

# Corporate Governance

## Basic Corporate Governance Policies

Yamaha Motor Co., Ltd. (the “Company”) recognizes that corporate governance is an important tool to ensure disciplined management and maximize long-term corporate value. Based on this realization, the Company has been striving to speed up management decision-making; make the accountability system clearer; develop a transparent system of director selection and remuneration; and establish an internal control system. Because it is one of its most important management issues, the Company also plans to implement other measures to strengthen and solidify corporate governance. At the same time, the Company is enhancing Investor Relations services, in order to build on the relationship of trust with its shareholders and investors.

## Organizations and Systems for Management Decision-Making, Business Execution and Supervision

### 1) Directors and the Board of Directors

The Company introduced an Executive Officer system to expedite business execution. It then strengthened management supervision by clarifying the respective roles of Executive Officers and the Board of Directors. Executive Officers are responsible for “business execution” itself, while the Board of Directors is charged with “approving the basic policies of the Yamaha Motor Group and supervising the Group’s business execution.”

The Company’s Articles of Incorporation stipulate that the number of Directors shall not be more than fifteen (15). As of March 25, 2010, there were eleven (11) Directors, four (4) of whom are Outside Directors. The Board of Directors will in principle meet once every month, and whenever else it may be necessary.

The Articles also stipulate that resolutions for the election of Directors shall be adopted by a majority of the voting rights held by the shareholders present at the General Meeting of Shareholders. These voting shareholders must hold shares representing, in the aggregate, not less than one-third (1/3) of the voting rights of all shareholders entitled to exercise the rights and not using cumulative votes.

As of March 25, 2010, there were twenty-four (24) Executive Officers, and seven (7) Directors concurrently serving as Executive Officers. A Management Committee comprised of Executive Officers with specific posts has been

formed to deliberate matters of business execution, speeding up the Company’s decision-making process.

Directors and Executive Officers will serve one-year term, a period limited to assure accountability.

### 2) Executive Personnel Committee

In August 2001, the Company established the Executive Personnel Committee as an advisory body of the Board of Directors, in order to improve transparency in nominating candidates for Director and Executive Officer, and to determine the remuneration for these officers. The Committee is comprised of several full-time Directors and several Outside Directors of the Company, in addition to the President and Chief Executive Officer. It deliberates on candidates for Director and Executive Officer, the remuneration and bonus system, and the overall direction of governance.

### 3) Corporate Auditors and the Board of Corporate Auditors

As of March 25, 2010, the number of Corporate Auditors stood at five (5), of whom three (3) are Outside Corporate Auditors. Corporate Auditors attend Board of Directors, Management Committee and other important meetings, in addition to executing audits, receiving business execution reports from Directors, perusing important documents in the decision-making process, and conducting audits at the Company’s subsidiaries. In terms of their relationship with accounting auditors, they review accounting audit reports to confirm their appropriateness pursuant to laws and ordinances, and coordinate exchanges of information and opinions with the accounting auditors whenever necessary. Corporate Auditors also work with the Internal Auditing Division, receiving reports on internal audit planning and the results of the internal audits, in order to enhance the effectiveness of their auditing.

In support of these audit services performed by Corporate Auditors, the Company has established the Corporate Auditor’s Office, with staff exclusively dedicated to assisting auditors.

### 4) Internal auditing

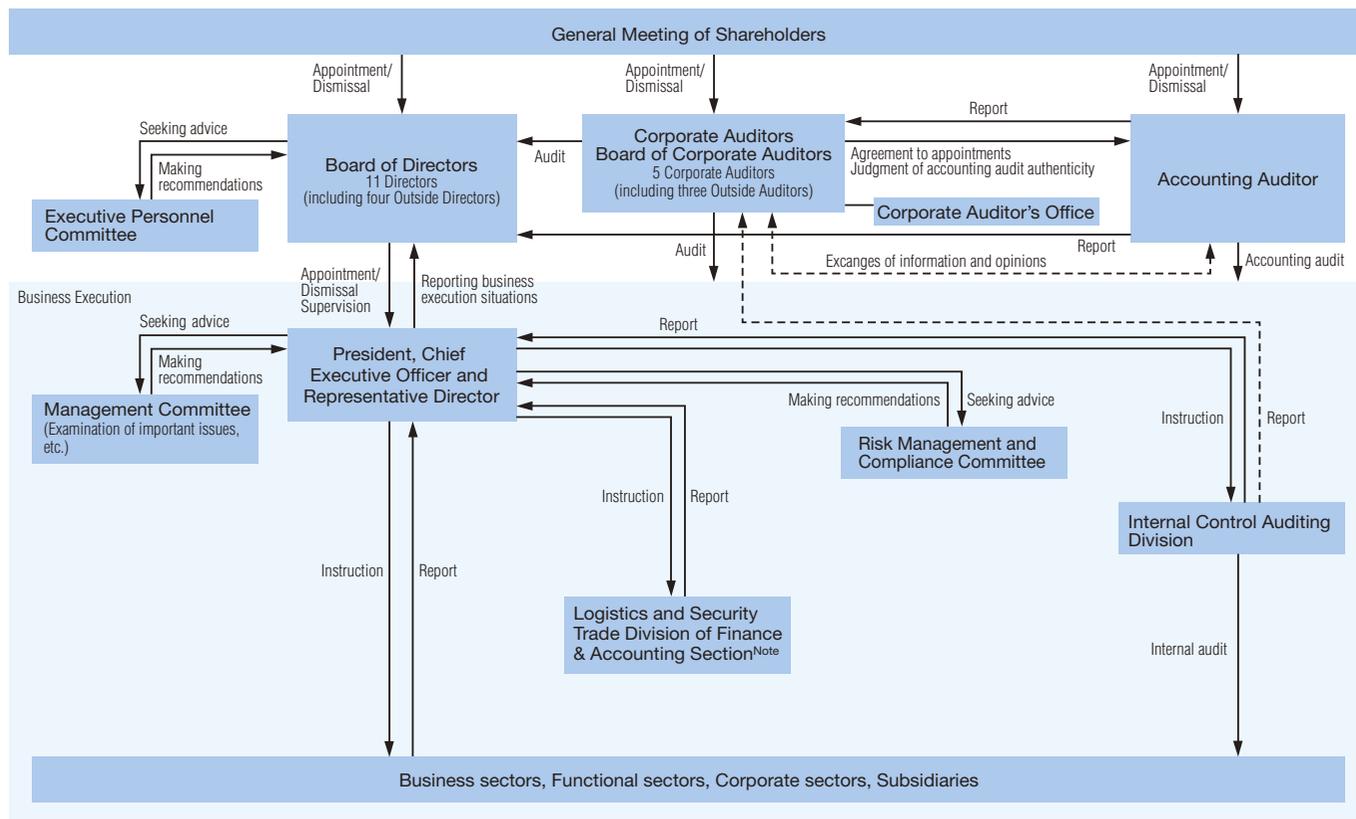
The Company established an Internal Control Auditing Division (consisting of twenty-one (21) staff members as of March 25, 2010), under the direct control of the President and Chief Executive Officer. The Division audits, based on annual audit plans, the appropriateness, reasonableness, and efficiency

of business execution at the Company and each Group company, and submits evaluations and makes proposals.

In the fiscal year ended December 31, 2009, the Division

audited 19 matters in Japan and nine matters overseas. In the fiscal year ending December 31, 2010, it plans 18 audits in Japan and four overseas.

### 5) Yamaha Motor's corporate governance system and internal control system



**Note**

The Security Trade Control Center was integrated into the Logistics and Security Trade Division as of January 1, 2010, in order to synergistically strengthen trade control.

### Matters to Be Resolved at the General Meeting of Shareholders that Can Be Adopted at the Board of Directors Meeting

- 1) The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, acquire its own shares, in accordance with the provisions of Paragraph 2 of Article 165 of the Company Law. This is to ensure that the Company can acquire its own shares through market transactions or other methods and implement a flexible capital policy response to changes in the management environment.
- 2) The Company's Articles of Incorporation stipulate that in accordance with the provisions of Paragraph 1 of

Article 426 of the Company Law, the Company may, by a resolution of the Board of Directors, exempt its Directors (including former Directors) and Corporate Auditors (including former Corporate Auditors) from liabilities for damages arising from negligence of their duties, within the limits prescribed by laws and ordinances. This is to ensure that Directors and Corporate Auditors can successfully fulfill their expected roles.

- 3) The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends, with June 30 of each year designated as the record date, in accordance with the provisions of Paragraph 5 of Article 454 of the Company Law. This allows the Company flexibility in returning profits to shareholders.

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## Remuneration and Other Compensation for Directors and Corporate Auditors

The Company's Directors' Remuneration Plan is comprised of basic compensation (monthly salary) in a fixed amount, Directors' bonuses, reflecting the short-term performance of the Company overall, compensation linked to each Director's individual performance, a stock compensation plan reflecting the medium- to long-term performance of the Company overall, and share warrants offered as stock options.

The stock compensation plan allows Directors to acquire a certain number of the Company's shares monthly through the Company's Director Shareholding Association, and to hold the shares while in office, thus further pegging Director

remuneration to shareholder value. However, the performance based remuneration system does not apply to compensation for Outside Directors and Corporate Auditors.

Retirement benefits for Directors were abolished at the conclusion of the 70th Ordinary General Meeting of Shareholders held on March 29, 2005. However, retirement benefits for Directors during their terms in office up to that date will be paid when each Director resigns, in accordance with the resolution for payment approved at the 73rd Ordinary General Meeting of Shareholders held on March 26, 2008.

The amount of remuneration for the Company's Directors and Corporate Auditors in fiscal 2009 is as follows:

(Million ¥)

Classification	Directors		Corporate Auditors		Total	
	Number	Amount paid	Number	Amount paid	Number	Amount paid
Remuneration based on Articles of Incorporation or resolutions approved at the General Meeting of Shareholders (Outside Directors or Corporate Auditors)	13 (4)	273 (27)	6 (3)	72 (20)	19 (7)	345 (48)
Bonuses to Directors and Corporate Auditors as an appropriation of earnings (Outside Directors or Corporate Auditors)	— (—)	— (—)	—	—	— (—)	— (—)

### Notes

1 In addition to the remuneration listed above, ¥55 million salaries are paid to Directors and concurrent employees, as the equivalent of salary to employees.

2 The above amounts include remuneration from stock options.

## Improving Investor Relations (IR)

The Company has been aggressively pursuing IR activities worldwide, designed to ensure accountability by providing shareholders and investors with appropriate, accurate and timely information regarding the Company's management performance and business operations. They include quarterly financial results briefings, an "IR road show" for overseas investors, efforts to improve information disclosure on the IR homepage, and interviews in response to requests from analysts and media.

## Overview of Agreements that Limit Liabilities for Damages

The Company has entered into agreements with Outside Directors and Outside Corporate Auditors, in accordance with the provisions of Paragraph 1 of Article 427 of the Company Law, which limit these executive's liabilities (as specified in Paragraph 1 of Article 423 of the Company Law) for damages. The upper limit of liability for damages in the agreements is the amount as specified in the Law.

The Company limits liabilities for damages charged to the

Outside Directors and the Outside Corporate Auditors only when they acted with good will and the liability did not arise because they committed serious negligence in executing their duties.

## Vested Interests of the Outside Directors and Outside Corporate Auditors at Yamaha Motor Co., Ltd.

Outside Director Shuji Ito holds shares of the Company. In addition, he is concurrently serving as Corporate Special Advisor of Yamaha Corporation, which holds 14.8% (as of December 31, 2009) of the Company's shares, and with which the Company has business transactions, including products and merchandise. In addition, Mr. Ito is concurrently serving as President of the Yamaha Music Foundation, with which the Company has transactions, including paying sponsorship and other fees.

Outside Directors Masayoshi Furuhashi, Eizo Kobayashi and Yuko Kawamoto, and Outside Corporate Auditors Naomoto Ohta, Norihiko Shimizu and Tetsuo Kawawa have no special interests in the Company, other than holding shares of the Company.

## State of Audit

The Company has designated Ernst & Young ShinNihon LLC as the independent auditing company with review responsibilities for Company audits. Certified Public Accountants who engaged in the certification of audit are as follows.

Kazuhiro Fujita  
*Designated Limited Liability and Engagement Partner*

Shinji Tamiya  
*Designated Limited Liability and Engagement Partner*

Masahiko Tsukahara  
*Designated Limited Liability and Engagement Partner*

The number of continuous years the Certified Public Accountants have served the Company is omitted because it is under seven (7) years for all of them.

Ernst & Young ShinNihon LLC has introduced a voluntary system for rotating engagement partners in its employ so that none exceeds a certain number of years in continuous service.

Support staff for the audit includes six (6) certified public accountants and twenty-nine (29) other assistants.

## Special Resolution Requirement for General Meeting of Shareholders

The Company has stipulated a special resolution requirement at General Meeting of Shareholders in the Articles of Incorporation, in accordance with the provision of Paragraph 2 of Article 309 of the Company Law, as follows: The resolution shall be authorized by a two-thirds (2/3) majority of the voting rights held by the holders of shares present at the General Meeting of Shareholders. These voting shareholders must hold shares representing, in the aggregate, not less than one-third (1/3) of the voting rights of all shareholders entitled to exercise the rights.

This relaxes the number of required votes for special resolutions at any General Meeting of Shareholders, enabling shareholder meetings to progress smoothly.

## Basic Policy Regarding the Internal Control System and the State of Its Development

The Company, in accordance with the Company Law, passed a resolution at a Board of Directors meeting regarding development of a system to ensure the conduct of its business is appropriate. The Company considers risk management and compliance its most important issues, and is therefore continuing to develop the internal control system.

### 1) Systems to ensure Director compliance with laws, regulations and the Company's Articles of Incorporation

1. The Board of Directors shall supervise Directors in the execution of their responsibilities, to ensure that the Directors exercise the duty of care and duty of loyalty to the standard of good administrators. The Board is also charged with ensuring that all Directors' activities are lawful.
2. Corporate Auditors, in accordance with the criteria and methodology established by the Board of Corporate Auditors, shall audit the performance of the Directors' duties.
3. The Company shall maintain a robust posture against antisocial forces that threaten the order and safety of civil society. It shall reinforce this commitment in its Code of Ethics.
4. The Company shall form such organizations and develop such rules as necessary to ensure that the Company and its subsidiaries maintain appropriate financial information, and prepare and release reliable financial statements.

### 2) Disposition of documentation and other information concerning the performance of Directors' duties

Documents and other forms of information on the performance of Directors' duties shall be properly maintained and administered in accordance with bylaws.

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## 3) Rules relating to risk control against loss

1. A Risk Management and Compliance Committee shall be established to formulate and promote measures for integrated risk control.
2. Control of each serious risk factor shall be assigned to a specific section, which shall work to mitigate the risk factor for which it is responsible.
3. A risk management manual shall be developed and utilized to ensure integrated control of individual departmental risk management activities.
4. If a serious crisis arises, an Emergency Countermeasures Headquarters shall be established as provided in the Emergency Response Manual, with the President and Chief Executive Officer as its head, in order to minimize damage and negative impact from the event.

## 4) Systems to ensure efficient execution of Directors' duties

1. The authority and responsibilities of the Board of Directors, President and Chief Executive Officer and sector heads, and the system for transferring authority between them, shall be better defined by strengthening the Board of Directors Rules, Decision-making Rules and other important rules. This will allow these officers to execute their responsibilities more efficiently.
2. Resolutions to be proposed at the Board of Directors' Meetings shall first be subject to deliberation by the Management Committee and other relevant committees to ensure they are appropriate and meet procedural criteria for subsequent deliberation by the Board of Directors.
3. After the medium-term management plan and the budget for the fiscal year are formulated, management control systems such as "management by objectives" shall be established to achieve the plan's goals and targets.

## 5) Systems to ensure employee compliance with laws, regulations and the Company's Articles of Incorporation

1. A Risk Management and Compliance Committee shall be established to deliberate and offer opinions concerning compliance measures.
2. The Company shall enhance its Code of Ethics, and provide ethics and compliance training appropriate to each position in the Company.

3. An internal reporting system shall be established to directly inform top executive management concerning any unlawful act, or the possibility of illegal or improper activity that could damage trust and confidence in the Company.
4. The Company shall maintain a robust posture against antisocial forces that threaten the order and safety of civil society. It shall reinforce this commitment in its Code of Ethics.
5. The Company shall form such organizations and develop such rules as necessary to ensure that the Company and its subsidiaries maintain appropriate financial information, and prepare and release reliable financial statements.

## 6) Systems to ensure the Yamaha Motor Group (composed of the Company and its subsidiaries) conducts business appropriately

1. In order to assure proper business conduct by the Group, internal policies shall be established, defining the controlling sectors in charge of each subsidiary, responsibilities, authority, management methods of subsidiaries, and other rules.
2. In order to audit the appropriateness of operations of the Company and its subsidiaries, an internal auditing sector shall be established under the direct control of the President and Chief Executive Officer.
3. Each Japanese subsidiary, in principle, shall have a Board of Directors and a Corporate Auditor; overseas subsidiaries shall design their organizations in accordance with local law.
4. At least one Director of each subsidiary shall concurrently serve as a Director, Executive Officer or employee of another company in the Group.
5. The section supervising compliance shall provide subsidiaries with guidance and education on compliance.

## 7) Employee to assist Corporate Auditors

A Corporate Auditors' Office shall be established with a full-time employee dedicated to assisting the Corporate Auditors in the execution of their duties.

## **8) Employee assisting Corporate Auditors independence from Directors**

1. Any dismissal or personnel changes concerning the employee assisting Corporate Auditors in the execution of their duties shall be approved by the Board of Corporate Auditors in advance.
2. No employee assisting Corporate Auditors in the execution of their duties shall concurrently hold a post involving other business operations. The employee shall perform his or her duties under the direction of the Corporate Auditors, whose opinions shall be taken into consideration in evaluating the employee.

## **9) Rules concerning Directors and employees reporting to the Board of Corporate Auditors**

Directors and employees shall report on the following matters to the Board of Corporate Auditors periodically, or, when necessary, at its request.

1. Establishment and operation of internal control systems, and related subjects
2. Results of internal audits conducted by the internal audit section
3. Operation of the internal reporting system, and receipt of reports
4. Director malpractice and/or acts conducted in violation of the law or the Company's Articles of Incorporation
5. Incidents that could cause the Company considerable damage

## **10) Other systems to ensure effective auditing by Corporate Auditors**

1. The Representative Directors shall meet with the Corporate Auditors periodically to exchange opinions.
2. Corporate Auditors shall attend important meetings of bodies including the Management Committee, the Risk Management and Compliance Committee, and the Expanded Executive Committee.
3. The internal audit section shall explain its internal audit plan to Corporate Auditors in advance.
4. The minutes of the Management Committee meetings and any other meetings that the Board of Corporate Auditors may specify, and Decision-making Forms shall be made available for Corporate Auditors' perusal.
5. Auditing assistance from outside experts shall be secured when deemed necessary by the Board of Corporate Auditors.

## **Takeover Defense Measures Against Attempts of Mass Acquisition of the Company's Shares**

Yamaha Motor Co., Ltd. (the "Company") resolved at the Board of Directors Meeting held on February 12, 2010 to continue the takeover defense measures against attempts of mass acquisition of the Company's shares originally adopted at the 72nd Ordinary General Meeting of Shareholders and the Board of Directors Meeting on March 27, 2007. The extension was conditioned on approval of partial revisions protecting shareholders and investors (the measure so revised hereinafter the "Plan") at the 75th Ordinary General Meeting of Shareholders on March 25, 2010 (hereinafter the "2010 Ordinary General Meeting").

The 2010 Ordinary General Meeting was held according to schedule, and the Plan was duly adopted.

For details concerning the Plan, please refer to the February 12, 2010 press release "Announcement Concerning the Renewal of Takeover Defense Measures Against Attempts of Mass Acquisition of the Company's Shares" (<http://www.yamaha-motor.co.jp/global/news/2010/0212/prevent.html>)

The Company intends to observe the provisions of the Plan in the ongoing effort to protect and increase the common interests of its shareholders.