



[Building a Sustainable Society](#)

Yokogawa Group CSR Report 2007

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Preface

Objectives of Issuing This Report

The Yokogawa Group began issuing an Environmental Report in 1999. In 2004 it was renamed the "Environmental Management Report" and presented articles on the Yokogawa Group's environmental activities and approach to environmental management. In 2006, this report was renamed the "Yokogawa Group Sustainability Report" and it provided even more detailed information on our scaled-up social activities.

Following the establishment of the Corporate Social Responsibility Department in April 2007, there was the need to provide a more detailed account of the Group's CSR activities. Consequently, this report is now known as the "Yokogawa Group CSR Report." We hope that this provides stakeholders valuable information about the Yokogawa Group's CSR activities.

The report has been designed to provide readers with comprehensive information on our relationships with a variety of stakeholders as well as reinforce those relationships by highlighting the various CSR activities, including environmental initiatives, the Group is engaged in.

Period Covered by This Report

April 1, 2006 through March 31, 2007

* Where appropriate, events beyond this period may be included.

Date of Issue

September 2007

(The next report is scheduled for issue in September 2008.)

Company Names

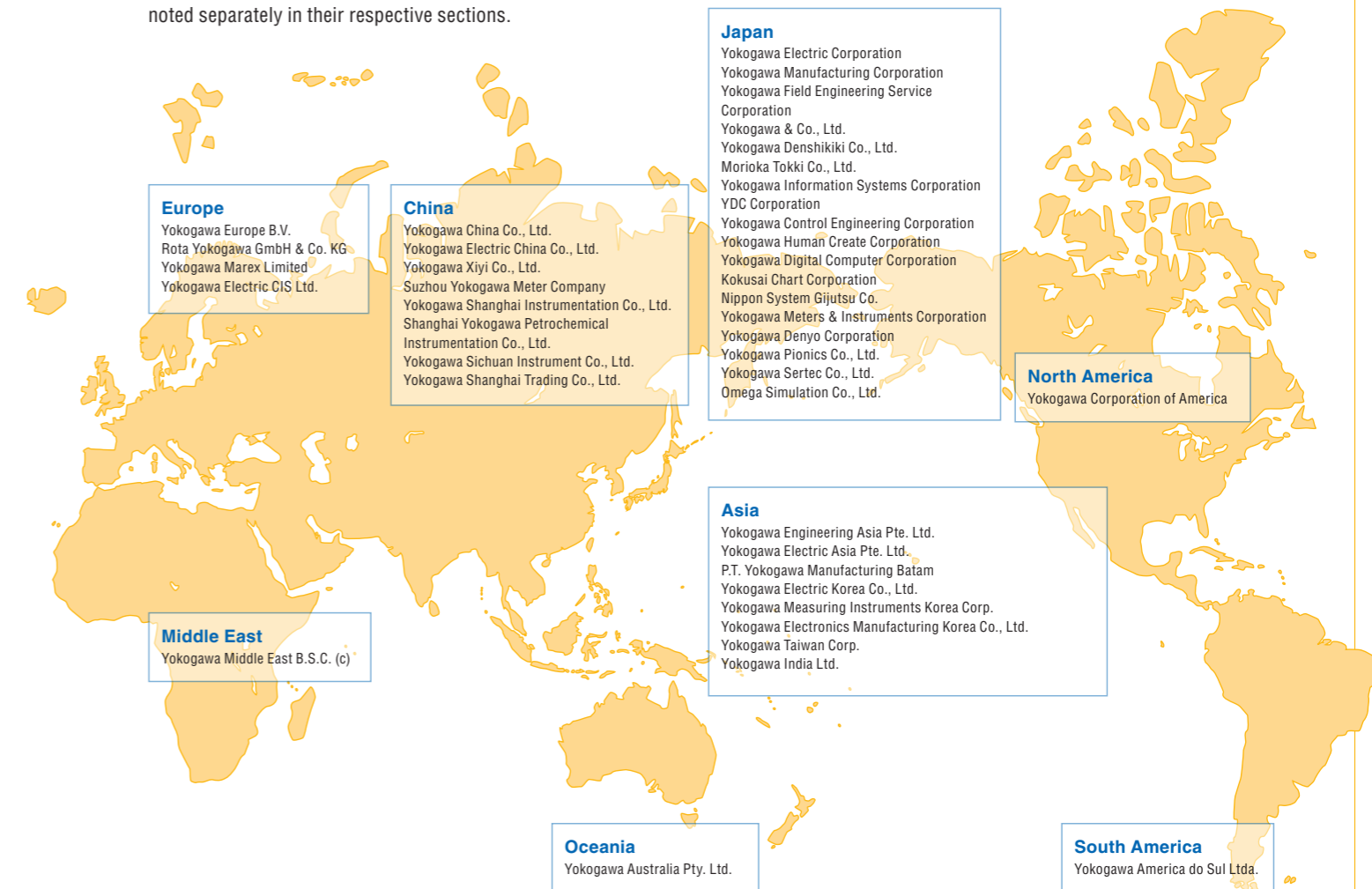
In this report, "Yokogawa" or "Yokogawa Group" refers to the entire organization, "Yokogawa Electric" refers to Yokogawa Electric Corporation and "Yokogawa Manufacturing" refers to Yokogawa Manufacturing Corporation. In addition, "Yokogawa Electric Corporation Headquarters & Main Factory" refers to Yokogawa Electric's ISO14001-certified site.

Reference Guidelines

- *Environmental Reporting Guidelines* (Fiscal year 2003 Version), published by the Ministry of the Environment, Japan
- *Environmental Accounting Guidelines* (Fiscal year 2005 Version), published by the Ministry of the Environment, Japan
- *Sustainability Reporting Guidelines 2006*, published by the Global Reporting Initiative

Scope of Data

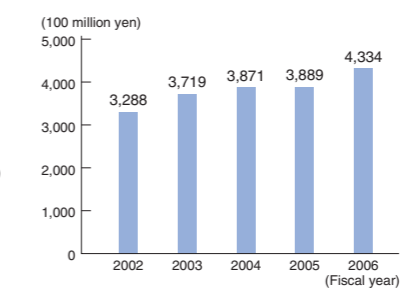
This report covers the entire Yokogawa Group and is based on environmental data gathered from the 42 Group companies listed below. Please note that individually defined data sources are noted separately in their respective sections.



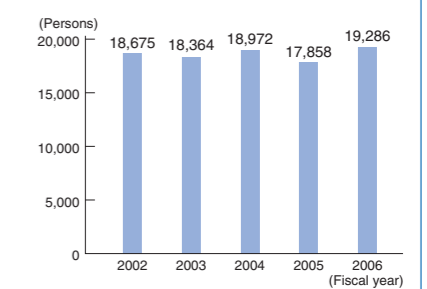
Corporate Profile (As of March 31, 2007)

Company name: Yokogawa Electric Corporation
President and Chief Operating Officer: Shuzo Kaihori (appointed April 1, 2007)
Founded: September 1, 1915
Incorporated: December 1, 1920
Paid-in capital: 43,401,056,425 yen
Net sales: 433.4 billion yen (consolidated)
Operating income: 29.3 billion yen (consolidated)
No. of employees: 19,286 (consolidated)
5,102 (non-consolidated)

Net Sales (Consolidated)



Number of Employees (Consolidated)



Yokogawa Philosophy

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.



Yokogawa Group Business Concept

Yokogawa is presenting the Enterprise Technology Solutions (ETS) business concept to industry with the aim of becoming a global service company and ETS provider.



- This emphasizes Yokogawa's focus on the customer's enterprise as a means of providing optimum support.
- Customers can benefit from Yokogawa's latest and most sophisticated technological services.
- Yokogawa offers the solutions that best meet customers' expectations and needs.

VISION-21 & ACTION-21 Corporate Strategy (excerpt)

The Yokogawa Group will work together with its customers to create value in the fields of industrial and social systems. Thus, the Group aims to contribute toward not only preservation of the global environment in the 21st century and the realization of resource recycling in society, but also the realization of a thriving global society.

Our Advanced Technology in Measurement, Control, and Information Fields Offers Optimum Solutions for Customers

Since its foundation in 1915, the Yokogawa Group has developed its business focusing on measurement, control, and information technologies. Our technologies can be found in a variety of production plants and indispensable lifelines, contributing to overall industrial development and supporting people's lifestyles worldwide.

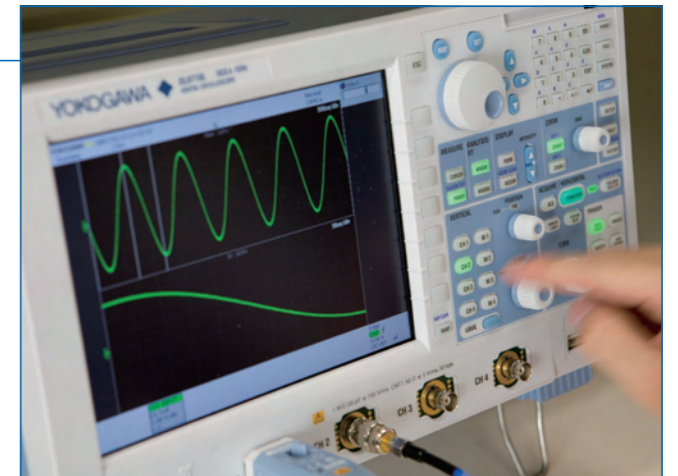
Industrial Automation and Control Business

Yokogawa developed the world's first distributed production control system for the control and monitoring of production operations at facilities such as petroleum and petrochemical plants. With its highly reliable products and excellent project execution capabilities, the Yokogawa Group has won the confidence of customers and, as a leader in the industrial automation and control business, has supported the development of industries as varied as petroleum, petrochemicals, iron and steel, paper and pulp, pharmaceuticals, food, and electric power. The Company offers a comprehensive range of solutions including field instruments such as differential pressure transmitters, flowmeters, and analyzers; the market leading CENTUM brand of distributed control systems; and a variety of software tools.



Test and Measurement Business

Yokogawa is contributing to industry by providing measuring instruments that convert physical quantities such as voltage, time, temperature, pressure, and wavelength into visible information, which it then analyzes. In the measuring instrument business, which is indispensable to the development and production of electrical and electronic products as well as the installation and maintenance of communications infrastructure, we offer a rich product lineup and are the top manufacturer in Japan, with an extensive calibration and service system. As an early entrant in the semiconductor tester business, we have developed products for the latest high-speed and high-performance semiconductors. We always offer the latest test solutions.



New and Other Businesses

Yokogawa has grown with its measurement, control, and information technologies, and has used these to develop new technologies and products for a variety of applications. We meet a wide range of customer needs with a product lineup that brings together many leading-edge technologies, including optical communications devices that enable ultra high-speed, high-capacity communications; XY stages for devices that test and manufacture flat panel displays (FPDs); confocal scanners, which are grabbing attention in the biotechnology sector; and aviation and marine equipment.



Ensuring a Healthy and Profitable Operation in Response to the Trust of All Stakeholders

Yokogawa considers the fundamental mission of corporate management to be ensuring sustainable healthy growth and responding to the trust of its shareholders and all other stakeholders. The Yokogawa Group is thus committed to enhancing its corporate governance as a key measure in achieving a healthy and profitable operation.

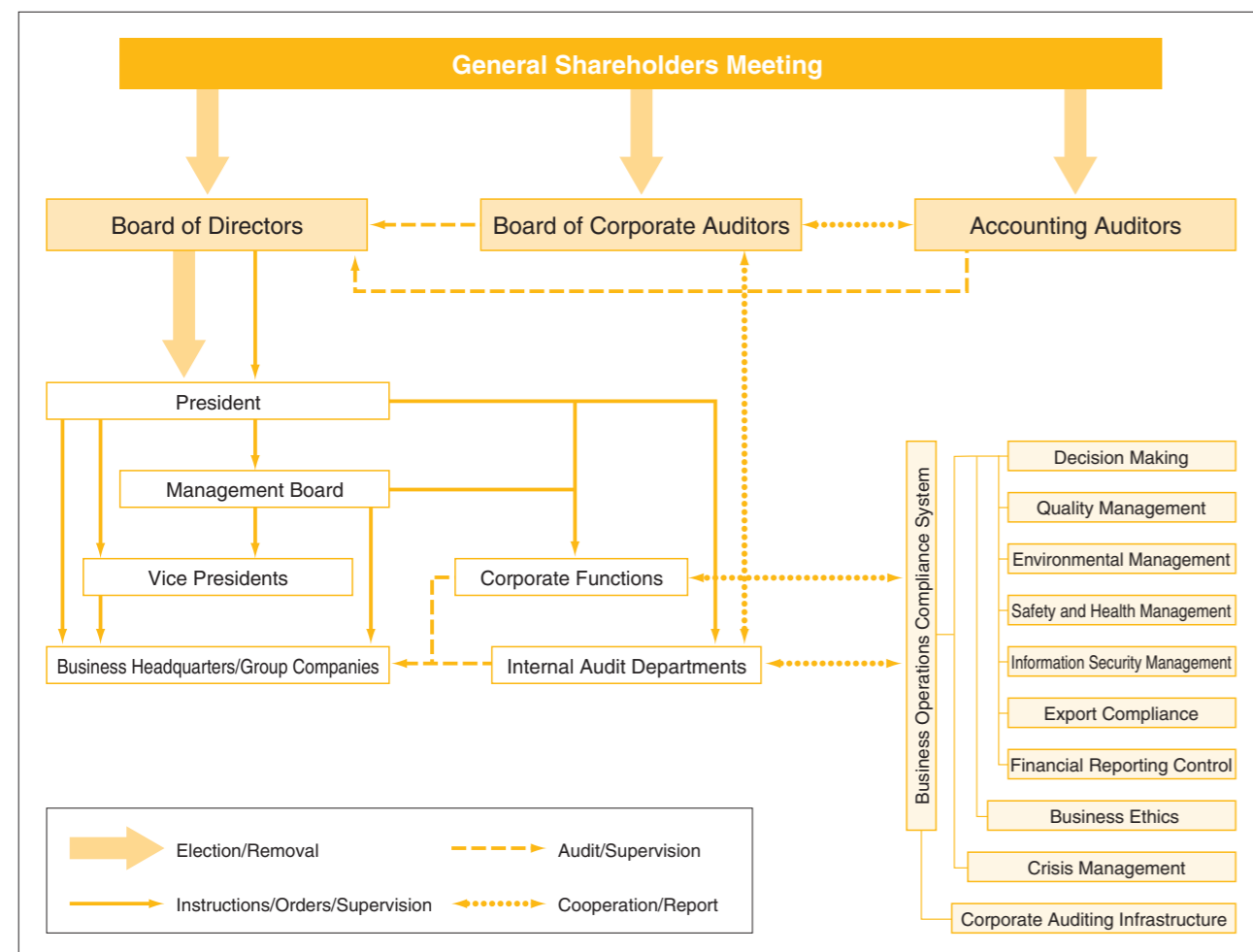
Governance Structure

The Company's board of directors manages the Company at the behest of its shareholders. It strives to speed decision-making and improves transparency through discussions between directors with intimate knowledge of the Group's businesses, and highly independent directors. The board of corporate auditors, a majority of which are outside corporate auditors, strictly audits the execution of business operations by the board of directors, and strives to enhance the auditing of management.

In order to ensure the correct and efficient execution of daily operations according to the management policy and business plan, as well as in compliance with laws and regulations, the Group is introducing an internal control system.

For example, the Group is enhancing its business ethics rules and the president frequently gives addresses emphasizing the importance of observing business ethics. Similarly, through the activities of the departments responsible for compliance, the Group is seriously endeavoring to ensure that all Group employees understand and put into practice its policy on compliance. The Group is also implementing its risk management activities by defining and assigning organizations that will assume responsibility for ten categories, including quality management, environmental management, and export compliance. Further, its internal audit departments are periodically conducting inspections to determine whether its internal control system is functioning effectively.

Corporate Governance Structure



Inauguration of Business Ethics Headquarters to Reinforce Compliance System, Culture, and Awareness

To prevent inappropriate conduct and incidents that may discredit the Group or its business operations, it is important to raise employee awareness of business ethics as demanded and practiced by the Yokogawa Group. The Business Ethics Headquarters was inaugurated to achieve such thorough awareness of business ethics. We constantly pursue further reinforcement of business management in full compliance with related regulations through implementation of an unethical conduct prevention system and constantly working to develop a corporate culture that encourages ethical conduct.

"The Sun Is Always Watching Us"

The Business Ethics Headquarters was inaugurated in January 2007 and reports to the president. The main tasks of the organization are to reinforce and raise awareness of good business ethics and ensure compliance with laws and regulations throughout the entire Group in order to achieve sound business management.

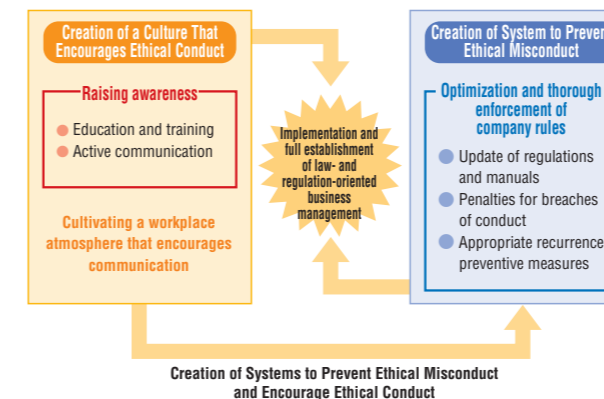
The Business Ethics Headquarters believes that the key to preventing inappropriate conduct and incidents that may discredit the Group and its operations is to foster within each and every employee the "refined sense of ethics" proclaimed by the Yokogawa Group. The Headquarters thus takes an active and systematic approach to fully disseminate a corporate culture that is imbued with this refined sense of ethics throughout the Group. The aim of this approach is to build a corporate-wide structure that ensures compliance with various related laws, regulations, and rules. This includes the prevention of ethical misconduct and the cultivation of a culture that encourages ethical conduct. Specifically, initiatives to prevent ethical misconduct include creating and organizing a series of regulations such as the Standards of Business Conduct for the Yokogawa Group and associated manuals, and appropriately and thoroughly enforcing such regulations, including penalties for non-compliance and measures to prevent the recurrence of incidents. The cultivation of a culture that encourages ethical conduct includes efforts to provide compliance-related education and training sessions and to improve internal communication.

- Compliance Training for Corporate Executives, in which the president, directors, and other officers give lectures on legal compliance and provide case studies and the expert views of a lawyer
- Training for Newly Appointed Managers, which included an ethics lecture
- Business Ethics Training for line managers and other managers, which took a discussion group format
- Expatriate Education for employees assigned to overseas positions to help them live safely and behave responsibly as employees of the Yokogawa Group
- Compliance Study for all employees to study and understand relevant laws and regulations, social codes, and company rules through e-learning
- A Business Compliance discussion for the heads of Group companies outside Japan



Participants in the Business Ethics Training course

Activities to Ensure Thorough Compliance



Provision of Compliance Training and Education Groupwide

In fiscal year 2006, the Yokogawa Group engaged in a wide range of activities to promote and establish the highest standard of business ethics throughout the Group. A description of some of those activities follows.

Business Ethics Contacts

We have two points of contact for those who would like to report or consult on any instances of non-compliance or any potentially non-compliant issues. The Compliance Helpline is for internal use, while the Compliance Hotline is dedicated for outside consultation. We also monitor how effectively these contact points are utilized.



Sample Ethics Card for Employees

Interview with the President

We are Committed to Exercising Our Responsibility as a Good Citizen and Courageous Pioneer



Measurement, Control, and Information—the Yokogawa Group's Core Businesses Bear a Significant Social Responsibility

What is the Yokogawa Group's approach to its corporate social responsibility (CSR)?

Although the Yokogawa Group's products and services are not directly targeted at end consumers, our businesses—particularly in the measurement, control, and information fields—support technological development and manufacturing across many industries, as well as social infrastructure. The areas that the Yokogawa Group's products and services specifically target are “safe lifestyles,” “energy conservation,” and “environmental improvement.” Perhaps my greatest task is to disseminate throughout the entire Group the awareness that each and every one of us is involved in corporate activities that bear a significant social responsibility, and therefore we should not make any compromises as we go about creating the highest-quality products and services. We should keep this responsibility in mind and always be proud of our involvement in such activities. I hope this awareness will help our employees conduct themselves in a socially and environmentally responsible manner even outside of the workplace, such as in the community or at home, and encourage them to actively support social infrastructure. This is just as the Yokogawa Philosophy declares, “Individually, we aim to combine good citizenship with the courage to innovate.”

Reinforcement of Corporate Governance and Thorough Compliance

You place a great emphasis on the importance of each and every employee's compliance.

As a member of society, a corporation is naturally subject to social regulations. It ceases to have a foundation

for existence in society unless it complies with those regulations. At Yokogawa Corporation of America, where I served as president until two years ago, we employed a strict compliance system called “One Strike Out,” in which even a single breach of a regulation could be cause for dismissal. The Yokogawa Group is currently reinforcing its corporate governance by building an internal control system throughout the Group, focusing on 10 different categories such as Quality Management, Environmental Management, and Export Compliance (see page 4). However, the essence of compliance lies in each individual's awareness of the need to abide by the rules. Therefore, it is important to have clear standards to which each employee can refer, review, and follow. This is why we have the Standards of Business Conduct for the Yokogawa Group.

Our compliance catchphrase to remind employees about proper conduct—“The sun is always watching us”—is used throughout the Yokogawa Group. I believe this will be an important asset in promoting our CSR activities and achieving thorough compliance throughout the global operations of the Yokogawa Group.

Acting as a Bridge between Individuals and Society

Based on your experience, please tell us your thoughts on corporate activities to benefit society.

Yokogawa Corporation of America participates in the March of Dimes' WalkAmerica. This is a fund-raising campaign to support medical help and research to prevent pre- and post-natal birth defects. Employees of companies and individuals form teams to join in a nationwide walk for raising funds for the charity. Companies match the

same amount of donations from employees. Although it is fundamentally an individual-based charity, people can be encouraged to participate in community and social activities—and continue to do so within a range that they feel comfortable with—when a company takes the initiative and supports them. Through this experience, I learned that a company can contribute to society not only through direct actions, but also through indirect involvement by acting as a bridge between individuals and society. I understand that the situation is different in every country; still, I would like to encourage this kind of social activity in every country that we do business in.

Realizing Wide Communications

What is the current structure for CSR activities as well as future plans?

We inaugurated the Corporate Social Responsibility Department in April 2007. In the future, we will integrate the Yokogawa Philosophy into all CSR missions, thereby firmly putting it into practice through our CSR activities. We will also strive to provide even more reliable products and services of the highest quality to society and improve corporate value through wide communication with a variety of stakeholders. Related educational opportunities will be continuously provided for employees, who are the driving force for CSR activities, to bring out their full potential and invigorate our CSR efforts. Through such activities, the Yokogawa Group will pursue management transparency, accountability, and the implementation of a healthy and profitable operation across the entire Group in order to respond to the expectations of various stakeholders.

Shuzo Kaihori

Shuzo Kaihori
President and Chief Operating Officer

Contributing to Prevention of Global Warming through an Energy Conservation Business

As global warming concerns continue to rise, public and private organizations are now actively employing energy conservation measures to reduce CO₂ emissions, which have been proven to be a key factor in global warming. The Energy Service Company (ESCO) project has become a particular focus of attention as an effective means to launch energy conservation measures. The Yokogawa Group has helped build ESCO-related technologies and expertise through financial support for pioneering ESCOs in Japan. In 2006, the Yokogawa Group started its own ESCO business, and in December of that year Okinawa Hokubu Hospital selected us as the Best Planner. This became our first ESCO project.

An ESCO project is a business model whereby an ESCO installs energy conservation equipment at a customer's premises and factories, and the resulting savings in energy costs cover the equipment costs and the ESCO fees, as well as contribute to the customer's own profits. In the Okinawa Hokubu Hospital project, the Yokogawa Group worked together with seven specialist companies (including local companies) to help this institution conserve energy in a highly efficient way and reduce its CO₂ emissions.

Drastic Reduction in Heavy Oil and Electricity Consumption

Located in a semitropical region, Okinawa has a mild winter climate. Although there is almost no need for heating, the summer period requiring air conditioning is longer than that of other areas of Japan, and energy consumption during this timeframe is therefore significant. Achieving reductions in the amount of energy used for air conditioning is key to energy conservation in Okinawa.

Okinawa Hokubu Hospital has been using steam generated by burning heavy oil together with an absorption refrigerator to run its main cooling system. This system will be replaced with a high-efficiency inverter-driven turbo refrigerator that adjusts more flexibly to fluctuations in load. The heavy oil-fired power generator that is currently used for power supply will remain in use for emergency purposes only, resulting in a significant reduction in heavy oil usage. This will also reduce the amount of heat transmitted inside the hospital building, and in turn will reduce the necessity for cooling itself.

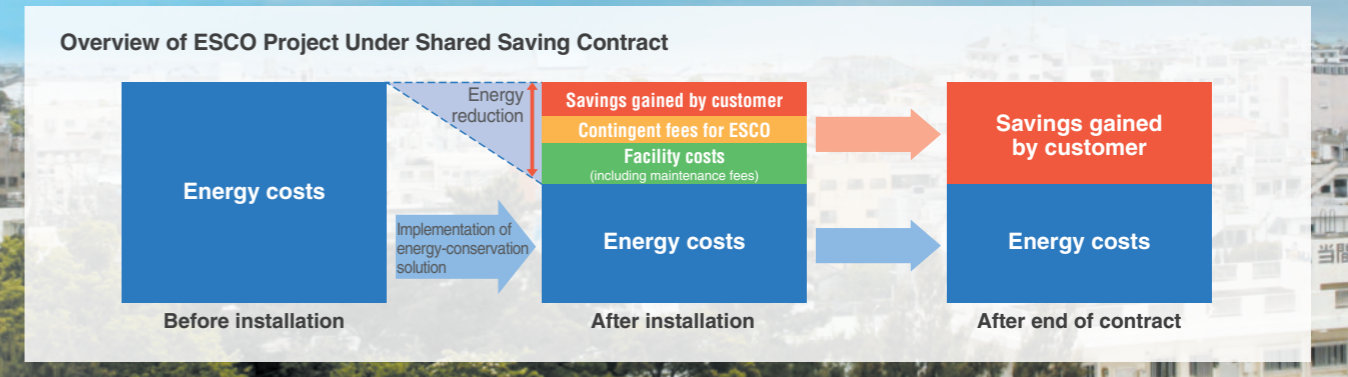
Our plan includes achieving a large reduction in electric power by installing an Econo-Pilot controller that regulates the air conditioning pump speed in an energy-efficient manner and by installing more energy-efficient lighting.

Further, all of these units will be monitored and controlled efficiently by ASTREA, a facility management system. Other improvements in the plan, including the installation of automatic faucets, will also aid water consumption as well as improve hygiene.

High Expectations for Model Business

In general hospitals that have inpatient facilities and emergency rooms, a continuous supply of power 24 hours a day is essential. To enable Okinawa Hokubu Hospital to cope with its emergency requirements, we work together with local companies to provide day-to-day management and routine maintenance services and to verify the energy conservation system's effectiveness.

Installation of the new equipment is scheduled to start in the fall of 2007 and to be completed in March 2008. As the hospital facility is aging, this ESCO project was introduced at just the right time. The comprehensive facility control service offered through this ESCO project is expected to achieve not only energy conservation, but also a reduction in heat emissions, a better indoor environment, and reductions in maintenance costs through minimizing the necessity for equipment maintenance and the replacement of facility consumables such as fluorescent tubes.



Yokogawa Group Selected as Best Planner for ESCO Project at Okinawa Hokubu Hospital

The systems installed through the Energy Service Company (ESCO) project will begin operation in April 2008, helping a general hospital in semitropical Okinawa realize energy conservation and cost reductions suitable to its specific requirements and conditions.

Comments by Project Organizers



"We aim to achieve around 400 million yen in customer savings over 15 years through cost reduction efforts and a reduction in CO₂ of 2,100 tons per year. Making this project our foundation, we would like to actively promote ESCO projects throughout Japan."

Hiroshi Takahashi
Business Promotion Department, Facility Management Business Center, Industrial Solutions Business Headquarters



"As well as equipment and control systems, the ability to work together with many other companies is an indispensable resource for any successful ESCO project. We hope that collaboration with different companies fully enhances our ability to contribute to society."

Katsutomo Tanaka
Tokyo-to Sales Department, Environmental Systems Sales Division, Industrial Solutions Business Headquarters

Customer Voice

A Model ESCO Project in Okinawa

Hirokazu Tomori
Deputy Director General in charge of Environmental Planning,
Department of Cultural & Environmental Affairs, Okinawa Prefecture



"Although the Okinawa prefectural government makes efforts to reduce greenhouse gases such as CO₂, there are limits to such procedural approaches. This is why we were interested in the ESCO project, and we invited the project planner to tender for three facilities that generate high CO₂ emissions. In the ESCO project, Okinawa will reduce CO₂ emissions of its public facilities by 9,000 tons by 2010. We hold great expectations in regard to this project as a model to promote the use of ESCOs among the private sector as well."

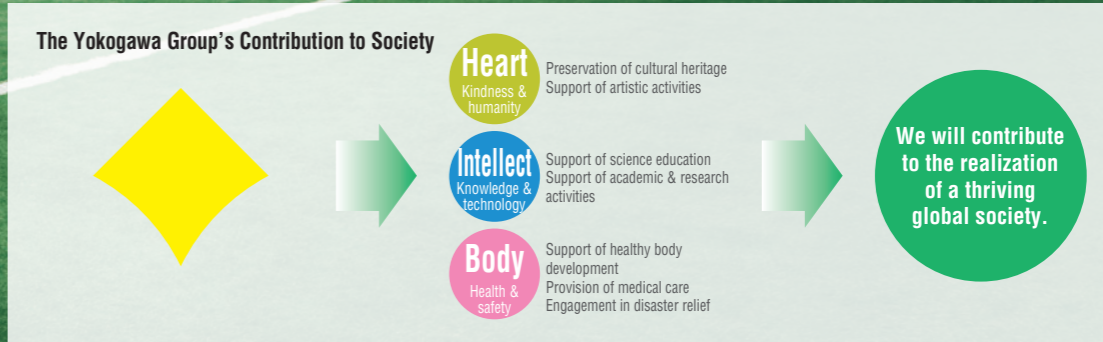
Customer Voice

Communicating Benefits of ESCO Project to the Community

Kazuaki Okubo
Director, Okinawa Hokubu Hospital



"Our hospital plays an important role as a central hospital in northern Okinawa. Our main challenges are to make the hospital environment comfortable for patients and staff while at the same time reducing costs. Measures to counter global warming come on top of those. I have high hopes that the ESCO project will help us both conserve energy and reduce costs. I would like to spread the word about the results achieved by this project to people throughout our community and beyond."



Acting as a Good Corporate Citizen

The Yokogawa Group participates in a variety of local and social activities based on our philosophy, "Individually, we aim to combine good citizenship with the courage to innovate." Our methods of exercising our responsibility are not limited to carrying out our business in a financially and legally ethical manner. We also actively participate in activities to tackle challenges faced by local community and society as a whole.

The Yokogawa Group's Approach to Contributing to Society

The acute angles and sharp straight edges of the upper half of the symbol represent the precision, accuracy, and sophistication of the Yokogawa Group's products. The gentle curves in the lower half of the symbol represent the warm-hearted nature of the Yokogawa Group's people. The "Yokogawa yellow" of the symbol represents the color of the sun, symbolizing life and energy.

The Yokogawa Group contributes to society its own unique way based on the three themes of heart (humanity), intellect (expertise & skills), and body (the human body & health).

Heart, Intellect, and Body: Three Themes That Drive Our Activities

On the heart theme, the Company promotes well-being by nurturing individuals and supporting traditional culture and the arts. The Company provided funding for the painting of a mural titled "Dragon with the Clouds" on the ceiling of the Zen teaching hall (*hatto*) at the Kenchoji Temple in Kamakura. It also funded a painting titled "Twin Dragons" at the Kenninji Temple in Kyoto. The Company is currently funding the creation of paintings for the sliding doors (*fusuma*) in the main temple of the Todaiji Temple.

On the intellect theme, the nature of our business as a high technology provider motivates us to support education in the sciences and encourage interest in science and technology. We support academic and research activities as well.

On the body theme, we support the development of sound and healthy bodies, engage in disaster relief and provide health care.

Nurturing a Sound Mind and Body

In response to concerns over children's declining interest in science, the Yokogawa Group began offering one-day science classes for children in 2006 and we will continue this activity in a more developed format. Our hope is that this activity will provide an opportunity for children to enjoy making scientific discoveries and stimulate their continued interest in science and technology.

The Yokogawa Group has been maintaining close relationships with local communities by supporting various cultural and sports activities. Organizing events on the athletic field at Yokogawa headquarters has helped further the sound development of youth and promote local activities. One such event is a rugby festival jointly organized with the Musashino City Rugby Association. Like the other activities that we promote, this not only helps children build healthy bodies, but also teaches them how to work together and show respect and consideration for others.

The Yokogawa Group will continue to support science education and sports events as a way of contributing to the well-balanced development of children.

Contribution to Society Under Three Themes of Heart, Intellect, and Body

The concepts of technology, humanity and well-being symbolized in the Yokogawa logo guide the Yokogawa Group's community activities that are contributing to the realization of a thriving global society.

Comments by Event Organizer



"The Yokogawa Group takes part in community activities in the hope of providing a variety of experiences in which children can develop a well-balanced body and mind. We hope that our science school and sports events will help them experience the joys of

Yoshihito Yoshida

Manager
Corporate Social Responsibility Department, Corporate Communications Center, Management Administration Headquarters

making new discoveries and inspire them to further explore their interests. We would also like to build more solid mutual trust within our community by continuing such local activities."

Topics Providing Education to Nurture our Children

Yokogawa Science School

A Yokogawa Science Class was held on December 16, 2006 at Yokogawa headquarters, with grade five and six pupils from an elementary school in Musashino City taking part. The highlight of the day was an experiment aptly named, "Shine like a Firefly!" As it was the Christmas season, a lecture was given and an experiment was conducted in which a Christmas-style illumination was created using safe organic chemicals.



Topics Supporting Healthy Body Development

Support for Rugby Festival

On May 28, 2006, the Musashino Rugby Association hosted the 5th Rugby Festival on the athletic field at Yokogawa headquarters. The event promoted the healthy development of young people and good relations with the local community. Adults joined in with children of all ages and everyone enjoyed the day.



An Environmental Management System (EMS) Designed for Global Deployment

The Yokogawa Group is deploying the EMS globally with the aim of building a sustainable society.

The Principles of the Yokogawa Group Environmental Management Standards (excerpt)

Established in 1996

Environmental Philosophy of the Yokogawa Group

This philosophy is based on the Yokogawa Group'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." 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.

Environmental Policy of the Group

The Group considers the protection of the global environment to be a key management objective and operates an environmental management system to continuously improve its performance. In accordance with this policy, all companies within the Group will:

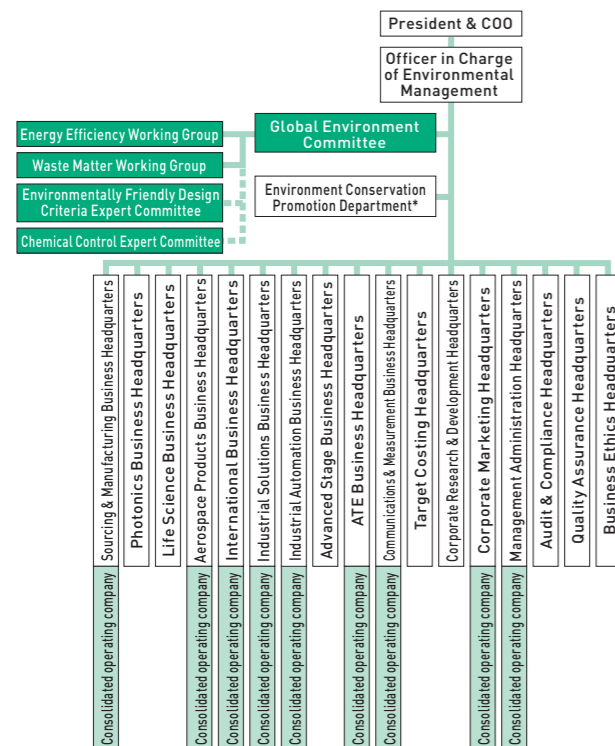
- Strive to carry out resource recycling-based operations.
- Contribute to global environmental protection.
- Pursue independent initiatives to protect the environment.

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 companies in the Group will:

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

Organization Chart for the Promotion of the Yokogawa Group's Environmental Management (Fiscal year 2006)



*The name of the Environment Conservation Promotion Department was changed to "Corporate Social Responsibility Department" on April 1, 2007.

EMS Activities for Deployment throughout the Group

The Yokogawa Group is promoting environmental management and environmental conservation activities based on the Principles of the Yokogawa Group Environmental Management Standards. The Yokogawa Group also deploys EMS globally to promote environmental conservation activities. In addition, each Group company, in accordance with the "Environmental Policy of the Yokogawa Group" and the "Voluntary Action Plan on the Environment of the Yokogawa Group" (both the medium-term and annual plans), has established an environmental target, and is thus independently engaged in environmental conservation activities.

Promotion of the EMS Integrated into Existing Businesses

In our system, the business headquarters and divisions of Yokogawa Electric provide EMS guidance and support to the consolidated operating companies they are in charge of. By taking such measures that combine business and EMS, each Group company follows themes that are closely integrated with its targeted business practices for the fiscal year.

Environmental Education

Yokogawa Electric has introduced an environmental education program as part of employee training in order to raise the environmental awareness of each employee. The program generally consists of basic education and specialized environmental education required by each section or department. Basic education includes general environmental education for new employees, education by year of employment, and education on the Kyoto Protocol in step with global trends, as well as a requirement to read environmental reports.

Specialized environmental education is provided collectively to those who are engaged in business activities that have a particularly significant impact on the environment.

In addition, we issue "Earth Environment News" (in Japanese) on a monthly basis and hold environmental lectures and quizzes on the environment to help raise the environmental awareness of each employee.

ISO14001 Certification

There were 10 ISO14001-certified sites in Japan and 10 outside Japan as of the end of March 2007.

ISO14001

Factories		Date Certified
Yokogawa Electric Corporation Headquarters & Main Factory		July 1997
Yokogawa Manufacturing Corporation	Komine Factory	July 1997
	Kofu Factory	July 1997
	Ome Factory	July 1997
	Komagane Factory	July 1997
	Uenohara Factory	July 1997
Yokogawa Meters & Instruments Corporation		July 1997
Kokusai Chart Corporation		January 1999
Yokogawa Field Engineering Service Corporation		February 2000
Yokogawa Denshikiki Co., Ltd.		November 2000
Suzhou Yokogawa Meter Company	China (Suzhou)	May 1998
Yokogawa Shanghai Instrumentation Co., Ltd.	China (Shanghai)	March 2000
Yokogawa Sichuan Instrument Co., Ltd.	China (Chongqing)	December 2000
Yokogawa Electric China Co., Ltd.	China (Suzhou)	May 2004
Yokogawa Electric Asia Pte. Ltd.	Singapore	October 1998
Yokogawa Engineering Asia Pte. Ltd.	Singapore	August 2001
P.T. Yokogawa Manufacturing Batam	Indonesia	April 2000
Yokogawa Corporation of America	USA	June 2005
Yokogawa Electronics Manufacturing Korea Co., Ltd.	South Korea	December 2004
Yokogawa Measuring Instruments Korea Corp.	South Korea	March 2007

*The following sites have general certification: Yokogawa Manufacturing Headquarters, Komine Factory, Kofu Factory, Ome Factory, Komagane Factory, and Uenohara Factory.

Environmental Auditing

(1) Internal Audits

The Yokogawa Group's internal audits consist of systems, legal compliance, and performance audits. Internal audits were conducted at all sites at least once during the year. Although some minor inconsistencies and items to be watched were identified, these were quickly addressed and corrected.

(2) Periodic Inspections

Second-year surveillance audits were conducted at the Yokogawa Electric Corporation Headquarters & Main Factory as well as at Yokogawa Manufacturing by a certifying organization.

Both the Yokogawa Electric Corporation Headquarters & Main Factory and Yokogawa Manufacturing were highly evaluated in the inspections, which covered aspects such as environmental assessment, reinforcement of legally qualified staff, and management of environment-related information at the headquarters and factories as well as activities to reduce waste materials and environmental pollutants, resource-saving activities, and social activities at Yokogawa Manufacturing. Both organizations retained their registration and were granted an "improved" rating in the overall evaluation.

Environmental Audit Inspection Items

Internal Audit	Inspection Items
Systems audit	Audit of organizations/systems, target management, education, operations management/corrections, and other data to check whether the system is functioning effectively
Legal compliance audit	Audit of the operation and monitoring of regulated values (qualifications, notice submissions, and measurement data) and other data to check whether legal and other requirements are being followed
Performance audit	Audit of targets and actual results, regulated values, and other data to check whether the self-determined operation items are being implemented properly

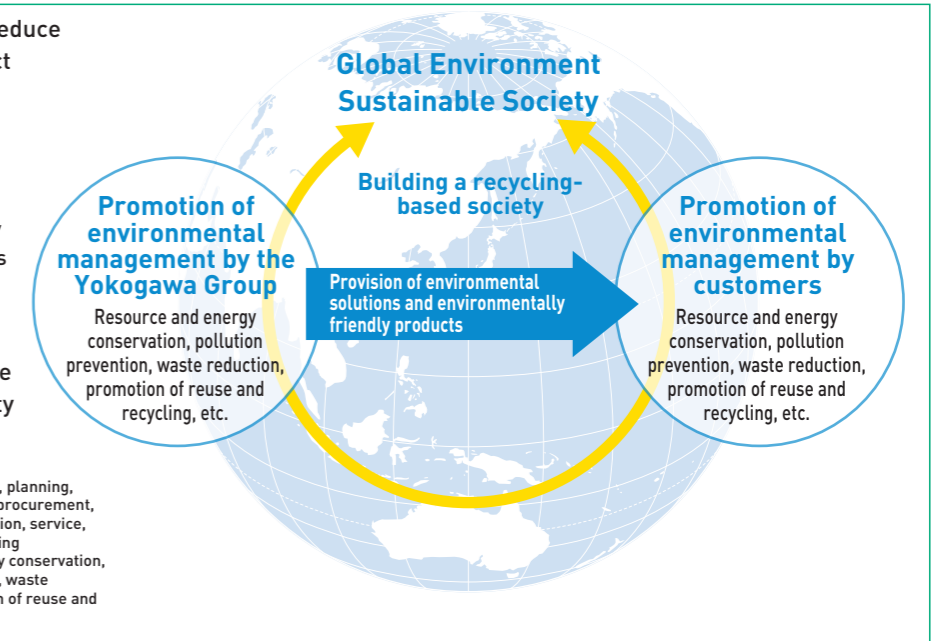
The Yokogawa Group's Environmental Management

The Yokogawa Group aims to reduce its global environmental impact across all its operations, by:

- Proactively implementing environmental activities
- Providing environmental solutions and environmentally friendly products to customers

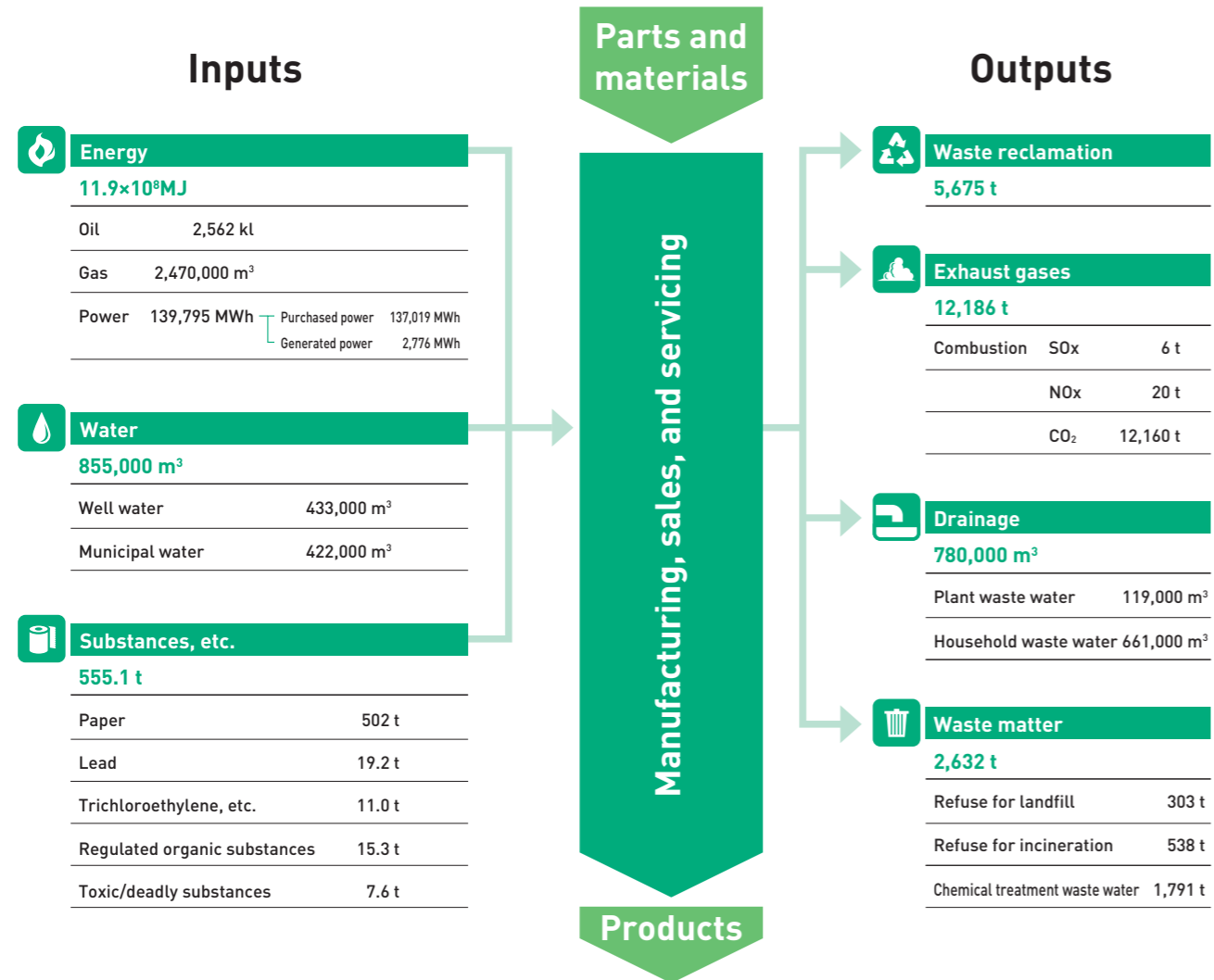
Through these activities, the Yokogawa Group will contribute to building a sustainable society together with its customers.

- All operations: Senior management, planning, R&D, design, sales, procurement, production, distribution, service, recovery, and recycling
- Environmental activities: Resource and energy conservation, pollution prevention, waste reduction, promotion of reuse and recycling, etc.



Understanding Our Environmental Impact

The Yokogawa Group assesses and manages an “eco-balance” between the inputs of energy and raw materials in its business activities (manufacturing, sales, and servicing) and outputs of materials and waste into the air and water. The analysis of the eco-balance helps the Group effectively use resources, improve energy efficiency, and improve the waste reclamation ratio.



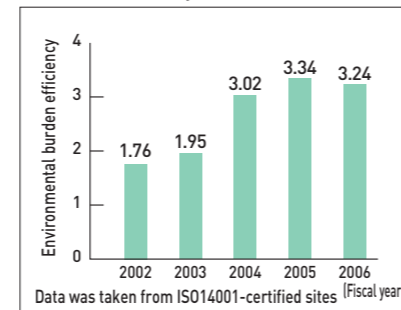
Environmental Burden Efficiency, an Environmental Management Indicator

The Yokogawa Group uses “environmental burden efficiency” as an indicator for expressing the progress of environmental management activities. The environmental burden efficiency indicator is calculated by dividing economic value by environmental burden, both of which are generated by business activities. The Group calculates its environmental burden efficiency by dividing gross profit on sales by the total number of eco points (EP). The larger the score, the further the environmental management has progressed.

Introduced in fiscal year 2000, the EP is a unique indicator used by the Group. It is calculated by

multiplying a numeric value corresponding to our business’ energy and raw material consumption and substance emissions by an eco factor developed by Switzerland’s Ministry of the Environment. It allows different environmental burdens to be compared numerically. The greater the EP value, the greater the environmental impact.

Changes Over Time in Environmental Burden Efficiency



Applying Environmental Accounting to Realize Optimal Environmental Management

Calculation criteria in environmental accounting of the Group for fiscal year 2006 are in compliance with the “Environmental Accounting Guidelines (Fiscal year 2005 Version)” published by the Ministry of Environment, Japan. Our environmental conservation figures were down as a whole due to the transfer of production to locations outside of Japan.

Environmental Conservation Costs (millions of yen)

Category	Item	Main Initiatives	Investment	Amount
(1) Costs for reducing environmental impact occurring within factories (areas of operation)	1) Pollution prevention costs	Monitoring and measurement	184	170
	2) Global environmental conservation costs	Energy savings	80	107
	3) Resource recycling costs	Minimize generation of waste matter	0	148
(2) Costs for reducing environmental impact from procurement and logistics		Green procurement	0	10
(3) Environmental conservation costs in EMS activities		EMS updates, education	0	251
(4) Environmental conservation costs in R&D activities		Development of environmentally friendly products	0	1
(5) Environmental conservation costs in community activities		Environmental events	0	29
(6) Costs for addressing damage to the environment		Soil recovery	0	0
Total			264	716

Environmental Conservation Effects

Category	Description of Effect (unit)	FY2005	FY2006	Effect
Resource expenditure	Total amount of energy consumed (TJ)	885	993	-108
	Total amount of water resources consumed (km ³)	704	767	-63
Global warming prevention	CO ₂ emissions (kt)	47	52	-5
	CO ₂ emissions on unit sales basis (t-CO ₂ /100 million yen)	19	19	0
Air pollution	NOx emissions (t)	41	45	-4
	SOx emissions (t)	43	48	-5

Economic Effects of Environmental Conservation Measures—Intrinsic Effect (millions of yen)

Description of Effect	Amount
Reduction in expenditures due to recycling (sale of valuables, etc.)	81.4
Reduction in expenditures due to energy savings (power, etc.)	24.9
Reduction in expenditures due to resource savings (reduced use of paper and water, etc.)	10.8
Total	117.1

Capital Expenditures and R&D Costs (millions of yen)

Item	Description	Amount
Total capital expenditure for the term	All capital expenditures including environmental expenditures	37,875
Total R&D costs for the term	All R&D costs including environmental expenditures	36,039

Sales of Environmental Business Products and Total Sales (millions of yen)

Item	Description	Amount
Sales of environmental business products	Sale of products and systems (for the term) that exclusively contribute to the reduction of social and environmental impact, including environmental business products (water purification, atmosphere protection, waste treatment, etc.)	16,359 (6.8%)
Total sales for the term	Grand total	239,400

Data was taken from ISO14001-certified sites during the period from April 1, 2006, to March 31, 2007.

Overview of Environmental Activities in Fiscal Year 2006

As a responsible corporate citizen, the Yokogawa Group is engaged in global environmental conservation activities and social activities, taking the business operations of each Group company and the regional character of its operations into consideration, and carrying them out in accordance with the Principles of the Yokogawa Group Environmental Management Standards (see page 12).

In fiscal year 2006, the Yokogawa Group reviewed its activities from the environmental and business perspectives and strove to achieve targets that were closely integrated with its business practices. We also strove to reduce our environmental burden and conserve energy and resources in production activities by carrying out measures such as a review of our handling of toxic chemical substances in products.

Environmental Policy of the Yokogawa Group		Fiscal Year 2006 (main sites)		Self Evaluation	Ref. page(s)		
		Target/Goal	Results				
EMS implementation, maintenance, and improvement	Establish an EMS to promote and continually improve environmental conservation activities. In order to achieve this, it is necessary to accurately understand the impact of our business activities on the environment, establish environmental targets that are technically and economically feasible, and work to achieve these targets while conducting environmental audits to maintain and improve the system.	Confirm and achieve environmental conservation action targets that are closely integrated with our business practices. ^{*3}	<ul style="list-style-type: none"> 74 themes closely integrated with business operations attained Semi-annual internal audits conducted and effective environmental system confirmed 	○	12		
		Promote useful activities in line with existing business. ^{*2}	21 useful environmental activities promoted	○	23		
Implementation of environmental education	Educate all employees so that they understand the environmental policy, are more aware of the need to protect the environment, and take the initiative in corporate and civil environmental conservation activities.	Provide all employees with basic environmental education that can be applied in activities undertaken on their own initiative. ^{*3}	100% achieved	○	12		
		Provide specialized environmental education to those who are engaged in business activities that have a particularly significant impact on the environment. ^{*3}	100% achieved	○			
Legal compliance	Comply with all legislation, regulations, agreements, and industrial guidelines pertaining to the environment, and strive to protect the global environment.	Comply with the Voluntary Control Limits for drainage water. ^{*1}	Drainage water measurements conducted and confirmed to be below the Voluntary Control Limits	○	25		
		Assess the amount of material flow. ^{*1}	Manual for tracking and analyzing the total material flow	○			
		Develop a soil management method. ^{*2}	Voluntary Observation & Measurement Standards established to prevent soil contamination	○			
		Strictly comply with the improved Voluntary Control Limits. ^{*2}	All items confirmed to be below the Voluntary Control Limits	○			
		Take measures to reduce environmental risks in five areas for environmental facilities and equipment. ^{*2}	Measures taken to reduce risks in five areas for environmental facilities and equipment	○			
Promotion of recycling-based management	Strive in all corporate activities to use resources and energy efficiently, stop global warming, reduce waste, and promote reuse and recycling, with the aim of achieving zero emissions.	Reduce CO ₂ emissions: <ul style="list-style-type: none"> by 27.5% on a floor-space basis, compared to fiscal year 1990 (to 104.8 t-CO₂/m² in emissions)^{*1} to 34.72 t-CO₂/100 million yen in sales^{*2} (converted from the target figures for reduction in usage of electricity, gas, and heavy oil) 	<ul style="list-style-type: none"> 24.4% reduction (108.9 t-CO₂/m² in emissions) 33.07 t-CO₂/100 million yen 	×	24		
		Reduce total waste matter: <ul style="list-style-type: none"> by 10% compared to fiscal year 2003 (684 t/year in total emissions)^{*1} to 4,135 t/year^{*2} 	<ul style="list-style-type: none"> 14.1% reduction (653 t/year in total emissions) 4,241 t/year 	○	27		
		Zero emission of waste <ul style="list-style-type: none"> Achieve 99% or higher waste reclamation ratio.^{*2} 	<ul style="list-style-type: none"> 99.5% waste reclamation ratio achieved 	○	27		
		Resource-saving <ul style="list-style-type: none"> Deploy green production lines and make improvements to seven other lines.^{*2} 	<ul style="list-style-type: none"> Improvements to save energy and reduce toxic substances made to 16 processing, assembling, and production lines 	○	23		
		Comply with the RoHS Directive in production. <ul style="list-style-type: none"> Build production lines for hexavalent chromium-free surface treatment.^{*3} Build production lines for lead-free solder products.^{*1} Build production lines for cyanogen-free plating.^{*3} Reduce toluene and xylene by 600 kg.^{*2} Promote lead-free solder products and achieve 100% application in planned products.^{*2} 	<ul style="list-style-type: none"> Switch to zinc surface treatment and change in chemical conversion treatment Lead-free facilities introduced Switch to cyanogens-free plating 685 kg reduction Application to all planned products achieved 	○	25		
Development of environmentally friendly products	Develop products that have a low environmental impact throughout their lifecycle, from materials procurement to manufacturing, distribution, usage, and disposal.	Comply with the WEEE Directive, the RoHS Directive, and China's "Management Method for Controlling Pollution by Electronic Information Products." <ul style="list-style-type: none"> Establish design standard (DS) guidelines.^{*1} Promote testing for toxic materials in parts and materials.^{*1} Promote the use of substitute parts and materials that do not contain the six hazardous substances covered in the RoHS Directive.^{*1} 	<ul style="list-style-type: none"> Manuals for "Management Method for Controlling Pollution by Electronic Information Products" published Test of currently registered products conducted and database updated accordingly 96.1% of parts and materials changed to those that comply with the directive 	○	18		
		Expand the range of products that comply with the WEEE Directive and the RoHS Directive. ^{*1}	<ul style="list-style-type: none"> Production of products that comply with the WEEE Directive started Voluntary efforts to comply with the RoHS Directive started 	○	26		
		Comply with China's "Management Method for Controlling Pollution by Electronic Information Products." ^{*1}	Information shared in the monthly PJT, and compliance achieved for some of the products	○	26		
		Reduce CO ₂ emissions of developed products by more than 25%. ^{*1}	Completed for four models	○	19		
		Expand the use of environmentally friendly packing materials such as molded pulp and film-cushion packaging. ^{*1}	Completed for 12 models	○	18		
		Promote green procurement. <ul style="list-style-type: none"> Introduce returnable tote boxes and pallets to four client companies.^{*2} Upgrade the seven C-rated suppliers to B or higher.^{*2} 	<ul style="list-style-type: none"> Returnable tote boxes introduced to seven client companies Ratings of 15 suppliers upgraded 	○	22		
		Provision of environmental solutions	Help protect the global environment by supplying value-added products and services, based on our measurement, control, and information processing technologies.	Promote environmentally friendly products. ^{*1}	Achieved	○	20
				Inspect energy-saving efforts at the Kofu Factory. ^{*1}	Achieved	○	
				Promote and expand the sale of "Enemap." ^{*1}	Achieved	○	
		Contribution to society by protecting the environment	Participate in regional environmental conservation activities, support employees who initiate such activities, and strive to maintain harmony with local communities as a responsible corporate citizen.	Promote contributions to society through participation in nature conservation and community and regional activities. ^{*1}	Participated in regional clean-up activities	○	33
Carry out nature conservation and community and regional activities at least once a year at each site. ^{*2}	A total of 19 social activities carried out			○			
Disclosure of environmental conservation information	Disclose the Environmental Policy and information on the Group's global environmental conservation activities to broaden communications with communities.	Promote information disclosure and broaden efforts to communicate with local communities. ^{*1}	Sustainability Report published	○	36		
		Improve website. ^{*2}	"Achievements in Environmental Activities" web page created	○			

Main sites: Yokogawa Electric Corporation Headquarters & Main Factory and Yokogawa Manufacturing Corporation

*1: Goals of Yokogawa Electric Corporation Headquarters & Main Factory *2: Goals of Yokogawa Manufacturing Corporation *3: Goals in common

Formulating Proprietary Design Rules for the Creation of Environmentally Friendly Products

The Yokogawa Group is promoting the development of environmentally friendly products based on design guidelines and assessment standards regarding long-term use, energy conservation, and other parameters.

Guidelines for Environmentally Friendly Design

(1) Environmental Assessment Standards for Product Design

We have established assessment standards in eight areas: ease of recycling and treatment, resource conservation, energy conservation, long-term usability, ease of collection and transport, safety and environmental protectiveness, information disclosure, and packaging. These standards are used in conducting assessments during each inspection (initial design, intermediate design, and final design).

(2) Lifecycle Assessment (LCA) Standards

These standards are used for preliminary assessments of energy use, CO₂ emissions, NO_x emissions, SO_x emissions, and the like throughout the lifecycle of a product. These standards are used in conducting assessments during each inspection (initial design, intermediate design, and final design).

(3) Environmentally Friendly Product Design Guidelines

These guidelines establish design and machining and assembly methods that incorporate long-life design, energy conservation design, resource conservation design, and materials and parts selection guidelines, as well as standards for the recycling and disposal of products.

(4) Standards on Toxic Substances in Products

These standards guide the selection of environmentally friendly parts and materials in the design stage. Currently, efforts are being made to eliminate or reduce substances from a total of 44 substance groups: 15 prohibited substance groups and 14 voluntarily controlled substance groups specified in the Green Procurement Study Standardization Guidelines, and substances in 15 voluntarily controlled substance groups nominated by the Group.

(5) Recycled Product Design Standards

These standards encourage the three Rs: the reduction of waste and the reuse and recycling of used products.

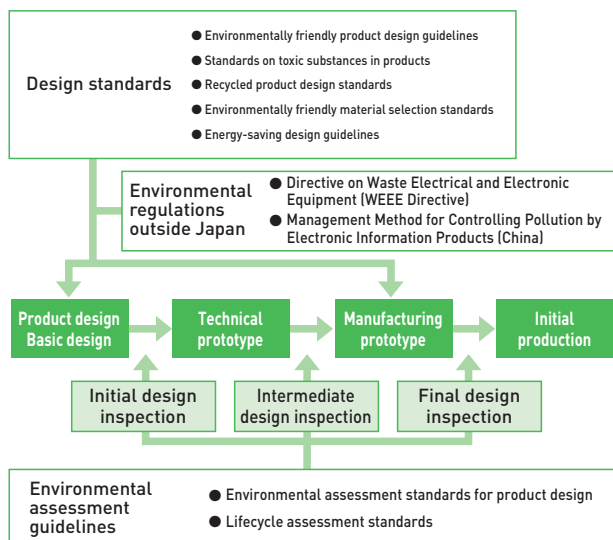
(6) Environmentally Friendly Material Selection Standards

These standards state that the use of halogen-based flame retardants is to be avoided. The standardized specifications of materials also state that the use of structural steel plates containing hexavalent chromium is to be avoided and assign chrome-free steel plates as a substitute.

(7) Energy-Saving Design Guidelines

These guidelines state that energy is to be conserved in the manufacturing and product use stages. They introduce energy conservation design technologies for products and manufacturing.

Environmentally Friendly Design and Assessment Standards



Environmental Assessment Standards for Product Design

(1) When	Initial design inspection/intermediate design inspection/final design inspection
(2) Assessment items	Twenty-nine items including ease of recycling and treatment, resource conservation, energy conservation, long-term usability, ease of collection and transport, safety and environmental protectiveness, information disclosure, and packaging
(3) Evaluation criteria	Score is zero points if legal regulations are not satisfied, four points if legal regulations are satisfied and an improvement of 30% or more is achieved, three points for an improvement of 15% or more, two points for an improvement of 5% or more, and one point for an improvement of less than 5%.
(4) Pass/fail judgment criteria	In order to pass, there must be no assessment items with a score of zero, and the total score must be greater than that of the old model. A "failed" judgment is given if any of the assessment items has a score of zero or if the total score is the same as or lower than that of the old model. The improvement guidelines target an improvement of 25% or more, and more than anything seek to incorporate environmental-burden reduction into design.

Development of Environmentally Friendly Products That Provide Better Functionality/Performance and Are Less Harmful to the Environment, in Accordance with Proprietary Technology and Standards

The Yokogawa Group develops environmentally friendly products based on its own design guidelines and assessment standards for the environment. The Group has introduced a system of self-declared environmental labels (Type II). Only products that demonstrate outstanding environmental performance may display this label.

Development of Memory Test System That Requires 40% Less Floor Space and Is 2.8-times Faster than Previous Models

Functioning as the brains for various products, LSIs (semiconductor integrated circuits) have become increasingly sophisticated and faster in terms of processing times. Test systems for the function and quality testing of LSIs are therefore indispensable in the semiconductor industry. The Yokogawa Group produces test systems for various LSIs.

Achieving reductions in evaluation times is crucial in reducing the cost of LSI production. The MT6121, developed as a next-generation memory test system to take the place of the MT6060, adopts a two-in-one system with two independently operating test stations that can test multiple types of devices at the same time. A shorter evaluation time also drastically reduces energy consumption. The system also has a 40% smaller footprint than the previous model, saving both energy and resources in the course of production.

The system complies with environment-friendly design standards and guidelines, and reduces CO₂ emissions by 63.2%, NO_x emissions by 62.7%, and SO_x emissions by 63.6%, compared with previous models under the Lifecycle Assessment (LCA) Standards.






MT6121 Memory Test System

Environmental Labels

The Yokogawa Group has introduced a system of self-declared environmental labels (Type II), as specified in ISO14021. The environmental label is used to mark products with good environmental performance that meet the environmentally friendly design standards and guidelines presented on page 18. By the end of fiscal year 2006, the Group had introduced 16 products with environmental labels.

A Selection of Products with the Environmental Label



Test & measurement and communications measurement instruments	Small-scale instrumentation equipment
 <p>DL9000 series Digital Oscilloscopes (Photo: DL9240L)</p>	 <p>DX1000/DX2000 Data Acquisition and Display Stations</p>
 <p>WT3000 Precision Power Analyzer</p>	 <p>MX100 PC-Based Data Acquisition Unit</p>

Column

The Smaller Products Become, the More Friendly They Are to the Environment

Customers now demand not only smaller systems but also shorter test times. In order to consolidate these two conflicting challenges, we developed the MT6121 using a building block methodology. As an added bonus, the smaller size also substantially reduces CO₂ emissions in the production process and, I believe, thus saves resources. I have realized that the smaller products are, the more friendly they are to the environment.



Kanji Suzuki
Manager, Development and Engineering Department 1, ATE Business Headquarters

Comprehensive Management of Energy Demand in Factories by Visualizing the Efficiency of Energy Use

Improvement in the efficiency of energy use at production sites is an important task in the industry. The Yokogawa Group supports its customers' environmental management with energy- and cost-saving measures that help reduce their environmental burden. These include Enerize, a new energy cost per-product management system that optimizes energy efficiency and environment-friendly management at production sites.

Assessment of CO₂ Emissions Key to Future Production Activities

A vast amount of energy is used in production line processes, meaning a large amount of CO₂, a core factor in global warming, is released into the atmosphere. Improvements in energy efficiency are therefore regarded as a top priority within the industry, and various measures are being taken in order to reduce CO₂ emissions. We believe the existing and generally accepted method of calculating and converting energy consumption rates at factories (on a daily and/or monthly basis) into CO₂ emissions is one step behind in terms of truly effective action. Once emissions trading systems are introduced, it will become crucial to efficiently manage energy usage by keeping track of the status of emissions in real-time. This will also have an impact on production costs.

System for On Demand Visualization of Energy Production, Usage, and CO₂ Emissions

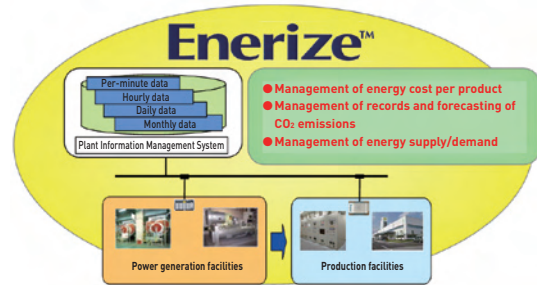
Enerize, a new management system developed in 2006 to measure energy consumption, enables customers to keep track on demand of the cost per unit (energy cost per product) of producing energy (e.g. electricity, steam, and cold & hot water) for use in factories. The system is a software package that supports companies' efforts to save energy by both collecting

real-time energy consumption data and managing and analyzing it in an integrated fashion.

On a computer screen, users can view and analyze records for items such as energy input by energy type, the operation status of boilers and power generators, and the energy consumption of individual instruments and machines on the production lines. The system also integrates and visualizes the data as it moves through the upstream and downstream processes in factories, thereby allowing users to grasp energy consumption, related costs, and CO₂ emissions per machine, division, building, or product in real-time.

Enerize can also be used to predict CO₂ emissions by combining it with Enemap, our energy management package. Detailed management of energy and CO₂ emissions is vital to survive in the competitive global market.

Basic Concept of Enerize



Column

Helping Factories Save Energy and Reduce Costs Through Visualization

In the near future, measures to cope with CO₂ emissions will not only be a social responsibility but also a prerequisite for a company to survive. We use the term "on demand" to explain Enerize, a system that helps customers pinpoint problems in energy-saving and CO₂ reduction efforts and identify where to start implementing remedial measures. The real-time collection and management of data also allows customers to continue moving forward. We plan to integrate Enemap and Enerize and develop an all-new system that can be mounted on a central monitoring device to perform monitoring, analysis, and control functions. We take great pleasure in being able to contribute to society in this way using our proprietary technology. It is also something we are extremely proud of.



Enerize developers (left to right): Hiroto Abe, Chie Miyazaki, Akira Endo, and Kentaro Ohara of the Industrial Solutions Business Headquarters

Receipt of Order from Osaka City Waterworks Bureau for Water Supply Monitoring Control System at Its Kunijima Purification Plant, One of the Largest in Japan

Yokogawa Electric won the contract to supply a water supply monitoring and control system for the Kunijima Purification Plant in 2006. This is a lifeline for Osaka City, which is known as the “Water Capital.” The Group hopes to continue to contribute to efficient management and provide business solutions utilizing its cutting-edge technology and experience accumulated to date.

Cutting-Edge Monitoring and Control System for Protecting Water System from Natural Disasters

The Kunijima Purification Plant in Osaka is the fourth oldest water treatment plant in Japan. With an average daily water supply capability of 1,180,000 m³ it is also one of the largest in the country. Water from the Yodo River is distributed to the city after being purified in two lines at the plant. Previously, the two lines were controlled by different systems; however, with disaster prevention in mind, Osaka City decided to introduce an integrated system to control the entire facility. Yokogawa Electric won the bid for the upgrade of the water distribution and management facilities, which was planned in 2006 as the initial phase of the project. Monitoring and control systems are precisely what the Yokogawa Group excels at, and we strive daily, using our accumulated know-how and experience, to ensure the upgrade is realized to the highest level.

Transferring Technical Skills Needed for Safe Water Facilities

Osaka’s drinking water supply is a lifeline for the 2.6 million people living in the city and remains vital to daily life even as an increasing number of people are choosing to buy bottled drinking water. Essential to the smooth operation of the public water supply is manpower. While plants have become largely automated, there are still many aspects that require experience and human skill, such as in emergency situations. Passing on such skills

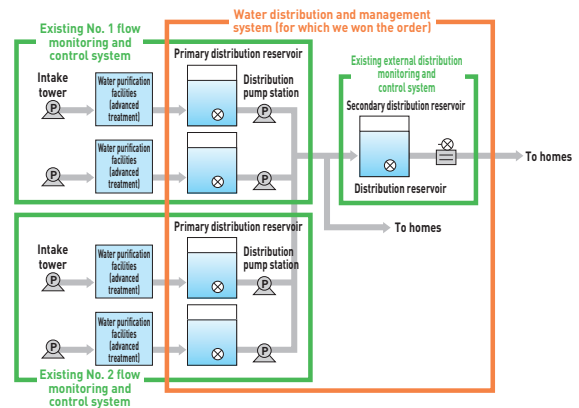
has been an important theme for the Osaka City Waterworks Bureau, and Yokogawa Electric is making proposals to contribute in this regard.

The Kunijima Purification Plant is also one step ahead in terms of the production of high-quality drinking water with the introduction some 10 years ago of an advanced water treatment system using ozone and biological active carbon processes. The water is now sold in PET bottles under the Honmaya brand name at the city’s Water Museum adjacent to the Kunijima Purification Plant, other bureau facilities, and subway station kiosks.



Water Museum adjacent to the Kunijima Purification Plant

Overview of the Water Distribution and Management System



Environmental Solutions
Environmentally Friendly Products and Solutions

Column

The Transfer of Professional Skills and Know-How Is an Important Theme in Water Supply System Construction

Any failure in the system, which is used daily to distribute more than 1 million tons of water, could potentially lead to a major accident. To maintain safety, operation and monitoring and control system know-how is of utmost importance. Monitoring and control systems are what Yokogawa excels at; however, professional know-how is still vital to the operation of water facilities. However much the system becomes automated, final decisions still have to be made by people. The establishment of a mechanism to transfer such skills is therefore an important theme in the current project.



Takeshi Matsushita
Nishi-Nihon Sales Department,
Environmental Systems Sales
Division, Industrial Solutions
Business Headquarters

Column

Both the Water Business and Sales Activities Require Steady, Continuous Efforts

The Kunijima Purification Plant is one of the largest in western Japan. I hope that the Yokogawa Group’s monitoring and control systems will gain increased recognition in other parts of Japan through the work on the current plant project. The system needs to be upgraded every 15 years but, in the meantime, maintenance of the systems still needs to be performed. It is also important to pass on the work, knowledge, and skills acquired to date as well as the beliefs of the various people that have been involved in the project to serve as a bridge to the next step.



Mutsuko Tahara
Nishi-Nihon Sales Department,
Environmental Systems Sales
Division, Industrial Solutions
Business Headquarters

Making Use of Guidelines to Spread the Use of Environmentally Friendly Products

To promote products that are friendly to the environment, the Yokogawa Group purchases raw materials and parts in accordance with its Green Procurement Guidelines. It also purchases items such as stationary based on its Green Purchasing Guidelines.

Green Procurement

The Yokogawa Group promotes green procurement activities in line with the Green Procurement Guidelines that were formulated in 2000.

The Group places particular emphasis on green procurement, based on the following concept: "Procurement of materials with a low environmental load = Provision of environment-conscious products."

Project to Promote Replacement of Parts to Comply with the RoHS Directive

Yokogawa Electric and Yokogawa Manufacturing ran a campaign from December 1, 2006 to March 13, 2007 to replace parts to comply with the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), an EU environmental regulation that came into effect in July 2006. Other parts makers are also accelerating their compliance efforts. The Yokogawa Group launched an in-house project to efficiently procure parts that are compliant with the directive and to implement measures such as updating its database. Under this project, we have eliminated delays in production caused by the bolstered procurement process by switching parts over to those that comply with the RoHS Directive.

With the cooperation of suppliers, the campaign ended with great success and we made a huge step forward in our endeavor to comply with environmental regulations.

Environmental Conservation Patrols

The Yokogawa Manufacturing Kofu Factory has begun implementing environmental conservation patrols at partner companies.

As mapped out in the annual plan for fiscal year 2006, the patrols are conducted regularly to check the actual situation at production sites and with products, looking specifically at the management status of hazardous materials and waste.

The Yokogawa Manufacturing Komine Factory, meanwhile, provides partner companies with documents and other materials to explain both the Green Procurement Guidelines and the Environmental Management System of the Group, in an effort to raise awareness of environmental issues.

Green Purchasing

The Yokogawa Group endeavors to source only environmentally friendly office supplies in line with its 2001 Green Purchasing Guidelines.

The Group also places a high priority on environmental load as well as value (price) and quality when purchasing goods and services.

Web Purchasing System

Yokogawa Pionics Co., Ltd., a Group company specializing in the provision of services within the Group, operates a system that enables each Group employee in Japan to buy office supplies on-line. The Web pages give information on each product so that purchasers can choose products that are kinder to the environment.

In order to further raise awareness of green purchasing, the company ran a series of comic strips from December 2006 through September 2007 under the title of "Ecology Through Office Supplies." The series provides information about recycling of office supplies and environmentally friendly products in an easy-to-understand format.

Ecology Through Office Supplies
Today's comic series theme-Writing materials

Selected themes for "Ecology Through Office Supplies"

- December:** Refillable products
- January:** The ecomark
- February:** Files
- March:** Writing materials

Aiming to Achieve Reductions in Cost and Environmental Burden, the Yokogawa Group Continually Strives to Improve Production Processes

The Yokogawa Manufacturing Kofu Factory works to reduce its environmental burden and achieve cost reductions, thereby improving overall production technology and business efficiency.

Green Production Line Improvement Guidelines

The Green Production Line Improvement Guidelines established in 2002 promote improvements designed to reduce the environmental impact of production lines. They are now being implemented as part of the Yokogawa Group's production site improvement activities, together with the New Yokogawa Productivity System (NYPS) that has been in place since 1981.

Yokogawa Manufacturing Kofu Factory Integrates Converter Inspection Line

The Manufacturing Engineering Division of the Yokogawa Manufacturing Kofu Factory has been taking measures to reduce costs and its environmental burden. Such measures include reductions in electricity and resource consumption through integrating its inspection line for liquid analyzers, which are used to measure pH and conductivity of water. The analyzers consist of a combination of sensors that detect signals and converters that deliver the signals. Their production has more than tripled over the past year due to a restructuring of the production system that saw the factory take over the bulk of the production of liquid analyzers for the global market. In line with the change in the production capacity, the factory upgraded its inspection line

to raise operation rates and reduce electricity consumption.

In the previous inspection line, two inspection devices were used to inspect converters, and each was connected to a printer. The factory printed A4-sized quality inspection reports from each printer, and filed and stored them at the factory. On the new inspection line, however, four inspection devices share one printer via a network. This way not only saves floor space but allows the data to be stored in a central server. In fiscal year 2006, the factory reduced its annual electricity consumption by 1,680 kWh (53% of the previous year) and saved 14,000 sheets of paper.



Yukio Sato of the Technology Engineering Kofu Department, Manufacturing Engineering Division, Yokogawa Manufacturing. He was involved in the integration of the converter inspection line.

Column

Reducing Costs Leads to Reductions in Environmental Burden

In 2006, Yokogawa Manufacturing's Manufacturing Engineering Division was given the challenging task of reducing costs by an amount that was equivalent to half the division's annual budget.

The division thus asked its departments to submit ideas and launched 21 measures aimed at reducing both costs and the environmental burden in the past year. These included the integration of its converter inspection line for liquid analyzers and a reduction in the amount of toluene xylene used in its differential pressure/pressure transmitter manufacturing line (see page 26).

In addition, the Group introduced Enerize in April 2007 (see page 20) to better visualize the actual status of energy consumption and CO₂ emissions. The system enables the monitoring of energy consumption per product every half hour. We believe in principle that all kinds of cost reductions, including downsizing of the workforce

and resource and energy savings, lead to reductions in our environmental burden and CO₂ emissions.

We will further promote the visualization of energy, and continue to work in a proactive manner on various other measures, including the reduction of waste, promotion of a paperless environment, and reuse of water.



Noboru Watanabe
General Manager of the Technology Engineering Kofu Department, Manufacturing Engineering Division, Yokogawa Manufacturing

Reducing the Group's CO₂ Emissions

Aiming to achieve the goals of the Kyoto Protocol, the Group is making efforts to prevent global warming through measures that target transportation methods, improvements in logistics processes, and various other global initiatives.

Activities to Reduce CO₂ Emissions by 6% (from 1990 levels)

The Yokogawa Group is striving to prevent global warming by implementing such energy-saving measures as the "Cool Biz" and "Warm Biz" office clothing campaigns and the "Black Illumination" campaign, which encourages employees to switch off unnecessary lights both at work and at home, as a part of the central government-led "Team Minus 6%" program in Japan.

In 2006, the Yokogawa Electric Headquarters building introduced green power generated by biomass via the Green Power Certification System*1 of Japan Natural Energy Company Limited.



Green Power Certificate

*1 Green Power Certification System: A system that enables trading of the added environmental value of electricity generated through renewable energy sources via "Green Power" certificates. Companies that adopt the system are certified according to the amount of electricity generated from natural sources.

Reducing CO₂ Emissions in Logistics

The Group worked to improve its logistics systems for the export of parts from Japan to China and the import of products from our Chinese factories to Japan. In doing so, it pursued reductions in CO₂ emissions and costs by shifting the shipment of most items from air transport to ship transport. This was realized by closely supervising parts procurement and production schedules to reduce the difference in lead times of products that were transported by air and by ship.

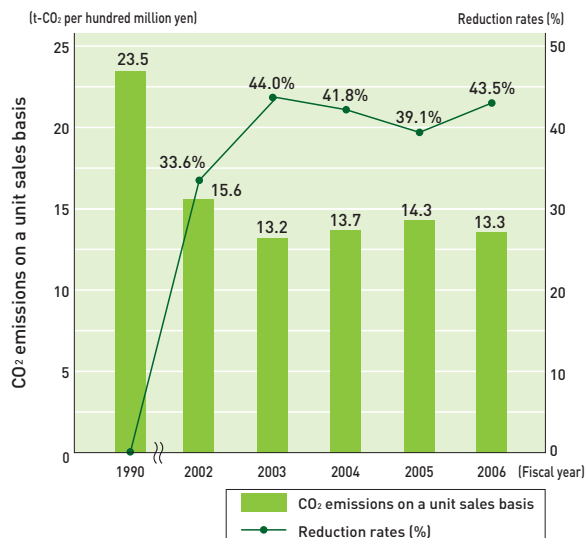
Efforts Outside Japan

In South Korea, public restroom facilities commonly are equipped with paper towel dispensers. Yokogawa Electronics Manufacturing Korea Co., Ltd., however, has stopped supplying paper towels for its employees and instead encourages them via a dedicated campaign to use their own handkerchiefs in order to contribute to environmental conservation.

CO₂ Emissions on a Unit Sales Basis and Reduction Rates

The Yokogawa Group's CO₂ emissions on a unit sales basis amounted to 13.3 t-CO₂ per hundred million yen (total amount: 55,889 t-CO₂), a 43.5% decrease compared to fiscal year 1990. The Group will steadfastly continue such efforts to achieve the goals of the Kyoto Protocol.

■ CO₂ Emissions on a Unit Sales Basis and Reduction Rates (compared to fiscal year 1990)



Poster for the environmental campaign

Reducing Contaminants in Air and Water Through Our Technology, Standards, and Activities

The Yokogawa Group strives to protect the environment by reducing contaminants in the air, water, and soil. It does this by introducing alternative materials and conducting various activities. The Yokogawa Electric Headquarters & Main Factory is making efforts not only to protect the environment but also to reduce costs through improvement of waste collection methods.

Building Production Lines for Cyanogen-Free Plating

The Yokogawa Group has registered cyanides known to cause water and soil pollution as voluntarily controlled substances and is now preparing for their complete abolition. The Group has also recognized that they should be reduced for safety reasons as well.

As cyanides are used in the plating process on the surface treatment line, the Group started to make changes in 2006 at its production facilities to abolish cyanides. It has now completed the modifications at both the Yokogawa Manufacturing Kofu Factory and Yokogawa Electric China Co., Ltd. in Suzhou, China. We will continue to make similar production line changes where necessary in an attempt to abolish the toxic cyanides.



A production line that is now cyanogen-free

Protecting Water and Soil

The Yokogawa Group has conducted soil and water studies at former production sites in accordance with its proprietary control standards, starting before the enactment of Japan's Soil Contamination Control Law. The Group continues to monitor the Yokogawa Manufacturing Moroyama Factory, where the purification of trichloroethylene-contaminated soil and water is now complete.

Legal Compliance

The Yokogawa Group continues to ensure that environmental laws, regulations, and agreements are thoroughly adhered to. Once again, we committed no violation in this regard in fiscal year 2006.

Overhaul of Waste Stockyards at Yokogawa Electric Headquarters and Main Factory

In May 2006, Yokogawa Electric reduced the number of waste stockyards at its Headquarters and Main Factory from 10 to four. At the same time, its waste collection system was revamped to require waste to be separated into specially designated bags. Previously, when non-separated waste was collected, the bags often contained bulky and heavy items such as books, which made collection inefficient. Waste was also often scattered around the stockyards and in-house rules for separating waste were not strictly observed. The change in collection method using the special bags has brought a vast improvement in this respect and has also simplified the collection process, reducing the hours that collection vehicles work by half as well as the waste collection frequency. This has led to reductions in the fuel consumption and diesel exhaust emitted by the collection vehicles as they collect and compact the waste to reduce its volume. The change has also reduced noise levels and made it easier to safely perform the collection work. The rate of recycled waste already exceeds 99% at the Yokogawa Electric Headquarters & Main Factory; however, the Human Resources and General Affairs Division of the Management Administration Headquarters will continue to reduce costs along with waste volumes by ensuring thorough separation of waste as well as efficient collection.

Column

Treating Waste Considering the Environment and Related Costs

Waste collection costs money. However, metals are a valuable resource and can be recycled by separating them into components, which also serves to reduce disposal costs. Similarly, we can also recycle larger volumes of paper by raising everyone's awareness. It is important for each employee to make sure that waste is separated and to become not only environmental conscious but also cost conscious.



Zenichi Abe
Human Resources and General Affairs Division, Management Administration Headquarters

Controlling and Reducing Poisonous Chemical Substances Through Careful Management and Development of Alternative Processes

The Yokogawa Group strives not only to manage chemical substances that are hazardous to the environment and human health but also to reduce them through the development of alternative processes and other measures.

Complying with Environmental Restrictions

The Communication & Measurement Business Headquarters is complying with environmental restrictions imposed by the EU and China.

Products that are in compliance with the Directive on Waste Electrical and Electronic Equipment (WEEE Directive) are marked with WEEE labels and those in compliance with China's Management Method for Controlling Pollution by Electronic Information Products are marked with Environmental Pollution Control labels (see the left photo below). In addition, recyclable labels are used in order to comply with the requirement of China's Management Method for Controlling Pollution by Electronic Information Products to mark the names of packaging materials on the packaging of electronic information products (see the right photo below).



Substances Covered by PRTR

The following table shows the Yokogawa Group's usage amounts for substances designated for reporting by the PRTR Law* (usage amounts of 1 ton or more per year).

*PRTR Law:

The Chemical Substances Control Law, informally referred to as the PRTR Law, with PRTR standing for Pollutant Release and Transfer Register, was established to prevent environmental pollution from chemical substances and to encourage self-directed improvements to chemical substance management by chemical substance-handling enterprises, through the disclosure of toxic chemical substances emissions. Under the PRTR law, chemical substances are managed by society as a whole through the disclosure of emissions data and other information.

Fiscal Year 2006 Yokogawa Manufacturing PRTR Data

Factory	Substance	Amount used (kg)	Amount emitted (kg)				Amount transferred (kg)	
			Air	Public water area	Soil	Landfill	Sewage system	Outside site
Yokogawa Manufacturing Komine Factory	Xylene	3,100	1,900	0	0	0	0	1,200
	Toluene	2,400	1,500	0	0	0	0	900
Yokogawa Manufacturing Kofu Factory	Xylene	1,900	1,700	0	0	0	0	200
	Toluene	1,920	1,700	0	0	0	0	220
	2-Ethoxyethanol acetate	1,330	1,200	0	0	0	0	130
Yokogawa Manufacturing Ome Factory	Water-soluble copper salts	62,080	0	0	0	0	24	15,402
Yokogawa Manufacturing Komagane Factory	Hydrogen fluoride and related water-soluble salts	1,050	0	130	0	0	0	920

Reducing the Use of Toluene and Xylene from Coating Lines

Toluene and xylene are organic solvents used in resin paints. They are highly volatile and poisonous if inhaled—and can even be fatal when inhaled in large quantities. The Yokogawa Manufacturing Kofu Factory previously used urethane resin paints that contained toluene and xylene in its coating line for differential pressure/pressure transmitters and other field instruments. The factory is now making concerted efforts to reduce the amount of these poisonous substances—the total amount used in fiscal year 2005 was 4,500 kilograms—through the following steps.



Differential pressure/pressure transmitter

Introduction of Toluene/Xylene-Free Paints and Powder Coating

The first step was the introduction of toluene/xylene-free paints, which was completed in January 2007. This is expected to reduce the amount of toluene and xylene used by an annual 950 kilograms. The second step involves switching from resin coating to a powder coating that does not contain solvents, an initiative that was launched in fiscal year 2007. The Group plans to make a complete switch to powder coating in its coating lines for differential pressure/pressure transmitters and other field instruments by the end of fiscal year 2008. Plans also call for a substantial reduction in the amount of toluene and xylene that is used in thinners to wash coating equipment.

The Kofu Factory, meanwhile, is promoting a shift in the coating process by choosing new coating materials through endurance tests and other evaluating methods. Use of the powder coating not only reduces the amount of solvents but also the amount of paint needed. In addition, the work environment and coating quality will also be substantially improved.



Individuals involved in improving coating lines (from left): Kenji Iijima, Masataka Mori, and Tatsuya Inoue of the Technology Engineering Kofu Department, Manufacturing Engineering Division, Yokogawa Manufacturing

Promoting Zero Emission Activities in All Business Areas

Committed to achieving the goal of zero emissions, each and every member of the Yokogawa Group is making an effort to promote waste reduction and the reuse and recycling of used products.

The Challenge of Achieving Zero Emissions

Through all its operations, the Yokogawa Group strives to promote recycling and effectively use resources as well as achieve the goal of zero emissions. We define zero emissions as reclaiming and reusing 99% or more of the total amount of waste generated, and this is the goal that the Group is continually working toward. In fiscal year 2006, the Yokogawa Manufacturing Ome Factory met the goal of zero emissions, bringing the number of successful Yokogawa Group sites to six, with the others being the Yokogawa Electric Headquarters & Main Factory; the Yokogawa Manufacturing Kofu, Komine, and Komagane factories; and Kokusai Chart Corporation.

Results

The waste emission reduction rate on a unit sales basis was 0.20 tons per hundred million yen (total amount of waste: 841 tons), a reduction of 88.1% compared to fiscal year 1995. Of the total amount of waste generated, 89.9% was recycled for the entire Group and 96.6% for its major factories. The Yokogawa Group continued to take specific initiatives such as the reuse of unwanted office furniture, returning unsolicited direct mail to the sender, and returning packing materials once a purchased product is delivered. As a result, the Group reused 499 pieces (or 9.5 tons) of office furniture, and returned 0.1 ton of direct mail and 13.5 tons of packing materials. Yokogawa Manufacturing is also promoting recycling of waste through such measures as selecting a waste collector that accepts sludge containing fluorine.

Efforts Outside Japan

In South Korea, companies that produce waste acid, waste alkali, and waste oil, as well as waste solvents and other similar materials must now comply with the newly instituted Waste Manifest System. The system allows the government and an environmental management organization to track and confirm the entire waste management process—from production to disposal.



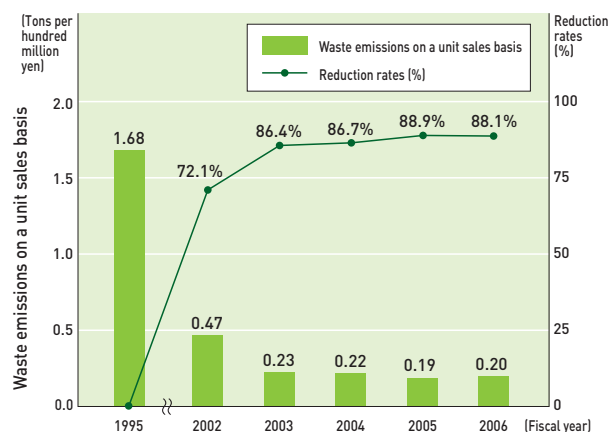
Web page for South Korea's Waste Manifest System

Yokogawa Electronics Manufacturing Korea Co., Ltd. also follows a similar government-led system for ordinary waste.

Introduction of Unpackaged Shipping

The Group has started to ship unpackaged semiconductor testing systems between Japan and South Korea. The new shipping method uses bubble sheets and antistatic sheets in place of wooden boxes. Furthermore, the Logiflex Corporation vehicles that are used come with an air suspension system to suppress vibration and a thermohygrometer for the control of both temperature and humidity. As a result of these measures, we have achieved an 800 kg reduction in the packaging materials for each one of these 3,200 kg testing systems.

Waste Emissions on a Unit Sales Basis and Reduction Rates (compared to fiscal year 1995)



Loading platform for unpackaged shipping

Reliably Meeting Customer Needs by Delivering the *Same Quality Worldwide*

Guided by shared rules and concepts, the Yokogawa Group is reinforcing its quality management to deliver products and services that thoroughly fulfill customers' expectations.

Putting Quality First Enables Us to Achieve the *Same Quality Worldwide*

The Yokogawa Group has gained its customers' trust by strictly abiding by the motto of "The Yokogawa Group provides the same quality solutions everywhere throughout the world." The impetus behind this is the *Quality First Approach* that we have faithfully followed since the Company was established over 90 years ago. Our quality management consists of three basic elements: Quality Assurance (QA), Quality Improvement (QI), and Quality mind (Qm).

Quality Assurance (QA)

Continually seeking to provide better products to customers based on the concept that the highest priority is given to quality

Quality Improvement (QI)

Establishing a system to provide products and services that are of the *Same Quality Worldwide*

Quality mind (Qm)

Each and every employee having the quality first mindset (Quality mind, or Qm) that is one of the Company's founding principles

We believe that we can satisfy our customers' expectations and build long-lasting bonds of trust only when all of these elements are engaged.

Of these elements, we particularly value Qm as a means to ensure that the Yokogawa Group continues to offer high quality products and services.

Awareness of this Qm concept by all employees of the Group around the world, along with the standards and concepts shared throughout the Group, enables us to constantly improve the quality of our products and services at each stage of our business operations.

Yokogawa Quality Month

In Japan, November has been designated Quality Month as a way to raise and highlight quality-related issues. In line with this, the Yokogawa Group promotes the quality first mindset (Quality mind) to all employees around the world during the Yokogawa Quality Month. Promotional activities include displays of posters designed to promote a quality first mindset and posting slogans to remind employees of the importance of quality on a daily or weekly basis. Daily

recital of such slogans at major production sites also helps permeate the Qm concept.



Production site employees reciting a Qm slogan



A fiscal year 2006 Yokogawa Quality Month poster that highlights the three elements of quality management



Yokogawa Quality Month slogans for fiscal year 2006

QA Pocketbook for Production Line Workers

Yokogawa Group products are produced at a number of production sites worldwide. We believe that it is important for production line workers to not only be aware of the necessity of quality but to constantly have a quality-oriented attitude in order to deliver the same high-quality products to customers the world over. Needless to say, it is of utmost importance that related rules and procedures are shared among the production sites. We therefore published the QA Pocketbook to overview what production line workers are expected to be aware of and what attitude they should have. As well as being printed in a compact format so that the workers can easily carry it in their pocket, we have published it in five languages for distribution both inside and out of Japan.



QA Pocketbooks for production line workers

Providing a Safe and Healthy Working Environment

In addition to its conventional safety and health management system, the Yokogawa Group decided to implement the Occupational Safety and Health Management System (OSHMS) in fiscal year 2006 in order to further boost safety and health management.

Our Approach to Safety and Health Management

In line with our understanding that safety and health are the foundation of business management, we are making continuous efforts to ensure safety, encourage employees to maintain good health, and create a comfortable working environment.

Accident Analysis for Fiscal Year 2006

The industrial accident rate at Yokogawa Electric remains low compared to the Japan average. In fiscal year 2006, there were no industrial accidents that required four or more days' leave, suggesting that our industrial accident severity rate (ASR) has improved.

Number of Industrial Accidents at Yokogawa Electric

Year	2004	2005	2006
Annual average number of workers	5,763	6,366	6,308
Total actual labor hours	11,381,745	11,813,914	12,087,160
Four or more days missed (persons)	1	1	0
One to three days missed (persons)	2	2	3
Subtotal (persons)	3	3	3
No days missed (persons)	9	12	6
Total	12	15	9
Total days missed	74	30	7
Lost work days	60.8	24.7	5.8
AFR (National average: 1.90)	0.26	0.25	0.25
ASR (National average: 0.12)	0.005	0.002	0.000

Industrial accident frequency rate (AFR) = $\frac{\text{Number of deaths or injuries as a result of industrial accidents}}{\text{Total actual labor hours}} \times 1,000,000 \text{ hours}$ ASR = $\frac{\text{Total lost work days}}{\text{Total actual labor hours}} \times 1,000 \text{ hours}$

Awarded Mark of Excellence by the Tokyo Fire Department

The fire safety of the new central wing at Yokogawa Electric Headquarters has been certified by the Tokyo Fire Department. The certificate is known as the "Yu (excellence) Mark," and it is only awarded to premises that pass a comprehensive examination which includes such aspects as the use of fire-proof materials and the presence of a properly trained private fire brigade. Our main wing, which passed this examination with flying colors, was designated "faultless," and received the Yu Mark. This was the first time the mark had been awarded in the district served by the Musashino Fire Station.



Yu Mark

Installation of AEDs at Yokogawa Electric Headquarters

In order to reinforce our emergency rescue system, 10 automated external defibrillators (AED) have been newly installed at the Yokogawa Electric Headquarters. Some of these AEDs have been placed at the four security desks facing public roads so that they are available for use as needed by visitors or neighboring residents in addition to employees.



Security desk at Yokogawa Electric Headquarters

Installation of Emergency Toilets

Next to the athletic field at Yokogawa Electric Headquarters, 20 emergency toilets have been installed for use in the event of a disaster. These are connected to the public sewerage system through newly installed pipes. We also have dug a 150-meter well and fitted it with a water purifier to ensure a water supply should the public system fail.

Recognition of Local Traffic Safety Efforts

Yokogawa Electric's long-running road safety activities have been recognized by the Japan Traffic Safety Association, which awarded the Company the Excellent Traffic Safety Organization Certificate.

Introduction of OSHMS

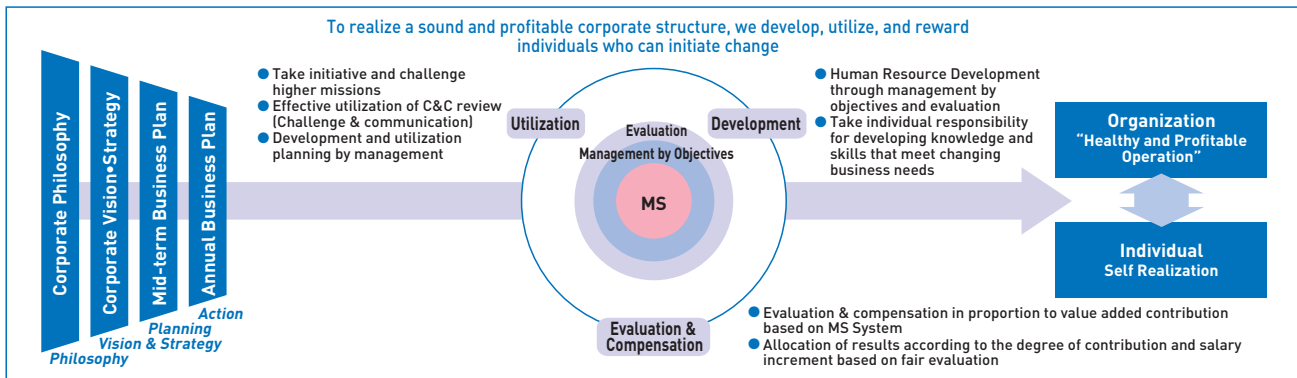
Following the decision to implement an Occupational Safety and Health Management System (OSHMS) in fiscal year 2006, work is now under way to implement the system throughout the Yokogawa Group.

The OSHMS is designed to realize cyclic improvements to the working environment by eliminating or reducing risks and/or hazards that could lead to an industrial accident. This is achieved by adopting a risk assessment method for conventional safety and health management activities that enables identification of areas for improvement through systematically assessing potential risks and hazards. By introducing the OSHMS, we aim to build a thorough risk-oriented safety and health management system. Plans call for the OSHMS to be implemented at all Group companies by fiscal year 2008.

Improving the Working Environment to Increase the Potential of Individuals and the Organization

Based on the concept that the development of individuals equals the development of the company, the Yokogawa Group strives to create a working environment that allows employees to reach their full potential. We are also ahead of others in terms of our active employment of seniors and people with disabilities.

Development and Utilization of Personnel Supported by the Mission Standard (MS) System



Maximizing Added Value by Optimizing Staff Assignments

To achieve the VISION-21 & ACTION-21 corporate strategy, the Yokogawa Group aims to develop personnel who can make change happen and take action to surpass its competitors. To support this aim, the Mission Standard (MS) system, a role-oriented staff assignment system, was introduced for managers in Japan in 2001. In 2003, this system was extended to all employees in Japan, and is being successfully utilized in the development and utilization of human resources to maximize the potential of individuals and organizations. Other measures to support the development of employees include achievement management and career meetings, where supervisors and their staff can identify, discuss, and clarify knowledge and skills that need improvement as well as set individual goals for employees to aim for.

Promoting the Well-being of Employees

The Employee Assistance Program (EAP) enables employees to reach their full work potential by preventing situations that may prevent them from doing so due to stress.

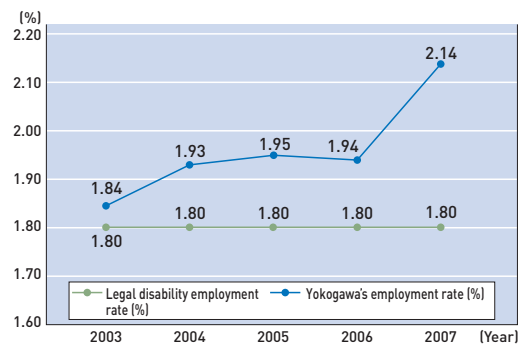
A core feature of the Yokogawa Group EAP is the psychological and career support employees receive. The program provides various opportunities, with the central aim of assisting employees in maintaining sound mental and physical health so they can carry out their duties to their utmost and enjoy a fulfilling career. Information concerning the program, including periodicals and various related promotions, is publicized via the intranet to employees in Japan.

Active Employment of Retired Staff and People with Disabilities

Yokogawa Human Create Corporation operates a re-employment system in Japan for retired staff who, although having reached retirement age, still wish to work. The re-employment criteria require that the candidate: has the will to remain at work, is healthy enough to perform his or her duties, and is immediately available. Positions are contract based and can be renewed annually until the employee reaches the age of 65.

Since the launch of our Normalization Project in 1991, we have actively engaged in the employment of people with disabilities. Furthermore, Yokogawa Foundry Corporation, a subsidiary that specializes in the employment of people with mental disabilities, was inaugurated in 1999. Its staff work actively across Group companies in Japan, covering a variety of services.

Disability Employment Rate (All data as of June 1)



Drawing Out the Full Ability of Individual Employees and Developing Personnel Who Can Act from a Global Perspective

The Yokogawa Group views its employees as a resource that is indispensable to business operations. In order to realize our vision of One Global YOKOGAWA, we place particular focus on ability development and the development of staff who can carry out business from a global perspective.

Human Resources Development

The Yokogawa Group provides employee education in a timely manner according to the Yokogawa Group Education and Training Policy. Course content is designed to not only motivate employees but also help them acquire basic skills and knowledge for self-improvement. We also provide lectures, as necessary, so that employees may acquire more advanced knowledge and skills. Such lectures focus on the Yokogawa Group's values, business policies, global perspective, and expertise. Although these lectures are mainly delivered by in-house specialists, outside lecturers are also invited on occasion. A series of lectures generally comprises five categories: common education, basic skill education, special skill education, management skill education, and leadership education, and includes lectures provided within the Yokogawa Business College, global human resources development program, basic technical skill education, and sales skill education.



A Yokogawa Business College lecture

2007 Yokogawa Group Education System

	Common education	Basic skill education	Special skill education	Management skill education	Leadership education
Managers	EAP Compliance education Information security education Values education	Expatriate pre-assignment education Global human resources development program Global readiness reinforcement program General ability development program New employee training Other education programs	Technical training Sales training Engineering training Production training Administration training Other education programs	Manager education	Yokogawa Business College Other education programs
Union members				Trainer education Other education programs	

Global Human Resources Development

With sales from outside Japan accounting for over half of total sales, it is essential to increase the number of talented personnel who display the values and conduct commonly shared throughout the Yokogawa Group, have the ability to keep up with change and restructuring, and have globally useful expertise or skills. For this reason, we focus on the development of personnel who can approach challenges from a global perspective by helping them develop the flexibility for cross-cultural interaction and diverse language skills.

Career Development that Improves Both Individuals and the Company

We have implemented a variety of human resource utilization measures to ensure the right staff are appointed to the right position. These measures are not meant as company initiated programs to make better use of employees; rather, in exchange for individuals performing their duties to the best of their abilities, these measures aim to support them in their own career advancement initiatives, including the granting of transfer requests. In so doing, a positive relationship between the Company and its employees can be established.

Career Development Case Study

1. Reporting of Career Plan

Once a year employees are required to report their short-term and mid-to-long-term career plans to their supervisors. The plan is discussed between the employee and the supervisor so that the same understanding of the plan is shared, and an annual development plan is then created to assist in career development. This includes any potential post transfers.

2. Career Challenge Registration System

This system provides employees with the opportunity to explore new careers within the company by attaining their supervisor's permission to publicize on the intranet their career information, including their career experience, skill set, and the position they aspire to, as a means of drawing the attention of managers in other departments.

3. Internal Posting of Job Openings

This system is used to identify and select personnel for Companywide initiatives such as new businesses or projects as well as strategic human resource arrangements. Employees can apply for advertised positions without their supervisor's consent.

4. Human Resource Requirement Announcement System

Information concerning the human resource needs in different departments is released Companywide so that all employees can be aware of what skills are currently in demand, available positions, and departments seeking new personnel. This information, however, is used exclusively for reference purposes as a way of keeping employees up to date in terms of required expertise and skills. This information does not apply to the Internal Posting of Job Openings.

For a Brighter Future and Stronger Local Ties Initiatives for Reaching Out to the Community

Collaboration with Musashino City in Opening a New Nursery



Poppins Nursery Musashino, a newly opened childcare facility built on a site that used to be a parking lot for the Yokogawa Electric Headquarters' Annex, is becoming a focus of attention as a model case of corporate support for child rearing. At the opening ceremony on August 25, 2006, one of our guests backed up this belief, commenting that, "In addition to governmental support, corporate support such as that offered by Yokogawa Electric becomes more important in enabling citizens to successfully balance child rearing and work."

Lecture on "Manufacturing and Individual Excellence" at a Junior High School



A lecture was presented by Tsuyoshi Oode from the Advanced Stage Business Headquarters for parents and school staff of a junior high school in Musashino City on September 7, 2006. The lecture introduced the concept of the Yokogawa Group's production management system in an intelligible manner, citing an example of a car factory. Mr. Oode also spoke enthusiastically about engineers of the future and the growing importance of engineers' roles in Japan and outlined the skills required of engineers in today's world.

Earthquake Disaster Recovery Assistance Agreement Concluded with Musashino Fire Station



An agreement concerning the provision of recovery assistance in the event of a disastrous earthquake was concluded between Yokogawa Electric and the Musashino Fire Station, with a signing ceremony held on April 21, 2006. Under the agreement, Yokogawa Electric will support the station in its fire fighting and rescue duties to the best of its ability. The Yokogawa Group will continue making contributions to the local community by helping in the formulation of an earthquake disaster recovery assistance system.

2006 Yokogawa Festival Held at Headquarters



The 2006 Yokogawa Festival was held at the Yokogawa Electric Headquarters' athletic field on July 28, 2006, under the theme of "Go for the Next Stage." Many people enjoyed the festival, with the world food stalls proving especially popular as demonstrated by the large queues. Various offices also held their own festivals with events such as fireworks and karaoke competitions, attracting many neighboring residents who eagerly joined in the fun.

Lecture on Development of Water Control Technology at Seikei University



On November 15, 2006, Isao Mori from the Industrial Solutions Business Headquarters provided a special lecture at his alma mater, Seikei University, on the topic of "Development of Control Technology to Supply Safe and Good-Tasting Water." Mr. Mori's lecture focused on cutting-edge technologies in the engineering industry as well as industry trends and provided an opportunity for students to learn about technology currently in use as well as the actual industry experience Mr. Mori has gained through his planning and development work.

Control Technology Seminar Jointly Held with Kanagawa Prefecture



In collaboration with the Kanagawa Industrial Technology Center, the Control Technology Seminar was held in September and October, 2006.

Led by Yoshio Tomita, a consultant at the Measurement Control Laboratory of the Corporate Research & Development Headquarters, the seminar consisted of a series of hands-on workshops on "Using Proportional Integral Derivative (PID) Control Like a Bicycle."

Musashino City Full-Scale Disaster Drill Held at Yokogawa Electric Headquarters



On August 27, 2006, Musashino City held a public full-scale disaster drill at the Yokogawa Electric athletic field and in the square in front of the main building. The drill scenario assumed that a massive earthquake had hit Tokyo, causing buildings to collapse and thousands to be injured. Yokogawa Electric's private fire brigade joined the drill and practiced rescue methods and fire-fighting techniques.

Participation in Local Cleanup



We participated in an annual voluntary local cleanup activity organized by Musashino City on its designated No Rubbish Day. Yokogawa Group staff, present and former, and their family members joined the event, cleaning the area from the north exit of Mitaka Station to the Yokogawa Electric premises.

We also took part in the "Fall Season All-Tokyo Smoking with Manners" campaign that aims to stop people smoking on the streets and encourages better smoking etiquette.

Exercising Our Corporate Social Responsibility and Pursuing Open Communication

Participation in Basketball Clinic



On October 22, 2006, a basketball team made up of Yokogawa Group employees hosted a voluntary basketball clinic at Musashino-kan, a nursing home in Musashino City. Twenty-five members of a local elementary school basketball team, the Musashino Mini Basketball Club, joined in. Even the nursing home residents enjoyed shooting hoops!

Voluntary Cleanup Activity by Komine Factory Staff



From October 23 to 26, 2006, the Yokogawa Manufacturing Komine Factory conducted its annual voluntary cleanup of the area surrounding the factory premises. This year the cleaning area was extended to the sidewalks along Akikawa Road. While six 45-liter bags of litter were collected, the volume was less than in the previous year, suggesting more people have a heightened concern about the environment and are taking care not to litter.

Supporting the March of Dimes in the United States



Yokogawa Corporation of America supports the March of Dimes fund-raising campaign. Its employees in Atlanta area participated in the annual WalkAmerica program. The purpose of this campaign is to support the prevention of pre- and post-natal birth defects. During the most recent campaign, the company also published a book compiling employees' favorite recipes and raised donations by distributing it to its employees and their friends.

A Helping Hand for the Elderly in South Korea



Yokogawa Electronics Manufacturing Korea Co., Ltd., a manufacturing operation in South Korea, operates under the theme of "Contributing to Society and the Human Race." Each year the company organizes a social assistance activity, and staff members participate voluntarily. For the 2006 activity, held on November 18, 39 employees visited a nursing home and helped with cooking and cleaning.

Kick Baseball Competition for Workers with Disabilities



With the participation of workers from Musashino-based special companies established to support the Employment Promotion Act for Persons with Disabilities and increase employment opportunities for people with disabilities, the Kick Baseball Competition was held at the Yokogawa Electric Headquarters' athletic field on October 21, 2006. Sixty participants from five teams, including the Yokogawa Foundry team, entered the competition. Many new friendships were made on this day.

Community Relations Activity at the Kanazawa Office



Yokogawa Electric's Kanazawa Office invited some 40 students from the Department of Electric Engineering at Ishikawa Prefecture's Hakui Engineering High School to tour the factory on February 23, 2007. The visit was arranged in response to a request from the school as part of their specialist education program. During the tour, the current status of technological development was introduced and students also got the chance to view a selection of special equipment, including a magnetoencephalograph. The students were impressed with what they saw and by the tight building security measures.

Yokogawa China Helps the Underprivileged



In fiscal year 2006, as one of many social contribution activities carried out in China, Yokogawa China once again donated money toward education for children in underprivileged areas (Qinghai Province, Shaanxi Province, Chongqing City, and Jiangsu Province). The staff also visited an elementary school in Gonghe County, Qinghai Province, to which they donated stationary and equipment including chin up bars for the playground and a table tennis set.

Volunteering to Plant Trees in China



In 2006, Suzhou Yokogawa Meter Co. continued to support the Suzhou City-designated Tree Planting Day. Approximately 60 staff and their family members took part in planting 300 camphor and box trees, making sure to clean up afterward. Meanwhile, 20 staff members of Yokogawa Sichuan Instrument Co., Ltd. helped plant approximately 100 bamboo plants in an agricultural model area in Chongqing City.

Communication Initiatives

The Yokogawa Group promotes a variety of communication activities, including the publication of environmental reports. It also gathers and feeds back information for use in its own activities.

Environmental Reporting Activities

Since 1999, our annual *Environmental Report* has served as an important communication tool that the Group has prepared and distributed to customers, employees, and other stakeholders. We also distributed the 2006 edition to local community associations, elementary schools, and about 500 libraries across Japan in an effort to make the report available to as many people as possible.

For the 2007 edition we renamed it the “CSR Report” and added information on the environmental and social aspects of the activities that the Group is committed to. In a move to place more importance on corporate social responsibility, we also provided pages relating to our customers, employees, and society.

The Yokogawa Group’s environmental activities are also introduced on the websites of Yokogawa Electric and Yokogawa Manufacturing.

URL for information on environmental conservation activities in Japanese

<http://www.yokogawa.co.jp/eco/eco-toppage-jp.htm>



URL for information on environmental conservation activities in English

<http://www.yokogawa.com/eco/eco-toppage-en.htm>

URL for information on Yokogawa Manufacturing environmental conservation activities in Japanese

<http://www.yokogawa.com/jp-yimg/corp/eco/eco-info.htm>

Response to the Sustainability Report 2006

The Yokogawa Group received many valuable responses to the 2006 edition questionnaires that were circulated internally and externally. The average ratings from one to five are shown below.

	2004	2005	2006
○ Was the report easy to understand?	3.8	3.9	4.1
○ Did the report contain enough detail on what you wanted to know?	3.9	3.8	3.9
○ How do you feel about the Yokogawa Group’s environmental conservation initiatives?	4.3	4.3	4.3
○ What is your overall impression of the report?	4.0	4.0	4.1

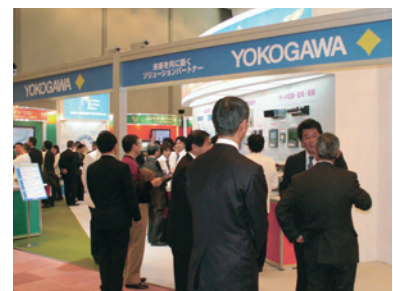
■ Following are the three most popular comments:

- Visibly comprehensible titles and colored headers
- Substantial information about environmental efforts bettered my understanding.
- An explanation using figures and pictures would be better.

We have taken these comments into account in preparing the 2007 edition, and will continue to work on improving our reports.

Other Communication Activities

We exhibited environmentally friendly products and environmental solutions at trade shows such as SEMICON Japan 2006 and the Measurement and Control Show 2006 OSAKA to improve customer awareness of our products and services. In addition, we were actively involved in many outreach activities, including the Environmental Citizen Meetings of Musashino City, the Green Projects of the Japan Electric Measuring Instruments Manufacturers’ Association (JEMIMA), and the Environment and Product Safety Committee of the Japan Electronics and Information Technology Industries Association (JEITA).



The Yokogawa Group’s booth at the Measurement and Control Show 2006 OSAKA

History of Environmental Management

1971		Yokogawa establishes a pollution prevention organization
1974	July	Yokogawa completes construction of wastewater treatment facilities compliant with municipal bylaws
1987	May	Yokogawa begins environmental assessment studies
1989	October	Yokogawa establishes a chlorofluorocarbon (CFC) reduction committee
1991	April	Yokogawa sets up a Global Environment Protection Promotion Department
	August	Yokogawa starts "Protect the Earth" campaign
1993	February	Yokogawa appoints a Vice President for the Office of Environmental Management and forms a Global Environment Committee
	July	Yokogawa establishes a voluntary environmental activities plan
1994	August	Yokogawa reports on the results of voluntary environmental activities in fiscal year 1993
	December	Yokogawa completely eliminates specific CFCs and trichloroethane for cleaning
1995	June	Yokogawa begins a voluntary environmental activity plan merged into ISO14001 plan
1996	March	Yokogawa establishes corporate rules for environmental protection management
	May	Yokogawa forms a Global Environment Committee at Yokogawa Electric Headquarters & Main Factory, Kofu Office (current Yokogawa Manufacturing Kofu Factory), and Komine Factory (current Yokogawa Manufacturing Komine Factory)
		Solar power generators for disaster use installed at Yokogawa Electric Headquarters & Main Factory. Yokogawa signs a disaster prevention accord with Musashino City
1997	July	The Kofu Office (current Yokogawa Manufacturing Kofu Factory) obtains ISO14001 certification
1998	February	Yokogawa Electric Headquarters & Main Factory and the Komine Factory (current Yokogawa Manufacturing Komine Factory) obtain ISO14001 certification
	May	Two co-generation power generators (585 kw) go online at the new main building of Yokogawa Electric Headquarters & Main Factory
	June	Yokogawa begins publishing Yokogawa Environmental Catalogue
1999	September	Yokogawa publishes <i>Yokogawa Environmental Report 1999</i> . Also the company introduces environmental accounting and makes data available to public
	November	Yokogawa introduces environmental labeling (Type II)
2000	August	Yokogawa introduces Japan's first returnable container recycling service for customers
	September	Yokogawa publishes <i>Yokogawa Group Environmental Report 2000</i> and introduces third-party verification system
	November	Suzhou Yokogawa Meter Co. joins the China-Japan 3E (Energy, Environment, and Economy) Research Project and is selected as a model company for environmental accounting study
2001	March	Yokogawa establishes Basic Environmental Management Standard for the Yokogawa Group
	July	Yokogawa publishes <i>Yokogawa Group Environmental Report 2001</i>
	September	Three Yokogawa sites receive comprehensive ISO14001 certification
	November	The Kofu Office (current Yokogawa Manufacturing Kofu Factory) attained goal of generating zero landfill waste
2002	February	The Yokogawa Manufacturing Akiruno Office (current Yokogawa Manufacturing Komine Factory) accomplishes its goal of generating zero landfill waste
		The Kofu Office (current Yokogawa Manufacturing Kofu Factory) installs a light through type solar power generating system
	July	Yokogawa publishes <i>Yokogawa Group Environmental Report 2002</i>
2003	August	Four Yokogawa sites receive comprehensive ISO14001 certification
	February	The Econo-Pilot energy-saving system for water pumps receive the Agency of Natural Resources and Energy Director-General's Award at the Energy Conservation Award ceremony
		The Kofu Office (current Yokogawa Manufacturing Kofu Factory) receives award from the Director-General of the Kanto Bureau of Economy, Trade and Industry in recognition of its achievements in reducing energy consumption
	March	Yokogawa Electric Headquarters & Main Factory, Yokogawa Manufacturing Komine Factory, and Kokusai Chart Corp. attain zero CO ₂ emissions
	July	Yokogawa publishes <i>Yokogawa Group Environmental Report 2003</i>
	October	The Suzhou Plant of newly established Yokogawa Electric China starts operations as an environmentally aware production site
2004	March	New environmentally optimized facilities at the Yokogawa Manufacturing Komine Factory and Kofu Factory start operations
	June	Yokogawa publishes <i>Yokogawa Group Environmental Management Report 2004</i>
	August	Yokogawa Electric Headquarters & Main Factory applies for a separate ISO14001 certification
2005	March	Energy Conservation Guided Tours start at the Yokogawa Manufacturing Kofu Factory
	April	Yokogawa joins the Team Minus 6% national campaign
	June	Yokogawa publishes <i>Yokogawa Group Environmental Management Report 2005</i>
2006	March	Yokogawa Manufacturing Kofu Factory and Komagane Factory attain zero CO ₂ emissions
	September	Yokogawa publishes <i>Yokogawa Group Sustainability Report 2006</i>
	October	Yokogawa introduces the Green Power Certification System. The Kanazawa Office receives the New Office Promotion Award/ Environment Award and Good Design Award for architectural design

Editor's Note

Starting this year, we changed the title of this report to "*Yokogawa Group CSR Report*" and added information on our corporate social responsibility. We divided the report into two categories—environment and society—to make it easier for stakeholders to identify areas of interest.

The special feature for this year is the ESCO project. To help readers gain a concrete understanding of what this project is all about, the related article includes interviews with the Okinawa Prefectural Office, which originally proposed this ESCO project, and Okinawa Hokubu Hospital, where the project is being implemented. Thanks to the assistance of these organizations, we were able to prepare this article highlighting the customers' expectations for the ESCO project.

We are determined to expand our reporting of the Yokogawa Group's efforts, which include a wide variety of activities. We will also continue to improve our reports to make them easier to read and understand, taking comments from various stakeholders into consideration.

We look forward to receiving your candid opinions and comments.



Yokogawa Electric Corporation

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Issued by the Corporate Social Responsibility Department, September 2007

Please tell us what you thought of this publication.

This report outlines the Yokogawa Group's environmental management activities and relations with stakeholders during fiscal year 2006.

We value open communications with our many stakeholders based on the information disclosed in this report.

This year, we have changed the report title to *CSR Report* and hope that the report enhances understanding of our many and varied activities.

Although we have tried to make the report easy to understand and given actual examples of our activities, there is always room for improvement.

To improve both the environmental management of the Yokogawa Group and this report, we welcome your opinions and feedback.

Please kindly complete the questionnaire on the following page and return the form by post or fax.

Corporate Social Responsibility Department
Yokogawa Electric Corporation
2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan

Fax: +81-422-52-4197



Survey Questions on the Yokogawa Group CSR Report

Please mail to: Corporate Social Responsibility Department, Yokogawa Electric Corporation
2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan
Fax: +81-422-52-4197

Q1 What is your relationship with the Yokogawa Group? Please tick one box.

- Customer Stockholder Government body Investment/financial institution
- Environment-related NGO/NPO Living near a Yokogawa Group site School/educational institution
- Student In charge of environmental management/CSR in a firm or other organization
- Employee of the Yokogawa Group Other ()

Q2 Was this report easy to understand?

5. Very easy 4. Moderately easy 3. Average 2. Moderately difficult 1. Very difficult

Q3 How do you feel about the Yokogawa Group's measures and actions for protecting the environment?

5. Highly approve 4. Moderately approve 3. Neutral 2. Moderately disapprove 1. Highly disapprove

Q4 Did this report contain enough detail?

5. Far too much 4. Too much 3. Sufficient 2. Too little 1. Far too little

Q5 Which sections of the report did you find particularly interesting? (Please tick all boxes that apply.) Insert all boxes (27)

- Preface/Corporate Profile Company Profile Corporate Governance Compliance Interview with the President
- Yokogawa Group Selected as Best Planner for ESCO Project at Okinawa Hokubu Hospital
- Contribution to Society Under Three Themes of Heart, Intellect, and Body Environmental Management Activities
- Overview of Environmental Impact Environmental Accounting Indicators and Achievements
- Development of Environmentally Friendly Products Environmental Solutions Green Procurement and Green Purchasing
- Green Production Lines Preventing Global Warming Protecting the Air, Water and Soil
- Chemical Substances Control and Reduction Zero Emissions Quality Assurance System Safety and Health Management
- Creating a Pleasant Working Environment Human Resources Development and Utilization Community Relations
- Communication Initiatives History of Environmental Management/Editor's Note Other ()

Q6 What was your general impression of this report?

5. Very good 4. Better than average 3. Average 2. Poor 1. Very poor

Q7 Your opinions and comments

Thank you for your cooperation. Please complete the following personal information (optional):

Your full name (Mr./Ms.):

Contact address:

Daytime phone number:

E-mail address: