

# **Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)**

As approved at the 131st ordinary general meeting of shareholders held on June 27, 2007, Yokogawa Electric Corporation (the "Company") introduced countermeasures to the large-scale acquisition of Company shares. As this plan (to be referred to henceforth as the "Former Plan") will expire at the conclusion of the 133rd ordinary general meeting of shareholders to be held on June 29, 2009 (the "133rd Shareholders Meeting"), we have considered its renewal based on a review of subsequent changes in circumstances and amendments to laws and ordinances. Accordingly, the Company announces that its board of directors resolved on April 28, 2009, to partially revise and continue the Former Plan (the revised version is henceforth referred to as the "Plan"), subject to the approval of the shareholders at the 133rd Shareholders Meeting. We would like all shareholders to understand the details of the Plan and to exercise your voting rights at the 133rd Shareholders Meeting.

## **Streaming Media Presentation on the Renewal of the Takeover Defense Measures**

**At the Yokogawa website (<http://www.yokogawa.com>), an on demand streaming media presentation is now available in which President and CEO Shuzo Kaihori explains the renewal of the Plan. Please watch this to deepen your understanding of this important initiative.**

### **1. Purpose of Renewing the Plan**

Based on the VISION-21 & ACTION-21 long-term corporate strategy, the Yokogawa Group aims for sound and profitable management and strives to enhance its corporate value. The Yokogawa Group faces an increasingly challenging business environment as the global economy and financial markets continue to drastically change and enterprises reduce investments in facilities. Management understands that, in order to continue the Company's development and enhance its corporate value in this environment, it is essential to review its business portfolio, improve its business structure, and increase operational efficiency, thereby reducing fixed costs and lowering the break-even point. With this understanding, the Company considers fiscal years 2009 and 2010 as a time for improving its business structure and strengthening corporate quality. The Company will respond to the rapid changes in the business environment by promptly and thoroughly implementing various measures to reduce fixed costs and review the business portfolio. To set the stage for fiscal year 2011 and beyond, it will strive to give its development activities a more profitable structure. In light of the basic policy that calls for the control of the Company to be based on the intent of all shareholders and contribute to the corporate value of the Company, the Company management believes it requires a mechanism that will allow the pursuit of structural reforms by deterring any acquisitions by inappropriate acquirers in fiscal years 2009 and 2010. Accordingly, the Plan aims at securing sufficient information and time if a large-scale acquisition of the Company's shares emerges so that our shareholders can appropriately judge whether they should accept the acquisition and the Company's board of directors can present alternative schemes and counterproposals for their consideration.

### **2. Plan Outline**

The Plan targets any acquisition or tender offer of the Company's shares that would result in a party holding 20% or more of the share certificates issued by the Company. It sets out procedures for the Company's board of

directors to present the shareholders alternative schemes and counterproposals as well as conduct negotiations with the party effecting or proposing the acquisition. These would include requests for the acquirer to provide information on the acquisition that would secure sufficient time to gather information and give the acquisition full consideration.

### **3. Revisions to the Former Plan**

#### **(i) Revision of conditions for triggering takeover defense measures**

Although the Company's board of directors believes that stakeholders such as employees and business partners are essential to maintain and develop the Company's corporate value, this may in certain cases be used by incumbent managers as a justification for measures that protect their own interests. Therefore, the Company has deleted the triggering requirement regarding "acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying tangible and intangible management resources such as personnel networks with employees and business partners and global service networks."

#### **(ii) Information Provision Period**

In order to speed up the provision of information by a party conducting a large-scale acquisition of the Company's shares, the Company has added text specifying that a deadline for the provision of information by the party may be set by an independent committee (the "Independent Committee") made up of outside directors and experts who are independent from the Company's current management, and that this information provision period be up to 90 days (60 days as a general rule).

#### **(iii) Stricter rules regarding the time period allowed for provision of information by the board of directors to the Independent Committee and the time period allowed for consideration of information by the Independent Committee**

If the current management were allowed an excessively long period of time to provide information to the Independent Committee, and if the deliberations and decisions of the Independent Committee could be extended, this would not only disrupt the market but lead to a suspension of business activities. The Company, therefore, has set a maximum period of 60 days for the provision of information by the board of directors to the Independent Committee, and a maximum period of 60 days for the consideration of that information by the Independent Committee, and has determined not to permit any extension or deferral of a decision. Under the Plan, a decision on whether to trigger the takeover defense measures will be made no later than 120 days after information has been provided by the acquirer.

#### **(iv) Increase in number of outside directors to strengthen corporate governance**

In order to ensure the validity and objectivity of business decisions and to strengthen corporate governance, the Company intends to seek approval at the 133rd Shareholders Meeting of a proposal to appoint to the board of directors another outside director who is independent from the current management, bringing the total number of outside directors to three. Of the 10 directors to be appointed at the 133rd Shareholders Meeting, three will be outside directors.

#### **(v) Appointment of outside directors and investment experts to Independent Committee**

The Company intends to enhance the Independent Committee by appointing all three outside directors to it. It also considers it beneficial for the Independent Committee to know the actual state of affairs of institutional investors and funds in order to make appropriate decisions. As such, it intends to appoint Aoyama Gakuin University Professor Tetsuo Kitagawa, who has experience in the investment business with Nomura Research Institute Ltd., JP Morgan Trust Bank Ltd., and other organizations, to the Independent Committee.

#### **Independent Committee**

Masahisa Naito (outside director)	Chairman and CEO of the Institute of Energy Economics, Japan
Yasuro Tanahashi (outside director)	Senior Advisor to NS Solutions Corporation
Nobuo Katsumata* (a candidate for outside director)	Chairman, Member of the Board of Marubeni Corporation
Takaaki Wakasugi (an outside expert)	Professor of Finance, School of Business Administration, Tokyo Keizai University
Naoto Nakamura (an outside expert)	Partner at Nakamura, Tsunoda and Matsumoto
Tetsuo Kitagawa* (an outside expert)	Professor at Graduate School of International Management Studies, Aoyama Gakuin University

\* To be assigned as committee member

#### **4. Rationale of the Plan**

##### **(i) Respecting shareholders' intent (Sunset Clause)**

The Plan shall remain in effect until the conclusion of the ordinary general meeting of shareholders for the fiscal year ending March 2011. If a resolution to abolish the Plan is made at the Company's general shareholders' meeting or by the Company's board of directors, the Plan will be abolished before the expiration of its term.

##### **(ii) Obtaining the advice of third-party experts**

The Independent Committee may obtain advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

##### **(iii) No dead-hand or slow-hand takeover defense measures**

The Plan is designed in a way so that it may be abolished at a meeting of the Company's board of directors. Therefore, the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the term of office of the Company's directors is one year and the Company has not adopted a staggered board, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).