

Name of Listed Company:Yokogawa Electric Corporation

(URL: <https://www.yokogawa.com>) (Stock code: 6841, listed in TSE 1st section)

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Yokogawa Draws Up New Mid-term Business Plan, Accelerate Growth 2023

- Aiming for sustainable growth while expanding its contribution to society and the environment -

Yokogawa Electric Corporation (TOKYO: 6841) announces that it has fundamentally revised its long-term business framework and drawn up Accelerate Growth 2023, a new mid-term business plan for the period to the end of fiscal year 2023, aiming for sustainable growth by solving broad social issues.

In fiscal 2018, Yokogawa announced the Transformation 2020 mid-term business plan and has since worked to transform itself by means such as growing and improving the profitability of existing businesses, creating new businesses in growth markets, and improving productivity by optimizing the business functions that will support these activities. Under the new mid-term business plan, Accelerate Growth 2023, Yokogawa aims to establish a business structure centered on addressing broad social issues to enable sustainable growth while expanding its contribution to society and the environment.

1. Long-term Business Framework

When Yokogawa developed the Transformation 2017 mid-term business plan in fiscal 2015, it established a long-term business framework that defined where the company wished to be in 10 years, and described the direction needed to get there. This framework was partly revised when drawing up the following mid-term business plan, Transformation 2020. In drawing up the Accelerate Growth 2023 mid-term business plan, the long-term business framework has been thoroughly revised to aim for sustainable growth by providing shared value to society, taking into consideration the potential major changes in the business environment during the next 10 years.

Vision statement

The vision statement outlining where Yokogawa wishes to be 10 years from now has been revised as follows.

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

Value provision to customers

In today's world, everything is increasingly interconnected in complex ways. According to the system of systems (SoS) concept, multiple independently operating and managed systems coordinate together to achieve a purpose that lies beyond the capabilities of any single system. In such a world, Yokogawa will promote effective connections and create value through overall optimization driven by integration, autonomy, and digitalization. Yokogawa will achieve this through IA2IA^{*1} and smart manufacturing^{*2} and aspire to lead the way forward as an integrator in a world where entire societies function as an SoS.

Business segments

In line with the changes in the business environment, and to enable growth in business areas where Yokogawa can leverage the technologies, expertise, and advantages that it has cultivated, the company has reorganized from a traditional product- and function-oriented structure to one that is centered on key industrial sectors, and will accelerate its business expansion and transition to a solution business model.

- **Energy & sustainability**

Yokogawa will support safe, optimal operation throughout the increasingly diverse energy value chain, from production and supply through to use, disposal, and recycling.

- **Materials**

Leveraging its close relationships with customers in the materials industries, Yokogawa will support their transformation while leveraging its strength in environmental and energy management solutions, and the application of digital technologies to development and production in order to support a society that maintains a balance between comfort and sustainability. The company will also develop a business to produce materials itself and create new market opportunities.

- **Life**

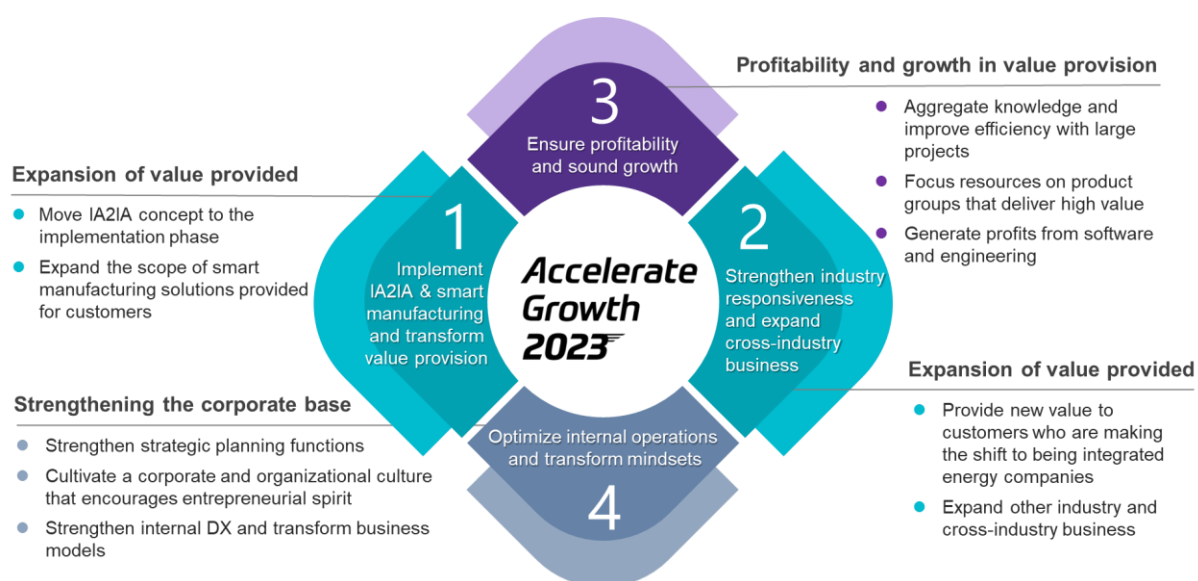
Yokogawa will provide solutions to support the supply of pharmaceuticals that safeguard people's life and health, and enable the supply of safe water and food. Yokogawa will ramp up the initiatives of the life innovation business that was launched under the previous mid-term business plan with

the objective of improving the productivity of the entire value chain in the pharmaceutical and food industries.

The measuring instrument business segment and also the new businesses and other business segment, which includes amnimo and aviation, are categorized separately as they need to maintain independent business operations due to the characteristics of their products and sales channels. However, in terms of the value that will be offered 10 years from now, they share the same direction as the other segments.

2. Accelerate Growth 2023 Mid-term Business Plan

For the company to achieve the ideal state 10 years from now that is defined in the long-term business framework, Yokogawa has formulated four key strategies and priority measures for each to be focused on during the three-year period until 2023. Each key strategy is outlined below.



Four basic strategies of Accelerate Growth 2023

(1) Implement IA2IA and smart manufacturing and transform value provision

The IA2IA concept will be moved to the implementation phase. The company will also seek to globally roll out an enterprise system business that will be key to enabling smart manufacturing.

(2) Strengthen industry responsiveness and expand cross-industry business

The company will deliver new value to customers in the evolving energy industry, while also

providing value to a wider variety of customers.

(3) Ensure profitability and sound growth

Yokogawa will further work to streamline its operations with the aim of building a healthy earnings structure by means such as improving its SG&A ratio.

(4) Optimize internal operations and transform mindsets

The company will seek to improve the capabilities of each employee in order to optimize and transform the structure and functions of the Yokogawa Group.

3. Targets and Financial Strategy

(1) Targets for the Accelerate Growth 2023 mid-term business plan

Under a basic policy that emphasizes maximizing corporate and shareholder value over the mid- to long-term, the company has set targets that aim for growth in earnings per share (EPS), increased operating cash flow, and improved return on equity (ROE).

Performance indicators	Target value
Growth in orders received	8~10% / year
Growth in net sales	4~6% / year
Growth in earnings per share (EPS)	16~18% / year
Return on sales (ROS)	10% (fiscal 2023)
Return on equity (ROE)	10% or more (fiscal 2023)
Operating cash flow	140 billion yen or more (cumulative over three years)

(2) Capital policy and financial strategy

To achieve sustainable improvement in corporate value and total shareholder return under Accelerate Growth 2023, Yokogawa will maintain the solid financial base needed to support growth and optimally allocate funds earned through its business to investment for growth and return to shareholders. Yokogawa will also strengthen its capability to generate future, cumulative cash flow.

- The company will set aside a total of 70 billion yen for capital investments for growth (strategic investments) over the three-year period. It will maintain an optimal capital

structure that takes into account overall risks, increases or decreases in equity, and predicted increases in risk associated with risk investments.

- Under the dividend policy (basic policy on allocation of profits) the company will seek to allocate profits preferentially to investments that maximize corporate value over the mid-to long-term, but will also strive to improve shareholder return through the proactive payment of dividends, while ensuring it retains a certain financial base. Yokogawa will continue to return a certain percentage of profit each period based on the target dividend payout ratio, and maintain a stable dividend based on the equity dividend rate.

(3) Non-financial goals

To ensure that Yokogawa can continue to provide value to society, managing from environmental, social, and governance perspectives is a prerequisite, and this has been emphasized in the revised long-term business framework. Regarding the environmental and social factors, the company is working toward its “Three goals” for sustainability, and has set mid-term sustainability targets, which are aligned with the Accelerate Growth 2023 initiatives.

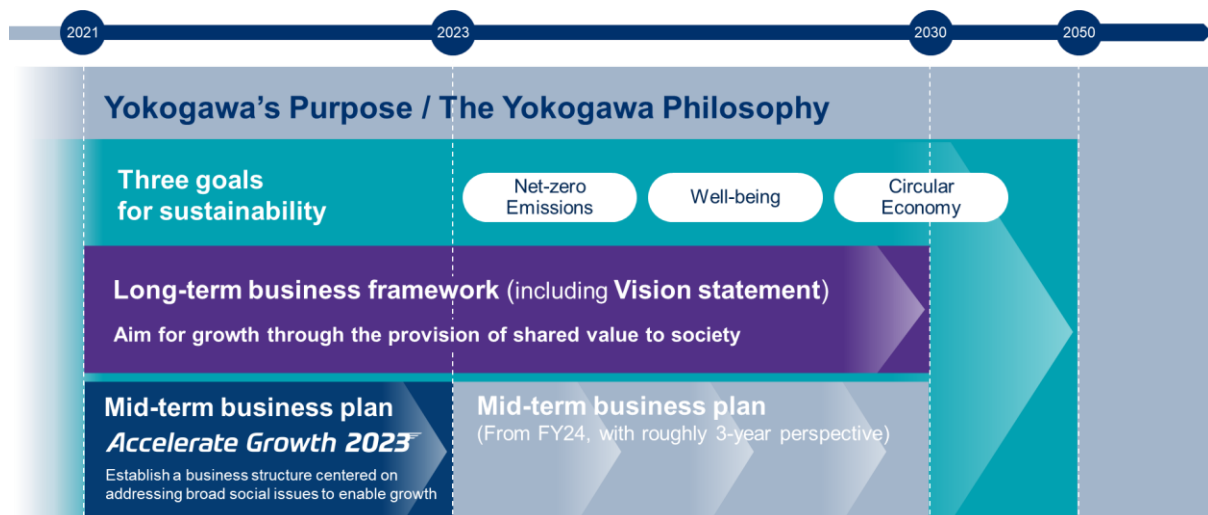
4. Yokogawa’s Purpose

In the process of revising the long-term business framework and drawing up the mid-term business plan, the company reexamined its *raison d’être*, and formulated Yokogawa’s Purpose, a simple statement on what significance our existence has to customers and society.

Yokogawa’s Purpose

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

“Measure” represents Yokogawa’s origin, and “connect” refers to the value Yokogawa creates by connecting information, organizations, and industries. This ability is a core competence that Yokogawa will never lose. Yokogawa’s Purpose expresses the company’s aspirations to use this ability to solve various social issues and create a future where humanity and planet Earth can co-exist together in symbiotic harmony.



Overview of Yokogawa's long-term business framework and mid-term business plan

*1 An initiative to promote the evolution from industrial automation to industrial autonomy (IA2IA) by incorporating DX enablers such as robotics and blockchain technology

*2 Employing DX and IA2IA to progressively achieve autonomy in manufacturing sites, enterprises, and supply chains to dramatically improve productivity