

YOKOGAWA GROUP
Environmental Management Report
2004

Building a Sustainable Society



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Handing Over Our Precious Global Environment to Future Generations: Building a Sustainable Society

In response to the growing seriousness of our planet's environmental problems, we have embraced the philosophy of sustainability, a universal idea that relates to all humankind. To set this philosophy into action, governments, private enterprises, and consumers have begun collaborating to build a sustainable society. Private enterprises, which constitute important members of our society, need to be more aware of their mission and fulfill their social responsibilities.

The Yokogawa Group (the Group) has implemented environmental management practices in accordance with our corporate policy, which states "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate." In accordance with this policy, we have sought each year to expand the scope of our environmentally friendly product design rules. We intend to bring to market environmentally friendly products based on these design rules. In order to meet the greenhouse gas reduction targets of the Kyoto Accord, a variety of industries are adopting carbon dioxide (CO₂) reduction measures. Yokogawa provides energy-saving control system solutions which help reduce CO₂. Among these, our Econo-Pilot energy conservation system, which is featured in this report, is a revolutionary product which reduces power consumption by air conditioning facilities in buildings and other locations by 60% to 90%.

We firmly believe that the Group can help build a sustainable society by developing such products, reducing the environmental impact of our business operations, collaborating with our customers and the communities in which we live, and focusing on the prosperity of our employees. To ensure the accomplishment of these objectives, it is also essential that we take steps to ensure that each of the companies within the Group is maintaining a healthy and profitable operation. This is especially important in view of scandals in Japan and other countries that have damaged the credibility of large corporations in recent years. Specific measures that are being undertaken include a strengthening of legal compliance by revising the standards of business conduct for the Group and expanding training and other programs to ensure that this code is followed.

Environmental management aims to carry out the activities outlined above while ensuring transparency and being fully accountable. The Yokogawa Group Environment Report 2004 represents our effort to be both transparent and accountable by giving an overview of our environmental management activities in fiscal year 2003. We hope that this 2004 edition will facilitate a two-way communication with our readers and we welcome your comments on this report.



A handwritten signature in black ink that reads "Isao Uchida".

Isao Uchida
President and Chief Executive Officer

Editorial Policy

Editorial Policy

Since 1999, Yokogawa has published a yearly Environmental Report. This year, we have modified the report and are publishing it as an Environmental Management Report. The purpose of the report is to communicate the Yokogawa Group's approach to environmental management, and to describe the environmental activities of all Yokogawa employees across all of our operations.

Clarifying the objectives of issuing this environmental report

This report conveys an overview of the Group's environmental management vision, informs our readers of its activities during the past year in building a sustainable society, and strengthens collaboration with our many stakeholders.

Making the report easier to understand

Headings and brief summaries are used throughout to make the overall ideas easier to understand. Industry jargon and special terms used within Yokogawa are avoided to the extent possible.

Ensuring transparency

Brief articles by employees are included to give a better sense of Yokogawa's actual business activities. Yokogawa teamed up with a company specializing in the preparation of reports, and jointly collected materials and wrote the articles for this report. While gathering materials, we checked numerical values and other information against original data, visited factories, and conducted other site visits.

Period covered by this report

April 1, 2003 through March 31, 2004

Publication date (Japanese Version)

June 2004 (the next report is scheduled for June 2005)

Data sources

For fiscal year 2003, data were gathered from a total of 23 Group companies in Japan and 23 Group companies outside Japan, reflecting the Group's global expansion. Individually defined data sources, such as environmental accounts, are noted separately in their respective locations.

Referenced guidelines

Environmental Reporting Guidelines (Fiscal Year 2003 Version), published by the Ministry of the Environment, Japan; Environmental Accounting Guidelines (Fiscal Year 2002 Version), published by the Ministry of the Environment, Japan; Environmental Performance Indicators for Businesses (Fiscal Year 2002 Version) published by the Ministry of the Environment, Japan; Sustainability Reporting Guidelines 2002 published by Global Reporting Initiative, the United States; A Survey of Environmental Reports published by NTT-X, Inc., Japan; and Desirable Sustainability Reporting (from the viewpoint of CSR) published by Network for Environmental Reporting, Japan.

Data Sources (46 companies)

Japan

Headquarters, Yokogawa Electric Corp.
 Yokogawa AIM Corp.
 Yokogawa Digital Computer Corp.
 Kokusai Chart Corp.
 Ando Electric Co., Ltd.
 Yokogawa M&C Corp.
 Morioka Tokki Co., Ltd.
 Japan System Techniques Co., Ltd.
 Omega Simulation Co., Ltd.
 Yokogawa Sertec Co., Ltd.
 Waseda University Learning Square Corp.
 Yokogawa & Co., Ltd.
 YDC Corp.
 Yokogawa Denshikiki Co., Ltd.
 Yokogawa Denyo Corp.
 Yokogawa Field Engineering Corp.
 Yokogawa System Engineering Corp.
 Yokogawa Information Systems Corp.
 Yokogawa Electronics Manufacturing Corp.
 Yokogawa Pionics Co., Ltd.
 Yokogawa System Engineering Corp.
 Yokogawa Engineering Service Corp.
 Yokogawa Trading Corp.

Outside Japan

Yokogawa-Xiyi Co., Ltd.
 Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd.
 Yokogawa Shanghai Instrumentation Co., Ltd.
 Yokogawa Sichuan Instrument Co., Ltd.
 Suzhou Yokogawa Meter Co.
 Yokogawa Shanghai Trading Co., Ltd.
 Yokogawa Electric Asia Pte. Ltd.
 P.T. Yokogawa Manufacturing Batam
 Yokogawa Engineering Asia Pte. Ltd.
 Yokogawa Electric Korea Co., Ltd.
 Yokogawa Electronics Manufacturing Korea Co., Ltd.
 Yokogawa Measuring Instruments Korea Corp.
 Yokogawa Taiwan Corp.
 Yokogawa Europe B.V.
 Rota Yokogawa GmbH & Co. KG
 Yokogawa Marex Limited
 Yokogawa Corporation of America
 Yokogawa America do Sul Ltda.
 Yokogawa India Ltd.
 Yokogawa Middle East E.C.
 Yokogawa Australia Pty. Ltd.
 TechComm Simulation Pty. Ltd.
 Ltd. Yokogawa Electric

*1 In this report, Yokogawa Electronics Manufacturing Corp. is referred to as YMF.

Corporate Profile

Company name: Yokogawa Electric Corporation

Founded: September 1, 1915

Incorporated: December 1, 1920

President and Chief Executive Officer: Isao Uchida

Paid-in Capital: 32.306 billion yen
(non-consolidated; as of March 2004)

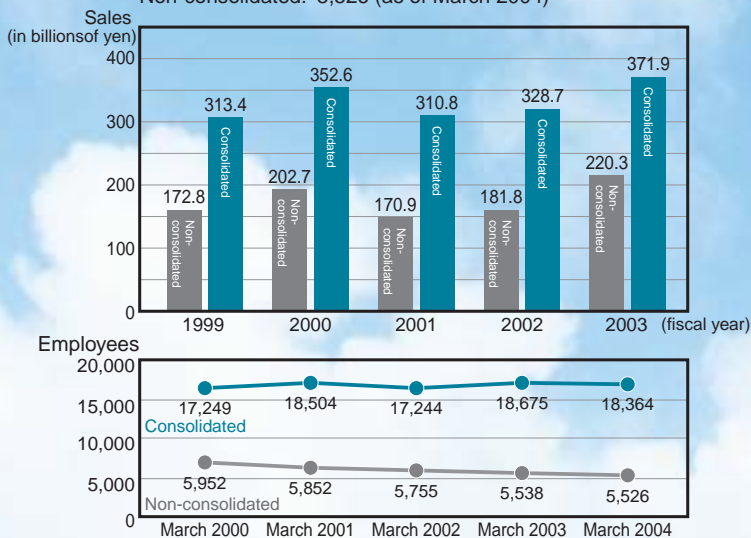
Location of headquarters: 2-9-32 Nakacho, Musashino-shi,
Tokyo, Japan

Consolidated Sales: 371.9 billion yen (as of March 2004)

Non-consolidated Sales: 220.3 billion yen (as of March 2004)

Employees-Consolidated: 18,364 (as of March 2004)

Non-consolidated: 5,526 (as of March 2004)



Areas of Operations

Ever since its founding, the Yokogawa Group has steadfastly maintained a "quality first" policy, and has contributed to the industrial world with a basic approach focused on always satisfying the customer and providing better-quality products and solutions.

Yokogawa's main areas of operations are installation projects related to devices, systems, and instrumentation involving measurement, control, and information processing, such as electric measurement equipment, measuring instruments, industrial instruments, scientific analyzers, and information systems; as well as the manufacture and sale of related materials and equipment, aerospace instruments, and other industrial instruments.

The Group has been implementing a management strategy aimed at renovating its operating structure and its management of operations. This strategy is based on VISION-21 & ACTION-21, a corporate strategy established by Yokogawa in 2000 in an effort to become an even more reliable partner for its customers. In terms of renovating the Group's operating structure, Yokogawa has naturally invested in its existing business lines, and has also made aggressive investments in new growth areas such as information services, optical communications, multimedia, semiconductors, biochemistry, and life sciences. In terms of renovating the management of operations, Yokogawa has taken steps to improve management efficiency, such as by reorganizing and consolidating subsidiaries for improved Group management organization, and improving system infrastructure.

Building a Sustainable Society Together with Our Customers

— What is your position regarding current global environmental problems?

Ever since the start of the industrial revolution, humans have consumed large amounts of fossil fuels. This has led to an interlinked series of reactions, where increased CO₂ emissions cause a rise in air temperature, thereby melting polar ice caps and raising the sea level. As a result, low-lying areas and islands located throughout the world now face a crisis situation where they could be submerged in sea water. The advance of civilization increases the consumption of energy on a global scale. Furthermore, modern civilization depends on an economic system which consumes large amounts of natural resources. However, resources such as petroleum are already becoming seriously depleted. It is now critical for humans everywhere that we transition from a society based on the consumption of large amounts of resources to one based on recycling, thereby reducing emissions of carbon dioxide and various other waste products so as to stop the advancing crisis in the global environment. This need is clear when one considers problems such as CO₂-induced global warming, resource depletion, increasing disparities among different countries and regions, and food crises resulting from the rapid increase in global population. The most important thing is that we all individually take a hard look at the current condition of the global environment, and have an awareness of the crisis.

— How is this awareness of crisis conditions reflected in the Group's management?

The Group practices environmental management. We contribute to society by providing the measurement, control, and information-related instruments and solution services our customers need. At the same time, however, Yokogawa consumes energy and emits carbon dioxide and other substances. Through environmental management, we establish issue-specific objectives and targets and strive to conserve energy and eliminate the use and emissions of harmful substances, while maintaining a balance with our various business activities. Within the Group, the role of environmental management is to secure future growth. In addition, our products and services not only contribute to our customers' profitability, but help them in their own environmental activities. Thus, through its main business activities, Yokogawa works together with customers to protect the global environment and build a sustainable society. This is an enormous inspiration to us in the course of our business activities.

Basic Environmental Management Rules for the Yokogawa Group

Article 1. Environmental Philosophy of the Group

This is based on Yokogawa's corporate philosophy, which states: "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information. Individually, we aim to combine good citizenship with the courage to innovate." The Group recognizes that protecting the earth's environment for future generations is crucially important for all humankind. We therefore aim to maintain harmony with the environment while contributing to industrial development.

Article 2. Environmental Policy of the Group

The Group considers protection of the global environment to be a key management objective and has an environmental management system to continuously improve the Group's environmental performance. In accordance with this policy, all firms in the Group will:

- (1) Strive to carry out resource recycling-based operations.
By steadfastly adhering to conscientious business practices, the Group will strive to utilize energy and resources efficiently, to prevent environmental pollution, to reduce waste, and to promote reuse and recycling of resources with the aim of achieving zero emissions.
- (2) Contribute to global environmental protection.
The Group will create "green" environmentally friendly products and supply society with solutions and services that contribute to global environmental protection.
- (3) Pursue independent initiatives to protect the environment.
All employees of the Group will:
 - Understand the Environmental Philosophy (Article 1), Code of Conduct for Environmental Protection (Article 3), and Environmental Policy (this article) of the Group;
 - Improve their environmental awareness and implement environmental protection activities under their own initiative; and

Article 3. Code of Conduct for Environmental Protection by the Group

The Group will consider the need to protect the global environment in all aspects of its business activities. Therefore, all firms in the Group will:

- (1) Minimize the environmental impact of their activities and promote recycling in their business operations.
- (2) Actively assist customers with their global environment protection activities.
- (3) Actively participate in and cooperate with global environment protection activities wherever they are conducted.

Article 4. Environmental Management Organization

- (1) Yokogawa Electric Corporation's Vice President of Environmental Management reports directly to the President and Chief Executive Officer of Yokogawa, and oversees and administers the environmental protection activities of all firms within the Group.
- (2) Yokogawa's department responsible for management and support for the Group instructs the Group firms to carry out the basic rules stipulated herein.
- (3) The President of each firm within the Group is responsible for the implementation of environmental protection activities.

Article 5. Implementation of Environmental Protection Activities

- (1) All firms of the Group will abide by Article 2 of the Environmental Policy and implement concrete environmental protection activities.
- (2) Departments that function as a headquarters will improve the instruction and support that they provide to individual divisions and Group firms in order to promote environmental protection activities.

Kiyooki Okino, Vice President of Environmental Management and head of the Audit & Compliance Headquarters at Yokogawa, was interviewed for this publication. He shares his thoughts on the Group's environmental awareness, environmental management, and corporate social responsibility (CSR).



Kiyooki Okino,
Vice President of Environmental Management
and head of the Audit & Compliance Headquarters

— **CSR has been getting a lot of attention lately. What is the Group's position on this?**

Unlike the past, corporations today are not evaluated solely on profitability. Nowadays corporations face strong demands to make social contributions in areas such as the environment, the local community, consumers, and employees.

The Group today strives to meet its social responsibilities through numerous activities, such as maintaining transparency of environmental information, engaging in environmental activities, providing employment opportunities, and supporting the arts and cultural activities. These activities are strongly supported by top management, and are grounded in ethics and compliance practices which are adhered to throughout the Group.

As an example of our support of the arts and cultural activities, in 2003 we provided support to a special anniversary celebration marking the 750th year since the founding of Kenchoji, the first Zen temple erected in Kamakura.

