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**For immediate release**

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### **Yamaha Announces Policy on Large Purchases of Company Shares (Anti-Takeover Measures)**

At the Board of Directors' meeting held today, Yamaha Corporation established a policy (hereinafter, "the Policy") pertaining to any potential purchase of the Company's shares and other securities<sup>1</sup> that will result in the acquisition of a 20%-or-greater share of voting rights<sup>2</sup> in the Company (hereinafter, "Large Share Purchase") by any given group of shareholders<sup>3</sup> (hereinafter "Large Share Purchaser"), regardless of the specific method used to make the purchase, including but not limited to market transactions and tender offers, with the exception of cases where the Board of Directors has already agreed to the purchase. The Policy is designed to avoid an irrational takeover that is not in the best interests of the Company or its shareholders and shall take effect following the implementation of the new Japanese corporate law.

All four corporate auditors, including one outside auditor, attended the Board of Directors' meeting at which the Policy was adopted and expressed approval of the Policy, provided that it is implemented properly.

#### **1. Purpose of the Policy**

The Board of Directors recognizes that Yamaha is a listed company, and, as such, its shares are traded freely; however, we believe that shareholders should make the final decision as to whether to accept a Large Share Purchase offer from any specific party. In addition, we believe that the Board of Directors must provide shareholders with necessary and sufficient information to make appropriate decisions pertaining to any Large Share Purchase offers. To this end, the Board of Directors will reach a consensus regarding such proposals following the evaluation and consideration of all necessary information pertaining to the Large Share Purchase, which is to be provided by the prospective Large Scale Purchaser, and share its opinion with shareholders to promote informed decision making. Furthermore, the Board of Directors will negotiate with the Large Share Purchaser and offer shareholders alternative plans as required.

Over its long history of operations, the Yamaha Group has created a corporate structure like no other in the world. Under the Yamaha brand, we have developed core businesses anchored in music and sound. The inherent connections between our manufacturing operations, which are focused on musical instruments and related hardware, and our service operations, which include Yamaha music schools and music

distribution services, are part of what makes our corporate structure different from the rest. Specifically, ongoing initiatives to promote music popularization and meet the needs of professionals are key to our flagship musical instrument business, and Yamaha has moved forward with such activities rooted in relationships built on trust with business partners in musical instruments and music business.

We believe that shareholders cannot make proper determinations as to prospective future shareholder value without an adequate understanding of these and other corporate activities. For this reason, Yamaha has engaged in investor relations (IR) activities aimed at ensuring that investors and shareholders have an appropriate understanding of the value of the Company's shares. However, in the event of a sudden Large Share Purchase, we believe that it is vital that shareholders receive necessary and sufficient information from both the Large Share Purchaser and Yamaha's Board of Directors in order to make a proper decision within a short period of time as to the appropriateness of the Large Share Purchaser's offer. In addition, it is important that shareholders considering long-term investment in the Company are provided with information regarding the effects of the Large Share Purchase on the Company and the Large Share Purchaser's intentions regarding participation in the Company's management insofar as specific management policies and business plans, including policies regarding employee, affiliate, business partner, customer, and other stakeholder relationships. Likewise, we believe the Board of Directors' opinion of a prospective Large Share Purchase to be important decision-making criteria for shareholders.

Upon consideration of these factors, the Board of Directors has come to the conclusion that the Large Share Purchaser should provide shareholders with necessary and sufficient information to make a decision regarding a Large Share Purchase prior to the transaction. After the Board of Directors receives the said information, it will rapidly commence work to form a consensus on the proposed Large Share Purchase by carefully considering the matter while receiving advice from outside experts. The Board will make its views public upon forming an opinion. In addition, the Board of Directors will negotiate with the Large Share Purchaser and offer shareholders alternative plans as required. This process will enable shareholders to examine the offers of prospective Large Share Purchasers while taking into consideration the opinions of the Board of Directors as well as any alternative plans proposed by the Board, facilitating sound decision making.

In conclusion, the Board of Directors has determined it to be in the best interests of both the Company and shareholders to apply rational rules to Large Share Purchases based on the aforementioned views and has thus established certain rules pertaining to the provision of information prior to such transactions (hereinafter, "Large Share Purchase Rules"), which are discussed in further detail below.

## **2. Establishment of Large Share Purchase Rules**

Yamaha's Board of Directors believes it to be in the best interests of both the Company and shareholders to apply the Large Share Purchase Rules set out below to any Large Share Purchase. The Large Share Purchase Rules are as follows: (i) the Large Share Purchaser is to provide sufficient information to the Board of Directors prior to the transaction and (ii) the Large Share Purchase is to commence following a fixed period of evaluation by the Board.

The process for which a Large Share Purchase will ensue pursuant to the Large Share Purchase Rules is outlined below.

(1) Submission of a Statement of Intent

A Large Share Purchaser interested in making a Large Share Purchase is to first submit a Statement of Intent containing a pledge to comply with the Large Share Purchase Rules to the Company's Board of Directors. The Statement of Intent is to include the Large Share Purchaser's name, address, governing law for establishment, representative's name, contact information, and an overview of the intended Large Share Purchase.

In addition, the Board of Directors is to promptly disclose receipt of the Statement of Intent from the Large Share Purchaser.

(2) Submission of Information Regarding the Large Share Purchase

The Large Share Purchaser is to provide sufficient information to the Board of Directors to allow it to form an opinion and shareholders to make a decision regarding the proposal (hereinafter, "Large Share Purchase Information"). Within five business days of receipt of the aforementioned Statement of Intent, the Company is to deliver to the Large Share Purchaser a request list of Large Share Purchase Information to be initially provided by the said Purchaser. Large Share Purchase Information includes the following:

- (a) An overview of the Large Share Purchaser, including association members and other constituent members if the said Purchaser is an association or fund, and its group, including specific names, capital structure, and financial structure
- (b) The purpose and nature of the Large Share Purchase, including the purchase price and form of payment, purchase timing, relevant transaction methods, the legality of the proposed purchase method, and the probability of purchase execution
- (c) The basis for determination of the purchase price, including facts and assumptions on which determinations are based, calculation methods, numerical information used to make determinations, and the estimated value of synergies arising from the series of transactions involved in the purchase as well as the basis for determination of the said value and corroboration of purchase fund availability, including the specific name of the fund provider (including the material provider), procurement method, and nature of relevant transactions
- (d) The Large Share Purchaser's intentions following completion of the Large Share Purchase with regard to management policies, business plans, capital policies, dividend policies, and other policies pertaining to the treatment of employees, business partners, customers, and other stakeholders
- (e) Other information necessary for the Board of Directors to make a rational decision

In addition, the Board of Directors will disclose the fact that a Large Share Purchase has been proposed as well as Large Share Purchase Information and other information as it sees fit.

(3) Provision of Additional Large Share Purchase Information

The Board of Directors will begin examining Large Share Purchase Information upon its receipt. In the event that the Board of Directors finds the information initially provided insufficient to constitute Large Share Purchase Information, it may require provision of additional information to satisfy Large Share Purchase Information requirements. In this case, the Board of Directors shall notify the Large Share Purchaser as to the information that it requires and the reasoning behind the said request for information. The Board of Directors shall establish an appropriate deadline by which the Large Share Purchaser is to supply the aforementioned information.

In addition, the Board of Directors may seek advice from outside experts during the assessment period detailed below in (4) to determine whether the Large Share Purchase Information that has been provided is sufficient or additional information should be obtained and to ensure that the Large Share Purchase is in the best interests of shareholders as well as the Company in terms of corporate value. Outside experts include financial advisors, certified public accountants, lawyers, and consultants, and the Company intends to use independent third parties as outside experts (hereinafter, the same).

#### (4) Assessment Period

Should the Board of Directors determine that sufficient Large Share Purchase Information has been provided via the process outlined above, it will then assess the Large Share Purchase Information through deliberation and negotiation to form an opinion and establish alternative plans (hereinafter, "Assessment Process") within a set period of time (hereinafter, "Assessment Period"). The Assessment Period shall be either (i) or (ii) below, depending on the nature of the Large Share Purchase. The Large Share Purchaser shall proceed only after the Assessment Period has lapsed.

- (i) A 60-day Assessment Period shall be granted for a prospective Large Share Purchase in which all shares are to be purchased via a cash tender offer (Japanese yen).
- (ii) A 90-day Assessment Period shall be granted for any prospective Large Share Purchase outside the scope of (i) above.

However, the Board of Directors reserves the right to extend the Assessment Period as required to examine the nature of the Large Share Purchase, negotiate with the Large Share Purchaser, formulate substitute plans, and/or take other steps to protect the interests of shareholders and the Company in terms of corporate value.

In addition, should the Board of Directors extend the Assessment Period, the Board shall promptly disclose its reason for the extension, the extended period, and other matters as it deems fit following its resolution regarding the said extension.

(5) Disclosure of the Board of Directors' Opinion and the Proposal of Alternative Plans  
During the Assessment Period, the Board of Directors will conduct a thorough assessment and examination of the Large Share Purchase Information it has received while receiving advice from outside experts to carefully form an opinion on the proposal, which it shall make public. In addition, the Board of Directors shall negotiate with the prospective Large Share Purchaser, with the aim of improving the terms of the Large Share Purchase and offer shareholders alternative plans as necessary.

### **3. Countermeasures in the Event of Non-Compliance with Large Share Purchase Rules**

Should a Large Share Purchaser fail to comply with the Large Share Purchase Rules, Yamaha's Board of Directors may take measures against the Large Share Purchaser to protect the Company's corporate value as well as the interests of its shareholders, including the issuance of stock options without compensation and other actions permissible by law and the Company's Articles of Incorporation.

The Board of Directors will select specific countermeasures as deemed appropriate at the given time. Should the Board of Directors elect to issue stock options without compensation as a countermeasure, the outline of the issuance thereof shall be as described in the attachment hereto. In addition, should the Board of Directors elect to issue stock options without compensation, it may determine the exercise period, exercise conditions, and other stock option terms taking into account the effectiveness thereof as a countermeasure.

The purpose of the Large Share Purchase Rules is to provide an opportunity for shareholders to receive necessary information about the Large Share Purchase as well as the opinion of and alternative plans from the Board of Directors to determine whether the Large Share Purchase is acceptable. The Large Share Purchase Rules are designed to protect the interests of shareholders as a whole in the event of a Large Share Purchase with the potential to impact the management of the Company. If a Large Share Purchaser complies with the Large Share Purchase Rules, the Board of Directors shall not attempt to interfere with the Large Share Purchase at its own discretion, unless it is clear that the Large Share Purchase will cause irreparable damage or loss to the Company.

Yamaha believes the establishment of the Large Share Purchase Rules and countermeasures to non-compliance with the said Rules to be reasonable and appropriate actions taken to protect the legitimate interests of shareholders as a whole. At the same time, the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large Share Purchaser who fails to comply with the Large Share Purchase Rules. Therefore, the Board of Directors hereby advises against moving forward with a Large Share Purchase in violation of the Large Share Purchase Rules.

### **4. Impact on Shareholders and Investors**

#### **(1) Impact of the Large Share Purchase Rules on Shareholders and Investors**

The purpose of the Large Share Purchase Rules is to provide an opportunity for shareholders to receive information necessary to determine whether to accept the Large Share Purchase, the opinion of the Board of Directors currently responsible for the Company's management, and alternative plans. We believe that the Large Share Purchase Rules ensure that shareholders receive sufficient information to make an appropriate decision as to whether to accept the Large Share Purchase, which, in turn, serves to protect the interests of shareholders as a whole. Accordingly, the Board of Directors believes that the establishment of the Large Share Purchase Rules is prerequisite to appropriate decision making on the part of shareholders and investors, and, as such, for the benefit of shareholders and investors.

The Board of Directors hereby advises shareholders and investors to carefully observe the actions of prospective Large Share Purchasers as the Company's response to the Large Share Purchase offer will differ depending on whether the said Large Share Purchaser complies with the Large Share Purchase Rules, as described in 3 above.

(2) Impact of Countermeasures on Shareholders and Investors

Should a Large Share Purchaser fail to comply with the Large Share Purchase Rules, the Board of Directors may take measures against the Large Share Purchaser to protect the interests of shareholders as a whole as permitted by law and the Company's Articles of Incorporation. However, the Board of Directors shall not take countermeasures expected to result in economic damage or the loss of legal rights on the part of shareholders, excluding Large Share Purchasers who fail to comply with the Large Share Purchase Rules. Should the Board of Directors elect to take a specific countermeasure, it shall disclose this information in a timely and appropriate manner, pursuant to the law and stock market regulations.

Should stock options be issued without compensation as a countermeasure, procedures of concern to shareholders with regard to the exercise of stock options and the acquisition of stock options by the Company are as follows:

(1) Exercise of Stock Options by Shareholders

Should a shareholder exercise stock options, the said shareholder is required to make a certain payment within a specified period of time in order to acquire new shares. Should the Company actually issue stock options without compensation, the Board of Directors shall announce detailed procedures at that time in accordance with the law.

(2) Acquisition of Stock Options by the Company

Should the Company acquire stock options in exchange for shares, shareholders possessing the stock options to be acquired by the Company as determined by the Board of Directors may receive shares in consideration for the said stock options without following the procedures for exercising stock options, including payment of the exercise price, provided that the Company follows procedures for acquisition.

In addition, should the Company issue stock options without compensation as detailed above, shareholders who have not been recorded in the register of shareholders must complete registration by the record date, which will be determined separately and announced by the Board of Directors, to acquire the stock options.

**5. Effective Term of the Large Share Purchase Rules**

The aforementioned policy shall remain in effect until the first meeting of the Board of Directors subsequent to the ordinary general shareholders meeting to be held in June 2006. Yamaha's directors serve for a period of one year. Thus, a Board of Directors comprising directors elected by shareholders at the ordinary general shareholders meeting to be held in June 2006 will determine whether to keep or abolish the aforementioned policy. Each year, the new Board of Directors will decide whether to implement the policy regardless of its status in the previous year. In addition, director candidates' support or lack thereof for the policy is to be stated in the Board of Directors' agenda pertaining to the appointment of directors. Furthermore, even if the

Board of Directors decides to extend the effective term of the policy, it reserves the right to revise the said policy as required to protect or enhance corporate value and the interests of shareholders as a whole in consideration of relevant laws.

Notes:

1. “Shares and other securities” refers to shares and other securities as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law of Japan.

2. “Share of voting rights” refers to (i) the shareholding ratio of the holder as defined in Paragraph 4, Article 27-23 of the Securities and Exchange Law of Japan, taking into account the number of shares held by any joint holders as defined in the said paragraph (hereinafter, the same), when the “group of shareholders” is as defined in note 3 (i) below, and (ii) the sum of the shareholding ratio of the purchaser and any party with which the purchaser has a special relationship as defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law of Japan when the “group of shareholders” is as defined in note 3 (ii) below.

In calculating the share of voting rights, the Company’s most recently submitted annual, semiannual, or treasury stock purchase report may be used as a reference for determining the total number of voting rights as defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law of Japan and the total number of issued shares as defined in Paragraph 4, Article 27-23 of the said law.

3. “Group of shareholders” refers to (i) a holder of shares and other securities as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law of Japan, including holders pursuant to Paragraph 3, Article 27-23 of the said law (hereinafter, the same), and any joint holders as defined in Paragraph 5, Article 27-23 of the said law, including joint holders pursuant to Paragraph 6 thereof (hereinafter, the same), and (ii) a party that makes a purchase as defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law of Japan, including purchases made on securities exchange markets regardless of whether the purchase is concluded via auction, of shares and other securities as defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law of Japan and any parties with which the purchaser has a special relationship as defined in Paragraph 8, Article 27-2 of the Securities and Exchange Law of Japan.

Attachment

**Overview of the Issue of Stock Options without Compensation as a Countermeasure (Subsequent to the Implementation of the New Japanese Corporate Law)**

1. Shareholders entitled to receive stock options and the number of stock options to be issued

One share option will be granted without compensation for each share held by shareholders recorded in the register of shareholders of the register of beneficial shareholders as of the record date specified by the Board of Directors, excluding ordinary shares held by the Company.

2. Class and number of shares covered by the stock options

The class of shares to be issued upon exercise of stock options shall be ordinary shares, and one share will be granted for each stock option exercised, with the provision that required adjustments will be made should the Company implement a stock split or consolidation.

3. Date that the stock options take effect

The Board of Directors shall determine separately the date on which stock options are to take effect.

4. Amount to be paid upon exercise of stock options

The amount to be paid upon the exercise of one stock option shall be equal to the price of one share of stock and a minimum of ¥1.00.

5. Restrictions on the transfer of stock options

Stock options may only be transferred with the approval of the Company.

6. Acquisition of stock options by the Company

The Company will acquire all unexercised stock options, excluding stock options that cannot be exercised by the holder pursuant to the exercise conditions set out in 7 below, by the day before the acquisition date determined by the Board of Directors and will grant one ordinary share per stock option acquired.

7. Exercise period and terms of stock options

The Board of Directors shall determine separately the exercise period, exercise conditions, and other terms of stock options.