

High Conduct Standards and Risk Management Support the Corporate Conduct of Yokogawa Employees

Yokogawa employees must act responsibly in every situation, in accordance with a solid ethical outlook and sense of responsibility. Therefore, the Yokogawa Group works hard to manage risks and ensure that all employees in the group follow our conduct standards.

Standards of Business Conduct for the Yokogawa Group

Yokogawa's corporate policy states that "individually, we aim to combine good citizenship with the courage to innovate." In keeping with this policy, we have revised the Standards of Business Conduct for the Yokogawa Group and distributed it in booklet form to all group employees. These conduct standards, comprising our basic policy, basic outlook, and conduct guide, serve as the compass guiding the conduct of Yokogawa employees.

Yokogawa believes that all employees must individually increase their awareness of corporate ethics in order to prevent ethical lapses from occurring. In accordance with this thinking, Yokogawa has established a Corporate Ethics Committee, which is primarily charged with promoting corporate ethics and resolving problems when they occur.



Standards of Business Conduct for the Yokogawa Group

Business Ethics Campaign

In fiscal year 2003 the Business Ethics Campaign launched the activities described below as part of our first ever Business Ethics Campaign. Business Ethics Campaign was directed at all Yokogawa Group employees over the two weeks from February 16 to 27, 2004.

(1) Corporate ethics lecture

We promoted this project on the Yokogawa Group's intranet, and a lecture was given by a graduate school professor at Rikkyo University (Business Ethics Research Center Chief Researcher). The lecture, attended by 124 people, focused on how to deal with illegal situations and other problems that employees could face. The key points were to not let problems go unaddressed, and to not ignore problems.

(2) Corporate ethics awareness survey

Three hundred people chosen at random were sent questionnaires on corporate ethics awareness. Their answers were collected anonymously by mail, and the

interim totals were posted on the intranet. There were five questions in each of six theme areas: understanding conduct standards, awareness of legal compliance, internal notification system, ethical awareness of internal illegalities, and ethical awareness of one's own conduct. Responses were received from 229 people, or 76% of those surveyed.

(3) Distribution of ethics cards

Ethics cards which are the size of regular business cards were distributed to all Yokogawa Group employees in Japan so that they can carry the cards with them at all times. The ethics cards present five conduct check points which are useful if an employee is uncertain about a decision, and also include contact information for the corporate ethics counseling department.

(4) Improved website for Internal Audit Department

The Internal Audit Department's intranet website was redesigned to make it more user friendly. In addition, new information was added, including a quiz on conduct standards; a total of ten case studies that can be worked through one a day over the ten days of Business Ethics Campaign; and a program that allows individuals to check their own conduct. As a result of these improvements, the website received approximately 10,000 hits over a ten-day period.

Risk Management

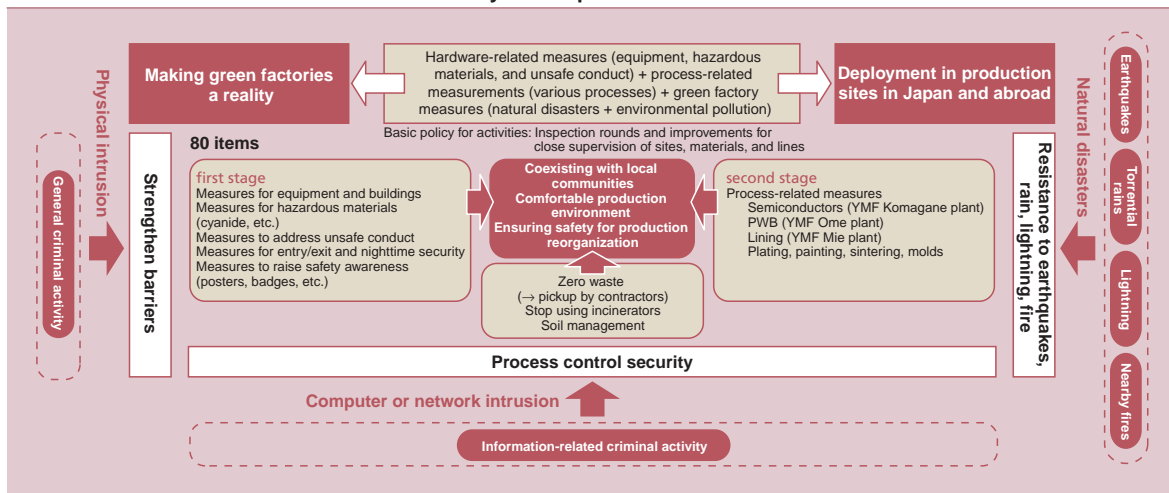
There are a wide variety of risks in the modern world, both inside and outside Japan. Furthermore, there are always underlying risks, and we cannot predict when and where they will surface. For these reasons, risk management is very difficult.

In October 2001, Yokogawa established a Crisis Management Office, headed by the company president, to address potential incidents, accidents, and disasters which could have a major impact on our business. In the event of an actual crisis, the Crisis Management Office will address the crisis directly. During normal conditions, crisis prevention issues are managed by a separate department—the Crisis & Risk Management Department. This department was established to handle risk management issues aimed at preventing the occurrence of accidents and other undesirable incidents.

In fiscal year 2003, the Sourcing & Manufacturing Business Headquarters established the Industrial Safety Office to oversee all production sites in Japan and abroad, improving safety measures designed to prevent disasters from occurring. The main policy focus areas of the Industrial Safety Office are as follows:

- 1) To understand the current situation regarding hazards in high-energy facilities, hazardous materials, and people through close supervision of sites, materials, and lines, and to implement safety measures to prevent mechanical malfunctions and human errors
- 2) To quantify the assessed degree of risk through a risk estimate matrix, and to clarify safety policies and remaining risks through risk assessment, so as to standardize the safety measures
- 3) To improve safety management for equipment installation and use based on visual hazard labels and visual check management.
- 4) To follow a project-based approach based on sharing of targets, information, and results, and to collaborate with Japanese restructuring and Yokogawa Electric China Co., Ltd. (YCS) startup projects to enable standardization of safety measures across all production sites, including overseas sites.

Disaster Prevention Activities and Green Factory Development



INTERVIEW

True Disaster Prevention Means Establishing and Solidifying a Culture of Safe Conduct

Yasuhiko Muramatsu,
Senior Vice President of Sourcing & Manufacturing
Business HQ and Head of Industrial Safety Office

From October 2003 through March 2004, the Industrial Safety Office visited all production facilities, both in Japan and abroad (in Korea, China, Singapore, US, Holland, and Germany) and promoted close integration between the individual site managers and the administrative leaders as well as production technology specialists. During the site inspections we looked at many things, including whether they were properly equipped with lifesaving equipment and had proper firefighting physical safety measures in place; what their process systems were like; whether the site manager performed a daily safety patrol; whether they had countermeasure manuals covering everything from earthquakes to natural disasters; whether they properly managed hazardous materials and toxic substances; whether they had implemented appropriate information security measures; whether they had safety equipment including fire extinguishers in place; and whether they were capable of properly responding to an emergency. I believe the real key to preventing disasters is to establish and solidify a culture of safe conduct, based on the idea of each individual working to remove seeds of hidden dangers.



Deploying a Management System Designed for Customer Satisfaction

The Yokogawa Group has deployed its Quality Management System (QMS) in pursuit of customer satisfaction, based on the management quality improvement activities raised by VISION-21 & ACTION-21, Yokogawa's new long-term operating vision.

Customer satisfaction is the number one goal

The 2000 version of ISO9001 states that all corporate activities should have customer satisfaction as their ultimate goal. The QMS system deployed by the Yokogawa Group, like EMS, uses a Plan-Do-Check-Action (PDCA) cycle to "spiral up" to higher quality.

Yokogawa receives a yearly Companywide Quality Plan (Policies, Targets, Measures), which is prepared by the Quality Assurance Department of the Business Quality Division (Management Administration Headquarters). Each division determines who its own customers are and creates a Quality Plan. This plan is then deployed in the quality activities of each department throughout the year. Progress in the quality activities of all organizations is reviewed at monthly Companywide QA Meetings attended by the quality assurance managers of each organization. These meetings serve to check whether the individual measures are achieving the goal of customer satisfaction. The main focus issues for the fiscal year 2003 Companywide Quality Policy were as follows:

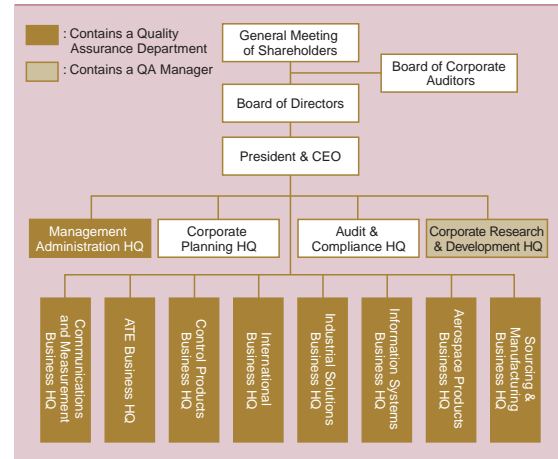
- ① Improving customer satisfaction
- ② Reorganizing the production system with a "quality first" approach
- ③ Eliminate latent risks

In fiscal year 2004 as well, we will continue the deployment following the Companywide Quality Policy.

24/7 Response Center

The Yokogawa Response Center serves as the customer care center for the entire Yokogawa Group and provides maintenance services. There are 115 service centers in Japan and 112 in other countries, operating 24 hours a day, 365 days a year. Currently the center staff includes four female customer relations associates and a number of technical specialists with strong technical skills. In fiscal year 2003, the center handled approximately 5000 calls per month, including basic inquiries as well as in-depth discussions.

Yokogawa Electric's Quality Assurance Organization (fiscal 2003)



INTERVIEW

The Secret to Handling Calls Is to Be Calm and Collected

Junko Miyaoka,

Customer Relations Associate, Response Center, Life Cycle Solutions Service Center, Industrial Solutions Business HQ

The Yokogawa Group provides automated production facilities, as well as integrated products that perform important functions in such facilities. If an equipment failure occurs, customers feel the impact directly in their production systems. The main tasks of our center are to prevent such problems before they occur, and to provide support to resume operations quickly if a failure does occur. Currently, the first level of customer call handling is done by four female associates, including myself. Often customers speak in a very urgent manner because they have some kind of problem. But if we get caught up in that urgent pace, we won't be able to accurately assess the nature of the problem. In this line of business, the key is to maintain a calm and collected state of mind while fully appreciating the customer's desire to rapidly fix the problem.



A Variety of Programs to Support Employee Growth and Make Work Easier

The Yokogawa Group wants to support employees in their efforts to improve themselves, and to provide an environment where employees feel secure in their work. With these goals, Yokogawa provides a variety of personal development programs, special hiring opportunities, and safety management programs.

Employee Development

Yokogawa recognizes that increasing individual awareness and proper execution by our employees are indispensable elements to our success as a company. We provide programs aimed at personal development as well as development of basic business skills in keeping with our human resources development policy.

In terms of environmental education, Yokogawa distributes environmental reports to each Yokogawa Group department every year to increase awareness. In addition, the YMF Kofu plant sponsored a lecture on "Eating and the Environment", given by an outside specialist.

Hiring Measures

(1) Employing the disabled

As part of its basic personnel management philosophy, Yokogawa has adopted a policy of true equality, providing equal opportunities and recognition regardless of conditions such as age, sex, academic background, nationality, disability or lack thereof.

At the end of fiscal year 2003, Yokogawa had continuously achieved the legally mandated 1.8% hiring rate for the disabled. Going forward, Yokogawa wants to continue providing employment opportunities to the disabled.

(2) Supporting the job search efforts of the retired

Yokogawa also strives to help retired persons past the age of 60 in their job search efforts. A human resources

company in the Yokogawa Group provides employment opportunities both inside and outside the Yokogawa Group, supporting the retired in their efforts to find work.

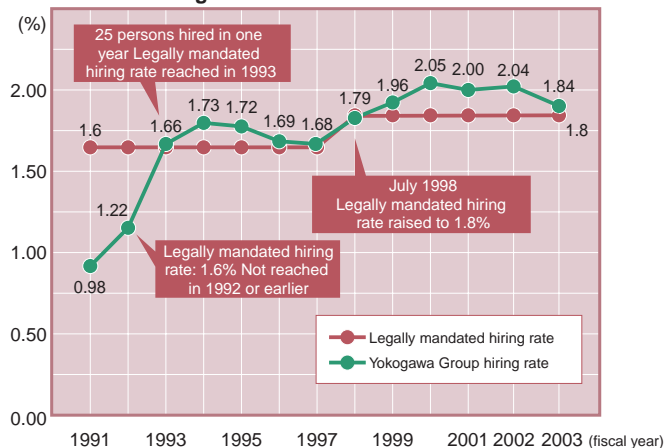
Workplace Safety and Hygiene

The Safety Committee conference, which is held annually, is an opportunity for workers and management to share the latest information on business operations, and to also share and solve issues and problems relating to operations and production sites. Yokogawa naturally strives to provide the best in workplace safety and hygiene, especially at production sites, and these issues are considered in evaluating the performance of each workplace. Labor-related accidents in 2003 are summarized below.



Environmental Education

Disabled Hiring for the Past 13 Years



Yokogawa Electric

Work-related Accidents over Past Four Years

Year	2000	2001	2002	2003
Annual average number of workers (persons)	6,346	6,346	5,750	5,625
Total actual labor hours (hours)	13,075,247	12,691,373	11,263,598	11,179,692
Four or more days missed (persons)	1	2	2	1
One to three days missed (persons)	1	2	1	3
Subtotal of workers who missed work (persons)	2	4	3	4
No days missed (persons)	17	17	12	15
Total	19	21	15	19
Total days missed (days)	31	158	85	43
Work days lost (days)	25.5	129.9	70.7	35.3
Incident rate (national average: 1.77) (persons)	0.15	0.32	0.27	0.36
Strength rate (national average: 0.12) (days)	0.002	0.010	0.006	0.003

$$\text{Incident rate} = \frac{\text{Number of workers who missed work}}{\text{Total actual labor hours}} \times 1,000,000 \text{ h}$$

$$\text{Strength rate} = \frac{\text{Lost work days}}{\text{Total actual labor hours}} \times 1,000 \text{ h}$$

Active Involvement in Local Communities

Yokogawa Group employees and their families are actively involved with local communities and residents based on a sense of social responsibility, which is a part of Yokogawa culture.

Contributions to Local Communities

Corporate philanthropy

Yokogawa continues its tradition of giving to local communities. We have donated Yokogawa products to Asian countries and set up a human resources development fund. In fiscal year 2003, we provided support to a special anniversary celebration marking the 750th year since the founding of Kenchoji, the first Zen temple erected in Kamakura.

Project HOPE Japan

Yokogawa supports Project HOPE Japan, a certified NPO which was established in 1997 to help developing nations improve the healthcare systems and to develop a culture of international contribution. In fiscal year 2003, Project HOPE Japan provided education on AIDS prevention, funded heart surgeries for children, and health and hygiene programs for mothers and children.

Recognition by Japan Red Cross Society

Since December 1966, Yokogawa has collaborated with the blood drives of the Japan Red Cross Society's Red Cross Blood Center. As recognition for distinguished services, Yokogawa was awarded a Silver Order of Merit at the 2003 annual Red Cross Society meeting held in Tokyo.

Building a School in Cambodia

To mark the occasion of their retirement, the Yokogawa alumni, who entered Yokogawa as employees in 1960, donated a school to a Cambodian village with the support of many alumni. In January 2004, sixteen supporters visited the school for the first time and were given a warm welcome.



Donation Ceremony in Cambodia

Community Outreach

The Yokogawa Group organizes and participates in a variety of events as part of its community outreach efforts. In 2003, the Yokogawa Headquarters, YMF Komine plant, and other group companies in different areas sponsored summer festivals which were enjoyed by employees, local citizens, and customers. Yokogawa also actively participates in locally sponsored environmental campaigns.

Celebration of 350th Anniversary of the Development of Tamagawa Josui River in Musashino City

On December 6, 2003, as celebration of the 350th anniversary of the development of Tamagawa Josui River, Musashino City sponsored an event in which participants strolled along Tamagawa Josui while cleaning it up. Yokogawa Electric provided a variety of types of support for this event, ranging from promoting the event in advance to running operations on the day of the event.

The trash collected on this day filled an entire truck. The walk ended in Nishikubo Park, where participants were given blueberry seedlings before they left.

Mr. Osamu Yamada, who planned this event and is a proponent of urban greening at Musashino City Hall, offered these kind words: "While it seems there were events everywhere marking the 350th anniversary of the development of Tamagawa Josui River, I think our event really stood out, with some 600 participants. I am deeply thankful to everybody at Yokogawa, who provided support from preliminary event promotions to running operations on the day of the event."



Celebration of 350th anniversary of the development of Tamagawa Josui River in Musashino City

A Wide Range of Outreach Initiatives Based on the Environmental Management Report

The Yokogawa Group prepares its Environmental Management Report in order to strengthen relationships with stakeholders. In addition, we participate in various exhibitions and take other opportunities as well to provide information on the group's environmental solutions.

Environmental Reporting Activities

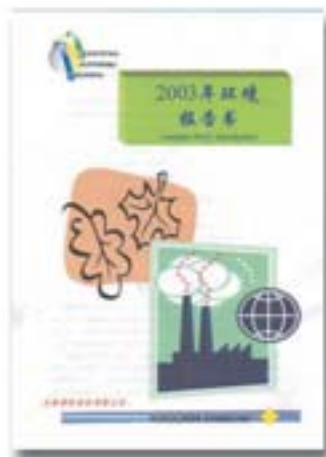
Since 1999, the Yokogawa Group has prepared an annual environmental report as an important communication tool and distributes it to customers, employees, and other stakeholders in order to reinforce environmental management activities based on our long-term management vision.

This year, we have modified the report and are publishing it as an Environmental Management Report. The purpose of the report is to communicate the Yokogawa Group's approach to environmental management, and to describe the environmental activities of all Yokogawa employees across all of our operations. The 2004 edition was produced in cooperation with outside consultants.

In addition to the printed edition, we publish information on our environmental protection activities on the Internet, with a special area of our website dedicated to Environmental Protection Activities. The English version of the report is available on our global website. In addition, our overseas subsidiaries, Yokogawa Sichuan Instrument Co., Ltd., Suzhou Yokogawa Meter Company, and Yokogawa Shanghai Instrumentation Co., Ltd., also publish their own environmental reports as part of their efforts to maintain good communications with their local communities.

Website for our environmental protection activities:

<http://www.yokogawa.com/environment/>



Cover Page of Environment Report Published by Yokogawa Shanghai Instrumentation Co., Ltd.

Responses to Our Environmental Report 2003

The Yokogawa Group used the 2003 edition to provide environmental education to our employees. In addition, we analyzed the responses from in-house and external questionnaires on the 2003 edition. The overall ratings on a scale of one to five are shown below (number of respondents: 418).

•Was this report easy to understand?	... 3.8
•Did this report contain enough detail on what you wanted to know?	... 3.9
•How do you feel about the Yokogawa Group's measures and actions for environmental protection?	... 4.2

The top five sections which interested readers most were:

1. Energy conservation and resource conservation relations
2. Soil cleaning
3. Zero emissions
4. Employee relations
5. Community outreach

We received the following comments from respondents to the external questionnaires.

- The information on how you handle communication about the environment and how you approach design and manufacturing was very helpful.
- I appreciated the way you pointed out the problems posed for society as a whole.
- Please simplify the text and use more paragraph breaks, tables, graphs, etc.
- I want to know what your employees think about the environment.

We took these results and comments into account when writing the 2004 edition, and will continue to work on improving the report.

Other Communication Activities

We exhibited environmentally friendly products and environmental solutions at shows such as ISA EXPO 2003 in the US, to improve customer awareness of our products and services. In addition, we were actively involved in many outreach activities, including the Environmental Citizen Meeting of Musashino City, and the Environment and Safety Committee of the Japan Electronics and Information Technology Industries Association (JEITA).