

Medium-term Business Plan *Growth for Sustainability 2028*

Hitoshi Nara

President and CEO
Yokogawa Electric Corporation

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Agenda

1. Long-term Business Framework
2. Review of Accelerate Growth 2023
3. Medium-term Business Plan
Growth for Sustainability 2028
4. GS2028 Targets
5. Basic Strategies for Value Creation
6. Business Segment Strategies and Key Measures
7. Achieving the Plan

Long-term Business Framework

Overview of long-term business framework and medium-term business plan

2021

FY21~FY23

2024

FY24~FY28

2029

2030

2050

Yokogawa's Purpose / The Yokogawa Philosophy

Three Goals for sustainability

Net-zero emissions

Well-being

Circular economy

Long-term business framework (including Vision statement)

Aim for growth through the provision of shared value to society

Medium-term business plan

Accelerate Growth 2023

Establish a business structure centered on addressing broad social issues to enable growth

Medium-term business plan

Growth for Sustainability 2028

Speed up growth based on the business structure established in AG2023

Through autonomy and symbiosis, Yokogawa will create sustainable value and lead the way in solving global issues.

The operational autonomy that Yokogawa aims to achieve will help to increase productivity, avoid risks, reduce workloads, and ensure worker safety. This operational autonomy will extend beyond the boundaries of individual organizations, companies, and industries.

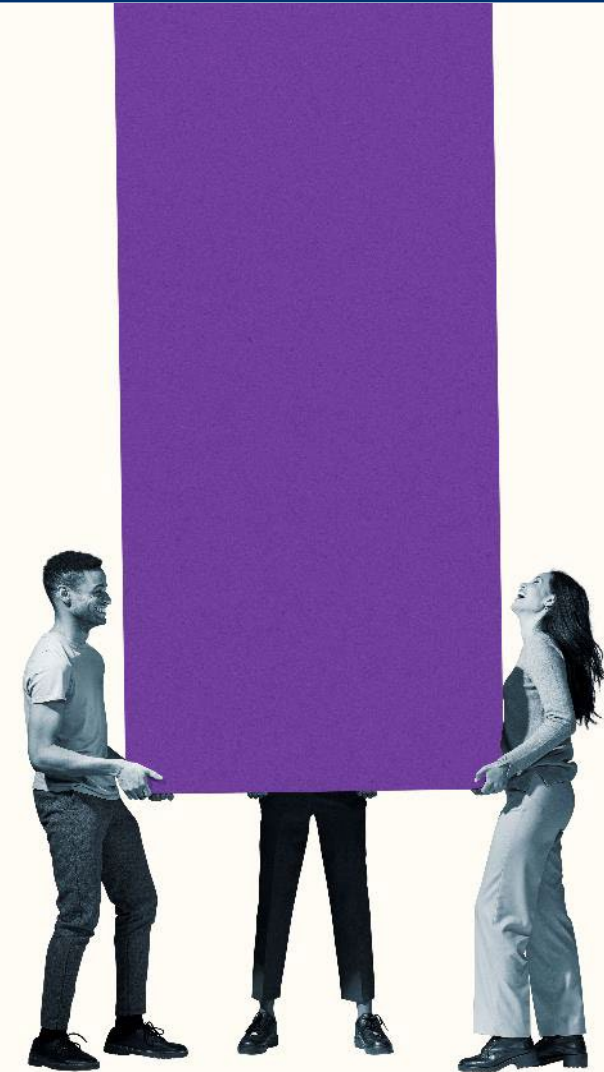
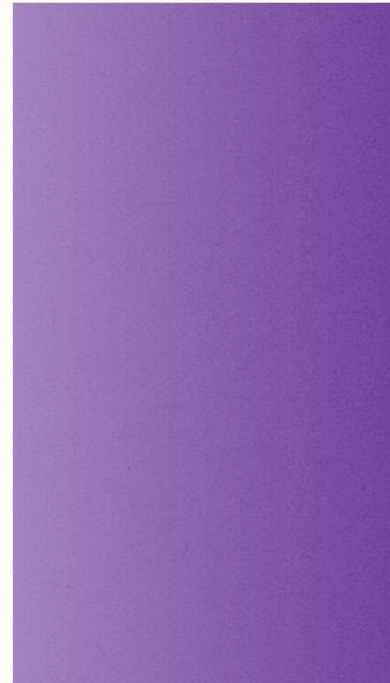
Yokogawa's vision is to bring about a symbiosis between industry and society in which these entities function autonomously, yet in a coordinated way. By realizing this vision and continuing to create value, Yokogawa will take the initiative in addressing social issues.

The presence we wish to have as a company in 2030

Aiming to contribute to society as a **trillion-yen company**

Through ESG management and a focus on the SDGs,
Yokogawa will contribute to society.

To have a greater impact on society,
a strong market presence is also required.



Review of Accelerate Growth 2023

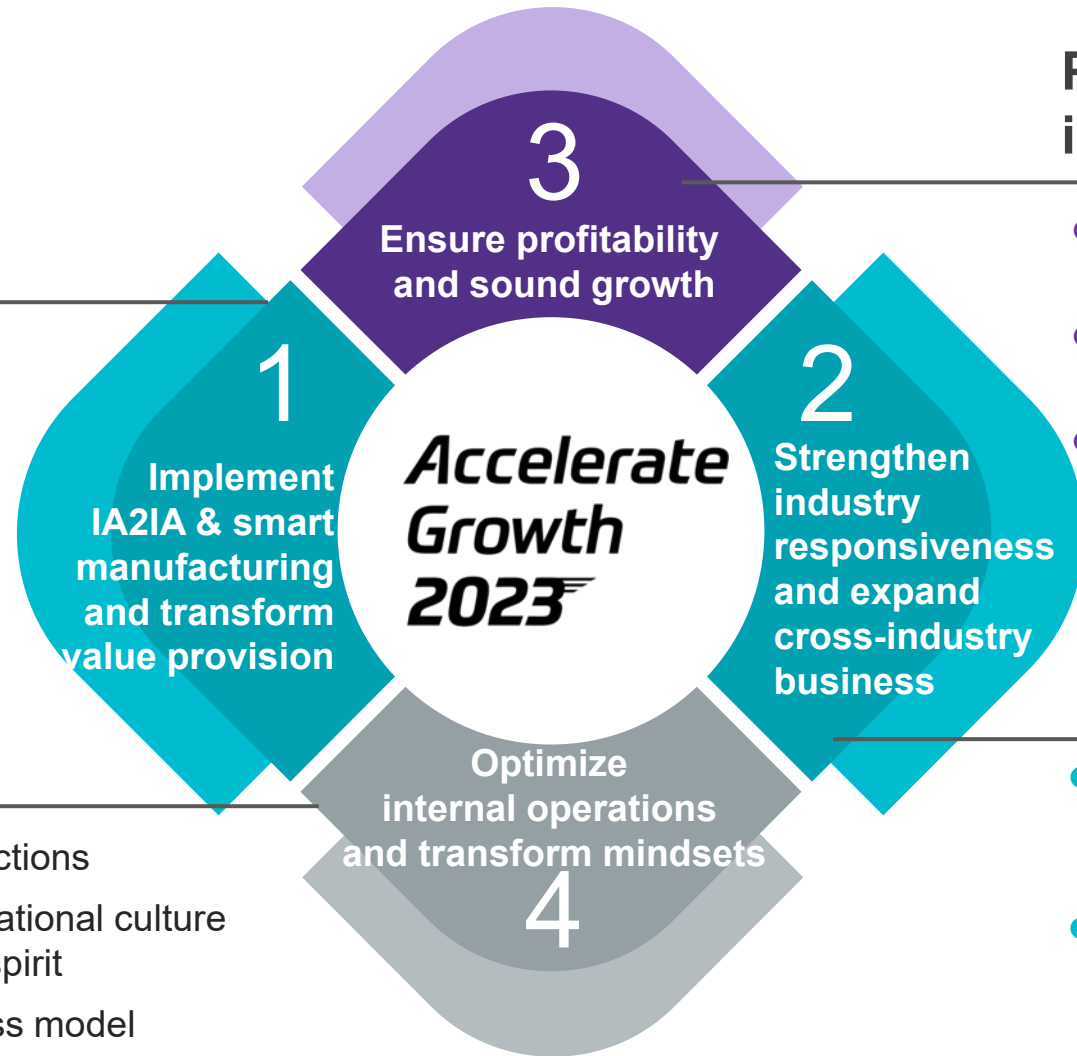
Accelerate Growth 2023: Four basic strategies

Expansion of value provided

- Move IA2IA concept to the implementation phase
- Expand the scope of smart manufacturing solutions provided for customers

Strengthening the corporate base

- Strengthen strategic planning functions
- Cultivate a corporate and organizational culture that encourages entrepreneurial spirit
- Carry out internal DX and business model transformation



Profitability and growth in value provision

- Aggregate knowledge and improve efficiency with large projects
- Focus resources on product groups that deliver high value
- Generate profits from software and engineering

Expansion of value provided

- Provide new value to customers who are making the shift to being integrated energy companies
- Expand other industry and cross-industry business

Accelerate Growth 2023: Four basic strategies



Implement IA2IA & smart manufacturing and transform value provision

Materializing value: Rising confidence in our growth prospects based on numerous PoCs and value co-creation with customers

Achievements

- IA2IA^{*1}/smart manufacturing^{*2} business development initiatives
Release of new solutions: Cumulative 3-year total of 151 (target: 150)
Overseas order count: Cumulative 3-year total of 566
- Increased orders for MAC/MAIC^{*3} projects requiring high project execution and integration capabilities
- World's first: Autonomous control AI^{*4} officially adopted for use at a customer's chemical plant
- Cosmo Oil and Yokogawa begin exploring opportunities for refinery digitalization

Issues

- Scaling up businesses with new business models (recurring revenue etc.) and new solutions
- Developing solution talent

*1 The transition from industrial automation to industrial autonomy by incorporating DX-related technologies such as AI, digital twins, and robotics

*2 The achievement of autonomy and improvement of productivity in production operations, enterprises, and supply chains through DX and IA2IA

*3 Main automation contractor / Main automation and information contractor

*4 Based on the Factorial Kernel Dynamic Policy Programming (FKDPP) autonomous control AI protocol that makes use of reinforcement learning technology. Jointly developed by Yokogawa and the Nara Institute of Science and Technology (NAIST)

Accelerate Growth 2023: Four basic strategies



Strengthen industry responsiveness and expand cross-industry business

Business growth in the focus industries was limited, but the improved organizational capabilities have led to positive results.

Achievements

Orders received in focus industries

Renewable energy: ¥5.9 billion (1.5 times vs. FY20)

Specialty and fine chemicals (outside Japan): ¥14.6 billion (2.5 times vs. FY20)

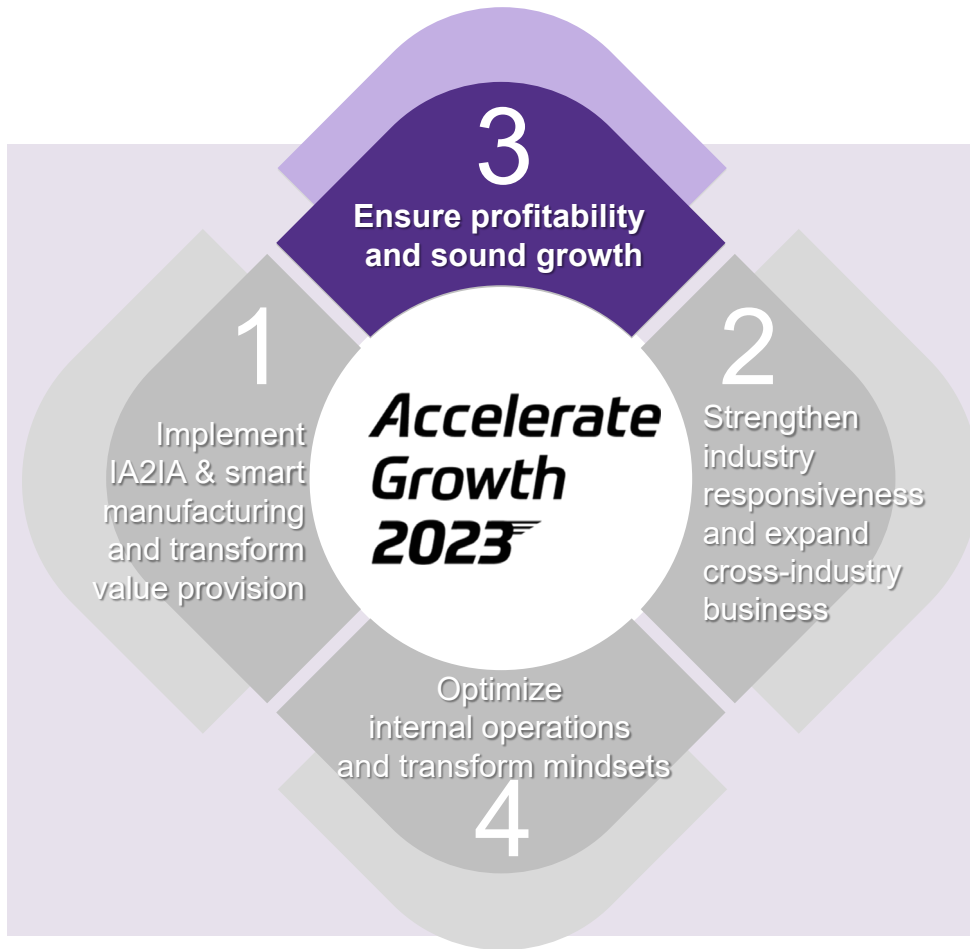
Pharmaceuticals, food & beverage: ¥24 billion (1.3 times vs. FY20)

- Increased orders for carbon neutral projects (hydrogen, ammonia, etc.)
- Increased mining and battery orders through collaboration across regions
- Increased orders for advanced solutions for water projects
- Entered new markets through M&A and alliances (new fields in renewable energy, biotech, and pharmaceuticals)

Issues

- Expanding presence and accelerating business expansion in growing markets
- Enhancing portfolio through M&A and alliances

Accelerate Growth 2023: Four basic strategies



Ensure profitability and sound growth

Tenacious efforts to address cost issues have produced a certain level of results.

Achievements

- Improved efficiency of product development: 41% man-hour reduction from FY19 (target: 50%)
- Reduced project procurement costs and streamlined project delivery and service processes
- Addressed procurement challenges for production parts and project materials, and adjusted selling prices to reflect rising costs

Issues

- Shortening cash conversion cycle FY20 149 days → FY23 138 days
- Accelerating the laying of foundations needed to improve operational efficiency globally

Accelerate Growth 2023: Four basic strategies



Optimize internal operations and transform mindsets

Focused on optimizing operations through internal DX and cultivating business leaders who can create value for customers

Achievements

- Digital process ratio*¹ 70% (FY23 target 63% or higher)
- Number of certified S.I.R.I.² assessors to lead IA2IA/smart manufacturing increased from 9 in FY20 to 69 in FY23
- Global Training Center achievements: Cumulative 3-year total of over 1,000 attendees and 15,000 class hours

Issues

- Developing and implementing HR strategies that are linked to business strategies
- Continuing to improve employee engagement: Engagement survey score 79% (FY23 target 81%)

*1 Ratio of the number of processes utilizing global digitalized platforms to the total number of processes defined for each business process

*2 The Smart Industry Readiness Index was created by the Singapore Economic Development Board in partnership with a network of leading technology companies, consultancy firms, industries, and academics. It assesses the digital readiness level based on the three core elements of Industry 4.0: Process, Technology, and Organization.

Accelerate Growth 2023: Financial KPIs

	AG2023 target	FY23	Ref: FY23 Excluding the impact of exchange rates*
Order growth	8-10%/year	15.1%/year FY20-23 period	9.3%/year FY20-23 period
Sales growth	4-6%/year	13.0%/year FY20-23 period	6.9%/year FY20-23 period
ROS	10% (FY23)	14.6%	9.7%
EPS growth	16-18%/year	48.3%/year FY20-23 period	24.3%/year FY20-23 period
ROE	10% (FY23)	15.1%	—
Operating cash flow	¥140B or more (3 years cumulative)	¥155.9B (3 years cumulative)	—

*AG2023 budget rate: USD \$1 = ¥JPY 105

M&A, alliances (strategic investment)

Achievements

Steadily invested to promote growth and improve corporate value over the medium to long term

- Acquisitions
- Insilico Biotechnology AG (2021, Germany)
 - PXiSE Energy Solutions LLC (2021, USA)
 - Dublix Technology ApS (2022, Denmark)
 - Votiva Singapore Pte. Ltd. (2022, Singapore)
 - Fluence Analytics, Inc. (2023, USA)
 - Adept Fluidyne Pvt. Ltd. (2024, India)
- Other
- Established joint venture SynCrest Inc. (2023, Japan)
 - Capital participation in 9 companies

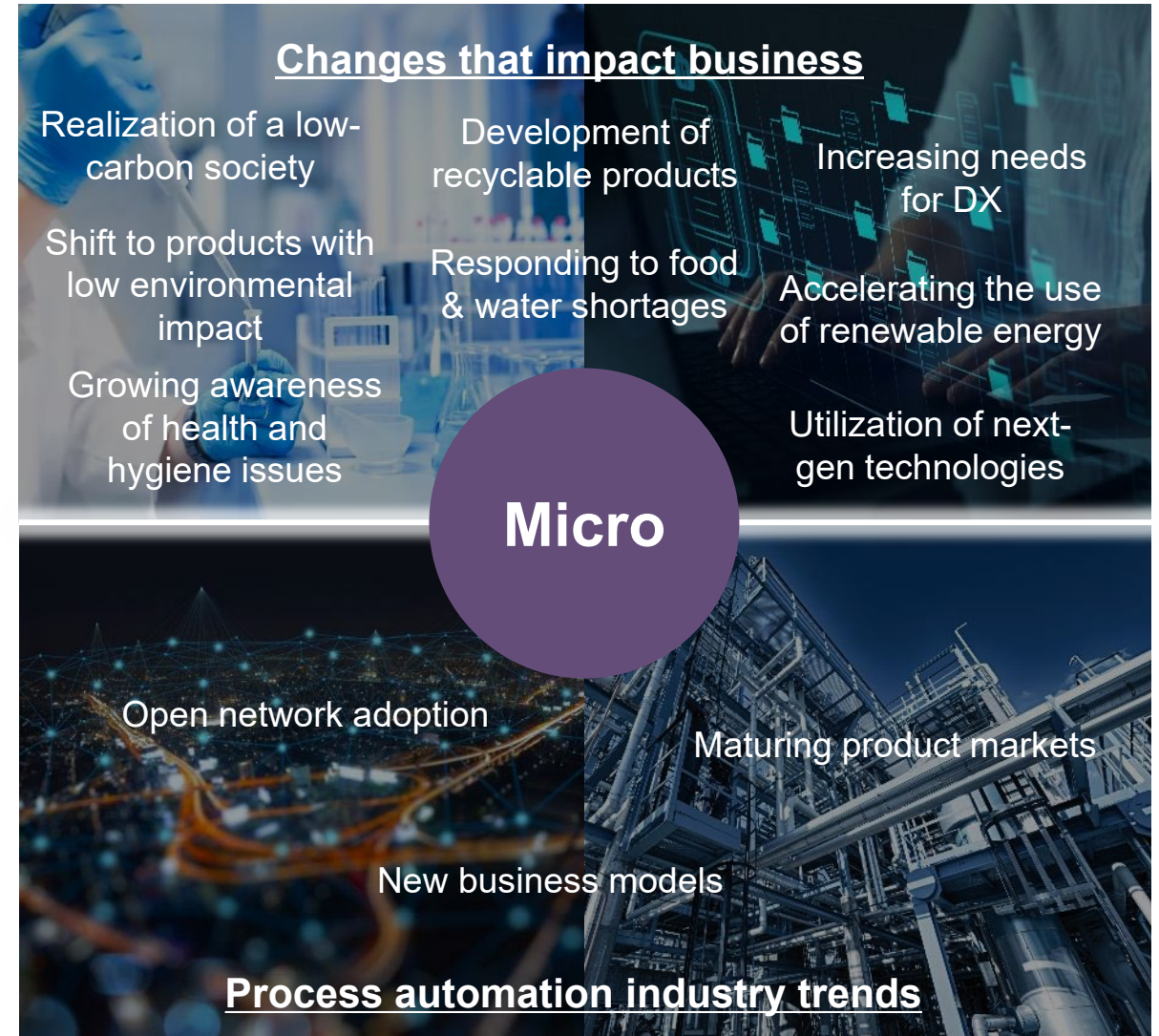
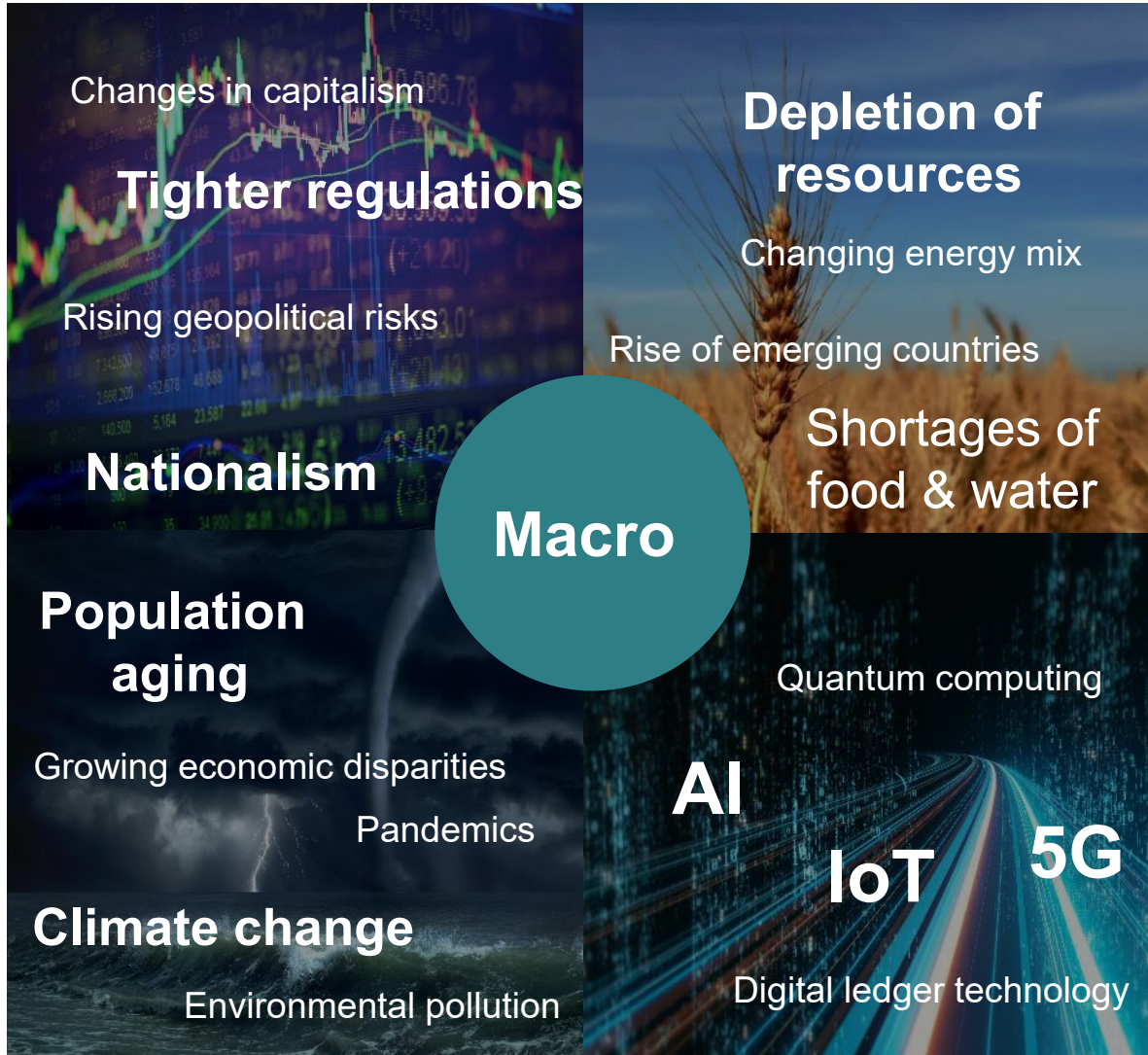
Issues

- Reviewing company-wide business portfolio
- Efficiently executing M&A deals, integrating businesses, and maximizing synergies

Medium-term Business Plan

Growth for Sustainability 2028

The business environment



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

Measuring represents Yokogawa's origin as a company. We measure things, grasp and analyze their state, and add value through the information that is derived. *Connecting* refers to how Yokogawa not only combines valuable information, but also builds trusted relationships with customers in various industries and brings together businesses and industries, giving resonance to the value that we create.

Our ability to measure and connect is a core competence that Yokogawa must never lose. We wish to use this strength to find solutions to various social issues and create a future where humanity and planet Earth can co-exist in symbiotic harmony. This aspiration is expressed in our commitment to *fulfill our responsibilities for the future of our planet*.

Growth for Sustainability 2028

In alignment with **Yokogawa's Purpose**, we approach our business from an ESG (environmental, social, and governance) perspective and are picking up the pace of our efforts to achieve a transformation that will enhance social and corporate value.

GS2028 Targets

Targets for the six contribution areas under the Three Goals

■ Materiality analysis conducted again in 2023

Results of analysis

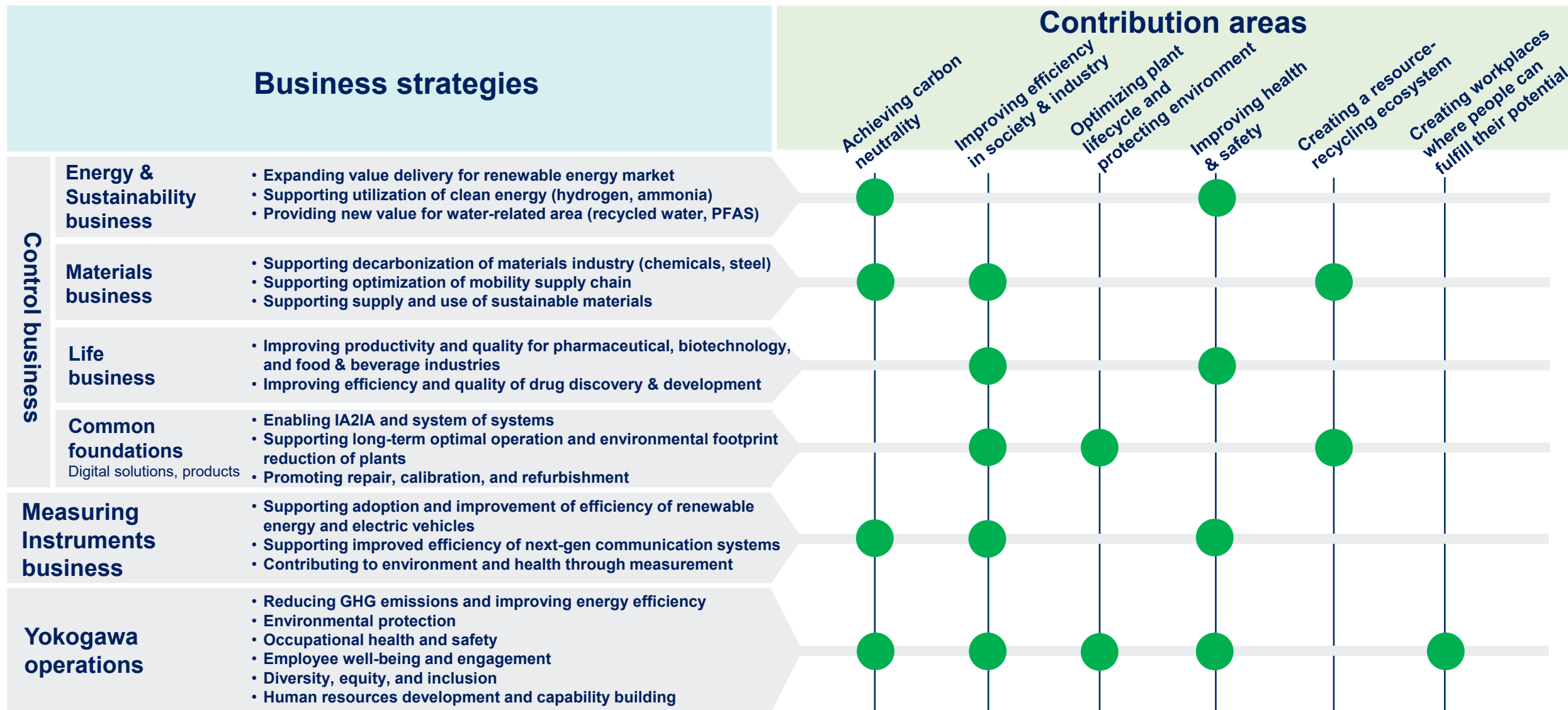
- Confirmed the need to achieve our Three Goals.
- There is no change to the six contribution areas and priority issues.

Key points for GS2028

- Reaffirmed that all of our businesses contribute to society and the environment
- By achieving our business targets, we will also achieve our targets for contributing to society and the environment.



Business strategies for the six contribution areas



KPIs under the long-term business framework & GS2028

Long-term business framework

■ Sustainability targets for FY2030

GHG emissions
Scope 1, 2

100% reduction

(base year: FY2019)

Energy usage
(per unit of sales)

30% reduction

(Average 5% improvement/year)

(base year: FY2023)

Engagement to enhance
employee well-being

84% or more

Achievement level of
diversity and inclusion:
Proportion of women in
managerial positions

20%



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

KPIs under the long-term business framework & GS2028

GS2028

■ Business growth targets FY24~FY28

Order growth	10% /year or more
Sales growth	10% /year or more
ROS	15% or more

Forecast exchange rate (US\$1) = ¥130

■ Financial targets FY24~FY28

ROE	10% or more	} Ensuring profitability that exceeds cost of capital
Financial ROIC*	10% or more	
EPS	¥300 or more (FY28)	
Operating cash flow	¥300B or more (5 years cumulative)	

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

■ Order Growth rate targets by segment FY24~FY28

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

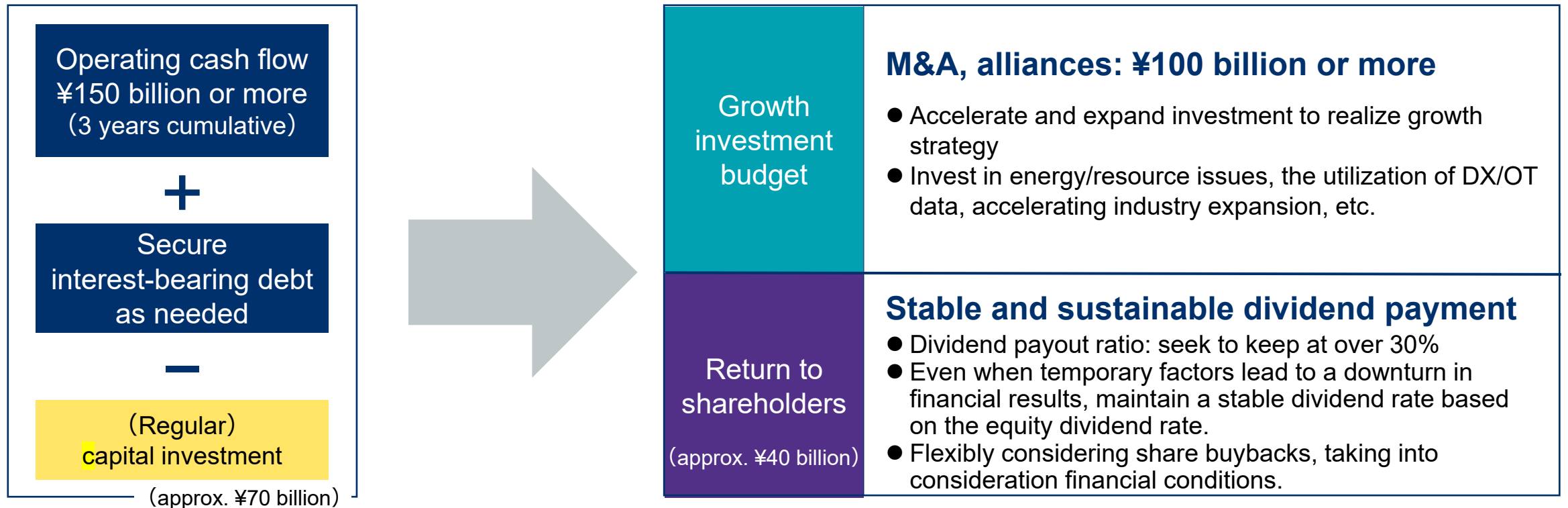
Forecast exchange rate (US\$1) = ¥130



Financial strategy and capital policy

With our long-term business framework in mind, during the GS2028 period up to FY28, **we will allocate cash generated through our business to investments that will increase or maximize corporate value in the mid to long term,** and proactively return profits to shareholders.

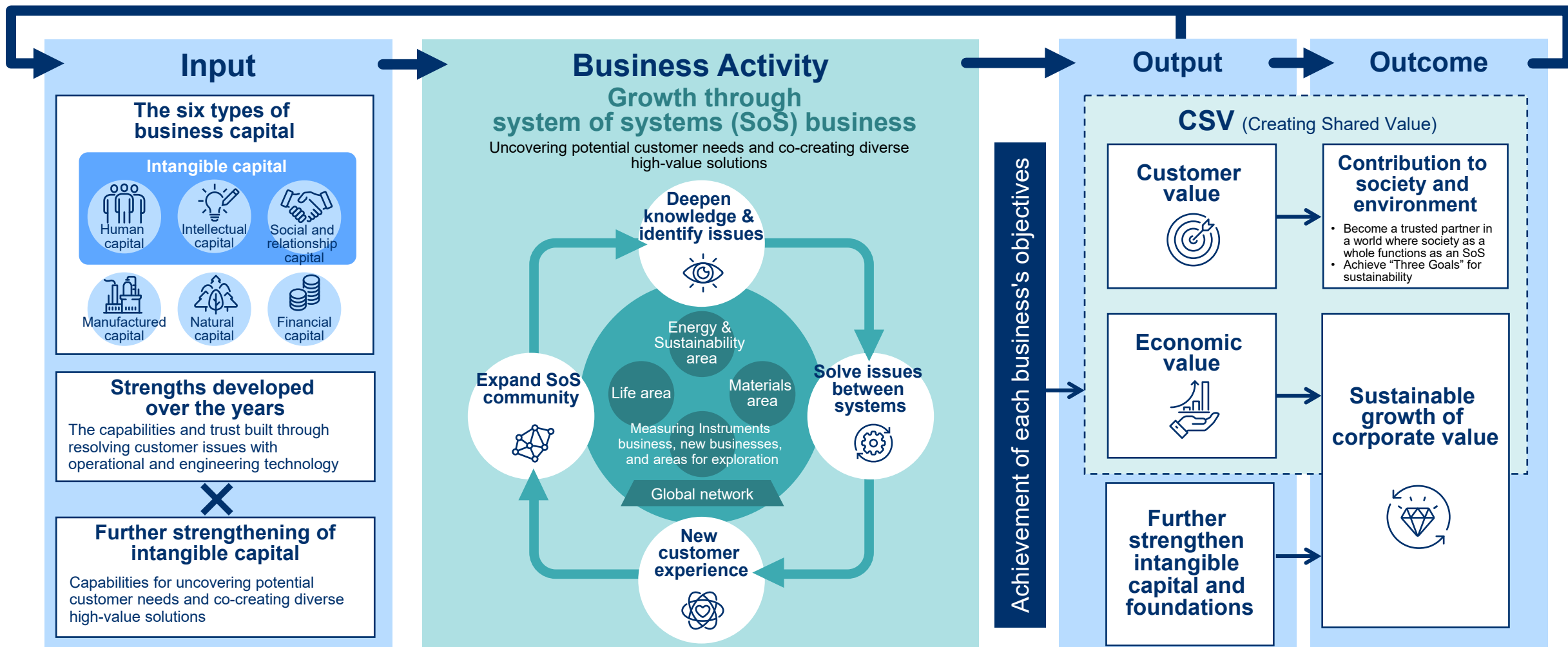
<First 3 years FY24~FY26>



Precondition: keep shareholder returns at a level that can maintain an A rating

Basic Strategies for Value Creation

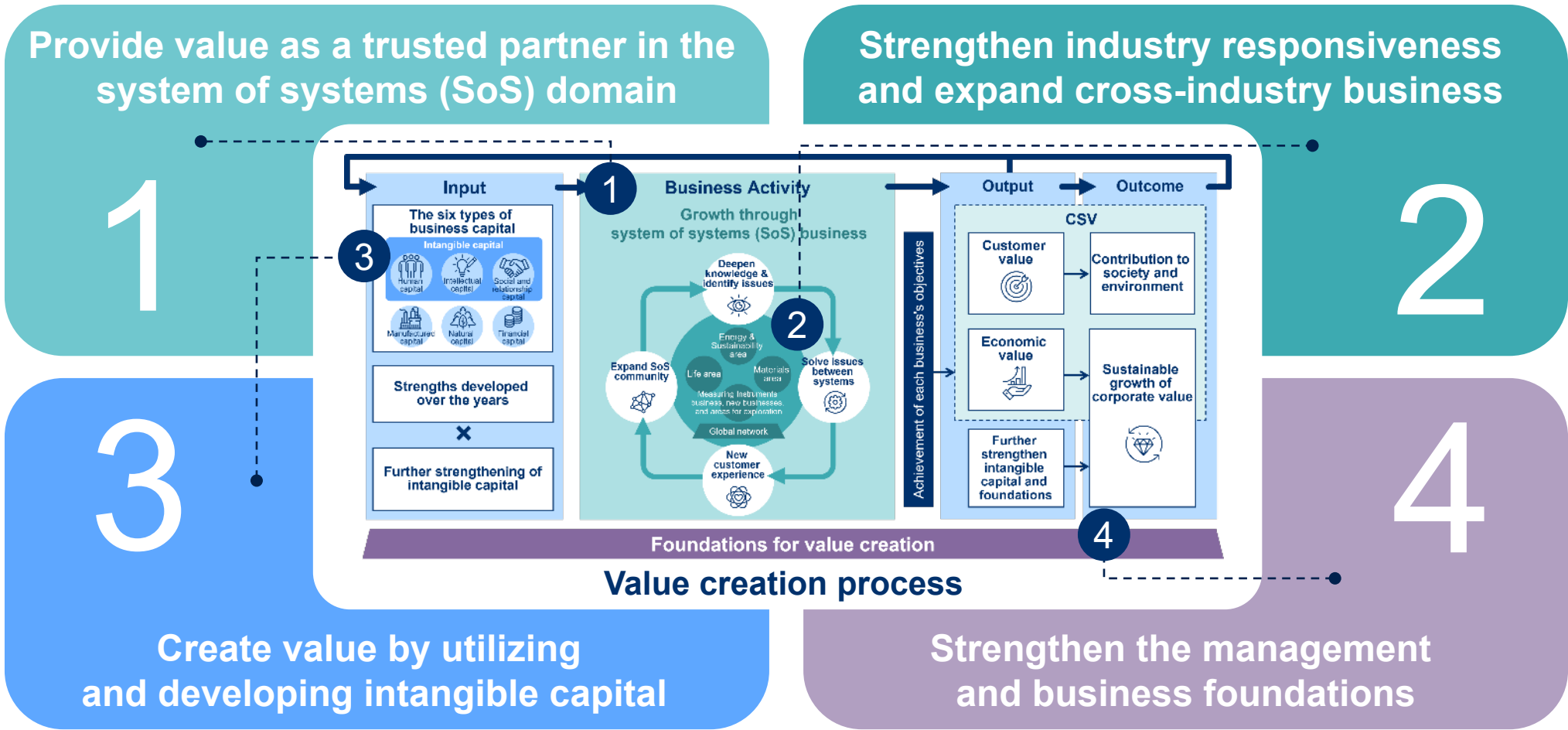
Value creation process



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

Basic strategies for value creation

Growth for Sustainability 2028



1. Provide value as a trusted partner in the system of systems domain

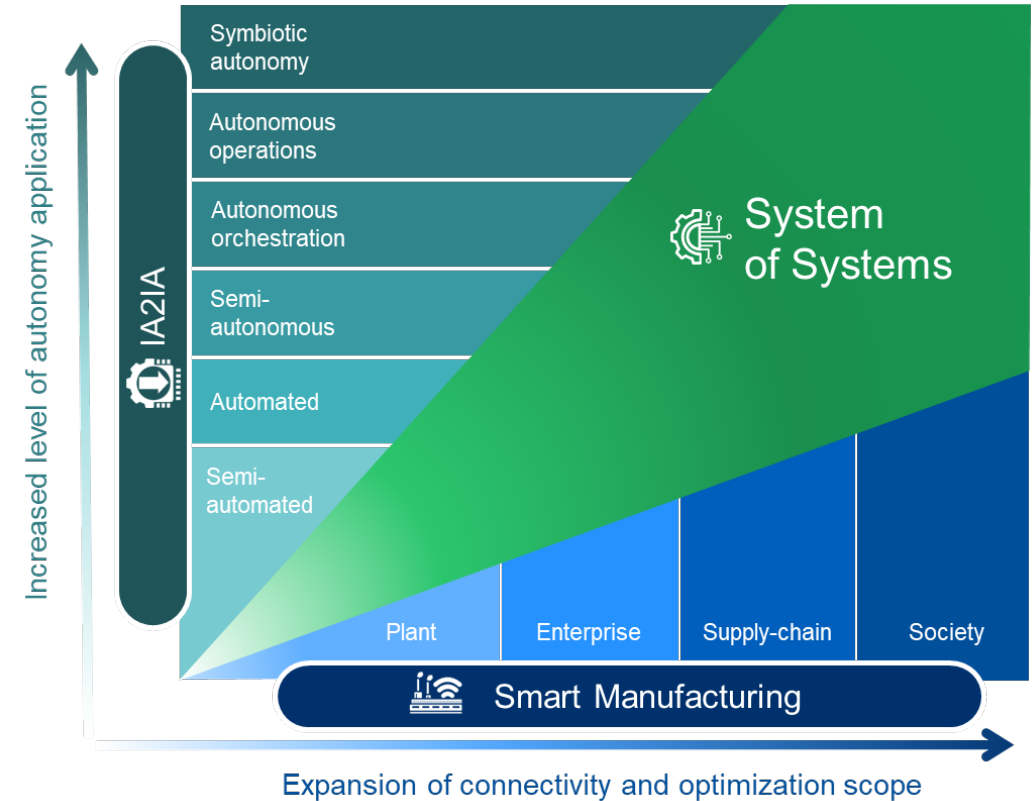


Our approach to system of systems

Yokogawa's definition of system of systems (SoS)

A collection of independently operated and managed systems connected to form a larger system that delivers synergies and emergent value to all stakeholders in a plant, enterprise, supply chain, or society ecosystem.

By sparking innovation and creating new value, Yokogawa will promote effective connections with stakeholders and lead the way forward in an increasingly SoS world.



1. Provide value as a trusted partner in the system of systems domain



Drivers of SoS in industry



Combining emerging digital technologies

Digital interconnectedness ... Advancements in data capture and analysis expedite data sharing and analysis across systems.

Digital twin technology ... As more systems adopt digital twins, they enable modeling of SoS connections to predict additional synergistic and emergent value.

Interorganizational connectivity

There has been a long-term drive for businesses to physically cluster and collaborate for mutual benefit to improve efficiency and gain a competitive advantage.

Collaboration for sustainability

Linkage among systems enables overall optimization and contributes to achieving the ESG goals of organizations and society.

1. Provide value as a trusted partner in the system of systems domain



Yokogawa's value in empowering SoS initiatives



Strategic consulting

- Clarification of objectives and setting of goals
- Business model development, economic impact analysis, and forecasting
- Project design and related resource planning
- Stakeholder facilitation and relationship development



Seamless integration

- Determination, evaluation, and continuous improvement of system performance
- Integration, harmonization, and optimization of workflows throughout the system
- Lifecycle management
- Providing state-of-the-art technology to support SoS

Example: Study with the Port of Rotterdam into cross-industry collaboration to achieve decarbonization goals

Yokogawa is conducting a study on industrial collaboration to enable the effective use of resources (electricity, steam, heat, water, industrial gases) within the Port of Rotterdam industrial complex.

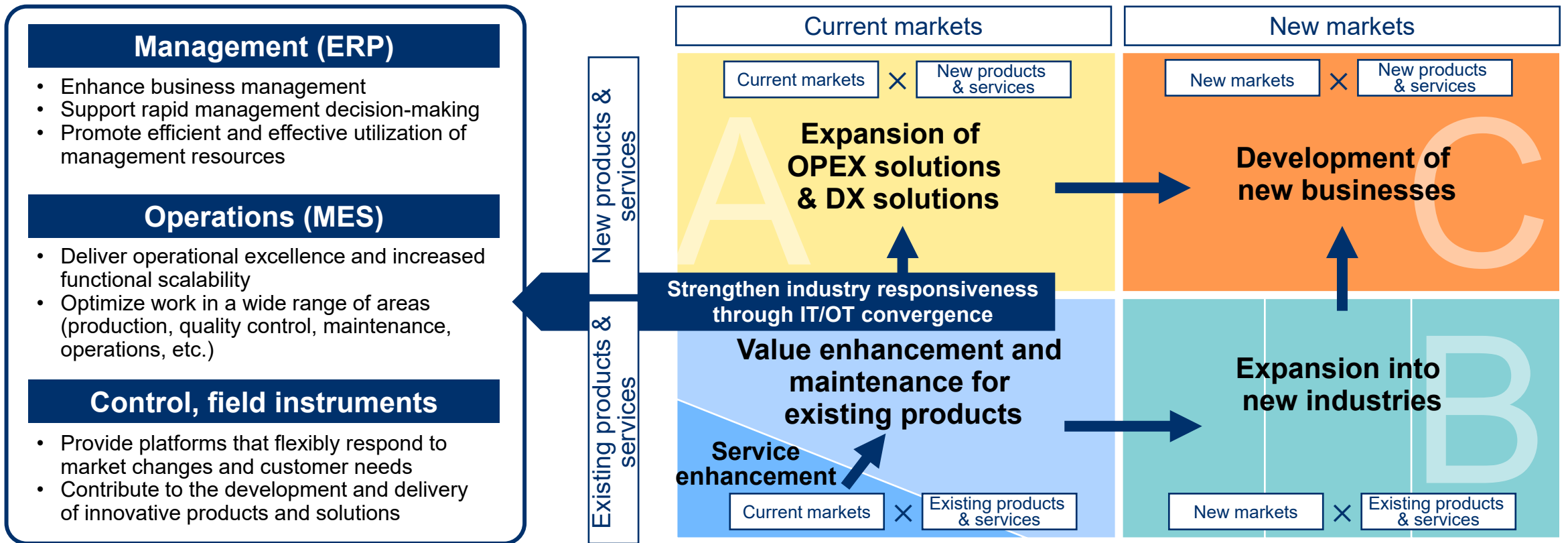
2. Strengthen industry responsiveness and expand cross-industry business



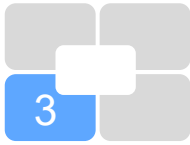
Expansion of value provided

Background

- Global long-term trend of reducing GHG emissions
- Existing customers' need for further production efficiency improvements and stabilization

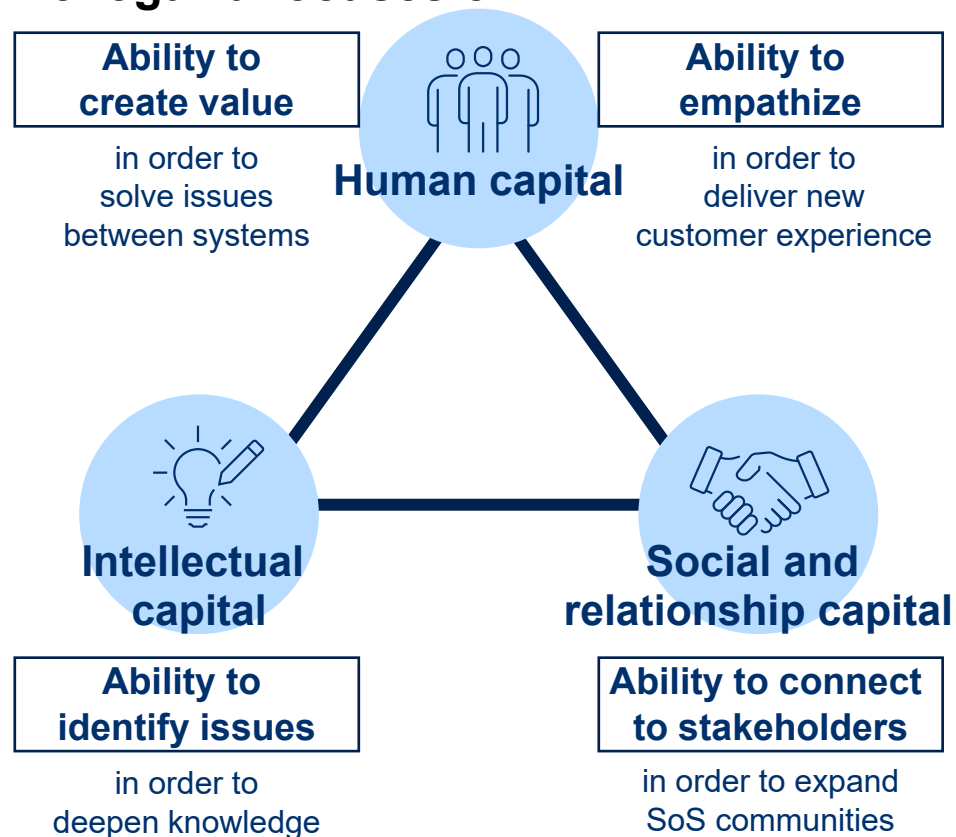


3. Create value by utilizing and developing intangible capital



Yokogawa's intangible capital

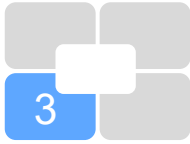
■ The three types of intangible capital that Yokogawa focuses on



■ Yokogawa strengths that should be utilized

- Exceptional project execution skills and the 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 and engineering technology (OT/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/external DX in the process industries

3. Create value by utilizing and developing intangible capital



Measures for utilizing intangible capital



Human capital

<To be>

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

Measures

- Execute HR strategies and HR development linked to business management strategies
- Recruit global human resources to support business strategies
- Optimize resources globally and increase productivity
- Improve employee well-being and engagement
- Encourage employees to be proactive about making changes



Intellectual capital

<To be>

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

Measures

- Propose IP strategies based on business strategies
- Visualize and leverage intellectual capital for business
- Alleviate bottlenecks caused by human resources
- Transform internal culture to nurture technology experts who can create new value



Social & relationship capital

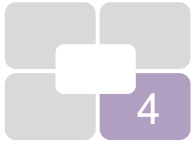
<To be>

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

Measures

- Strengthen and deepen trust-based relationships with customers and co-create value by leveraging long-standing manufacturing expertise
- Increase awareness and understanding of the brand
- Formulate and implement strategies to enhance brand value and build a Group-wide organization to implement them

4. Strengthen the management and business foundations



Group-wide profitability improvement initiatives

1 Strategic resource generation and allocation



- Optimize the global organization structure
- Improve returns by executing and reviewing investments in alignment with the medium-term business plan

2 Operational optimization



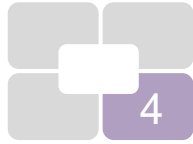
- Reduce costs through optimization of internal operations (engineering, production, logistics, etc.)

3 Optimization of the management foundations

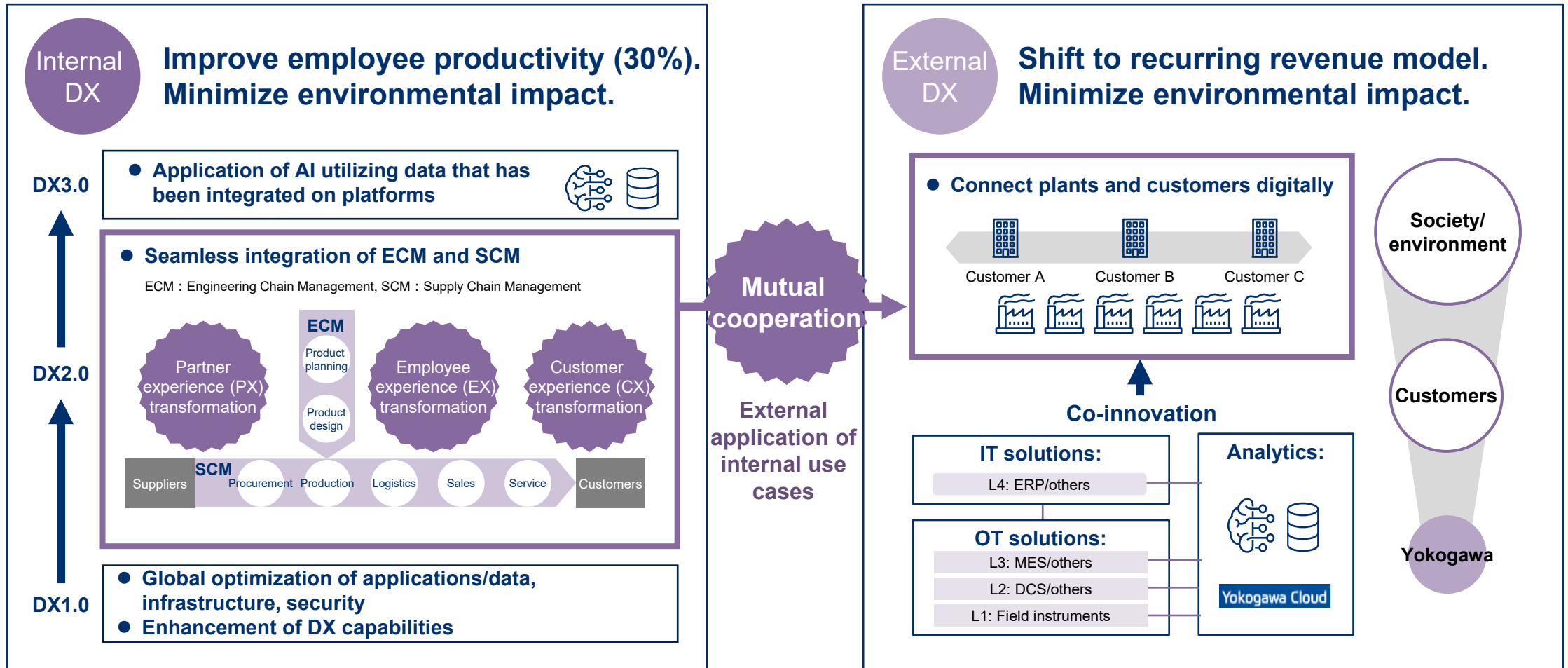


- Standardize and consolidate operations by enhancing management foundations (organizational structure, IT, HR systems)

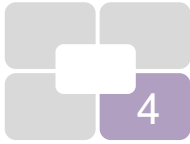
4. Strengthen the management and business foundations



DX strategy



4. Strengthen the management and business foundations



Enhancement of corporate governance

To further enhance corporate governance, Yokogawa will transition from “a company with a board of company auditors” to **“a company with a nominating committee, etc.*”** (Planned for June 2024)

* A company with separate nomination, compensation, and audit committees

Objective

Through clear division of supervisory and execution roles, etc., we will improve corporate value by:

- **Increasing the efficiency of the decision-making process**
- **Clarifying responsibility for management decisions and achieving business plans**
- **Strengthening and improving the efficiency of audit functions**

Key measures

- Strengthen the quality and speed of business execution and decision-making
- Further diversify the Board of Directors, and enhance information disclosure
- Rebuild the global human resource system and appraisal/compensation system
- Link executive compensation with sustainability goals
- Enhance Group governance
- Strengthening internal control and risk management systems

Business Segment Strategies and Key Measures

Business segments

Energy & Sustainability

- Renewable energy
- Oil & gas (upstream)
- Refining, petrochemicals (downstream)
- Power
- Energy management systems
- Energy storage
- Water & wastewater, industrial water

Materials

- Specialty and fine chemicals
- Biochemicals
- Mining & metals
- Mobility
- Electrical machinery, electronics & semiconductors
- Iron & steel
- Pulp & paper
- Fibers & textiles

Life

- Pharmaceuticals
- Healthcare
- Food & beverage

Measuring Instruments

- Energy
- Communications
- Healthcare

New Businesses

- Imaging AI & IoT
- Bio-related
- Contract research, development, and manufacturing of active pharma ingredients, etc.

Areas for exploration

Disaster prevention, space, and ocean

Business strategy and key measures

Energy & Sustainability

- Expand solution offerings for the renewable energy market.
- Accelerate solution deployment by leveraging consulting and IT capabilities.
- Maintain strong relationships with oil & gas customers to expand business and capture needs in growth areas.

Life

- Develop new technologies for the rapidly growing fields of biotechnology and regenerative medicine.
- Accelerate overseas deployment of solutions that have a strong track record in the Japanese market.
- Provide value through problem-solving solutions.
- Further develop relations and expand activities with leading companies.

New Businesses

Accelerate establishment and monetization of businesses in areas such as video analysis AI, IoT, bio-related fields, and R&D/contract manufacturing of pharmaceutical APIs.

Materials

- Optimize supply chains; expand into the mobility sector.
- Further accelerate consulting and solution-based business.
- Expand customer base in chemical and mining industries.

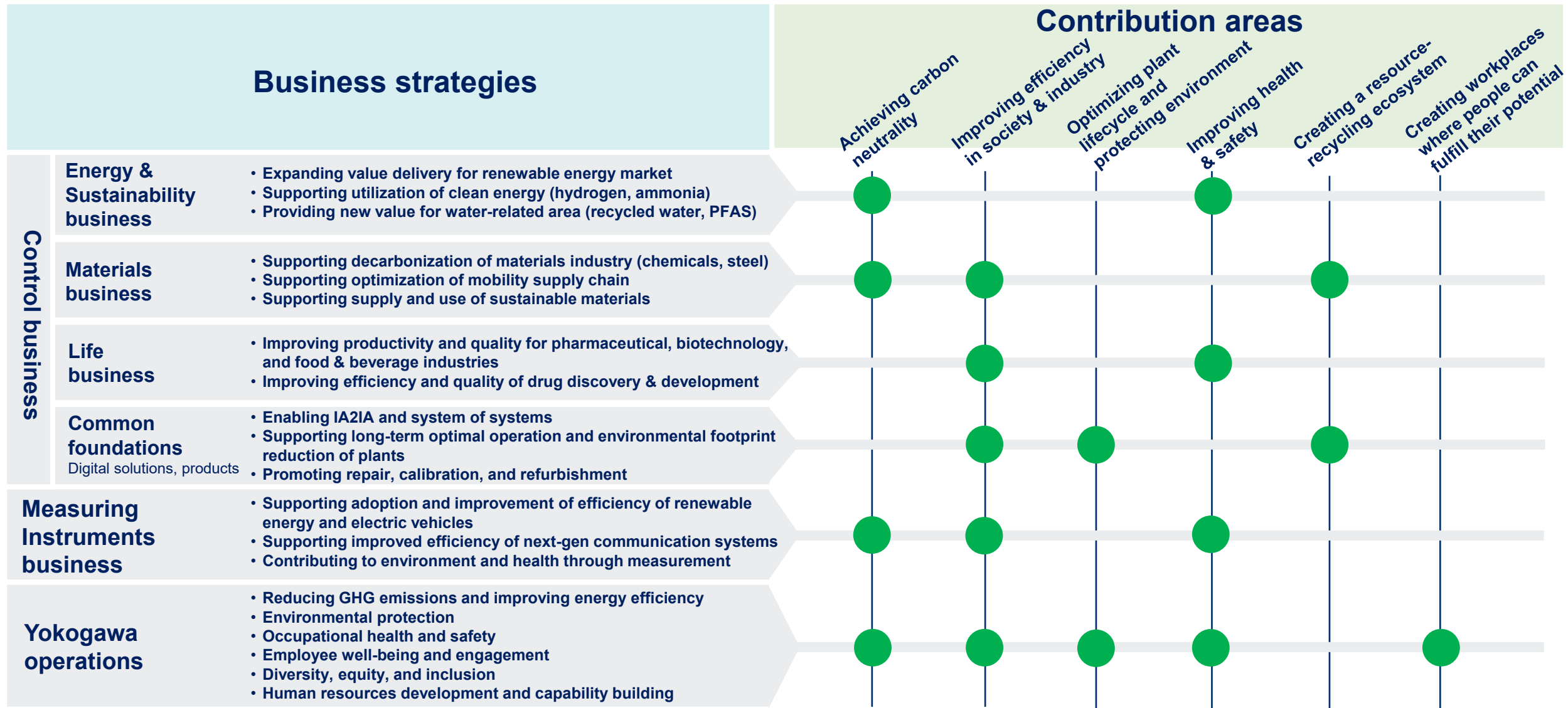
Measuring Instruments

- Provide measurement solutions to improve energy efficiency.
- Expand business areas by applying core technologies.
- Create new business using spectroscopic application technology.
- Pursue highly profitable business by developing and providing one-of-a-kind products.

Area for exploration

Disaster prevention, space, and ocean

Business strategies for the six contribution areas



Achieving the Plan

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Co-innovating tomorrow™

