



[Building a Sustainable Society](#)

Yokogawa Group CSR Report 2008

Preface

Objectives of Issuing This Report

The Yokogawa Group began issuing the *Environmental Report* in 1999, which was later renamed the *Environmental Management Report* and then the *Yokogawa Group Sustainability Report*. Since 2007 this report has been known as the *Yokogawa Group CSR Report*. We hope that this report provides stakeholders with 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.

* CSR stands for corporate social responsibility.

Period Covered by This Report

April 1, 2007 through March 31, 2008

(Where appropriate, events beyond this period may be included.)

Date of Issue

June 2008

(The next report is scheduled to be issued in June 2009.)

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 2007 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 Yokogawa Electric and its Group companies (17 Group companies in Japan and 63 Group companies outside Japan). Please note that individually defined data sources such as environmental load and environmental accounting are noted separately in their respective sections.

Europe
 Yokogawa Europe B.V.
 Yokogawa Nederland B.V.
 Yokogawa System Center Europe B.V.
 Yokogawa GesmbH Central East Europe
 Yokogawa Belgium N.V./S.A.
 Yokogawa France S.A.S.
 Yokogawa Deutschland GmbH
 Yokogawa Measurement Technologies GmbH
 Rota Yokogawa GmbH & Co.KG
 Yokogawa Hungaria Kft.
 Yokogawa Italia S.r.l.
 Yokogawa Iberia S.A.
 Yokogawa Measurement Technologies AB
 Yokogawa United Kingdom Limited
 Yokogawa Measurement Technologies Ltd.
 Yokogawa Marex Limited
 Yokogawa Electric CIS Ltd.
 Yokogawa Electric Sakhalin Ltd.

Japan
 Yokogawa Electric Corporation
 Yokogawa Manufacturing Corporation
 Yokogawa Field Engineering Service Corporation
 Yokogawa & Co., Ltd.
 Yokogawa Denshikiki Co., Ltd.
 Morioka Tokki Co., Ltd.
 Yokogawa Solutions Corporation
 YDC Corporation
 Yokogawa Human Create Corporation
 Yokogawa Digital Computer Corporation
 Yokogawa Meters & Instruments Corporation
 Kokusai Chart Corporation
 Nippon System Gijutsu Co.
 Yokogawa Denyo Corporation
 Yokogawa Pronics Co., Ltd.
 Yokogawa Sertec Co., Ltd.
 Omega Simulation Co., Ltd.
 Yokogawa Foundry Corporation

China
 Yokogawa China Co., Ltd.
 Yokogawa Electric China Co., Ltd.
 Yokogawa Sichuan Instrument Co., Ltd.
 Suzhou Yokogawa Meter Company
 Yokogawa Shanghai Instrumentation Co., Ltd.
 Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd.
 Yokogawa Shanghai Trading Co., Ltd.
 Yokoshin Software Engineering (WUXI) Co., Ltd.

North America
 Yokogawa Corporation of America
 Yokogawa USA Inc.
 Yokogawa Canada, Inc.
 Yokogawa de Mexico, S.A. de C.V.
 Yokogawa Engineering Services de Mexico, S.A. de C.V.

Asia
 Yokogawa Electric International Pte. Ltd.
 Yokogawa Engineering Asia Pte. Ltd.
 Yokogawa Electric Asia Pte. Ltd.
 Yokogawa Measurement Pte. Ltd.
 Plant Electrical Instrumentation Pte. Ltd.
 Yokogawa Reinsurance Pte. Ltd.
 P.T. Yokogawa Indonesia
 P.T. Yokogawa Manufacturing Batam
 Yokogawa Electric (Malaysia) Sdn. Bhd.
 Yokogawa Kontrol (Malaysia) Sdn. Bhd.

Yokogawa Industrial Safety Systems Sdn. Bhd.
 Yokogawa Philippines Inc.
 Yokogawa (Thailand) Ltd.
 E and I Solution Co., Ltd.
 Yokogawa Vietnam Company Ltd.
 Yokogawa India Ltd.
 Yokogawa IA Technologies India Private Limited
 Yokogawa Electric Korea Co., Ltd.
 Yokogawa Measuring Instruments Korea Corp.
 Yokogawa Electronics Manufacturing Korea Co., Ltd.
 Yokogawa Taiwan Corporation

Africa
 Yokogawa South Africa (Pty) Ltd.

Middle East
 Yokogawa Middle East B.S.C. (c)
 Yokogawa Engineering Bahrain S.P.C.
 Yokogawa Saudi Arabia Ltd.
 Yokogawa Service Saudi Arabia Ltd.
 Yokogawa Engineering Middle East FZE

Oceania
 Yokogawa Australia Pty. Ltd.
 TechComm Simulation Pty. Ltd.
 Yokogawa New Zealand Ltd.

Global Network

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Company Overview

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 presents 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.

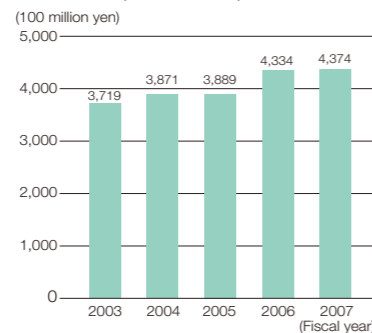
VISION-21 & ACTION-21 Corporate Strategy (excerpt)

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.

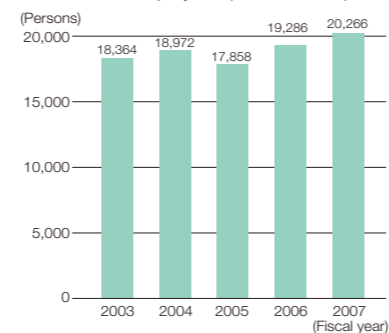
Corporate Profile (As of March 31, 2008)

Company name: Yokogawa Electric Corporation
 President and Chief Executive Officer: Shuzo Kaihori
 Founded: September 1, 1915
 Incorporated: December 1, 1920
 Paid-in capital: 43,401,056,425 yen
 Net sales: 437.4 billion yen (consolidated)
 Operating income: 27.4 billion yen (consolidated)
 No. of employees: 20,266 (consolidated)
 4,974 (non-consolidated)

◆ Net Sales (Consolidated)



◆ Number of Employees (Consolidated)



Business Overview

The Yokogawa Group Provides Optimum Solutions to Customers in Three Technology Fields - Measurement, Control, and Information.

In 2006, Yokogawa created a new business segment called "New and Other Businesses" that focuses on photonics devices, advanced stages, life science solutions, and aerospace equipment. The Group will contribute to the development of industry and the building of a sustainable society through its three principal business segments - Industrial Automation and Control, Test and Measurement, and New and Other Businesses.

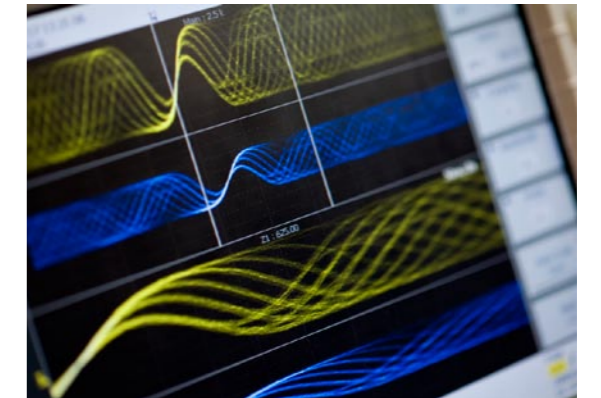
Industrial Automation and Control Business

Yokogawa developed the world's first distributed 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, Yokogawa has won the confidence of customers and, as a leading company in the industrial automation and control business, has supported the development of industries as varied as petroleum, petrochemicals, iron and steel, pulp and paper, pharmaceuticals, food, and electric power. Yokogawa offers a comprehensive range of solutions from deployment to maintenance throughout the entire plant life cycle, including field instruments such as differential pressure/pressure transmitters, flowmeters, and analyzers; integrated production control systems; and a variety of software programs.



Test and Measurement Business

Measurement is the starting point of all technologies. With its long background in this field, Yokogawa is contributing to industry by providing measuring instruments that convert physical quantities such as voltage, current, electric power, optical power, and wavelength into visible information for further analysis. 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 lineup of highly sophisticated and reliable products with an extensive calibration and service system. 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 semiconductor manufacturing equipment; confocal scanners, which are grabbing attention in the biotechnology sector; and aviation and marine equipment.





Shuzo Kaihori
President and Chief Executive Officer

This photo was taken on a path adjacent to the Yokogawa Electric Headquarters campus in Musashino, Tokyo. (See page 41.)

Continuously Offering High-quality Products and Services is Yokogawa's Mission and Means for Contributing to Society

CSR Envisioned by Yokogawa

Since its foundation in 1915 with the aim of developing and manufacturing electrical measuring instruments in Japan, Yokogawa's mission has been to contribute to the development of society by offering electrical and electronic measuring instruments and industrial control equipment. This founding spirit is embodied in Yokogawa's corporate 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."

Products offered by Yokogawa are used in a wide range of industries, including petroleum, petrochemicals, chemicals, iron and steel, nonferrous metals, pulp and paper, pharmaceuticals, food, automobiles, machinery, electric and electronics, electric power, communications, and water supply and wastewater. Yokogawa has been contributing to the development of society by supporting these important industrial and social infrastructure systems.

I believe that continuously offering higher-performance and higher-quality products and services for industry is Yokogawa's mission and way to contribute to society. We will accomplish this mission with pride.

Environmental Contribution Through Products and Services

The worsening problem of global warming is radically changing the global environment and increasingly posing a threat to our survival. In order to contribute to the building of a sustainable society, Yokogawa is undertaking a worldwide energy saving initiative by reducing energy consumption throughout the entire Group; taking environmental measures for its products;

and providing products and services that enable factories and plants around the world to operate efficiently and reduce waste.

In 2007, Yokogawa established the Energy Conservation & Environment Protection Solution Division, which is responsible for bringing together Yokogawa's energy saving technologies and knowledge to provide customers with energy saving solutions.

To prevent an information explosion*1 that would likely be caused by an increased amount of communication traffic, Yokogawa also participates in the Green IT Promotion Council, whose members from the Ministry of Economy, Trade and Industry; universities; and companies in the electronics and information industries work together to save energy in the IT industry. As a member, we proactively make energy saving proposals and suggestions. I am convinced that Yokogawa's test and measurement, energy saving control, and optical communications technologies will contribute to this initiative.

CSR Promotional Concepts

To meet its social responsibilities, Yokogawa continuously carries out CSR activities under the following concepts:

(1) Placing the Highest Priority on Compliance

In business management, I place the highest priority on compliance, which is the following of laws and regulations established by society. A company is a public body that has various stakeholders such as management, employees, shareholders, community members, and customers. Accordingly, I think that high ethical standards are required of



both a company and all of its employees. As a prerequisite for all activities, I give priority to following the rules of society.

(2) Environmental Measures

Since 1990, Yokogawa has made efforts to reduce carbon dioxide (CO₂) emissions at all of its business locations. Following the pledge of the Japanese government to meet the Kyoto Protocol targets, Yokogawa also set high goals and is working toward achieving them. In addition, we are promoting recycling and zero emissions at our plants, and developing environment-conscious products that reduce environmental load.

(3) Contribution to Society

Yokogawa is aggressively contributing to society in the following three ways: 1) the preservation of traditional cultures and the promotion of art activities, 2) the provision of science education and equipment and funds for academic and research activities, and 3) sports and health care activities that promote healthy lifestyles.

We also believe that networking with individuals, companies, and society is critical to raise energy saving awareness throughout the entire society. In April 2008, Yokogawa hosted an Energy Saving and Environmental Executive Forum and invited opinion leaders representing the government, customers, and media, who presented and discussed the current state of energy saving measures in various fields and the world-leading energy saving technologies of Japan. We will continuously carry out these activities.

(4) Strengthening Communication with Stakeholders

Communication with stakeholders is indispensable to promoting CSR activities. We will provide more information on Yokogawa's CSR activities and reflect a wider range of opinions from stakeholders to enhance our activities.

Establishing a New CSR Promotion Headquarters

In order to promote CSR activities, Yokogawa established a CSR Headquarters on April 1, 2008. Reporting to the President, the CSR Headquarters oversees the Environment Conservation Department and the Social Contribution Department. The headquarters promotes CSR activities by placing special emphasis on two key elements of the Triple Bottom Line*²: the preservation of the global environment and contribution to society. It will work together with the relevant departments to stimulate Yokogawa's CSR activities.

Yokogawa will expand its operations with a focus on business activities and social contribution/global environment conservation activities, with the aim of becoming a company that is trusted by its stakeholders. We appreciate the continued support of our stakeholders.

*1 Information explosion: The amount of information on networks is expected to exponentially increase as demand for the distribution of video and other types of data grows, so that the necessary energy is predicted to reach 20% of all energy consumption by 2025.

*2 Triple Bottom Line is the concept of evaluating business activities from the viewpoints of not only the economy but also of the environment and society.

Corporate Governance

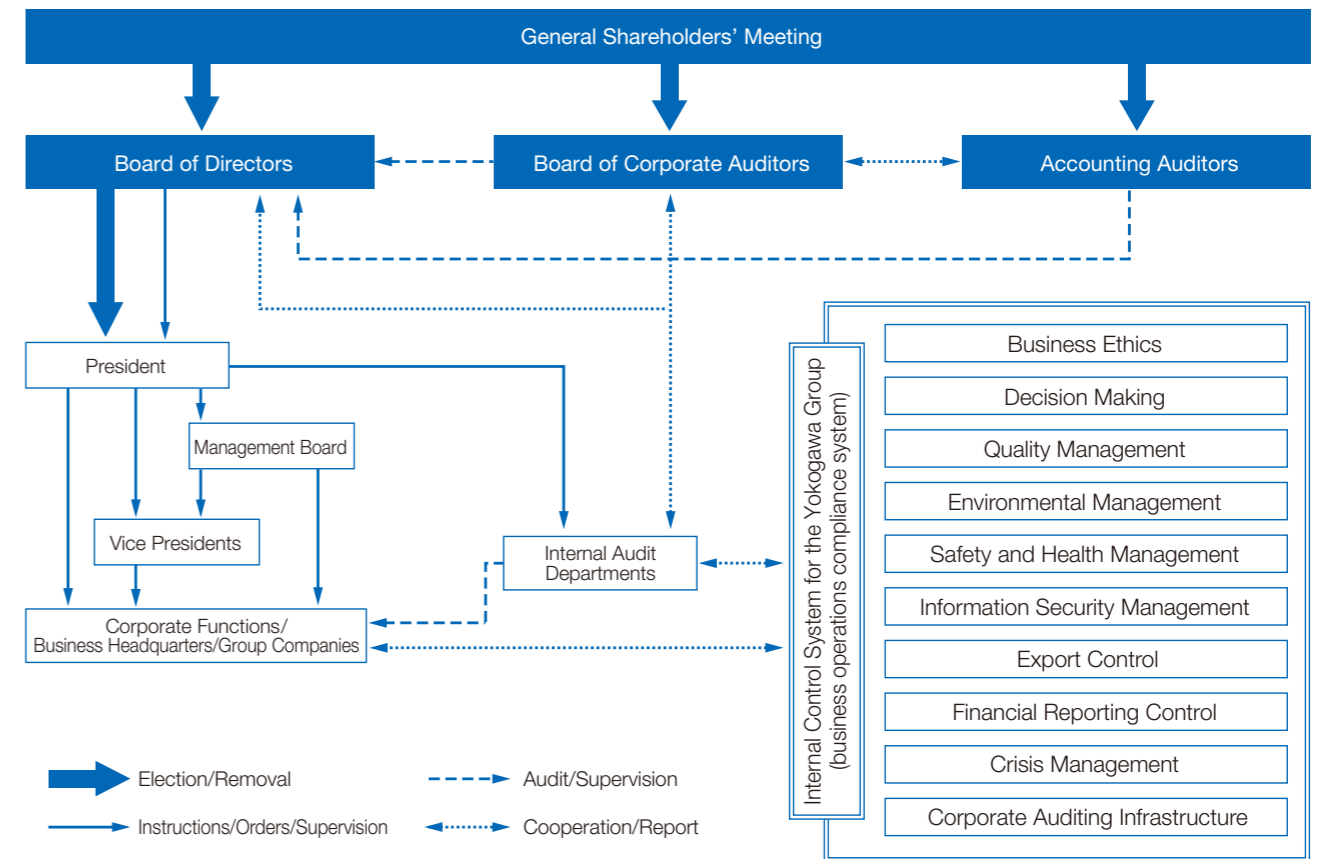
Ensuring Healthy and Profitable Operation in Response to the Trust of All Stakeholders

Yokogawa believes that the fundamental mission of corporate management is to ensure healthy and sustainable growth in response to the trust of shareholders and all other stakeholders. The Yokogawa Group is thus committed to enhancing its corporate governance as a key measure to achieve healthy and profitable operation.

Governance System

The Yokogawa Group employs an auditing system. The Board of Directors strives to speed up decision-making and improve transparency through discussions between directors with intimate knowledge of Yokogawa Group's businesses and highly independent outside directors. The Board of Corporate Auditors including outside corporate auditors strictly audits the compliance and efficiency of business operations and the appropriateness of the decision-making process by the Board of Directors, and strives to enhance the auditing of management.

The Yokogawa Group defines its basic compliance policy in the Standards of Business Conduct for the Yokogawa Group, and directors take the initiative to ensure that all Group employees understand and put into practice the business ethics. The Yokogawa Group Internal Control Systems have been established. These aim to ensure the reliability of financial reporting and the appropriateness of decision-making, as well as ensure that the Group's operations are conducted appropriately and efficiently.



Corporate Governance Structure

Achieving a Thorough Awareness of Business Ethics and Compliance Throughout the Group

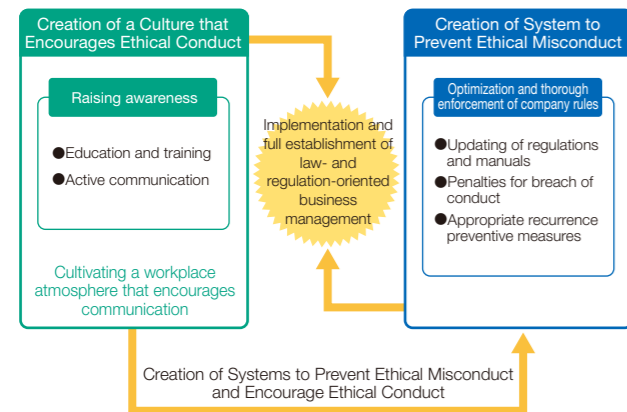
The Yokogawa Group wishes to retain the trust of society by practicing fair and sincere business activities. To make that a reality, the Group is committed to raising and maintaining compliance awareness to ensure that all Yokogawa employees always act with high ethical standards.

Aspiring to Become More Trusted by Society

The Business Ethics Headquarters inaugurated in January 2007 aims to develop a corporate culture that encourages ethical conduct. It is implementing a system that prevents unethical conduct. Specifically, it provides education and training sessions to put into practice thorough awareness of business ethics, and has set up an internal Business Ethics Line (BEL) and an external Compliance Hotline, the latter of which is answered by lawyers. These hotlines allow those who are aware of unethical conduct to consult and report, and are available in business offices inside and outside Japan.

There seems to be no end to corporate scandals these days. The Business Ethics Headquarters will continue to make efforts to cultivate a corporate culture that encourages ethical conduct – under our compliance catchphrase “The sun is always watching us” – to ensure that each and every Yokogawa employee acts with high ethical standards and thorough compliance awareness.

◆ Activities to Ensure Thorough Compliance



Provision of Compliance Training and Education

In fiscal year 2007, 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.

- Compliance training for new employees and newly appointed managers
- Compliance training for corporate executives (conducted by a lawyer)

- Ethics leader training aimed at developing leaders who promote compliance in workplaces
- Business ethics training for Group companies' managers (discussion group format)



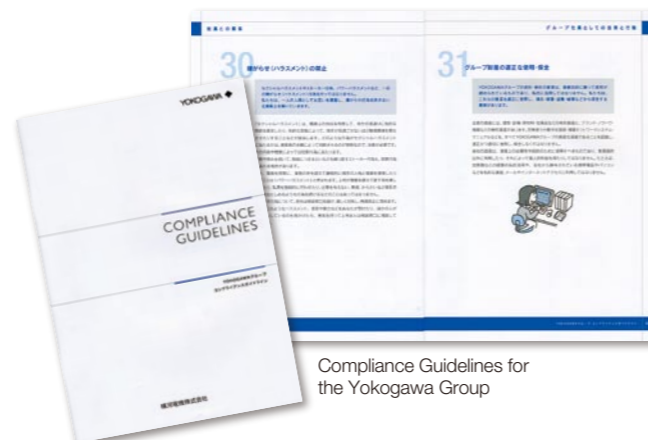
Lecture given by a lawyer for general employees

- “Compliance Learning from Case Studies” lecture for general employees at Yokogawa Electric Corporation Headquarters (delivered by a lawyer)
- “One Question, One Answer” compliance education for all Yokogawa employees in Japan (posted daily on the company intranet during Business Ethics Week)
- Compliance awareness questionnaire survey

Issuing the Compliance Guidelines

In October 2007, the Yokogawa Group distributed the Compliance Guidelines for the Yokogawa Group to all Yokogawa employees, including those of Group companies in Japan. The guidelines were developed based on the Standards of Business Conduct for the Yokogawa Group, which had been totally revamped and distributed in booklet format in June 2002. The guidelines describe items to observe regarding various ethical and legal problems that are encountered in daily business activities.

The English edition of the guidelines is posted on the intranet for the Group employees outside Japan.



Compliance Guidelines for the Yokogawa Group

Special Issue (1)

Environmental Contribution Through Proactive Business Operations – Yokogawa’s Challenge

General consumers may have little opportunity to see the Yokogawa Group’s business activities; however, the Group makes a significant contribution in energy saving by industries and to the prevention of global warming by offering environmental solutions through its industrial automation and control and test and measurement equipment businesses. As concerns over these issues continue to rise, the Group will actively focus on its core businesses with the aim of building a sustainable society.

The Yokogawa Group's industrial automation and control business is making a great contribution to efforts by industries to prevent global warming. Recently, the Group has also started an environmental business focusing not only on process control, but also energy control that reduces energy consumption by analyzing its utilization. This new business will enhance our contribution to preventing global warming. Also, the Group not only supplies its products and technologies to customers, but also utilizes them at its own plants in order to reduce their environmental burden.

Yokogawa Technologies Help Reduce CO₂ Emissions in Process Control Field

Since the oil shocks, industries like iron and steel, oil refining, and chemicals have exponentially increased production, while at the same time enhancing productivity and reducing costs. Thus, these industries have expanded operations and supported the industrial infrastructure of Japan. Productivity enhancement achieved by efficiently using energy results in the reduction of CO₂ emissions. We believe that Yokogawa's products and technologies contribute in this regard.

Since its foundation in 1915, Yokogawa has focused on measurement, control, and information technologies in developing its businesses. CENTUM, which was released in 1975 and was the world's first distributed control system, has a particularly high reliability, with an uptime of 7 nines (99.999959%). Because of its high reliability and high quality, CENTUM has been installed in a total of more than 20,000 projects around the world. Its market share is particularly high in the process control field, and stands at more than 60% in Japan. The Group will continue to play a role in ensuring stable operations for its customers and enhancing their productivity with its process control technology.

Yokogawa products and technologies, coupled with customers' improvement efforts, will contribute to the reduction of CO₂ emissions while at the same time significantly enhancing productivity.



CENTUM VP



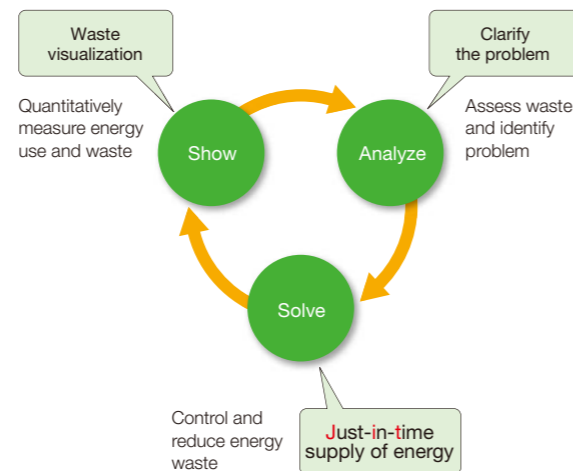
A plant that uses Yokogawa's industrial automation control technology

Environment-oriented Business Development

Cost reduction and environmental measures have been conventionally regarded to be incompatible. However, both can be implemented at the same time with the help of Yokogawa energy saving solutions such as Enerize and InfoEnergy, which measure energy utilization, give a complete visualization of where waste is occurring, and automatically conduct a quantitative waste analysis. Other solutions include Econo-Pilot and Enemap, which control and reduce that waste.

We believe that it is critical to continue the following cycle: measure energy use, visualize the waste, analyze, solve problems, and verify results. Enerize, an energy cost per-product management system, is used for visualization and analysis. Enemap, an energy management package that predicts energy demand, and Econo-Pilot, an energy

◆Energy-saving Cycle



saving system, provide the solution. Econo-Pilot optimizes the control of the secondary circulation pumps for the air conditioning systems of buildings that use a lot of energy, significantly reducing energy consumption. Customers highly value the fact that Econo-Pilot can be installed without modifying existing equipment. These energy saving solutions have been implemented in Yokogawa Manufacturing's Kofu Factory, which serves as a model energy-saving facility and is visited by our customers. Yokogawa energy-saving solutions implemented by our customers have reduced CO₂ emissions by an approximate total of 73,000 tons per year.

In September 2007, the Yokogawa Group established the Energy Conservation and Environment Protection Solution Division in order to promote environmental management solutions to customers. The Group capitalizes on the technologies and knowledge that it has accumulated through the course of its activities by providing a wide range of energy-saving solutions, from consultation to the provision of individual devices.



Econo-Pilot



Takashi Fujii
Director, Senior Vice President
Industrial Solutions Business
Headquarters

Takashi Fujii, Senior Vice President of the Industrial Solutions Business, oversees this new organization. He explains his vision as follows:

"Yokogawa technologies can fully meet the needs of customers facing major issues that include energy saving and environmental conservation, productivity enhancement, cost reduction, and safe and stable operations. We will expand our business focusing on industrial customers by providing a total solution that includes both process and energy control. Also, we will explore markets such as hotels and hospitals that are more closely associated with people's everyday lives. We will promote Yokogawa's businesses while keeping in mind that they contribute to society through energy saving and environmental conservation and have their basis in the Energy on Demand concept, which refers to the supply of energy where it is required, when required, and in the required amount.

We will proactively develop business to meet customers' requirements and provide optimal solutions that save energy and protect the environment. We believe that this is the direction in which Yokogawa should proceed."

Energy Saving and Environmental Executive Forum

Yokogawa hosted an Energy Saving and Environmental Executive Forum to which opinion leaders representing government, industry, and the media were invited for an exchange of opinions on environmental conservation (April 24, 2008, at the Imperial Hotel).



Green IT International Symposium

Ahead of the Hokkaido Toyako Summit, the latest green IT technologies and case studies were presented by participants from around the world, and a representative of Yokogawa Electric gave a lecture entitled "Green IT in Manufacturing" (May 29, 2008, at the Prince Park Tower Tokyo).



Kofu Factory Demonstrates Simultaneous Pursuit of Productivity Enhancement and CO₂ Emissions Reduction

Yokogawa Manufacturing's Kofu factory showcases the Yokogawa Group's highly sophisticated energy-saving technologies.

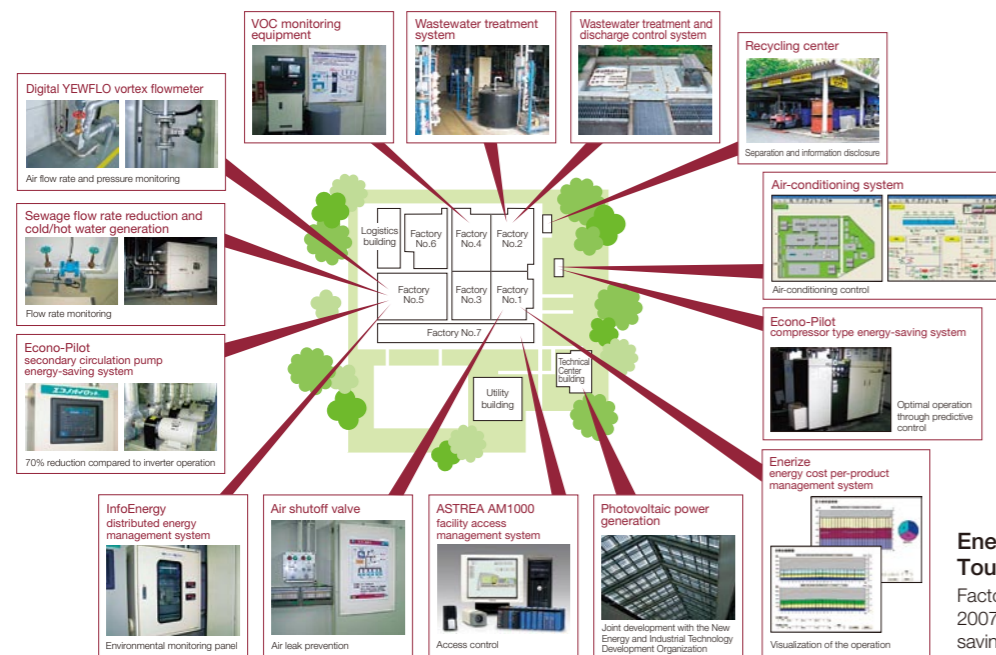
The Factory is committed to promoting energy saving and waste reduction efforts in cooperation with companies in the Kokubo Industrial Park, which is located in the city of Kofu. The Factory started working toward achieving the goal of zero emissions in 1992, obtained ISO14001 certification in 1997, introduced a photovoltaic system in 2002, and achieved the goal of zero emissions in 2005. In 2003, the Factory was awarded the Director's Prize in the Excellent Energy Management Factory category by METI's Kanto Bureau of Economy, Trade and Industry, in recognition of its energy control activities.

These activities are supported by products using Yokogawa's measurement, control, and information technologies that have been implemented throughout this energy-saving model factory. One such major product is InfoEnergy, a distributed energy control system that visualizes where electric power, cold water, hot water, and steam are being wasted. Another is Enerize, which visualizes the production and consumption of energy for further analysis. In addition, Econo-Pilot, which was awarded the Energy Conservation Award in 2002,



Kofu Factory

finely controls the operation of air-conditioning secondary circulation pumps in response to changes of load, thus helping reduce power consumption by a large amount. Following the installation of Econo-Pilot at the Kofu Factory No. 5, the energy consumption of these secondary circulation pumps was reduced by about 70%. The Kofu Factory's production output has increased while CO₂ emissions decreased 10% between 1990 (which is the base year for the CO₂ emissions reduction targets set out in the Kyoto Protocol) and 2006. Although CO₂ emissions increased in 2007 as a result of the start-up of a new factory's operations, efforts to reduce CO₂ emissions are being made by solving new problems through the introduction of Yokogawa products and the efforts of all employees to reduce the Kofu Factory's environmental burden.



Energy Saving Model Factory Tour Route

Factory tours were initiated in March 2007 to show visitors Yokogawa's energy saving support systems and activities.

Yokogawa's Energy-saving Model Factory

The Kofu Factory started its environmental conservation initiative as a joint activity with other companies in the Kokubo Industrial Park, under the slogan of "Let's become a model industrial park for Yamanashi Prefecture!" The initiative includes activities such as the reduction of the consumption of electric power and other energy sources and the recycling of waste paper, waste wood chips, and waste plastic. These activities are shown to manufacturing industry customers who visit the Factory. The number of visitors is growing year by year, which shows customers' great interest in Yokogawa's energy saving technologies.

We want to continue delivering results with the aim of simultaneously enhancing productivity and protecting the environment.



Atsuto Nakamura
Head of Yokogawa Manufacturing's Kofu Factory

Yokogawa as a Global Company

Yokogawa Solutions for a Cleaner Global Environment

The Yokogawa Group is globally expanding its business and an ever greater proportion of its sales are generated outside Japan. Accordingly, our efforts to improve the environment increasingly have a global focus. Yokogawa products and technologies are utilized in plants all over the world and are helping to substantially decrease CO₂ emissions and improve productivity. This column introduces one such case.

A Mongolian thermal power plant's contribution to improving the environment (Phase two of project completed)

In recent years, investment in energy-related projects has been up due to the high price of crude oil. For many large-scale energy-related projects around the world, Yokogawa continues to provide technologies that ease the burden on the environment by reducing energy consumption.

One such undertaking was a control systems modernization project for the Thermal Power Plant No.4 in Ulaanbaatar, Mongolia. This is the biggest thermal power plant in Mongolia and it provides approximately 70% of the power and 60% of the heated water to the capital city of Ulaanbaatar. As many of its facilities had become obsolete, power outages often occurred that had a serious impact on people and industries in Mongolia.



Thermal Power Plant No. 4 in Ulaanbaatar

With yen credit support from the Japanese government, the Mongolian government launched the first phase of a modernization project in 1995 and the second phase in 2001. In the first phase, Yokogawa replaced control systems and field instruments for four of the power station's eight boilers. In the second phase, Yokogawa replaced the control systems and field instruments for the remaining four boilers. All work was completed in June 2007.

Yokogawa's solutions have ensured the reliable operation of this power plant and sustained the city's infrastructure for the steady supply of power and hot water for heating buildings. The new control systems substantially improved the combustion efficiency of the power station's coal-fired boilers, protecting the environment by decreasing coal consumption and reducing CO₂ emissions while at the same time improving plant uptime.



Ceremony commemorating the completion of the second phase work

An Important Partner

We have been using Yokogawa's products for over ten years now at the Thermal Power Plant No.4 and have rarely experienced problems with them. Yokogawa's products were a good match for our needs. Not only are they highly reliable, they are backed up by quick and responsive service. We have a high evaluation of Yokogawa. By installing Yokogawa's products, we have been able to dramatically reduce the frequency of unscheduled plant shutdowns. Our operations are now much more stable. The renovation of our control room during phase two of the project introduced large display terminals and other highly advanced equipment. I am proud that we could implement such systems for the largest and most important power station in Mongolia. I look forward to working with Yokogawa, not just as a product supplier but as an important partner.



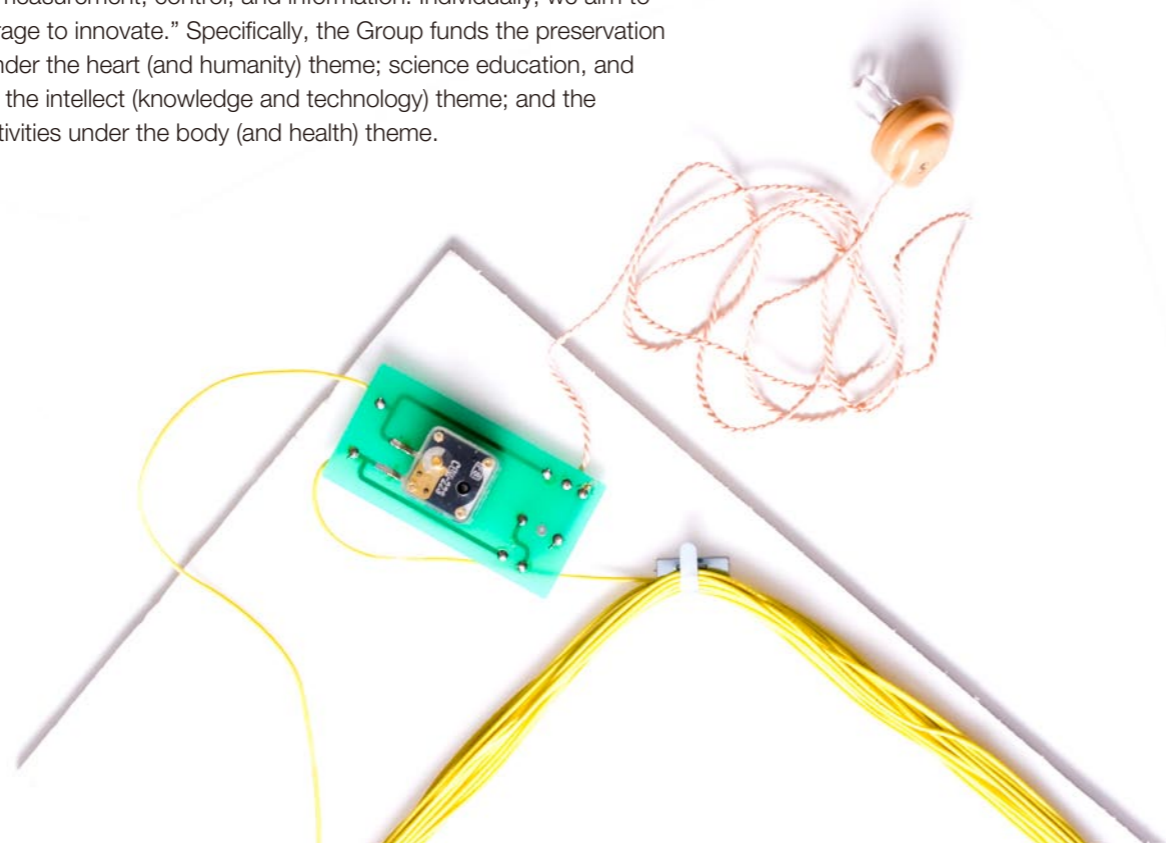
Ts. Bayarbaatar
Executive Director of
The Thermal Power Plant No.4



Special Issue (2)

Yokogawa's Community-based Contributions Under the Themes of Heart, Intellect, and Body

The Yokogawa Group contributes to society under the three themes of heart, intellect, and body, based on its corporate 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." Specifically, the Group funds the preservation of traditional culture and art activities under the heart (and humanity) theme; science education, and academic and research activities under the intellect (knowledge and technology) theme; and the promotion of sports and health care activities under the body (and health) theme.



Contributing to Society with Unique Science Classes



As part of the initiatives under the intellect theme, the Yokogawa Group supports science education to contribute to the development of students who are interested in science and technology. This is one of the ways for Yokogawa to return its technological capabilities to the local community.

In October and December 2007, Yokogawa held a science class for fifth and sixth grade elementary school students under the theme "Catch Radio Waves!" and the students made a germanium crystal radio. The objectives of the class were to let the children experience the fun of creating things and arouse their curiosity for science through electronic work such as soldering and making a coil, or demonstrating the waveforms of the received signals with a digital oscilloscope. Furthermore, the Group participated in an experience learning program, the Saturday School Science Club, which was sponsored by the Musashino City Board of Education. A course entitled "Experiment Class Focusing on Familiar Electrical Phenomena" was also conducted in September.

"I didn't like science before, but I like it now thanks to this class," said a participating student. "By learning from an industrial engineer, I could understand the interaction between school study and society," said a parent who regarded the class highly.

We will continue to conduct these kinds of programs in the future. We hope that the excitement and surprise experienced by these children will stimulate their curiosity and encourage them to contribute to society by becoming engineers.



Receiving broadcast signals with completed radios



Soldering with the help of a Yokogawa instructor

Science Classes Unique to Yokogawa

The instructors and assistants of the science classes were Yokogawa employees who volunteered for the program. In response to our call for employees to participate in the program in the hope that they could also enjoy themselves, employees from the engineering and other departments volunteered. In the kick-off meeting, the employees offered a variety of ideas from the perspective of their own field of expertise. One brought a large coil that he had made, and another brought some equipment and said, "A demonstration with this will impress the children." We want to continue creating science classes that are unique to Yokogawa



Takao Asaka
Engineering Center,
Photonics Business Headquarters

Impressed by the Sparkling Eyes of Children

I have loved science since my childhood. As a fourth grader, I was very impressed by the view of an IC chip under a microscope. Now I am an IC designer. Remembering that experience, I decided to show children IC chips developed by Yokogawa Electric. I will never forget the sparkling eyes of those children who discovered something exciting in the science class. I want to continue participating in this volunteer program.



Tomonori Komachi
Advanced Device Development
Department, Corporate R&D
Headquarters

Spending an Enjoyable Time with Future Engineers

I loved science so much that I had my own soldering iron when I was a first grader. I remember a senior student who always answered questions of mine that could not be answered by any of the adults around me. Now it is my turn to help. I interact with children in the same manner as a senior engineer coaches future engineers. My dream is to provide an "engineers' paradise" where children have the liberty to use various equipment and measuring instruments. I want to continue pursuing this dream together with curious children while helping them.



Masaaki Yonezawa
Administration and Technical
Strategy Department, Corporate
R&D Headquarters

Science Class at Kanazawa Office

Not only the Yokogawa Headquarters has been conducting science classes. In December 2007, the Kanazawa Office held a Magnetoencephalography (MEG) class focusing on the MEG system that it researched and developed. This class was held as part of the Science Intern Program of the Kanazawa Kids' Science Center. A total of 19 seventh and eighth graders from the city of Kanazawa participated.

The class started with explanations and experiments showing the relationship between electricity/magnetism and superconductivity using an oscilloscope. Then the students could observe how their brains react to sound using the MEG system at the Kanazawa Office.

The person in charge of the MEG class, Akihito Ushiro (MEG Department, Life Science Business Headquarters), interviewed Junkichi Nakamura, who as Instruction Director at the Kanazawa Kids' Science Center, was in charge of the Science Intern Program. Mr. Nakamura was asked why Yokogawa Electric was selected as a program partner and what his organization's opinion was of Yokogawa.

Mr. Ushiro: Mr. Nakamura, you asked for MEG to be the theme of the class. Why did you do that?

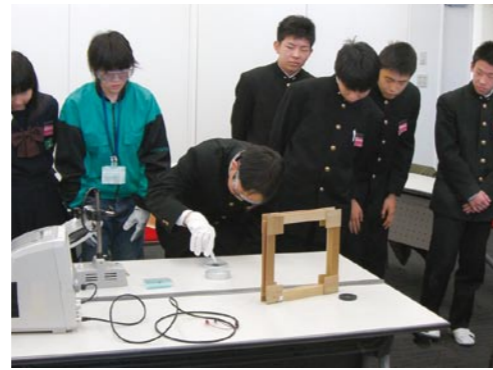
Mr. Nakamura: The Science Intern Program is designed for junior high school students, and its keywords are "state-of-the-art." MEG is state-of-the-art technology in the medical field. I thought junior high school students might have an interest in it. That is why I requested MEG. Students are already learning about the relationship between electricity and magnetism in school. We called for students who were science club members at school to participate in the program, so they had enough knowledge to comprehend the subject. I believe that they had a good experience.

Mr. Ushiro: The students had a theoretical knowledge of superconducting levitation, but it seems that this was the first time they saw this phenomenon with their own eyes. They showed great interest. As for the main theme, MEG, they were surprised to see on the screen which parts of the brain reacted to stimuli. It is probably still too early for junior high school students to completely understand how science and society interact with each other. However, I hope this class has helped them understand how and where state-of-the-art technology is used in our daily lives, and this understanding will make their lessons at school more enjoyable.

Mr. Nakamura: That's right. That is one of the things we expect of the Science Intern Program. Also, we wanted children to actually see a sophisticated quality control system and security and information management systems at the Kanazawa Office such as those used to scan the retina and identify persons.

Mr. Ushiro: One participant said that what they were shown was just like something out of a science fiction movie. This was my first experience teaching children. The participants' expressions of surprise and joy reminded me of when I started out as a scientific researcher.

Mr. Nakamura: We hope that we can also hold a class for teachers. We expect much from our cooperation with Yokogawa.



MEG class



Mr. Nakamura
Instruction Director,
Kanazawa Kids'
Science Center



Akemi Fujita and
Mr. Ushiro
MEG Department,
Life Science Business
Headquarters



MEG system

This system is capable of non-invasively measuring very weak magnetic fields (a billion times weaker than the Earth's magnetic field) generated by neuronal activity in the brain. The MEG system can be widely used in areas ranging from clinical testing to research, and is expected to be effective for treating child epilepsy, a brain dysfunction caused by injury to the brain, and the treatment and early detection of Alzheimer's and other causes of dementia.

Creating Partition (*fusuma*) Paintings for the 1300th Anniversary of the Nara Heijokyo Capital

As for initiatives under the heart theme, the Yokogawa Group supports local cultural activities that promote peace of mind and well being. Specifically, it provides funding for traditional culture and the arts.

So far the Group has funded projects such as the study and preservation of historical sites and a philharmonic orchestra. In 2005, we funded the creation of a mural titled "Dragon with the Clouds" for the Zen lecture hall at the Kenchoji Temple in Kamakura and a ceiling painting titled "Twin Dragons" for the lecture hall at the Kenninji Temple in Kyoto. We are currently funding the creation of partition paintings for the administrative building (*honbo*) at the Todaiji Temple in Nara. Junsaku Koizumi, the *nihonga* (Japanese style painting) master who created the "Dragon with the Clouds" and the "Twin Dragons" paintings, is working on 56 partition paintings for the six rooms in the temple's administrative building. The paintings will be dedicated to the 1300th Anniversary of the Nara Heijokyo Capital in 2010. The first 12 of these paintings, with titles such as "Phoenix," "Flying Apsaras," and "Fallen Flowers," were completed for the temple's raised room (*jodan-no-ma*) in the autumn of 2007. Work continues on the remaining 44 paintings. These will be the first partition paintings by a *nihonga* master for the Todaiji Temple.



Mr. Koizumi working on "Phoenix"



The completed "Phoenix"



Elementary school students tackling contact pads held by rugby football club members



An elementary school student lifted by a member of the rugby football club

Contributing to Society by Building Strong and Healthy Bodies Through Rugby Football

As for initiatives under the body theme, the Yokogawa Group is engaged in the support of sports, health care, and relief activities that help build strong bodies, enhance health, and help people recover in the event of a disaster.

One such initiative was the Rugby Football Festival in Musashino VI, which was held in June 2007 in cooperation with the Musashino City Rugby Football Union. Yokogawa had already been supporting this festival as part of its activities to support the local community, but decided to sponsor this event in order to increase its interaction with people in the community.

On the day of the festival, students from elementary school on up to high school level as well as adults played in matches, and many people, including players, their parents, and fans gathered on the rugby football field on the Yokogawa Headquarters campus. Members of the Yokogawa rugby football club also held a rugby clinic in which elementary school children tried out contact play and practiced techniques like lifting a jumper and catching a ball together with Yokogawa's rugby football club members.

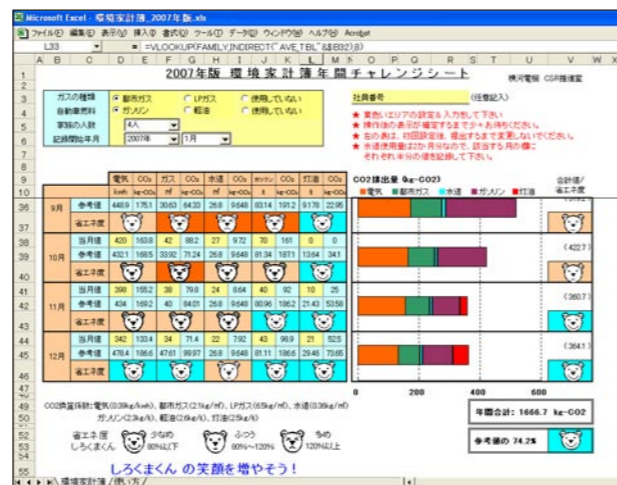
As a good corporate citizen, the Yokogawa Group will continue to contribute to the community under the themes of heart, intellect, and body.



Special Issue (3)

Each and Every Employee Promotes Environmental Conservation in the Workplace and at Home – Yokogawa’s Environment Weeks

The Yokogawa Group is steadfastly committed to environmental conservation and actively carries out its own activities to raise environmental awareness. Employees well understand this commitment to environmental conservation, and environmental awareness is on the rise throughout the Group.



Yokogawa’s environmental household account book is in a digital format, unlike many household account books. If you input the amount of electricity that is consumed, the amount of CO₂ emissions is displayed.

Challenge of Keeping an Environmental Household Account Book

Besides its business activities, the Yokogawa Group is actively committed to preventing global warming, for example, by participating in a national campaign named “Team Minus 6 Percent.” During the Yokogawa Environment Weeks, we asked the families of employees to keep an environmental household account book in order to raise their awareness of the need to reduce household CO₂ emissions. An environmental household account book is a tool for checking the amount of CO₂ emissions by keeping track of consumed electricity, gas, water, gasoline, etc. -- just like the expenses in a conventional household account book.

Yokogawa’s environmental household account book is a computer file. The user opens the environmental household account book file on a PC and inputs the figures from bills and receipts for electricity, gas, gasoline, heating oil, etc. Keeping an environmental household account book is fun. If, for example, a low amount of electricity was consumed, an animated bear smiles. Conversely, the bear cries if a lot was consumed.

During the Environment Weeks, we asked employees to participate in the program and about 300 employees volunteered to keep an environment household account book at home. We interviewed one such participant.



Hiroki Uchiyama and his wife
General Affairs and Communications
Division, Management Administration
Headquarters

Yokogawa Environment Weeks
The Yokogawa Group designated the period from November 19 to 30, 2007, as the Yokogawa Environment Weeks in order to raise the environmental awareness of each and every employee through activities such as keeping an environmental household account book.



Q: What made you keep an environmental household account book?

A: I read the announcement from the company and I wanted to know how much CO₂ is generated by my household. I consulted with my family, and my wife and children said it sounded interesting and agreed. So we started.

Q: Who keeps the environmental household account book?

A: It’s easy to do, so my wife and children handle that.

Q: Can you point out what is good about the Yokogawa environmental household account book?

A: It is fun to see the expression of the animated bear change when you input the consumed amount. You want to see more smiling faces by reducing the amount of electricity consumption.

Q: How did the environmental household account book benefit you?

A: We are now more reluctant to waste energy. For example, as soon as one family member gets out of the bath the next gets in so we don’t have to reheat the water as often. It also helped improve family communication. For example, my high school son began to tell me about environmental topics he heard in the classroom.

Q: Do you plan to continue this?

We want to keep the environmental household account book for one year and try to lead more energy efficient lifestyles.

Showing of “An Inconvenient Truth”

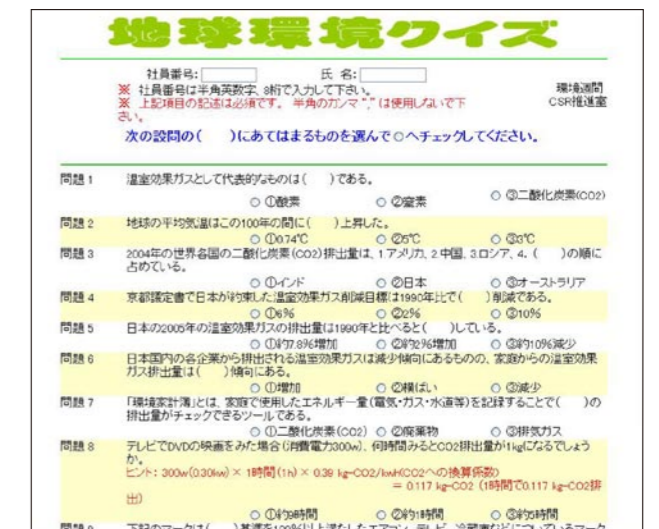
As one of the events of the Yokogawa Environment Weeks, we showed the documentary “An Inconvenient Truth” to employees. This film is presented by former United States Vice President Al Gore, and it helped make the issue of global warming a recognized problem worldwide. About 350 employees saw the film over a two day period. Videos of a press conference and a speech by President Kaihori regarding the establishment of the Energy Conservation and Environment Protection Solution Division were also shown to communicate to employees that the Yokogawa Group is sincerely committed to global warming prevention measures.



Showing of “An Inconvenient Truth”

Global Environmental Quiz

The Yokogawa Group conducted a Global Environmental Quiz during the Yokogawa Environment Weeks in order to help employees better understand global environmental problems. The quiz had 10 questions at various levels, from the basic “What is a typical greenhouse gas?” to the rather difficult “How much CO₂ is emitted when you watch a DVD movie on TV?” The quiz was posted on the intranet and about 900 employees answered the questions in response to our invitation.



Screenshot of Global Environmental Quiz

Yokogawa's Activities to Raise Environmental Awareness

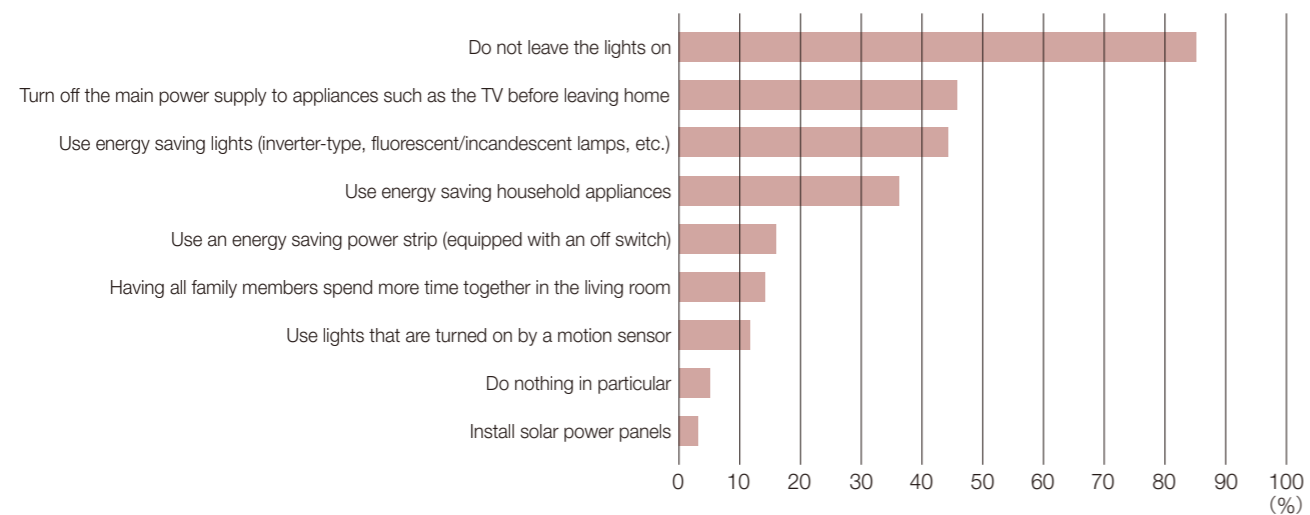
The Yokogawa Group actively conducts environmental education for all employees. The Group provides basic education on social trends, as well as specialized environmental education required by each section and department for those involved in work with a heavy environmental burden (see page 24).

Besides these education programs, we believe that activities such as the Yokogawa Environment Weeks featured in this report are indispensable for raising the environmental awareness of employees. We also believe that it is important for each employee to act with a sense of personal responsibility,

while having a strong awareness of overall environmental problems and always asking questions like "What actions are needed in our society to protect the environment?" "What can Yokogawa do?" and "What can I do now?"

According to an employee questionnaire conducted during the Environment Weeks, about 85% of the respondents answered "Do not leave the lights on" and 46% answered "Turn off the main power supply to appliances such as the TV before leaving home." This shows that employees are committed to energy saving even at home. It is important for each employee to raise his or her environmental awareness and act accordingly at home. The Yokogawa Group will be actively committed to raising the environmental awareness of employees both in the workplace and at home.

◆ What are you doing to reduce the energy consumption of household appliances and other equipment in the home? (242 respondents: multiple selections possible)



Environmental Terms

Many environmental terms are highly specialized, so it is difficult to understand them. Therefore, the Yokogawa Group posts explanations of environmental terms on the intranet to help each employee gain a better understanding of them.

Waste Electrical and Electronic Equipment (WEEE) Directive

This is a European Community (EU) directive on waste electrical and electronic equipment (WEEE) which imposes the responsibility for the collection and disposal of WEEE on the distributors, manufacturers, and others in the design, separation and collection, and recycling phases.

Restriction of Hazardous Substances (RoHS) Directive

This is a European Community (EU) directive that restricts the use of certain hazardous substances in electrical and electronic equipment. From July 2006, the directive prohibits the use of the hazardous substances lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs), and polybrominated diphenyl ethers (PBDEs) in the manufacture of new electrical and electronic equipment placed on the EU market.

Environmentally Conscious Products (ECP)

ECP refers to products that are designed to reduce the environmental burden throughout their lifecycle by limiting the amount of energy consumed and ensuring that they can be easily and safely scrapped, separated, recycled, and disposed of after use.

Zero Emissions

Zero Emissions refers to the idea of reducing the emissions in the society as a whole to zero. The Zero Emissions concept was launched by the United Nations University in 1994. It has the aim of reclaiming and reusing all the waste products created in production processes. This is done by utilizing all the waste products created by one industry as value-added inputs for another industry.

Life Cycle Assessment (LCA)

LCA refers to a method for comprehensively assessing the environmental impact associated with a product at all stages, starting with raw materials and proceeding through to manufacturing, transportation, sales, usage, disposal, and reuse.

Unit Base

Unit Base refers to the amount of a factor of production that is required to produce a certain amount of goods and services. It is an effective indicator for determining how efficiently the factor of production is utilized for production. Unit Sales Base refers to the amount of sales instead of the amount of the factor of production.

Environmental Activities Report

Challenge to Environmental Conservation

The Yokogawa Group considers the prevention of global warming to be a key management objective and, as one of its basic policies, has established an environmental management system that continuously improves its performance.

The Group has the following two environmental management objectives: The first objective is to reduce the environment burden of its customers' business activities, as was mentioned in special issue (1). For that purpose, we develop environmentally friendly products and are actively growing an environmental solution business that analyzes and reduces the environmental burden of our customers' business activities.

The second objective is to reduce the environmental burden of Yokogawa's business activities. We are committed to reducing our environmental burden in all business areas. We are implementing green procurement/purchasing and green production lines and bringing all operations into compliance with our high standards that aim to prevent global warming, prevent pollution, and control chemical substances. We also carry out activities to achieve the goal of zero emissions.

The Yokogawa Group always welcomes the challenge of protecting the environment.

Greenery on the roof of the Yokogawa Headquarters building in Musashino, Tokyo

Overview of Environmental Activities in Fiscal Year 2007

As a responsible corporate citizen, the Yokogawa Group is engaged in global environmental conservation and community activities that take the business operations of each Group company and the regional character of its operations into consideration. It carries out these activities in accordance with the Principles of the Yokogawa Group Environmental Management Standards.

In fiscal year 2007, the Yokogawa Group reviewed its activities from the environmental and business perspectives and strove to achieve targets that were closely integrated with its business operations. 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 the handling of toxic chemical substances in products.

Environmental Policy of the Yokogawa Group	Fiscal Year 2007 (main sites)		Self Evaluation	Ref. Page
	Target/Gol	Results		
EMS implementation, maintenance, and improvement	Confirm and achieve environmental conservation action targets that are closely integrated with our business practices.*3	75 themes closely integrated with business operations attained Semi-annual internal audits conducted and effective environmental system confirmed	○	24
	Promote useful activities in line with existing business.*2	38 useful environmental activities promoted	○	32
Implementation of environmental education	Provide all employees with basic environmental education that can be applied to activities undertaken on their own initiative.*3	100% achieved	○	24
	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	Strictly comply with the improved voluntary control limits.*2	All items confirmed to be below the voluntary control limits	○	33
	Take measures to reduce environmental risks in 13 areas for environmental facilities and equipment.*2	Measures taken to reduce risks in 13 areas for environmental facilities and equipment	○	
Promotion of recycling-based management	Reduce CO ₂ emissions: ● by 24.3% per unit floor space, compared to fiscal year 1990 (to 109.8 kg-CO ₂ /m ² in emissions)*1 ● to 23,514 t-CO ₂ /year*2	● 22.8% reduction (to 112.0 kg-CO ₂ /m ² in emissions) ● to 22,955 t-CO ₂	×	33
	Reduce total waste: ● by 10% compared to fiscal year 2003 (683 t/year in total emissions)*1 ● to 4,738 t/year*2	● 13% reduction (659 t/year in total emissions) ● 4,689 t/year	○	34
	Zero emission of waste ● Achieve 99.5% or higher waste recycling rate.*2	● 99.7% waste recycling rate achieved	○	34
	Resource saving ● Deploy green production lines and make improvements to 13 lines*2	● Improvements achieved for 18 processing, assembling, and production lines (energy saving, toxic substance reduction, etc.)	○	32
Reduction of environmental pollutants	Reduce toluene and xylene by 770 kg*2 Reduce the use of cyanide to 140 kg or less*2 Reduce the use of hexavalent chromium to 14 kg or less*2 Promote lead-free soldering and achieve 100% application in planned products*2	1,471 kg reduction Building of cyanide-free lines completed and use reduced to 28 kg Use of hexavalent chromium reduced to 4.5 kg Application to all planned products achieved	○ ○ ○ ○	34
Development of environmentally friendly products	Reduce CO ₂ emissions of developed products by more than 25%.*1	Completed for seven models	○	28 29
	Promote green procurement*2 ● Switch more than 5,000 parts and materials to RoHS compliant ones ● Introduce returnable tote boxes and pallets to four more client companies ● Upgrade more than four C-rated suppliers to B or higher	● Switch of 2,602 parts and materials completed ● Returnable tote boxes introduced to ten more client companies ● Rating of five suppliers upgraded	×	31
Provision of environmental solutions	Increase sales of environmentally friendly products*1	Achieved	○	30
	Show visitors energy-saving efforts at the Kofu Factory*1	Achieved	○	
Contribution to society through environmental protection	Promote contributions to society through participation in nature conservation and social and community activities*1	Participated in community clean-up activities	○	40 41
	Carry out nature conservation and social and community activities at least once a year at each site*2	A total of 24 social activities carried out	○	42 43
Disclosure of environmental conservation information	Promote information disclosure and enhance efforts to communicate with communities*1	CSR Report published	○	45
	Improve website*2	Graphs showing changes in the reduction of environmental pollutants and other items, published	○	

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: Common goals

Great Contribution to Global Environmental Conservation in All Areas

The Yokogawa Group is constantly striving to reduce its environmental burden, and is doing the same for its customers by providing environmental solutions and environmentally friendly products.

Environmental conservation activities are undertaken by the Yokogawa Group as a whole. The Group will reduce the environmental burden of its business activities, and will help its customers accomplish the same aim in their business activities by providing environmental solutions and environmentally friendly products.

Operational improvements and efforts to reduce costs in business activities can coexist with the reduction of CO₂ emissions. All workplaces in the development, production, procurement, sales, and administrative departments are striving to reduce the environmental burden of their operations. I believe that it is important for each employee to always work with great environmental awareness.

Furthermore, CO₂ emissions are increasing substantially, particularly in households. If efforts are not started right now to reduce household emissions, global warming cannot be stopped. By increasing the environmental awareness of all its employees, the Yokogawa Group aims to reduce CO₂ emissions in their households.

The Simultaneous Pursuit of Improvements to Operations, Reduction of Costs, and Reduction of CO₂ Emissions



Manabu Sasada
Officer in Charge of Environmental Management,
Head of CSR Headquarters



Akira Hashiguchi
Repair and Calibration Department,
Yokogawa Manufacturing's Kofu
Factory

Achievement of 52% Reduction in Paper Usage Through Review of Operations

In line with the Yokogawa Group's environment policy to "carry out resource recycling-based operations," the Repair and Calibration Department at Yokogawa Manufacturing's Kofu Factory has reduced by 52% the amount of paper that it uses. It has done this by reviewing operations that consume a lot of paper.

For example, the department used to make single-side copies of instruction sheets and attach them to each product. In fiscal year 2006, the department started promoting the practice of making two-sided copies, and was able to reduce the number of sheets used each month from 125,000 to 100,000. In fiscal year 2007, the department promoted a shift to electronic operations from the perspective that "using paper is a waste," further improving operational efficiency and reducing paper consumption. Up until now, the department has reduced paper consumption to 60,000 sheets a month (for repair reports and calibration certificates), down 52% from fiscal year 2005. In fiscal year 2008, the department plans to continue improvements with the goal of introducing electronic repair reports and calibration certificates.

Proactively Implementing Environmental Activities in All Business Areas

The Yokogawa Group considers that reducing the environmental burden of the Group's business activities and reducing the environmental burden of customers' business activities are the two goals of its environmental management. Each Group company is implementing global environmental conservation activities that are closely integrated with its business operations. This is in accordance with the Principles of the Yokogawa Group Environmental Management Standards, which set out our Environmental Philosophy, Environmental Policy, and Code of Conduct for Environmental Protection.

● Environmental Policy of the Yokogawa Group ●

1. Establish, maintain, and improve its environmental management system

Each site establishes an environmental management system in order to promote and continuously improve its global environmental protection activities. To maintain and improve the system, each site accurately evaluates the burden of its activities on the environment, sets environmental objectives and targets that are technically and economically viable, and carries out environmental audits.

2. Provide environmental training

Each site actively provides training for global environmental protection to ensure that employees understand the Environmental Philosophy, Code of Conduct for Environmental Protection, and Environmental Policy of the Yokogawa Group to improve their environmental awareness, and to act autonomously with consideration of the environment in both their work and life in the local community.

3. Abide by legal regulations

Each site abides by laws, legal regulations, and other requirements concerning the environment, in order to proactively protect the global environment.

4. Carry out resource recycling-based operations

Throughout its activities, each site endeavors to utilize energy and resources efficiently, to prevent global warming, to reduce waste, and to promote the reuse and recycling of resources with the aim of eliminating emissions.

5. Minimize environmental pollution

Each site strives to eliminate the use of substances that adversely impact the environment, such as toxic chemicals, and ozone-destroying substances, by using safe substitutes or employing safe technologies to avoid the risk of environmental pollution.

6. Create environmentally friendly products

Each site develops and produces environmentally friendly "green" products in consideration of the environmental burden throughout the products' lifecycles, from material purchase, manufacture, and distribution to their use and disposal.

7. Supply society with environmental solutions

Each site supplies society with value-added products and services for protecting the earth's environment through measurement, control, and information technologies.

8. Contribute to local communities

Each site encourages its employees to participate in environmental protection activities under their own initiative as good corporate citizens.

9. Make environmental information available to the public

Each site actively makes environmental information, including its environmental policy and protection activities, available to the general public.

April 2007

Promotion of EMS Integrated into Existing Businesses

In our system, the business headquarters and divisions of Yokogawa Electric provide EMS guidance and support to the Group 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.

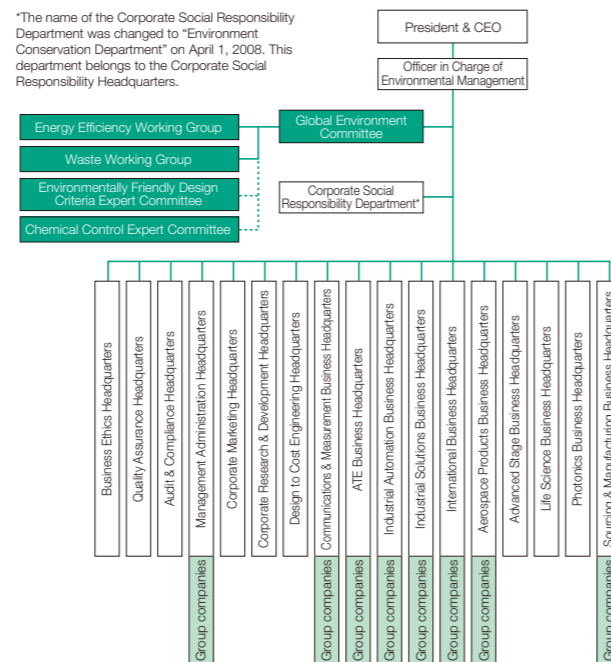
Environmental Education

Yokogawa Electric places emphasis on an environmental education program as part of employee training in order to raise the environmental awareness of each employee. The program consists of basic education, specialized environmental education required by each section and department, and special education.

Basic education includes general environmental education for new employees, and education for all employees of the Yokogawa Group and its contractors to raise environmental awareness. Specialized environmental education designed for each section and department is provided collectively to those who are engaged in business activities that have a particularly significant impact on the environment.

In addition, in fiscal year 2007, a film on the subject of the global environment was shown as part of a special education program.

◆ Organization Chart for the Promotion of the Yokogawa Group's Environmental Management (Fiscal year 2007)



Environmental Management System (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 Group also deploys the EMS globally to promote environmental conservation activities. In addition, each Group company, in accordance with the Environmental Policy of the Yokogawa Group and the Yokogawa Group's Environmental Voluntary Action Plan (both the medium-term and annual plans), has established an environmental target, and is thus independently engaged in environmental conservation activities.

ISO14001 Certification

There were 12 ISO14001 (*2 including KES)-certified sites in Japan and 10 outside Japan as of the end of March 2008.

◆ ISO14001

As of the end of March 2008

Factories		Date Certified
Yokogawa Electric Corporation Headquarters & Main Factory		July 1997
Yokogawa Manufacturing Corporation*	Komine Factory Kofu Factory Ome Factory Komagane Factory Uenohara Factory Headquarters Factory	July 1997 July 1997 July 1997 July 1997 July 1997 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
Yokogawa Digital Computer Corporation*		September 2007
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

*1 The following sites obtained integrated certification: Yokogawa Manufacturing Corporation Komine Factory, Kofu Factory, Ome Factory, Komagane Factory, Uenohara Factory, and Headquarters Factory.

*2 "KES" refers to the KES Environmental Management System Standard.

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

Renewal inspections were conducted at the Yokogawa Electric Corporation Headquarters & Main Factory as well as at Yokogawa Manufacturing by an ISO14001 certifying organization. The Yokogawa Electric Corporation Headquarters & Main Factory was highly evaluated for building production lines that were compliant with laws and regulations and for linking between the internal control and the environmental management system. Yokogawa Manufacturing Corporation received a good evaluation for reducing power consumption, reducing the use of resources through reuse and recycling, and contributing to the use of bioenergy and other regional activities. Both organizations retained their registration.

◆ Environmental Audit Inspection Items

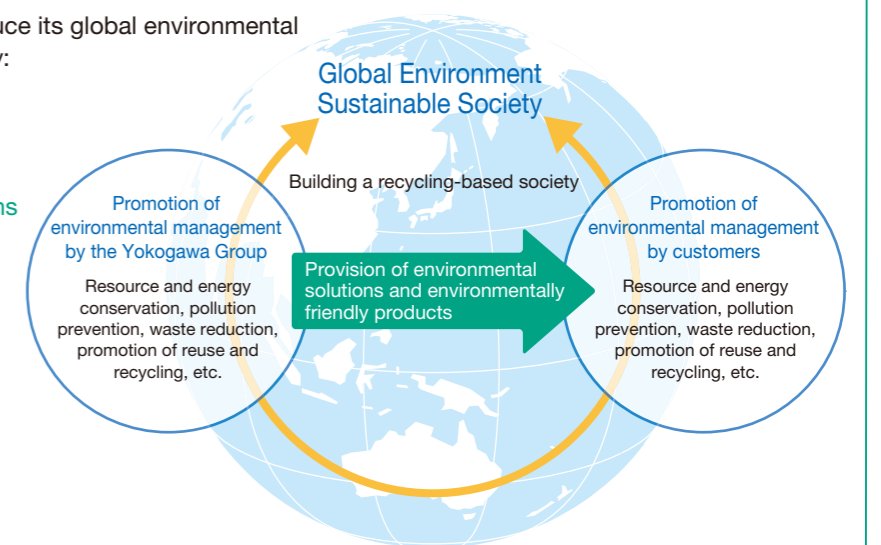
Systems audit	Audit of organizations/systems, target management, education, operations management/corrections, and other data to check whether the system is functioning effectively
Legal compliance audit	Audit of the operation and monitoring of regulated values (qualifications, notice submissions, and 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

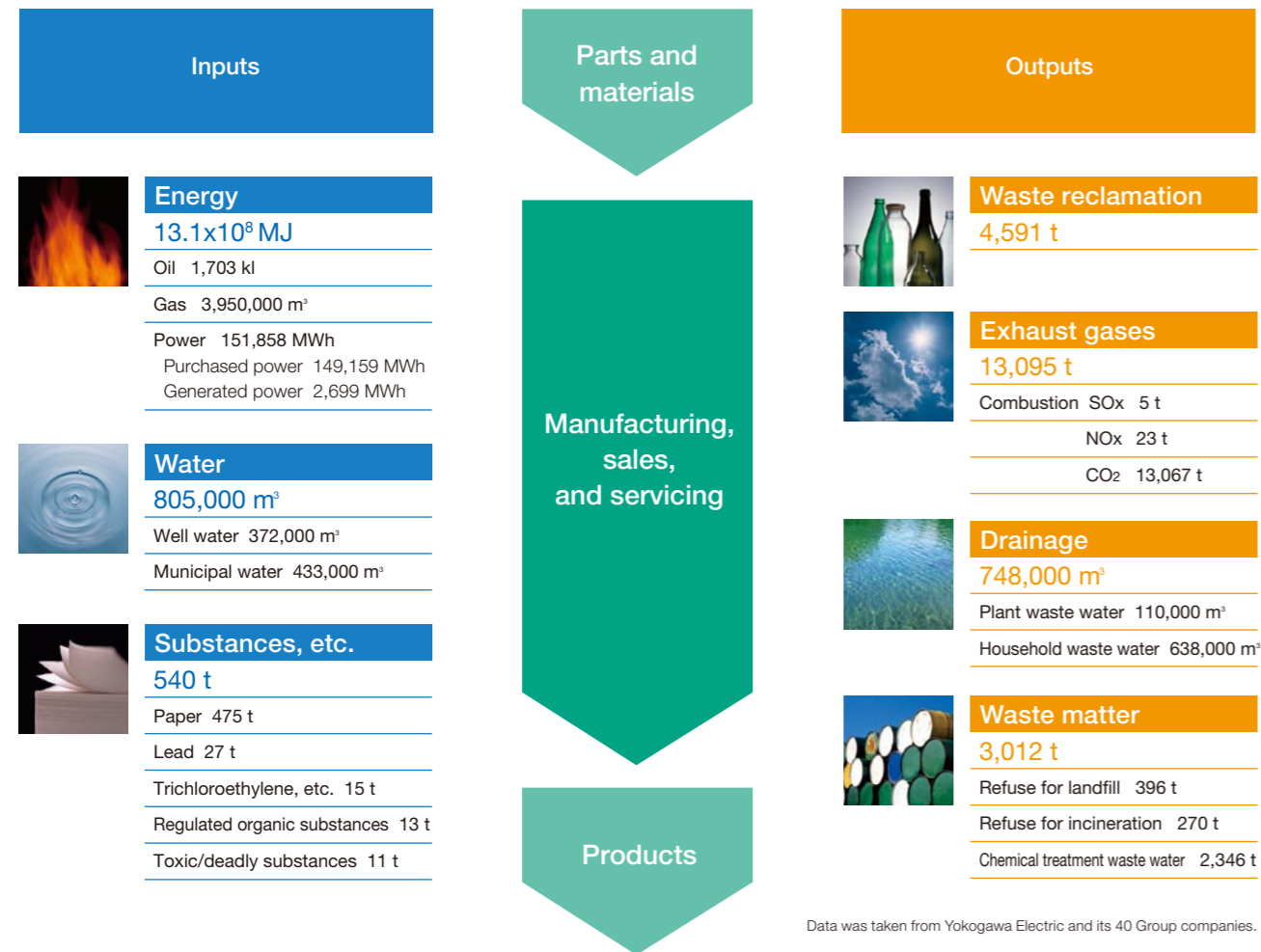
Through these activities, the Yokogawa Group will contribute to building a sustainable society together with its customers.



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 recycling rate.



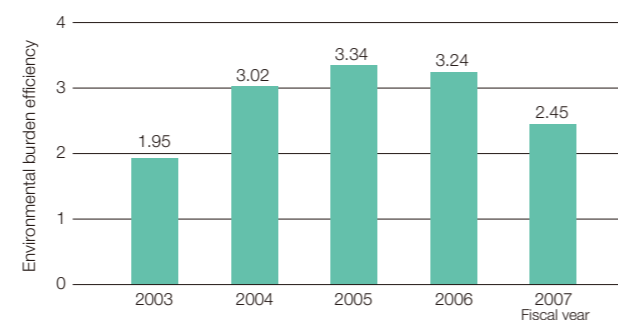
Environmental Burden Efficiency, an Environmental Management Indicator

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 in Environmental Burden Efficiency



Data was taken from ISO14001-certified manufacturing sites

Applying Environmental Accounting to Realize Optimal Environmental Management

Calculation criteria in environmental accounting of the Group for fiscal year 2007 are in compliance with the *Environmental Accounting Guidelines* (Fiscal year 2005 Version) published by the Ministry of Environment, Japan. In fiscal year 2007, our environmental conservation figures were down as inputs of energy increased, partly due to the startup of operations at new factories.

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	83	173
	2) Global environmental conservation costs	Energy savings	73	108
	3) Resource recycling costs	Minimize generation of waste matter	0	193
(2) Costs for reducing environmental impact from procurement and logistics		Green procurement	0	8
(3) Environmental conservation costs in EMS activities		EMS updates, education	0	258
(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	32
(6) Costs for addressing damage to the environment		Soil recovery	0	0
Total			156	773

Environmental Conservation Effects

Category	Description of Effect (unit)	FY2006	FY2007	Effect
Resource expenditure	Total amount of energy consumed (TJ)	993	1,120	-127
	Total amount of water resources consumed (km ³)	767	636	131
Global warming prevention	CO ₂ emissions (kt)	52	69	-17
	CO ₂ emissions on unit sales (t-CO ₂ /100 million yen)	19	26	-7
Air pollution	NOx emissions (t)	45	51	-6
	SOx emissions (t)	48	52	-4

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

Description of Effect	Amount
Reduction in expenditure due to recycling (sale of valuable resources, etc.)	63.3
Reduction in expenditures due to energy savings (power, etc.)	23.7
Reduction in expenditures due to resource savings (reduced use of paper and water, etc.)	18.3
Total	105.3

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

Item	Description	Amount
Total capital expenditure for the term	All capital expenditures including environmental expenditures	32,233
Total R&D costs for the term	All R&D costs including environmental expenditures	40,160

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, atmospheric protection, waste treatment, etc.)	15,639 (8.8%)
Total sales for the term	Grand total	177,202

Data was taken from ISO14001-certified manufacturing sites during the period from April 1, 2007 to March 31, 2008.

Proactively Developing Environmentally Friendly Products in Accordance with the Yokogawa Group's Standards

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

The LCA 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, intermediary 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.

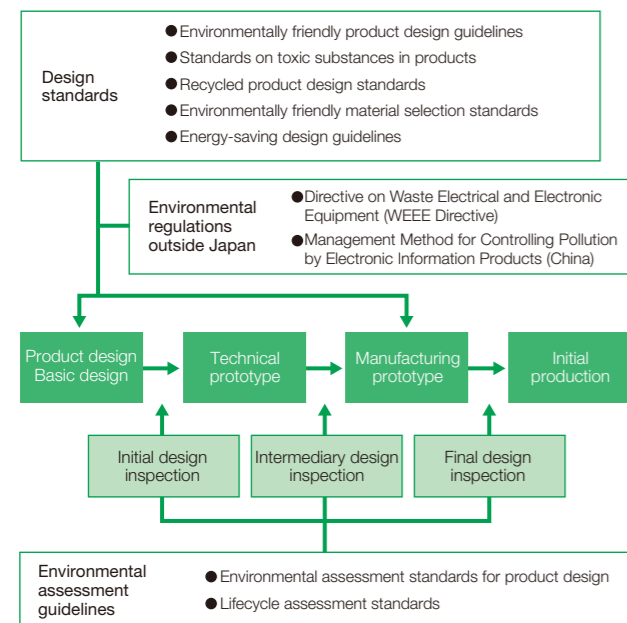
(6) Environmentally Friendly Material Selection Standards

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 a Series of Environmentally Friendly Products and Introduction of Environmental Labels

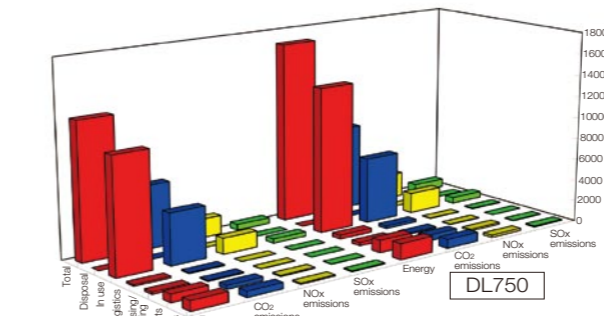
The Yokogawa Group develops environmentally friendly products based on its own standards and guidelines. The Group has also introduced a system of self-declared environmental labels. Only products that demonstrate high environmental performance may display this label.

Development of a Series of Environmentally Friendly Products Featuring High Performance

The Yokogawa Group is developing a series of environmentally friendly products by applying the environmentally friendly design standards and guidelines.

For example, in the measurement instrument business (covering electronics and communications measurement), Yokogawa has released the SL1000 High-speed Data Acquisition Unit in response to the need for high-speed sampling, isolated channel hardware for high-voltage measurements, and long-term measurement, which are required for the simultaneous acquisition of both high- and low-speed phenomena in mechatronics and electronics applications. The SL1000 achieved high performance, acquires data at rates of up to 100 MS/s, and pursues fast acquisition, transfer, and storage.

The SL1000 reduces CO₂ emissions by 25.6%, NO_x emissions by 25.2%, and SO_x emissions by 30.7% compared with previous models, according to a calculation based on the Lifecycle Assessment (LCA) Standards.



Lifecycle Assessment (LAS) Reference Comparison Chart


Introduction of Environmental Labels for Environmentally Friendly Products

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 28. By the end of fiscal year 2007, the Group had introduced 36 models with environmental labels.

* Until fiscal year 2006, each series was regarded to be separate model. Starting in fiscal year 2007, each product in a series is regarded to be a model.

◆ A Selection of Products with the Environmental Label

Test & measurement and communications measurement instruments	Small-scale instrumentation equipment
 DL9710L Mixed-signal Scope	 DX1000/DX2000 Data Acquisition and Display Stations
 WT3000 Precision Power Analyzer	 MX100 PC-based Data Acquisition Unit

SL1000 Development Challenges

Our challenge is to pack as many sophisticated features as possible into a limited space. We would like to contribute to our customers' activities by providing them sophisticated products that are compact in size and an all-in-one measurement solution. Our wish is to develop and provide products that set the standard for modular measurement instruments and can remain in use for a long time. We will focus on improving miniaturization and power conservation to meet our customers' needs.

SL1000 High-speed Data Acquisition Unit



Tatsuro Uno and Izuru Uchida
General Purpose Measurement Development Department, Communications & Measurement Business Headquarters

Consultation to Optimize Energy Use Efficiency

The Energy Conservation and Environment Protection Solution Division supports the environmental management of companies with the aim of implementing optimal production activities from the perspective of energy conservation and global environmental conservation. As one example of these activities, the Yokogawa Group proposed a compressor control system to the Meiko Group that improved its environmental management and achieved a significant reduction in CO₂ emissions.

Overview of Energy Conservation and Environment Protection Solution Business

The Yokogawa Group established the Energy Conservation and Environment Protection Solution Division in the Industrial Solutions Business Headquarters in September 2007. The purpose was to help manufacturing customers implement optimal production activities not only from the perspective of production efficiency but also that of energy conservation and global environmental conservation.

The division supports customers in their efforts to optimize energy performance in their processes. This is done by conducting a preliminary inspection of energy utilization and equipment throughout a customer's factory to identify waste, and proposing and implementing systems and operation methods, verifying the effects, and providing advice on additional improvements, maintenance, and the like.

Currently, the Group encourages employees to obtain certifications such as Registered Energy Manager in preparation for aggressive business development. We will make best use of the advanced marketing functions to gain an early understanding of government policies and legislative and regulatory trends, as well as develop more effective products that reflect the needs of customers.

17% Reduction in Electric Power Consumption Achieved with Integrated Energy Conservation System

Yamagata Meiko

Yamagata Meiko operates the Yamagata factories of the Meiko Group, a major manufacturer of printed circuit boards

(PCBs). The factories obtained ISO14001 certification in 2001 and worked toward the goal of zero emissions for six years, reducing 82% of all waste from production. Its proactive approach to environmental management is attracting attention. The Yokogawa Group proposed an integrated compressor energy conservation system that significantly reduced electric power consumption at these factories.

Yamagata Meiko has a total of five factories. These employ many air compressors. The compressors were controlled individually, so the running costs were high and they accounted for 20% of all the power consumption at the factories. Yamagata Meiko introduced an integrated energy conservation system that controls the compressors by calculating the optimal number of compressors based on the consumption of compressed air. As a result, Yamagata Meiko reduced the power consumption of the compressors by 17%. This translates to an annual reduction of 518 tons in CO₂ emissions.

In December 2007, the Meiko Group established the Meiko Eco Project to promote the reduction of CO₂ emissions at its factories inside and outside Japan. The Yokogawa Group will continue to support the Eco Project of the Meiko Group.



Yukio Innami
Consulting Department, Energy Conservation and Environment Protection Solution Division, Industrial Solutions Business Headquarters

Our Expectation to Implement This Solution Throughout the Meiko Group

The Meiko Group aims to contribute to global environmental conservation and is promoting environmentally friendly business activities. In particular, Yamagata Meiko is carrying out activities to conserve water resources by purifying waste alkali water. Other activities include the reduction of CO₂ emissions through the reduction of power consumption. With the help of Yokogawa Electric, we achieved our CO₂ reduction goal and became the first company in the PCB industry to participate in Japan's voluntary CO₂ emissions-trading scheme.

The Meiko Group will continue to promote energy conservation activities. We asked Yokogawa to diagnose problems at all our factories worldwide and create an improvement report. According to the recommendations in the report, our Guangzhou and Wuhan factories in China have the best potential for a significant CO₂ emission reduction. We look forward to reducing CO₂ emissions at these factories.



Nobuhiro Murakata
General Manager of Environmental Management Promotion Office
Yamagata Meiko Electronics Co., Ltd.

Promoting Efforts to Spread the Use of Environmentally Friendly Products

The Yokogawa Group purchases raw materials, parts, and office supplies in accordance with its guidelines. The Group also facilitates the conversion to RoHS compliant parts and reinforces the environmental management system of suppliers. The Group also promotes a campaign to reduce the use of plastic shopping bags at a company store.

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 RoHS Directive

From May to September 2007, Yokogawa Electric and Yokogawa Manufacturing conducted a project to replace parts in order to comply with the RoHS Directive*. This followed up on a similar project conducted in fiscal year 2006.

In order to facilitate the conversion to RoHS compliant parts, the project enhanced the efficiency of and standardized its operations to procure RoHS compliant parts, apply for changes, obtain hazardous substance data for parts, and create a hazardous substance database.

With the cooperation of suppliers, the project was a great success. We made a huge step forward in our endeavor to comply with environmental regulations, and we implemented activities that place particular emphasis on compliance and quality.

*RoHS Directive: Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment

Promotion of Environmental Activities of Suppliers

Yokogawa Manufacturing inspects the environmental activities of main materials suppliers, implements site patrols, and gives improvement suggestions to companies. In order to encourage the three Rs (the reduction of waste and the reuse and recycling of used products), Yokogawa Manufacturing also works together with suppliers to increase the use of returnable tote boxes and pallets and reduce packing materials.

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.

Campaign to Reduce the Use of Plastic Shopping Bags at a Store

Yokogawa Pionics Co., Ltd. operates the Shopping Pao company store at the Yokogawa Electric Headquarters, and the store is conducting a campaign to reduce the use of plastic shopping bags, thereby helping to reduce CO₂ emissions. Since February 2007, the store has displayed posters, and since February 2008, it has called for shoppers to bring their own reusable "eco bags."

As a result of such efforts, the store reduced the number of plastic shopping bags purchased from 210,000 in fiscal year 2006 to 45,000 in fiscal year 2007. The store will continue its efforts with the goal of entirely eliminating the use of plastic shopping bags.



Campaign poster

Steady Increase in Number of Shoppers Bringing Their Own Eco Bags

Initially we felt sorry for not offering a plastic shopping bag to shoppers who purchased a lot of items. However, a steadily growing number of shoppers bring their own eco bags, reuse old plastic shopping bags, or hold many items in their arms. We believe that our effort to promote understanding of our activities led to the reduction in the use of plastic shopping bags.



Hitomi Hirauchi and Mayumi Sano
Shopping Pao store at Yokogawa Electric Headquarters
Yokogawa Pionics Co., Ltd.

Achieving Reductions in Cost and Environmental Burden

The Yokogawa Group established the Green Production Line Improvement Guidelines in 2002 and promotes improvements to reduce the environmental impact of production lines. The Group is making efforts to protect the environment by reducing contaminants in the air, water, and soil, as well reducing CO₂ emissions generated by the use of electricity, while at the same time reducing costs.

Compressor Power Consumption Significantly Reduced Through Operation Control

The Parts & Components Machining Department at Yokogawa Manufacturing's Komine Factory has already taken a variety of measures to reduce power consumption, so we were unsure what else could be done to achieve further reductions. With the cooperation of their registered energy manager, we further reduced power consumption by finely controlling the operation of the compressors used for cutting.

This initiative focused on the three elements of pressure, machine, and time. The compressor's pressure, which was in the 0.6 to 0.7 MPa range, was reduced to 0.5 MPa. The change was implemented after confirming that no problem would be caused by replacing machine tools that required a lot of compressed air. Before the change, the 37 kw and 45 kw compressors were run in a regularly alternating sequence. After the change, the 37 kw machine is run in main operation mode, and the 45 kw machine is run only once a week. The 45 kw machine is shut down completely on weekends. Depending on equipment utilization, the 37 kw machine can also be shut down, resulting in a significant reduction in electric power consumption.

Between June 2006 (when this initiative was started) and January 2008, there was a 55,117 kWh reduction in electric power consumption.

Reduction of Wastewater Treatment Costs by Replacing a Fluorine Chemical Compound

Yokogawa Manufacturing's Kofu Factory stopped using cyanogen in fiscal year 2006. In fiscal year 2007, it eliminated the use of a fluorine chemical compound.

The plating processing on the surface treatment line requires fluoride to promote plate adhesion. The sewage ordinance in the city of Kofu, where this factory is located, strictly requires that fluoride concentrations in wastewater be under 1 ppm. Yokogawa Manufacturing set its own numerical target to half that value and brought the fluoride concentration under 0.5 ppm. In order to further lower that value, in April 2007 we substituted a non-toxic compound for solid acid B, a toxic compound containing sodium hydrogenfluoride that had been in use.

Three candidate chemicals were evaluated in terms of quality, operations, and cost, and "solid acid A" containing no toxic substances was selected. The downside of solid acid A, compared to solid acid B, was that it had to be heated and was more expensive. The heating issue was resolved by reusing steam from the factory. The total cost was also reduced by treating the wastewater inside the factory.

Environmental Conservation Also Possible Without Extra Cost

I took it for granted that a compressor constantly works without interruption like a heart. I was surprised to find that quality could be maintained even though the pressure was lowered. It costs extra money to replace the equipment with energy conservation equipment. We first thought

of what we were able to do, and with the cooperation of all members, we were then able to achieve further reduction.



Shinjiro Takayama
Parts & Components Machining
Department at Yokogawa
Manufacturing's Komine Factory

The Best Way to Ensure Cleaner Wastewater: Not Using Toxic Substances

The focus in wastewater treatment tends to be on the treatment technologies. However, seeking out alternatives to toxic substances can be a more effective way to protect the environment. It took six months to complete the replacement of

solid acid B. I am happy that we could switch to an environmentally friendly chemical compound while maintaining quality.



Yuji Miyazawa
Parts & Components Machining
Department, Yokogawa
Manufacturing's Kofu Factory

Rising Unit-sales-basis CO₂ Emissions

Unit-sales-basis CO₂ emissions in fiscal year 2007 increased from fiscal year 2006; the increase is partly attributed to the start of operations at new factories. The Yokogawa Group will continue to promote the reduction of emissions generated by business activities through measures such as participation in the Team Minus 6% campaign and introduction of the Green Power Certification System.

Activities to Reduce CO₂ Emissions by 6%

In fiscal year 2007, the Yokogawa Group participated in Team Minus 6%, a national campaign that was launched in April 2005. It also implemented "Cool Biz" and "Warm Biz" campaigns as well as a "Black Illumination" campaign that encouraged people to switch off lights on the summer solstice.

In fiscal year 2006, the Group introduced green power via the Green Power Certification System* at the Yokogawa Electric Headquarters building. In November 2007, this system was used at the Measurement and Control Show 2007 Tokyo to procure about 3,000 kWh of wind-turbine-generated electric power for the Yokogawa booth's air-conditioning, lighting, video, and audio systems.

* Green Power Certification System refers to a system that enables trading of the added environmental value of electricity generated through renewable energy sources such as wind, water, and biomass via "Green Power Certification." The Green Power Certificate is issued to companies that adopt the system and states the amount of green power generated from natural sources.

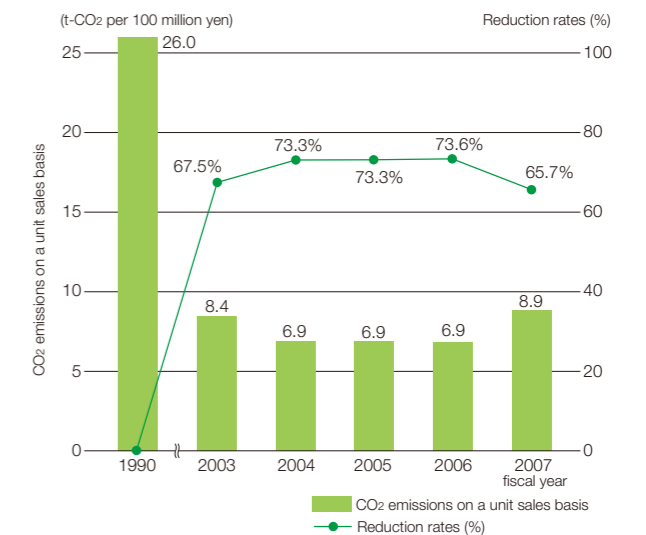


Green Power Certificate displayed in the Yokogawa booth at the Measurement and Control Show 2007 Tokyo

Unit-sales-basis CO₂ Emissions and Reduction Rates

In fiscal year 2007, the Yokogawa Group's CO₂ emissions on a unit sales basis* (excluding the Group companies outside Japan) amounted to 8.9 t-CO₂ per 100 million yen, a 65.7% decrease compared to fiscal year 1990.

Unit-sales-basis CO₂ Emissions and Reduction Rates (compared to fiscal year 1990)



* CO₂ emissions on a unit sales basis
CO₂ emissions on a unit sales basis (t-CO₂ per 100 million yen) = CO₂ emissions (t-CO₂) ÷ sales (100 million yen) ÷ Japan's domestic corporate goods price index (electrical equipment) published by the Bank of Japan

Complying with Laws and Regulations While Preventing Pollution with Proprietary Technologies

The Yokogawa Group ensures compliance with laws, regulations, agreements, etc., to prevent environmental pollution. At the same time, the Group adopts alternative technologies wherever possible to reduce environmental impact substances. The Group has set its proprietary control standards and taken measures to meet them, starting before the enactment of Japan's Soil Contamination Countermeasures Law.

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 Countermeasures 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 2007.

Chemical Substances Control and Reduction

Reducing Toxic Chemical Substances Through Careful Management and Development of Alternative Processes

The Yokogawa Group strives to carefully manage chemical substances that are hazardous to the environment and human health and to reduce them through the development and implementation of alternative processes and other measures.

Deploying Lead-free Production Lines at Factories outside Japan

The Yokogawa Group's Environmental Voluntary Action Plan calls for the building of lead-free surface mount lines in compliance with the EU environmental regulation RoHS Directive. Yokogawa Manufacturing began to deploy manufacturing lines with a lead-free soldering process in fiscal year 2004 and is currently deploying them at factories outside Japan.

In fiscal year 2007, Yokogawa Manufacturing sent its manufacturing engineers to Yokogawa Electric China Co., Ltd. to help install lead-free equipment and train local workers. We will promote the complete conversion to lead-free lines.



Nitrogen reflow oven with lead-free soldering process installed in the surface mount line

Substances Covered by PRTR

The following table shows the Yokogawa Group's usage amount of substances designated for reporting by the PRTR System* (which applies to the usage amount of 1 ton or more per year).

*PRTR System: The PRTR, or Pollutant Release and Transfer Register System, was established to enable society as a whole to manage chemical substances through the disclosure of toxic chemical emissions data and other information.

◆ Fiscal Year 2007 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	
Komine Factory	Xylene	2,658	1,648	0	0	0	0	1,010	
	Toluene	2,419	1,500	0	0	0	0	919	
	Lead	1,803	0	0	0	0	0	0	
Kofu Factory	Xylene	1,580	1,419	0	0	0	0	161	
	Toluene	1,690	1,503	0	0	0	0	187	
	Lead	6,743	0	0	0	0	0	0	
Ome Factory	Water-soluble copper salts	64,491	0	0	0	0	27	21,236	
	Formalin	2,900	490	0	0	0	0	1,910	
Komagane Factory	Hydrogen fluoride and related water-soluble salts	1,120	0	120	0	0	0	1,000	

Promoting Zero Emissions

Promoting Zero Emission Activities in All Business Areas

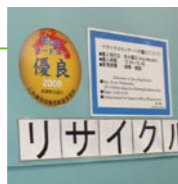
The reduction, reuse, and recycling, or three Rs activities, are indispensable to global environmental conservation. The Yokogawa Group promotes the three Rs activities to achieve the goal of zero emissions.

Promoting Zero Emissions

The Yokogawa Group defines zero emissions as recycling and reusing 99% or more of the total amount of waste generated. In fiscal year 2007, the Yokogawa Electric Headquarters and Main Factory, Yokogawa Manufacturing's Komine Factory, Kofu Factory, Ome Factory, and Komagane Factory, and Kokusai Chart Corporation met the goal of zero emissions.

Results

The waste emissions in fiscal year 2007 amounted to 0.15 t per 100 million yen on a unit sales basis (667 tons in total). The Yokogawa Group has taken specific initiatives to reduce waste; for instance, it has reused 688 pieces of unwanted office furniture, returned direct mail to the sender, and returned packing materials, resulting in a reduction of 13.5 tons. Furthermore, Yokogawa Electric was recognized as an Eco Partner (a waste reduction and recycling promotion company) by the city of Musashino for its separation, reuse and recycling, generation prevention, and in-house education.



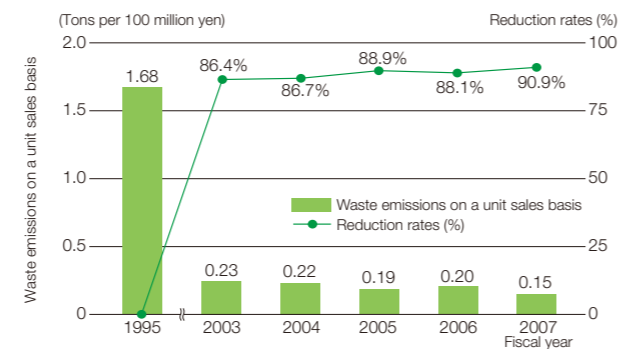
Yokogawa Electric Headquarters Recycle Center

* The Eco Partner (waste reduction and recycling promotion company) system was established by the city of Musashino, Tokyo to recognize the achievement of companies that are actively committed to reducing waste and the consumption of energy and resources.

Reusing External Packing Materials for Export

The exchange of information between factories and the reuse of resources is important to achieve the goal of zero emissions. Yokogawa Manufacturing's Kofu Factory used to purchase cardboard boxes for use as export packing materials, while the Ome Factory used to dispose of packing materials after parts were delivered. The Ome Factory decided to replace the packing materials with high strength plastic and the Kofu Factory is reusing these plastic materials reducing both waste and cost.

◆ Unit-sales-basis Waste Emissions and Reduction Rates (compared to fiscal year 1995)



Data taken from Yokogawa Electric and 40 Group companies

Social Activities Report

Stakeholder Relations

The Yokogawa Group recognized its social responsibility before the concept of CSR grew popular, and has been actively contributing to society and improving the working conditions of its employees.

The Standards of Business Conduct for the Yokogawa Group clearly state that employees should act fairly in relationships with various stakeholders such as customers, shareholders, community members, suppliers, and competitors.

Contribution to the local community is also important. The Yokogawa Group is making an active contribution to local communities around the world. The Group considers each employee to be an invaluable human resource indispensable to the Group. Based on this view, the Group is improving the working conditions of its employees and proactively provides them with opportunities to develop their abilities and skills.

The most important thing for a company is to secure the trust of its customers. The Yokogawa Group implements a reliable quality assurance system and information security measures to provide products and services that are useful to society. The Group will maintain a posture of advancing together with its stakeholders and will meet its responsibilities to society.



Achieving Customer Trust and Satisfaction by Delivering the Same Quality Worldwide

Guided by shared concepts and rules, the Yokogawa Group implements quality management on a daily basis to deliver products and services that meet customer expectations. Every year, the Group establishes quality targets and measures in the Yokogawa Group Quality Plan and implements quality activities on the basis of this plan to ensure high quality.

Putting Quality First 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 Yokogawa Group'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.

Implementing Quality Measures on the Basis of the Quality Plan to Maintain High Quality

The Yokogawa Group implements the quality management system across all processes, from product planning, development, design, manufacturing through to sales and services. All the main Group companies have obtained ISO9001 certification, starting with Yokogawa Electric in 1992.

In addition to its shared quality policy, the Yokogawa Group has established quality targets and measures that are to be implemented worldwide. Every year, the Group conducts a presentation to explain the quality policy, targets, and

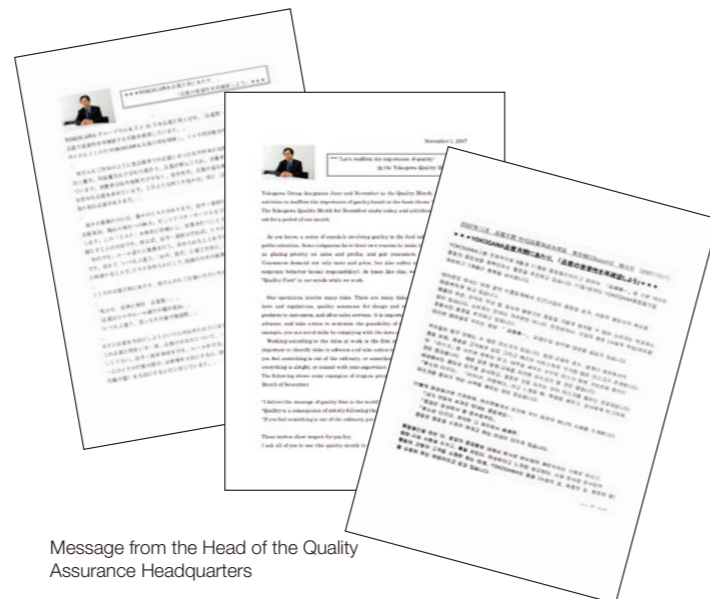
measures for the Group companies to ensure that they are shared by all employees worldwide. The results of the quality activities of each department are checked on a monthly basis and reviewed on a quarterly basis. The shared problems are reflected in the next quarterly plan so that measures can be undertaken to solve them.

Elaborate Activities to Ensure the Quality First Mindset (Qm)

We believe that the quality first mindset (Qm) is particularly important in maintaining the Yokogawa Group's high quality. The Group conducts the Yokogawa Quality Month campaign twice a year, and promotional activities such as the display of posters and reciting of daily slogans are carried out throughout the Group. In fiscal year 2007, we selected a number of daily slogans from the 3,000 entries submitted by employees and posted these on the intranet and displayed them at production sites during each Quality Month.

In order to further raise awareness of the need for quality, a message from the Head of the Quality Assurance Headquarters was distributed to all employees, and the message was translated and posted at production sites outside Japan.

These quality activities were positively received within our industry, as evidenced by the fact that Yokogawa Electric was 42nd out of the 215 companies in the fiscal year 2007 quality management ranking compiled by the Union of Japanese Scientists and Engineers. The Yokogawa Group will continue to provide education to raise the quality awareness of employees and ensure the implementation of the quality management system to deliver the same quality worldwide.



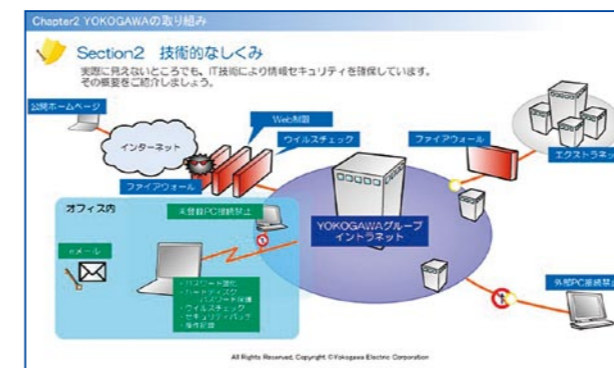
Message from the Head of the Quality Assurance Headquarters

Protection of Important Stakeholder Information

The Yokogawa Group works together with customers to provide them with solutions. To protect important information entrusted to us by our stakeholders, we implement information security measures to address three aspects: people, equipment, and information technology (IT)

People: Information Security Training

An important way to protect information is to raise the security awareness of each employee by training them on how to handle information. To ensure that Yokogawa's employees are in agreement on the importance of information security and keep their knowledge up to date, the Yokogawa Group uses an e-learning system to annually provide training to all employees. Based on the belief that "a good beginning makes a good ending," the Group provides training to new employees who are entering straight out of university or in mid-career to familiarize them with the rules of their new workplace. We also review the details and results of the training through information security audits.



e-learning materials on screen

Equipment: Continuous Improvement

We implement anti-theft, fire-prevention, and other security measures to protect locations where information is stored. Our facilities and equipment are kept under continual surveillance, and efforts are made to replace obsolete facilities and equipment with state-of-the-art ones. For R&D facilities that require advanced security, we implement a variety of security measures including the introduction of iris authentication for facility access control and the use of storage cabinets that can only be unlocked with an employee ID card.



Opening a locked cabinet with an employee ID card

Information Technology (IT): Protection Behind the Scenes

The most vulnerable point with regards to information security breaches is people. People can leak information by mistake and misuse information out of ignorance. IT systems provide ways to prevent such human errors.

1. Measures to prevent data leakage from PCs

We create a more secure environment by installing antivirus software, implementing biometric authentication, using data encryption, and more.

2. Anti-spam measures

We have implemented an anti-spam filtering system, because spam mail is not only bothersome but also includes malicious mail that may cause data leakage and virus infection.

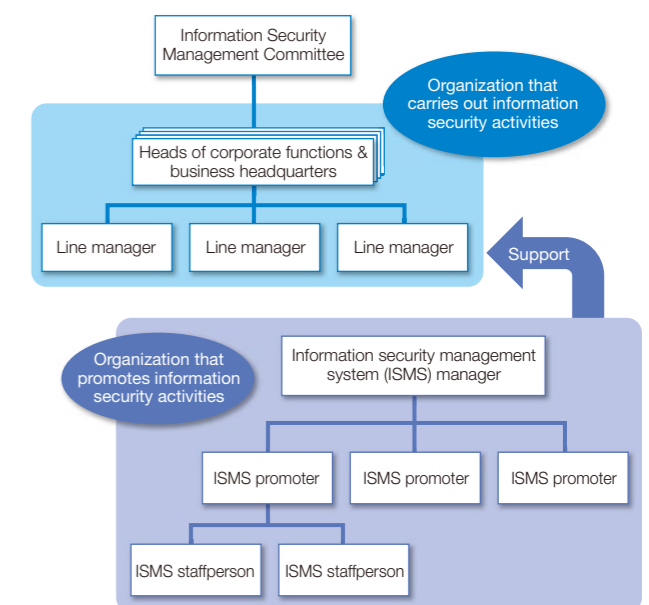
3. Network connection device management

To protect against unauthorized access and data leakage, we prevent unregistered PCs and related devices from being connected to the network.

Organization

There is an Information Security Management Committee that discusses and determines information security measures and policies.

In addition, there is an information security department or section for each of the Yokogawa Group's headquarters and business headquarters, as well as for each Group company. A PDCA, or Plan-Do-Check-Act, cycle is implemented to ensure information security activities are implemented smoothly.



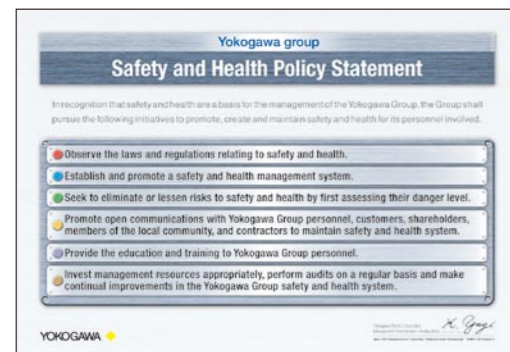
Information security organization

Providing a Safe and Healthy Working Environment

Following the decision to implement an Occupational Safety and Health Management System (OSHMS), the Yokogawa Group established a Safety and Health Policy in fiscal year 2007 and the OSHMS went into effect. In fiscal year 2008, the Group will conduct a system audit of its OSHMS activities, with the aim of continually improving safety and health.

OSHMS Goes into Effect

In fiscal year 2007, the Yokogawa Group established a Safety and Health Policy for the Yokogawa Group, and the OSHMS went into effect. Each of the Group companies carries out risk assessment, systematically evaluating potential risks and hazards in the workplace so that they can be either reduced or eliminated. In addition, the Group is implementing the OSHMS. For example, all 18 Group companies in Japan have completed the preparation of a manual that provides the basis for implementation of the OSHMS, and each Group company outside Japan will complete this task in the first half of fiscal year 2008.



Safety and Health Policy for the Yokogawa Group

Accident Analysis for Fiscal Year 2007

There were eight industrial accidents at Yokogawa Electric in fiscal year 2007, down one from fiscal year 2006. One industrial accident required four or more days' leave, and this occurred during a business trip outside Japan. We reaffirmed the importance of safety awareness with each employee.

◆ Number of Industrial Accidents at Yokogawa Electric

Year	2005	2006	2007
Annual average number of workers	6,366	6,308	5,145
Total actual labor hours	11,813,914	12,087,160	10,094,954
Four or more days missed (persons)	1	0	1
One to three days missed (persons)	2	3	2
Subtotal (persons)	3	3	3
No days missed (persons)	12	6	5
Total	15	9	8
Total days missed	30	7	75
Lost work days	24.7	5.8	61.6
AFR (National average: 1.83)	0.25	0.25	0.30
ASR (National average: 0.11)	0.002	0.000	0.006

Industrial accident frequency rate (AFR) =
Number of deaths or injuries as a result of industrial accidents / Total actual labor hours x 1,000,000 hours
Industrial accident severity rate (ASR) =
Total lost work days / Total actual labor hours x 1,000 hours

Tokyo Metropolitan Police Commissioner's Award for Continuous Road Safety Efforts

Through its safety committee, the Yokogawa Group continues to implement road safety activities such as road safety workshops and the provision of street crossing guards. For its contribution to the local community and record of no major road accidents, Yokogawa Electric received the Tokyo Metropolitan Police Commissioner's Award for Excellent Traffic Safety Organization.



Street crossing guard

Tokyo Fire Department Emergency Director's Award for Emergency Medical System

In September 2007, Yokogawa Electric was recognized for its implementation of an emergency medical system and received the Tokyo Fire Department Emergency Director's award. Ten automated external defibrillators (AED) are installed at the Yokogawa Electric Headquarters, and 360 employees have participated in AED and cardiopulmonary resuscitation training over the past four years.



AED training

Emergency Response

Yokogawa Electric has established emergency response guidelines to ensure the safety of employees as well as visitors. At Yokogawa Electric, a Safety Guide is handed out to visitors that shows the locations of safety helmets, evacuation procedures/routes, and the like. By such means, the safety awareness of both employees and visitors is enhanced.



Safety Guide and floor map for evacuation

Developing the Abilities of Individual Employees and Providing a Good Working Environment

Each employee is an invaluable resource for the Yokogawa Group. To bring out the full potential of its employees, the Group provides various career development programs. Also, the Group is actively engaged in the employment of retired staff and people with disabilities, and implements various measures to ensure that employees can lead an active social life.

Career Development that Improves both Individuals and the Company

The Yokogawa Group has implemented a variety of human resource utilization measures to ensure that the right person is assigned to the right position. Rather than being company-initiated programs to make better use of employees, these measures are meant to support employees in their own career advancement initiatives. Such measures include the granting of transfer requests. By enabling individuals to perform their duties to the best of their abilities, the Company establishes a positive relationship with its employees.

◆ Career Development Initiatives

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 by the employee and the supervisor. After they come to a common understanding, 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 supervisors' 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 supervisors' consent and, if selected, are guaranteed to receive the transfer.

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, which positions are available, and which departments are seeking new personnel. This information, however, is used exclusively for reference purposes as a way of keeping employees up to date on required expertise and skills. This information is not equivalent to the Internal Posting of Job Openings.

Certification as an Enterprise Supporting a Balanced Work and Family Life

In December 2007, Yokogawa Electric was certified as an Enterprise Supporting a Balanced Work and Family Life by the Chief of the Tokyo Labor Bureau. This certification is based on the Law for Measures to Support the Development of the Next Generation, which requires enterprises to improve the employment environment to support a balanced work

and family life. The Company provides a childcare leave and nursing care leave system that exceeds the requirements of the law. As one of its contributions to the community, the Company also operates its own day care center for children. The Group was recognized for these activities.



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.

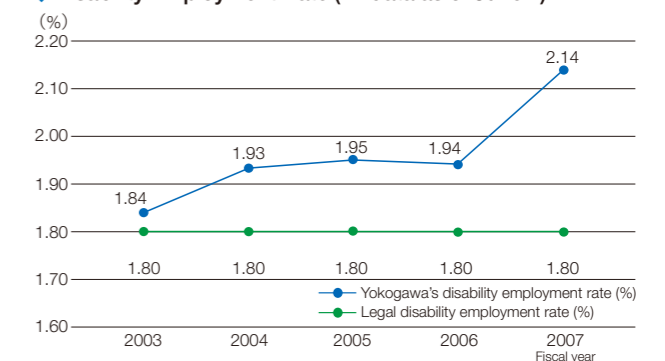
Since the launch of our Normalization Project in 1992, we have actively engaged in the employment of people with disabilities. Furthermore, Yokogawa Foundry Corporation, a subsidiary that specializes in the employment of people with mental disabilities, was inaugurated in 1999. Its staff work actively across Group companies in Japan, covering a variety of services.

Promoting the Well-being of Employees

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

A core feature of the Yokogawa Group EAP is the extension of psychological and career support to employees. The program provides various kinds of support, 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 EAP program is publicized via the intranet to employees in Japan.

◆ Disability Employment Rate (All data as of June 1)



Yokogawa Group Companies Outside Japan Are Also Contributing to Their Communities

Examples of Activities Outside Japan

Turning Vacant Land into a Park Where People Can Relax (Thailand)



Yokogawa (Thailand) Ltd. turned vacant city-owned land in front of its office into a green park where employees and local residents can relax.

Implementation of Outreach Program (Philippines)



Yokogawa Philippines Inc. provided housing and life care support for elderly people, disaster victims, and homeless people through a charitable organization.

Giving of Winter Clothes to Elementary Students (China)



Yokogawa employees in China continue to provide tuition support for deprived children. In fiscal year 2007, they visited an elementary school in Qinghai, China and gave out winter clothes.

Gifts of Charcoal Briquettes and Rice (Korea)



A volunteer group of about 60 employees at Yokogawa Electronics Manufacturing Korea Co., Ltd. provided heating oil, charcoal briquettes, and rice to elderly people living alone.

Participation in March of Dimes Campaign (USA)



Yokogawa Corporation of America employees, their families and friends participated in a national "March for Babies" charity campaign sponsored by the March of Dimes, which supports the prevention of birth defects.

Participation in Housework Support Activity (Korea)



In addition to providing support to nursing homes, Yokogawa Electronics Manufacturing Korea Co., Ltd. employees helped clean the homes of elderly people.

Walking Hand-in-Hand with the Community in the Past and in the Future

Examples of Activities in Japan

Musashino Police Station Holds Road Safety Workshop on Yokogawa Electric Headquarters' Athletic Field



The Musashino Police Station held a road safety workshop on the athletic field at Yokogawa Electric Headquarters. Practical training was provided to help elderly people learn how to ride bicycles safely.

Receipt of Certificate of Appreciation from the Fire Chief of the Tokyo Fire Department



Yokogawa Electric and the Tokyo Fire Department's Musashino Fire Station have concluded a support agreement for disasters, and we have actively implemented various activities to support the fire department to ensure safety and security for the community.

Donation of an Advanced Emergency Care Simulator to the Musashino Fire and Disaster Prevention Association



We donated a simulator for emergency care education and training for the citizens of Musashino City, as well as items such as nonflammable clothing for children and rescue power drills.

Participation in Musashino City-sponsored Campaign to Clean Areas near Railway Stations on No Rubbish Day



More than 100 Yokogawa employees and their families picked up rubbish on a 2 km stretch of road between the Yokogawa Electric Headquarters and nearby railway stations.

Upgrading of Photovoltaic Power Generation Display Panel



We upgraded this display panel so that it can be seen from the sidewalk in front of the Yokogawa Electric Headquarters. This panel displays in real time how much electricity is being generated by the solar panels installed on the rooftop of the factory.

Receipt of Contributor Award from the Japan Road Association



Yokogawa Electric was recognized for building a trail and planting trees adjacent to its athletic field. For this, it received a road contributor award, which is awarded to organizations that have contributed to the improvement of roads nationwide.

Participation as Panelist in Forum on Law for the Promotion of Industrial Locations



Shinichi Takigishi, Head of the Life Science Business Headquarters, participated in a panel discussion on the topic of "What should communities do to attract industries?" and explained the friendly relationship between the Company and the local community.

Orchestra Holds Music Workshop



Yokogawa's orchestra, Ensemble Yokogawa, held a music workshop at an elementary school in Higashimurayama City. About 300 students and parents attended.

Lecture and Training at the Consortium on Education and Research on Advanced Laser Science (CORAL)



The Communications and Measurement Business Headquarters and Corporate Research and Development Headquarters participated in a science and engineering education program sponsored by the University of Tokyo and two other universities that aims to educate young scientists in the area of optical science. The Yokogawa researchers gave a lecture and provided experimental training with optical fiber and optical communications.

Participation in Industrial Control System Forum Sponsored by the Japan Electronic and Information Technology Industries Association



The Corporate Research and Development Headquarters and Industrial Automation Business Headquarters participated in a forum that was held under the theme of "Environment and Safety and Security for the Future Industrial Society." Yokogawa personnel provided operational assistance to the forum and served as an expert committee chairman and working group manager.

Provision of Cardboard Boxes as Teaching Materials for Schools



Yokogawa Manufacturing's Ome Factory provided used cardboard boxes to elementary schools in the region. The boxes were used for various events at the schools.

Recovery of Fuel from Homes for Use in Shuttle Bus between Kofu Station and Kofu Factory



Since fiscal year 2004, this shuttle has been powered by biodiesel fuel (BDF). Starting in fiscal year 2007, we began to produce BDF using waste food oil from employee homes.

Participation in Musashino City Community Welfare Event



Yokogawa's basketball club participated in "Basketball Sawayaka Square," an event sponsored by the Sawayaka Welfare Foundation that was held in a local nursing home.

Holding of Autumn 2007 Sports Festa



The Autumn 2007 Sports Festa was held in the Yokogawa Electric Headquarters gymnasium. Despite rainy weather, more than 700 employees and their families participated in the event and enjoyed a variety of activities including jumping rope, playing team ball games, and watching a show featuring their favorite cartoon characters.

Participation in Environmental Picnic - Walk Along the Tenryu River



Yokogawa Manufacturing's Komagane Factory employees and their families participated in the cleaning of the embankment along the Tenryu River, sponsored by the Ina Techno Valley Regional Center of the Nagano Techno Foundation.

Holding of 2007 Yokogawa Festival



About 19,000 company employees, guests, and members of the local community attended the Yokogawa Festival on the athletic field at Yokogawa Electric Headquarters.

Holding of Clean Campaign 2007 at Yokogawa Manufacturing's Kofu Factory



About 50 employees and their families participated in the Clean Campaign 2007, cleaning up the factory site, pulling weeds, and planting pansies.

Promotion of Rugby Football Club to Top League



Yokogawa Electric's rugby football club, the flagship sports club of the Company, won all its games in the Top East 11 league thanks to the support of many fans and employees, and was promoted to the Top League for 2008.

My Opinions After Reading the Yokogawa Group CSR Report 2008

What stands out when you read through the Yokogawa Group CSR Report 2008 is that it covers not only the Group's activities in Japan but also those outside Japan, and that a lot of serious thought and deliberation has gone into its preparation.

The report maintains continuity with past reports in such aspects as year-to-year progress. That is excellent. And considering that the Yokogawa Group is a manufacturer, it is also understandable that the Group is strongly aware of its responsibility to the environment, among other CSR issues, and devotes much space to this topic.

The important thing is to be always aware of the need to improve environmental performance through your core business and take action, as expressed by the phrase "Environmental Contribution Through Proactive Business Operations" in Special Issue (1). This is just the thing that distinguishes Yokogawa from others. I think that the science class initiative featured in Special Issue (2) is the type of steady social contribution described in Yokogawa's corporate philosophy. The initiative featured in Special Issue (3) looks rather ordinary but I was able to get a feel for the active involvement of employees there. The report describes the details of environmental management well, but it would have been better to include longer range environmental targets, e.g. mid- to long-term, and for progress to be quantitatively compared with these targets. In future reports, I also would like to recommend devoting more space to the "Stakeholder Relations" section starting on page 36. For example, I would like to suggest adding information on relationships with investors, shareholders, and business partners.

I expect that the Yokogawa Group will continue to be a frontrunner and a brave pioneer in this, the century of the environment.



Hiroyuki Tada

Profile
 Chief Executive of Japan for Sustainability
 Chairman of the Steering Committee of the United Nations' Global Compact Japan Network
 Visiting professor at Hosei University
 Assistant professor at Osaka University Research Institute for Sustainability Science
 Mr. Tada has given many lectures and published many articles about environmental CSR.

One feature of the Yokogawa Group is that its measurement, control, and information technologies support our industrial and social infrastructure. It therefore bears a very significant responsibility to society. The Management Commitment section clearly states that the Group's contribution to the development of society through its core businesses is an essential element of its CSR activities. The acknowledgement of this is very important. In addition, by reading between the lines throughout the report, I could see the serious, never-give-up attitude of the employees who are engaged in CSR activities. Furthermore, I was impressed with the Group's honest approach to disclosing information on topics such as industrial accidents.

After reading the entire report, I was able to understand that the Yokogawa Group is currently at a stage where it is rethinking the meaning of its past CSR activities and trying to create a new picture of what CSR should look like in the years to come. That is why it seemed difficult to understand the following things about the activities covered in the report: the direction that will be taken, targets and achievements, future challenges, and the like. I suggest that it briefly provide information on the following (1) policy and strategy, (2) the management system, (3) targets and achievements, (4) instructions on how to obtain detailed information, and (5) an affirmation of the correctness of the information presented on each important theme that also clarifies what approach to CSR will be taken in the future. I expect that such basic information will help establish open communication with stakeholders.

Another thing I wish to be addressed is the defining of a system and process for sharing knowledge gained through the activities of the Group companies inside and outside Japan, as well as for learning from various stakeholders. The ultimate goal of CSR is to visualize management and create an open network. I am convinced that the Yokogawa Group will take advantage of its extensive international network and rich human resources to grow into a real global company.



Yujiro Sasamoto

Profile
 Executive Director of the Internal Control System Establishment Support and Consulting Organization
 Part-time lecturer at Aoyama Gakuin University Graduate School
 Part-time lecturer at Jissen Women's University
 Mr. Sasamoto has published many books about corporate legal affairs, corporate ethics, and compliance.

Seeking More Contact Points with Stakeholders

To enhance communications with all stakeholders, the Yokogawa Group widely discloses information on its activities through the publication of the CSR Report and other media. The Group also promotes CSR activities through the feedback of comments and opinions received from stakeholders for use in its own activities.

CSR Report 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 2007 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.

CSR Activity Websites

- ◆ Yokogawa Group CSR activity website (in Japanese)
<http://www.yokogawa.co.jp/cp/csr/cp-csr-index.htm>
- ◆ Yokogawa Group CSR activity website (in English)
<http://www.yokogawa.com/eco/eco-toppage-en.htm>
- ◆ Yokogawa Manufacturing's environmental activity website (in Japanese)
<http://www.yokogawa.com/jp-yimg/corp/eco/eco-info.htm>

Enhancement of Communication with Shareholders

The active disclosure of information is a key management theme of the Yokogawa Group. It is a basic policy of the Group to provide information in a timely, transparent, fair, and continuous manner, and for the information provided to its stakeholders, including shareholders, to be factually correct and easy to understand. Based on this policy, the Group is making efforts to communicate its business activities to individual shareholders through the enhancement of its IR website, annual report, and reports for shareholders, and by conducting presentations for individual investors. Furthermore, the Group provides interactive communication with shareholders by conducting surveys and establishing a hotline for their exclusive use.

These activities have boosted the number of individual shareholders for Yokogawa Electric. For this achievement, the Company received the Listed Company Award of the Year from the Tokyo Stock Exchange in fiscal year 2007.

The Group will continue to actively disclose information with the aim of being a company trusted by all stakeholders.



At the award ceremony



Diversification of CSR Communication

In February 2008, as part of its efforts to communicate with stakeholders, Yokogawa Electric's Officer in Charge of Environmental Management and the Head of the CSR Department met for an exchange of information on environmental and social contribution activities with Kazuo Kasugakawa, Senior Managing Director; Kenji Sekiguchi, General Manager, Subsidiaries & Affiliates division; and members of the CSR Compliance division from Fuyo General Lease Co., Ltd.



Meeting for information exchange

Communication Through the CSR Report

The Yokogawa Group received 302 responses to the 2007 edition questionnaires that were circulated internally and externally. The average ratings from one to five are shown below.

Year	2005	2006	2007
Was the report easy to understand?	3.9	4.1	4.0
Did the report contain enough detail?	3.8	3.9	4.0
Your comment on Yokogawa's environmental initiatives	4.3	4.3	4.3
Your overall impression of the report	4.0	4.1	4.2

The three most popular comments were: "Opinions of customers and employees were interesting," "Presentation of specific examples with photos was good," and "Some parts were tedious." We took these comments into consideration when preparing the 2008 edition.

Editor's Note

To enhance communication with stakeholders, we have adopted the opinions of third parties in this 2008 edition of the CSR Report and will consider them also in our future activities.

We preceded each of the special issues sections in the first half of this document and the sections in the second half reporting on our environmental and community activities with a front page that gives an easy-to-understand overview of the topic.

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.



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