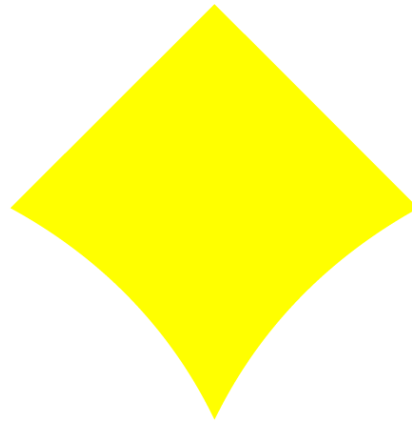


Practice of Export Control



YOKOGAWA

Corporate Outline

Company Name	Yokogawa Electric Corporation
Founded	September 1, 1915
Incorporated	December 1, 1920
Paid-in Capital	43.4 billion yen
Sales	347.9 billion yen (consolidated)
Operating Income	18.4 billion yen (consolidated)
Ordinary Income	18.0 billion yen (consolidated)
Net Income	14.7 billion yen (consolidated)
R&D Investment/Sales	7.3 %
Number of Employees	19,685
Capital Ratio	44.3 %

Results of fiscal year 2012



Industrial Automation and Control Business

Distributed control systems for the monitoring and control of processes in a broad range of production facilities such as oil, chemical, natural gas, electric power, iron and steel, pulp and paper, pharmaceutical, food, and other industries.

**High reliability 99.99999%
in over 24,000 projects**



Test and Measurement Business

Measuring instruments for the development and production of electrical, electronic, and automotive equipment, as well as communications markets.

Other Businesses

Aircraft instrument, marine navigation system, environmental business.

Production Control Systems and Field Instruments

CENTUM VP

Integrated Production Control System



STARDOM

Network-based Control System

ProSafe-RS

Safety Instrumented System



FA-M3V

Range-free Multi-controller



DPharp EJX

Differential Pressure/
Pressure Transmitter



ADMAG AXF

Magnetic Flowmeter



Worldwide Business Operations

YOKOGAWA 

Global network supporting business growth

15 subsidiaries and 1 affiliate in Japan
69 subsidiaries and 2 affiliates outside Japan

As of the end of March 2013



Yokogawa Europe
(The Netherlands)

Yokogawa China
(China)

World Headquarters
Yokogawa Electric Corporation
(Japan)

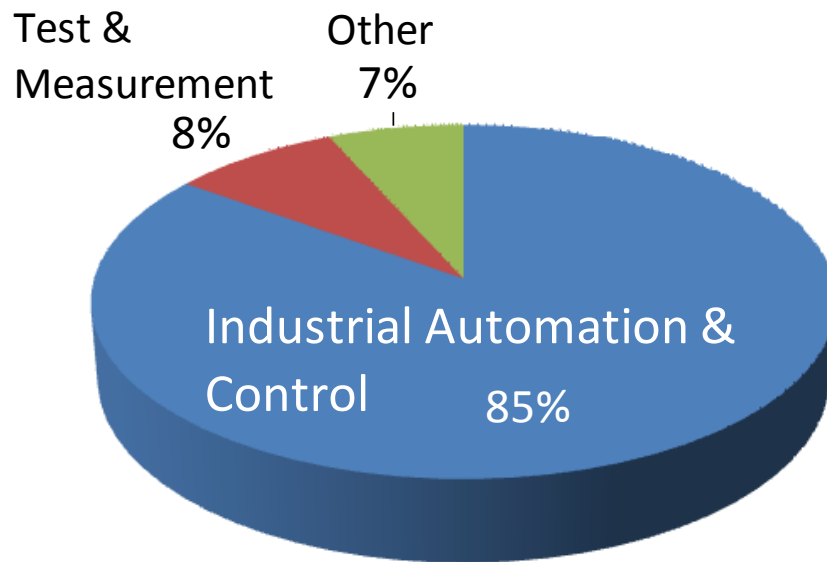
Yokogawa Corporation of America
(USA)

Yokogawa Middle East & Africa
(Bahrain)

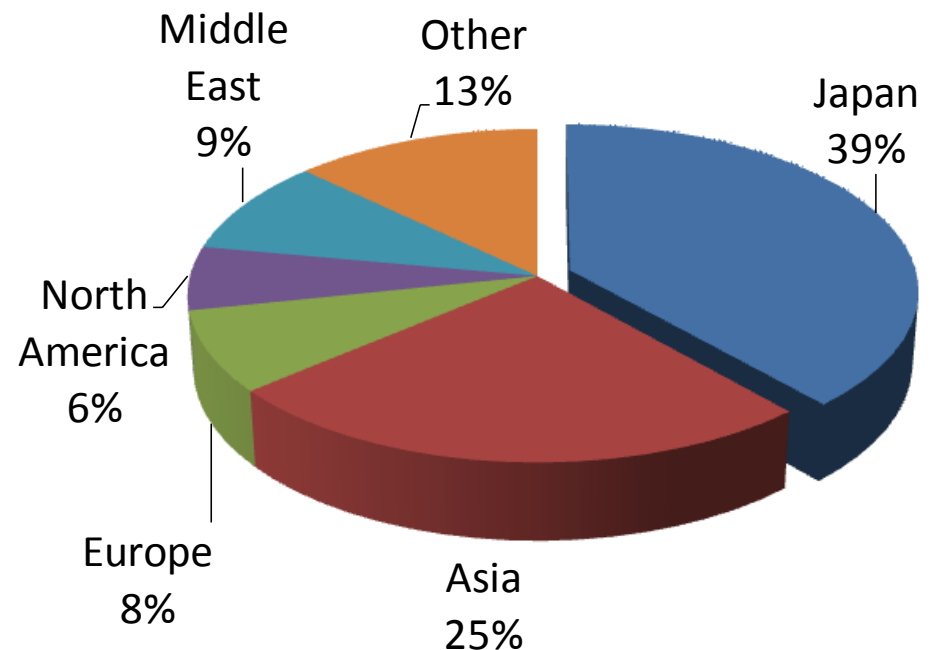
Yokogawa Electric International
Yokogawa Engineering Asia
(Singapore)

Yokogawa Philippines Inc.
Topy Industries Building, No. 3 Economia Street,
Bagumbayan, Quezon City, Philippines
Phone: (632)-238-7777
<http://www.yokogawa.com/ph/>
Customer Service: Alfred.Cambri@ph.yokogawa.com

Sales by Product



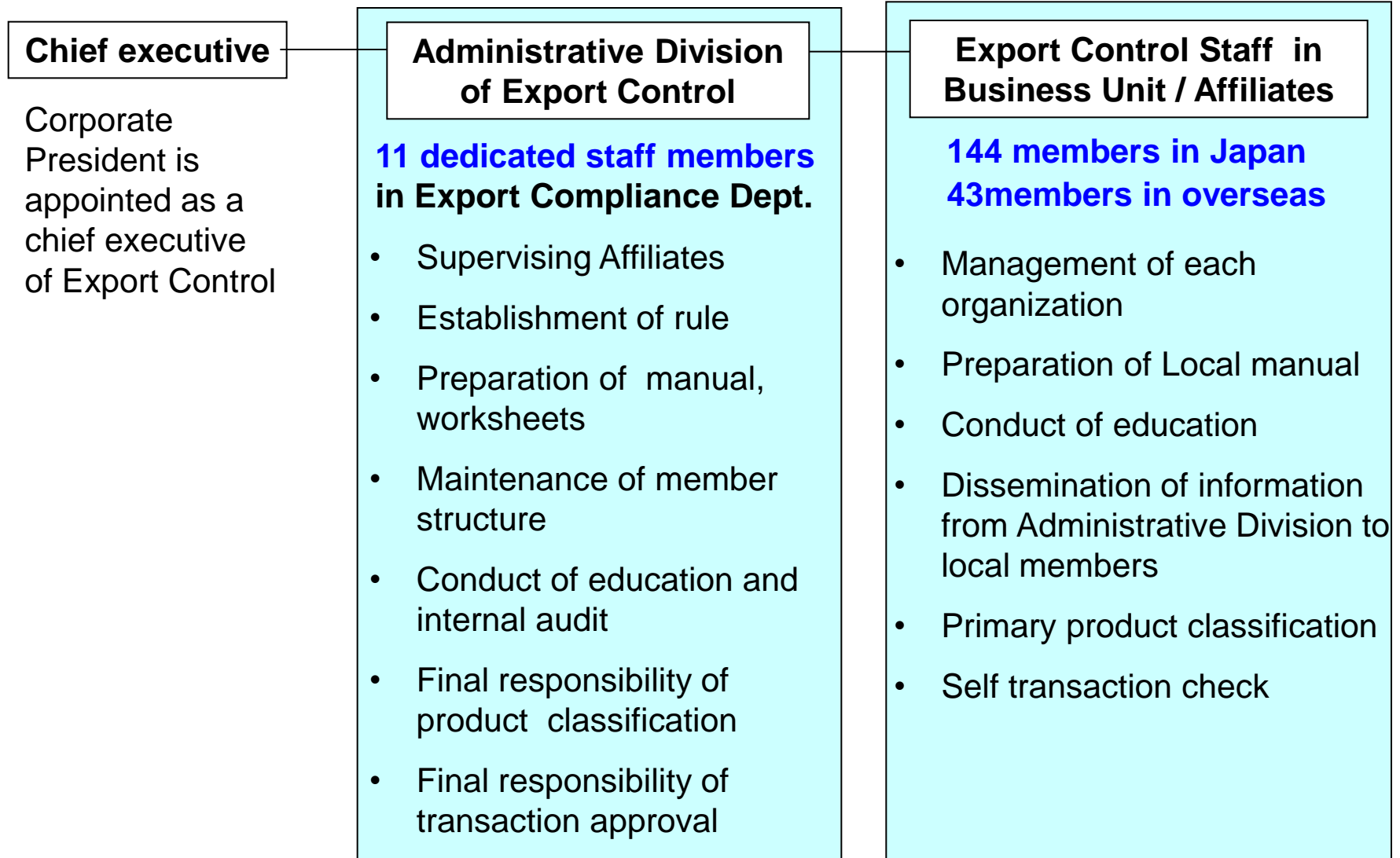
Sales by Region



Global business expands in “Industrial Automation & Control” market

* Figures based on actual sales in 2012

Export Control of Yokogawa



Internal Compliance Program comes first

<Contents>

- Organization and role
- Classification procedure
- Transaction check procedure
- Shipping control procedure
- Audit
- Education
- Record keeping
- Escalation
- Penalty

Security Export Control Code

Chapter 1 General Provisions

Article 1. Purpose

This Code is provided to adequately implement security export control in the purpose of maintaining international peace and security.

Article 2. Scope of Application

This Code shall be applied to activities conducted by Yokogawa Electric Corporation (hereinafter "Yokogawa") of export of goods, transfer of technologies to nonresidents, transactions to transfer technologies in a foreign country (hereinafter "Technology transfer"), brokering trade transaction and brokering transaction of technologies.

Article 3. Definition

1. "Foreign Exchange Act and relatives" refers to the Foreign Exchange and Foreign Trade Act, which stipulates export of goods, technology transfer, brokering trade transaction and brokering transaction of technologies from the viewpoint of maintaining international peace and security, and Orders, Ordinances, Notifications or Guidance based on the aforementioned law.
2. "Exports" refers to export of goods (including domestic transactions in the premise of export afterwards) and technology transfer.
3. "Brokering trade transaction" refers to buying, selling, donation or loan of goods involving the movement of goods between foreign countries.
4. "Brokering transaction of technologies" refers to technology transfer which was obtained in a foreign country to a nonresident without bringing to Japan or to another country.
5. "Items" refers to goods and technologies.

List Control

The permission of the authority is required for the **controlled goods / technologies** prior to the export.

Catch-All Control

The permission of the authority is required for the export to **concerned user or concerned usage**.

<Major Requirements of Export Control>

1. Product Classification
2. Transaction Check
3. Shipping Check

Major Role in Each Organization

Product Development



**Development
Dept.**

Manufacturing



**Shipping
Dept.**

User



Sales Dept.

**Export
Compliance
Dept.**

**Product
Classification**

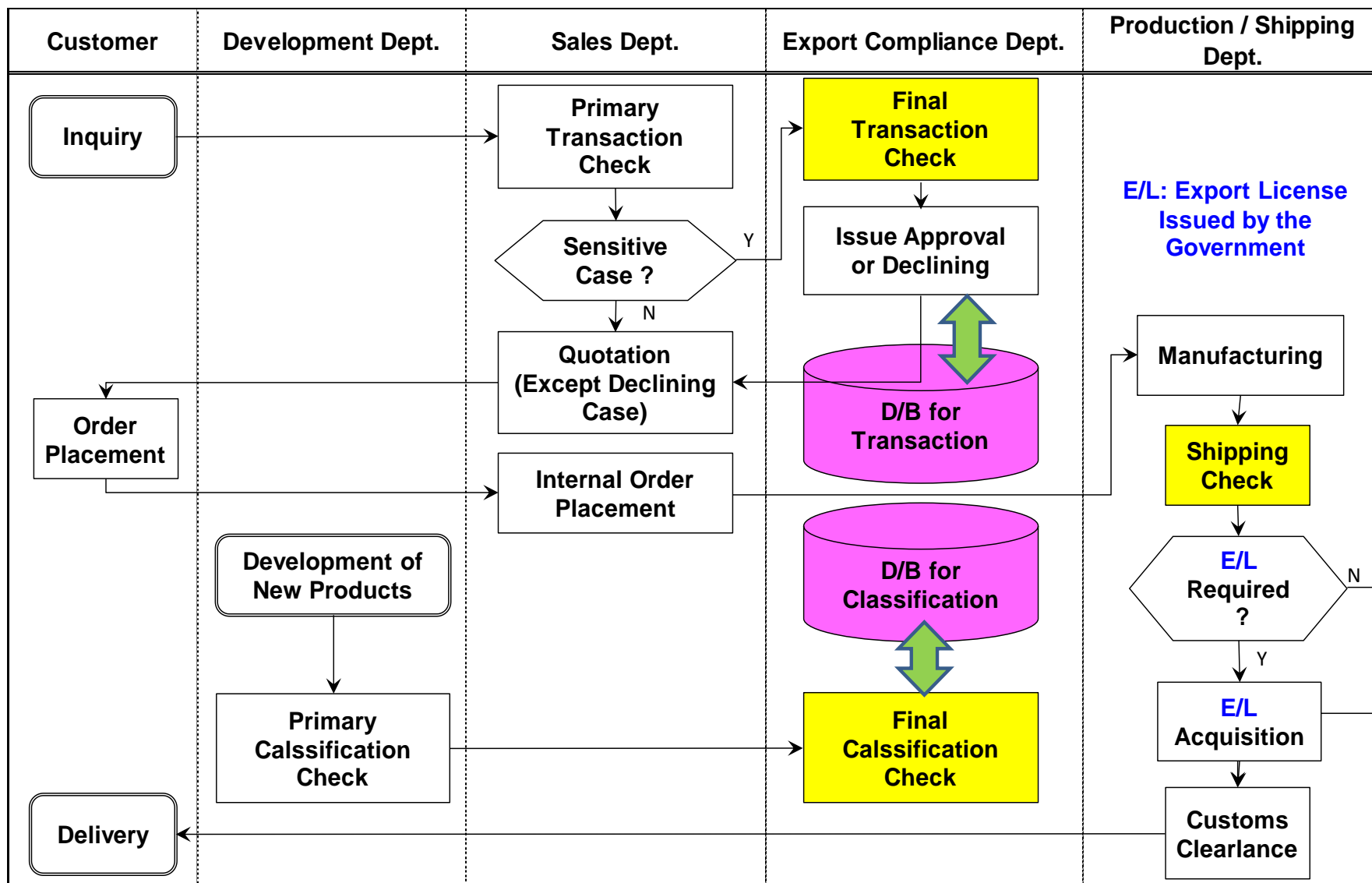
**Shipping
Check**

**Transaction
Check**

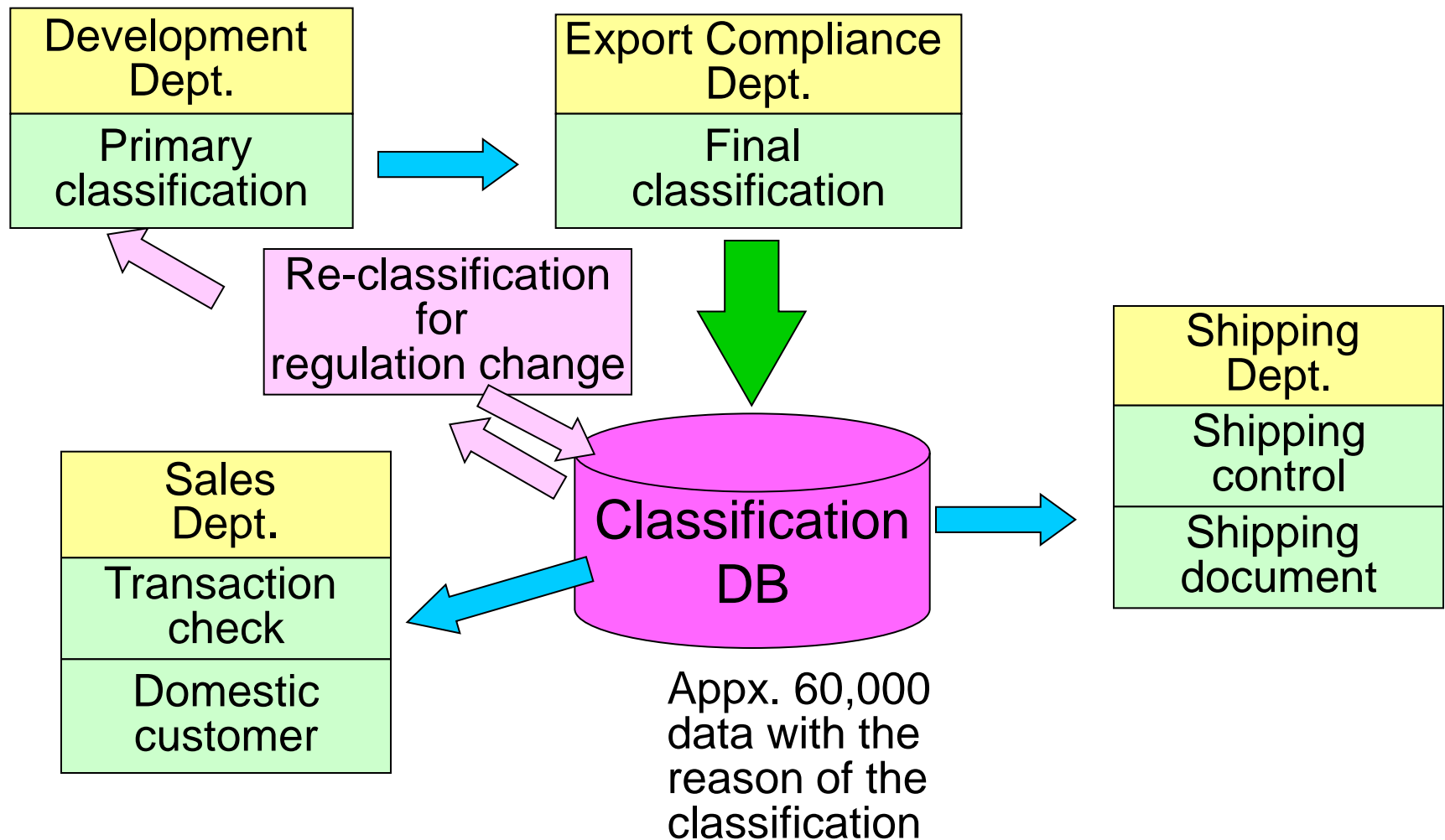
Database for;
- Classification
- Transaction
record

Export Control Operation in Detail

Export Control Operation Flow



- Classification is required for the goods / technologies prior to export.
 - ➡ Yokogawa makes it a rule to always classify them before releasing the products to the market.
- To identify they are subject to controls of the Foreign Exchange and Foreign Trade Law
- Export License of the authority is required for export.
- The classification information is stored into our database.



- You need to know who is the final user and what is the final usage.
 - ➡ Yokogawa makes it a rule to check the transaction when sales dept. receives an inquiry from customer.
- The permission of the authority is required for the export to concerned user or concerned usage.
- In case of uncertain transaction, you can consult with METI.

Transaction Check Form

Sensitive Case

Request to: ☐ YHQ: G.M., Export Compliance Dept.
☐ In-house Staff Responsible for Export Control

Transaction Check & Approval Sheet

Local No.: _____ Company: _____ Name: _____
 Date: _____ Section: _____ Signature: _____
 Ref. No.: _____ Fax No.: _____ App. by Mgr.: _____

Details of ☐ Inquiry ☐ Order ☐ Attached (Ref. No.: _____)

1) Product Name	Model Code	Qty	Product Name	Model Code	Qty

2) Contractor
 -Full Name: _____
 -Address: _____ -Country: _____

3) Final User
 -Full Name: _____
 -Address: _____ -Country: _____
 -Business Scope: _____

4) Final Usage
 -Restricted Party, appearing in the control (e.g. consignee, purchaser, SPC, etc), if any: _____

Applicant to check the transaction above and answer Q1 to Q6. (Details of Q1 to Q6, See YCP-W050)

For Export and Non-export	In case of Yes, follow below	
	Group [1]	Group [2]
Q1) Controlled Goods: Check YCP-W050	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.
Q2) Final user is related to: -Military or national police -Development, manufacturing, storage, etc. of nuclear, biological, chemical weapons & missile -Activity in nuclear reactor, its fuel, heavy water, nuclear fusion, etc.	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.
Q3) Final usage is related to: -Development, manufacturing, storage, etc. of nuclear, biological, chemical weapons & missile -Equipment for nuclear reactor, its fuel, heavy water, nuclear fusion, etc.	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.
Q4) Specific Country: Check YCP-W050	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.
Q5) New Customer: Use Form YCP-W051	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.
Q6) Restricted Individuals & Organizations: Check YCP-W052 & YCP-W053	<input type="checkbox"/> No <input type="checkbox"/> Yes YHQ	<input type="checkbox"/> Non-Exp. <input type="checkbox"/> Exp.

- If or more Yes, must leave this sheet as an evidence.
 - Basically keep this sheet even all answers No, only an exception when Non-export all Group [1].

Decision of the transaction above to the applicant:
☐ Accepted ☐ Subject to G/L
☐ Must be declined

Comments: _____

Signature: _____
 Control No.: _____

Valid for 1 year
☐ G.M., Export Compliance Dept., YHQ
☐ Local Responsible Staff

Q1) Controlled Items: Check the list

Q2) End User is related to:

- Military or national police
- Development, manufacturing, storage, etc. of nuclear, biological, chemical weapons & missile
- Activity in nuclear reactor, its fuel, heavy water, nuclear fusion, etc.

Q3) End Usage is related to:

- Development, manufacturing, storage, etc. of nuclear, biological, chemical weapons & missile
- Equipment for nuclear reactor, its fuel, heavy water, nuclear fusion, etc.
- Conventional weapons

Q4) Specific Country: Check the list

Q5) New Customer:

Q6) Restricted Individuals & Organizations:
 Check the list

Controlled items list

Security Export Controlled Items

No.	Model Codes	Product Name	Notes	ECCN
1	703260	VN7100 Wideband Modulation Analyzer		3A002c
2	730751	Audio Extension with SmartDecrypt Tech.	Softwear/Technology	5D002c
3	730752	Network Extension with SmartDecrypt Tech.	Softwear/Technology	5D002c
4	730753	HCRP Support with SmartDecrypt Tech.	Softwear/Technology	5D002c
5	732810	Abit AP-4000 Air Protocol Analyzer		5A002a
6	732841	Off line U-Plane Analyzing Software	Softwear/Technology	5D002c
7	732850	MS Adaptor		5A002a
8	AWAP111	Field Wireless Access Point		5A002a
9	CV1000	Confocal Scanner Box		6A002a
10	CV6000	High Through-put Cytological Discovery System		5D002b
11	F9145YN	DAIFLOIL		

- The controlled items list is available in our intranet so that sales people easily find if the selling product is a controlled item or not. This is the necessary step for transaction self check by sales dept.
- Export control staff can also see the detail information about classification reason with specification information.



End user check

Is the contractor and/or end user related to development, production, usage and storage of nuclear weapons, biological/chemical weapons, missile and conventional weapons ?

End use check



Is the transaction item used for development, production, usage and storage of nuclear weapons, biological/chemical weapons, missile, conventional weapons, nuclear reactor, material for nuclear reactor, heavy water, or nuclear fusion?

Specific Countries					
No.	COUNTRY and Area	REASONS SPECIFIED			
		Japan Law	USA Regulation	UN Sanction	WMD/Round -about Export Suspicion
01	North Korea	X	X	X	X
02	Iran	X	X	X	X
03	Iraq	X		X	
04	Libya	(X)			
05	Cuba		X		
06	Syria		X		
07	Sudan	X	X	X	
08	Afghanistan	X		X	
09	Cote d'Ivoire	X		X	
10	Liberia	X		X	
11	Democratic Republic of the Congo	X		X	
12	Somalia	X		X	
13	Lebanon	X		X	
14	Dominican Republic	X		X	

Specific Countries

- This is the list of countries which Japan , US or United Nations have some concerns.
- Any transaction which relates to one of these countries should have close investigation of Export Compliance dept. for approval.

New Customer Screening Sheet

Does the transaction include any contractor and/or customer of new or no transaction for recent five years ?

If Yes,
sales person must tick “yes/no” of “New Customer Screening Sheet to confirm that there is no problem, then request an approval of export control staff.

New Customer Screening Sheet			
Applicable to direct & indirect exports, except inter-affiliates.			
Company/Organization			
Project Name			
Ref. No.		Date	Checked by
	"RED FLAG" indicators of high risk of diversion to an unauthorized destination	RED FLAG	
01	Approach from previously unknown customers (including those who require technical assistance), particularly those whose identity is not clear.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
02	Transaction involving an intermediary agent and/or final consignee that is unusual in light of their usual business.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
03	Customer's reluctance to give sufficient explanation of the end-use of the goods or customer's use of evasive responses.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
04	Customer's reluctance to provide information on the location of the place/country where the goods are to be installed, stored or used.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
05	Customer's reluctance to provide clear answers to routine commercial or technical questions.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
06	Customer involved in military-related business, such as a customer under the control of a defense ministry or the armed forces or in a space-related business.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
07	Customer's reason for needing the equipment is not in view of the customer's usual business or technological level.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
08	Equipment/goods to be utilized in an area under strict security control, such as an area close to military-related facilities or an area to which access is severely restricted.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
09	Equipment/goods to be utilized in a location that is unusual in light of their character.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
10	Unusual customer request concerning the shipment or labeling of goods.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
11	Unusually favorable payment terms, such as a higher price or better interest rate than that in the prevailing market.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
12	Unusual customer request for excessive confidentiality regarding final destination or details of products.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
13	Order for excessive safety or security devices/measures in light of nature of the equipment.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
14	Requests for normally unnecessary devices (e.g. excessive quantity of spare parts) or no request for usually necessary devices for equipment.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
15	No request for performance guarantee, warranty.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16	No request for usually necessary technical experts' assistance or training for installation or operation or a normal ongoing service contract.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
17	Customer's request for completion of partly finished project.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
18	Contractor is refused access to parts of the plant other than those involved with the contract.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
19	Contract for the construction or revamping of plant is divided by customer without adequate information about the complete scope of work and/or final destination.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
20	Packaging and/or packing components are inconsistent with the shipping mode or stated destination.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If one or more "RED FLAG (S)" Yes, please decline.			

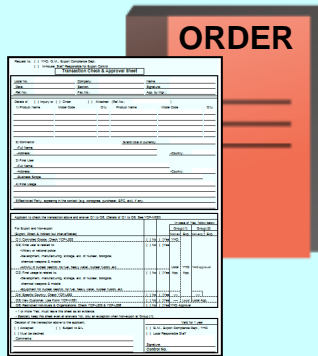
End User List

END USER LIST						
No.	Country		Company, Organization	a.k.a.: (also known as)	Type of WMD B: Biological C: Chemical M: Missiles N: Nuclear	Amendment Record
173	Iran	IRN	Iran Electronics Industries (IEI)	• Sanaye Electronic Iran • Sanayi Iran Electronics Industries • Sherkat Sanayeh Electronics Iran	M,N	LIST No.87
174	Iran	IRN	Iran Helicopter Support and Renewal		N	LIST No.88
175	Iran	IRN	Iran Khodro Powertrain Company	• Iran Khodro Powertrain Co. (IPCO)	M,N	LIST No.89
176	Iran	IRN	Iran Offshore Oil Company (IOOC)	• Iranian Offshore Oil Company (IOOC) • Iranian Offshore Oil Co.	N	LIST No.90
177	Iran	IRN	Iran Polymer & Petrochemical Institute (IPPI)		M	LIST No.91
178	Iran	IRN	Iran Powder Metallurgy Complex (I.P.M.C.)			
179	Iran	IRN	Iran Research Organisation for Science and Technology (IROST)			

- This is the concerned entities list. We maintain this list based on the information of METI, US sanction list and our own investigation.
- Sales dept. must always check if the transaction relates to any of these entities.

Sales Dept.

Primary Check



Sensitive Case



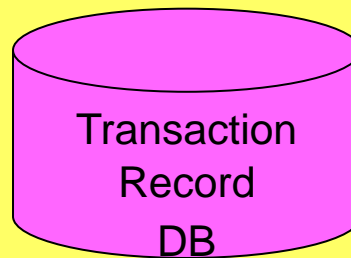
Export
Compliance
Dept.

Final Check



Materials for Final Transaction Check

1. Own Transaction DB record



- Application information
- Inquired products and quantity
- Contractor / End user name
- Spare parts request

Keeping transaction record in database helps a lot for future inquiry check

2. External Information Source (database)

3. User's website

4. Evident document

End-use certificate may be requested as necessary

Also, be cautious about US re-export regulation

■ Export Administration Regulations (EAR)

- ✓ Bureau of Industry and Security (BIS) in the U.S. Department of Commerce regulates the regulation for re-export of U.S. origin products from one foreign country to another foreign country
- ✓ Serious sanction from U.S. Government may apply for violation (Ex-territorial Regulation)

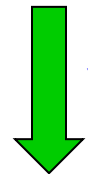
■ De minimis rule

- ✓ The regulation is applied to re-export products including U.S. products (hardware / software / technologies), whose cost exceeds 10% of total export value.

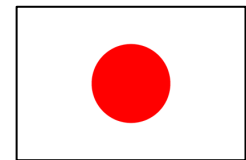
■ Caution Required for Resale Items



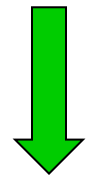
USA



YES



JAPAN



NO ?



Other Countries

Completion of Production



Information check

- Transaction check review
- E/L acquisition, if required

Controlled items included ?
Specific countries ?
End user list ?
Export License ?

Visual check

- No discrepancy between shipping document and export items

Quantity correct ?
Contents correct ?

Internal Export Approval

Type of Education

- Lecture
- E-learning
- Video watching

Object Persons

- Export control responsible person
- Newly assigned export control staff
- Person for overseas assignment

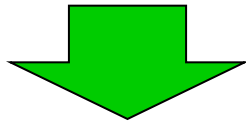
Contents

- Basics of export control
- Recent move of export control
- Role & mission of each organization



- Administrative Division of Export Control checks all business units annually.

- Classification procedure audit for development dept.
- Transaction check procedure audit for sales dept.
- Shipping check procedure audit for shipping dept.



Improvement report is required
when inadequate operation is found

Sales --- Affiliate which has sales function Dev/Eng --- Affiliate which has product development or engineering function Mfg/Ship --- Affiliate which has manufacturing or Shipping function			Affiliate Company Name: _____ Reported by: _____ Interviewed by: _____ Date: _____ Place: _____		
Applicable affiliates to answer questions			FEM		Check
Sales	Dev/Eng	Mfg/Ship			
I. Company Outline			1. Documents Desirable to Be Prepared for Hearing		
Yes	Yes	Yes	(1) Company Profile () Received		
Yes	Yes	Yes	(2) Company Organization Chart () Received		
Yes	Yes	Yes	(3) Customer List () Received		
Yes	-	-	(4) List of Dealers/Agents/Representatives () Received		
2. Main Products (e.g.: DCS, Flowmeter, Transmitter)			3. Top Five Customers (Sales Amount Basis)		
-	Yes	Yes	(1) Locally Manufactured Products 1. _____ 3. _____		
Yes	Yes	Yes	(2) Imported Products from YHQ 2. _____ 4. _____		
Yes	Yes	Yes	(3) Others (ex. Buyout items) 1. _____ 3. _____		
4. Ratio of Export			5. Top Four Destination Countries including Indirect Export		
Yes	Yes	Yes	(1) Direct Export () %		
Yes	Yes	Yes	(2) Indirect Export () %		
Yes	Yes	Yes	(3) Domestic Use () %		
Yes	Yes	Yes	6. Top Four Destination Countries among the 20 Specific Countries		
Yes	Yes	Yes	7. Top Four Final Users for the Above 6		
8. Status of Agreement with Dealers/Agents/Representatives			9. Business Infrastructure		
Yes	-	-	(1) Frequency of Up-date of the Agreement () Existing		
Yes	-	-	(2) Description regarding Export Control in the Agreement () Nonexistent		
Yes	-	-	(3) Disclosure of End User List, YCP-LB56, to Dealers/Agents/Representatives () Disclosed		
Yes			() Else ()		
Yes	Yes	Yes	(1) Electronic Data Information Order System (EDI) () Already Available		
Yes	Yes	Yes	() Scheduled to Be Available in ()		
Yes	Yes	Yes	() Else ()		
Yes	Yes	Yes	(2) Access to GMS () Fully Available (Ref. No.)		
Yes	Yes	Yes	() Partially Available () Else ()		
Yes	Yes	Yes	(3) Obtaining Manufacturing Documents () From YHQ Quality Control Dept		
II. Export Control System			1. In-house Export Compliance Program		
Yes	Yes	Yes	() Existing (Ref. No.)		
2. Organization			() Else ()		
Yes	Yes	Yes	(1) Chief Managing Executive () Yes		
Yes	Yes	Yes	(2) Staff Responsible () No		
Yes	Yes	Yes	(3) "Chief" or "Staff" Has the Authority to Hold the Transaction due to Export Control Reason. () Else ()		

- ✓ Export control is essential for global business expansion.
- ✓ Take the export control into daily operation flow to conduct appropriate export control.
- ✓ Continuous education and audit will make it reliable.

A Global Solutions and Service Company

YOKOGAWA 