

Export Control in Practice



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Yokogawa Electric Corporation

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Company Outline

<i>Company Name</i>	Yokogawa Electric Corporation
<i>Founded</i>	September 1, 1915
<i>Incorporated</i>	December 1, 1920
<i>Paid-in Capital</i>	43.4 billion yen
<i>Sales</i>	391.4 billion yen (consolidated)
<i>Operating Income</i>	31.6 billion yen (consolidated)
<i>Ordinary Income</i>	33.0 billion yen (consolidated)
<i>Profit Attributable to Owners of Parent</i>	25.8 billion yen (consolidated)
<i>R&D Investment/Sales</i>	6.9 %
<i>Number of Employees</i>	18,329
<i>Capital Ratio</i>	58.2 %



(Results of fiscal year 2016)

Our goal is to contribute to society through broad-ranging activities in the areas of measurement, control and information.



Industrial Automation and Control

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.

Test and Measurement

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 and safety instrumented systems

CENTUM VP

Integrated production control system



STARDOM

Network-based control system



FAST/TOOLS

SCADA software



FA-M3V

Range-free multi-controller

e-RT3 plus

eMbedded M@chine controller



ProSafe-RS

Safety instrumented system



Field instruments, analytical instruments, and recorders

DPharp EJX

Differential pressure / pressure transmitter



ROTAMASS Total Insight
(ROTAMASS prime model)

Coriolis mass flow meters

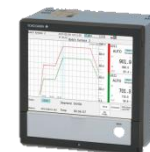
YTA510

Wireless temperature transmitter



TDLS8000

Tunable diode laser spectrometer



SMARTDAC+ GX10/GX20

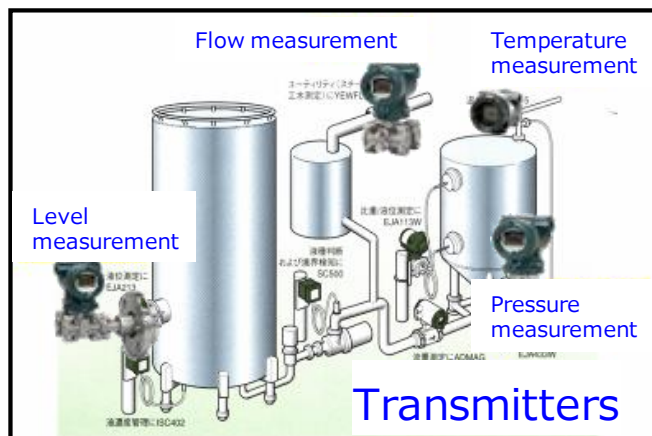
Paperless recorders



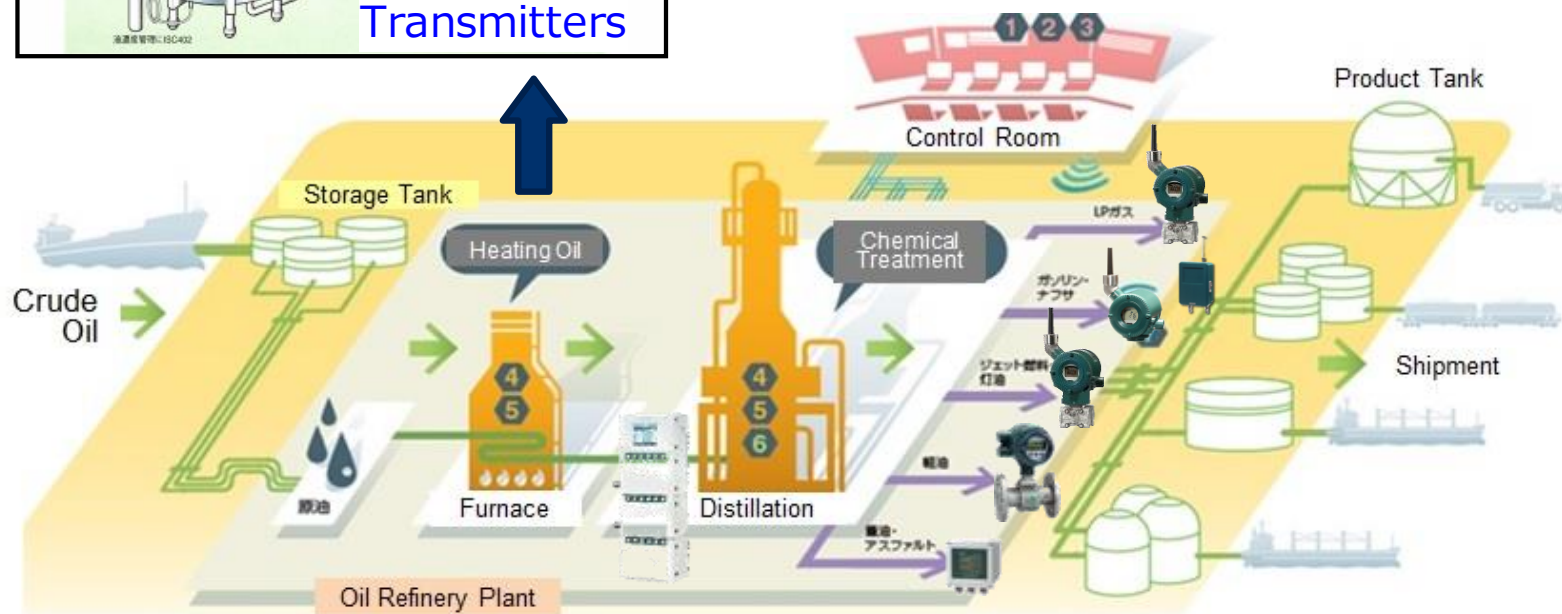
GC8000

Process gas chromatograph





Production Control System CENTUM VP

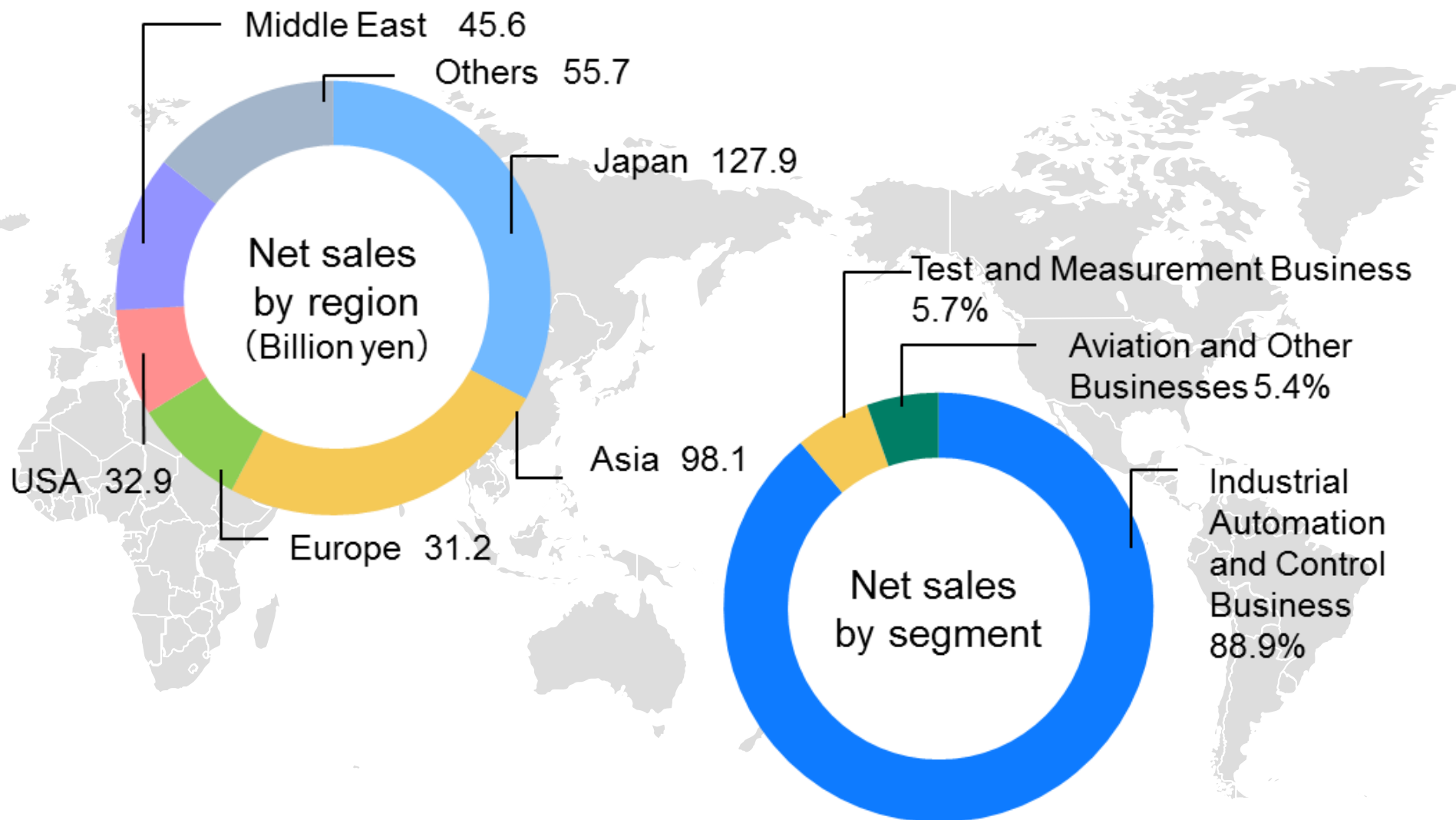


Global network supporting business growth



(As of March 31, 2017)

Sales Segment by Product & Region



(Results of fiscal year 2016)

Export Control System in Yokogawa

- Appointment of representative director as chief officer of export control
- Defining the role of export control operation in organization
- Building procedure for classification and its implementation
- Building procedure for end use check and end user check and its implementation
- Physical check of export items against documents
- Internal audit procedure and implementation
- Training to export control relating staffs
- Record keeping for appropriate period
- Prompt report to the Minister of METI for breach and taking measure to avoid recurrence

Internal Compliance Program

<Contents>

- Organization and role
- Classification procedure
- Transaction check procedure
- Shipping check 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 related laws" 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.

Registration of ICP raise the status of company

Export Control operation is spread throughout the company

Chief executive

Corporate President is appointed as a chief executive of Export Control



Administrative Division of Export Control

12 dedicated staff members in Export Compliance Dept.

- Supervising Affiliates
- Establishment of rule
- Preparation of manual, worksheets
- Maintenance of member structure
- Conduct of education and internal audit
- Final responsibility of product classification
- Final responsibility of transaction approval

Export Control Staff in Business Unit / Affiliates

**140 members in Japan
40 members in overseas**

- Management of each organization
- Preparation of Local manual
- Conduct of education
- Dissemination of information from Administrative Division to local members
- Primary product classification
- Self transaction check

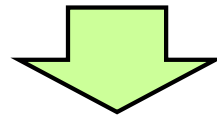
List Control

The export license issued by METI is required for the export of **control items (goods and/or technologies)**.

Catch-All Control

The export license issued by METI is required for the export to **concerned user or concerned use**.

How do you know
if your export is subject to regulations ?



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

Role in Each Organization

Product Development



**Development
Dept.**

Manufacturing



**Shipping
Dept.**

Sales Activities



Sales Dept.

**Export
Compliance
Dept.**

**Product
Classification**

**Shipping
Check**

**Transaction
Check**

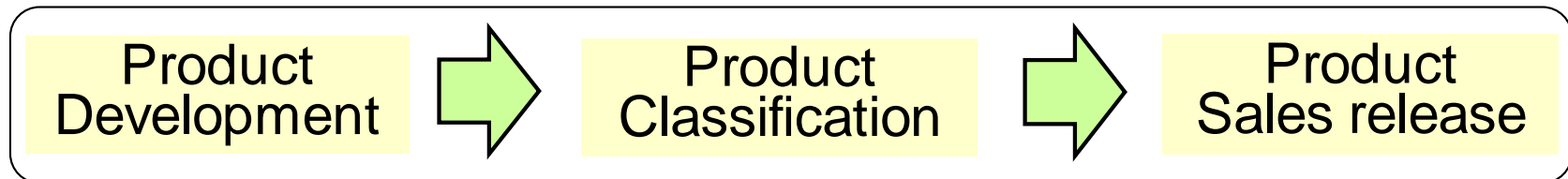


Database for;
- Classification
- Transaction
record

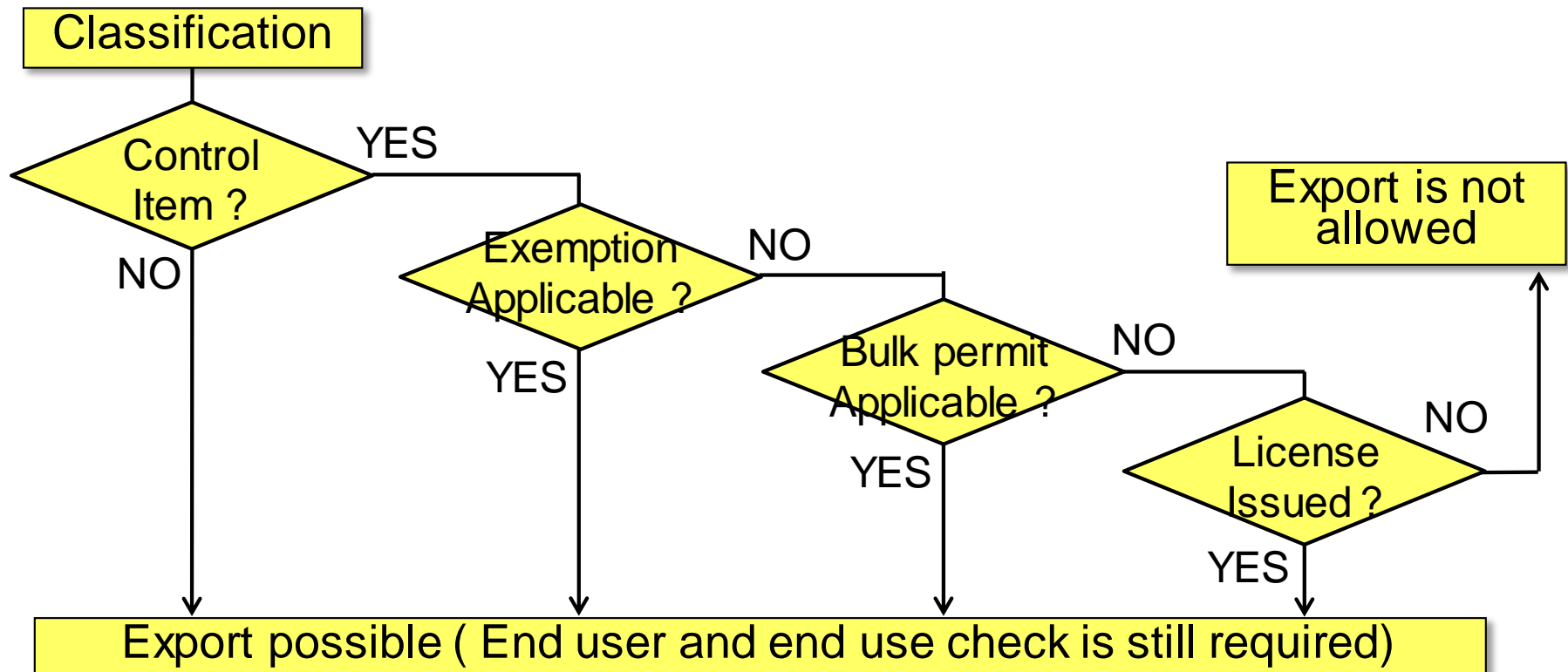
Export Control Operation in Detail

Double check the classification for all items

- Control items are considered as dual use items which are applicable to the development, production, use of WMD or conventional weapons.
- We classify **all items** (goods / technologies) according to the export control law before releasing the products into the market.
- Primary classification check is conducted by development department and final check is conducted by Export Compliance Department.



Control items must have export license prior to export regardless of end user or end use.



Need to confirm the reason of export permission

All export transactions are checked by sales and thoroughly checked by E.C.D. for sensitive cases

- Transaction check is mandatory to ensure our products are not used for concerned use and special attention should be paid for fraud roundabout export.
- **All export transactions** are subject to export control law and we need to confirm whether export license is required or not.
- Sales department conducts primary transaction check and Export Compliance Department conducts transaction check for sensitive cases.

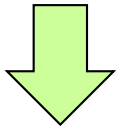
- Concerned entities attempt roundabout procurement
- Detection of roundabout → Reputation damage

Export control system at trading partner is very important.

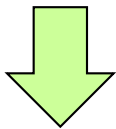


Transaction check by shade management and Checking all orders before shipment

Sales Dept.
Primary check



Export Compliance Dept.
Thorough check



Shipping Dept.
Shipping check

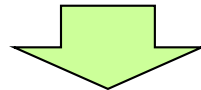
All orders are checked by sales department with prepared materials and sensitive case goes to Export Compliance Department for thorough check.

Sensitive case transactions are checked by Export Compliance Department and authorization code is issued when approved.

All export orders are checked before shipment by shipping department to see if there is authorization code is missing for sensitive case order.

Simple rule for sales department primary check using material provided by Export Compliance Dept.

- 1) Control Items involved ?
- 2) End User is related to concerned activity ?
- 3) End Usage is related to concerned activity ?
- 4) Specific Country involved ?
- 5) New Customer ?
- 6) Restricted Organizations involved ?



When the transaction meets any of the criteria above, thorough check by Export Compliance Dept. is required

Control items list

<u>Security Export Controlled Items</u>				
No.	Model Codes	Product Name	Notes	ECCN
1	703260	VN7100 Wideband Modulation Analyzer		3A002c
2	730751	Audio Extension with SmartDecrypt Tech.	Software/Technology	5D002c
3	730752	Network Extension with SmartDecrypt Tech.	Software/Technology	5D002c
4	730753	HCRP Support with SmartDecrypt Tech.	Software/Technology	5D002c
5	732810	Abit AP-4000 Air Protocol Analyzer		5A002a
6	732841	Off line U-Plane Analyzing Software	Software/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		5D002c
11	F9145YN	DAIFLOIL		

- Available on our intranet for sales people
- Conforming to the latest regulation on control items

Transaction approval by E.C.D. is required for the export involving any item in the list.

End user check

End user that relates to concerned activity is defined as ;

- Military or national police
- Entity which relates to Development, manufacturing, use and/or storage of WMD or conventional weapons
- Entity which relates to activity in nuclear reactor, its fuel, heavy water, nuclear fusion, etc.



Transaction approval by Export Compliance Dept. (E.C.D.) is required for the export involving end user above.

End use check

End use that relates to concerned activity is defined as ;

- Development, manufacturing, use and/or storage of WMD or conventional weapons
- Activity relates to nuclear reactor, its fuel, heavy water, nuclear fusion, etc. including nuclear power application



Transaction approval by E.C.D. is required for the export involving end use above.

Specific Countries

- Basis of the list
 - Foreign Exchange and Foreign Trade Act (Japan)
 - EAR (USA)
 - United Nations sanction
 - WMD concerned country (our own regulation)
- Checking contractor, end user and other entities involved in the transaction

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				
06	Syria		X		
07	Sudan	X	X	X	
08	Afghanistan	X		X	
09	Democratic Republic of the Congo	X		X	
10	Central African Republic	X		X	

Transaction approval by E.C.D. is required for the export involving any country in the list.

New Customer Screening Sheet

- Subject customer
 - No order history or long absence
- Security credibility check items
 - Reluctance to provide information on use
 - Strange use in light of its business scope
 - Excessive request of spare parts
 - Unnatural favorable conditions

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 unlike review 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 airports 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 movement 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.			

Transaction approval by E.C.D. is required for the transaction with any suspicious customer.

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)			

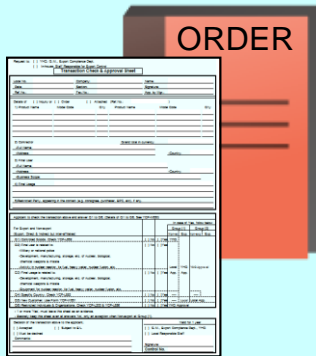
➤ Basis of the list

- Foreign Exchange and Foreign Trade Act (Japan)
- EAR (USA)
- Our own investigation

Transaction approval by E.C.D. is required for the export involving any entity in the list.

Sales Dept.

Primary Check

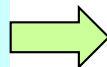


Sensitive Case



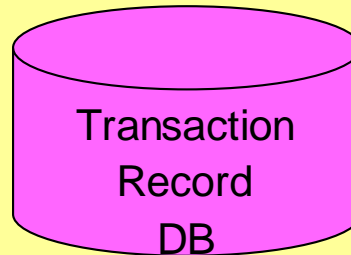
Export
Compliance
Dept.

Thorough Check



Materials for Thorough 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

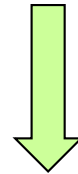
Also, be cautious about US re-export regulation

➤ Export Administration Regulations (EAR)

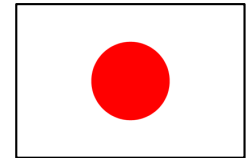
- ✓ Bureau of Industry and Security (BIS) in the U.S. Department of Commerce regulates the regulation for re-export of U.S. origin products from one foreign country to another foreign country
- ✓ Serious sanction from U.S. Government may apply for violation (Ex-territorial Regulation)



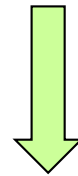
USA



YES



JAPAN



NO ?



Other Countries

➤ 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

Production Completed

Information check

- Transaction check reviewed ?
- License granted ?, if required

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

Visual check

- No discrepancy between shipping document and export items ?

Quantity correct ?
Contents correct ?



Internal E.C.D. Approval

Shipment is not allowed without E.C.D. approval for sensitive cases.

Aiming to improve awareness of export control

Type of Education

- Lecture
- E-learning
- Video watching

Object Personnel

- Export control chiefs in related departments
- Newly assigned export control staffs
- All employee (E-learning)

Contents

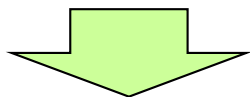
- Basics of export control
- Recent topics of export control
- Role & mission of each organization



➤ Export Compliance Department conducts annual audit.

➤ Check item varies by function

- 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

Audit check sheet

Applicable affiliates to answer questions			FEM	Check
Sales	Dev/Eng	Mfg/Ship		
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: _____	
I. Company Outline				
1. Documents Desirable to Be Prepared for Hearing				
(1) Company Profile			() Received	
(2) Company Organization Chart			() Received	
(3) Customer List			() Received	
(4) List of Dealers/Agents/Representatives			() Received	
2. Main Products (e.g.: DCS, Flowmeter, Transmitter)				
(1) Locally Manufactured Products			1. _____	3. _____
(2) Imported Products from YHQ			1. _____	4. _____
(3) Others (ex. Buyout Items)			1. _____	4. _____
3. Top Five Customers (Sales Amount Basis)			1. _____	5. _____
4. Ratio of Export				
(1) Direct Export			() %	
(2) Indirect Export			() %	
(3) Domestic Use			() %	
5. Top Four Destination Countries including Indirect Export			1. _____	3. _____
6. Top Four Destination Countries among the 20 Specific Countries			1. _____	4. _____
7. Top Four Final Users for the Above 6			1. _____	4. _____
8. Status of Agreement with Dealers/Agents/Representatives				
(1) Frequency of Up-date of the Agreement			() Existent	
(2) Description regarding Export Control in the Agreement			() Nonexistent	
(3) Disclosure of End User List, YCP-L856, to Dealers/Agents/Representatives			() Disclosed	
() Else ()			() Else ()	
9. Business Infrastructure				
(1) Electronic Data Information Order System (EDI)			() Already Available	
() Scheduled to Be Available in ()			() Else ()	
(2) Access to GMS			() Fully Available (Ref. No. _____)	
() Partially Available			() Else ()	
(3) Obtaining Manufacturing Documents			() From YHQ Quality Control Dept	
() Else ()			() Else ()	
II. Export Control System				
1. In-house Export Compliance Program			() Existent (Ref. No. _____)	
() Else ()			() Else ()	
2. Organization				
(1) Chief Managing Executive			() Yes	
(2) Staff Responsible			() No	
(3) "Chief" or "Staff" Has the Authority to Hold the Transaction due to Export Control Reason.			() Yes	
() No			() Else ()	

- ✓ Export control is essential for global business expansion.
- ✓ Taking the export control into daily operation flow leads to appropriate export control.
- ✓ Continuous education and audit make the system reliable.

**Thank you
for your attention**

YOKOGAWA 