Export Control Practice
Yokogawa Electric Corporation

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Export Compliance Department

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YOKOGAWA

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.

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Corporate Information

Through "Process Co-Innovation,"
Yokogawa creates new value with our clients for a brighter future

Company Name	Yokogawa Electric Corporation
Founded	September 1, 1915
Sales	3,630 million US$ (consolidated)
Number of Employees	18,290 (worldwide)
Main Business	Industrial Automation and Control

Headquarters (Tokyo, Japan)

Users' Industries
- **Oil**
- **Chemical**
- **Natural gas**
- **Electric power**
- **Iron and steel**
- **Pulp and paper, etc.**

Global Network

12 **offices in Japan**
100 **affiliates outside Japan**

Our Products

At Field

In Control Room

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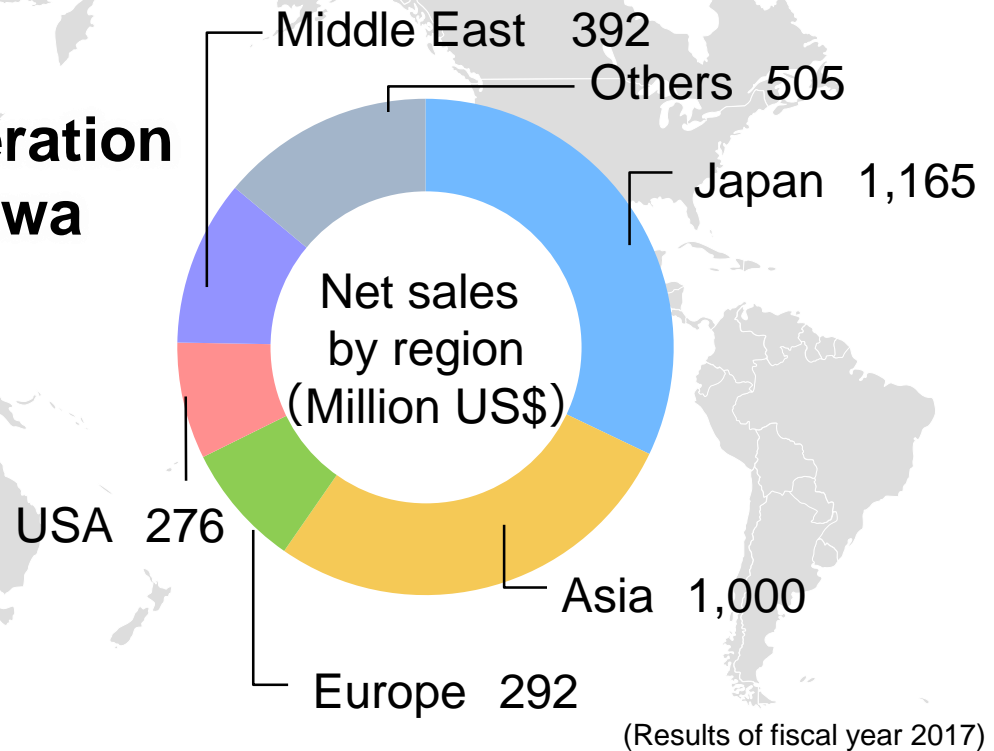YOKOGAWA ◆

Characteristics of Yokogawa Business

- ✓ **70% of business comes from overseas countries**
- ✓ **Many export orders of various products (10,000 orders per month)**
- ✓ **Final user's location is often in concerned countries**
- ✓ **There is no overseas sales organization in Japan**

Steady export control operation is essential for Yokogawa

User Site image
(oil refinery plant)

Middle East   392

Others   505

Japan   1,165

Net sales
by region
(Million US$)

Asia   1,000

Europe   292

USA   276

(Results of fiscal year 2017)

ICP and Role of Organization

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

<ICP Contents>
- Organization and role
- Classification procedure
- Transaction check procedure
- Shipping check procedure
- Audit
- Education
- Record keeping
- Escalation
- Penalty

Export Control Organization

The President as Chief executive

⬇ - Total responsibility

Administrative Division of Export Control

12 dedicated members

⬇
- Establishment of company code
- Updating regulation information and reflecting on internal procedures
- Final product classification
- Sensitive case transaction check
- Training and Audit

Export Control Staff in Business Unit / Affiliates

140 members worldwide

- Support of operations in each department

Product Classification

- Incorporated into regular product development rule
- Double check by Export Compliance Dept.
- 250 classification cases a month
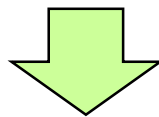
Transaction Check

- Sales department for all transactions
- Export Compliance Dept. for sensitive cases
- 200 sensitive cases a month

Shipping Check

- Physical check and document check
- Screening all export orders to prevent failures
- 10,000 export orders a month

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Implementation of Transaction Check

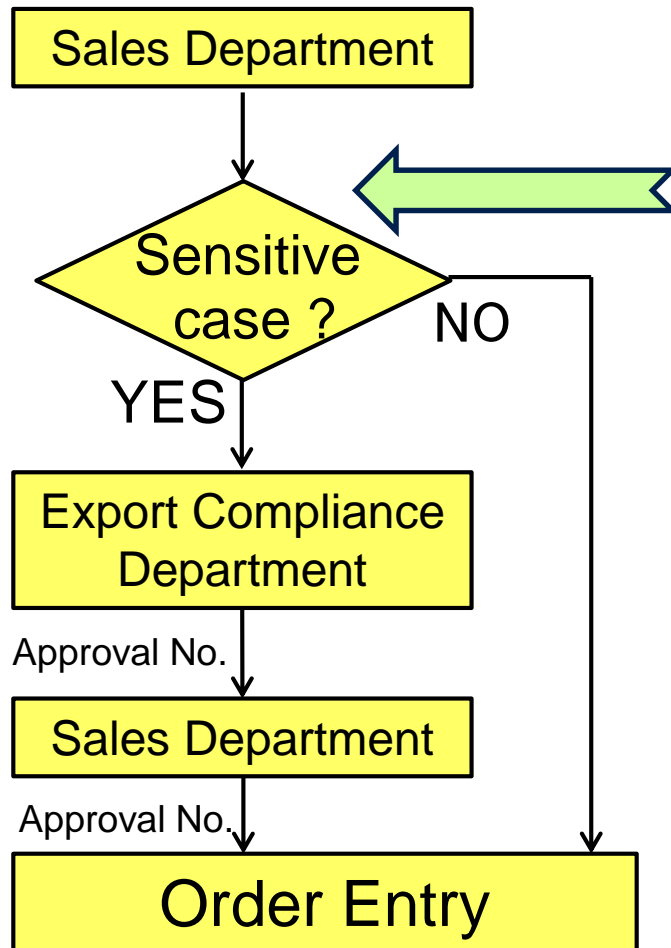Only one careless transaction could lead to endanger our entire group business.

How could we effectively check 10,000 transactions a month to avoid risks ?
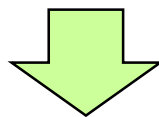
We have introduced "Weighting Management" of transaction check.

Weighting Management of Transaction Check

Sensitive case to be approved by Export Compliance Dept.

```
┌─────────────────────────┐
│   Sales Department      │
└─────────────────────────┘
            │
            ▼
        ╱Sensitive╲ ──── NO ────┐
        ╲ case ?  ╱              │
            │ YES                │
            ▼                    │
┌─────────────────────────┐      │
│   Export Compliance     │      │
│   Department            │      │
└─────────────────────────┘      │
  Approval No.                    │
            │                     │
            ▼                     │
┌─────────────────────────┐      │
│   Sales Department      │      │
└─────────────────────────┘      │
  Approval No.                    │
            │                     │
            ▼                     │
┌─────────────────────────┐      │
│      Order Entry        │◄─────┘
└─────────────────────────┘
```

Key questions to judge "Sensitive Case"

1) Controlled Items included ?
2) End User is/was related to concerned activities ?
3) End Usage is/was related to concerned activities ?
4) Specific Country involved ?
5) Unknown entity involved ?
6) Restricted Organizations involved ?

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Transaction Check for Sensitive Case

Sales Department
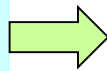
Primary Check

ORDER
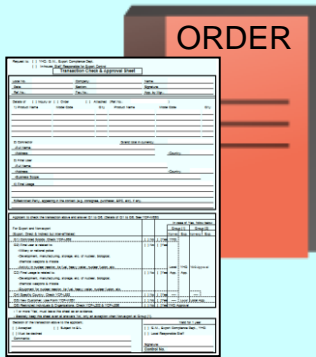
Sensitive Case

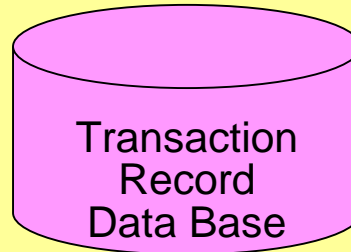## Export Compliance Department

Thorough Check

Materials for Thorough Transaction Check

1. Own Transaction Data Base record

Transaction Record Data Base

- 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
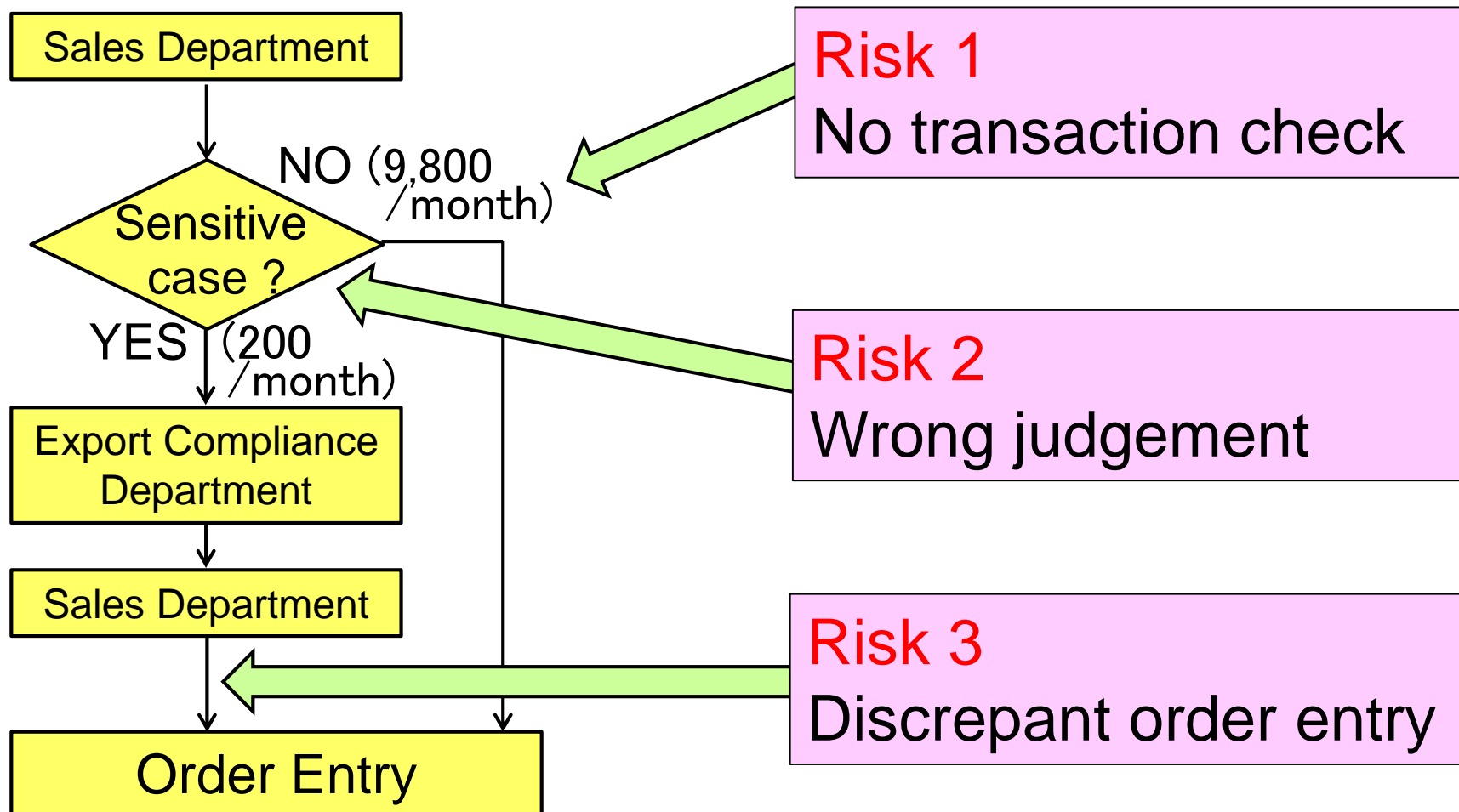
2. External Information Source (database)
3. User's website
4. Evident document

End-use certificate may be requested as necessary

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"Making rule" is not enough to avoid risks

```
Sales Department
        │
        ▼
   ┌─────────┐   NO（9,800／month）──→ Risk 1: No transaction check
   │Sensitive│
   │ case ?  │────────────────────────→ Risk 2: Wrong judgement
   └─────────┘
    YES（200／month）
        │
        ▼
Export Compliance
Department
        │
        ▼
Sales Department
        │                  ←───────── Risk 3: Discrepant order entry
        ▼
   Order Entry
```

Risk 1
No transaction check

Risk 2
Wrong judgement

Risk 3
Discrepant order entry

Screening all export orders to prevent failures

Order entry > Production > Shipment

Production starts automatically after order entry ••••••••••••••• **STOP** ••• **Shipping after check**
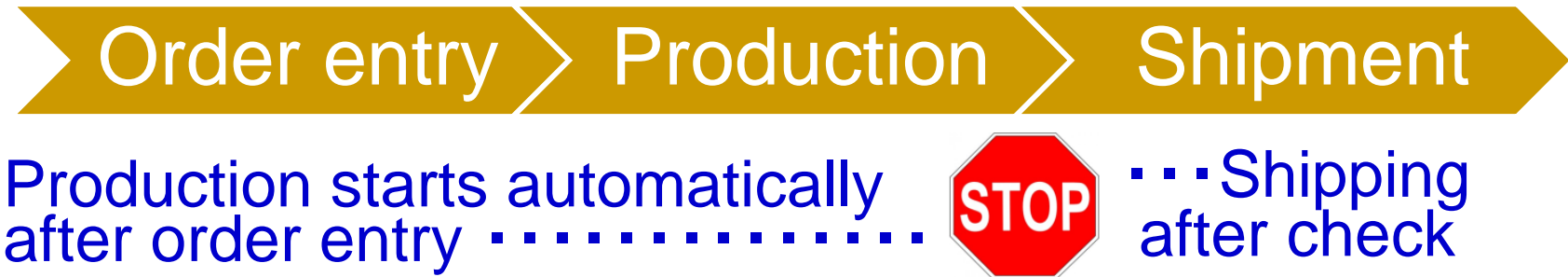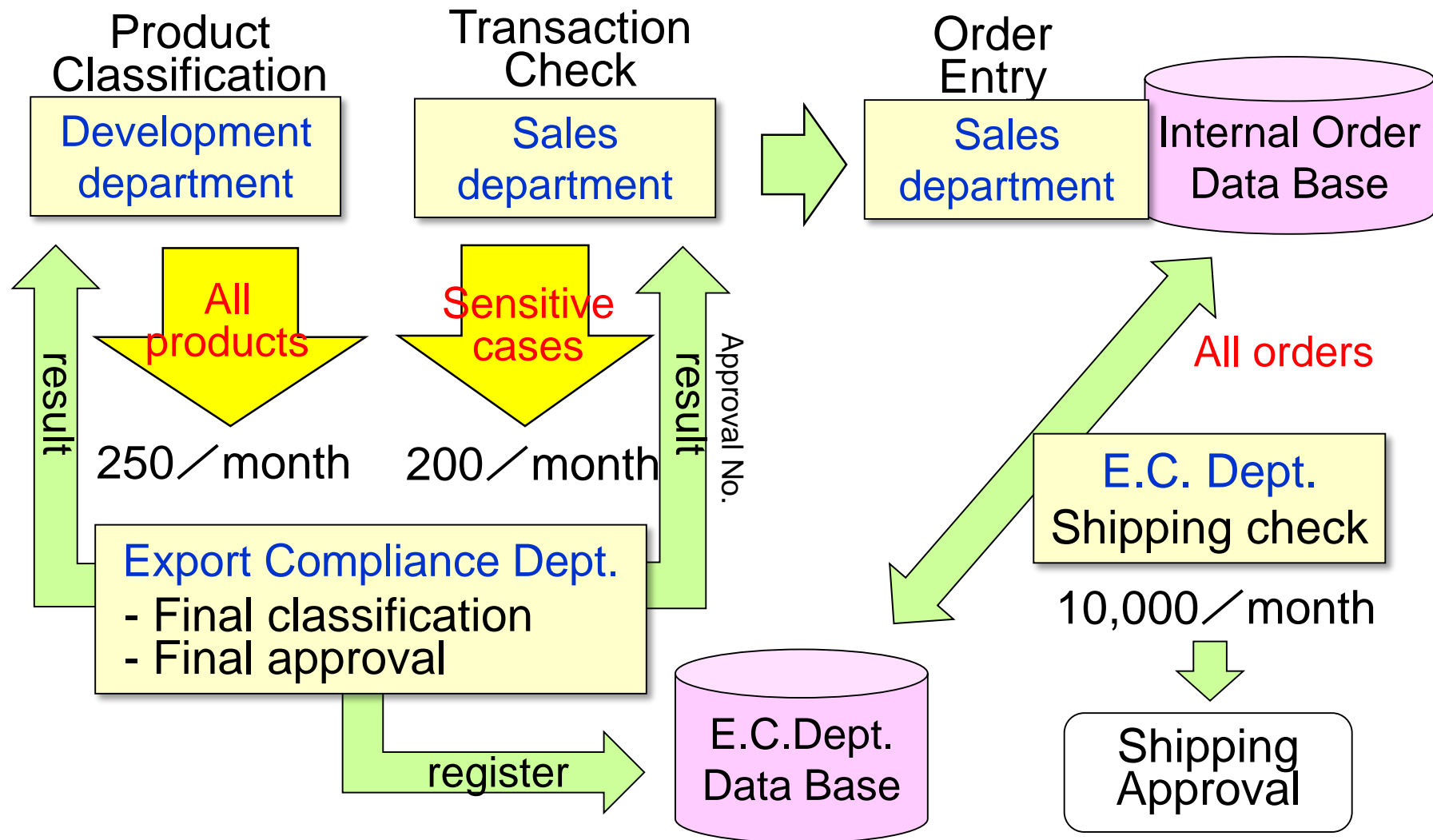
Order system stops shipping until shipping check is approved

Shipping check confirms;

- That the transaction is approved by Export Compliance Department for sensitive case orders

- That the order contents are consistent with the approved contents in the transaction check

- If an export license is to be obtained

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Whole System of Yokogawa Export Control

Product Classification

Development department

Transaction Check

Sales department

Order Entry

Sales department

Internal Order Data Base

All products

Sensitive cases

result

result

Approval No.

All orders

250／month

200／month

Export Compliance Dept.
- Final classification
- Final approval

register

E.C.Dept. Data Base

E.C. Dept. Shipping check

10,000／month

Shipping Approval

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Summary

Business circumstances

- ✓ **Majority of sales coming from overseas market**
- ✓ **Large number of export orders**
- ✓ **Many concerned countries in our user sites**

Export control operations

- ✓ **Classification task incorporated into procedures**
- ✓ **Transaction check by "Weighting Management"**
- ✓ **Final shipping check to cover all export orders**

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Yokogawa contributes to international peace and security through export control

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Thank you very much
for your attention

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