Chapter 3

Value Creation Story

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Yokogawa's Vision

Yokogawa has established the "Three Goals" as its sustainability goals for 2050. We recognize the expectations and requests obtained through dialogue with diverse stakeholders as key issues, and conduct materiality analysis. The results are reflected in the GS2028 medium-term business plan and sustainability indicators. We are promoting business growth and the expansion of our contributions to society and the environment.

Stakeholder Engagement — We understand the expectations and needs obtained through dialogue with diverse stakeholders

Materiality Analysis — We conduct a double materiality analysis based on the expectations received from stakeholders, and identify and review sustainability issues (materiality). Materiality identified is linked to the GS2028 medium-term business plan through six contribution areas

GS2028 Medium-term Business Plan

The GS2028 aims to achieve the Three Goals by realizing business growth and expanding contributions to society and the environment in six contribution areas.
We have established sustainability indicators to clarify the direction and progress of initiatives.

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.

Business Segments

- Energy & Sustainability business
- Materials business
- Life business
- Measuring Instruments business
- New businesses and others

Driving solutions to customers' challenges through our businesses

Customers' Challenges

Decarbonization, Energy savings, Safety and reliability, Reduction of waste, Technical succession …etc.

Expansion of Contributions to Society and the Environment

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

Creating positive impacts on society and the environment



Focus areas of GS2028		Key contribution areas: Achieving carbon neutrality	Improving efficiency in society & industry	Optimizing plant lifecycle & protecting environment	Improving health & safety	Creating a resource-recycling ecosystem
Control business	**Energy & Sustainability business**	●	●		●	
		• Expanding value delivery for renewable energy market • Supporting utilization of clean energy (low-carbon hydrogen and low-carbon ammonia) • Providing new value for water-related area (reuse water, PFAS*)				
	Materials business	●	●			●
		• Supporting decarbonization of materials industry (chemicals, steel) • Supporting optimization of mobility supply chain • Supporting supply and use of sustainable materials				
	Life business		●	●	●	
		• Improving productivity and quality of pharmaceutical, food & beverage, and biotechnology industries • Improving efficiency and quality of drug discovery & development				
	Common foundations Digital Solutions, Products	●	●	●	●	●
		• Enabling IA2IA and System of Systems • Supporting long-term optimal operation and environmental footprint reduction of plants • Promoting repair, calibration, and refurbishment				
	Measuring Instruments business	●	●		●	
		• Supporting adoption and improvement of efficiency of renewable energy and electric vehicles • Supporting improved efficiency of next-gen communication systems • Contributing to environment and health through measurement				

GS2028 Sustainability Indicators

Target year	Indicator	Overview
FY2028	**Sustainability transition indicators**	• Indicators to promote the expansion of contributions to sustainability transition by society and customers
	Business activity indicators	• Indicators to measure the medium-term growth of businesses for the expansion of contributions to sustainability transition
FY2030	**Social impact indicators**	• Indicators to measure long-term social impacts for the priority issues in the six contribution areas.

Vision for Society Toward 2050 Three Goals



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.

*PFAS: Perfluoroalkyl and Polyfluoroalkyl Substances

Materiality Analysis

Yokogawa identifies materiality based on the concept of double materiality adopted by the Global Reporting Initiative (GRI) and European standards. We make assessment in terms of the "social and environmental impact" and the "financial impact on the Group," and formalize materiality after discussions at the Sustainability Committee and report it to the Board of Directors. The materiality is reviewed in conjunction with the business strategies of the GS2028 medium-term business plan.

Process of Materiality Analysis

1. Understand the value chain and list sustainability issues relevant to our business*
2. Assess items listed in 1 based on the following two axes
   - Social and environmental impact (assessment axis: scope, scale, potential for remediation, and likelihood of occurrence)
   - Financial impact on the Group (assessment axis: impact, likelihood of occurrence)
3. Based on the input from stakeholders, organize the assessment result in 2, and have discussion at the Sustainability Committee
4. Identify items assessed as highly material as a result of assessment as materiality
5. Confirm the consistency of materiality and six contribution areas

Discussion and review by the executives

The results of the materiality analysis are reviewed annually by the Sustainability Committee.

At the Sustainability Committee held in July 2026, the granularity and assessment result of materiality were adjusted based on inputs obtained through stakeholder engagement, including customer satisfaction surveys, dialogues with investors, and external ESG evaluations.

Furthermore, group discussions were held by the executives, where the importance for Yokogawa from the perspective of opportunities and risks was actively discussed. In addition to re-emphasizing the significance of "safety and security," "corporate culture," "compliance," "IT security," "talent acquisition and capability development," and "supply chain," we added "reliable AI," "industrial autonomy," and "product environmental footprint" to materiality.

We have confirmed that materiality reviewed this time is consistent with the six contribution areas.

* Referring to the ESRS (European Sustainability Reporting Standards).

Materiality Identified

Value chain

Upstream: Tier X suppliers, Tier 1 suppliers
Yokogawa Own Operations: Product Development, Production, Sales and engineering
Downstream: Business partners, Customers/ end users

Materiality

(↑: opportunity, ⚠: risk)

Corporate culture
- ↑ Emphasis on customer orientation, long-term perspective, challenge, and collaboration
- ⚠ Maintaining the status quo, partial optimization (siloing)

Compliance
- ⚠ Deviation from social norms including laws and regulations, corruption, discrimination and harassment, and effectiveness of internal control

IT security
- ⚠ Data leakage or operational suspension due to cyberattacks, etc.

Talent acquisition and capability development
- ↑ Enhancement of employees' capabilities and skills
- ⚠ Acquiring and retaining talents to meet business needs

Reliable AI
- ⚠ Misjudgment, lack of fairness, data leakage

Supply chain
- ⚠ Establish sustainable relationships with suppliers (stable supply, workers' safety, working conditions, etc.)

Safety and security
- ↑ Contributing to the safe and secure operation of plants
- ⚠ Vulnerabilities of our products to cyberattacks

Industrial autonomy
- ↑ Contributing to the autonomous operation of plants through the use of AI, etc.

Climate change
- ↑ Contributing to the development of decarbonization technologies such as renewable energy, and CCS and CCUS
- ⚠ Market changes due to carbon taxes and emission controls

Energy
- ↑ Contributing to stable supply of energy and energy savings

Resource recycling
- ↑ Contributing to the efficient use, reuse and recycling of resources

People's safety and health
- ↑ Contributing to the stable supply of safe water, food, and medicine

Product environmental footprint
- ⚠ Environmental impact (greenhouse gases, product materials, wastes, etc.) throughout the product life cycle from design to manufacture, use, and disposal

Strategies and measures



Linking to the GS2028 medium-term business plan through six contribution areas

Six contribution areas

- Achieving carbon neutrality
- Improving efficiency in society & industry
- Optimizing plant lifecycle & protecting environment
- Improving health & safety
- Creating a resource-recycling ecosystem
- Creating workplaces where people can fulfill their potential

Initiatives for business opportunities

- Stories from Our Business Segments
- Case Studies of Contributions

Risk management

- Social
- Environment
- Governance

Six Contribution Areas and Sustainability Indicators – Social Impact Indicators

Yokogawa will expand its contributions to society and the environment through six contribution areas. The GS2028 medium-term business plan sets social impact indicators for each of these contribution areas as long-term indicators for measuring the degree of social contribution. The contribution areas and indicators are connected with the results of materiality analysis shown on the previous page. In fiscal year 2025, progress was seen mainly in indicators for Scope 1, 2 and energy consumption, while issues remained in some indicators such as those for Scope 3. The Sustainability Committee reviewed the causes and discussed appropriate measures to address these issues, and initiatives are under way towards improvement.



Achieving Carbon Neutrality

We will promote the reduction of GHG emissions and the transition to sustainable forms of energy towards curbing climate change. In addition to contributing to the spread of renewable energy and decarbonization technologies such as CCUS, we will respond appropriately to market changes such as carbon taxes and emission regulations.

Relevant materiality: Climate change | Energy | Supply chain | Product environmental footprint



Indicators	Calculation method	FY2030 target	FY2025 result	Progress
CO_2 emissions control amount through customers	We aggregate the difference between CO_2 emissions from renewable power generation business or low-carbon energy production of the customers to whom Yokogawa provided products and services, and average CO_2 emissions from fossil fuels usage, then record it as the actual volume.	1 billion t-CO_2 (cumulative total from FY2018 to FY2030)	440 million t-CO_2	FY2025 result / FY2030 target. For fiscal year 2025 alone, the increase was mainly due to contributions from geothermal power generation. As a cumulative total since fiscal year 2018, the increase was mainly due to contributions from wind power generation. We will promote the expansion of our contribution in the renewable energy and low-carbon energy fields toward achieving the fiscal year 2030 target.
GHG emissions Scope 1 and 2 (base year: FY2019)	Calculated based on the GHG Protocol.	Achieving carbon neutrality*1	59.9% reduction	FY2025 result / FY2030 target. Due to the entering into operation of large scale solar power systems at factories and advancement in the transition to power from renewable energy sources, we made progress in reducing emissions.
GHG emissions Scope 3 (base year: FY2019)	Calculated based on the GHG Protocol.	30% reduction by FY2030*2/ Achieving carbon neutrality*1 by FY2050	0.7% reduction*2	FY2025 result / FY2030 target. Scope 3 Category 1 emissions increased compared with fiscal year 2019 due to soaring procurement costs and an increase in procurement volume. Meanwhile, we are working to curb increases in emissions by obtaining and utilizing primary data from some of the suppliers. We will continue to strengthen engagement with suppliers and promote energy-saving design of products toward achieving the FY2030 target.

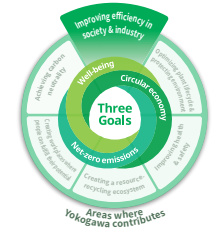
*1 The plan is to reduce GHG emissions by 90%, with the remaining 10% of emissions expected to be offset through carbon credits *2 Reductions in Category 1 (purchased goods and services) and Category 11 (use of sold products)



Improving Efficiency in Society & Industry

We will pursue DX and utilize AI to achieve greater efficiency and autonomy in production activities and optimize the use of resources and energy. In addition to contributing to stable supply of energy and energy conservation, we will work to reduce risks concerning AI such as misjudgments and biases.

Relevant materiality: Industrial autonomy | Energy | Reliable AI | Supply chain



Indicators	Calculation method	FY2030 target	FY2025 result	Progress
Economic value created by improving customer productivity efficiency	Calculated by estimating the amount of productivity improvement benefits for customers to whom Yokogawa provided products or services.	2 trillion yen	306 billion yen	FY2025 result / FY2030 target. We promoted the expansion of production and energy efficiency businesses. We will continue to focus on expanding our AI solutions and consulting business, while working to quantify our contribution to improving customers' production efficiency.
Energy consumption (Intensity per sales, base year FY2023)	Calculated by dividing the groupwide energy consumption by consolidated sales.	30% reduction (Average 5% improvement per year)	34.8% reduction	FY2025 result / FY2030 target. Energy consumption decreased as a result of progress with measures to reduce the use of energy. In addition, energy consumption (intensity per sales) improved significantly as a result of increase in consolidated net sales.

Six Contribution Areas and Sustainability Indicators – Social Impact Indicators

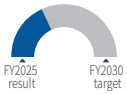


Optimizing Plant Lifecycle & Protecting Environment

We will support the long-term and optimal operation of plant assets, and contribute to the improvement of customers' productivity. We will also support the reduction of environmental impacts of plant assets throughout the lifecycle.

Relevant materiality: Safety and security | Supply chain | Product environmental footprint



Indicators	Calculation method	FY2030 target	FY2025 result	Progress
Number of plants/ factories where Yokogawa has contributed to sustainable and secure operations	Calculated based on the number of contracts for lifecycle support that contribute to supporting the long-term optimal operation of plants*1.	20,000 plants	5,496 plants	 The number of plants that are contributing to sustainable and secure operations by promoting lifecycle support increased slightly from the previous year*2.
Water withdrawals (Intensity per sales, base year FY2023)	Calculated by dividing the Group' s water withdrawals by consolidated sales.	20% reduction	7.3% reduction	 We controlled the increase in water consumption by improving our production processes and introducing water-saving systems to our office water supplies. In addition, water withdrawals (intensity per sales) improved significantly compared with the previous fiscal year as a result of increase in consolidated net sales.

*1 Starting in fiscal year 2025, we standardized the definition of lifecycle support contracts on a global level and revised the method for counting applicable contracts.
*2 The actual number of applicable plants in fiscal year 2024 counted in accordance with the revised method is 5,389.



Improving Health & Safety

We will contribute to improving safety and security in plants and communities by promoting life-related innovation. In addition to supporting safe operations and stable supplies of water, food, and pharmaceuticals, we will strengthen our response to risks such as operational suspensions and information leaks due to cyberattacks.

Relevant materiality: Safety and security | People's safety and health | IT security | Reliable AI



Indicators	Calculation method	FY2030 target	FY2025 result	Progress
Total number of people whose health & safety have been enhanced through solutions provided by Yokogawa's customers	Calculated based on the population of cities that are using water infrastructure for which Yokogawa provided products and services.	100 million people	77.18 million people	 The increases in and outside Japan were mainly due to contributions from facilities related to water purification. We will promote the expansion of our contribution in the water infrastructure field, including water purification plants.
Total reportable incidents frequency rate ((Number of accidents with lost days + Number of accidents without lost days) / Total actual working hours × 1,000,000)	Calculated by dividing the annual number of occupational accidents by the total actual working hours and then multiply by 1,000,000.	0.40 or less	0.89	 The number of slips, trips, and falls accidents, which is a major issue, decreased due to the implementation of educational programs and dissemination of accident prevention rules. We will carry out group-wide measures and work to reduce work-related accidents.

Six Contribution Areas and Sustainability Indicators – Social Impact Indicators



Creating a Resource-Recycling Ecosystem

We will contribute to maximizing the sustainable use of resources and recycling. We will work to improve resource efficiency and expand reuse and recycling throughout our value chain and product lifecycle.

Relevant materiality: Resource recycling | Supply chain | Product environmental footprint



With a view to accelerating measures for resource recycling, we have set new indicators and targets for "creating a resource-recycling ecosystem."
We will implement concrete initiatives based on the product sustainability guidelines, "Trusted Green."

Indicators	FY2030 target
Environmental value created throughout the product lifecycle	• Promoting long-term use of products • Promoting the use of environmentally friendly materials (recycled resins, etc.) in products • Enhancing provision of environmental data using environmental assessments such as LCA

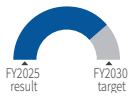


Creating Workplaces Where People can Fulfill Their Potential

We will create an environment where each person is respected and a variety of employees can demonstrate their potential. We will promote the development of human resources while placing emphasis on challenges and collaboration, and respond to risks such as legal violations, corruption, discrimination and harassment, as well as human resources shortages.

Relevant materiality: Corporate culture | Compliance | Talent acquisition and capability development | Reliable AI



Indicators	Calculation method	FY2030 target	FY2025 result	Progress
Engagement to enhance employee well-being	Measured by employee engagement survey scores.	An engagement survey score 84% or higher	82%	 The engagement score in fiscal year 2025 was 82%, breaking the record high score for the second year in a row. Diversity, work-life management, efficiency, and strategy & direction were identified as crucial themes to be addressed. We will drive improvement measures according to the situation of each organization.
Achievements in human resource development and capacity development for transformation	—	Improving the abilities of employees (including skills, etc.) to respond to future Yokogawa business needs	We promoted efforts to update and enhance our human resources portfolio for the realization of our business strategy.	
Achievement level of diversity, equity, and inclusion	Measured by the global percentage of women in managerial positions.	Percentage of women in managerial positions 20%	15.5%	 We will continue implementing measures according to the situation in each region, such as the age composition of employees.
	—	Enhanced diversity at senior decision-making levels	We are promoting the diversification of potential successors for management team and global leader positions.	

Sustainability Indicators – Sustainability Transition Indicators

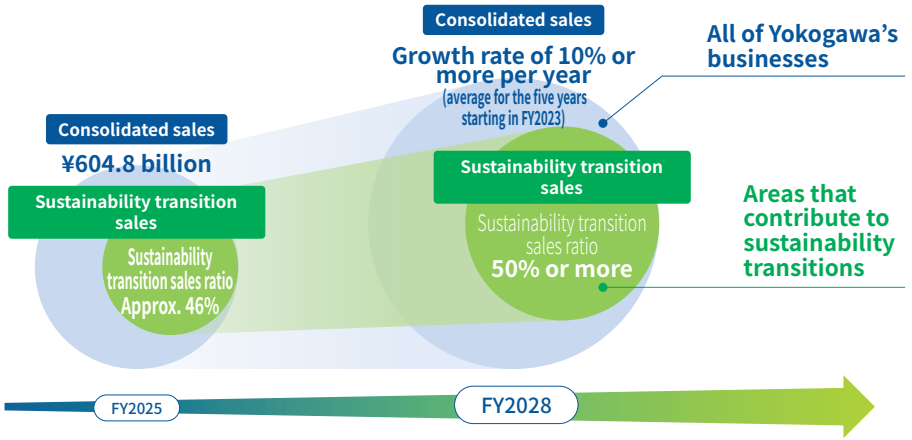
New Sustainability Transition Indicators That Integrate Business Growth and Sustainability Contributions

Our business environment is undergoing major changes, including the energy situation, rising geopolitical risks, and changes in social demands for decarbonization. Through all of its businesses, Yokogawa contributes to the sustainable development of society and industry, while also working to upgrade its business portfolio in response to changes in the business environment over the medium to long term. In order to realize a sustainable society, it is important to accelerate business growth in the areas of clean energy and energy transition, as well as to support customers' sustainability transitions while addressing the diverse challenges and circumstances faced by customers across different regions and industries.

Based on such belief, in order to clearly indicate how each business should contribute and in which direction it should grow, we upgraded the sustainability transition indicators to management indicators that more integrally capture contribution to society and business growth, following discussions at the Sustainability Committee.

Indicators and targets up to Fiscal Year 2025

Until fiscal year 2025, we had defined the revenue from areas in which we contribute to sustainability transition as "sustainability transition sales," and had been targeting to raise the ratio to net sales to 50% or more. In fiscal year 2025, sustainability transition sales accounted for approximately 46% of net sales.



Indicators and targets for Fiscal Year 2026 and beyond

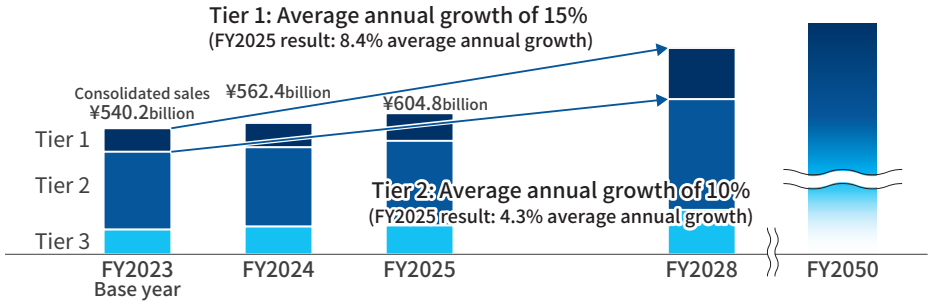
For fiscal year 2026 and beyond, we classify our business domains by industry into three tiers to make it clear how each tier should contribute to sustainability transitions.

Concept of sustainability transition indicators*1

Classification	Industry group*2	Way of contributing to sustainability	Growth rate target
Tier 1	Renewable energy, CCS and CCUS, water, pharmaceutical, healthcare, food & beverage, measurement, etc.	Contribute to a sustainable society as a whole through carbon neutrality and well-being	Achieve sales growth that far exceeds the GS2028 target rate (average annual growth of 15%*3)
Tier 2	Natural gas, LNG, power, specialty and fine chemicals, mobility, mining & metals, pulp & paper, etc.	Contribute to the transition to a circular economy through energy transition and effective utilization of resources	Achieve sales growth on par with the GS2028 sales growth target (average annual growth of 10%*3)
Tier 3	Oil and petrochemicals	Contribute to a prosperous and safe society by reducing environmental impacts	—

Tier 1 is positioned as a priority growth area that will directly contribute to the realization of a sustainable society, and therefore we have set an average annual growth rate target of 15%, which is significantly higher than the group-wide sales growth rate target under GS2028 (average annual rate of 10% or more). For Tier 2, which is a domain that supports social transitions through energy transition and effective utilization of resources, we aim for an average annual growth of 10%. Although no growth rate targets are set for Tier 3, it is an important area that supports society and industry, and therefore we will enhance our contribution to our customers' safe and stable operations and the reduction of environmental impacts. These indicators have been introduced as a new framework for evaluating businesses from the perspectives of both social value and corporate value and to accelerate growth in domains that contribute greatly to a sustainable society, based on the premise that all businesses contribute to society. They point to the direction we are headed in promoting the reform of our business portfolio over the medium to long term.

*1 The Stated Policies Scenario (STEPS) of the World Energy Outlook (WEO) published by the International Energy Agency (IEA) was used as a reference when designing the index. According to STEPS, while fossil fuels including oil and natural gas will continue to be used on a certain scale in 2050, the fossil fuel-related fields are expected to gradually lose share after the 2030s, in line with changes in the energy demand structure.
*2 The composition of industries in each tier is determined by reference to the taxonomy standards published by public institutions, while also taking into consideration our business format and management practicality. We will continue to review the system in light of changes in social and industrial structures.
*3 The base year is fiscal year 2023.



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

■ Results for Fiscal Year 2025, the Second 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.
In fiscal year 2025, the second year of the plan, results remained solid, driven by the acquisition of multiple large-scale projects in the Industrial Automation and Control Business and an increase in orders in the Measuring Instruments Business resulting from the expansion of AI data center-related demand.
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 t rack 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 Result	FY2026 Forecast	FY2023–FY2026
Order growth	10%/year or more	10.4% (7.8)	3.2% (2.4)	4.4% (5.2)	6.0% (5.1)
Sales growth	10%/year or more	4.1% (1.9)	7.5% (6.9)	1.7% (2.2)	4.4% (3.6)
Return on sales (ROS)	15% or more	14.9% (13.3)	13.6% (12.4)	13.8% (12.8)	—

Order growth targets by segment (5-year average)

Industrial Automation and Control Business	10%/year or more	10.1% (7.5)	1.2% (0.4)	5.6% (6.3)	5.6% (4.7)
Energy & Sustainability	10%/year or more	18.9% (16.2)	2.5% (1.4)	7.0% (7.9)	9.2% (8.3)
Materials	10%/year or more	0.1% (-2.5)	-2.5% (-2.7)	3.5% (3.9)	0.3% (-0.5)
Life	15%/year or more	2.4% (1.4)	8.1% (6.8)	5.2% (5.1)	5.2% (4.4)
Measuring Instruments Business	12%/year or more	16.9% (13.6)	38.5% (37.0)	-7.1% (-6.1)	14.6% (13.5)
	GS2028 budget rate US$1 = ¥130	Actual rate US$1 = ¥152.55	Actual rate US$1 = ¥151.17	Forecast rate US$1 = ¥150	

Financial Targets

Return on equity (ROE)	10% or more	11.5%	11.8%
Return on invested capital (financial ROIC)	10% or more	12.9%	11.7%
Earnings per share (EPS)	¥300 or more (FY2028)	¥200.41	¥227.72
Operating cash flow	¥300B or more (5 years cumulative)	¥99.0B (single fiscal year)	¥86.0B (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)



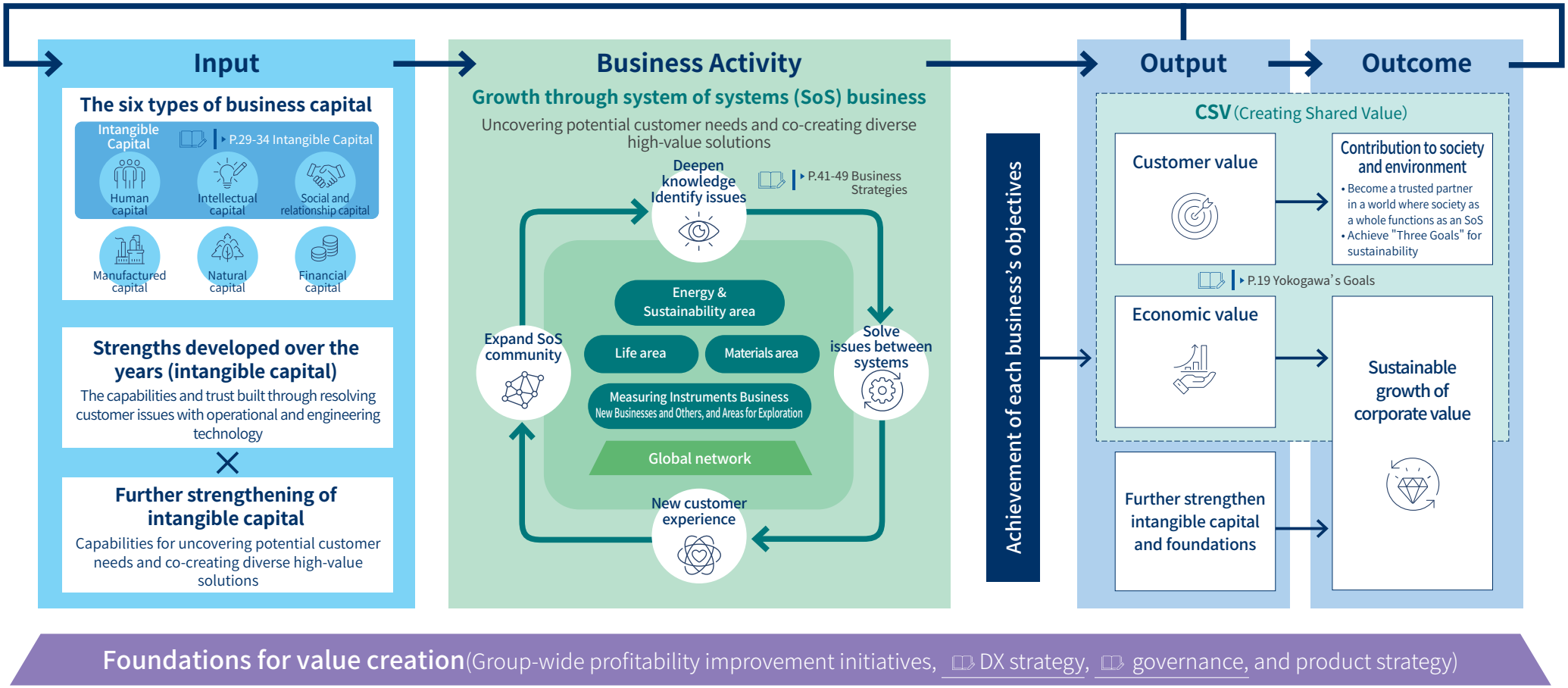
Investment and M&A in key target domains

To achieve the high growth targets of GS2028, we are promoting investment in priority domains, including the Indian market, where infrastructure investment is booming, and AI in the OT domain. In addition, while continuing to educate and strengthen our M&A personnel, we will accelerate the execution of M&A and alliances.

Value Creation Process

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

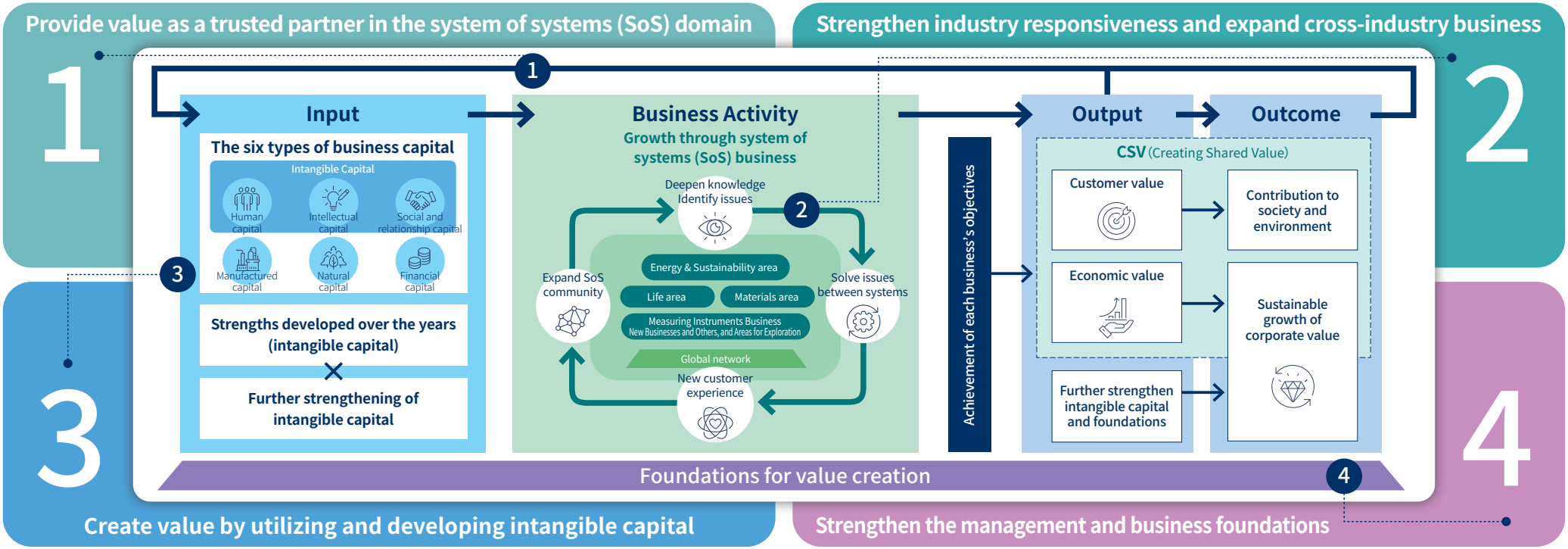
Of the six management capitals, we place particular emphasis on intangible capital, such as human capital, intellectual capital, and social and relationship capital. Going forward, we will create value by further strengthening and utilizing these kinds of intangible capital in our business activities 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.



Four Basic Strategies for Value Creation

■ Four Basic Strategies Under GS2028

Under GS2028, we will strengthen the value creation process and aim for continuous growth by implementing four basic strategies.



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

For the provision of value through SoS, we are working to provide strategic insights, promote collaboration, and advance system autonomy through an IA2IA (Industrial Automation to industrial Autonomy) approach. Through these initiatives, we will support the realization of sustainable growth as our customers' trusted partner in a society where SoS is advancing.

▸P.41-49 Business Strategies

②Strengthen industry responsiveness and expand cross-industry business

We are striving to expand the scope of solutions from the frontlines level to management level, to enhance solutions that will support customers in their responses to changes in the business environment and market needs.

▸P.41-49 Business Strategies

③Create value by utilizing and developing intangible capital

Of our intangible capital, we are focusing particular effort on the use of human capital, intellectual capital, and social and relationship capital. We leverage the strengths that Yokogawa has cultivated over many years, namely the ability to create value, the ability to empathize, the ability to identify issues, and the ability to connect stakeholders, as drivers of business growth.

▸P.29-34 Intangible Capital

④Strengthen the management and business foundations

We are working to strengthen our management and business foundations that support the value creation process. Specific initiatives include improving profitability through the optimization of organizational structure and operations, and strengthening IT foundations (DX strategy), as well as making changes to organizational design, and further enhancing governance (corporate governance).

▸P.38-39 DX Strategy ▸P.50-61 Corporate Governance

Four Basic Strategies for Value Creation

■ Key Target Domains in the Four Basic Strategies

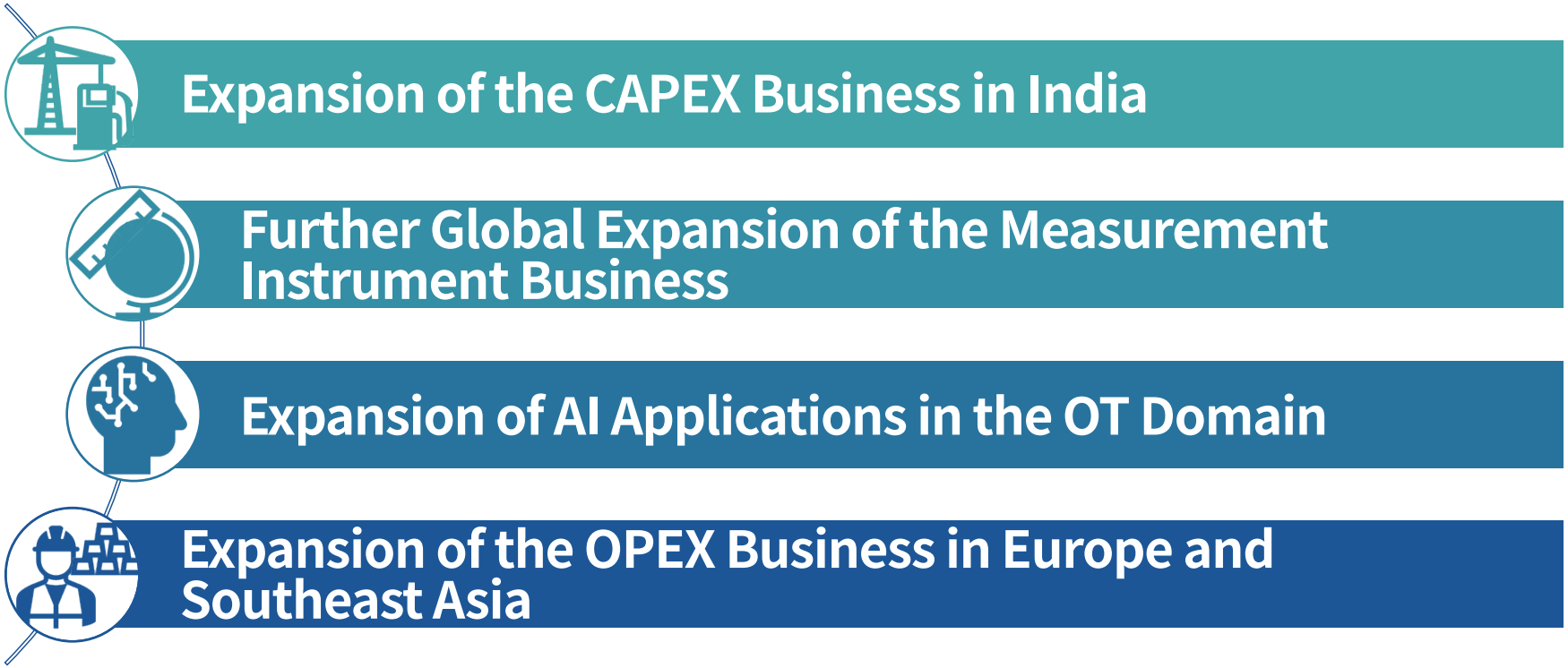
In the promotion of our four basic strategies for the achievement of GS2028, we will actively invest in the acquisition of technologies and business foundations needed for growth, with a focus on the following four domains.

India is a huge market where infrastructure investment is thriving in line with population growth. While it is a competitive market, we will further enhance our competitiveness by strengthening our production and engineering frameworks to capture growth opportunities.

The Measuring Instruments Business realized significant growth last year by capturing demand for AI datacenter-related investment. To ensure that this growth is not temporary, we will strengthen our product portfolio and expand globally, leading to sustainable growth.

In the AI field, we are working together with customers on plant autonomy. Yokogawa's strengths lie in our ability to apply AI even to actual plant control by leveraging our technical strengths rooted in OT and the control and operations expertise we have built up over many years. We will pursue the practical application of AI to support the autonomy of plant control and the expansion of the domains in which it is applied.

The OPEX business has expanded its operations by providing supportive solutions and services to the installed base in the Japanese market. We will extend these best practices globally while strengthening our ability to propose OPEX solutions and services across the entire life cycle, thereby driving further expansion of our earnings base.



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.26 Value Creation Process

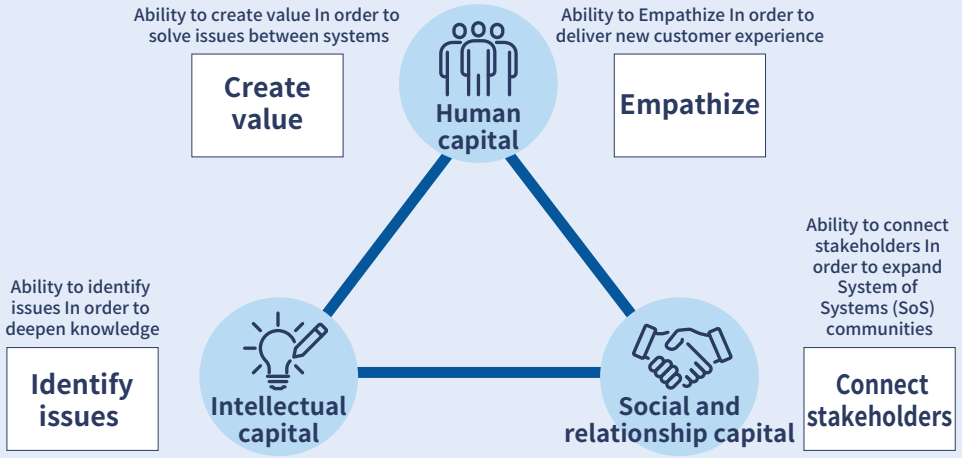
To Be

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.

■ 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 Fiscal Year 2025

- Recruited SMEs/SAs*1 (19 SMEs, 14 SAs; total of 33) by strengthening strategic sourcing and recruitment branding in new areas set as future growth strategy and key areas such as DX
- Support for autonomous career development (37% participation rate in people manager*2 training, 41.2 training hours per employee)
- Conducted a global leadership development program for 27 female employees working in Yokogawa Group companies in various parts of the world, supporting them in building global networks and developing their career visions.
- Conducted a reverse mentoring program*3.

Initiatives to Address Issues

■ Continued efforts to update and enhance our human resources portfolio for the realization of our business strategy
- Strengthening of recruitment competitiveness by enhancing direct sourcing and strengthening recruitment branding
- Strengthening of practical capabilities of people managers with actions that "achieve results through people" as a common language
- Continued operation of framework for supporting autonomous career development leveraging talent management system, etc.

*1 SME: Subject Matter Expert (industry experts and consulting professionals)
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 Program: 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.

Development of human resources who will support the creation of sustainable corporate value

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 we are working to foster an organizational culture 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.

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. This fiscal year, we were certified as belonging to "the Certified KENKO Investment for Health Outstanding Organizations (White 500 - 2026)" for the eighth time.

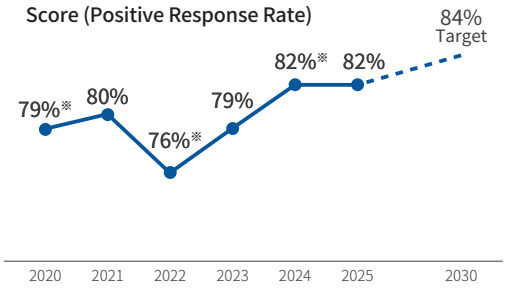
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Improvement of Employee Engagement

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, is proud to be part of the organization, appreciates and admires others, has a spirit of mutual respect, and takes on challenges proactively. The KPI of "sustainable engagement" is comprised of the following three capabilities.

* 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.

Global Employee Engagement Survey Score (Positive Response Rate)



1. **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.
2. **Enabled** Employees feel that an environment is in place where productivity is high and they can work flexibly.
3. **Energized** Employees feel that they can maintain an energized state and a healthy state of mind and body throughout the day.

FY2025 Results Analysis and Improvement Activities

The FY2025 employee engagement full survey results showed a record high sustainable engagement score of 82%. Many employees' evaluation was that they were "willing to make greater efforts than expected for the sake of the company's success," showing a result that exceeded the target.

The most recent survey revealed that the three areas of "diversity and work-life management," "efficiency," and "strategies and directions" had a particularly strong impact. 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.

In addition, the Yokogawa Group Awards, an in-house awards system for the Yokogawa Group, are held every year (17 awards/161 employees in 2025), recognizing and praising people and teams embodying the company's strategy and direction (GS2028/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

Under the GS2028 medium-term business plan, Yokogawa is pursuing management that leads to the enhancement of corporate value through the visualization and value creation of intellectual capital. Not only will we protect our technologies, but we will also leverage them in our businesses and further develop them. In doing so, we aim to achieve both solutions to social issues and sustainable growth.

Intellectual Property Strategy: Becoming a Growth Driver That Creates Value and Forges a Path to the Future

Progress in FY2025: Promotion of Intellectual Property Strategy That Leads to Value Creation

Yokogawa is working steadily to strengthen its ability to generate inventions. In fiscal year 2025, we worked to upgrade our integrated operational platform that spans from invention generation to acquisition of rights, resulting in 283 invention proposals, exceeding our target.

In addition, taking the opportunity of the establishment of the position of Chief Technology Officer (CTO) in April, we have been working toward the realization of our medium- to long-term technological vision. To that end, we set up a cross-divisional task force at an early stage, began the strategic development of basic patents to support the task force, and are developing a platform to secure a competitive advantage in future businesses.

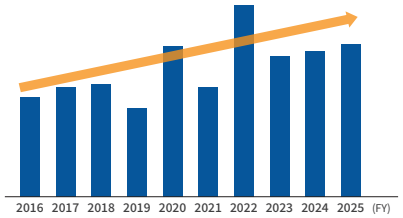
For Yokogawa, intellectual capital is a crucial management resource that transforms technology into business value. Based on this approach, we established an Intellectual Property Department in the Marketing Headquarters, which is tasked with new business development. By integrating the IP function from the design stage of business schemes, we are working to establish an advantageous business position and reduce potential risks.

As a specific example of intellectual capital, we successfully used our proprietary single-cell nanodelivery device, SU10*1, to achieve genome editing of plants without the use of foreign genes. This method has been patented, and we have licensed it to a start-up company as a technology that can accelerate the development of breed improvement.

We have pursued these initiatives in line with the policies for the use and development of intangible capital set out in GS2028. Such activities have received external recognition, including our selection for the first time by IAM*2 as an IAM Asia IP Elite. Additionally, in OIN*3, an intercompany framework designed to reduce patent risk, we participated as an initial member of the new framework, OIN2.0. We are also playing a part in supporting the open source community by establishing an environment for the development of Linux systems.

*1 SU10 (Single CellomeTM Unit): Yokogawa's proprietary equipment that delivers targeted substances such as proteins and genome editing tools to individual cells. This outcome was patented as Patent No. 7729509 and licensed non-exclusively to INPLANTA INNOVATIONS INC., a plant biotechnology venture company, for research and development purposes. The plant genome editing market is expected to grow to the scale of around USD 9.3 billion by 2031 (Source: IDTechEx).
*2 IAM: An international specialist publication and research organization in the field of intellectual property
*3 OIN (Open Invention Network): An international framework in which participating companies pledge not to assert their Linux-related patents against each other, supporting a safe environment for the use of open source software. OIN2.0 is a new version of that framework.

Number of invention and design proposals



FY2026 Policy: Transformation of Intellectual Capital into Corporate Value

In fiscal year 2026 as well, based on the IA Basic Strategy for Intellectual Property, the individual divisions and the Intellectual Property Department will work together under the CTO's medium- to long-term technological vision to advance patent applications and rights acquisition in key domains in sync with the technology roadmap, steadily establishing a foundation to secure a competitive advantage for future businesses.

On the organizational front, we established a new Intellectual Property Legal Affairs Section that will handle co-creation and disputes, with the aim of improving the quality and speed of decision-making by controlling IP risks inherent in contracts and business decisions.

From a systems perspective, we are consolidating inventions across the entire Group and aligning our incentive programs, while establishing a global IP governance framework based on standardized decision-making criteria.

Further, we will expand IP education to cover not only employees but also officers, with the aim of embedding intellectual property activities as a company-wide management foundation, not limiting them to the roles of specific divisions.

With these initiatives, in addition to making the IP portfolio that has been accumulated and organized more visible, we will advance its value creation by incorporating it into business strategies and investment decisions. We will leverage intellectual capital as a key factor in management decision-making and strengthen its role as a driver of growth that goes beyond its defensive function.



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 leadership of the Chief Technology Officer (CTO), a position established in fiscal year 2025, the activities of the Yokogawa Technical Committee and one of its specialist subcommittees, the Technical Human Resource sub-committee, have transitioned to a new stage. The Technical Human Resource sub-committee is working to foster a corporate culture of creating new challenges, with the aim of carrying the strengths of "Yokogawa, the technology leader" into the next era and further evolving them. "Connect & Impact" embodies our strong commitment to connecting people with people and technologies with technologies to create new value. We are working to transform the mindset of every one of our technical professionals to encourage them to take initiative and act autonomously, and to develop an organization to support this transformation. At the same time, we are advancing efforts to visualize the current situation by developing a technical talent portfolio focusing on key themes such as AI. In this way, we will clarify what is needed to come closer to the future vision outlined in our medium- to long-term technology strategies and strategically pursue the acquisition and development of human resources.



Research and Development Examples



Realization of Plant Autonomy Through Integrated Robot Operation

— Next-generation operational design technology leveraging a wide variety of robots —

Operational Plan Design Technology That Integrates Multiple Types of Robots

Yokogawa has developed technology for designing operational plans for the integrated operation of multiple types of robots. This technology realizes the automation and greater sophistication of inspection and patrol operations by selecting the best robots to suit the situation in the plant and allocating tasks to multiple robots efficiently. This enables "robot orchestration," which links robots that were previously operated separately, contributing to overall plant optimization.

By advancing the use of robots from the adoption of individual robots to overall optimization, this technology contributes to the enhancement of safety and improvement of operational efficiency for the customer, as well as creating new value by expanding the scope of applications for robots.

Challenges in the Plant Industry and the Use of Robots

In recent years, the plant industry has faced increasingly sophisticated and aging facilities. Meanwhile, shortages of skilled workers and challenges in transferring technical skills to the next generation have become apparent. In addition, there are growing demands for further enhancement of safety and operational efficiency, and the use of robots and drones as a means of addressing these challenges is advancing worldwide. However, there are diverse types of robots deployed in the field, each with widely varying characteristics and functions. For this reason, in many cases, they are used individually, and they are unable to deliver their full benefit.

Core Platform to Support Integrated Robot Operation

The technology developed in this research addresses these challenges. In future, we envisage linking it to a core platform that will support the integrated operation of robots. Our expectation is that, by combining it with OpreX Robot Management Core (our website), which manages and controls different robots in an integrated manner, this technology will be extended into coordinated operation and remote operation of robots and their integrated operation with plant systems.

Automation and Enhancement of Equipment Maintenance Through Image Data Analysis

Further, with regard to image data obtained by robots, with the use of OpreX Plant Image Analyzer (our website), we will promote the digitalization of equipment anomaly detection, condition monitoring, and inspection operations. This will enable not only the automation of tasks, but also the enhancement of data-based decision-making.

Through the combination of these solutions, we aim to differentiate the Yokogawa Group in the field of robotics applications and contribute to market expansion by addressing increasingly sophisticated plant operation needs.

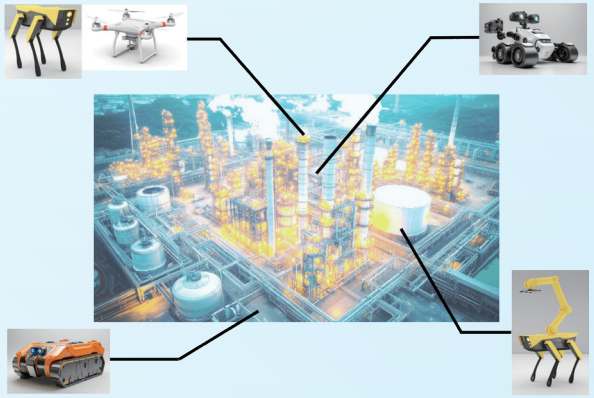
Initiatives for Industrial Autonomy and Partner Collaborations

To address such needs, Yokogawa is committed to the evolution from Industrial Automation to Industrial Autonomy and is working to realize next-generation plant operation leveraging robotics and AI. As part of these efforts, progress is being made in demonstration and practical application through collaborations with global companies. For example, in a collaboration with Shell, we are promoting the enhancement of plant maintenance by combining AI technologies and robotics. In addition to using the aforementioned Plant Image Analyzer to take meter readings, we are demonstrating multiple use cases, such as checking for liquid leaks and equipment malfunctions, at Shell's actual plants. Also, in a collaboration with ANYbotics, we have been successful in integrating the quadruped robot "ANYmal" with the plant operation platform. These initiatives are serving to accelerate the evolution from the deployment of stand-alone robots to solutions that integrate multiple robots at the level of actual operations.

Collaboration with Shell on Robot and AI Technologies for Plant Maintenance
Integration of OpreX Robot Management Core and ANYmal Inspection Robot

Future Developments

Going forward, in addition to combining this technology with various solutions to further promote the integrated use of a wide variety of robots, we will strengthen collaboration with AI and data in our aim to realize the autonomy of plant operations, i.e., Industrial Autonomy. Yokogawa will contribute to the establishment of safe, efficient social infrastructure through the combination of robotics, AI, and control technologies.



Conceptual image of future vision for robot operation at plants

■ 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 our involvement in more than 30,000 system installations 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. Based on the circumstances of each region and business, we have identified focus regions and target segments and are working on activities to communicate Yokogawa's corporate stance and the value we provide. 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 thoroughly educating employees to build understanding of the brand and by establishing and thoroughly enforcing rules and strengthening the promotion activities required for brand governance.

Evolving Business Branding: "OpreX," the Comprehensive Brand of the Industrial Automation and Control Business

OpreX is the comprehensive brand of Yokogawa's Industrial Automation and Control Business that was adopted in 2018. In 2025, seven years after its launch, the OpreX category structure was rebuilt.

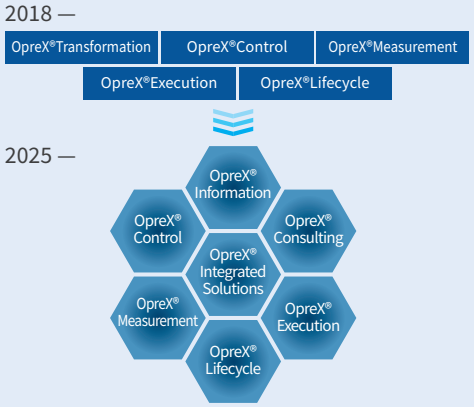
The Industrial Automation and Control Business currently accounts for more than 90% of Yokogawa's sales. It provides a wide variety of products, services, and solutions to various industries. On the other hand, back in the 2010s, it faced the challenge of having numerous brands and proprietary names for its offerings, and there was a growing need to consolidate them systematically and clearly present the value they offered. In that vein, we set up a cross-divisional project team, which began consideration of the reorganization of the offerings and the adoption of a comprehensive brand. In 2018, we created the "OpreX" brand, which encompasses the entire portfolio of the Industrial Automation and Control Business.

OpreX is a term coined from "Operational Excellence" to communicate the state in which operational improvement processes become embedded in the field and are elevated to a competitive advantage. "X" has multiple connotations, including the "cross" in cross-functional and the "ex-" and "trans-" prefixes in excellent and transformation, as well as the "X" that is used to indicate an "unknown quantity." It reflects Yokogawa's determination to contribute to the creation of a wonderful world that has never been experienced before. The intention imbued in the "OpreX" brand is also linked to Yokogawa's corporate brand slogan, "Co-innovating tomorrow."

In the rebuilding of the OpreX category structure in 2025, with the objectives of organizing the portfolio of products offered by the Industrial Automation and Control Business to match the actual state of the business and enhancing the appeal of the value provided, we reviewed the existing categories and established a new category for integrated solutions. The existing structure of five categories for individual products, services, and solutions was revised and reorganized into six categories: OpreX Control, OpreX Measurement, OpreX Execution, OpreX Lifecycle, OpreX Information, and OpreX Consulting. A new category of "OpreX Integrated Solutions" was also established to promote solutions that combine different offerings for specific purposes. The introduction of the new category is intended to enhance the appeal of individual offerings in response to the expansion of solutions, information-based offerings, and consulting services, while strengthening our ability to communicate our capabilities to the market.

Through OpreX, Yokogawa will demonstrate the value it provides in the Industrial Automation and Control Business and continue to embrace challenges as a partner that will co-create the future together with its customers.

Changes in OpreX Category



■ Capital Policy and Financial Strategy

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

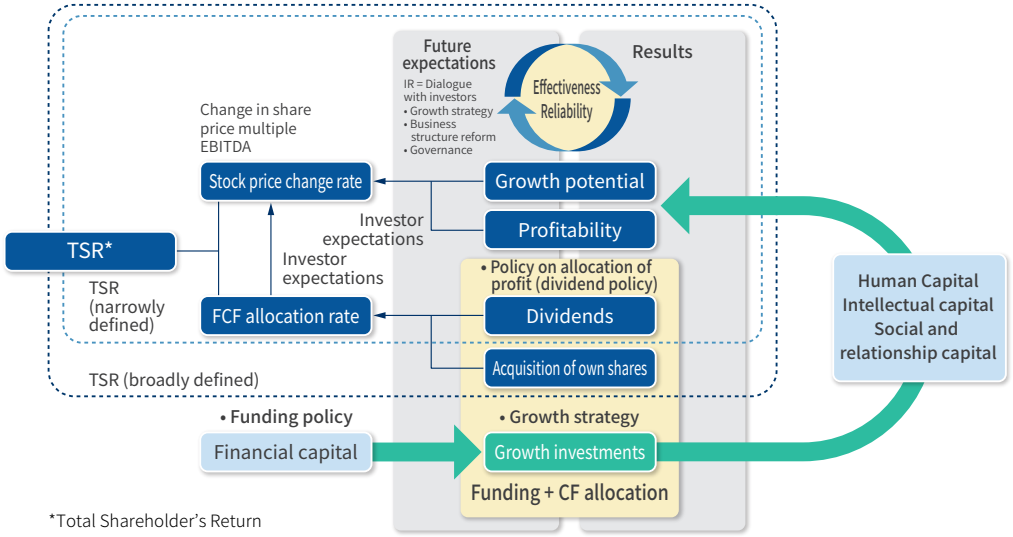
Through GS2028, we will strive to maximize shareholder value from a medium- to long-term perspective by achieving a total shareholder return (TSR) that exceeds the cost of equity.

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

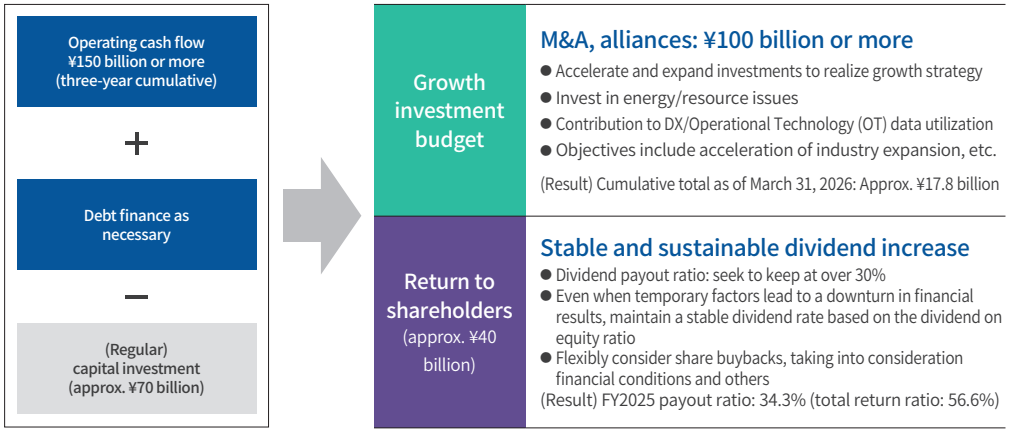
Cash Allocation in GS2028 (FY2024 to FY2026)

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 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)



Precondition: Keep shareholders’ equity at a level that can maintain an A rating

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 (Level 3), including MES and in the corporate management level (Level 4), 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 fiscal year 2025, we took countermeasures in response to M&A-related issues that had emerged to date from the perspectives of target companies and the M&A process. 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 ¥17.8 billion in growth investments. (As of March 31, 2026)

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)
- Acquired Intellisync*1, a provider of cybersecurity and DX solutions (2025, Italy)
- Acquired WiSNAM*1, a developer of advanced grid control and energy management solutions (2025, Italy)

*1 Since integrated into BaxEnergy

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.

Initiatives for Achieving Management Conscious of Cost of Capital

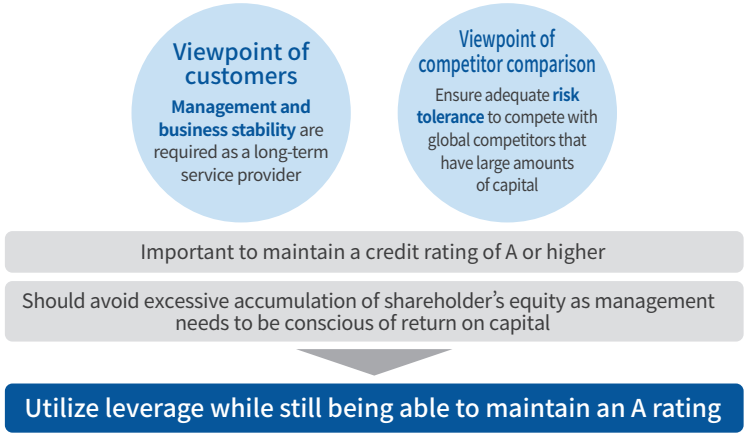
Ensuring the Optimal Capital Structure

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

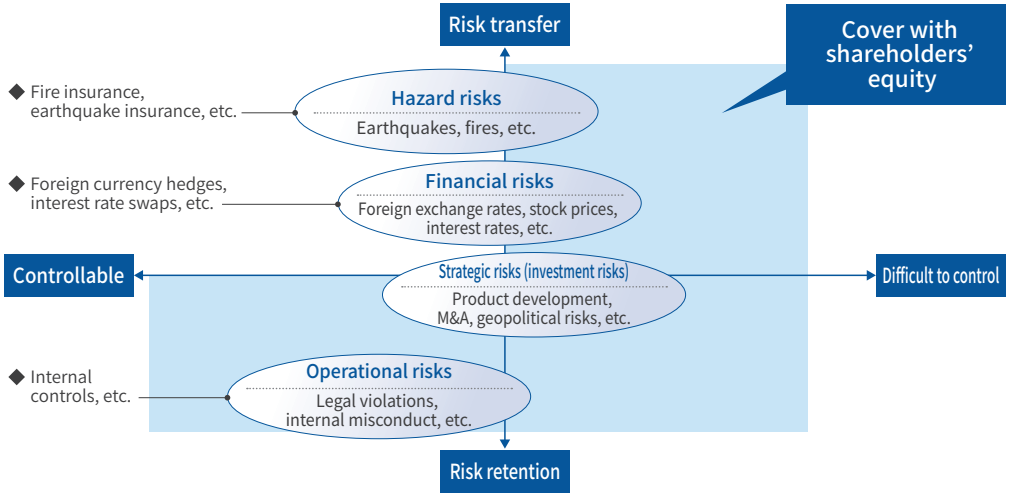


Key Matters to Be Considered in Relation to the Optimal Capital Structure

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



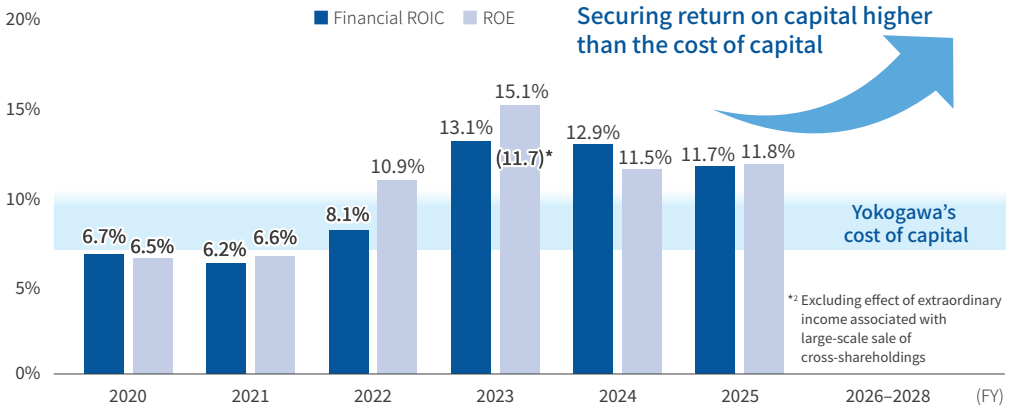
▸P.69-71 Risks Relating to the Group's Business

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

Yokogawa's cost of capital through FY2025 is 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

Accelerating creation of new value by connecting with AI, Data, and People through digital transformation

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. Since fiscal year 2025, we have aimed 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 are also helping employees to build their careers by expanding internal DX education and rolling it out globally.

As for External DX activities, in addition to our areas of expertise, namely 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 aims to help customers boost their productivity by creating digital connections between customers' factories/plants and headquarters, as well as among customers.

	Activity Classification	Status of Initiatives
Internal DX	DX Education and Learning Platform	Organized Yokogawa's own development framework based on the Digital Skill Standards issued by Japan's Ministry of Economy, Trade and Industry (METI) and rolled out learning opportunities in the most appropriate format for each training program, including online and in-person learning.
	Example of DX Training	Developed Yokogawa's own study materials (in Japanese and English) compliant with METI's DX Literacy Standards. Promoted the acquisition of common DX knowledge across the global organization. To develop DX promotion personnel, provided training in areas such as AI, data, cybersecurity, cloud computing, and business development.
External DX	Digital Transformation (DX) Promotion Policy	Yokogawa has established an External DX Management Code and is promoting the company-wide use of digital technologies such as the cloud, AI/machine learning, IIoT, and cybersecurity.
	Smart Manufacturing and DX Support	Conducted digital maturity assessments and formulated roadmaps led by professionals with Smart Industry Readiness Index (S.I.R.I.) qualifications. Ongoing smart manufacturing support that combines ERP, MES, and EMS.
	Latest DX Implementation Outcomes	Implemented an FKDPP solution, in which multiple autonomous control AI systems work together, in the acid gas removal process at the Saudi Aramco Fadhili Gas Plant. Realized a 10-15% reduction in amine and steam consumption and approximately 5% reduction in electricity consumption, contributing to the autonomy and stability of plant operations.

Status of Internal DX Initiatives

In GS2028, we have set out a goal of improving employee productivity by 30% through Internal DX, and we are pursuing the development of DX personnel to achieve this goal. Mindful of the fact that overseas sales account for over 70% of our total sales, we have defined five globally common roles required for DX promotion under the global DX personnel development program, "Yokogawa Xcelerate." We are systematically rolling this program out to all global employees, from enhancing DX literacy to developing specialized and transformative talent.

■ Main initiatives

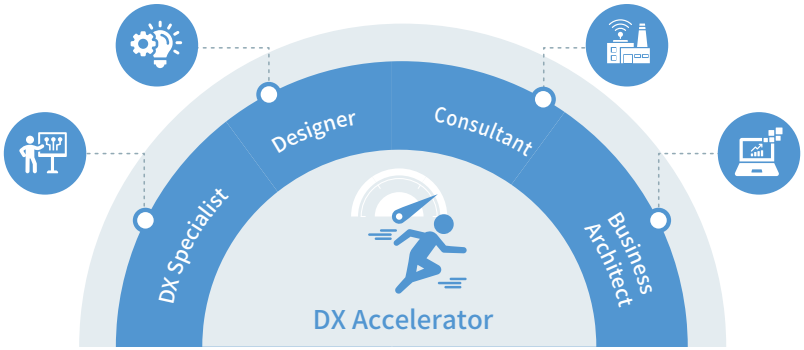
- **Data/AI Boot Camp:** We provide intensive training overseas for participants from various countries to strengthen their practical skills in data and AI utilization.
- **Innovation Challenge:** We conduct training for participants to obtain the skills needed for new business proposals, and as an opportunity for them to put what they have learned into practice, providing opportunities to propose digitally-driven transformations to management.
- **Physical AI Open Laboratory:** In the field of physical AI, we operate a collaborative learning space where participants set their own goals, conduct research activities, share their outcomes, and co-create new value.

Developing digital talent and organizational capabilities for continuous innovation.

■ Key measures to enhance Customer Experience (CX) value

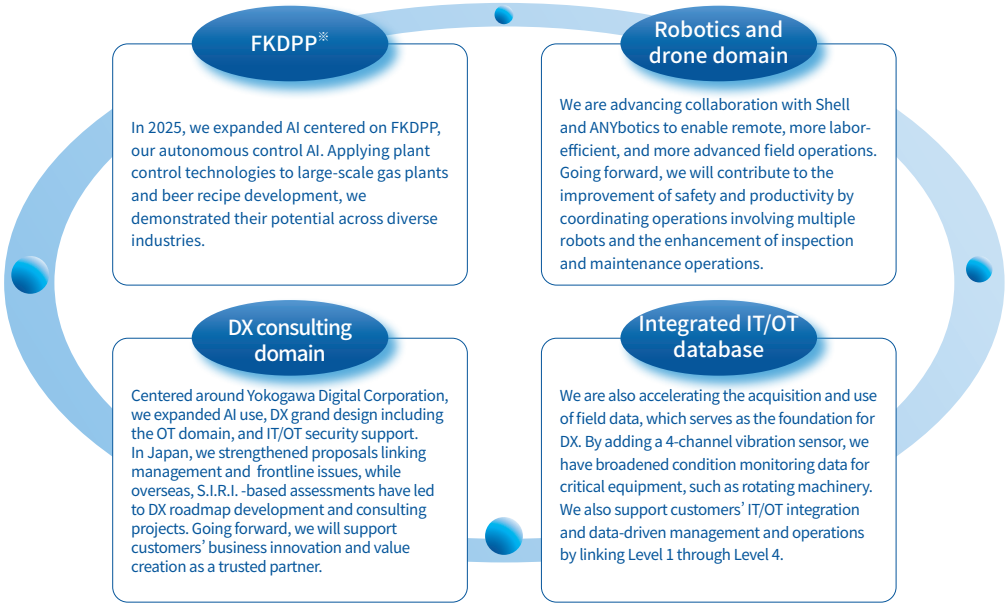
We are promoting the use of customer relationship management (CRM) systems. By centralizing information about customers and business negotiations and integrating it with AI, we visualize the entire process from marketing to order acquisition. This allows us to turn insights gained from predictive analysis and win-rate evaluations into concrete measures, to support the creation and promotion of business opportunities.

Going forward, we will also consolidate service information into CRM, thus expanding it into an integrated CRM system to enable the centralized use of customer information concerning sales and marketing, as well as maintenance and support. Further, we will aim to improve the speed and quality of solutions to issues and enhance customer experience value by leveraging AI and knowledge to provide the most appropriate information and support according to customers' circumstances and requirements.



Status of External DX Initiatives

In the manufacturing industry, challenges, such as a decline in the working population, the transfer of skilled expertise to the next generation, the improvement of energy efficiency, increasing supply chain complexity, and cybersecurity measures, are becoming more apparent. To address these challenges, Yokogawa is promoting External DX, which provides integrated support from the acquisition of data to AI-driven analysis and optimization, and even further to autonomous operations, by leveraging our measurement, control, and information technologies alongside our long-standing field expertise. In particular, by integrating AI into the control domain where our core strength lies, we are equipping society with a physical AI that creates value in actual plants and operational sites. In doing so, we are contributing to our customers' increased productivity, safe and stable operations, and reduced environmental impact.



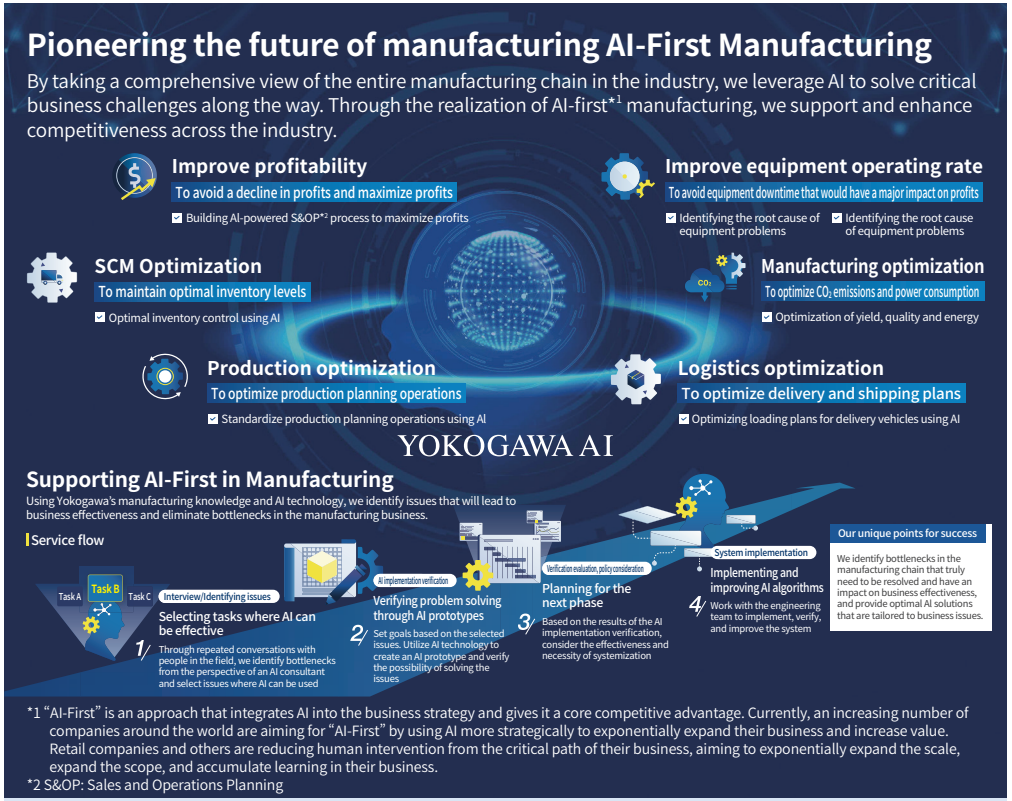
* Factorial Kernel Dynamic Policy Programming (reinforcement learning-based AI algorithm for autonomous control)

AI Governance Promotion Structure and Status of Initiatives

In line with the expansion of AI use, we are advancing our Group's AI governance into practical execution. Based on the AI Policy and the Group AI Governance Code announced in the previous fiscal year, we established the Group's in-house AI governance organization and management structure in 2025. This ensures rigorous risk management in the development, provision, and use of AI, while promoting its ethical and responsible use. Yokogawa will deliver safe and reliable AI to our customers while accelerating internal AI adoption, advancing our transformation into an Enterprise AI Company.

Through AI, Yokogawa will strengthen its ability to measure worksites and connect data, systems, and people, and support the autonomy and sustainable operations of the manufacturing industry. Through External DX, we will help solve customer issues and contribute to their business growth, while realizing the enhancement of both social and corporate value.

Full text of AI Policy (our website)



*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



Distillation column control for energy saving

While utilizing AI to control heaters that use waste heat, we reduced steam and CO_2 emissions compared to conventional manual control.



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.



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.

Examples of AI Adoption

Next-generation plant control realized by AI

— Optimizing complex processes and expanding applied domains with autonomous control using reinforcement learning —

AI Topics 1

Commercialization of plant operation using the autonomous AI



Using the autonomous AI “FKDPP,” Yokogawa has realized the autonomous operation of an actual butadiene production facility at ENEOS Materials Corporation’s Yokkaichi Plant. FKDPP is a reinforcement learning-based AI algorithm jointly developed by Yokogawa and Nara Institute of Science and Technology. The targeted distillation process required the optimization of multiple operational variables while simultaneously maintaining quality and energy efficiency, resulting in a high level of manual intervention. After conducting learning and verification using a plant simulator, AI control was implemented, and 35 days of continuous autonomous operation and an approximately 40% reduction in steam use were achieved. This is the world’s first case of AI directly controlling the operating parameters of a chemical plant. Further, after around one year of stable operation, we confirmed that autonomous control AI is a next-generation control technology that contributes to reduction of environmental impact, quality stabilization, and the digital transformation of expertise.

AI Topics 2



Optimization of fermentation process by AI

Yokogawa worked jointly with craft beer producer, CRAFT BANK, on the optimization of the fermentation process with the autonomous control AI, FKDPP. The fermentation process has a significant influence on the taste and aroma of beer. Until now, it has depended greatly on the experience and judgment of skilled fermentation professionals. In this demonstration project, AI produced a temperature setting plan for the fermentation tank, and the beer was produced based on that plan. As a result, it was confirmed that the fermentation process could be shortened by approximately 28% from 336 hours to 240 hours, while maintaining quality. The example shows that AI can contribute to both quality and productivity by complementing the expertise of skilled professionals.

Yokogawa will extend the technology for autonomous control AI that it has cultivated in the chemicals industry to a wide range of other industries that use fermentation processes, such as food, beverages, and pharmaceuticals, and contribute to the enhancement of customers’ competitiveness.