

Corporate Governance

The Yamaha Group has adopted the Yamaha Philosophy and the Promises to Stakeholders, which apply to shareholders and all other related parties. We are working to secure a high level of profitability based on global competitiveness and increased management efficiency, and we are also striving to fulfill our social responsibilities in such areas as compliance, the environment, safety, and social contributions. In these ways, we are working to realize sustainable growth and to improve corporate value over the medium to long term.

To that end, in accordance with the “Basic Policies for Corporate Governance” presented below, we have established institutional designs for management—in addition to an organizational structure and systems—and we are implementing a range of initiatives and appropriate disclosure of information. In these ways, we are working to conduct transparent, high-quality business management.

Basic Policies for Corporate Governance

- From a shareholder’s perspective, ensure the rights and equal treatment of shareholders
- Taking into consideration our relationships with all stakeholders, proactively fulfill the Company’s social responsibilities
- Ensure that information is disclosed appropriately and that management is transparent
- By separating the oversight and executive functions and strengthening the oversight function, ensure that the Board of Directors is highly effective while at the same time executing decisions appropriately and with a sense of urgency
- Proactively engage in dialogue with shareholders

Yamaha Philosophy Please see inside the front cover.

Corporate Slogan	Sharing Passion & Performance
Corporate Philosophy	With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world.
Customer Experience*1	Joy, Beauty, Confidence, Discovery
Yamaha Quality*2	Excellence, Authenticity, Innovation
Yamaha Way**	Embrace Your Will, Stand on Integrity, Take Proactive Actions, Go Beyond the Limits, Stick to the Goals

*1. The Customer Experience exemplifies the meaning of “Sharing Passion & Performance” from the customer’s viewpoint. When customers experience, use, or own Yamaha products and services, they should experience a profound response that will stimulate both their emotions and senses.
 *2. Yamaha Quality is a set of criteria that supports Yamaha’s insistence on quality in products and services and our dedication to excellence in manufacturing. These criteria assist in making the Corporate Philosophy a reality.
 *3. The Yamaha Way explains the mindset that all employees of the Yamaha Group should adopt, and the manner in which they should act on a daily basis, in order to put the Corporate Philosophy into practice.

Promises to Stakeholders

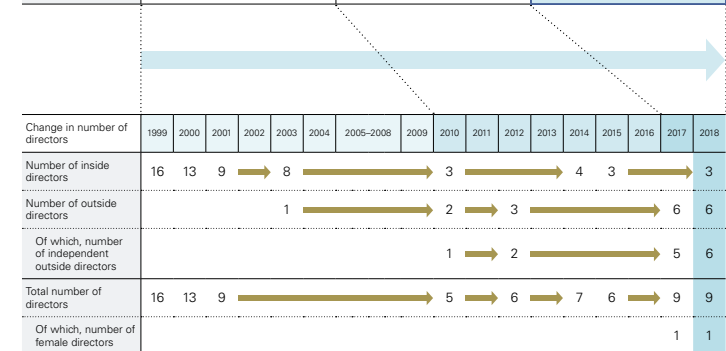
Customer-Oriented and Quality-Conscious Management	Yamaha fully satisfies its customers by offering quality products and services that incorporate new and traditional technologies as well as refined creativity and artistry.
Transparent and Sound Management	Yamaha delivers proper returns to shareholders by ensuring a solid business performance and achieves lasting development through transparent and sound management.
Valuing People	Yamaha strives to be an organization where each person’s individuality and creativity are respected and all can demonstrate their full potential through their work.
Harmony with Society	Yamaha is a good corporate citizen that contributes to the development of society, culture, and the economy by observing laws, demonstrating high ethical standards, and endeavoring to protect the environment.

Initiatives to Strengthen Corporate Governance

Yamaha has consistently taken steps to strengthen corporate governance, such as introducing an operating officer system in 2001; appointing an outside director and establishing the nominating and compensation committees on a voluntary basis in 2003; reducing the number of inside directors and appointing multiple outside directors in 2010; and formulating the Corporate Governance Policies in 2015. To further strengthen corporate governance, in June 2017 the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure.

Changes to Strengthen the Corporate Governance System

	1999 to 2009	2010 to 2016	2017–
Separation of management oversight and execution	2001 Adopted an operating officer system 2003 Appointed an outside director Established officer personnel committees (nominating, compensation)	2010 Appointed multiple outside directors Decreased the number of inside directors (8 to 3)	2017 Transitioned to a Company with Three Committees (Nominating, Audit, and Compensation)
Initiatives to increase effectiveness	2005 Reduced the term of directors from two years to one year	2015 Formulated Corporate Governance Policies 2016 Started evaluations of the effectiveness of the Board of Directors 2016 Transitioned operating officers from employment contracts to delegation contracts	2018 Aligned the terms of executive officers/operating officers with the fiscal year
Officer compensation system	2001 Changed monthly compensation to performance-linked (based on consolidated results, varying within a range of ±20%) 2006 Completely eliminated retirement bonuses for officers	2011 Completely linked officer bonuses to consolidated net income 2015 Introduced stock purchase compensation (mandatory contribution of a portion of fixed compensation to the Director Shareholding Association for the acquisition of treasury stock)	2017 Completely revised officer compensation system Introduced compensation in the form of restricted stock (please refer to P69)

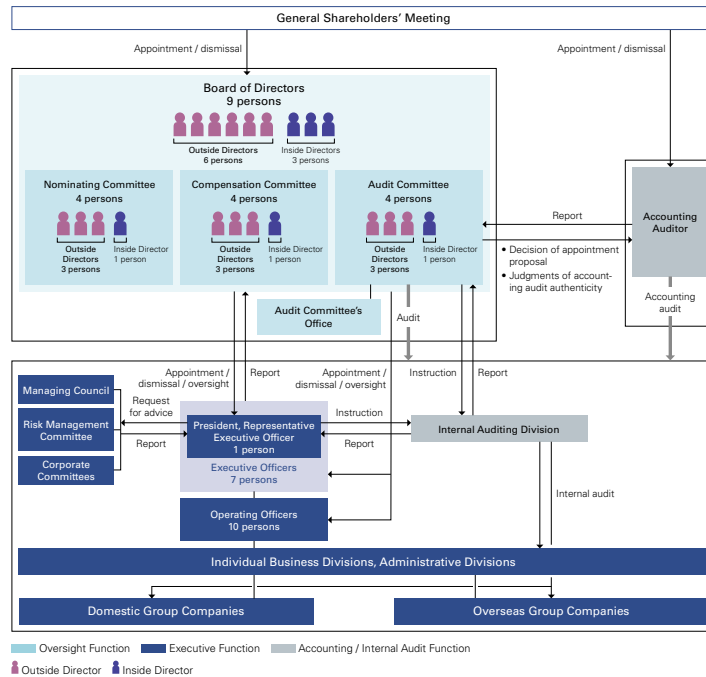


Corporate Governance Structure (as of June 26, 2018)

Yamaha has selected the Company with Three Committees (Nominating, Audit, and Compensation) governance structure. The reason is that from the Company's viewpoint, this structure is optimal for clearly separating the management oversight function and execution of business. Also, by strengthening the oversight function, this structure ensures a high level of effectiveness of the Board of Directors and realizes execution of business appropriately and with a sense of urgency.

The structure, together with the formation of a Board of Directors with a significant proportion of independent outside directors and establishment of the Nominating Committee, Audit Committee, and Compensation Committee, each with a majority of outside directors as provided by law, allows exercise of the oversight function with transparency and objectivity.

In addition, having the Executive Officers, who bear direct responsibility to the shareholders and have been delegated authority by the Board of Directors to make major decisions for business, realizes the appropriate conduct of business with a sense of urgency.



Composition of the Three Committees

Nominating Committee	Takuya Nakata / Shigeru Nosaka / Masatoshi Ito / Yoshihiro Hidaka
Compensation Committee	Takuya Nakata / Shigeru Nosaka / Masatoshi Ito / Yoshihiro Hidaka
Audit Committee	Masahito Hosoi / Junya Hakoda / Yoshimi Nakajima / Taku Fukui

Oversight Function

Directors and Board of Directors

As of June 26, 2018, there were nine members on the Board of Directors (including six outside directors). As a general rule, the Board meeting is held monthly. Based on its fiduciary responsibilities, the Board of Directors promotes the Group's sustainable growth and corporate value improvement over the medium to long term. The Board of Directors also oversees the performance of the executive officers and directors. At the same time, the Board determines important matters, such as basic management policies, required by laws and ordinances, the articles of incorporation, and the rules of the Board of Directors. In addition, the Board of Directors supervises the overall management of the Company by overseeing the succession plan for the chief executive officer and other officers; selecting the members and the chairs of the Nominating Committee, Audit Committee, and Compensation Committee; appointing executive officers and operating officers; approving transactions with related parties; and supervising the structure and operation of internal control systems.

In light of its fiduciary responsibilities, the Board of Directors works to realize sustainable growth for the Company and improve corporate value over the medium to long term while giving consideration to relationships with all of the Company's stakeholders. The directors understand relevant laws and ordinances, the articles of incorporation, etc., and take steps to gather sufficient information. On that basis, the directors actively exchange opinions and engage in constructive discussions at meetings of the Board of Directors.

In keeping with their independent status, the independent outside directors perform a management oversight function, advisory function, and a conflict of interest oversight function. These directors also work to appropriately reflect the views of the stakeholders within the Board of Directors.

Yamaha's Standards for Independence

In addition to the requirements for independence established by the Companies Act and the Tokyo Stock Exchange, the Company has established its own independence standards.

For further information about the independence standards, please refer to the Corporate Governance Report https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Analyzing and Evaluating the Effectiveness of the Board of Directors for Fiscal 2018 Evaluation Process

- Yamaha carried out evaluations, including evaluations by outside specialists, using the following processes.
- Implementation of a survey of directors regarding the transition to a Company with Three Committees (Nominating, Audit, and Compensation), the roles and responsibilities of the Board of Directors, the structure of the Board of Directors, the roles and qualities of directors, the management of the Board of Directors, and the management of each committee
- Evaluation and analyses, including by outside specialists, based on survey answers and individual interviews
- Based on the results of these analyses, evaluation of the effectiveness of the Board of Directors, deliberation on issues, and realization of improvements

Summary of the Evaluation

- The transition to a Company with Three Committees (Nominating, Audit, and Compensation) has been positively evaluated.
- The Board of Directors comprises directors with diverse viewpoints and experience, including multiple independent outside directors. Both the scale of the Board of Directors and the ratio of outside directors are evaluated as appropriate.
- Oversight of the management team from an independent and objective standpoint is conducted in a highly effective manner.
- Sincere and constructive discussions are being held regarding major management issues.
- Regarding awareness of those issues related to effectiveness in the previous evaluation, steps are being taken toward improvement.

On the other hand, regarding the further strengthening of the oversight functions of the Board of Directors and the management of each Committee, constructive opinions were expressed. In view of these results, the Company will continue to take initiatives toward further improvement to increase the effectiveness of the Board of Directors.

Nominating Committee

As of June 26, 2018, the Nominating Committee consisted of four members (three of whom were outside directors). The Nominating Committee decides on the content of proposals regarding the appointment and dismissal of directors, which are submitted at the General Shareholders' Meeting. The committee also determines the content of proposals for the appointment and dismissal of executive officers and operating officers, which are submitted to the Board of Directors. The Nominating Committee also implements the succession plan for the chief executive officer and other officers through the development of human resources to serve as directors, executive officers, and operating officers.

Audit Committee

As of June 26, 2018, the Audit Committee had four members (three of whom were outside directors). The chair of the Audit Committee is chosen from among the independent outside directors. The Audit Committee, either working in collaboration with the Internal Auditing Division or directly on its own, audits the structure and operation of the internal control systems of the Company and other Group companies. Based on the results of these audits, the Audit Committee conducts audits to determine the legality and appropriateness of the conduct of duties by the Executive Officers and Directors. When deemed necessary, members of the Audit Committee report to or express their opinions to the Board of Directors, or may issue cease and desist orders to executive officers and/or directors. In addition, the Audit Committee may decide on proposals to be considered in the General Shareholders' Meeting, including the selection/dismissal of the Accounting Auditor.

■ Securing the Effectiveness of the Audit Committee

One full-time member is appointed to the Audit Committee in order to enhance the committee's ability to gather internal information. In addition, to assist the committee with its work, the Audit Committee's Office has been established as a full-time organization under the direct jurisdiction of the Audit Committee. To ensure the Audit Committee's Office's independence from the executive officers and other people responsible for business execution, the approval of the Audit Committee is required for personnel evaluations, personnel reassignments, and disciplinary actions for the Audit Committee's Office's personnel.

■ Collaboration between the Accounting Auditor and the Internal Auditing Division

In regard to items necessary in auditing the conduct of duties by the executive officers and directors, the Audit Committee has secured a system that facilitates the implementation of sufficient and appropriate audits, including collaboration and sharing information with the accounting auditor and the Internal Auditing Division. The Audit Committee works to improve audit quality and to realize efficient audits. The Internal Auditing Division must report the results of its audits to the Audit Committee periodically and at other times when appropriate. In addition, the Division must make reports to the Audit Committee whenever the committee requests such reports.

The Audit Committee is allowed to provide instructions regarding audits to the Internal Auditing Division when necessary. In the event that instructions provided to the Internal Auditing Division by the Audit Committee conflict with instructions provided by the President and Representative Executive Officer, the instructions of the Audit Committee will take precedence. In regard to the general manager reassignment of the Internal Auditing Division, the opinions of the Audit Committee will be heard in advance.

Compensation Committee

As of June 26, 2018, the Compensation Committee had four members (three of whom were outside directors). The Compensation Committee has formulated the policy for determining director, executive officer, and operating officer compensation and decides on individual compensation amounts based on this policy.

■ Compensation System

The compensation of directors, excluding outside directors and members of the Audit Committee, and compensation of executive officers, excluding the executive officer in charge of the internal audit, consists of (1) fixed compensation, (2) performance-linked bonuses, and (3) compensation in the form of restricted stock. The approximate breakdown of total compensation of (1), (2), and (3) is 5:3:2.

(2) Performance-linked bonuses vary according to the Company's consolidated net income attributable to owners of parent and return on equity (ROE) in the previous fiscal year, and these bonuses are calculated with consideration for the individual's record of performance. The evaluation of individual performance is based on indicators of performance set by business and function in each area the individual is responsible for.

(3) The restricted stock compensation system has been introduced with the intent of motivating the directors and executive officers to enhance corporate value sustainably and having them share a common interest with shareholders. Compensation based on Company performance has also been introduced to provide a motivation for reaching performance goals in the medium term, therefore two-thirds of the total amount is linked to Company performance. Performance conditions are measured with an indicator, which is contained in the medium-term management plan, that gives equal weight to return on consolidated net sales (ROS), earnings per share (EPS), and return on equity (ROE). The restricted period is 10 years (or until the retirement of the director or executive officer) for the purpose of aligning the interests of the corporate officers with those of the shareholders over a long period after the end of the medium-term management plan. In addition, in the event of serious cases of accounting fraud or major losses, depending on the responsibility of the officers in charge, a claw-back clause is included that will require the return of all or a portion of restricted shares transferred to officers on an accumulated basis to date.

Outside directors and directors who are members of the Audit Committee as well as the executive officer in charge of the internal audit receive only the fixed compensation.

Breakdown of Compensation (fiscal 2018)

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)			Number of People
		Fixed compensation	Performance-linked compensation	Compensation in the form of restricted stock	
Directors (Including outside directors)	115 (45)	103 (45)	11 (—)	— (—)	10 (6)
Executive Officers	413	189	—	140	83
Corporate Auditors (Including outside corporate auditors)	19 (4)	19 (4)	— (—)	— (—)	— (2)

Notes: 1. The Company made the transition from a Company with Board of Corporate Auditors to a Company with Three Committees (Nominating, Audit, and Compensation), in accordance with a resolution of the Ordinary General Shareholders' Meeting held on June 22, 2017. Therefore, with regard to the above amounts of compensation, etc. paid to corporate auditors and the number of corporate auditors, these are the amounts of compensation, etc. and the number of persons related to corporate auditors who were in office from April 1, 2017 to June 22, 2017.
2. The above numbers of directors and corporate auditors include one director and four corporate auditors (including two outside corporate auditors) who retired at the conclusion of the Ordinary General Shareholders' Meeting held on June 22, 2017.
3. With regard to the number of directors, executive officers, and corporate auditors stated above, (a) persons who retired as corporate auditor and were appointed as director at the time of transition to a Company with Three Committees (Nominating, Audit, and Compensation), (b) a person who retired as a corporate auditor and was appointed as an executive officer at the time of transition to a Company with Three Committees (Nominating, Audit, and Compensation), and (c) persons concurrently serving as director and executive officer, are respectively counted for each.
4. The total amount of compensation, etc., paid to the executive officers concurrently serving as directors is described in the section for executive officers.
5. The compensation system was changed at the Compensation Committee meeting held on June 22, 2017. The performance-linked compensation in the directors' compensation column shows the total amount of compensation paid in line with performance prior to the change in the compensation system.

Attendance Status of Outside Directors (fiscal 2018)

Name	Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
Total number of attendances	13 times	5 times	15 times	1 time
Hiroyuki Yanagi	Number of attendances 12 times	5 times	—	1 time
	Attendance rate** 92.3%	100%	—	100%
Shigeru Nosaka	Number of attendances 13 times	5 times	—	1 time
	Attendance rate** 100%	100%	—	100%
Masatoshi Ito	Number of attendances 13 times	5 times	—	1 time
	Attendance rate** 100%	100%	—	100%
Junya Hakoda**2	Number of attendances 13 times	—	15 times	—
	Attendance rate** 100%	—	100%	—
Yoshimi Nakajima	Number of attendances 10 times	—	15 times	—
	Attendance rate** 100%	—	100%	—
Taku Fukui	Number of attendances 9 times	—	14 times	—
	Attendance rate** 90%	—	93.3%	—

*1. The denominator for the attendance rate is the total number of meetings held during the period in which each person was in office.
*2. Up to June 22, 2017, when the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation), the Board of Corporate Auditors met four times in fiscal 2018. Outside Director Junya Hakoda attended all four meetings of the Board of Corporate Auditors.

Executive Function**Representative Executive Officer**

The Company had one representative executive officer as of June 26, 2018 (president and representative executive officer). The representative executive officer represents the Company as the chief executive for Company matters and is in overall charge of business under the basic policies set by the Board of Directors.

Executive Officers

The Company had seven executive officers as of June 26, 2018 (including one representative executive officer and two managing executive officers). The executive officers are responsible for the execution of business. With a Companywide perspective, they make important decisions on matters related to the execution of business matters that have been delegated to them by the Board of Directors, and they implement business execution, subject to the oversight of the Board of Directors.

Managing Council

Yamaha has established the Managing Council, which is composed of executive officers, as an advisory body to the president and representative executive officer. In principle, the Managing Council holds meetings twice a month to engage in debate on important management issues.

Corporate Committees

The Company has established corporate committees that act as advisory bodies to the president and representative executive officer. These committees hold discussions on the direction and important themes of examinations and initiatives that are continuously carried out on a cross-organizational and management level basis. The committees report the results of these discussions to the president and representative executive officer.

Risk Management Committee

As an advisory body to the president and representative executive officer, the Risk Management Committee discusses risk management-related matters from a Companywide perspective and reports the results of these discussions to the president and representative executive officer.

Operating Officers

As of June 26, 2018, Yamaha had 10 operating officers. With a Companywide perspective, the operating officers conduct the work they are responsible for under the supervision of the executive officers and in accordance with important decisions regarding business execution made by the Board of Directors and the executive officers.

Internal Control System, Internal Audits, Accounting Audits**Internal Control System**

In order to ensure appropriate business operations, the Company has established an internal control system pursuant to Japan's Companies Act and the Enforcement Regulations of the Companies Act. This system aims to improve the efficiency of the Company's business activities, ensure reporting reliability and thorough compliance with laws and regulations, preserve the value of Company assets, and strengthen risk management.

For further information about the internal control system, please refer to the Corporate Governance Report.

https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Internal Audits

Yamaha established the Internal Auditing Division under the direct control of the president and representative executive officer. The Division's role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company and Group companies, from the standpoint of legality, effectiveness, and efficiency. Based on the results of these examinations and evaluations, the Division provides information and offers advice and proposals for improvement.

The Company selects an executive officer to be in overall charge of internal audits, with the objective of improving internal auditing functions. In addition, based on policies aimed at assuring the effectiveness of the audits of the Audit Committee, which are decided on by vote of the Board of Directors, the Internal Auditing Division has in place a structure for close collaboration with the Audit Committee. At the same time, the Division keeps in close contact and conducts precise adjustments with the accounting auditor. In these ways, the Company works to increase audit efficiency.

Accounting Audits

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor, and certified public accountants from Ernst & Young ShinNihon conduct the accounting audits of the Company. Ernst & Young ShinNihon has voluntarily adopted a rotating system for its managing partners in order to ensure that the number of continuous years of auditing service does not exceed a fixed period of time.

In addition, for commissioning auditing operations, the Company, in principle, employs Ernst and Young ShinNihon LLC as its accounting auditor in order to ensure speed and reliability in the consolidated settlement.

Initiatives to Engage in Dialogue with Shareholders and Investors

In order to have constructive dialogue with shareholders and investors, the Board of Directors appoints a director in charge of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other directors, executive officers, or operating officers will appear in person to explain matters such as the capital policy or medium-term management plan to shareholders or investors in a clear and easy-to-understand manner. The Legal Division, IR Department, and Corporate Finance Division cooperate and assist the director in charge to ensure that dialogue with shareholders and investors is conducted in a reasonable and orderly manner.

In addition to the respective dialogue with shareholders and investors, the Company offers presentations on its medium-term management plan and quarterly earnings presentations as well as business briefings, facilities tours, and presentations for private investors. Presentation materials, etc., are continuously made available on the Company website.

The results of the dialogue with shareholders and investors are reported to the Board of Directors by the director in charge, executive officers, or operating officers on a timely basis, and they are appropriately reflected in the management of the Company, leading to the Group's sustainable growth and enhancing corporate value over the medium to long term. Additionally, the voting is analyzed for each resolution at the Ordinary General Shareholders' Meeting, and this is reported to the Board of Directors.

Regarding measures to control insider information, pursuant to the Company's Disclosure Policy, due consideration is given to controlling insider information, and we endeavor to disclose information in a fair, prompt, and timely manner. When meeting with shareholders and investors, information is provided after verifying that the information provided does not constitute insider information. The time between the day after the end of each quarter and the date of the earnings release is a "quiet period" during which we refrain from discussing earnings information.

Major IR Activities

Major IR activities in fiscal 2018 were as follows.

Target	Activity	Frequency	Content
For analysts and institutional investors	Financial results briefings	4	Quarterly briefings
	Conferences held by securities companies	2	Interviews with officer in charge
	Acceptance of requests for interviews / information	Approx. 260	IR interviews
For domestic and international institutional investors	Management plan / IR briefings	5	Visits by president and representative executive officer, officers in charge (Japan, North America, Europe, Asia)
For private investors	Company briefings for private investors	5	Tokyo, Yokohama, Osaka, Kobe

General Shareholders' Meetings

Yamaha endeavors to establish an environment that ensures that there is adequate time for shareholders to exercise their voting rights for a General Shareholders' Meeting, so that they can properly exercise their voting rights. In addition to sending the notice for the Ordinary General Shareholders' Meetings at least three weeks in advance of the meeting date, we create an environment in which every shareholder can properly exercise his or her voting rights by disclosing the content of the notice on our website in both Japanese and English as soon as possible, holding the Ordinary General Shareholders' Meeting on a date that avoids the concentration of shareholders' meetings, and ensuring that it is convenient to exercise voting rights by using an electronic proxy voting platform.

Items Voted On at the Ordinary General Shareholders' Meeting

The following items were voted on at the 194th Ordinary General Shareholders' Meeting on June 25, 2018.

Proposal	Number of votes for	Number of votes against	Number of abstained votes	Approval percentage	Results
Proposal 1. Appropriation of surplus	1,601,804	6,755	425	99.2	Approved
Proposal 2. Reduction in capital reserve	1,608,238	321	425	99.6	Approved
Proposal 3. Partial amendments to articles of incorporation	1,608,325	233	425	99.6	Approved
Proposal 4. Election of nine directors					
Takuya Nakata	1,565,024	43,577	425	96.9	Approved
Satoshi Yamahata	1,598,639	9,970	425	99.0	Approved
Masahito Hosoi	1,575,028	33,575	425	97.6	Approved
Shigeru Nosaka	1,607,988	621	425	99.6	Approved
Masatoshi Ito	1,586,925	21,682	425	98.3	Approved
Junya Hakoda	1,599,666	8,343	425	99.1	Approved
Yoshimi Nakajima	1,599,613	8,996	425	99.1	Approved
Taku Fukui	1,599,678	8,931	425	99.1	Approved
Yoshihiro Hidaka	1,431,847	176,753	425	88.7	Approved

Notes: 1. Necessary conditions for the approval of each proposal were as follows.

- (1) Proposal 1 and Proposal 2: Approval of the majority of shareholders in attendance
 - (2) Proposal 3: Attendance of shareholders holding one-third or more of the voting rights of the shareholders who can exercise their voting rights, and approval of two-thirds or more of the approval rights of the shareholders in attendance.
 - (3) Proposal 4: Attendance of shareholders holding one-third or more of the voting rights of the shareholders who can exercise their voting rights, and approval of a majority of the approval rights of the shareholders in attendance.
2. Reason for not including some of the number of voting rights of the shareholders in attendance in the number of voting rights: By calculating the total of the number of voting rights exercised by the date immediately before the date of the meeting and the number of voting rights of some of the shareholders present, whose intentions regarding approval or disapproval of each proposal were confirmed, the necessary conditions for the approval of each proposal were satisfied and the resolutions were legally passed pursuant to the Companies Act. Therefore, among those shareholders in attendance on the day of the meeting, the calculation did not include the number of voting rights for which intentions regarding approval, disapproval, or abstention were not confirmed.

Cross-Holdings

Basic Policy

It is Yamaha's basic policy to have cross-holdings only to the extent that this is reasonable because it contributes to the Company's sustainable growth and the enhancement of corporate value over the medium to long term. This refers to enhancing the value of our brand, supporting sustainable growth, and ensuring a strong financial base by maintaining stable relationships with companies with which we have important cooperative relationships, business partners, and financial institutions.

Basic Policy Concerning Reduction of Cross-Holdings

In regard to the reasonableness of individual cross-holdings, the Board of Directors regularly and continuously verifies whether the purposes for such shareholdings are appropriate, whether the benefits accruing from these holdings and the risks associated with them cover the cost of capital, etc., and based on the results of those verifications the Board works to reduce cross-holdings.

Standards for the Exercise of Voting Rights Associated with Cross-Holdings

In exercising the voting rights associated with cross-holdings, the decision of how to vote is made comprehensively from the standpoint of whether the resolution enhances the corporate value of the company in question over the medium to long term, whether it is in accordance with our basic policy concerning cross-holdings, and whether it leads to the enhancement of our corporate value over the medium to long term.

Status of Shareholdings

■ Investments in equity securities held for other than pure investment

Book value ¥128,582 million (fiscal 2018)

■ Specified equity securities

Among investments in equity securities held for other than pure investment, listed holdings in fiscal 2018 were as follows.

Security name	Number of shares held (shares)	Book value (millions of yen)
Yamaha Motor Co., Ltd.*1	34,642,790	110,164
MS&AD Insurance Group Holdings, Inc.*2	1,303,723	4,373
The Shizuoka Bank, Ltd.*2	3,486,678	3,507
Toyota Motor Corporation*2	501,300	3,421
Sumitomo Mitsui Financial Group, Inc.*2	445,402	1,985
Mizuho Financial Group, Inc.*2	10,123,816	1,937
Audinate Group Limited*2	6,289,308	1,648
DAIICHIKOSHO CO., LTD.*2	50,000	282
Mitsubishi UFJ Financial Group, Inc.*2	226,480	157
Sumitomo Mitsui Trust Holdings, Inc.*2	40,900	176
TDK Corporation*3	100	0
Kao Corporation*3	100	0
Shiseido Company, Limited*3	100	0
AGC Inc.*3	100	0
Kirin Holdings Company, Limited*3	100	0

*1. Yamaha Motor Co., Ltd. uses the same Yamaha brand as the Company. Yamaha Motor Co., Ltd. and the Company have established the Joint Brand Committee, YAMAHA Brand Charter, and Joint Brand Regulations. Along with carrying out various initiatives together, initiatives in furtherance of each other's sustainable growth are monitored appropriately through shareholdings and the assignment of directors. By building this kind of relationship of monitoring and cooperation, the Company aims to maintain and enhance the value of the Yamaha brand, thereby contributing to the enhancement of the Company's corporate value over the medium to long term. To that end, we hold shares of Yamaha Motor Co., Ltd. (Percentage of voting rights held: 9.93%)

*2. The Company holds the shares for the purpose of maintaining and continuing a smooth transaction relationship.

*3. The Company holds the shares for the purpose of gathering information about information provision methods, etc., for shareholders.