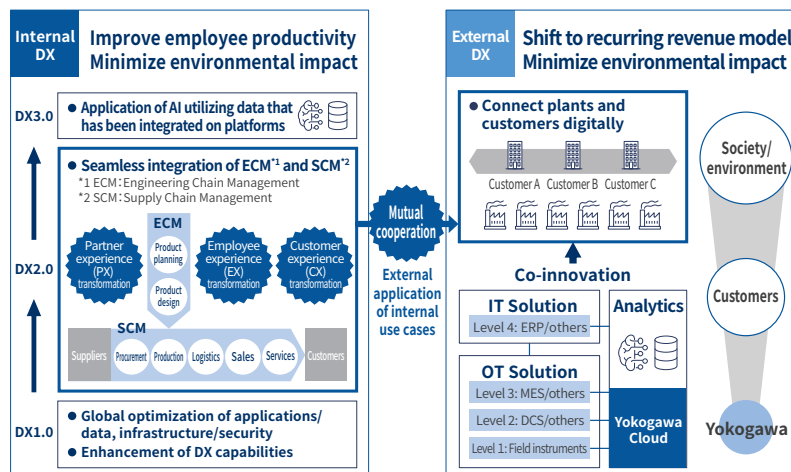
These functions, which are expected to improve efficiency on the ground in sales and maximize results, are core initiatives for achieving the targets of GS2028.

Furthermore, from FY2025, we aim to further improve our productivity by introducing AI technology into our internal CRM-related operations. Specific initiatives are as follows.

1. By introducing AI assistance in marketing activities, we will promote the automation of operations and more advanced decision-making, thus creating an environment in which employees can concentrate on higher value-added operations.
2. By leveraging Large Language Models (LLM) in CRM program development and testing processes, we will aim to reduce development time and improve quality.

We will continue working to improve customer satisfaction and create sustainable corporate value by accelerating DX in the sales and marketing domains.

External DX Activities



In recent years, there has been a growing need for business innovations through IT/OT integration and the use of AI, mainly in the manufacturing industry. Leveraging our strengths in control technology and on-site knowledge, the Group is promoting problem-solving OT consulting and DX/IT consulting for CxOs through L4 solutions, and results are starting to be observed in Japan and overseas. In addition, as DX advances, the need for cybersecurity is increasing. We provide security assessment and consulting services in Japan and overseas to respond to various laws and regulations.

Major initiatives in FY2024

- Synergies with Yokogawa Votiva, which we acquired to accelerate the growth of the ERP business, enabled us to provide integrated solutions from Level 1 (data generation and collection level) to Level 4 (corporate management level).
- With Yokogawa Cloud:
 - ▶ We installed our Industrial Cloud Suite, which integrates process simulation software on Yokogawa Cloud, at many customers.
 - ▶ We have introduced a data-driven approach to asset maintenance and management to many customers. This is realized through seamless integration between asset management solutions on Yokogawa Cloud and existing asset maintenance systems as well as control systems.
 - ▶ We integrated data from multiple IIoT sensors and power monitors on Yokogawa Cloud to provide an enterprise energy management system.

- We accelerated the creation of value in external markets through alliances with DX/IT companies, the creation of OT projects from IT as the starting point, and the development of channel to headquarters. For example, in the security field, through a business alliance with NTT DATA, we began the joint provision of OpreX IT/OT SOC* and collaboration in security-related services, building a framework for providing integrated solutions that combine the strengths of both companies.

To respond to changes in customer needs for DX-related products and AI solutions, we are strengthening our internal DX promotion structure. In line with this, in addition to providing technologies, we are also focusing on developing personnel who can contribute to customers' business innovation and value creation. We are developing personnel who have practical DX skills and industry knowledge to improve our consulting capabilities, and create a system that enables more advanced proposal activities.

*SOC: Security Operation Center (a specialized organization that detects and analyzes cyberattacks and takes countermeasures)

Foundation for Value Creation

Foundation for Value Creation

Intangible Capital

Capital Policy and Financial Strategy

DX Strategy

AI Governance

Yokogawa positions artificial intelligence (AI) as one of the key technologies for realizing the IA2IA and System of Systems initiatives set out in GS2028 medium-term business plan and for contributing to sustainability through business expansion. As such, we are continuously working to enhance its governance.

Establishment of AI Policy

We have formulated our AI Policy, which clarifies the purpose of the Group's use of artificial intelligence (AI) and the value it provides to customers, as well as our stance toward AI governance. Our aim is to transform Yokogawa into an Enterprise AI Company that ensures that AI is operated safely and appropriately in an ethical and responsible manner, further enhances our core competencies, and gives customers the peace of mind to use products and services leveraging AI that collaborates autonomously with people.

Composition of AI Policy

Yokogawa's AI Policy consists of "1. Preamble," "2. Our Core Competence, and the Value That AI Brings," "3. Commitment," "4. Specific Measures," and "5. Revision."

Composition
1. Preamble
2. Our Core Competence, and the Value That AI Brings
3. Commitment
4. Specific Measures
5. Revision

 [Full text of AI Policy \(our website\)](#)

From Section 1. Preamble

The Yokogawa Group (hereinafter, "Yokogawa") has formulated the Yokogawa's Purpose statement, which reads, "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet." Centering on its measurement, control, and information technologies, Yokogawa provides products and services that support various industries and social infrastructure. As a provider of optimal solutions that cover the entire lifecycle of plants which may remain in operation for periods of 30 years or longer, we place a high priority on the building of long-term trust-based relationships with our customers. The foundation for this is technology and quality.

Yokogawa is utilizing AI to strengthen its ability to measure and connect and provide completely new kinds of services. However, we recognize that AI presents various risks and social issues, and that Yokogawa should play a proactive role in addressing them. This policy clarifies the value Yokogawa will contribute through the use of AI, and declares what measures will be taken to accomplish this.

AI Governance Promotion Structure and Initiatives

We have formulated "Group AI Governance Code" in our Group Management Standards (GMS), which are positioned at the top of Yokogawa's internal rules and regulations. In line with the AI policy, these regulations underpin the framework for the appropriate management of risk in the development, provision, and use of AI.

The AI Policy is formulated with the approval of the President and CEO, Representative Executive Officer. Our focus in FY2025 is the launch of a control organization for AI governance based on the AI Policy. Going forward, in addition to promoting the development of AI governance systems at individual Group companies, we will supervise the status of the operation of those systems.

Further, to comply with future laws and regulations, comply with standards, and operate AI appropriately in an ethical and responsible manner, we hold AI Governance Seminars, at which our executives serve as instructors. Through these seminars, we are working to build effective AI governance, including deepening understanding of problems related to AI in society from an ethical perspective and the situation surrounding AI at Yokogawa.

Pioneering the future of manufacturing AI-First Manufacturing

By taking a comprehensive view of the entire manufacturing chain in the industry, we leverage AI to solve critical business challenges along the way. Through the realization of AI-first manufacturing, we support and enhance competitiveness across the industry.



Supporting AI-First in Manufacturing

Using YOKOGAWA's manufacturing knowledge and AI technology, we identify issues that will lead to business effectiveness and eliminate bottlenecks in the manufacturing business.

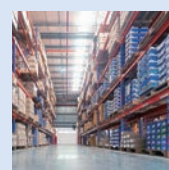
Service flow



*1 "AI-First" is an approach that integrates AI into the business strategy and gives it a core competitive advantage. Currently, an increasing number of companies around the world are aiming for "AI-First" by using AI more strategically to exponentially expand their business and increase value. Retail companies and others are reducing human intervention from the critical path of their business, aiming to exponentially expand the scale, expand the scope, and accumulate learning in their business.

*2 S&OP: Sales and Operations Planning

Examples of Yokogawa AI solutions



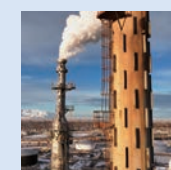
Optimal inventory control using AI

Solving the problems of inventory shortage or excess faced by the manufacturing industry and improving corporate profitability



AI-based energy saving for air conditioning

By reusing exhaust heat from factory clean rooms, AI-based valve control of water heat exchange realizes energy savings for air conditioning



Distillation column control for energy saving

While utilizing AI to control heaters that use waste heat, we reduced steam and CO₂ emissions compared to conventional manual control.



Building a generative AI environment to speed up business operations

By building a generative AI environment, we can quickly solve problems in individual business processes, speeding up and stabilizing business operations and reducing costs