

## Corporate Governance

While making efforts to bolster the supervisory functions of the Board of Directors, Yamaha is promoting an executive officer system in order to strengthen business execution functions. Yamaha has selected highly independent outside directors and outside corporate auditors to increase the effectiveness of its governance.

### Fundamental Concept of Corporate Governance

Yamaha positions the enhancement of corporate governance as an important management issue and is taking proactive steps to improve it.

Adopting the Yamaha Philosophy and its Promise to Stakeholders, which applies to shareholders and all other related parties, Yamaha is working to secure global competitiveness and a high level of profitability based on effective management. At the same time, the Company is making efforts to realize sustainable growth and improve corporate value over the medium to long term by fulfilling its social responsibilities in such areas as compliance, the environment, safety, and social contributions.

Assessing the true nature of each regulation in Japan's Corporate Governance Code, Yamaha created a Corporate Governance Policy Book in November 2015 through a decision by the Board of Directors in order to help strengthen the Company's corporate governance. In this policy book, Yamaha explains its basic policies for corporate governance, based on which the Company has established institutional designs for management—in addition to an organizational structure and systems—and implemented a wide variety of governance-related measures. Yamaha also realizes transparent and high-quality management through the appropriate disclosure of information.

#### 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 and is able to execute decisions with a sense of urgency
- Proactively engage in dialogue with shareholders

#### Yamaha Philosophy

- 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\*<sup>1</sup>: Joy, Beauty, Confidence, Discovery
- Yamaha Quality\*<sup>2</sup>: Excellence, Authenticity, Innovation
- Yamaha Way\*<sup>3</sup>: Embrace Your Will, Stand on Integrity, Take Proactive Actions, Go Beyond the Limits, Stick to the Goals

\*1 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 the Company's 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.

Moreover, the organizational structure and systems that Yamaha has established for corporate governance conforms to Japan's Corporate Governance Code. Items of our organizational structure and systems that are not based on the Code are explained and disclosed in sections of our Corporate Governance Report. <https://www.yamaha.com/en/ir/governance/>

### Basic Corporate Governance System

Yamaha is a company with a board of auditors as defined under Japanese law. With the General Shareholders' Meeting as its highest decision-making body, Yamaha has built a corporate governance

system (outlined in the diagram to the right) centered on oversight functions of business execution by the Board of Directors and auditing functions by the Board of Auditors.

In addition, Yamaha has also established a Corporate Directors Personnel Committee, which is an advisory body of the Board of the Directors; the Managing Council, which is an advisory body of the president and representative director; the Risk Management Committee; and corporate committees. Furthermore, the Company is reinforcing its governance functions by setting up an internal audit system. A structure to manage Group companies has also been created within the Company. To enhance the governance function of the entire Group, auditors from Group companies conduct audits on the Company and vice versa. Furthermore, the Company ensures appropriate decision-making processes in accordance with the Group Management Charter, which establishes the basic management policies that should be shared Groupwide.

**Board of Directors**

As of June 22, 2016, there were six members on the Board of Directors (including three outside directors and two independent directors). As a general rule, the Board meets once a month. 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 exercises its supervisory functions toward general management in such ways as establishing basic management policies, making decisions on important business execution, overseeing plans for the president and other directors’ successors with the help of the Corporate Directors Personnel Committee, nominating and appointing candidates for directors, determining director remuneration, approving transactions with related parties, creating internal control systems, and overseeing operating conditions. The Board also gives consideration to the relationship the Company has with all of its stakeholders, fully obeying all related rules and regulations and comprehending the Company’s articles of incorporation. By carrying out a sufficient amount of information gathering, the Board actively exchanges opinions and holds constructive debate at the Board of Directors’ meetings.

Independent outside directors act as a supervisory function on management and conflicts of interest as well as offer advice based

on an independent and objective opinion. These directors also ensure that the opinions of stakeholders are properly reflected in the Board of Directors’ actions.

In order to clarify directors’ management responsibilities, directors are appointed for a term of one year.

Moreover, Yamaha analyzes and evaluates the Board of Directors’ effectiveness through self-assessment by directors, including outside directors, and evaluations by auditors. The results are shared throughout the Board and used as a reference to help enhance the Board’s effectiveness.

Yamaha carried out evaluations, including evaluations by outside specialists, in fiscal 2016 using the following processes.

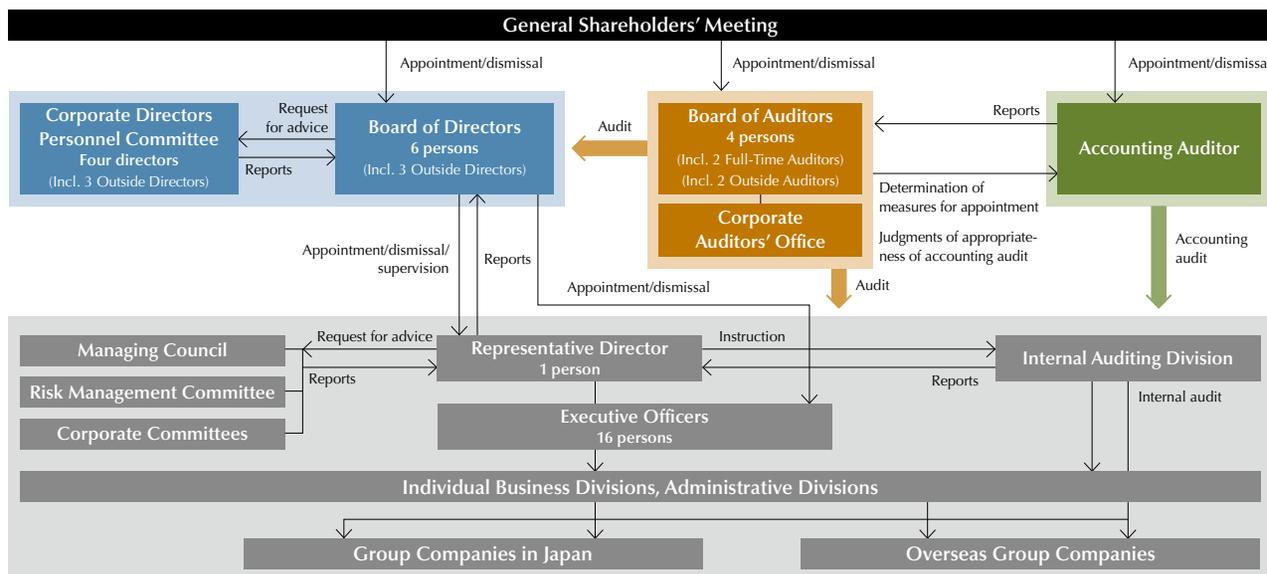
- Implementation of survey geared toward the directors and auditors regarding the “roles and responsibilities of the Board of Directors,” “structure of the Board of Directors,” “roles and qualities of directors,” and “management of the Board of Directors”
- Evaluations, including evaluations by outside specialists, and analyses based on survey answers and individual interviews
- Evaluation of the effectiveness of the Board of Directors based on the results of these analyses as well as discussion and materialization of improvements for applicable issues

Through these processes, Yamaha assessed the Board Directors to be effective and functioning appropriately from the following perspectives.

- The Board of Directors is made up of directors and auditors, including multiple independent outside directors, with a diverse range of perspectives and experience.
- The Board of Directors conducts highly effective oversight of managerial ranks from an independent and objective standpoint.
- The Board of Directors holds sincere and constructive debate on important management issues.

Meanwhile, constructive opinions were presented to further enhance the oversight functions of the Board. Based on the results of these evaluations, Yamaha will work to further improve the effectiveness of the Board of Directors by continually making improvements.

**Corporate Governance Structure (As of June 23, 2016)**



## Corporate Governance

## Reorganization of Systems and Structure to Strengthen Corporate Governance

|      |   |      |   |
|------|---|------|---|
| 2001 | Adopted an executive officer system to separate management decision-making/supervision and execution functions  | 2009 | Increased the number of outside corporate auditors from two to three  |
| 2003 | Reduced the number of full-time directors from nine to eight, appointed an outside director, increased the number of outside corporate auditors from one to two, and established the Corporate Auditors' Office | 2010 | Decreased the number of full-time directors from eight to three, increased the number of outside directors from one to two, and registered one outside director as an independent officer as stipulated by Japan's Financial Instruments and Exchange Act |
| 2005 | Clearly defined directors' management responsibilities and reduced the term of directors from two years to one year to create a system that can swiftly respond to changing business environments               | 2011 | Reorganized Internal Auditing Division to centralize audit functions and to promote comprehensive audits  |
| 2006 | Adopted a group manager system that concedes business execution authority to full-time directors so they can swiftly respond to management issues   | 2012 | Increased the number of outside directors from two to three   |
|      |   | 2014 | Increased the number of full-time directors from three to four  |
|      |   | 2015 | Reduced the number of full-time directors from four to three  |

### ■ Representative Director

As of June 22, 2016, Yamaha had one representative director who acts as president and representative director. The president and representative director is the chief officer in charge of business execution and represents the Company.

### ■ Auditors and the Board of Auditors

As of June 22, 2016, Yamaha had four auditors, including two outside corporate auditors who are also independent officers. In principle, the Board of Auditors convenes once monthly. The Company's auditors audit the execution of duties by directors and executive officers as an independent institution based on their fiduciary responsibilities. In this way, the auditors are responsible for ensuring the sound, sustainable growth of the Company and the Group as well as establishing a high-quality corporate governance structure that can earn the trust of society.

The Board of Auditors creates auditing reports and makes decisions on a wide variety of items, including the appointment and dismissal of full-time corporate auditors, auditing policies, methods to investigate the status of operations and assets, and other items related to the execution of auditing duties. The Board also decides on proposals to elect accounting auditors, which are submitted at the General Shareholders' Meetings, and works to gain consensus on proposals to elect other auditors.

In order to accurately evaluate the reasonableness of business and accounting audits, one of the full-time auditors appointed possesses a great deal of expertise in finance and accounting. Outside corporate auditors are appointed to ensure objectively fair and equitable audits and include specialists (one attorney and one CPA) who hold positions independent from that of the Company. Yamaha has also established the Corporate Auditors' Office (with one staff member as of June 22, 2016) that is dedicated to supporting auditors, so as to ensure an environment conducive to performing effective audits.

### ■ Corporate Directors Personnel Committee

Yamaha established the Corporate Directors Personnel Committee as an advisory body to the Board of Directors and determined that the president and representative director shall be the committee chairman. Yamaha has also determined that over half of the committee's members shall be outside directors in order to ensure transparency and fairness in the committee's business procedures.

The committee oversees planning related to successors of the president and other directors, decides on candidates to be nominated to the Board of Directors and other positions, holds debate on decisions regarding remuneration for directors and executive officers, and reports the results of committee discussions to the Board of the Directors.

In fiscal 2016, the committee met a total of three times, making examinations related to director remuneration for fiscal 2016 as well as the promotion, appointment, and resignation of directors, auditors, and executive officers, and the employment of outside personnel.

### Corporate Directors Personnel Committee

|                    |                                       |                 |
|--------------------|---------------------------------------|-----------------|
| Committee chairman | President and representative director | Takuya Nakata   |
| Committee members  | Outside director                      | Hiroyuki Yanagi |
|                    | Outside director                      | Shigeru Nosaka  |
|                    | Outside director                      | Masatoshi Ito   |

### ■ Risk Management Committee

Yamaha established the Risk Management Committee as an advisory body to the president and representative director and determined that the representative director shall be the committee chairman. The committee discusses risk management-related matters from a Companywide perspective including business continuity planning (BCP), disaster countermeasures, internal controls, compliance, export, and information security and reports its findings to the president and representative director.

### ■ Managing Council and Corporate Committees

Yamaha established the Managing Council as an advisory body that holds debate on important management issues from a Companywide perspective and reports its findings to the president and representative director. Managing Council meetings are held, in principle, twice a month. Attending the Managing Council are the president and representative director, managing executive officers, senior executive officers, and full-time corporate auditors. To encourage deeper discussion about important management strategic issues, corporate committees have been set up to address each issue.

### ■ Executive Officers

Yamaha has adopted an executive officer system with the purpose of strengthening consolidated Group management and business execution functions. As of June 22, 2016, the executive officer system comprised 16 executive officers, including two managing executive officers and five senior executive officers. The managing executive officer supports the president, who is the chief officer in charge of business execution. The managing executive officer or senior executive officers, in principle, preside over the business and administrative groups as heads of those groups in accordance with the importance of these responsibilities. These officers are responsible for the business performance of the groups they preside over and manage and direct in a way that allows each group to function to its maximum potential. Moreover, executive officers are assigned to divisions that are responsible for key management issues in each group.

### ■ Internal Audits

Yamaha established the Internal Auditing Division (14 staff members as of June 22, 2016) under the direct control of the president and representative director. Its role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company from the standpoint of legality, reasonableness, effectiveness, and efficiency. The Internal Auditing Division provides the president and representative director, divisions subject to audit, and supervisory divisions with information based on the evaluation along with suggestions and proposals for rationalization and improvement. At the same time, Yamaha strives to boost audit efficiency by encouraging close contact and coordination among the corporate auditors and the accounting auditors.

### ■ Principal Internal Audit Activities in Fiscal 2016

1. Performed visiting audits of divisions and Group companies (Japan and overseas; paper audits were also performed)
2. Confirmed the status of Company-level internal controls and audited Company regulations
3. Presided over audits of subsidiaries by their auditors
4. Audited the status and content of monitoring conducted by the administrative divisions of Yamaha Corporation and provided advice for improvement of monitoring quality
5. Performed follow-up audits to confirm that corrective action had been taken

### ■ Support System for Outside Directors and Outside Corporate Auditors

A meeting to examine management issues is held monthly, in principle, for the purpose of sharing important management proposals between all directors and corporate auditors and discussing with the executive officers in responsible positions.

Yamaha also creates opportunities at the time of appointment to explain to outside directors and auditors the Yamaha Philosophy, corporate governance systems, internal regulations, and the progress of the medium-term management plan, thereby promoting their understanding of the current situation and enhancing their recognition of management issues. When necessary, outside directors are individually provided with explanations about proposals and reports to be submitted to the Board of Directors.

## Fiscal 2016 Outside Directors and Outside Corporate Auditors

### Outside Directors

| Name            | Independent officer | Reasons for appointment  | Views on their independence   | Board of Directors' meetings attended |
|-----------------|---------------------|--|---|---------------------------------------|
| Hiroyuki Yanagi | No                  | <ul style="list-style-type: none"> <li>· Has excellent character and insight</li> <li>· Has management experience as the representative director of Yamaha Motor Co., Ltd.</li> <li>· Can be counted on to strengthen Yamaha's governance functions, improve brand value, and provide appropriate advice from an objective standpoint</li> </ul> | Although he has not been made an independent director due to the fact that he also serves as the representative director of Yamaha Motor, of which the Company is a major shareholder, he has been appointed as an outside director for the reasons listed.   | 11 of 13                              |
| Yoshikatsu Ota  | Yes                 | <ul style="list-style-type: none"> <li>· Has excellent character and insight</li> <li>· Has management experience in other industries</li> <li>· Can be counted on to strengthen Yamaha's governance functions and provide appropriate advice from an objective standpoint</li> </ul>  | Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders. | 12 of 13                              |
| Shigeru Nosaka  | Yes                 | <ul style="list-style-type: none"> <li>· Has excellent character and insight</li> <li>· Has management experience in other industries</li> <li>· Can be counted on to strengthen Yamaha's governance functions and provide appropriate advice from an objective standpoint</li> </ul>  | Although he has many years of corporate management experience, he and the companies that he has managed at have not been major business partners. Of independent social and economic standing, he is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders. | 9 of 10                               |

## Corporate Governance

## Outside Corporate Auditors

| Name           | Independent officer | Reasons for appointment   | Views on their independence  | Board of Directors' and Board of Auditors' meetings attended                        |
|----------------|---------------------|---|--|---|
| Hirohiko Ikeda | Yes                 | <ul style="list-style-type: none"> <li>· Has excellent character and insight</li> <li>· Has expertise in laws and regulations</li> <li>· Can be counted on to provide equitable and fair audits from an objective standpoint</li> </ul>           | Although he has worked for many years as an attorney, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders.   | Board of Directors' meetings<br>12 of 13<br>Board of Auditors' meetings<br>15 of 15 |
| Junya Hakoda   | Yes                 | <ul style="list-style-type: none"> <li>· Has excellent character and insight</li> <li>· Is a CPA with expertise in corporate accounting</li> <li>· Can be counted on to provide equitable and fair audits from an objective standpoint</li> </ul> | Although he has worked for many years as an accountant, he is of independent social and economic standing, and is not in a position that can be significantly influenced by, or conversely, can significantly influence the Yamaha management team, and is therefore unlikely to pose a conflict of interest with Yamaha's general shareholders. | Board of Directors' meetings<br>10 of 10<br>Board of Auditors' meetings<br>11 of 11 |

\* To gain valuable human resources from outside the Company, Yamaha has concluded agreements with outside directors and outside corporate auditors that limit liability under Article 423, Paragraph 1 of the Companies Act. The liability limit based on said agreements is the minimum amount established by law.

With respect to agenda items at meetings of the Board of Directors and the Board of Auditors to be attended by outside corporate auditors, full-time staff members send documents and other materials to them prior to the meeting and provide explanations as necessary to enable them to perform a complete preliminary study of the agenda. With regard to other material matters, the Company strives at all times to maintain an effective auditing environment, including by providing information, supplying documentation, listening to opinions, and supporting research and data collection.

#### ■ Registration of Independent Officers

Yamaha has registered outside directors Shigeru Nosaka and Masatoshi Ito and outside corporate auditors Hirohiko Ikeda and Junya Hakoda as independent officers under the provisions of the Tokyo Stock Exchange (TSE).

In addition to provisions pertaining to officer independence in Japan's Companies Act and the TSE, Yamaha has established the following in-house standards for evaluating officer independence.

1. If any of the following items are applicable to the individual, the Company, in principle, will not appoint him or her as an independent officer. Furthermore, if any of the following items become applicable after an individual has been appointed as an independent officer, he or she will be removed from the position.

A. Any individual who does not meet the qualification requirements for an outside director or auditor as stipulated in the Companies Act

B. Any individual who is a member of a party that places the Group as a primary business partner or does business with such a party, or any individual who is a member of a party the Group places as a primary business partner or does business with such a party

“Primary business partner” refers to a party from which, in any of the past three business years, Yamaha has received compensation that exceeds 2% of the Company's consolidated net

sales, or any party to which Yamaha has paid compensation that exceeds that 2% of that party's consolidated net sales. “Primary business partner” also includes the top five banks that Yamaha does business with.

C. Any individual who is a primary shareholder of the Company or who does business with a primary shareholder of the Company, as well as any director or auditor of a company of which Yamaha is a primary shareholder

“Primary shareholder” refers to an individual or entity that possesses shares or interests that total over 10% of the total shares issued by the Company.

D. Any individual who has been dispatched within the Group as a director or auditor

E. Any consultant or accounting or legal expert that receives large monetary amounts or other assets from the Company, excluding director remuneration (in the event that a corporation, union, or another kind of organization is receiving the asset, this refers to individuals that are affiliated with such an organization)

“Large monetary amounts or other assets” refers to cases where the Company has made payments of over ¥10 million in any of the past three business years (in the case that the Company provided non-financial compensation, the fair market valuation at the time the compensation was provided is used).

F. Any near relative (within the second degree) of an individual to which the following is applicable

1. Any individual described in B through D
2. An individual who does business with the Company or its subsidiaries
3. An individual who was appointed as a director or auditor to which (2) was applicable to at the time that the most recent General Shareholders' Meeting concluded

2. Even in the event that B, C, or D apply to an individual, if it becomes clear that there is no substantial risk of the individual creating a conflict of interest with the general shareholders,

that individual may be appointed as an independent director, or avoid being removed as an independent director, using that reason.

## Policy on Determining Remuneration for Directors and Corporate Auditors

Director remuneration consists of a fixed compensation that is set within a limit predetermined at the General Shareholders' Meeting, a performance-based compensation, and a director bonus that reflects short-term performance. Director remuneration also consists of a share acquisition-based compensation to enhance the incentive for directors to improve corporate value over the medium to long term. The policy for director remuneration is determined by the Board of Directors after deliberations by the Corporate Directors Personnel Committee. Remuneration for corporate auditors is also set within a limit decided on at the General Shareholders' Meeting and is determined through deliberations among corporate auditors.

### ■ Remuneration for Directors

Remuneration for directors other than outside directors comprises (1) a fixed compensation, (2) a performance-based compensation, and (3) a director bonus.

The performance-based compensation is assessed based on the rate of year-on-year growth in return on sales (ROS), return on equity (ROE), and consolidated net sales, as well as the year-on-year improvement rate of consolidated operating income, and ranges from 0 to 50% of fixed compensation depending on individual performance. The director bonus is paid within a compensation framework predetermined at the General Shareholders' Meeting. With an upper limit of 0.5% of consolidated net income of fiscal 2015, the bonuses are calculated in correlation with net income of fiscal 2016.

In addition, as of July 2015, directors will acquire 12.5% of fixed compensation in the form of the Company's shares through the Company's Director Shareholding Association and maintain possession of those shares throughout their term of service. This will further enhance the performance incentive for directors over the medium to long term.

Remuneration for outside directors is limited to only a fixed compensation and amounts are determined taking into account such factors as whether said remuneration is in balance with that of other directors and the scale of Yamaha Corporation's business.

### ■ Remuneration for Corporate Auditors

Remuneration for corporate auditors is limited to a fixed compensation and is based on a compensation framework. Amounts are determined through consultation with the corporate auditors, taking into account such factors as whether said remuneration is in balance with that of directors and the scale of Yamaha Corporation's business.

### ■ Other

At the 182nd Ordinary General Shareholders' Meeting, held on June 27, 2006, a resolution was approved abolishing payment of retirement allowances to directors. Yamaha does not maintain a stock option system.

## Remuneration for Directors and Corporate Auditors in Fiscal 2016

| Classification   | Total compensation<br>(Millions of yen) | Compensation by Type (Millions of yen) |                                   |         | Number of<br>directors and<br>corporate auditors |
|--|---|--|-----------------------------------|---------|--|
|  |   | Fixed<br>compensation                  | Performance-based<br>compensation | Bonuses |  |
| Directors<br>(Excluding outside directors)                   | 256                                     | 125                                    | 47                                | 82      | 5  |
| Corporate Auditors<br>(Excluding outside corporate auditors) | 60                                      | 60                                     | —                                 | —       | 3  |
| Outside Directors and<br>Outside Corporate Auditors          | 32                                      | 32                                     | —                                 | —       | 7  |

## Remuneration by Director for Fiscal 2016

| Name          | Total<br>compensation<br>(Millions of yen) | Director category                        | Company category   | Compensation by Type (Millions of yen) |                                   |         |
|---------------|--|--|--------------------|--|-----------------------------------|---------|
|               |  |  |                    | Fixed<br>compensation                  | Performance-based<br>compensation | Bonuses |
| Takuya Nakata | 145  | President and<br>Representative Director | Submitting Company | 68                                     | 28                                | 48      |

\* Only directors whose total consolidated remuneration is ¥100 million or more are listed.

## Corporate Governance

## Accounting Auditor

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor. Takahiro Takiguchi and Hidetake Kayama, CPAs of said accounting auditor firm, have performed Yamaha's accounting audit. Ernst & Young ShinNihon has voluntarily

adopted a rotating system for its managing partners and has taken measures to ensure that the number of continuous years of service does not exceed a fixed period of time. In addition, 14 CPAs and 16 staff assist with the audits.

## Remuneration for Accounting Auditor in Fiscal 2015 and 2016

| Classification          | Fiscal 2015  |   | Fiscal 2016  |   |
|-------------------------|--|---|--|---|
|                         | Compensation based on audit certificate services (Millions of yen) | Compensation based on non-auditing services (Millions of yen) | Compensation based on audit certificate services (Millions of yen) | Compensation based on non-auditing services (Millions of yen) |
| Filing company          | 64   | —   | 66   | —   |
| Consolidated affiliates | 22   | 25  | 22   | 21  |
| Total                   | 86   | 25  | 88   | 21  |

Notes: Other important remuneration

Fiscal 2016: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 17 other companies paid ¥135 million in compensation based on audit certificate services and ¥7 million based on non-auditing services to Ernst & Young, which is affiliated with the same auditing accounting auditor network as Yamaha Corporation.

Fiscal 2015: Yamaha Corporation of America, a consolidated subsidiary of Yamaha Corporation, and 15 other companies paid ¥125 million in compensation based on audit certificate services and ¥9 million based on non-auditing services to Ernst & Young, which is affiliated with the same auditing accounting auditor network as Yamaha Corporation.

## So-Called Policy Cross-Holdings

Yamaha's principle policy on the ownership of shares is to only possess shares in cases where it is reasonable to do so for the purpose of contributing to sustainable growth and medium- to long-term improvement in corporate value. Such cases refer to possessing shares to continue stable relationships with important business partners and financial institutions, which in turn will enhance brand value, support sustainable growth, and ensure a solid financial foundation.

Yamaha shares its brand with Yamaha Motor Co., Ltd. and has established a Joint Brand Committee, the Yamaha Brand Charter, and the Joint Brand Regulations between the two companies, carrying out a variety of collaborative initiatives. At the same time, through the mutual possession of shares and dispatch of directors, both companies can appropriately monitor each other's initiatives geared toward sustainable growth. Yamaha believes that by

working to maintain and improve the Yamaha brand value through this mutual monitoring and collaborative relationship with Yamaha Motor, it can contribute to improving the Company's corporate value over the medium to long term.

Also, the Board of Directors regularly and continuously verifies the reasonableness of each policy shareholding.

When voting on policy cross-holdings, the pros and cons of each proposal are comprehensively evaluated from the perspective of how the policy cross-holding will work to improve the medium- to long-term corporate value of the company concerned, rather or not the policy cross-holding conforms to Yamaha's principle policy on the ownership of shares, and how the policy shareholding will lead to improvement in the Company's corporate value over the medium to long term.

## Basic Concept of the Internal Control System

Yamaha has established an internal control system pursuant to Japan's Companies Act and the Enforcement Regulations of the Companies Act. Yamaha seeks to achieve optimal corporate governance in order to raise corporate value and the Yamaha brand image. At the same time, the Company works to improve its internal control system to raise business efficiency, increase the dependability of Yamaha's accounting and financial data, and strengthen compliance, asset soundness, and risk management capabilities.

Furthermore, Yamaha requires subsidiaries to establish internal controls that confirm with the Group's internal control policy, which was determined by the Company, based on the Group

Management Charter, which stipulates Group management policies. In regard to decisions on certain important items, other than management information, that impact Group management, subsidiaries are required to receive consent from the Company in advance, and must also report the results of decisions on certain items.

Yamaha has developed and put into operation internal controls for financial reporting based on implementation standards for internal control reporting systems (the Financial Instruments and Exchange Act). We will maintain and more firmly establish this internal control system to ensure the reliability of our financial reporting.

## Compliance Framework

Not only does the Yamaha Group observe laws and regulations, it seeks strict compliance management that addresses social norms and corporate ethics. The Working Group for Compliance was established as a subordinate body to the Risk Management Committee, an advisory body to the president and representative director, to promote and strengthen compliance in cooperation with the staff and departments in charge of laws and regulations.

In 2003, Yamaha established the Compliance Code of Conduct, a compilation of items to be strictly observed that is disseminated to all Group officers and employees (including part-time and contract employees) through worksite briefings. We also implement training sessions on a regular basis to ensure the thorough enforcement of the Code. Since its establishment, we have localized the Code by creating overseas and regional versions based on the laws, regulations, and social norms of the countries in which our Group companies are based, and have

introduced translated versions of the code at 32 companies. In 2006 and 2011, we revised the Code to respond to changes in the operating environment.

Furthermore, Yamaha conducts routine compliance surveys with the goal of raising Group employee awareness and gaining a better understanding of potential risks.

As a system for handling compliance-related inquiries and reports from employees, Yamaha has established a Compliance Help Line that connects to the Working Group for Compliance executive office and an outside attorney. The Compliance Help Line accepts inquiries not only from employees but also from interested parties including business partners. In fiscal 2016, the help line received a total of 25 inquiries and reports including from overseas Group company employees. Since its inception, it has resolved problems by responding to 573 inquiries and reports over a 13-year period.

## General Shareholders' Meetings

Yamaha has positioned the General Shareholders' Meeting as the highest decision-making body of the Company. At these meetings, decisions are made on important matters and reports are given on audit results such as consolidated financial statements. As a general rule, invitations are sent out at least three weeks prior to the date the meeting is to be held. In addition, Yamaha avoids holding the meeting on dates that conflict with the meetings of other companies in an effort to have as many shareholders participate as possible.

In regard to exercising voting rights, Yamaha implements electronic voting via the Internet, in addition to conventional voting

methods via mail, in order to allow those shareholders who could not participate in the meeting the chance to vote. The Company also uses an electronic voting platform geared toward institutional investors to allow those with substantial voting rights to vote. At the General Shareholders' Meeting, business reports are made using video to deepen the understanding of the shareholders in attendance. After the meeting concludes, the Company carries out events such as a mini concert that introduces its products. In addition, items that are reported and items that are voted on are uploaded to the Company's website after the meeting finishes. [https://www.yamaha.com/en/ir/shareholder\\_info/](https://www.yamaha.com/en/ir/shareholder_info/)

## Items Voted On at the Fiscal 2016 General Shareholders' Meeting

The number of votes for and against items proposed at the 192nd General Shareholders' Meeting, held on June 22, 2016, the number of abstained votes, the necessary conditions for proposed items to be approved, and the results of each proposal are as follows.

| Proposal                              | Number of votes for | Number of votes against | Number of abstained votes | Approval percentage | Result   |
|---------------------------------------|---------------------|-------------------------|---------------------------|---------------------|----------|
| Proposal 1: Appropriation of Surplus  | 1,564,574           | 1,066                   | 146                       | 98.5                | Approved |
| Proposal 2: Election of Six Directors |                     |                         |                           |                     |          |
| Takuya Nakata                         | 1,557,044           | 9,183                   | 146                       | 98.0                | Approved |
| Masato Oike                           | 1,558,115           | 6,453                   | 1,806                     | 98.1                | Approved |
| Satoshi Yamahata                      | 1,558,088           | 6,480                   | 1,806                     | 98.1                | Approved |
| Hiroyuki Yanagi                       | 1,367,492           | 198,734                 | 146                       | 86.1                | Approved |
| Shigeru Nosaka                        | 1,561,286           | 4,942                   | 146                       | 98.3                | Approved |
| Masatoshi Ito                         | 1,565,011           | 1,217                   | 146                       | 98.5                | Approved |

\* The necessary conditions for each proposal to be approved are as follows.

(1) Proposal 1 requires a majority of votes in favor from the shareholders in attendance.

(2) Proposal 2 requires that a minimum of one-third of the shareholders with voting rights be in attendance as well as a majority of votes in favor from the shareholders in attendance.

\*\* Reason why a part of votes from shareholders who attended the General Shareholders' Meeting were not included in the vote count

The requirements for passage of the resolutions have been met as a result of aggregating the number of voting rights indicating approval or rejection exercised in advance on or before the day prior to the day of this General Shareholders' Meeting and the voting rights of certain shareholders who attended the meeting and whose intention to approve or reject the propositions have been confirmed, and the resolutions were thereby enacted lawfully under the Companies Act. Accordingly, the results of the exercise of voting rights by shareholders who attended the meeting but whose intention to approve or reject the proposition or to abstain from the votes cannot be confirmed are not included in the vote count.

## Corporate Governance

**Investor Relations (IR)**

The Company's disclosure policy is listed on its website and states that the Company aims for the fair and prompt disclosure of accurate information. Guided by this policy, the Company endeavors to actively disclose information to institutional and private investors without discrepancy in a timely manner. At the same time, Yamaha is carrying out activities to enhance investors' understanding of the Company.

In addition to holding financial results briefings for securities analysts and institutional investors, Yamaha holds explanatory meetings on its management policies and individual businesses and offers educational tours of its factories and facilities as needed. For overseas investors, the Company uploads English translations of presentation documents and Q&A sessions from events held in Japan on its website. In addition, the president and representative director, as well as directors, visit investors overseas several times a year to explain the Company's management plans and conditions of its business. In this way, the Company endeavors

to promote mutual understanding through direct dialogue with investors.

Yamaha holds briefings for private investors in cities across Japan to encourage more people to become loyal fans and shareholders of the Company.

The IR manager in charge shares the opinions of shareholders and investors, which are gathered through these kinds of initiatives in communication, with the relevant internal departments. The president and representative director, as well as other responsible directors and executive officers, report the results of their efforts to the Board of Directors in an appropriate manner and receive management-related feedback. This feedback is used to help make future improvements.

Also, the Company sets a quiet period every quarter from the quarter settling day to the day that financial results are announced in which it avoids dialogue on financial information.

**Major IR Activities in Fiscal 2016**

| Activities                               |  | Frequency | Content  |
|--|--|-----------|--|
| For analysts and institutional investors | Financial results briefings                | 4         | Briefings on the results of the quarter  |
|  | Business briefings                         | 1         | Briefings on the musical instruments and audio equipment business  |
|  | One-on-one meetings                        | 250       | IR interviews  |
| For overseas investors                   | Overseas roadshows                         | 3         | Visits by the president and representative director and other responsible officers (North America, Europe, Asia) |
| For private investors                    | Explanatory meetings for private investors | 3         | Tokyo, Nagoya, Gifu  |

**Business Continuity Plan (BCP)**

The Risk Management Committee and its subsidiary body, the Working Group for BCP and Disaster Prevention Management, have put the necessary systems and countermeasures in place to respond to a wide range of risks.

In fiscal 2009, Yamaha formulated the BCP Guidelines—its basic Companywide policy for its business continuity plan—which is designed to enable the immediate resumption of

operations in the event of an earthquake in Japan's Tokai region, where Yamaha's headquarters are located, or another major natural disaster that could cause damage to Yamaha's buildings or facilities. In January 2012, Yamaha established various guidelines including BCP/Disaster Basic Countermeasures, Earthquake Countermeasures, and Fire Countermeasures, which update and supersede the BCP Guidelines.