YAMAHA
Make Waves

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YAMAHA GROUP ANNUAL REPORT 2021

YAMAHA
Make Waves

Annual Report 2021

PUBLICATION OF *ANNUAL REPORT 2021*

The Yamaha Group publishes integrated reports to communicate its approach toward medium- to long-term value creation to its shareholders, investors, and other stakeholders. Since issuing our first integrated report in 2018, we have continued to incorporate the feedback received from readers each year in order to improve our reports and thereby better facilitate understanding regarding the Group's various initiatives.

The global COVID-19 pandemic has brought massive changes to society, the economy, and people's lifestyles. In this unprecedented environment, we sought to propose more enriching lifestyles to people around the world through our business activities and to improve corporate value by fulfilling our social responsibilities. This integrated report is designed to help readers understand these efforts.

Annual Report 2021 was prepared while referencing the Integrated Reporting Framework of the Value Reporting Foundation (formerly the International Integrated Reporting Council) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry. Summarizing the policies we adopt on a Groupwide basis, this report was created thanks to the cooperation of each division of the Company. As such, I believe the creation process and the content of this report to be appropriate.

Going forward, we will utilize our integrated reports as engagement tools as we pursue constructive dialogue with our stakeholders. It is our hope that these reports help our stakeholders feel confident about our efforts to realize a sustainable society and elicit their understanding and support of our long-term corporate value creation.

September 2021

Takuya Nakata
Director, President and Representative Executive Officer

PROMISES TO STAKEHOLDERS

The entire Yamaha Group shares promises to our stakeholders—customers, shareholders, the people who work with Yamaha, and society—working to improve the satisfaction of each stakeholder and making effective use of our management resources to achieve sustainable growth in order to maximize its corporate value.

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.

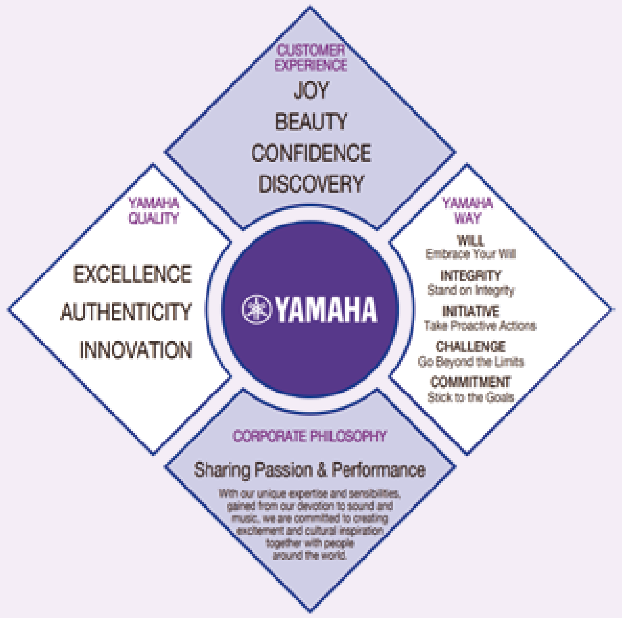
Harmony with Society

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.

YAMAHA PHILOSOPHY

The Yamaha Philosophy expresses the core framework of the Yamaha Group's management and consists of four elements: the Corporate Philosophy, Customer Experience, Yamaha Quality (criteria for quality), and Yamaha Way (mindset and manners).

We utilize the Yamaha Philosophy as a foundation to draw from, try to think from the customer's viewpoint, and consistently provide high-quality products and services that exceed the expectations of our customers, and to create excitement and cultural inspiration together with people around the world.



BRAND PROMISE

A feeling of enthusiastic excitement lives in sound and music, through playing or simply listening. We at Yamaha want to inspire peoples' passion and help them make a step forward to express their individuality, emotion and creativity.

YAMAHA
Make Waves

Make Waves

Just a few notes or a simple melody can send out ripples that trigger an emotional bond with another person.
Sound and music have a transformational impact on individuals and the world around us.
The "Make Waves" concept focuses on our passions and what matters most to people, namely, expressing themselves and making an impact, to progress personally as a listener and player, and to come together with others.
Yamaha is committed to empowering people to "Make Waves" with their sound and music.

Key Points of *Annual Report 2021*

Annual Report 2021 provides details on Yamaha's progress during the second year of its Make Waves 1.0 medium-term management plan. It also offers information on concrete initiatives for creating social value while leveraging the accumulated strengths and technologies of the Yamaha Group and identifying business risks and opportunities based on the perspective of medium- to long-term growth. We encourage readers to focus on the following key points to help deepen their understanding of the content of this report.

POINT 1
Creation of New Value through Sound and Music

Fully leveraging the technologies and sensibilities centered on sound and music that Yamaha has continued to cultivate since its founding, we aspire to cater to new demand and to help resolve the social issues arising in the contemporary business environment and to create new value that enriches people's lives.

Management Vision and Value Creation Story (Pages 10–11), Special Feature: Enactment of Yamaha's Value Creation Story (Pages 12–15), Strategies by Business and Function (Pages 58–75)

POINT 2
Progress in the Second Year of Make Waves 1.0 and Initiatives in the Final Year

The changes to social structures triggered by the COVID-19 pandemic have been accelerating the digitization trend as well as the diversification of values. In the final year of the Make Waves 1.0 medium-term management plan, we will continue to move forward with key strategies of the plan as we prepare for the next plan on our quest to achieve our management vision of "Becoming an Indispensable, Brilliantly Individual Company."

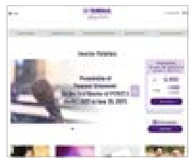
Message from the President (Pages 20–27), Make Waves 1.0 Medium-Term Management Plan (Pages 28–37), Corporate Strategies (Pages 38–57)

POINT 3
Enhancement of Sustainability Management

Having established the Sustainability Committee in January 2021, the Yamaha Group is advancing discussions on the direction of its sustainability activities and monitoring the status of these activities. Through this approach, we will accelerate climate change response, human rights, diversity and inclusion, and a wide range of other initiatives aimed at contributing to the realization of a sustainable society.

Sustainability Management (Pages 42–49)

Disclosure Structure

Website	Gaining information on Yamaha and its product and services	Learning about Yamaha's value creation activities	Developing an understanding of Yamaha's management, business, and function strategies	Learning about Yamaha's ESG initiatives	Viewing financial and non-financial data
Overall Corporate Activities Corporate Website: https://www.yamaha.com/en/					
About Us https://www.yamaha.com/en/about/ • Corporate Profile • Product Information • Business Activities • Research and Development 	◎	○	○		
Information for Investors https://www.yamaha.com/en/ir/ Securities Reports Corporate Governance Reports 		◎	◎	○	◎
Sustainability Information https://www.yamaha.com/en/csr/ Sustainability Reports Environmental and Social Data 		◎		◎	◎

Integration of Financial and Non-Financial Information

Annual Report 2021

I. Value Creation by Yamaha
II. Management Strategy
III. Strategies by Business and Function
IV. Corporate Governance
V. Financial and Corporate Information

In this integrated report, we have prioritized the inclusion of important information, particularly that pertaining to the Yamaha Group's ongoing value creation. For a wider and more comprehensive range of information on subjects such as environmental, social, and governance (ESG) topics, please refer to our corporate website.

CONTENTS

Scope of This Report
Information in this report covers 65 companies (as of March 31, 2021): Yamaha Corporation, its 60 consolidated subsidiaries, and its 4 affiliates. In cases where it is necessary to specify the scope of reporting, this report lists the applicable institution individually.

Reporting Period
This report primarily covers fiscal 2021 (April 1, 2020 to March 31, 2021). However, certain sections of this report include information from April 1, 2021, and onward.

Disclaimer on Forward-Looking Statements
The forward-looking statements such as data and forecasts included in this report are based on assumptions and information available at the time of publication and are subject to change due to various factors. These statements are not guarantees that Yamaha will achieve its targets and forecasts or realize its anticipated future business results. In addition, the content of this report may be changed without prior notice. Accordingly, Yamaha cautions readers not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof, and undertakes no obligation for any negative impact caused by the use of this report.

OUR VALUE CREATION

I. Value Creation by Yamaha

YAHAMA'S PATH OF AMBITION

The origins of the Yamaha Group date back to 1887, when company founder Torakusu Yamaha repaired an imported reed organ. Since then, Yamaha has aimed to create excitement and cultural inspiration together with people around the world while centering its business on sound and music. This spirit has continued to live on in the Yamaha Group throughout the course of its history that spans over 130 years, granting it strength and constantly driving it toward growth.

1887

1887
Domestic Production of Musical Instruments Beginning with Organ Repair

Following the repair of a single organ, Company founder Torakusu Yamaha succeeded in creating domestically produced organs in Japan. This success prompted him to establish Nippon Gakki Co., Ltd. (currently Yamaha Corporation), and commence the domestic manufacture of pianos. Through this undertaking, he created the foundations for the musical instruments business that is the core business of Yamaha today, while also proposing the culture of enjoying musical instruments to the people of Japan. This is the point of origin of Yamaha's 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."

Origin of Yamaha's Competitiveness
Symbolism of the Yamaha Brand

The three tuning forks of the Yamaha brand logo represent the cooperative relationship that links the three pillars of our business—technology, production, and sales. They also evoke the robust vitality that has forged our reputation for sound and music the world over, a territory signified by the enclosing circle. In addition, the mark symbolizes the union of three essential musical elements: melody, harmony, and rhythm. The spirit of our founder expressed in this logo lives on today, spurring us forward to continue enhancing the Yamaha brand.

Founder Torakusu Yamaha

1940

1950

1960

1970

Spread of Music Culture, Diversification of Business, and Expansion Overseas as a Comprehensive Musical Instrument Manufacturer

Inspired by a desire to communicate the joy of music to as many people as possible, Yamaha began efforts to promote the spread of music, such as organ classes (predecessor of the Yamaha Music School). Meanwhile, the technology and sensibilities cultivated through the manufacture of musical instruments was adapted to broaden product lines to include audio equipment and to develop new businesses such as motorcycles, which would lead to the creation of Yamaha Motor Co., Ltd., and also sports equipment.

In 1958, Yamaha established its first overseas subsidiary in Mexico, marking the start of its global expansion as a comprehensive musical instrument manufacturer.

Origin of Yamaha's Competitiveness
Laying of Groundwork as a Global Company

Yamaha expanded its global sales network with the establishment of Yamaha de México, S.A. de C.V., its first overseas subsidiary in Mexico, in 1958, and developed a production basis in Taiwan in 1969. This groundwork served as a springboard for the aggressive overseas expansion of the Company beginning in the 1970s. Having quickly solidified its global network, Yamaha was able to leverage this network to exhibit significant competitiveness, supporting the growth of the Company, which has more than 70% of its revenue generated overseas today.

Yamaha de México, S.A. de C.V.

1980

1990

Advancement of Technology

Yamaha promoted the in-house production of semiconductors with the aim of improving the sound quality of its digital musical instruments. This process led the Company to develop new digital musical instruments and audio equipment with proprietary LSIs, thereby greatly expanding the scope and geographical breadth of its operations. The Company adopted its current name of Yamaha Corporation in conjunction with its centennial anniversary in 1987, becoming a global company in both name and substance.

DX7 digital synthesizer

SILENT™ Series

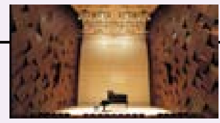
Origin of Yamaha's Competitiveness
Value-Creating Combination of Acoustic and Digital Technologies

Yamaha has amassed acoustic technologies in tandem with technological progress since its founding. By combining these technologies with digital technologies, we have been able to create new products that are distinctively Yamaha. Digital technologies were embraced not only in product development but also in production activities, massively increasing production efficiency and greatly contributing to today's acceleration of digital transformation.

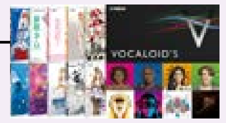
2000

Next Growth Stage Arrived at through Selection and Concentration and Structural Reforms in Core Business

The following years were characterized by massive changes to the operating environment, including ongoing yen appreciation, a shift to digital technologies, the specialization of industries arising from the globalization trend, and global financial crises. Amid this change, Yamaha undertook selection and concentration of its diversified businesses to focus more on its core business centered on sound and music. This move saw us reorganizing and consolidating domestic and overseas production and sales bases, merging the diverse technologies we had accumulated thus far, and acquiring overseas companies to accelerate growth. This was the start of business reorganizations aimed at taking our business to the next growth stage.



Active field control hall acoustics design system



VOCALOID™

Acquisition of overseas companies

Origin of Yamaha's Competitiveness
Strengthening of Growth Foundations and M&As in Core Business

Yamaha proceeded to develop growth foundations in its core business while conducting M&As. For example, Germany-based Steinberg Media Technologies GmbH, Austrian-based L. Bösendorfer Klavierfabrik GmbH, and French-based Nexo S.A. were acquired in the 2000s. These business combinations had a ripple effect that strengthened our foundations and spurred the growth of our business. The benefits included the ability to merge our hardware and software in the music production field, the enhancement of our presence in the premium piano market, and the provision of comprehensive solutions in the audio equipment business.

2010

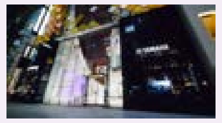
2020

Resolution of Social Issues and Improvement of Corporate Value to Become an Indispensable, Brilliantly Individual Company

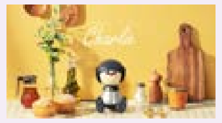
Yamaha has been engaged in an ongoing effort to establish a competitive edge and achieve improvements in profitability. Steps to this end have included transitioning from organizations based on business lines to organizations arranged by function. In addition, we have been optimizing prices while developing products with distinctive individuality and entering into new markets by merging our technologies. We have also been advancing global branding strategies, establishing the management vision of "Becoming an Indispensable, Brilliantly Individual Company" in 2016 and the brand promise of "Make Waves" in 2019. Furthermore, Yamaha is supplying new solutions that respond to recent changes in the social climate through sound and music. Examples of these solutions include the SYNCROOM online remote ensemble performance service, the Remote Cheerer powered by SoundUD remote cheering system, and the Distance Viewing next-generation live viewing service. By delivering these solutions, we aim to contribute to the resolution of social issues and improve corporate value.

SYNCROOM online remote ensemble performance service

Distance Viewing next-generation live viewing service



Yamaha Ginza Building reopened as an experience-oriented brand shop in 2021



Charlie™ communication robot that matches its cadence to melodies

Origin of Yamaha's Competitiveness
Creation of Synergies and Refinement of Strengths through Consolidation of Insight

The transition to organizations arranged by function allowed for the consolidation and cross-organizational utilization of the previously separate management resources that had been accumulated thus far. We were thereby able to further refine our existing strengths, including our production technologies, which combine our craftsmanship with core and other technologies; our music promotion, sales, and personal connection networks, which are several steps ahead of those of competitors; and our healthy financial position. Meanwhile, various unique, new products are being born out of synergies between our various insight and technologies at the Innovation Center, established in 2018. Centered on the combination of technologies and sensibilities, Yamaha is able to heighten its development capabilities in new sound and music fields that make use of physical sensibility evaluation technologies for quantifying sensibilities, material element technologies, artificial intelligence (AI) technologies, and elemental technologies. In this manner, we are capable of proposing new value.

Innovation Center

"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."

Yamaha is the world's largest comprehensive musical instrument manufacturer, producing and selling a complete lineup of products ranging from acoustic to digital musical instruments. We are developing wide-ranging, global operations spanning from businesses related to sound and music, encompassing musical instruments, professional audio (PA) equipment, and audio equipment, and component businesses focused on network equipment and semiconductors.

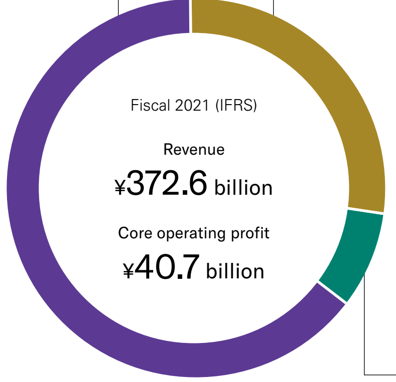
Groupwide Business Overview and Consolidated Revenue and Core Operating Profit

Major Products and Distribution of Revenue of Yamaha's Three Core Businesses

Musical Instruments Business

For information on the strategies of the musical instruments business, please refer to page 60.

¥239.0 billion (64.1%)



Audio Equipment Business

For information on the strategies of the audio equipment business, please refer to page 64.

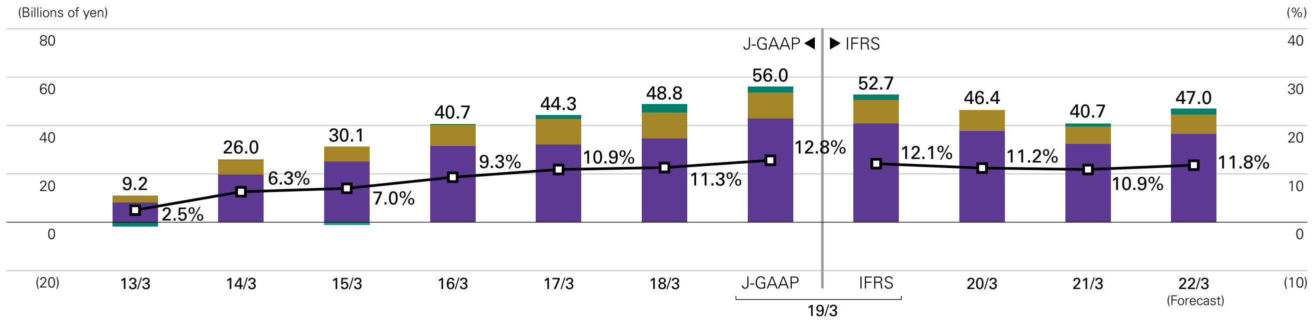
¥103.8 billion (27.9%)

Others (Industrial Machinery and Components Business, etc.)

For information on the strategies of the industrial machinery and components business, please refer to page 66.

¥29.8 billion (8.0%)

Breakdown of Core Operating Profit (Operating Income) and Core Operating Profit Ratio (Operating Income Ratio)

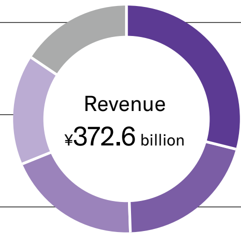


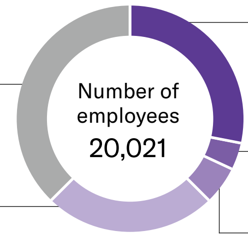
Core Operating Profit (Operating Income) ■ Musical instruments business ■ Audio equipment business ■ Others

— Core Operating Profit Ratio (Operating Income Ratio) (right)

Global Business Scale, Ratio of Overseas Revenue, and Market Share (Fiscal 2021, IFRS)

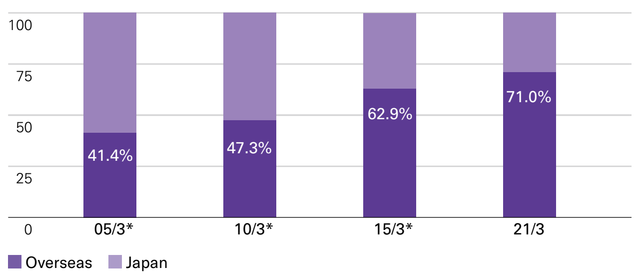
Revenue Composition and Number of Employees by Region





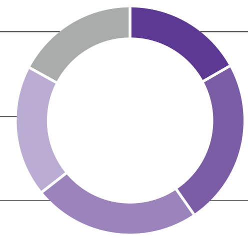
Overseas Revenue Driving Growth

Ratio of Overseas Revenue



* Ratio of overseas revenue (J-GAAP)

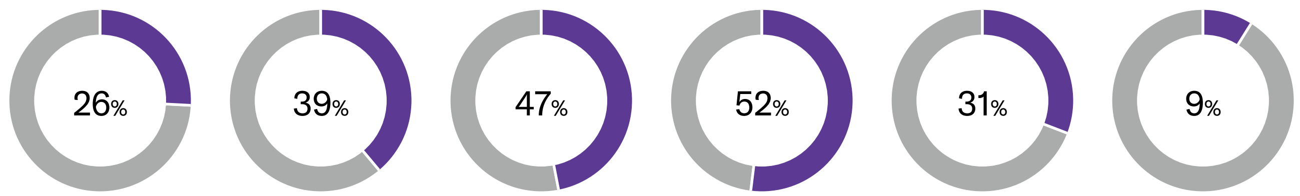
Distribution of Musical Instruments and Audio Equipment Sales by Region*



* Excludes revenue from music schools and other services

Core Yamaha Products Boasting High Market Shares

Global Market Shares of Major Products (Fiscal 2021, monetary value basis, based on surveys by Yamaha)



Management Vision

Becoming an Indispensable, Brilliantly Individual Company

Boost brand power to become a highly profitable enterprise

Value Creation Story

Enhance Corporate Value and Realize Vision by Creating Social Value

Yamaha is strengthening all of its capitals by creating Yamaha value and social value through its business activities. In this way, Yamaha aims to realize its management vision by pursuing a cycle that improves both brand and corporate value. Yamaha's current value creation process is as described in the table below.

The global COVID-19 pandemic is having a massive impact on our lives and on the global economy. Yamaha, however, sees this adversity as an opportunity to further its evolution. Accordingly, we are endeavoring to respond to the constantly changing social needs and issues with the aim of continuing to help resolve social issues through our businesses, and thereby improving corporate value.

Please refer to the following website for more information on Yamaha's value creation story.
https://www.yamaha.com/en/ir/story/

Value creation process

Yamaha value creation

Social value creation

Measures for Preventing Erosion of Value

Yamaha is ramping up its sustainability and risk management initiatives to minimize the potential negative impact of its business activities on the environment and society as well as the impacts of risks that could seriously threaten the Company's performance and financial condition.

Please refer to page 42 for more information on sustainability management initiatives and page 94 for information on risk management initiatives.

Value Creation Process

Businesses and Value Chain

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- Bases for R&D activities, artist relationships, and service center
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- Activities to popularize music

Corporate Governance P.84 / Global Business Management Foundation

Output

Products and Services P.08

Products and Services Centered on Sound and Music
- Musical instruments
- Audio equipment
- Music schools
- Other products and services

Output

Yamaha Value Creation

Achieving the management targets adopted under the Make Waves 1.0 medium-term management plan (2019–2022)

Corporate value (market capitalization): ¥1 trillion +

Financial targets (IFRS)
- Core operating profit ratio*: 13.8%
- Return on equity (ROE)*: 11.5%
- Earnings per share (EPS)*: ¥270

Non-financial targets
- Corporate brand value: +30%
- Music popularization for learning musical instruments in emerging markets (cumulative total): 1 million people
- Certified timber use: 50% of total use

Investment and shareholder returns
- Total return ratio: 50%

Social Value Creation

Contributing to emotionally enriched lifestyles and a more comfortable society through sound and music

* Based on the impacts on the operating environment from the COVID-19 pandemic, the consolidated performance forecasts for fiscal 2022 announced at the financial results briefing for fiscal 2021 held on May 10, 2021, call for a core operating profit ratio of 11.8%, ROE of 10.0%, and EPS of ¥233. These forecasts assume foreign exchange rates of U.S.$1 = ¥105 and €1 = ¥125.

SPECIAL FEATURE:
ENACTMENT OF YAMAHA'S
VALUE CREATION STORY

New Form of Remote Communication Proposed through Sound and Network Technologies

The global COVID-19 pandemic transformed how we communicate with other people. This transformation also extended to the environments in which we work as teleworking systems were introduced around the world. It can therefore be expected that workstyles unbound by place will continue to become more commonplace and entrenched going forward.

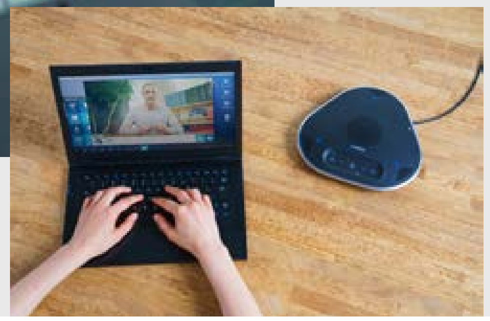
Yamaha has long been expanding its lineup of sound environment products that help make teleconferences and web conferences more comfortable as solutions for supporting workstyle reforms. We continue to combine the sound and network technologies and expertise we have accumulated over the years to propose new forms of remote communication that will be indispensable in this new era.

Remote Meeting System Responding to Rising Social Needs

Teleconferences, web conferences, and other forms of remote meetings have become an indispensable form of communication underpinning teleworking and other diverse workstyles. At the same time, needs pertaining to office meeting rooms are growing increasingly more diverse as companies seek to allow for layouts to be flexibly rearranged in order to ensure appropriate distance is maintained between participants, to utilize meeting rooms more efficiently based on the number of participants and the goals of meetings, and to install more comfortable sound environments. Against this backdrop, Yamaha's remote meeting solutions, which combine its sound and network technologies, are garnering attention.

One such solution is our ADECIA comprehensive remote conferencing solution. Launched in January 2021, ADECIA is a system for medium-sized meeting rooms comprised of components including ceiling array microphones and processors, which enable it to cater to diverse needs by allowing for easy and flexible introduction and utilization of comfortable, high-quality communication environments. One characteristic of ADECIA is its use of multibeam tracking, a technology that effectively captures the voice of speakers while limiting the transmission of unnecessary noise from the surroundings, to realize high-quality communication. In addition, we released the RM-TT tabletop array microphone in June 2021. The ease of deployment this microphone makes it perfect for supporting diverse remote meeting styles. These offerings use our proprietary sound signal processing technology to accommodate simultaneous speech by multiple individuals and thereby transmit the on-site atmosphere of meetings to remote locations intact. Moreover, we provide all of the equipment and functions necessary for remote meetings, and are thereby able to resolve any issue faced with this regard, starting with determining the necessary equipment when considering the introduction of remote meeting systems and moving on to the installation of equipment and the adjustment of acoustics.

Furthermore, Yamaha boasts a robust lineup of products for all meeting sizes and applications, ranging from its YVC-200 and YVC-330 unified communication speakerphones for small meetings to its YVC-1000 unified communication microphone and speaker systems for medium-sized to large meetings. We are thereby able to propose a multitude of products that realize comfortable, high-quality remote communication, whether in noisy open spaces or in quiet meeting rooms.



Meeting space using YVC-330 unified communication speakerphone

Solutions Made Possible by Yamaha's Expertise in Sound

In conjunction with the normalization of remote meetings, there has been a proportionally large increase in social needs related to the rapidly emerging sound issues faced in relation to important conversations or private conversations that one does not want to be overheard.

Yamaha's VSP-2 Speech Privacy System™ camouflages conversations with a proprietary "information masking sound" synthesized from human speech to hide the content of spoken conversations. This feature makes it more difficult to understand the content of conversations leaked into the surroundings from meeting rooms or from meetings in open spaces, thereby creating a secure environment for remote conversations while comfortably protecting speech privacy.*

* Speech privacy is the concept of preventing conversations from being overheard by third parties. Initiatives have been commenced to protect private and confidential information from being leaked through conversations at healthcare institutions, offices, financial and government institutions, and welfare facilities.

Speech privacy system concept

Verification Tests for Resolving Office Sound Environment Issues

Yamaha is taking part in verification tests together with companies from other industries with the goal of developing various solutions for resolving social issues.

Seeking to address office web conference sound environment issues, Yamaha partnered with NEC Networks & System Integration Corporation and Inaba International Inc. to conduct a verification test in December 2020, with customers asked to participate. At the moment, the only way to fully address these sound environment issues is to redesign office layouts, an undertaking that is costly and time consuming. For this reason, many customers are looking for more accessible options. This test was designed to allow for these needs to be met through the swift supply of optimal web conference environments to customers and thereby contribute to increased ease of work and productivity for customers. We continue to advance cross-industry verification tests of solutions merging new office layouts that combine Inaba International's high-sound-absorbing movable partitions with Yamaha's acoustic technologies and the technologies of NEC Networks & System Integration, which boasts a robust track record for proposing office environments and web conference systems using Zoom and other venues.

Merging of Sound and Network Technologies to Broaden Possibilities for Remote Communication

The COVID-19 pandemic impacted business communication along with all other forms of face-to-face communication that used to be a natural part of everyday life. The pandemic also placed massive restrictions on music and sports events. Yamaha is proposing new solutions for addressing these restrictions by capitalizing on its remote communication technologies.

One example is seen in SYNCROOM, an app that allows musicians to enjoy real-time ensemble sessions with Yamaha's proprietary NETDUETTO™ remote ensemble technology. This technology limits audio latency, which is unavoidable with conventional IP telephony and web conference systems, to a level that is acceptable for musical performances. Moreover, it monitors audio latency levels during performances to ensure natural and enjoyable ensembles. NETDUETTO™ β, the predecessor to SYNCROOM, was used by a growing base of performers to arrange remote ensemble sessions even before the pandemic. This solution evolved to become the SYNCROOM of today, which is being used by an increasingly large number of users seeking to remotely enjoy a wide range of musical performances through means such as online streaming of on-stage performances at school cultural festivals and live broadcasts of remote sessions. SYNCROOM is also driving sales of related products.

Remote Cheerer powered by SoundUD, another such solution, is a remote cheering system that allows for cheers to be transmitted to sports stadiums and other sites from remote locations with the touch of a smartphone or other device. By transmitting vocal support and claps through sports stadium speakers, this system provides a virtual space in which fans can interact. Remote Cheerer powered by SoundUD has been used at a range of events, including soccer, baseball, basketball, rugby, American football, professional wrestling, and track and field events, to communicate expressions of support from spectators, such as fans who could not attend events due to them being held without audiences or for other reasons and people hospitalized due to illness or injury.

At the same time, Yamaha is promoting Distance Viewing, a next-generation approach toward live viewing that is garnering attention from everyone involved in musical events. The most significant characteristic of Distance Viewing is its ability to faithfully reproduce live performances by artists at remote locations by recording acoustics, video, and lighting data. Moreover, Distance Viewing can be linked with the aforementioned Remote Cheerer powered by SoundUD remote cheering system to generate the feeling of solidarity that is unique to live performances by transmitting the voices of fans to the performers. Distance Viewing is therefore anticipated to be a viable means of helping mobilize artists and recover their earnings while also preventing the spread of COVID-19 even as the pandemic restricts large events and long-distance traveling.

SYNCROOM online remote ensemble performance service

Distance Viewing next-generation live viewing service

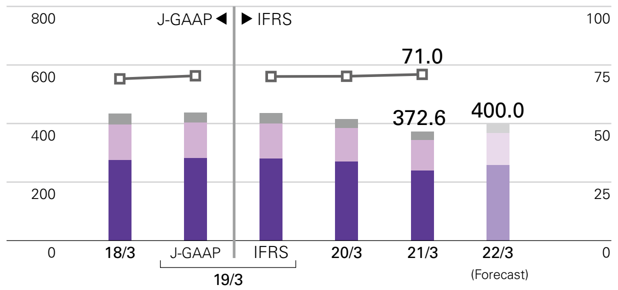
Remote communication technologies have the power to create new ways of enjoying music and sports together with comrades and of taking part in events and to therefore forge new connections between a wider range of people. Demand for such technologies is thus expected to grow going forward. In response to this demand, Yamaha will propose various solutions powered by its robust sound-related insight and network technologies to contribute to the realization of a society that is in step with the ideals of the United Nations (UN) Sustainable Development Goals (SDGs) through its business.

PERFORMANCE HIGHLIGHTS

Financial Highlights (Fiscal 2021)

* All explanations are based on figures calculated under IFRS. Graphs for fiscal 2019 also include J-GAAP conversions.

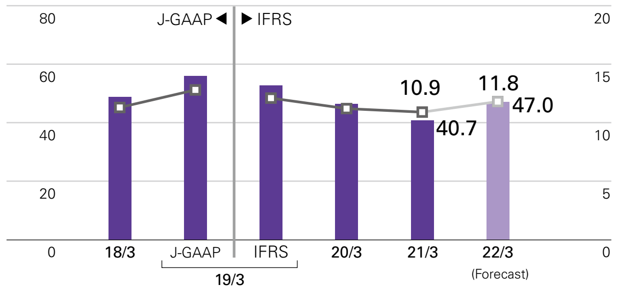
Revenue / Percentage of Revenue Overseas (Net Sales / Percentage of Net Sales Overseas)



■ Musical instruments ■ Audio equipment ■ Others
— Percentage of revenue (net sales) overseas (right)

Revenue decreased ¥41.6 billion year on year, to ¥372.6 billion, due to a reduction of ¥2.3 billion from foreign exchange influences attributable to the impacts of the COVID-19 pandemic.

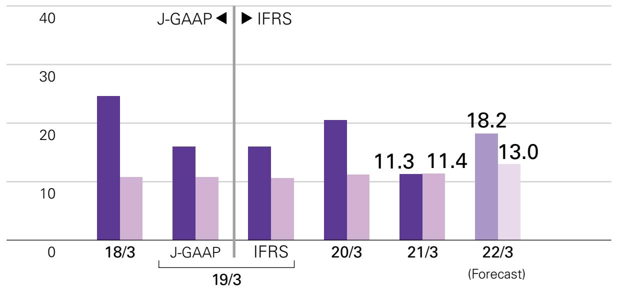
Core Operating Profit / Core Operating Profit Ratio (Operating Income / Operating Income Ratio)



■ Core operating profit (operating income)
— Core operating profit ratio (operating income ratio) (right)

Core operating profit decreased ¥5.6 billion, to ¥40.7 billion, due in part to a ¥0.6 billion reduction stemming from negative foreign exchange influences and declines in revenue and production as a result of the COVID-19 pandemic.

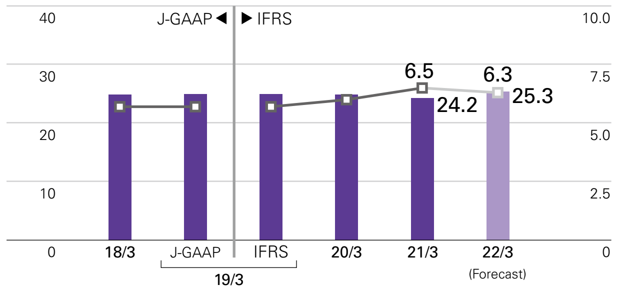
Capital Expenditures / Depreciation Expenses



■ Capital expenditures ■ Depreciation expenses

Capital expenditures totaled ¥11.3 billion, down ¥9.3 billion, and depreciation expenses increased ¥0.2 billion, to ¥11.4 billion.

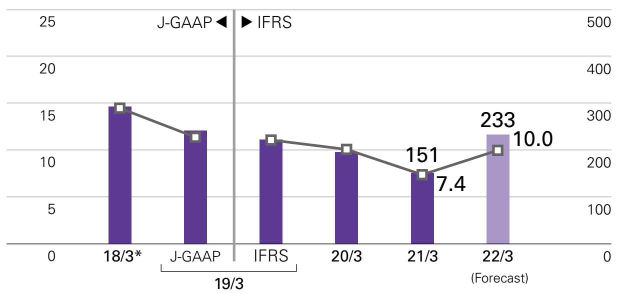
R&D Expenses / Ratio of R&D Expenses to Revenue (Net Sales)



■ R&D expenses
— Ratio of R&D expenses to revenue (net sales) (right)

R&D expenses were down ¥0.6 billion, to ¥24.2 billion. The ratio of R&D expenses to revenue rose 0.5 percentage point, to 6.5%.

ROE / EPS

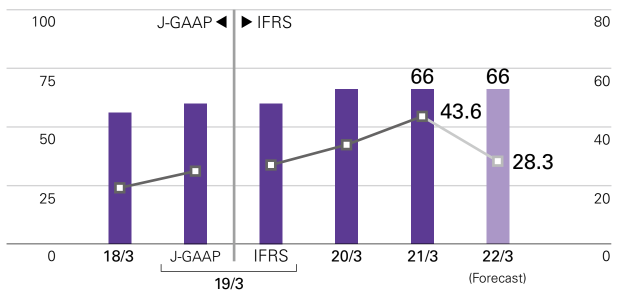


— ROE ■ EPS (right)

Return on equity (ROE) was down 2.7 percentage points, to 7.4%, and earnings per share (EPS) decreased ¥43, to ¥151.

* Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

Dividends per Share / Dividend Payout Ratio

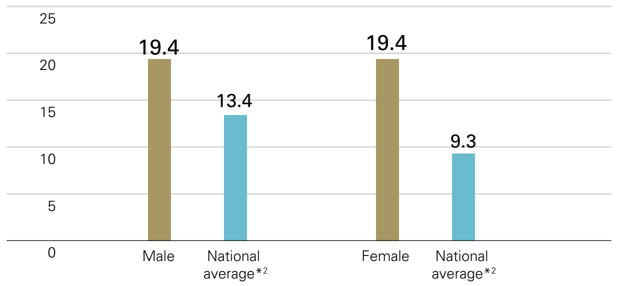


■ Dividends per share — Dividend payout ratio (right)

The annual dividend was ¥66 per share, the same as in the previous fiscal year. The dividend payout ratio rose 9.7 percentage points, to 43.6%.

Non-Financial Highlights (Fiscal 2021)

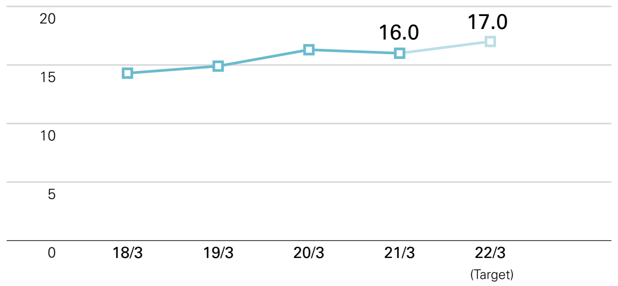
Average Term of Service*1 (As of March 31, 2021)



As part of our efforts to promote diversity, we are working to establish a workplace environment where employees can realize a work–life balance and where female employees can play a more active role. Not only is there no discrepancy between the average term of service of our male and female employees, our average term of service is higher than the national average.

*1 Figures are for Yamaha Corporation on a non-consolidated basis.
*2 According to the results of the Basic Survey on Wage Structure published by the Ministry of Health, Labour and Welfare of Japan.

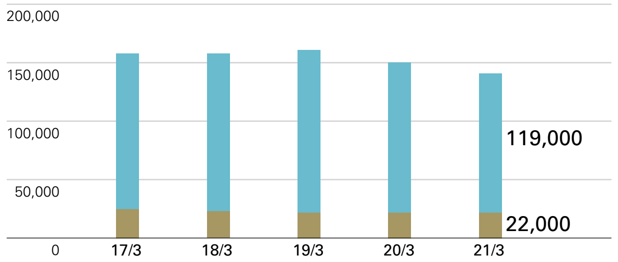
Ratio of Female Managers*



We have adopted the target of raising the Groupwide ratio of female managers to more than 17% by March 31, 2022. To this end, we are implementing a wide range of initiatives including enhancing our educational and training programs.

* Group companies (Worldwide total)

Greenhouse Gas Emissions (Scope 1 + Scope 2)

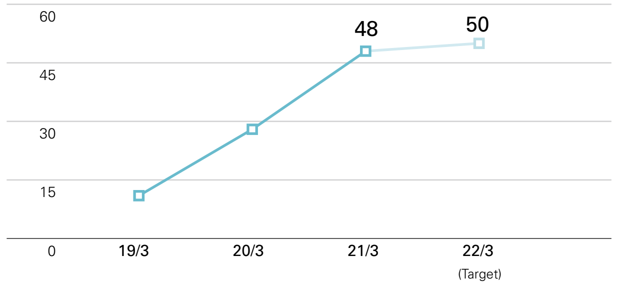


■ Scope 1 ■ Scope 2

We are working to reduce greenhouse gas emissions through various energy-saving initiatives, fuel conversion, and adoption of renewable energy. At the same time, we manage emissions in accordance with the Greenhouse Gas Protocol.*

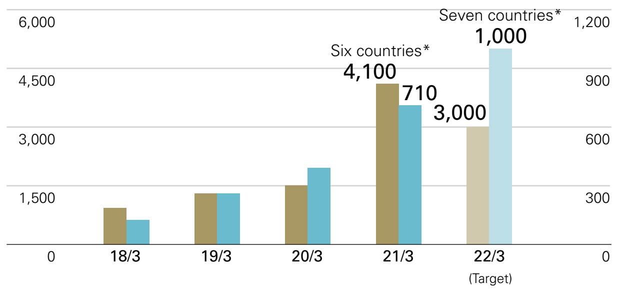
* A standard for calculating and reporting greenhouse gas emissions

Certified Timber Use



Yamaha is proactively increasing its use of certified timber, which is produced from forests deemed sustainable in terms of the environment as well as community development and other social and economic factors.

Number of Music Education Initiatives (School Project Program) Implemented Overseas



■ Number of schools where initiatives have been implemented (cumulative total)
■ Number of students receiving lessons (cumulative total) (right)

Since 2015, we have been pursuing initiatives to provide opportunities for children in emerging countries, who may not have access to musical instruments, to experience playing an instrument within their school education.

* Number of countries in which Yamaha offers the program

Brand Ranking

Interbrand's Best Japan Brands 2021*

Ranked 30th

Our brand ranking in Japan, which was determined using the combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd., was 30th in 2021 (compared with 32nd in 2020), remaining in the top 100 for the seventh consecutive year and representing an 8% year-on-year increase in brand value.

* A brand ranking system by Interbrand Japan, Inc. that evaluates Japanese brands

MANAGEMENT SECTION

II. Management Strategy

Takuya Nakata
Director, President and
Representative Executive Officer

Yamaha is accelerating initiatives in response to social change to accomplish its management vision of "Becoming an Indispensable, Brilliantly Individual Company."

I would like to begin by expressing my condolences for anyone who has lost loved ones to the global COVID-19 pandemic and by extending heartfelt thoughts and prayers to everyone who has been otherwise impacted by this catastrophe.

Operating Environment amid the COVID-19 Pandemic in Fiscal 2021

Yamaha has been unable to escape the heavy impacts of the COVID-19 pandemic, which has continued since 2020. This catastrophe has had a myriad of impacts, both positive and negative, on our products and business activities. For example, the supply shortages seen in the second half of the fiscal year adversely impacted sales growth, creating a situation in which accomplishing the financial targets set forth by the Make Waves 1.0 medium-term management plan for fiscal 2022—its final year—is now unrealistic. Regardless, I am confident that the path we have taken during this crisis has been the right one. In fact, it could be said that we have been brought closer to the future we envisioned as a result of the pandemic. This realization reaffirms the need to further accelerate the initiatives we have put forth.

A positive thing to come out of the pandemic was the creation of opportunities for increased focus on the role of music as people were forced to remain at home and suffer from various constraints. This situation led to strong demand for such Yamaha offerings as digital musical instruments, such as digital pianos and portable keyboards, as well as for guitars and acoustic pianos. By capitalizing on this demand, we were able to help soothe and fulfill people in the midst of this trying reality. As for negative impacts, the area in which we were most affected was our supply chain. Yamaha had decentralized its production and procurement venues as a precaution based on our experience with the Great East Japan Earthquake. However, we had not anticipated a situation in which a pandemic would simultaneously affect countries across the globe, forcing us to stop all of our factories. As a result, we were unable to furnish a sufficient supply for meeting the growing demand, and this is a shortcoming that we must reflect on. Another factor we had not accounted for was how, unlike earthquakes and other natural disasters, which have large immediate damages but see gradual recoveries thereafter, the COVID-19 pandemic is a disaster that persists, with no clear end currently in sight. The takeaway from this is that we must focus on increasing our resilience going forward, as opposed to merely pursuing cost reductions and efficiency improvements. Increasing resilience will entail a multifaceted approach toward reforming supply chains, including applying more varied inventory policies and installing additional flexibility into production systems. Yamaha felt the impacts of the pandemic more acutely than other companies because the Company deals in such a wide range of instruments. There was thus a need for us to swiftly implement remote work systems and undertake digital transformation, which prompted us to adopt development, production, and sales methodologies that are innovative within the industry a step ahead of our peers.

Progress in Second Year of Make Waves 1.0 Medium-Term Management Plan

Yamaha is currently in the process of advancing its medium-term management plan that covers the three years spanning from fiscal 2020 to fiscal 2022. Looking back at past plans, the theme of YMP125 (April 2010–March 2013) was "rebuild business platforms," the theme of YMP2016 (April 2013–March 2016) was "increase profitability," and the theme of NEXT STAGE 12 (April 2016–March 2019) was "increase brand power," which aimed at taking the Company to a new growth stage. These plans were followed by Make Waves 1.0, the current medium-term management plan. Launched in April 2019 with the goal of furthering us toward the accomplishment of our management vision of "Becoming an Indispensable, Brilliantly Individual Company," this plan positions its period as the stage in which we should develop closer ties with customers and society and boost value creation capabilities.

As this plan has completed its second year, I would like to take this opportunity to discuss the progress of this plan in relation to Yamaha's principal businesses and the plan's four key strategies.

Performance in Business Segments

Musical Instruments Business
Disparity between Performance by Instrument Type

In the musical instruments business, we saw robust demand for digital pianos, portable keyboards, and guitars, but we were limited in our ability to cater to this demand due to supply shortages. Conversely, demand for wind instruments was low due to halts to brass and wind instrument band activities and school closures. As wind instruments are played using one's breath, there is concern that wind instrument performances could result in the spread of COVID-19 infections via airborne droplets. Accordingly, performance related to these instruments will likely continue slumping over the foreseeable future. Overall, the musical instruments business recorded reductions in revenue and profit due to the challenges presented by the COVID-19 pandemic. However, we did make progress in steps to overcome these challenges including price optimization and cost reductions. Meanwhile, we sought to create new value through the development of unique and distinctively Yamaha products that merge digital and acoustic technologies as well as the associated sensibilities. Examples of these products include the YDS-150 digital saxophone, which incorporates cutting-edge digital technologies, and the THR30IIA Wireless amplifier for guitars, which delivers authentic audio from its compact body through wireless connections.

YDS-150 digital saxophone

Audio Equipment Business
Growth Creating High Expectations for ICT Equipment Even amid Adversity

The COVID-19 pandemic affected different areas of operations to varying degrees in the audio equipment business, but overall this business posted decreases in revenue and profit. Performance of sound bars and other household AV products was strong due to their ability to accommodate demand related to people increasingly staying at home. However, we were affected by supply shortages in this area. Meanwhile, sales were stagnant for professional audio (PA) equipment due to the trend toward refraining from holding music events, while ICT equipment enjoyed impressive growth as a result of the normalization of teleworking and remote meetings. Yamaha has continued to move forward with the development of technologies aimed at delivering new value by synchronizing sound and music across the physical limitations of distance through the union of PA and ICT equipment technologies. These efforts have led to successes in the forms of the SYNCROOM online remote ensemble performance service and the Remote Cheerer powered by SoundUD remote cheering system. These offerings have garnered attention as services matched to the social needs emerging amid the current restrictions on movement of people. Both are at a stage in which we can begin to pursue commercialization. We expect that, even in the new normal that will emerge after the pandemic has subsided, people will retain their desire to connect with others even when physically separated. Accordingly, Yamaha believes that these products will be able to continue contributing to society on into the future.

SYNCROOM online remote ensemble performance service

Industrial Machinery and Components Business
Start of Production of Automotive Audio Systems

The industrial machinery and components business achieved higher profit due to favorable performance for automobile interior wood components and factory automation (FA) equipment. In addition, we commenced mass production of automotive audio systems in November 2020 following the decision by multiple Chinese automobile manufacturers to use these systems in their products. We were able to receive these orders due to our focus on the growth market of automotive audio systems for the purpose of expanding our business-to-business (BtoB) operations in the area of audio, which it should go without saying is an area of expertise for Yamaha. The orders will entail more than the supply of speakers to be installed in vehicles; we will also provide equipment such as amps as well as a variety of solutions related to in-vehicle audio. Furthermore, the launch of vehicles, cutting-edge electric vehicles (EVs) nonetheless, that bear the Yamaha logo on their audio systems is anticipated to help heighten our brand image.

Yamaha brand audio system installed in ZEEKR001 vehicle produced by Zhejiang Geely Holding Group Co., Ltd.

Initiatives Based on Four Key Strategies

Develop Closer Ties with Customers
Enhancement of Brand Value through Both Physical and Digital Approaches

Even during the COVID-19 pandemic, we continued efforts to expand and strengthen points of contact with customers through both physical and digital approaches. In Japan, our directly operated musical instrument stores in Ginza and Nagoya were renovated and reopened as experience-oriented brand shops. Many visitors to these stores have posted comments describing the enjoyment the stores offered on social media, indicating that we have been successful in communicating our desired message. Efforts in China included the use of new marketing practices, such as live commerce, an approach toward face-to-face sales that takes advantage of the internet. These marketing frameworks are also being exported to Japan and other regions. In addition, let me say that we have made strides in penetrating the Chinese market, as indicated by sales growth at physical venues surpassing the targets of our medium-term management plan. Elsewhere, we set up a proprietary e-commerce website India, which has gotten off to a strong start and is currently enjoying rising access numbers.

Our progress in developing customer data platforms (CDPs) varies by country, but we were still successful in accumulating a certain degree of data, and we have begun using this data for certain applications. Accordingly, we believe we are at a stage in which we can commence more full-fledged utilization of customer data. We also implemented internal measures aimed at creating the foundations for growing lifetime value from customers. Examples of these measures including setting up the Yamaha Marketing University program and arranging skill-enhancing lectures for business divisions.

It is common for customers to be awakened to the quality of Yamaha's musical instruments after actually taking them in hand and playing them. For this reason, physical sales venues will definitely continue to be important going forward. This is also the reason why we have been enhancing our stores and increasing store numbers even amid the pandemic. We also believe that a balanced hybrid marketing approach combining online and offline measures will be crucial in the new normal that will emerge after the pandemic has subsided. Meanwhile, there can be no doubt that we will see a rise in purchases made completely through e-commerce, with the buyer never actually taking an instrument in hand before the purchase. For many customers making such purchases, the reliability of the Yamaha brand will certainly be a source of reassurance. Fortunately, the Yamaha brand has grown into a significant source of strength for us today. I also recognize that we must continue to refine this brand going forward. Ongoing effort will be imperative for this purpose, and we therefore intend to advance our current strategies in a continuous and accelerated manner.

Yamaha Ginza Building's hands-on experience space—key between people

Basic Medium-Term Strategy

Develop closer ties with customers and society, and boost value creation capabilities

Make Waves 1.0

Yamaha value creation			Social value creation
Key strategy 1 Develop closer ties with customers	Key strategy 2 Create new value	Key strategy 3 Enhance productivity	Key strategy 4 Contribute to society through our businesses

Profitability = Customer value × Productivity

Reflect society's values in our own values over the medium to long term

Create New Value
Combination of Yamaha's Distinctive Technologies and Sensibilities

Yamaha's successes in creating new value in fiscal 2021 included the aforementioned digital saxophone as well as the Charlie™ communication robot, which communicates via singing. In addition, the ADECIA comprehensive remote conferencing solution is an example of a product that responds to the new needs arising in response to the COVID-19 pandemic. This solution is making large contributions to flexible workstyles and comfortable communication in preparation for the new normal to be seen after the pandemic. Meanwhile, SYNCROOM and Remote Cheerer powered by SoundUD received incredibly positive responses from users in the verification test phase. These offerings help address contemporary social issues, namely the need to connect with people while avoiding physical contact. If we can just clear the quality hurdles, primarily by improving the precision of their technologies and fixing any defects, I am confident that these solutions will become commercially viable. Another area in which we anticipate future growth is Yamaha brand automotive audio systems. In this area, we will supply solutions related to automotive audio and to engineering designed to ensure faithful recreations of the tones of instruments by speakers, amp, and signal processing equipment. We thereby hope to deliver inspiring experiences that allow users to enjoy the pinnacles of music quality in their vehicles.

Yamaha has accumulated significant insight through its ongoing involvement in basic research from the material level. We are thus poised to combine our diverse technologies and sensibilities to create new value for the digital society in the post-COVID-19 era and to improve lifetime value for customers. Going forward, we will continue proactive R&D investments aimed at creating new value by combining the strengths of our technologies and sensibilities.

Enhance Productivity
Pursuit of Increased Profitability Capitalizing on High Levels of Value

We are targeting a net cost reduction of ¥5.5 billion over the three-year period of the medium-term management plan. We made smooth progress in fiscal 2020, the first year of the plan, with cost reductions totaling ¥2.0 billion. In fiscal 2021, however, we prioritized the maintenance of production functions in response to supply shortages, and cost reduction efforts did not proceed as planned as a result. Nonetheless, the fact that we did not experience a significant rise in costs, despite this situation, should be seen as a positive development. In this manner, rather than rigidly adhering to a policy of cost reduction going forward, we intend to emphasize the resilience of our supply chain. As one facet of these efforts, we are working to cut fixed costs by tightening our belts while remaining cognizant of the need to incur levels of cost that are appropriate for each application. Our initiatives amid the COVID-19 pandemic will no doubt prove to be beneficial after the end of the pandemic. We therefore expect that profitability improvements will accelerate over the medium to long term.

In regard to price optimization, we are past the phase of uniformly raising selling prices to more appropriate levels. Now, we are in a phase in which we need to supply products that offer new forms of value and to receive levels of compensation matched to said value. The THR30IIA Wireless amplifier for guitars mentioned earlier is one example of such a product. This product costs roughly three to five times more than preceding products with similar applications. However, it has been incredibly popular among customers regardless of this price tag. Increases in costs, such as those for parts, are of course one factor behind the higher price tag. More significant, however, is that these products provide new value based on unprecedented concepts, and that customers have recognized this value. We will continue to build upon this approach going forward with the aim of making Yamaha an even more profitable company.

Contribute to Society through Our Businesses
Establishment of the Sustainability Committee

Based on the belief that the creation of social value will in turn generate corporate value, Yamaha seeks to contribute to the resolution of social issues and to the accomplishment of the SDGs through its business. With this focus, fiscal 2021 became a year in which we were once again reminded of the power of music. For example, we have been advancing the School Project for some time now, and we had worried that the limits on face-to-face interaction imposed in response to the COVID-19 pandemic would impede the progress of this project. Quite the contrary, the services we offer through this project remained in strong demand, and the total number of participants thus climbed past 710,000 in fiscal 2021, the second year of our medium-term management plan, putting us well within sight of the plan's three-year target of one million participants. This result exceeded our expectations, all the more impressive given the pandemic, highlighting the strong desire people feel for music.

Class held as part of the School Project (program for promoting instrumental music education in emerging countries)

In January 2021, we established the Sustainability Committee as a body through which management can directly monitor Companywide sustainability initiatives. In addition, we set up five theme-specific working groups under this committee—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, D&I, and Working Group for Cultural Contributions. These organizations are tasked with discussions based on our sustainability priorities (materiality) for the purpose of fostering Groupwide sustainability awareness. Our sustainability priorities are revised periodically. In these revisions, we seek to identify issues that better account for the unique characteristics of Yamaha so that these issues can be a central focus of future business activities. Moreover, our intent is not to attach the concept of social and environmental contributions to our existing management practices. Rather, we look to place such contributions at the heart of our management in order to transform internal thinking. One area of these contributions is the fight against climate change. Issues in this area have the potential to seriously impact the scarce timber used in our products. For this reason, our initiatives for combating climate change go beyond the expected efforts to pursue carbon neutrality by preserving forecasts and supporting forestry cycles; we are also developing materials that can be used in place of scarce timber. These efforts require us to call upon Yamaha's exceptional technological prowess. Yamaha stands out among other musical instrument manufacturers from around the world in that it has a particularly strong obligation to help address social issues through the use of technology. Looking ahead, it can be expected that a sustainability perspective will be more important than ever in realizing our management vision of "Becoming an Indispensable, Brilliantly Individual Company."

Sustainability is not a pursuit to be limited to certain groups of people. The Sustainability Committee and the working groups are, at the end of the day, merely forums for discussing and formulating measures. In actually advancing those measures, it is important for management and all other employees to pool their wisdom to ensure we can move forward in this area.

Never-Ending Pursuit of New Pinnacles for Corporate Governance

Since the transition to the Company with Three Committees (Nominating, Audit, and Compensation) structure described in the Companies Act of Japan in 2017, Yamaha has continued to strengthen oversight with a Board of Directors membered by a majority of outside directors. We welcomed a new outside director after receiving approval at the General Shareholders' Meeting held in June 2021, meaning that membership of the Board of Directors currently stands at two inside directors and six outside directors, making for the same composition as we had in June 2020. In addition, we call upon the services of external experts when conducting the annual evaluation of the Board of Directors' effectiveness. The Board commits to pursuing improvements with regard to any issues identified, and these improvements are positioned as a priority in the following year in order to drive steady, year-by-year progress.

In 2020, we established the new position of audit officer. Audit Committee members have had a positive opinion of these new officers, and their benefits are already appearing. Our Audit Committee is comprised exclusively of outside directors designated as independent directors in order to improve its objectivity and strengthen its oversight function. This arrangement and the resulting lack of full-time members of the Audit Committee, however, has created issues with members facing difficulty in collecting information. The position of audit officer was created to rectify these issues. Audit officers differ from executive officers and operating officers and have the same authority of the corporate auditors of the past. Among other duties, these officers are tasked with supporting members of the Audit Committee. Furthermore, we have expanded the staff of the Internal Auditing Division by appointing more appropriately skilled human resources based on recommendations from members of the Audit Committee stating that this division needed to be made stronger.

We also recognize that the cultivation of successors for management positions is a crucial element of corporate governance. The Nominating Committee is developing frameworks for identifying and evaluating individuals with the potential to become such successors. In addition, frameworks are being created for ensuring objectivity by contracting third-party institutions to perform 360° evaluations of these individuals, allowing for the amassed evaluation data to be shared within the Company. Our human resource base is structured in levels, starting with the president and spreading out to executive officers and so forth. We are now at a stage in which outside directors are evaluating junior employees. In addition, the Board of Directors has implemented a program for fostering future management candidates and arranges forums for discussion and engagement with these candidates. In selecting candidates for the position of president, we consider qualities that are commonly sought for such positions, like strong leadership skills and a global mindset. At the same time, we place emphasis on finding candidates who understand the essence of Yamaha.

As for risk management, we prepare risk maps that categorize risks and quantify the degree to which we are currently prepared to mitigate these risks, based on which we prioritize the risks to be addressed. These risks maps are revised on an annual basis. The fiscal 2021 revision included raising the rating of procurement risks. Up until now, we have faced no particular obstacles to procuring parts. Accordingly, procurement risks were rated to be small in terms of both impact and frequency. However, the COVID-19 pandemic made the importance of supply chain resilience painfully clear, prompting us to raise the impact rating for procurement risks to large.

Another important priority is compliance. I have frequently communicated our stance of staunch opposition toward harassment and all other compliance violations, and we have sought to foster a corporate culture of compliance starting with reforms to the mindsets of individual employees. At the same time, we have developed rigorous systems for ensuring compliance. In Japan, we have been steadily moving forward with initiatives including online awareness-raising programs and the expansion of external consultation venues. Globally, we have completed the installation of compliance helplines, and will devote steadfast effort to improvements by means such as spreading awareness regarding helplines, developing manuals, and implementing ongoing employee education programs.

Rising Importance of Employee Engagement

In fiscal 2022, there are two matters I want to emphasize in light of this being the final year of the current medium-term management plan and to ensure the smooth start of the next medium-term management plan. The first is the aforementioned Companywide entrenchment of sustainability awareness. The second is the creation of an open corporate culture in which everyone respects one another.

The COVID-19 pandemic provided an opportunity for us to reexamine how people work. I do not feel that there is a need for us to choose between remote work and office commuting. Rather, I think that each individual should be able to choose their ideal workstyle based on their rank and circumstances. In Japan, we formerly introduced a remote work system in October 2020, and we intend to continue offering workstyles that use both remote work and office commuting even after the pandemic has subsided. Incorporating remote work requires us to transition from the prior membership-type systems to job-type systems. Moreover, we will need to implement flexible measures based on the labor laws of each country of operation, rather than uniformly applying the same rules. I also expect that we will see changes to our evaluation and compensation frameworks. Yamaha has continued to implement gradual, yearly changes to its human resource systems based on a contemporary view of work–life balance. However, we have now entered into an era in which we are pressed to develop completely new systems based on new ways of looking at human resource management.

Systems are, of course, important. However, what I want to emphasize even more is employee engagement. In an awareness survey submitted to all employees in 2020 indicated, we received write-in comments to open-answer questions from an astounding 6,500 employees. I read each of these comments, which opened my eyes on a lot of matters. Most notably, I was reminded that communication is important above all else. This communication must be facilitated in a variety of directions, between the Company and employees, between supervisors and their subordinates, and between workplace colleagues. This recognition led me to engage in more than 40 online discussions with employees working around the world over the past year (as of June 30, 2021).

Online discussion between President Nakata and employees

Managers of all levels followed my example and began arranging similar discussions with employees. Remote work reduces our opportunities to bump into someone else and strike up a conversation. However, if you are willing to put in the legwork, the current environment actually provides the opportunity to converse with an even wider range of people. I therefore hope to take advantage of the unique circumstances we face to invigorate internal communication.

We also advancing initiatives for raising diversity and inclusion awareness based on the belief that diversity will be the driving force behind the creation of new value for Yamaha. Online seminars are being arranged for this purpose, and we have established the Working Group for Gender Equality under the Human Resources Development Committee. This working group is meant to function as a forum for members of senior management and executive general manager-level individuals to discuss ways of empowering female employees for the purpose of shaping initiatives for removing the various social obstacles placed before women. We have been seeing a gradual change in internal awareness as a result of these efforts. However, we understand that people's thinking is not something that can be changed overnight, and we are therefore committed to ongoing, Companywide action. Diversity and inclusion will also likely have a more prominent position in the next medium-term management plan.

In Closing

We have six months left in the Make Waves 1.0 medium-term management plan. We are making steady progress in initiatives based on the plan's four key strategies. However, as I stated earlier, the accomplishment of the plan's financial targets is no longer realistic. Accordingly, fiscal 2022 will be positioned as a period for recovering to the state seen before the COVID-19 pandemic and for preparing for the next medium-term management plan. Regardless, I am convinced that the path we have walked these past few years has not been mistaken. I therefore do not feel that we need to change the course of our Companywide strategies. Quite the contrary, we should accelerate these strategies. The operating environment seen in the second half of fiscal 2021 made it apparent that the demand for Yamaha's business, although currently slumping, will return, making it different than the types of demand that cannot be expected to recover to pre-COVID-19 levels, like business-related transportation. I also see hope for the future in the relisting of the shares of another major musical instrument manufacturer on the stock exchange as this development represents increased interest for our industry from capital markets and demonstrates that the industry as a whole is regaining its vigor.

Yamaha is a company that provides musical instruments and audio equipment. These items may not be daily living necessities, but I believe that they are human necessities. Even amid the upheaval caused by the pandemic, people sought our products. This reaffirmed my belief that Yamaha's products are indeed necessities. If Yamaha can continue to supply products and services that enrich people's lives by fulling their most fundamental of needs, the need to feel as though one is living a life of human dignity, it will certainly be able to contribute to society while growing itself.

I look forward to increasing the range of opportunities I have to engage with shareholders, investors, and other stakeholders through online and other venues. I would also like to ask our stakeholders for their continued support going forward.

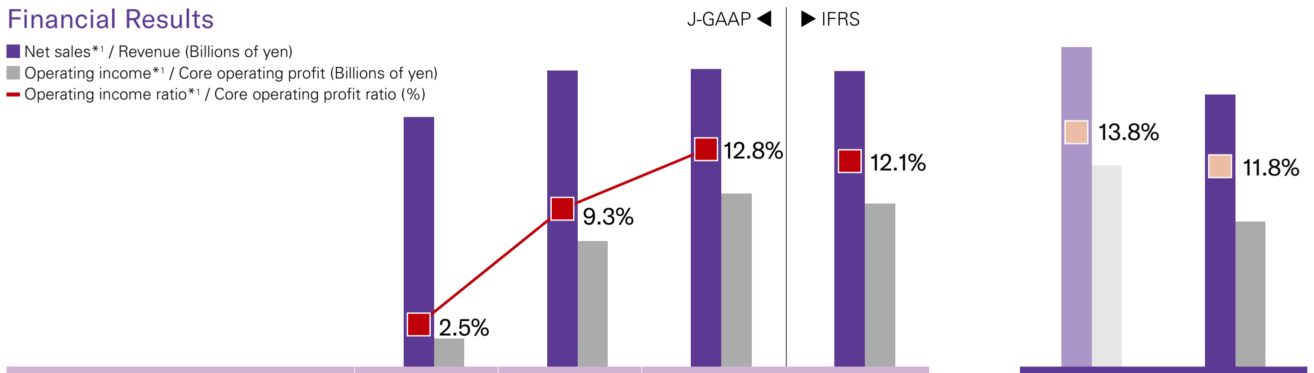
September 2021

Takuya Nakata
Director, President and Representative Executive Officer

MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN

Review and Progress of the Medium-Term Management Plan

Financial Results



	2013/3 YMP125 Final year	2016/3 YMP2016 Final year	2019/3 NEXT STAGE 12 Final year (J-GAAP)	2019/3 NEXT STAGE 12 Final year (IFRS)	2022/3 Make Waves 1.0 Final-Year Targets (Initial Targets)	2022/3 Make Waves 1.0 Final-Year Targets (Forecasts)*2
Net sales*1 / Revenue (Billions of yen)	366.9	435.5	437.4	434.4	470.0	400.0
Operating income*1 / Core operating profit (Billions of yen)	9.2	40.7	56.0	52.7	65.0	47.0
Operating income ratio*1 / Core operating profit ratio	2.5%	9.3%	12.8%	12.1%	13.8%	11.8%
ROE	1.9%	10.1%	11.4%	11.1%	11.5%	10.0%
EPS	¥21	¥169	¥241	¥222	¥270	¥233

*1 The Company employed J-GAAP standards until fiscal 2019 and IFRS beginning in fiscal 2020.
*2 Forecasts were announced in May 2021.

Review of Prior Medium-Term Management Plans

Over the nine-year period encompassing the previous three medium-term management plans—YMP125 (April 2010–March 2013), YMP2016 (April 2013–March 2016), and NEXT STAGE 12 (April 2016–March 2019)—Yamaha undertook the selection and concentration of its diversified businesses to focus more on its core businesses centered on sound and music while also reinforcing the growth foundations of these core businesses. Net sales growth over this period was relatively flat as a result of the declines associated with the withdrawal from businesses as part of our concentration on core businesses combined with the impacts of substantial yen appreciation. Conversely, a massive increase was seen in operating income, which amounted to ¥13.8 billion, with an operating income ratio of 3.0%, in fiscal 2009, prior to the start of YMP125, but then climbed to ¥56.0 billion, with an operating income ratio of 12.8%, in fiscal 2019. This increase was achieved in conjunction with structural improvements to profitability. Particularly large contributions to the improvement of profitability came from our exiting unprofitable businesses through the process of concentrating on the musical instrument and audio equipment businesses, consolidating and reorganizing factories in core businesses, and moving toward fabless manufacturing in semiconductor operations. Other major profitability improvement factors included our strengthening development, sales, and marketing foundations by transitioning from business-based organizations to function-based organizations as well as the resulting improvements in value levels achieved by integrating technologies, continuously reducing manufacturing costs, and optimizing processes. Furthermore, we established the Innovation Center and conducted strategic growth investments for constructing two new overseas factories under NEXT STAGE 12, the previous medium-term management plan.

The key strategies of NEXT STAGE 12 progressed more or less as intended, and we were able to achieve the targets of this plan. However, the plan also revealed business segment issues related to delays in addressing changes in demand for AV products in the audio equipment business and sluggish growth in sales of professional audio (PA) equipment. Market segment issues were also identified, namely struggling growth of sales in emerging markets, where we were facing unfavorable progress in developing operating foundations. Meanwhile, asset efficiency issues were faced in terms of difficulty in identifying opportunities for strategic investment. We continue to address these issues under the current medium-term management plan.

Progress of Make Waves 1.0 Medium-Term Management Plan

In the first year of the Make Waves 1.0 medium-term management plan, sales and profit were down due to negative foreign exchange influences as well as the impacts of the COVID-19 pandemic felt in the fourth quarter. In fiscal 2021, the second year of the plan, sales and profit were once again down as the pandemic spread on a global scale, resulting in store closures, activity restrictions, and subsequently reduced demand during the first half of the fiscal year, and as we suffered from increasingly serious difficulties in procuring components in the second half of the fiscal year due to ongoing restrictions on production activities in Indonesia and other countries as well as a fire at a semiconductor supplier. Even amid this adversity, the development of highly unique products moved forward as planned. In addition, we made steady progress in the measures of the medium-term management plan, including the reformation of customer data platforms (CDPs), next-generation supply chain management (SCM) systems, and processes as well as other digital transformation initiatives; the improvement of rates of certified timber use; and the transition to renewable energy for 100% of the electricity purchased at our Company headquarters.

Approach to Formulating the Medium-Term Management Plan

Amid the rapid changes occurring in the operating environment, the environment within the Company's business domains, which center on sound and music, is undergoing particularly dramatic changes. In light of these changes, we formulated our Makes Waves 1.0 medium-term management plan by making use of the backcasting method. Under this method, we established a long-term outlook for the future and analyzed how the changes in the operating environment would impact our business. We then examined which domains would allow us to realize further development as a company as well as the future growth opportunities and risks that may arise.

Assumptions of Our Outlook for the Future Business Environment (Megatrends)

↓

Analysis of Impacts on Operating Environment
(Examination of Development Domains, Growth Opportunities, and Risks)

↓

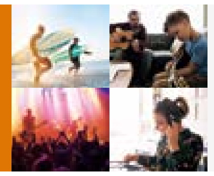
Environmental Changes That Majorly Impact Yamaha and Related Growth Factors and Strengths

As the industrial structure changes rapidly due to the acceleration of digitalization, we are now able to form closer ties with our customers. Additionally, with remarkably enhanced levels of convenience realized through AI and the IoT, we find ourselves entering an era where there will be a greater demand for emotional satisfaction and authenticity. We are also seeing an even greater social awareness of sustainability. These operating environment changes are indicative of wide-ranging growth areas in which Yamaha is primed to capitalize on the technologies and foundations it has developed thus far.

Transformations caused by accelerated digital technologies

- Long-cultivated, cutting-edge digital technologies
- Utilization of network technologies
- Progression of direct digital marketing

Greater diversity in lifestyles and senses of value



- Scientific insight on sensibilities
- Provision of emotional satisfaction through the unique strength of combining technologies and sensibilities
- Progression of direct digital marketing

Heightened awareness of sustainability

- Utilization of advanced materials technologies
- Initiatives toward sustainable timber procurement
- Initiatives to help resolve social issues through sound and music

↓

Directives of the Medium-Term Management Plan

In the era in which there is greater demand for emotional satisfaction and authenticity, the need for emotional value will unquestionably surpass the need for functional value. Our business domains center on sound and music, which offer significant value in the form of sensibilities and emotional impact. In these fields, these changes in needs will no doubt provide a positive boost to the Yamaha Group, which has assessed sound and musical instruments as a part of culture itself and has striven to refine its technologies and sensibilities.

It is therefore imperative that we fully leverage our strengths to capitalize on this growth opportunity by enhancing our ties with customers and society as well as our connection to market growth and growth domains.

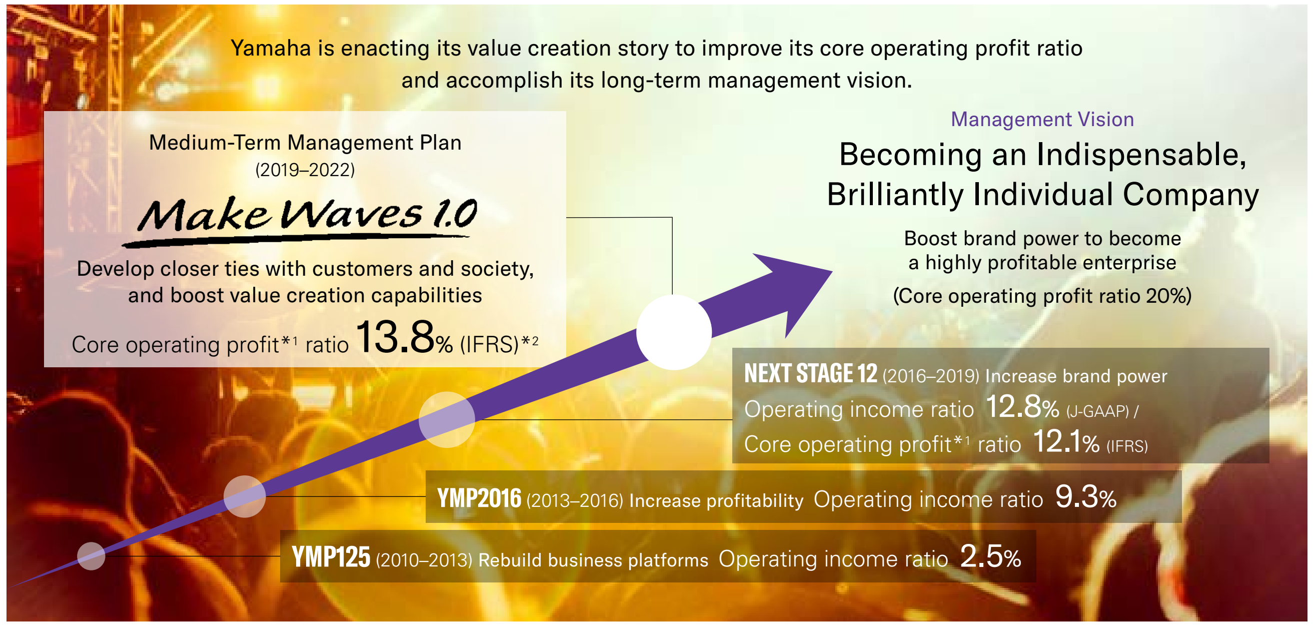
↓

The world is undergoing major changes at a rapid pace due to accelerated digitalization and diversification of value systems.

➡ **Combining technologies and sensibilities** presents growth opportunities for Yamaha

MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN

Major Medium-Term Management Plan Measures for Accomplishing Our Management Vision

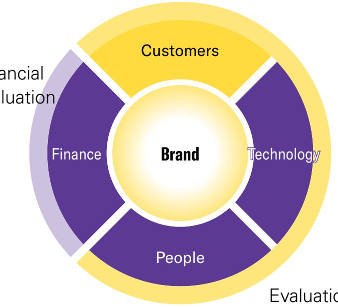


Basic Strategy

In a world undergoing major changes at a rapid pace,
we will develop closer ties with customers and society,
and boost value creation capabilities.

Management Objectives

Financial targets (IFRS) Boost profitability while also building stronger business platforms for growth	Core operating profit*1 ratio*2	13.8%
	ROE*2	11.5%
	EPS*2	¥270
Non-financial targets	Corporate brand value*3	+30%
	Music popularization for learning musical instruments in emerging markets (cumulative total)	1 million people
	Certified timber use	50% of total use
Investment and shareholder returns Well-balanced allocation to investment in growth and returns to shareholders	Total return ratio	50%



Evaluation of:
- Growth capacity
- ESG initiatives, etc.

Corporate value: ¥1 trillion +
(market capitalization)

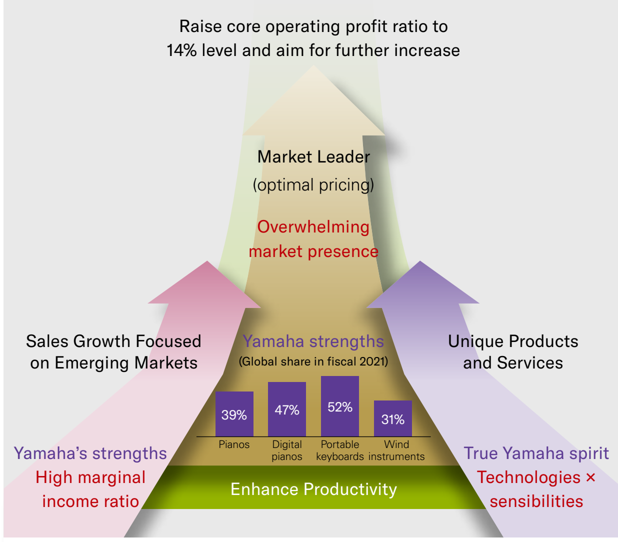
*1 Core operating profit is equivalent to operating income under J-GAAP used prior to the adoption of IFRS.
*2 Based on the impacts on the operating environment from the COVID-19 pandemic, the consolidated performance forecasts for fiscal 2022 announced at the financial results briefing for fiscal 2021 held on May 10, 2021, call for a core operating profit ratio of 11.8%, ROE of 10.0%, and EPS of ¥233. These forecasts assume foreign exchange rates of U.S.$1 = ¥105 and €1 = ¥125.
*3 Combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd.: US$1.2 billion (Best Japan Brands 2019, issued by Interbrand Japan, Inc.)

Management Vision and Value Creation Story

We established a new value creation story that serves as our approach to realizing the management vision (medium- to long-term vision) that we adopted under the previous medium-term management plan, NEXT STAGE 12.

Management Vision (Our future image in the medium to long term)	Becoming an Indispensable, Brilliantly Individual Company Boost brand power to become a highly profitable enterprise (Core operating profit ratio of 20%)
Value Creation Story	Enhance corporate value and realize vision by creating social value

Path to Improving Core Operating Profit Ratio



We will leverage our unique strengths to increase our core operating profit ratio to the 14%* level over the three years of the plan, with the overall goal of becoming the highly profitable enterprise described in our management vision.

Focusing on achieving the goal of becoming a highly profitable enterprise defined in our medium- to long-term vision, or management vision, we set a goal of increasing our core operating profit ratio to the 14%* level over the three years of Make Waves 1.0. While providing unique products and services that cannot be imitated by our competitors, we will achieve a leading position in the market by leveraging our strengths, such as our tremendous market presence and high market share. We will also work to optimize pricing. In these ways, we will further enhance profitability.

In addition, our high marginal income ratio and sales growth centered on emerging countries are two strengths that will also help us boost profitability. Furthermore, increasing profitability through efforts to reduce costs will contribute significantly to improving our core operating profit ratio.

* Based on the impacts on the operating environment from the COVID-19 pandemic, the consolidated performance forecasts for fiscal 2022 announced at the financial results briefing for fiscal 2021 held on May 10, 2021, call for a core operating profit ratio of 11.8%, ROE of 10.0%, and EPS of ¥233. These forecasts assume foreign exchange rates of U.S.$1 = ¥105 and €1 = ¥125.

Four Key Strategies

Basic Medium-Term Strategy

Develop closer ties with customers and society, and boost value creation capabilities

Make Waves 1.0

Yamaha value creation			Social value creation
1. Develop closer ties with customers	2. Create new value	3. Enhance productivity	4. Contribute to society through our businesses
			
Profitability	= Customer value	× Productivity	Reflect society's values in our own values over the medium to long term

To promote our basic strategy of "develop closer ties with customers and society, and boost value creation capabilities," we established four key strategies. By steadily executing these key strategies, we will realize Yamaha value creation and social value creation.

We will create customer value by developing closer ties with customers and offering them new value. We will also increase our profitability by enhancing productivity. Furthermore, we strive to contribute to society through our business activities, which we believe will lead to improvement in corporate value over the medium to long term.

Management Strategy

Key strategy 1

Develop Closer Ties with Customers

Develop Broader, Deeper, and Longer Ties with Customers

To develop broader, deeper, and longer ties with our customers, we will promote our brand through our new brand promise and develop digital and physical customer interfaces with a focus on digital marketing. We will also take steps to contribute to lifetime value enhancement. Additionally, in emerging countries centered on China and ASEAN, we will engage with middle-income earners and accelerate growth. For the audio equipment business and the industrial machinery and components business, we will achieve growth by expanding our business domains in growth markets.

Reinforce customer interface	Achieve growth in emerging markets	Expand business domains
Broader, Deeper, and Longer	Broader, Deeper, and Longer	Broader, Deeper, and Longer
■ Communicate brand appeal through brand promise ■ Develop direct ties with customers with a focus on digital marketing ■ Contribute to lifetime value enhancement (communicate value proposals suited to customer life stages)	■ Engage with middle-income earners and accelerate growth	■ Expand audio equipment business domain ■ Shift industrial machinery and components business domain into in-vehicle solutions

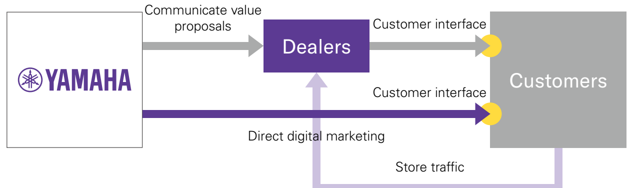
Sales = customer numbers (broad) × frequency (deep) × unit price (deep) × duration (long)

Reinforce Customer Interface

Deeper, Longer

Communicating Brand Appeal through Brand Promise

To Make Waves with our customers, we will offer original products and services that exceed their expectations. We will also leverage our brand promise to engage in communication with customers around the world as we work to become a brand that customers admire and cherish. In these ways, we will aim to develop deeper and longer ties with our customers.



Developing Direct Ties with Customers with a Focus on Digital Marketing

Yamaha is complementing its conventional in-store communication activities with digital marketing initiatives aimed at directly soliciting its value in order to effectively communicate the appeal of its products and services to as many customers as possible to create better experiences for customers.

Contributing to Lifetime Value Enhancement

Yamaha aspires to understand customers and make optimal proposals matched to their approach toward performances in order to help enrich their lives as musicians.

Achieve Growth in Emerging Markets

Broader

By strengthening our ties with the growing middle class in emerging countries, starting with China and India, we will accelerate growth and expand our customer base.

Growth in China

Aiming for 25% Growth over the Next Three Years through Sales Network Expansion and Brand Promotion

Achieve Market Growth and Share Expansion

In the Chinese market, Yamaha is known as a brand admired by many, which has helped us attain a high market share and realize a high level of profitability. In addition, the growth rate of the market itself in China has been strong for many years. Going forward, we will achieve a sales growth rate that surpasses the rate of this strong market growth and further expand our market share through such initiatives as promoting the strength of our products and brand, expanding our sales networks, and pursuing digital marketing.

Boost Product Power

In the Chinese market, we will roll out China-specific models based on local needs, expand sales of high-value-added products made in Japan, and supply pianos made in Indonesia. In these ways, we will move forward with proposals that meet customer needs through a diverse product lineup.

Realizing Growth in India, ASEAN, and Other Markets

Aiming for 50% Growth over the Next Three Years in the Indian Market by Engaging with Middle-Income Earners through the Expansion of Sales Networks and Introduction of Local Models

Expanding Sales Networks and Launching E-Commerce Sales (India)

The market in India is expected to continue to grow in the future. In this market, we will expand our sales networks primarily in cities with over one million people. Additionally, we will leverage e-commerce and individual delivery to cover areas where we do not have physical stores.

Integration of Manufacturing and Sales Operations and Offering of Products Suited to Local Music Culture (India)

Our newly constructed Chennai Plant began shipping products in April 2019 and has been gradually increasing its production capacity since. Going forward, by realizing integrated manufacturing and sales operations, we will promote the production and sale of products that incorporate the local needs of customers in the Indian market.

Focusing on Store-Based Measures and Use of E-Commerce

Following the rise in income levels in emerging countries, there has been a rapid increase in middle-income earners who are purchasing educational, hobby, and luxury products more frequently. In response to this trend, we will expand stores that emphasize hands-on experiences and communicate the high-quality value we offer. We will also utilize e-commerce to establish omnichannel sales that cater to local customers. In these ways, we will strengthen our approach to middle-income earners.

Developing Local Models Catered to Local Music Cultures

We will strive to expand our customer base through the development and sale of models equipped with local musical instrument sounds reflecting local music cultures in regions such as Asia, the Middle East, Africa, and Latin America.

Promotion of Musical Instrument Education and Developing New Markets

As of March 31, 2019, we have provided a cumulative total of approximately 260,000 children with instrumental music education within their school education. Going forward, we will expand this provision to cover a cumulative total of one million children in seven countries. Through these activities, we will seek to understand and analyze the conditions of music-related activities in the markets of Asian and African countries, thereby developing new markets.

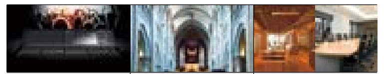
Expand Business Domains

Broader

We will expand our domains in the audio equipment business and promote a shift in the industrial machinery and components business to focus on in-vehicle solutions. In these ways, we will expand sales in growth markets.

Commercial Audio Equipment: Realize 30% growth over three years

We will pursue a full-scale expansion into commercial audio equipment domains including not only live performances and music events but also in churches, concert halls, retail spaces, and corporate conference rooms.



	Live performances / music events	Churches / halls / broadcasting studios	Retail space background music / conference equipment
Market scale	¥200 billion	¥350 billion	¥500 billion
Market growth rate	+8%	+5%	+10%
Direction	Yamaha's existing strengths	Further expand domain	

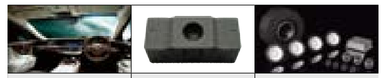
AV Products: Transform our business portfolio

We will realize growth by shifting product lineups toward the personal audio domain, such as wireless speakers, to accommodate changing lifestyles.

	Hi-Fi, AV receivers	Sound bars	Wireless speakers	Headphones
Market scale	¥250 billion	¥550 billion	¥1 trillion	¥1.5 trillion
Market growth rate	–8%	+12%	+12%	+12%
Direction	Yamaha's existing strengths		Further expand domain	

In-Vehicle Components: Realize 30% growth over three years

Going beyond interior wood panels, we will leverage our strengths to expand into the comprehensive in-vehicle solutions domain, including integrated sound, voice, and noise control systems for vehicle interiors.



	Interior panels	Microphone modules	Audio systems
Market scale	¥100 billion	¥100 billion	¥600 billion
Market growth rate	+5%	+40%	+10%
Direction	Yamaha's existing strengths	Further expand domain	

Review of Fiscal 2021

In fiscal 2021, we advanced physical and digital initiatives to develop customer experience frameworks and customer data platforms (CDPs) that will create opportunities for customers to forge a connection with Yamaha. To communicate our brand value, we renovated our Ginza and Nagoya locations to make them into experience-oriented brand shops that provide a diverse range of music experiences for creating connections with new customers. In addition, we sought to communicate Yamaha's value via the internet through increased use of social media to respond to the growth in digital customer contact points that use the internet as a medium. These efforts were also linked to increased business through our physical locations. At the same time, we accelerated the expansion of e-commerce sales, the utilization of the new sales approach of live commerce, and various other initiatives. Meanwhile, steps were taken to develop customer data platforms to improve lifetime value. Specifically, we commenced data collection and partial use of this data and made progress toward the full-fledged utilization of said data. In emerging countries, Yamaha expanded its e-commerce sales channels in India and advanced the School Project centered on Egypt, thereby moving forward with the development of foundations for growing musical instrument demand in the future. Progress was also made in broadening Yamaha's business domain through the expansion of our operations in the personal audio field following rises in our brand recognition in the headphone and earphone market. Another factor driving the broadening of our business domain was the shift toward comprehensive in-vehicle solutions achieved by winning contracts to have Yamaha brand in-vehicle audio systems installed in the vehicles of Chinese automobile manufacturers.

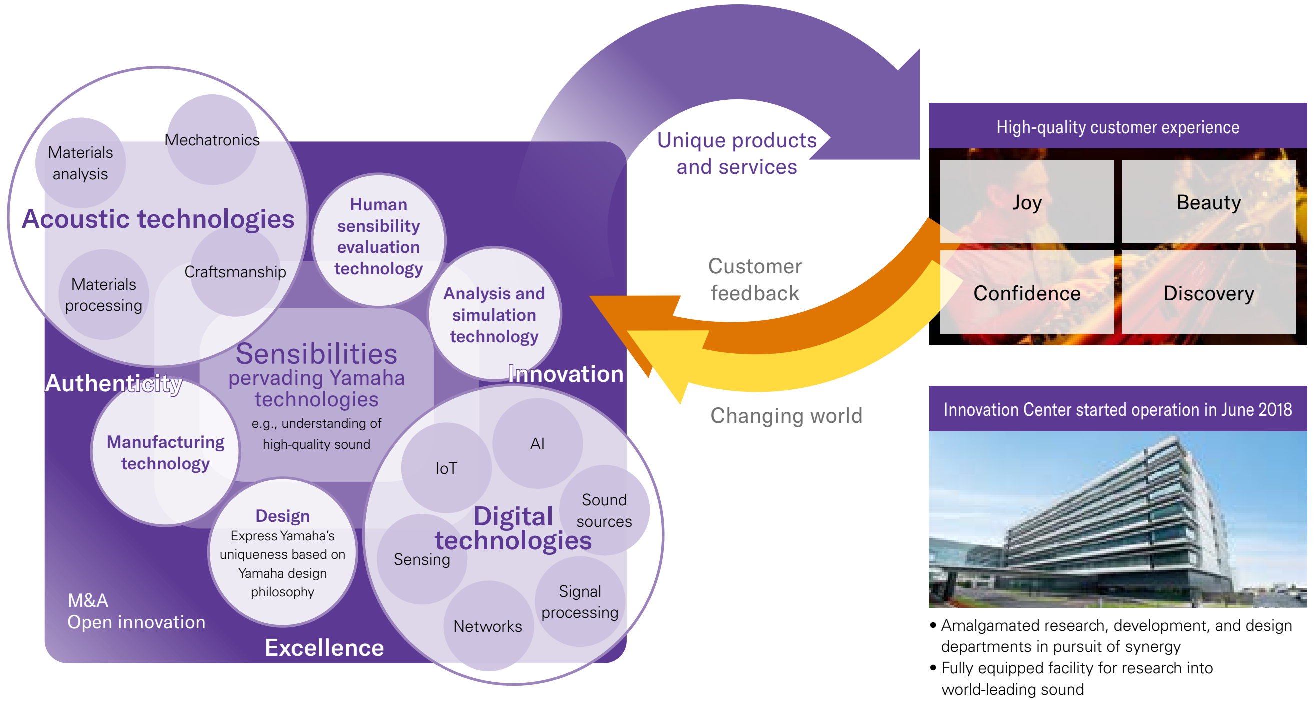
For more information, please refer to Branding on page 54, Industrial Machinery and Components Business on page 66, and Sales on page 74.

Key strategy 2

Create New Value

Create New Value by Combining Technologies and Sensibilities

We will create new value by leveraging our unique strength of combining technologies and sensibilities. Based on the changes occurring around the world and the feedback we have received from customers, we will provide unique products and services to our customers by making full use of our technologies for the scientific evaluation of assessing human sensibilities as well as our analysis and simulation technologies. We will also offer such products and services by melding the technologies we possess, including our acoustic and digital technologies.



- Amalgamated research, development, and design departments in pursuit of synergy
- Fully equipped facility for research into world-leading sound

Yamaha Strength of Combining Technologies and Sensibilities

Evaluating sensibilities regarding what determines a good sound or a good sound environment is not something that can be done simply by analyzing quantitative data. The source of our competitiveness lies in our deep understanding and insight toward sensibility value cultivated through our long history, which started with the creation of musical instruments. Leveraging our core competency pertaining to this sensibility evaluation as our foundation, we are able to combine a wide variety of technologies, including acoustic technologies, human sensibility evaluation technologies, and analysis and simulation technologies. This in turn enables us to provide unique products and services that cannot be imitated by competitors. In addition, by earnestly dealing with the changes occurring around the world and the feedback from our customers, we will draw on our diverse lineup of technologies to the greatest extent possible in order to provide new value, products, and services.

Products and Services

Enhance added value by pursuing combination of authenticity and innovation

Pursuing Authenticity

Tireless enhancement of expressive power: In the musical instruments domain, we will strengthen our ties with leading artists. At the same time, through a scientific approach, we will aim to develop products that pursue the highest levels of expressive power. In the audio equipment domain, we will pursue audio characteristics by leveraging various cutting-edge technologies, such as materials technology and analysis and simulation technology.

Scientific study of human sensibility: We will study human sensibility and tacit knowledge of accomplished players and forge ahead with development processes that pursue the essence of high-quality sound. By doing so, we will promote the development of products that cannot be imitated by competitors.

Pursuit of Innovation

Efforts to spur innovation: In 2018, we established the Innovation Center R&D building with equipment that handles leading-edge research and experiments at our headquarters, thereby bringing together all of our engineers. Leveraging the Innovation Center, we will meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to not only provide customer support but also accelerate the development of customer-driven products and services.

Harness AI for technological innovation: By promoting our long-cultivated strength of combining technologies and sensibilities together with AI technologies, we will personalize accompaniment and music lessons as well as automate and assist professional audio equipment operations. In these ways, we will pursue the development of products and services unique to Yamaha.

Review of Fiscal 2021

For more information, please refer to Research and Development on page 68.

Development of Products with Distinctive Individuality in Fiscal 2021

Numerous products with distinctive individuality were developed to match diverse needs by merging wide-ranging technologies through the combination of Yamaha's strengths in technologies and sensibilities.


YDS-150 digital saxophone


TW-E3B truly wireless Bluetooth® earphones


Yamaha brand in-vehicle audio system

Business Platform to Drive Value Creation

Establish business platform to drive profitability
Profitability = customer value × productivity

Promoting a Digital Transformation

To deepen our ties with customers, we will focus our efforts on reinforcing business platforms such as our CDP and new SCM systems. In addition, through the promotion of a digital transformation, we will transform our business processes themselves in an effort to promote productivity.

Review of Fiscal 2021

For more information, please refer to Digital Transformation on page 52.

Establishment of a Foundation for Global Human Resources Management

Yamaha seeks to enable its employees to feel empowered in their work as they exercise their individuality and autonomy while also implementing business strategies in an increasingly complicated operating environment. To accomplish these aims, we are engaging human resource management practices that emphasize independence and diversity. We will transition from the prior region-specific human resource systems to a Groupwide, globally shared system. We will also promote the cross-border allocating of human resources and the discovery and development of managerial talent.

Review of Fiscal 2021

For more information, please refer to Human Resources on page 50.

Key strategy 3

Enhance Productivity

Boosting Profitability by Improving Productivity

We will work to optimize pricing by enhancing added value and strengthening efforts to showcase our product value. At the same time, we will strive to continuously reduce production costs. In addition, we will perform a zero-based analysis of expenditures and promote a shift toward strategic spending aimed at improving customer value. In these ways, we will reinforce profitability going forward.

Optimize Pricing, Reduce Production Costs, and Strategic Expenditures

Optimization Pricing

We strive to create new added value for our products and services and make concerted efforts to promote product value. By doing so, we pursue the optimization of our selling prices to reflect the increased amount of value, thereby improving profitability.

Reducing Production Costs

We will reduce production costs by reorganizing production processes on a global scale, including transferring production processes conventionally performed in Japan to our overseas plants. For procurement, we will transition from our conventional component procurement methods, which were previously conducted by each plant, to regional-specific procurement as well as comprehensive purchasing by our headquarters. In this way, we will work to lower procurement costs. Additionally, we will significantly reduce costs by expanding automated production lines used in Japan to overseas locations and promoting labor-saving activities through the use of IT. Through such efforts, we aim to achieve cost reductions totaling ¥5.5 billion over the three-year period of Make Waves 1.0.

Review of Fiscal 2021

For more information, please refer to Production on page 72.

Strategic Expenditures

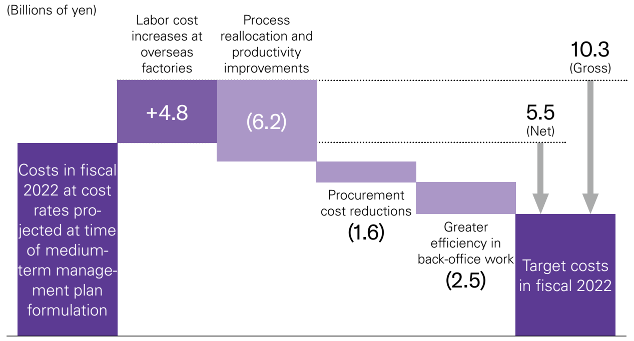
We perform a zero-based analysis of expenditures and promote a shift toward strategic spending aimed at improving future customer value, rather than simply pursuing cost reductions. This shift will be realized in such ways as transforming our business processes through digital transformation.

Review of Fiscal 2021

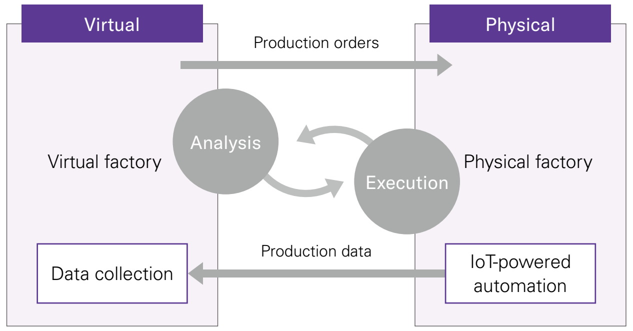
For more information, please refer to Digital Transformation on page 52.

MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN

Analysis of Projected Cost Reductions over the Period of Make Waves 1.0 (Fiscal 2020–2022)



Digital Twin Production Management (IoT-powered production management)



Key strategy 4

Contribute to Society through Our Businesses

Contributing to the Sustainable Development of Music Culture and Society

We will contribute to the global music scene through the provision of diverse musical instruments. We will work to spread musical instrument education in emerging countries. In this manner, we will not only contribute to the sustainability of music culture but also work to resolve social issues through our products and services. Also, we will realize a peaceful coexistence with the natural environment through such efforts as promoting the sustainable procurement of timber and developing environmentally friendly products.

Culture

Contribute to sustainability of music culture

- Contribute to global music scene by supplying a diverse range of musical instruments
  Launch approximately 800 models (over 3 years)
- Spread the joy of music through music school business
  30% growth in students at overseas music schools (over 3 years)
- Promote musical instrument education in school music lessons in emerging markets
  3,000 schools in 7 countries, cumulative total of 1 million students
- Support education in schools for children of migrant workers in China by donating musical instruments
  Support 18 schools (over 3 years)

Spreading musical instrument education in emerging markets (Vietnam)

EDU-Port Japan

Overseas music school lesson

Recorder lesson in South Africa

Review of Fiscal 2021

Contributions to Sustainability of Music Culture

The COVID-19 pandemic placed significant restrictions on people's lives and business activities around the world. These restrictions caused society to search for new ways of engagement, including the use of remote classes for music education projects and school education. Even faced with this adversity, Yamaha moved ahead with activities for promoting the spread of instrumental music education in school education curricula in emerging countries. As a result of these efforts, we had provided instrumental music education opportunities to an aggregate total of 710,000 children in 4,100 schools in six countries as of March 31, 2021. In this manner, we have made steady progress toward achieving the medium-term management plan's target of offering such instrumental music education opportunities to one million children. In addition, the music education promotion project launched in Egypt in April 2021 was selected as a 2020 pilot project to receive support from the Introduction of Japanese-style Education Using Public–Private Collaborative Platform (EDU-Port Japan Project) established by the Ministry of Education, Culture, Sports, Science and Technology. In addition, in June 2021 we concluded a subcontracting agreement with Japan International Cooperation Agency (JICA) with regard to this project as part of JICA's small to medium-sized business and SDG business support project. Our efforts for promoting instrumental music education in Egypt will be advanced based on this agreement.

Society

Resolve social issues through products and services
Enhance diversity and fulfillment of the people we work with

- Support for healthy development of youth through music popularization activities in Latin America
- Ongoing revitalization of communities through the *Oto-Machi Project* aimed at creating communities filled with music in Japan
  10 new support projects over past three years
- Cultivation of environment that enables diverse employees to fully exercise their individuality and creativity
  Cross-border allocation of 30 employees over three years, ratio of female managers of 17%
- Human rights due diligence promoted across the value chain
- Teleworking, in-house childcare facilities, and other forms of support for work–life balance in Japan

Youth orchestra and bands in Latin America

Kashiwa City facilitator development program (*Oto-Machi Project*)

Development of products for accommodating remote meeting demand

Yamaha LGBTQ+ logo

Review of Fiscal 2021

Resolution of Social Issues through Products and Services

Efforts to resolve social issues through products and services included expanding our lineup of technologies and products for responding to the demand for teleworking and web conferences, including items such as remote meeting systems, that arose amid the COVID-19 pandemic. In addition, we promoted use of the SYNCROOM online remote ensemble performance service and developed the Distance Viewing next-generation live viewing service among other efforts to provide music lovers with methods for enjoying music remotely.

Enhancement of Diversity and Fulfillment among All Employees

The Working Group for Gender Equality was established under the Human Resources Development Committee, an advisory body to the president, in January 2021 as part of our efforts to enhance our workplace environment. Also on this front, we enhanced teleworking systems, implemented new systems for supporting employees in balancing work and medical treatment, made steps to support and foster understanding regarding the LGBTQ community, and implemented other measures to cultivate a workplace environment in which diverse employees can fully exercise their individuality and creativity.

Environment

Coexist with the natural environment

- Use of sustainable timber
  - Pursuit of target of 50% rate of certified timber use and ongoing due diligence for preventing use of illegal timber
  - Sustainability activities for preserving scarce timber resources advanced together with communities in producing regions
  - Joint research with academic institutions (Kyoto University, etc.) to cultivate forest resources and improve efficiency in use
- Development of eco-friendly products
  - Yamaha Eco-Products Program for developing eco-friendly products
  - Development of sustainable materials that can serve as substitutes for scarce timber resources
- Reduction of greenhouse gas emissions
  - Introduction of equipment with high energy efficiency and transition to renewable energy to achieve targets certified by Science Based Targets*1
  - Reduction of emissions across the value chain through energy-saving product development and logistics rationalization

Review of Fiscal 2021

For more information, please refer to Sustainability Management on page 42, Environment on page 44, and Human Rights on page 48.

Use of Sustainable Timber

Yamaha has implemented due diligence frameworks to avoid the purchase of illegally harvested timber. In addition, paper surveys and on-site investigations of suppliers are utilized as part of our rigorous checks on the legality of procured timber. We are also actively promoting the use of certified timber, thereby achieving a 48% rate of sustainable timber use in fiscal 2021 and making strong progress toward the accomplishment of our target of a 50% rate in fiscal 2022.

Development of Eco-Friendly Products

Through the Yamaha Eco-Products Program,*2 a total of 29 new product models were certified in fiscal 2021. As of March 31, 2021, the number of certified products, including prior products, was 454, of which 70 were newly developed products bearing the Eco-Label. Sales of certified products represented 16% of total net sales in fiscal 2021.

Reduction of Greenhouse Gas Emissions

In fiscal 2021, following the receipt of certification for our greenhouse gas emissions reductions target from Science Based Targets, we began the full-fledged introduction of renewable energy, which included the transition to renewable energy for 100% of the electricity purchased at our Company headquarters in April 2021. We have also set concrete reduction targets for individual overseas bases, and initiatives are being advanced to accomplish these targets.

*1 Certification indicates that targets based on scientific rationality and thus viable for achieving the greenhouse gas emissions reduction goal set in the Paris Agreement; Yamaha's target revised from reduction of 32% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031 (certified as a target for limiting global warming to 2°C above pre-industrial levels) to reduction of 55% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031 (certified as a target for limiting global warming to 1.5°C above pre-industrial level) in September 2021
*2 Program for certifying eco-friendly products as meeting standards established by Yamaha

Management Strategy

FINANCIAL STRATEGIES AND ENHANCEMENT OF MANAGEMENT FOUNDATIONS

Satoshi Yamahata
Director and Managing Executive Officer
Executive General Manager of Corporate Management Unit
Executive General Manager of Human Resources and General Administration Unit

We will seek to link our efforts in the final year of the medium-term management plan to robust growth over the following three years.

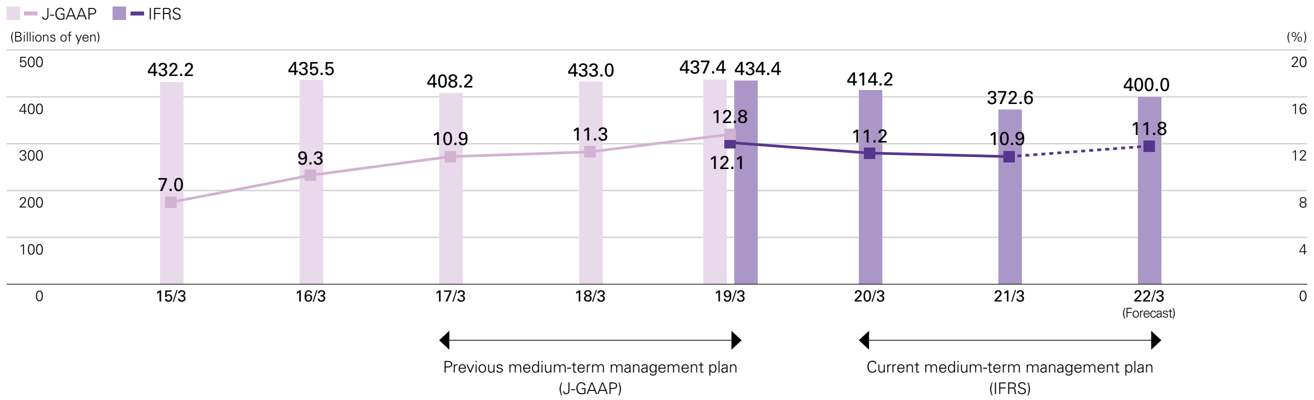
Review of Fiscal 2021

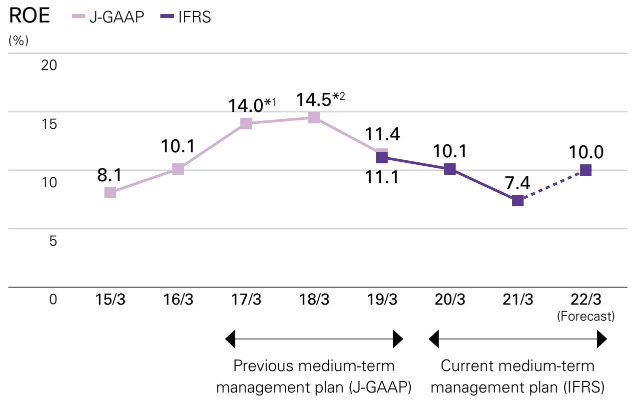
In fiscal 2021, the second year of the Make Waves 1.0 medium-term management plan, we got off to a difficult start as the global impacts of the COVID-19 pandemic caused temporary closures of stores and factories at the beginning of the fiscal year. However, the market recovered leading up to the second quarter resulting in a rise in demand that manifested centered on sales through e-commerce channels. Unfortunately, we were unable to fully capitalize on this demand due to supply shortages stemming from an inability to operate factories in Indonesia and other countries to a sufficient degree as a result of government-imposed restrictions. Later, in the third and fourth quarters, shipments were delayed because of a lack of shipping containers and we faced difficulties in procuring electronic components as the result of a fire at a supplier's factory.

Due to these factors, revenue was down ¥41.6 billion, or 10.0%, year on year, to ¥372.6 billion. Factors behind this decline included a reduction of ¥2.3 billion from foreign exchange influences. Core operating profit decreased ¥5.6 billion, or 12.2%, to ¥40.7 billion, due in part to a ¥0.6 billion reduction attributable to the foreign exchange influences. Similarly, profit attributable to owners of parent declined ¥8.0 billion, or 23.1%, to ¥26.6 billion, in part as a result of the decline in core operating profit. Other factors included reductions of ¥2.3 billion due to halted operations and ¥3.6 billion because of impairment losses, both factors that stemmed from the impacts of the COVID-19 pandemic. As a result, the core operating profit ratio was 10.9%, return on equity (ROE) was 7.4%, and earnings per share (EPS) was ¥151. The figures for all of these indicators, for which financial targets were set in the medium-term management plan, were down year on year.

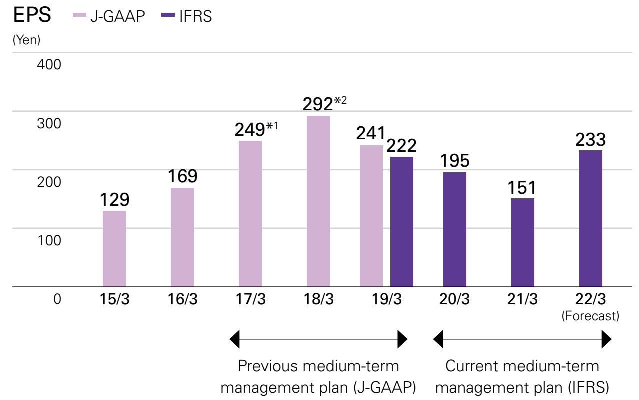
In this manner, sales and profit were down in fiscal 2021. Despite these unfortunate results, I believe that this year was a testament to the underlaying strength of Yamaha as we stood firm in the face of an unprecedented crisis. We took many flexible steps to continue our business activities amid the restrictions on economic activities imposed as a result of the COVID-19 pandemic. We were able to achieve this level of flexibility because we had previously addressed supply and procurement issues after various disasters and accidents, thereby heightening our crisis response capabilities on a Groupwide basis. Furthermore, our IT divisions had been preparing for the possible implementation of remote work systems, even before the COVID-19 pandemic, based on the assumption that such systems could become necessary in the event of a pandemic or other catastrophe. We were thus able to undertake a smooth transition to remote work when it became necessary.

Revenue / Core Operating Profit Ratio (Net Sales / Operating Income Ratio)





*1 Including the recording of deferred tax assets
*2 Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.



Financial Health, Investments, and Shareholder Returns

Yamaha has proceeded to strengthen its financial base since the 2008 financial crisis. The fact that we had secured a sufficient level of liquidity through this process is what enabled us to focus on our business activities, even in the current challenging operating, and thereby generate steady cash flows through efficient operations. Our inventories are not yet at the ideal level, an issue we will need to rectify, but I feel that we have still managed to maintain a noteworthy degree of balance sheet health.

A point of focus going forward will be efficiently and effectively allocating the cash flows we generated to drive future growth. As we refrained from nonessential and nonurgent investments in fiscal 2021, total capital expenditures were down ¥9.3 billion, or 45.2%, year on year, to ¥11.3 billion. This was not a sufficient level of strategic investment. The medium-term management plan sets a three-year target for strategic investment of ¥50.0 billion. Going forward, we will continue to seek out ways these funds can be used to drive growth through M&A activities or other investments.

In addition, the medium-term management plan describes our policy of allocating cash flows to shareholder returns in a balanced manner. We plan to issue steady and continuous

Cash Allocation Policy

Cash flow creation
Improve cash flow generation capabilities through efforts to enhance asset efficiency via structural reforms and to heighten profitability by increasing competitiveness and reducing costs

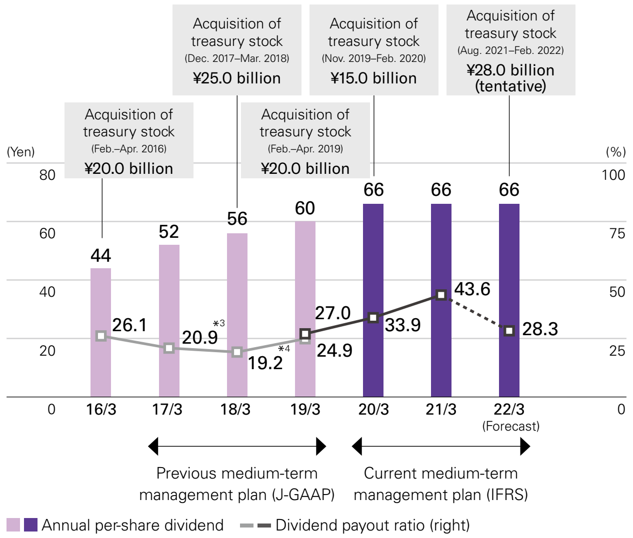
→

Growth investments
Actively implement strategic investments for future growth in addition to regular capital expenditures

\+

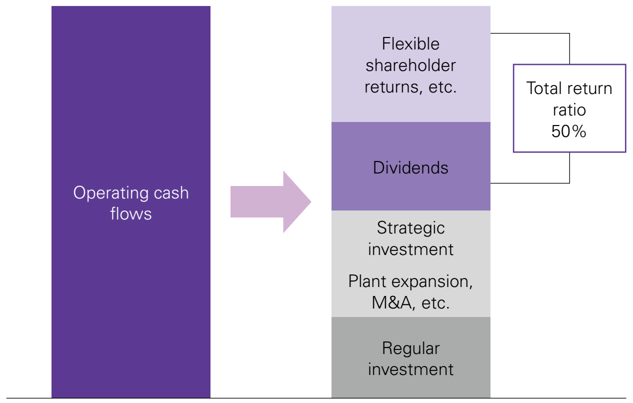
Shareholder returns
Based on a policy of issuing steady and continuous dividends, flexibly carry out shareholder returns in an appropriate manner with the aim of improving capital efficiency

Shareholder Returns



*3 Including the recording of deferred tax assets
*4 Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

Plans for Cash Flows



Three-year plan
(cumulative total from fiscal 2020 to fiscal 2022)

dividends in accordance with this policy while also implementing flexible shareholder return measures for the purpose of improving capital efficiency. Despite the unfortunate performance in fiscal 2021, we once again issued dividend payments of ¥66 per share, making for a dividend payout ratio of 43.6%. Meanwhile, we acquired ¥15.0 billion worth of treasury stock in fiscal 2020, the first year of the medium-term management plan, and the acquisition of an additional ¥28.0 billion worth of treasury stock in fiscal 2022 has been approved based on policies for selling cross-shareholdings.

These measures will result in a total return ratio that greatly exceeds the target of 50% on an aggregate basis over the three-year period of the medium-term management plan.

Initiatives in Final Year of the Medium-Term Management Plan

Unfortunately, the accomplishment of the financial targets defined for the final year of the medium-term management plan is no longer realistic. Conversely, there have been almost no delays in the advancement of the four key strategies of the plan.

The medium-term management defines three changes to the operating environment with the potential to have a major impact on Yamaha. These are (1) transformations caused by accelerated digital technologies, (2) greater diversity in lifestyles and senses of value, and (3) heightened awareness of sustainability. The COVID-19 pandemic has accelerated the pace of these changes to a degree that is exceeding our prior expectations. This situation creates opportunities for Yamaha, which boasts strengths in digital technologies as well as in the sensibilities it has fostered in the fields of sound and music. With an eye to the changes seen in society, we are moving ahead with the development of products and services that are matched to customer needs while fostering new businesses and otherwise reforming our business portfolio.

In fiscal 2022, the final year of the medium-term management plan, the COVID-19 pandemic will continue to create a high degree of uncertainty, and risks will be faced with regard to supply shortages for semiconductors and other articles. Nevertheless, the recovery of the market has led us to forecast increases in revenue and profit in the year. As we continue efforts to bring us closer to the initial targets of the medium-term management plan in fiscal 2022, we will also move ahead with the formulation of the next medium-term management plan while assessing the social changes brought about by the pandemic.

Acceleration of Sustainability Initiatives

One of the key strategies of the medium-term management plan is to contribute to society through our businesses. Due in part to this focus, all Yamaha employees have exceptionally high levels of sustainability awareness. Moreover, the currently under development new medium-term management plan will represent a stage in which we will need to accelerate sustainability initiatives throughout all of our business activities.

In January 2021, we took a step toward further evolving our sustainability-minded management approach with the establishment of the Sustainability Committee as an advisory body to the president. Under this committee, we set up five working groups—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, D&I, and Working Group for Cultural Contributions. Activities by these organizations have been quite brisk. Personally, I chair the Working Group for Climate Change and the Working Group for Human Rights, D&I. Climate change is an incredibly important area of concern when it comes to impacts on humanity and on society, and we therefore intend to ramp up initiatives in this area. Up until now, we have set our greenhouse gas emissions reduction targets for 2050 based on the goal of limiting global warming to 2°C above pre-industrial levels. However, in September 2021 we revised our targets based on the goal of limiting global warming to 1.5°C above pre-industrial levels and ultimately achieving a state of carbon neutrality. We are also conducting detailed scenario analyses based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). A recent accomplishment on this front was the April 2021 switch to renewable energy for all of the electricity purchased at the Yamaha Corporation headquarters. Looking ahead, we intend to expand the scope of bases at which we purchase renewable energy and to eventually advance these activities on a global scale.

For more information on environmental initiatives, please refer to page 44.

Human Resource Management Initiatives

Human resource management is something that relates to human rights as well as to diversity and inclusion. There are currently two major topics being discussed with this regard within Yamaha. The first is human resource management emphasizing autonomy. We adopted remote work systems in response to the COVID-19 pandemic. Maintaining these systems while continuing to achieve sufficient results with require us to install a greater emphasis on autonomy into our human resource management practices. It is important for all employees to go about their work with a focus on autonomously generating results. At the same time, we must adopt frameworks for employee career development, something that was previously spearheaded primarily by the Company, that entail each employee pursuing career development of their own volition, with the Company supporting these efforts. This is particularly true for younger generations. Rather than focusing purely on contributing to their company, younger generations are coming to view their company more as a vessel for contributing to society. Recognizing this shift, we are examining how best to incorporate an emphasis on autonomy into human resource management at Yamaha in order to ensure that we can continue to recruit talented human resources.

The topic being discussed is the promotion of diversity. Yamaha aims to develop a global organization in which diverse employees with various backgrounds work together and engage in lively exchanges of ideas and in which new value is born out of this inclusive process. With this goal in mind, we are going beyond empowering female and non-Japanese employees to promote diversity and inclusion on its most fundamental level in order to drive improvements in corporate value.

We plan to make human resource management a central pillar of the next medium-term management plan. Yamaha will thus be looking to develop systems and foster a corporate culture that allow all employees to fully exercise their talents in order to strengthen the foundations that will support value creation.

In Closing

We continue to face an opaque environment, but we still recognize that fiscal 2022 will be an important year for preparing for our next stage, while addressing various operating environment changes and issues, in order to ensure that Yamaha can achieve even more robust levels of growth after the market recovers from the impacts of the COVID-19 pandemic. Moreover, as SG&A expenses are currently down significantly, now is the perfect time to review our cost structures from the ground up. Looking at each individual cost to determine whether it truly contributes to customer value or to corporate value will be a sure way to build a strong corporate constitution.

Going forward, we will continue to engage in discussion with shareholders, investors, and other stakeholders so that we can use the input gained to enhance management and improve corporate value. I hope we can look forward to your ongoing support and guidance.

SUSTAINABILITY MANAGEMENT

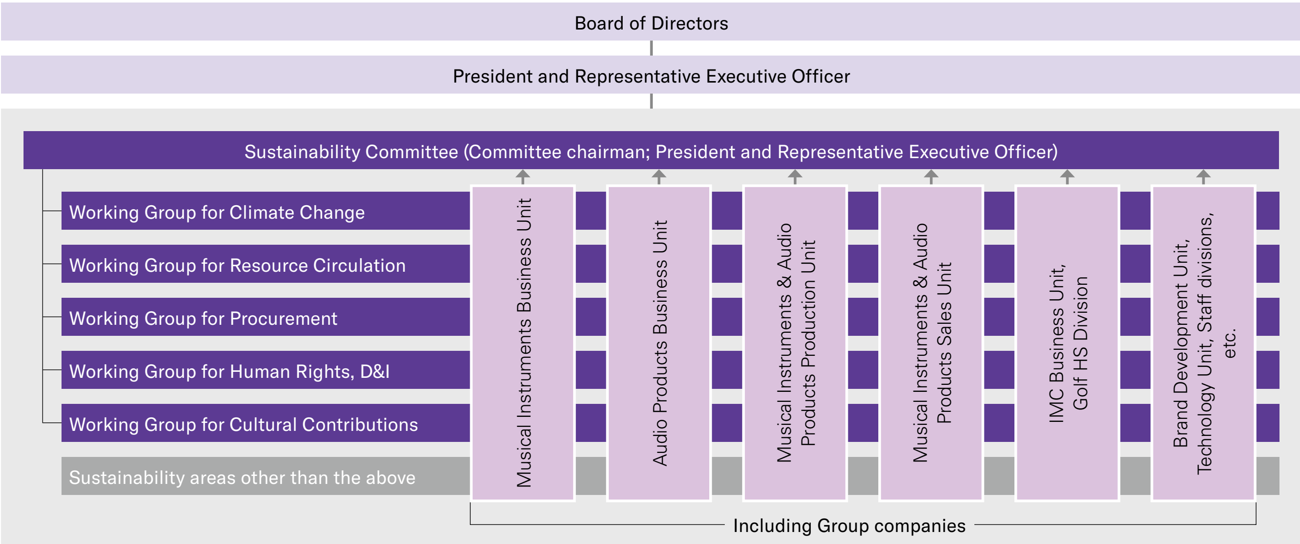
We have established the Yamaha Group Sustainability Policy, and seek to exercise the Yamaha Philosophy by engaging with stakeholders based on an understanding of the environmental and social impacts of our business activities. Through this process, we aim to help resolve the issues necessary to realize a sustainable society.

Today, numerous environmental and social risks are materializing on a global scale, placing humanity at a crossroad staring down two paths: one to a sustainable society and one to an unsustainable society. As a responsible company, Yamaha places sustainability at the heart of its management and business activities. We are thus accelerating various initiatives to help shape a sustainable society.

Sustainability Promotion System

Establishment of the Sustainability Committee

Under the guidance of the Board of Directors, Yamaha Corporation established the Sustainability Committee as an advisory body to the president in January 2021. This committee is tasked with discussing directives for Groupwide sustainability initiatives, monitoring these initiatives, and reporting to the president on these matters. Five working groups—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, D&I, and Working Group for Cultural Contributions—have been formed under the Sustainability Committee to formulate activity policies for important Groupwide themes and monitor trends in their respective areas. The working groups act on a cross-business basis by coordinating with the relevant divisions to advance activities based on the theme of their assigned area. The activity policies and measures examined by the working groups are incorporated into Companywide strategies by the Sustainability Committee, and these strategies shape the policies and measures of divisions and Group companies.



Participation in Initiatives

With a commitment to cooperating and forming ties with global society as we work toward building a sustainable society, Yamaha signed the UN Global Compact in June 2011 and is advancing its business activities based on the Ten Principles. In addition, we actively participate in subcommittees of Global Compact Network Japan as a member. The Group is also actively contributing to the accomplishment of the SDGs, which are a set of shared targets embraced by global society, through its business activities. The goals and targets of the SDGs are emphasized in the development of products and services and in efforts to improve business processes. Specific examples of these efforts include advancing music promotion activities to contribute to Goal 4 "Quality education" and practicing sustainable timber procurement to help achieve Goal 12 "Responsible consumption and production" and Goal 15 "Life on land."

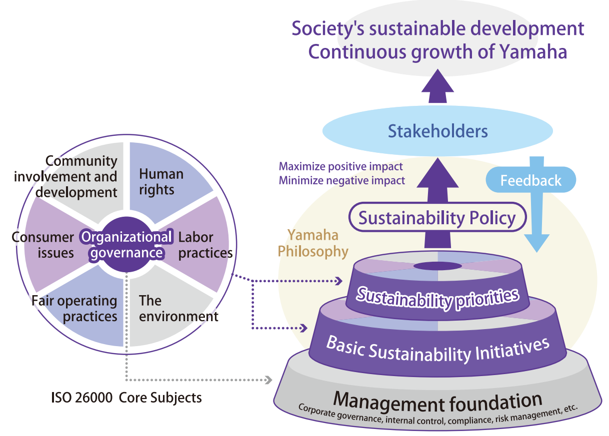
WE SUPPORT

Sustainability Priorities

The Yamaha Group has established sustainability priorities for the medium to long term based on the impact of its business activities on the environment and society as well as on stakeholder expectations and social demands. The Make Waves 1.0 medium-term management plan defines social contribution through our business as an important strategy, and the sustainability priorities have been incorporated in the plans of business divisions. Key performance indicator (KPI) targets have been established to gauge the progress of these plans, and efforts are being made to accomplish these targets. We are also working to accomplish KPI targets for non-financial management goals related to our sustainability priorities of spreading instrumental music education within emerging countries and of procuring sustainable timber.

For more information on the Yamaha Group Sustainability Policy, please refer to the following website.
https://www.yamaha.com/en/csr/policy/

For more information on sustainability priorities and related progress, please refer to the following website.
https://www.yamaha.com/en/csr/management/



Priority Identification Process

1. Identification of Sustainability Issues
Identification of sustainability issues within the Yamaha Group value chain based on ISO 26000 (an international guidance on social responsibility) and the SDGs

2. Evaluation of Importance of Issues from the Perspectives of Stakeholders
Evaluation of importance of identified issues out of consideration for feedback from customers, employees, and local communities; ESG evaluation items; opinions and requests from NGOs; and advice from outside experts

3. Evaluation of Importance within the Yamaha Group
Evaluation of importance of identified issues out of consideration for Yamaha's management vision and medium- to long-term management policies

Sustainability Priorities
Selection of issues warrants a strong approach based on results of important evaluations followed by identification of sustainability priorities through discussion among senior management

Culture	Society	Environment	Sustainability Priorities
●	●	●	Development of products and services with a focus on social and environmental issues
●	●	●	Development of regional community-based business and social contribution activities
		●	Lowering of greenhouse gas emissions
		●	Sustainable procurement of timber
		●	Promotion of the "3Rs" in products
	●		Systematic initiatives for the respect of human rights
	●		Promotion of diversity and human resources development

KPI management targets established for two sustainability priorities

Make Waves 1.0 Medium-Term Management Plan

Four key strategies
1. Develop closer ties with customers
2. Create new value
3. Enhance productivity
4. Contribute to society through our businesses

Non-financial targets
Corporate brand value: +30%
Music popularization for learning musical instruments in emerging markets (cumulative total): 1 million people
Certified timber use: 50% of total use

Management Strategy

ENVIRONMENT

Recognizing the extreme importance of environmental issues, the Yamaha Group is committed to continuing its contribution to the realization of a better global environment based on the Yamaha Group Environmental Policy. Yamaha is engaged in initiatives through its business activities, products, and services to respond to shared global issues, such as climate change, biodiversity, and the promotion of recycling. At the same time, the Company is involved in environmental preservation activities, such as the reduction of emissions of chemical substances, prevention of leaking of hazardous materials, appropriate use of timber, forest preservation, and other activities that contribute to preserving the environment.

Initiatives for Addressing Sustainability Priorities

Reduction of Greenhouse Gas Emissions

The Yamaha Group is engaged in the procurement of sustainable timber, the development of eco-friendly products, the reduction of greenhouse gas emissions, and other environmental preservation initiatives for the purpose of achieving harmony with the natural environment in its business activities and contributing to the accomplishment of the SDGs. Moreover, the Group has established a medium- to long-term greenhouse gas emissions reduction target, which was certified by Science Based Targets* in June 2019 as a target based on scientific rationality for limiting global warming to 2℃ above pre-industrial levels. We later altered this target and then received certification from Science Based Targets, indicating it as a target based on scientific rationality for limiting global warming to 1.5℃ above pre-industrial levels in September 2021. Initiatives for accomplishing this target include proactively adopting renewable energy, introducing equipment with high levels of energy efficiency, developing energy-saving products, and rationalizing distribution.

In April 2021, Yamaha began using renewable energy for 100% of the electricity purchased at its Company headquarters. We began adopting renewable energy in fiscal 2020, and the shift to renewable energy for all of the headquarters 11,000 MWh worth of annual electricity consumption is anticipated to contribute to a reduction of 4,700 tons of CO_2 a year beginning in fiscal 2022.

Going forward, we will transition to renewable energy on a Groupwide basis, including overseas bases, and take other proactive steps to combat climate change in order to contribute to a carbon-neutral world.

* Science Based Targets is an international initiative established by CDP, the UN Global Compact, World Resources Institute, and World Wide Fund for Nature for the purpose of encouraging companies to pursue greenhouse gas emissions reductions targets based on scientific rational for limiting global warming to 2℃ above pre-industrial levels.

Sustainable Timber Procurement

The Yamaha Group has established a due diligence system to prevent the procurement of timber from illegal sources, and promotes a strict confirmation process for the legality of timber harvesting through site visits and surveys of documents for procurement sources. In addition to environmental considerations, the Group is expanding the use of certified timber, which is produced in socially and economically sustainable forests and contributes to the advancement of the community.

The Group conducts surveys targeting all business partners from which timber was purchased to assess the place of origin, the legality of harvesting, and the sustainability of relevant resources. Based on the results, we perform stricter verification of legality for timber deemed to represent a high risk by undertaking further investigations including local site visits and assessments by a committee comprised of members of the Timber Procurement Division and the Sustainability Division. We confirmed that 99.4% (volume ratio) of procured timber was low risk in fiscal 2021. The Group conducts such surveys each year with the cooperation of suppliers and is aiming to achieve a 100% rate of low-risk timber procurement. We are actively utilizing certified timber, and the Group set the goal of achieving a 50% ratio of certified timber use by fiscal 2022. Smooth progress is being made toward accomplishing this target (48% ratio of certified timber use in fiscal 2021).

Development of Eco-Friendly Products

The Group has established the Yamaha Eco-Products Program through which products that meet our environmental standards are adorned with the Yamaha Eco-Label to certify as Yamaha Eco-Products. In this way, we aim to provide customers with easy-to-understand environment-related information to aid them in their choices of products.

Yamaha Eco-Label

A total of 29 new product models were certified under the Yamaha Eco-Products Program in fiscal 2021. As of March 31, 2021, the number of certified products, including prior products, was 454, of which 70 were newly developed products bearing the Eco-Label. Sales of certified products represented 16% of total net sales in fiscal 2021.

SR-C20 Series sound bar
Reason for certification: Energy efficiency (industry-low levels of standby electricity consumption)

For more information on the Yamaha Group Environmental Policy please refer to the following website.
https://www.yamaha.com/en/csr/guideline_environment_policy/

Endorsement of TCFD Recommendations

Rapid climate change poses a major threat to humanity and to all life-forms on earth. We recognize that helping combat this threat and contributing to the decarbonization of society are corporate responsibilities and important management issues.

In fiscal 2019, the Group declared its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and commenced initiatives for analyzing the risks and opportunities for its business created by climate change. This information is reflected in management strategies, and information on the financial impacts of these risks and opportunities is disclosed.

Yamaha's Initiatives

Governance

Addressing climate change has been positioned as an important management strategy and a portion of our sustainability governance and management systems. Climate change and other important sustainability issues are discussed at meetings of the Sustainability Committee, which is an advisory body to the president established in January 2021, after which these matters are discussed and examined by the Board of Directors to make for a system of appropriate supervision by the Board of Directors. The Sustainability Committee is scheduled to meet 10 times in fiscal 2022.

Measures for responding to climate change-related risks and opportunities are discussed by the Working Group for Climate Change, a working group chaired by a managing executive officer positioned under the Sustainability Committee, and the results of these discussions are reported to the Sustainability Committee.

Strategy

The risks and opportunities that may result from climate change or the accompanying phenomena are incorporated into the important elements of business strategies. For example, the current medium-term management plan includes among its core measures efforts to reduce greenhouse gas emissions, develop eco-friendly products, and realize sustainable timber use.

We recognize that the impacts of climate change will likely be felt over the medium to long term. Accordingly, we have defined the associated risks and opportunities from a medium- to long-term perspective looking to 2030 and beyond rather than based on the short-term time frame of the three-year medium-term management plan. The identified risks will be periodically examined and revised based on internal and external trends.

Risks and Opportunities

The Group employed the various scenarios described to determine the risks and opportunities that could occur as a result of the transformation of the operating environment in response to rapid climate change and the accompanying phenomena. The specific scenarios utilized were the Sustainable Development Scenario (global warming of less than 2°C above pre-industrial levels) and the NZE Scenario (net zero emissions by 2050 and global warming of 1.5°C above pre-industrial levels) of the International Energy Agency (IEA) for transition risks and the Representative Concentration Pathway (RCP) 2.6 (global warming of 2°C above pre-industrial levels) and RCP 8.5 (global warming of 4°C above pre-industrial levels) scenarios of the Intergovernmental Panel on Climate Change for physical risks. Based on these scenarios, we are evaluating the degree of materiality of risks and opportunities based on their potential financial impact and likelihood of materialization.

Major Climate Change-Related Risks and Opportunities

Although climate change risks are not expected to have a serious impact on the Company's business within the next several years, long-term business impact projections and strategies associated with these risks are slated to be formulated based on discussions centered on the Working Group for Climate Change. The following measures are being implemented to address the risks identified at this point in time, and we will continue to strengthen management of these risks to ensure that they do not have a significant impact on our business over the medium to long term.

Transition Risks

Scenarios that involve the implementation of various measures aimed at the realization of a decarbonized society present risks related to higher energy prices and additional costs resulting from carbon pricing systems.

The Yamaha Group will address these risks by ramping up its decarbonization initiatives. Specifically, we altered our prior greenhouse gas emissions reduction target (reduction of 32% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031), which had been certified by Science Based Targets as a target for limiting global warming to 2℃ above pre-industrial levels, and received certification for the new target (reduction of 55% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031) in September 2021, indicating it as being viable for limiting global warming to 1.5℃ above pre-industrial levels. By accelerating initiatives to achieve this more ambitious target, we aim to mitigate various transition risks.

Other transition risks include the risks of companies withdrawing from the timber business due to the decarbonization trends, resulting in difficulties procuring timber.

The Group has proceeded to raise the rate at which it uses certified timber, which can be procured reliability, from the perspective of the sustainability of forest resources, and our ratio of certified timber use was 48% in fiscal 2021. In addition, with our dedicated timber-related technology and procurement divisions, we have accumulated the expertise necessary to quickly switch to an alternative source should it become difficult to procure timber from a specific location. Furthermore, we conduct rigorous legal checks to prevent the procurement of timber from illegal sources and ensure that we are able to continue using timber resources in a sustainable manner.

Physical Risks

Global warming threatens to change the environments is which the timber we procure is produced. The Group undertook an investigation that looked at the major tree species from which we procure timber and was based on an academic thesis. This investigation indicated a possibility that the environments in which several of these tree species are cultivated might shrink as a result of global warming. Should it become difficult to procure timber from these tree species, resulting in increases in raw material prices, it would constitute a business risk. For this reason, we will carefully monitor circumstances related to the production of these tree species in the future and make preparations so that, should it be deemed that our operations might be impacted by these circumstances, we will be able to quickly shift to alternative tree species.

With regard to floods and other risks, we completed establishment of business continuity plans for all Yamaha business sites around the world. We have also taken precautionary measures such as installing drainage equipment to safeguard against damages from typhoons, floods, and other natural disasters projected on an individual business site basis. In addition, we have implemented measures such as revising the locations and structure of Company business sites and even external warehouses. Based on the results of scenario analyses (evaluation of RCP 8.5 (global warming of 4°C above pre-industrial levels) and projected once-in-a-century flooding in 2050), the risk of major Yamaha Group bases becoming submerged has been determined to be low (there are no bases in river or coastal flood zones with the potential to experience flooding of more than one meter above floor level).

Opportunities

Climate change-related opportunities for Yamaha include the potential for increased demand for its products as consumers limit movement to help combat climate change or face restrictions on outdoor activities due to rising temperatures. Specifically, it is possible that demand will grow for all varieties of musical instruments as well as for communications equipment. In addition, the trend toward decarbonization could drive the popularization of EVs, leading to increased sales of high-end in-vehicle speaker systems to customers seeking to enjoy high-quality music in their quiet vehicles.

Results of Scenario Analyses

Category	Impact Level	Risks and Opportunities		Impact on Business (Potential)	Impact on Business (Potential)
Transition risks (Global warming of 1.5°C)	Procurement	Risks	Risk of difficulties in procuring timber because of companies withdrawing from the timber business due to the decarbonization trends	• Forests are garnering attention for their ability to absorb CO_2, and major oil and IT companies have thus begun investing in projects for reducing carbon levels through forestry. As a result, some timber business operators have starting withdrawing from this business after receiving payments from such companies. • Should timber business operators that supply Yamaha withdraw, it could impede the Company's ability to procure the necessary timber for manufacturing its products.	– –
	Direct operations	Risks	Risk of additional costs due to institution or increase of carbon prices	• It can be expected that the number of companies introducing carbon pricing schemes will increase in the future. The IEA's NZE Scenario (net zero emissions by 2050) projects carbon prices of U.S.$130 per t-$CO_2$ in developed countries, U.S.$90 per t-$CO_2$ in emerging countries (Brazil, Russia, and China), and U.S.$15 per t-$CO_2$ in other countries in 2030. • Major Yamaha Group bases (in Japan, Indonesia, and China) could be affected by the institution or increase of carbon prices.	– –
		Risks	Risk of additional costs due to increased procurement of renewable energy	• The procurement of renewable energy is imperative to achieving significant reductions in emissions. • A large portion of the Company's Scope 1 and Scope 2 emissions are associated with electricity, meaning that increased use of renewable energy will be crucial to reducing emissions.	–
	Product demand	Opportunities	Opportunities created by increased product demand as people limit movement to combat climate change	• There has been a trend toward people limiting their movement (via airplanes, etc.) to combat climate change, and it is possible that this trend may continue or expand going forward. • This transition from outdoor to indoor activity may create opportunities by increasing demand for Yamaha's communication equipment (speakerphones, routers, etc.). In addition, the accelerated popularization of EVs may lead to rises in demand for in-vehicle speaker systems for enjoying high-quality music in vehicles.	+ +
Physical risks (Global warming of 4°C)	Procurement	Risks	Risk of difficulties in procuring timber due to changes in production region environments	• Global warming may change the environments in the regions from which Yamaha procures timber. • Yamaha undertook an investigation that looked at scarce and difficult-to-substitute tree species from which it procures timber and was based on an academic thesis. This investigation indicated a possibility that environments in which several of these tree species are cultivated might shrink. Should it become difficult to procure timber from these tree species, resulting in increases in raw material prices, it would constitute a business risk.	– –
	Direct operations	Risks	Risk of halts to operations and lost profit due to heavy rains, floods, or other natural disasters impacting operating bases (factories)	• Global warming is projected to cause increases in the damages from heavy rains, floods, and other natural disasters. It is therefore possible that profits may be lost should operations be halted at an operating base (factory) as a result of flooding. • However, even when using analyses based on a scenario projecting global warming of 4°C above pre-industrial levels in 2050, the Company's investigations have found no major Yamaha Group bases at risk of experiencing flooding of more than one meter above floor level.	–
	Product demand	Opportunities	Opportunities created by increased product demand as people refrain from leaving homes during summer as a result of rising temperatures	• There has been a trend toward people refraining from leaving their homes during the summer as a result of rising temperatures (risks of heatstroke, etc.), and it is possible that this trend may continue or expand going forward. • This transition from indoor to outdoor activity may create opportunities in the form of increased demand for Yamaha's communication equipment (speakerphones, routers, etc.) and for guitars and other types of musical instruments.	+ +

Note: Certain risks and opportunities have been omitted in reflection of their likelihood of occurrence or potential impact on business.

Potential Changes in Timber Procurement Region Environments from Base Year

None (100% or more) Minor (95–100%) Moderate (80–95%) Large (80% or less)

Tree Species	Region	Rise in Average Global Temperature from Pre-Industrial Levels (°C) and Potential Change in Procurement Region Environments (%)								
		0.6°C*	1.0°C	1.5°C	2.0°C	2.5°C	3.0°C	3.5°C	4.0°C	4.5°C or more
Conifer species A	North America	100	100	99	98	96	94	92	90	Less than 90
Conifer species B	Europe	100	101	84	74	62	47	31	11	Less than 11
Broadleaf tree species A	Asia	100	101	105	107	109	111	113	115	More than 115
Broadleaf tree species B	Asia	100	101	103	104	104	104	103	101	Less than 101
Broadleaf tree species C	Europe	100	102	96	86	72	55	37	14	Less than 14
	Europe	100	100	100	99	98	96	94	92	Less than 92
					2°C scenario				4°C scenario	
RCP 8.5 (4°C scenario)		Today			2040s		2060s		2080s	2090s
RCP 2.6 (2°C scenario)		Today			2040–2090s					

* "Today" represents the average between 1986 and 2005.
Source: Yamaha Corporation

Risk Management

The Risk Management Committee has been established as an advisory body to the president, and regular evaluations and analyses are performed on the potential damages, frequency, and control levels of risks. This process is used to facilitate ongoing improvements in risk control levels by identifying risks and designating the divisions responsible for managing these risks. In addition, the Working Group for BCP and Disaster Prevention Management has been set up under the Risk Management Committee to establish business continuity plans and implement other business continuity management initiatives to address the physical risks associated with natural disasters.

For more information on risk management, please refer to page 94.

Metrics and Targets

The Company has set the medium-term targets of reducing total Scope 1 and Scope 2 greenhouse gas emissions by 55% and total Scope 3 greenhouse gas emissions by 30% from fiscal 2018 levels by fiscal 2031. In addition, we have set a long-term target of achieving carbon neutrality by fiscal 2051. These targets have been certified by Science Based Targets as targets for limiting global warming to 1.5°C above pre-industrial levels. On a short-term basis, we have established the target of reducing CO_2 emissions per unit of production by 1% or more each year at major domestic business sites.

We manage greenhouse gas emission volumes in accordance with the Greenhouse Gas Protocol, and third-party verification has been received for Scope 1 and Scope 2 and certain Scope 3 emissions since fiscal 2017. Energy consumption amounts pertaining to Scope 1 and Scope 2 emissions are calculated on a by-source basis, which is translated into greenhouse gas emission data using emission coefficients. Third-party verification is received for this data.

One example of CO_2 emission reduction activities was the fiscal 2020 switch to renewable energy for a portion of the electricity purchased at the Yamaha Corporation headquarters. In April 2021, we transitioned completely to renewable energy at our headquarters, and we are planning a phased increase in the portion of electricity purchased from renewable sources at other bases going forward.

In addition, we are actively promoting the use of certified timber, and the ratio of certified timber use (volume ratio) was 28% in fiscal 2020 and 48% in fiscal 2021. In addition, the medium-term management plan announced in April 2019 set the goal of achieving a 50% ratio of certified timber use by fiscal 2022, and smooth progress is being made toward achieving this target.

CORPORATE STRATEGIES

HUMAN RIGHTS

The Yamaha Group believes that human rights form the basis for responsible business activities. To help realize a society in which everyone is respected, we remain keenly aware of our responsibility with this regard and promote respect for the human rights of all stakeholders touched by our value chain.

Basic Policy

Based on the United Nations Guiding Principles on Business and Human Rights, the Yamaha Group strives to comply with international norms pertaining to human rights, including those described in the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

In 2018, the Company created the Yamaha Group Human Rights Policy, which displays our thoughts and responsibilities regarding respect for human rights and describes our commitment to practicing human rights due diligence, based on internationally respected human rights standards, to prevent human rights violations throughout the Group's business activities. This policy shapes our business activities as well as our efforts to educate and promote awareness of human rights.

Among the five working groups established under the Sustainability Committee, which is an advisory body to the president, in January 2021, were the Working Group for Human Rights, D&I and the Working Group for Procurement. These working groups discuss the direction for human rights initiatives and monitor the status of due diligence across the supply chain and in other areas. In addition, Yamaha has defined "systematic initiatives for the respect of human rights" among its sustainability priorities, and we are establishing systems and frameworks and implementing initiatives for preventing human rights violations across the supply chain accordingly.

For more information on the Yamaha Group Human Rights Policy, please refer to the following website.
https://www.yamaha.com/en/csr/human_rights_policy/

Promotion of Human Rights Due Diligence

The Yamaha Group is committed to responsibly addressing the potential impacts of its business activities on human rights. To this end, we assess our activities across the value chain based on international norms on human rights and on the self-assessment items of the UN Global Compact and actively engage in dialogue with stakeholders and experts. Through this process, we identify and specify the human rights risks apparent in our business. We also work to identify the material human rights issues faced in different industries through participation in the Stakeholder Engagement Program of Caux Round Table Japan. Our involvement in this project has helped us identify issues related to human rights issues pertaining to raw material procurement (illegal logging), workers in the Group and across the supply chain, customers (product and service safety, protection of personal information), and the residents of communities in which the Group has business sites.

Through inspections of our operations focused on these issues, we were able to supplement the Group's rules and regulations by including items deemed necessary from a human rights perspective. In the future, the Group will continue to monitor the status of compliance with its rules and regulations as part of its efforts to implement comprehensive risk assessments.

Human Rights Education

The Yamaha Group encourages all employees to view human rights as an issue that directly relates to them, and human rights education programs are implemented to help us exercise our corporate responsibility to respect human rights. Specific training activities include workplace readings of the Yamaha Human Rights Guidebook; internal seminars, training, and study sessions; and information provision and quizzes through the Company intranet. Through these activities, we aim to improve employee awareness regarding human rights.

Yamaha Human Rights Guidebook

In addition, the Guidelines for Labor and Human Rights contain provisions for human rights training and stipulate that the human rights of everyone working at the Group are to be respected while also providing guidance on enabling employees to exercise autonomy and creativity in their work. Awareness regarding these guidelines is being promoted and the degree to which the guidelines have been disseminated is monitored.

Supply Chain Human Rights Initiatives

The Yamaha Group promotes sustainability throughout the entire supply chain in areas such as product and service development, raw material procurement, manufacturing, selling, and recycling, and steps to prevent human rights violations are implemented across the supply chain.

Yamaha products are primarily manufactured by Yamaha Group companies with bases in Japan, China, Indonesia, Malaysia, and India. The status of labor conditions, occupational health and safety, and environmental management at Group companies that function as production sites is monitored by dedicated staff members from the Company. These staff members offer support for developing frameworks and advice for implementing improvements with regard to these matters to facilitate countermeasures against risks of violations to the human rights of employees or local residents. When procuring raw materials and components, these Group companies select suppliers according to the standards set in the Yamaha Group Purchasing Philosophy. Moreover, Group companies are expected to use contracts and other methods of ensuring adherence to the Yamaha Supplier CSR Code of Conduct, which contains items pertaining to labor, human rights, the environment, and corporate ethics. Inspections for ascertaining compliance with this code of conduct are conducted when transactions are commenced with new suppliers and on a regular basis thereafter. Corrective measures are implemented and transactions are reconsidered as necessary.

The following initiatives are carried out to ensure respect for human rights across the supply chain.

- Define the need for human rights and CSR measures in the selection requirements for suppliers
- Require that suppliers comply with the Yamaha Supplier CSR Code of Conduct, which defines practices related to human rights and labor (specify in contracts)
- Request that suppliers carry out self-assessment based on the this code of conduct (correction requested as needed) as part of human rights due diligence

Yamaha Supplier CSR Code of Conduct
https://www.yamaha.com/en/csr/supplier_code_of_conduct/

Efforts to Combat Conflict Mineral Issues

Tin, tantalum, tungsten, gold, and other mineral resources mined in the Democratic Republic of the Congo and neighboring countries are referred to as conflict minerals as they may be the source of funds for armed groups violating human rights through inhumane acts such as violence and plunder. The Yamaha Group works to procure minerals that play no part in the violation of human rights or environmental destruction. We respond to customer requests to conduct investigations regarding conflict minerals, and also ask suppliers to avoid the use of conflict minerals based on the Yamaha Supplier CSR Code of Conduct.

Prevention of Harassment

The Yamaha Group has defined in its Compliance Code of Conduct its strict prohibition of harassment, an act that undermines people's human rights. Also, our work regulations make it clear that harassment is a form of misconduct warranting discipline and disclosure of the names of offenders, taking a stern stance toward all violations of human rights.

In addition, with the goal of fostering a workplace environment free of harassment, messages from the president on the prohibition of harassment have been issued to employees on an ongoing basis. We have also been increasing the number of opportunities for various forms of engagement, including with senior management. In this manner, we are bolstering efforts to ensure that the Company offers psychological safety.

Proactive antiharassment training is conducted, and we have also begun supplementing conventional group training sessions with e-learning programs and online training to help as many employees as possible take part in this training.

Furthermore, internal and external compliance helplines have been set up to facilitate quick detection of and appropriate response to acts of harassment and other human rights violation risks. These helplines can be used by all domestic Group employees (including full-time employees, part-time employees, dispatch employees, and contracted staff). For overseas Group companies, multilanguage global helplines were set up in 2017 to accommodate reports from various countries and regions. In implementing these helplines, we spread awareness regarding contact venues and usage methods, and internal regulations include report-related provisions ensuring the confidentially of reports and protecting those submitting reports from retaliation.

For more information on compliance, please refer to page 96.

CORPORATE STRATEGIES

HUMAN RESOURCES

Recognizing that human resources are the source of corporate value creation, Yamaha respects the diverse individuality and autonomy of its employees and provides them with equal access to opportunities for skill development and career advancement. Furthermore, we are developing workplace environments that enable all employees to fully demonstrate their sensibilities and creativity while achieving self-actualization and growing as professionals. By promoting human resources management on a global scale, we aim to fully utilize our human resources, further develop our business, and achieve ongoing improvements in corporate value.

Basic Policy

Yamaha believes that human resources are the source of corporate value creation and the driving force behind sustainable growth. We therefore recognize that the development of a corporate culture that motivates employees and enables them to fully exercise their talent is paramount to the growth of individual employees and to the improvement of corporate value.

Accordingly, we are promoting human resources development programs that enable all our diverse employees to fully leverage their talents and express themselves freely, regardless of race, nationality, gender, and other characteristics. These programs also help our human resources achieve growth as professionals. In addition, we are providing support to help our employees achieve a work–life balance by developing their career alongside life events such as giving birth, raising children, or providing nursing care. In these ways, we are creating workplace environments where employees can work with a high level of enthusiasm.

Vision Targeted under the Medium-Term Management Plan

- Optimally allocate personnel on a global basis, regardless of race, nationality, gender, or age; work to fully leverage the capabilities of our human resources by finding the best organization for each employee to belong to and improving individual motivation and fulfillment
- Give global consideration to employee human rights through promotion of diversity and inclusion, communication between employees and management, and occupational health and safety; ensure that all employees dedicate themselves to creating value while working with peace of mind

Support for Women's Careers

As one facet of its diversity management efforts, the Yamaha Group strives to develop a workplace environment and systems that are conducive to the careers of women. A dedicated representative has been assigned in the Company's personnel department to lead efforts to support women's careers, and this individual guides the formulation of Groupwide policies and action plans and their deployment at Group companies. Similar representatives are positioned at domestic Group companies to monitor progress in establishing and implementing action plans.

In 2021, the Working Group for Gender Equality was established under the Human Resources Development Committee, which is an advisory body to the president. In addition, Yamaha joined the 30% Club Japan, an international campaign aimed at promoting healthy gender balances in corporate decision-making bodies, and became a signatory to the Women's Empowerment Principles. We are also moving ahead with the cultivation of female leaders to bolster diversity in management while developing workplace environments that allow for female employees to realize their full potential. These activities are shaped by the commitments of senior management.

For data on human resources, please refer to page 17.

30% Club GROWTH THROUGH DIVERSITY

In support of WOMEN'S EMPOWERMENT PRINCIPLES Established by UN Women and the UN Global Compact Office

Work–Life Balance Support Systems and Workstyle Reforms

Yamaha is enhancing its work–life balance support systems to accommodate the diverse individual circumstances of employees while implementing workstyle reforms to facilitate autonomous and highly productive workstyles. The Company has maintained Platinum "Kurumin" certification, a system based on the Act to Advance Measures to Support Next-Generation Child-Rearing, since 2016. In addition, we introduced a telework system that can be used for childrearing and nursing care purposes in fiscal 2020 and then expanded the scope of application of this system to include all employees in fiscal 2021 in order to support employees in further exercising their talents.

Also in fiscal 2021, the Company introduced systems that allow employees to work fewer days a week or shorten hours for the purpose of receiving medical treatment to support employees in balancing their work with their treatment. In these manners, Yamaha is establishing and improving work–life balance support systems to respond to the varied circumstances of individual employees. The use of these systems is being promoted by spreading awareness among employees.

Respect for Diversity

Yamaha seeks to foster a corporate culture of respect for diversity and inclusion. An online seminar based on the theme of entrenching such a culture was held in fiscal 2021. More than 400 employees from around the world participated in this seminar, through which they gained a deeper understanding of the importance of diversity and the fundamental nature of workplace inclusion. We also hold unconscious bias trainings designed to help participants become aware of the differences brought about by diversity and to encourage them to change their behavior accordingly. With the goal of applying these lessons in a wider range of areas, these trainings were conducted targeting supervisors of employees using childcare leave systems in fiscal 2021.

We are also taking steps to make our workplace environment more comfortable for minorities. To this end, we have prepared handbooks for raising understanding and awareness regarding the LGBTQ community within the organization. A dedicated hotline has also been established to field consultation by members of the LGBTQ community. These proactive efforts have resulted in Yamaha being awarded, for two consecutive years, with the highest rating of gold in the PRIDE INDEX, an index compiled by work with Pride to recognize the initiatives of companies and other organizations for supporting members of the LGBTQ community and other sexual minorities.

プラチナくるみん 子育てサポートしています

work with Pride Gold 2020

Human Resources Development

The Yamaha Group is actively developing the management personnel who form the backbone of business activities.

In Japan, training is organized by hierarchical levels to provide personnel with the ability to develop their skills as appropriate given their career stage. Management personnel are also given the opportunity to develop their skills through their work. In addition, Group human resources development guidelines have been established to facilitate systematic human resources development activities at Group companies. Furthermore, locally hired overseas staff may be selected to participate in global selective training as part of a systematic approach toward fostering individuals capable of supporting global management.

The Yamaha Group appoints locally hired employees from business sites around the world to important posts. In addition, core management positions are managed in an integrated, global manner to facilitate the cultivation of human resources for core positions, including future managers. We are also developing frameworks for promoting succession planning for this purpose. In fiscal 2019, uniform Group standards (global grading system) were implemented to allow for integrated management of core positions, and the requirements for candidates meeting these standards were defined. In accordance with these provisions, human resources development programs are being advanced for various fields.

Occupational Health and Safety and Health and Productivity Management

The Yamaha Group places the health and safety of its employees as a top priority and has defined the basic policy of "prioritize health and safety over everything." Accordingly, we are advancing various initiatives for promoting the health of employees.

The president of Yamaha Corporation issued the Yamaha Group Health Declaration in 2018. The declaration guides us in promoting health and productivity management through health checkups, health guidance, mental healthcare, measures for helping employees stop smoking, and other initiatives for building safer and more comfortable workplaces.

2021 健康経営優良法人 Health and productivity

As a result, domestic Group companies had a 100% examination completion ratio while an industrial physician made work category decisions* for 100% of cases for these companies in fiscal 2021. In addition, our various mental healthcare activities enabled us to maintain rates of more than 80% for employees returning to work after receiving leave for a mental disorder for the first time.

These initiatives for promoting employee health have been highly evaluated, and, in March 2021 Yamaha Corporation and Yamaha Corporate Services Corporation were recognized under the large enterprise category of the Certified Health & Productivity Management Organization Recognition Program, organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

* Work category decisions by industrial physicians are based on Article 66.4, 5 of the Industrial Safety and Health Act. In these decisions, the Company determines the work category for health checkups for eligible employees based on an industrial physician's opinion.

Employee Motivation and Workplace Comfort Surveys

In October 2020, surveys on employee motivation and workplace comfort were administered to the approximately 6,700 employees of domestic Yamaha Group companies. These surveys were designed to track metrics pertaining to organizations and employees and to identify issues so that this information could be used to energize organizations, improve employee motivation and workplace comfort, and ultimately spur the mutual growth of employees and the Company.

Questions pertaining to employee motivation assessed whether employees held pride in working for Yamaha and felt that they were able to grow through their work. Questions pertaining to workplace comfort examined circumstances surrounding team relationships, cooperation with colleagues and supervisors, and organization openness. In fiscal 2022, the scope of these surveys will be expanded to overseas Group companies so that the findings of these surveys can be utilized on a global basis in order to shape ongoing initiatives for improving the Company and its organizations.

For more information, please refer to the following website.
https://www.yamaha.com/en/csr/feature/feature_13/

Management Strategy

DIGITAL TRANSFORMATION

Yamaha is promoting digital transformation to maximize customer value and reform its processes with digital technologies in areas such as customer data platforms (CDPs) for connecting with customers and next-generation supply chain management (SCM) systems. By furnishing business platforms through this approach, we will transform business processes and thereby improve productivity and corporate value.

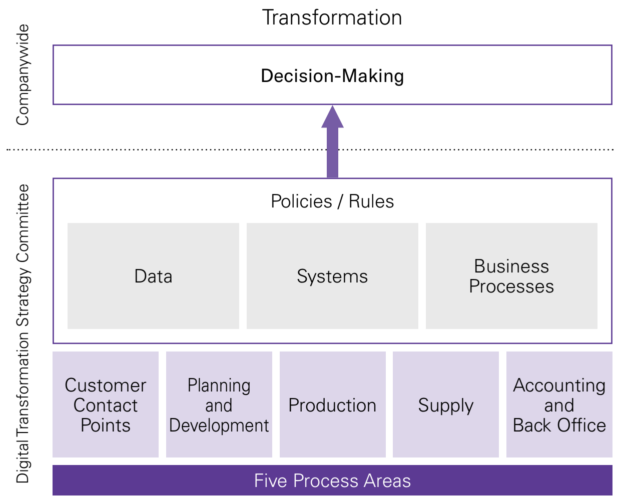
Taro Tokuhiro
Operating Officer
Executive General Manager of Operations Unit & Senior General Manager of Information Systems Division

Basic Policy

In response to the rapid operating environment changes driven by the recent acceleration in the digitization trend, Yamaha is building business foundations for improving profitability, as represented by the combination of customer value and productivity, through customer-oriented reforms to businesses and business processes. To guide these efforts, the Digital Transformation Strategy Committee was established in April 2019 as a corporate committee that serves as an advisory body to the president. This committee is tasked with discussing Companywide digital transformation policies and IT strategies. In addition, technologies and resources for promoting digital transformation have been consolidated within the Information Systems Division, which is responsible for overseeing digital transformation activities. These provisions make for a framework for advancing digital transformation strategies on a Companywide basis.

The Digital Transformation Strategy Committee has categorized the Company's business processes into five process areas (customer contact points, planning and development, production, supply, and accounting and back office), which have been further subdivided based on three perspectives (data, systems, and business processes). Policies and rules have been decided based on these divisions to facilitate the transformation of processes on a Groupwide scale.

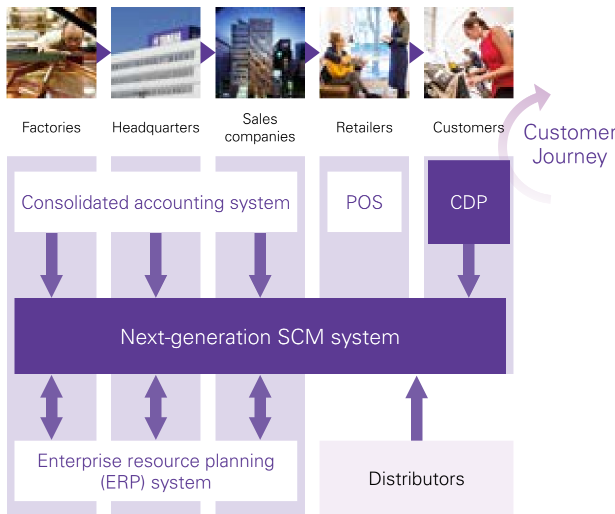
Under the current medium-term management plan, Yamaha has begun implementing full-fledged transformations to its businesses and business processes from a customer-oriented perspective. Transformation efforts have included the development of business platforms, namely customer data platforms, next-generation SCM systems, and enterprise resource planning (ERP) systems; the accumulation of data; and the analysis and utilization of said data. By utilizing the data accumulated in the aforementioned five process areas, Yamaha will continue to supply the products and services customers demand and thereby maximize customer value.



Initiatives for Accelerating Digital Transformation

Over the first two years of the medium-term management plan, Yamaha has clarified its digital transformation policies and strategies, enabling it to make substantial progress in accumulating data through the construction of business platforms. Initiatives going forward will include accumulating, analyzing, and utilizing data to advance the plan's key strategies to develop closer ties with customers and create new value. The systems installed with this regard are currently being used to link systems and data within the five process areas, and linkage that expands beyond the boundaries of these areas will be pursued in the future. We thereby aim to promote systems development and data usage so as to make data-driven decisions in relation to all business processes.

Goals of Digital Transformation (CDPs, Next-Generation SCM, and Process Reforms)



Acquisition of Digital Transformation Certification

Digital Transformation Certification

In April 2021, Yamaha became recognized as a digital transformation-certified business operator under the Digital Transformation Certification system advocated by the Ministry of Economy, Trade and Industry. This system is used to certify business operators that are prepared to promote digital transformation. Yamaha received this certification in recognition of its highly regarded security measures and CDP.

CORPORATE STRATEGIES

Digital Transformation Strategies of **Make Waves 1.0** Medium-Term Management Plan

Establish business platform to drive improvements in profitability as represented by the combination of customer value and productivity

- Data: Build CRM platform to develop closer customer ties
- Systems: Innovate SCM systems to optimize efficient operation with customer information
- Business processes: Reform all work processes through digital transformation initiatives

Overview and Progress of Fiscal 2021 Digital Transformation Initiatives

Yamaha is steadily advancing digital transformation in an integrated manner from the three perspectives of data, systems, and business processes. We have also defined digital transformation levels to track progress in each process area in order to facilitate more effective management.

Initiative	Aim	Implementation Process
Establishment of CDP	Build CRM platform to develop closer customer ties	Development and establishment of CDP → Full-scale start of operations and global rollout Progress of Make Waves 1.0
Operation of next-generation SCM systems	Innovate SCM systems to optimize efficient operation with customer information	System trial → Full-scale start of operations and global rollout Progress of Make Waves 1.0
Promotion of business process transformation	■ Reform all work processes through digital transformation initiatives ■ Expand introduction of agile methods to development process ■ Seamlessly connect accounting systems to frontline operations ■ Utilize robotic process automation (RPA) to automate routine work	Establishment of systems and frameworks → Advancement of digital transformation activities (optimization and reforms) Progress of Make Waves 1.0

Digital Transformation Strategy Committee (New)

2019/4 → 2022/3

Focuses of Digital Transformation Business Process Reforms

Data (Customer Data / Platform Development)

Yamaha is developing CDPs on a global scale. Designed to be in compliance with the personal information protection laws of the respective countries, these platforms will be used to connect with customers so that we can supply every customer with the ideal services. Moreover, we will practice data management to allow for data-driven decisions to be made by management as well as at production and sales bases. We thereby aim to generate a value creation cycle through which data is incorporated into products and services in order to drive improvements in profitability.

Systems (Next-Generation SCM System Implementation)

The Yamaha Group is developing a shared template for ERP systems that can be introduced at bases throughout the Group, and we plan to redesign the ERP systems of two production bases during fiscal 2022. In addition, digital transformation driven by data linkage will be used to form connections between factories and customers in order to realize highly precise supply based on sales trends. We thereby aim to develop an efficient, high-value supply chain.

Business Processes (Process Reforms)

Yamaha is reforming processes in five process areas (customer contact points, planning and development, production, supply, and accounting and back office). In the supply area, for example, we are installing e-commerce frameworks to digitize sales channels while also conducting digital marketing in order to heighten corporate competitiveness. Meanwhile, accounting and back-office area initiatives will entail developing more efficient workplace environments by reforming work processes through paperless and RPA methodologies.

Creation of New Customer Experiences with Digital Technologies

A new remote society is emerging amid changes in the operating environment. To create value for this new society, Yamaha will propose venues for appealing experiences to a wide range of music lovers through digital services that capitalize on its strengths.

SYNCROOM Online Remote Ensemble Performance Service

The SYNCROOM online remote ensemble performance service enables several individuals to enjoy ensemble performances together from their respective homes. The service can be used for everything from school band performances to music production. SYNCROOM utilizes proprietary technologies to allow for satisfying ensemble performances to be performed without any sense of irregularity despite members being in remote locations.

Receipt of 2020 Nikkei Business Daily Award for Superiority in the Superior Products and Services Category

Distance Viewing Next-Generation Live Viewing Service

Distance Viewing is a next-generation live viewing service that records the full impact of live performances by artists and faithfully reproduces these performances in a virtual environment to allow for a new form of immersive live viewing for the new normal emerging amid the COVID-19 pandemic.

Management Strategy

BRANDING

Yamaha positions its brand as a core component of its management and is advancing branding activities on a global scale to ensure that it can fulfill its brand promise. Such activities for increasing our brand value include fostering internal brand awareness and providing consistent messages about our brand to external stakeholders.

Hiroko Ohmura
Operating Officer
Executive General Manager of Brand Development Unit & Senior General Manager of Marketing Division

Basic Policy

Over the roughly 130 years since its founding, Yamaha has continued to develop a multifaceted business centered around musical instruments and audio equipment. As part of this process, we have continued to broadcast the Yamaha brand on a global basis in order to raise our brand recognition among as many people as possible. However, we recognize that there is a need to further strengthen our points of contact with customers in order to form wide-reaching, more substantive, and longer-lasting relationships with a greater variety of customers.

Yamaha unveiled its brand promise in January 2019. This promise expresses that "we at Yamaha want to inspire peoples' passion and help them take a step forward to express their individuality, emotion and creativity." Moreover, we promise to "Become an Indispensable, Brilliantly Individual Company" that moves customers to their core; a sensation we express with the words "Make Waves." In our quest to fulfill these promises, we will create distinctive new value and practice consistent communication in order to inspire customers to feel passionate about owning Yamaha products or to hold a feeling of admiration toward these products. At the same time, we will work to form strong connections with the customers who we have inspired in this way.

In addition, we have established the Brand Strategy Committee, which is chaired by the president and comprised of unit heads and other members. This committee is a forum for regular discussion among management with regard to the current state of the Yamaha brand and the branding strategies needing to be implemented. These discussions shape the course of our branding activities. The Company also arranges joint brand committee meetings with Yamaha Motor Co., Ltd., with which we share the Yamaha brand, so that we can discuss and deploy joint initiatives for heightening the overall value of the Yamaha brand.

Brand Promise*: Make Waves

Brand Drivers (Customer Experience Value)

Express myself to make an impact	Progress personally	Come together with others

Brand Truth (Value Proposition)

Progressive innovation	Passion for players	Impact on sound & music

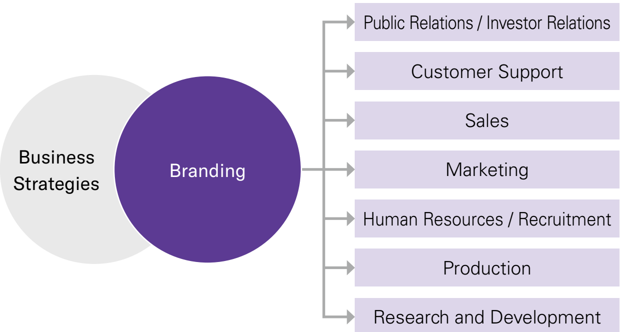
* Yamaha's brand promise defines the value Yamaha provides to customers (brand truth), the experiences that can be delivered with this value (brand drivers), and how individuals can express themselves through this value and these experiences.

Past Initiatives

At Yamaha Corporation, the anniversary of its founding, October 12, has been designated as Yamaha Day to raise awareness regarding its brand among employees. Furthermore, the entire month of October has been defined as a special brand month during which a variety of events are held to provide all employees with opportunities to think more deeply about the Yamaha brand. In addition, guidelines for the handling of the Yamaha brand have been established, based on which we have formulated sales promotion tools along with examples of how these tools should be utilized. These tools are shared throughout the Group to ensure that we can communicate consistent brand messages on a global, Groupwide basis. Future initiatives will include trainings at sales subsidiaries and all other Group companies to entrench these provisions throughout all corners of the organization and to make sure that every employee reflects our brand promise in their work, no matter what that might be. In this manner, we are developing frameworks and advancing initiatives for delivering consistent value to customers.

To "Make Waves" with our customers, we practice effective communication based on our brand promise with external stakeholders while preparing and distributing global content for this purpose. Moreover, we are utilizing various communication tools, including our corporate website, social media, events, and campaigns, to foster passion-based ties with customers in order to form wide-reaching, more substantive, and longer-lasting relationships with customers.

Framework for Fostering Consistent Brand Awareness among Employees and Delivering Value Defined in Brand Promise



A brand is an important driver shaping performance, corporate cultures, and employee action toward the implementation of business strategies. Brands also have a role in supporting consistent growth and operations and in enhancing corporate value.

Branding Strategies of Make Waves 1.0 Medium-Term Management Plan

Creation of brand experiences that move customers through dissemination, implementation, and management of consistent brand strategies based on the brand promise

- Protection of brand value through implementation of brand governance system based on defined guidelines
- Enhancement of connections with customers through more proficient social media utilization in accordance with global social media strategies
- Creation of relationships with new customers through brand experience bases (Yamaha Ginza Building, Yamaha Hall, Innovation Road, etc.)

Progress of Medium-Term Management Plan Key Strategies and Priority Themes for Fiscal 2022

Key Strategies	Progress in Fiscal 2021	Priority Themes for Fiscal 2022
Improve marketing capabilities	■ Developed training programs for improving market capabilities	■ Implementation and enhancement of marketing training programs to bolster marketing capabilities
Utilize data (develop better understanding of customers, markets, and businesses)	■ Utilized data to a greater degree and reflected data in measures	■ Establishment and implementation of data-driven strategies
Enhance connections with customers	■ Expanded customer base ■ Examined possibility of revising committee memberships in Japan	■ Provision of superior experiences to core customers
Bolster information provision capabilities	■ Launched consistent advertisements on a global scale ■ Increased internal sharing of marketing information around the world	■ Efficient production and distribution of appealing content through global frameworks
Build and utilize platforms	■ Developed and integrated customer data platforms	■ Improvement of understanding of customer needs and business negotiation success rates
Strengthen brand image	■ Conducted brand promise trainings (worldwide) and workshops ■ Formulated brand guidelines ■ Opened the newly renovated Yamaha Ginza Building and Nagoya store	■ Entrenchment of brand promise among employees so that it can be reflected in brand improvement initiatives and other activities ■ Companywide deployment of guidelines

Initiatives in Fiscal 2021

Make Waves Advertisements

Advertisements with an increased sense of consistency are being deployed on a global scale to further reinforce the image of the Yamaha brand. As one facet of these advertisements, we have launched the Way Up brand campaign through which we distribute videos introducing promising new artists. This campaign is designed to use the announcement of the Make Waves brand promise as an opportunity to form new connections with upcoming artists, as opposed to just well-known artists, and to support and connect with a wider range of music lovers.

The use of such artists in these advertisements has drawn a highly positive response from our target demographic: early adopters and opinion leaders in the music industry. We were thus able to reach the segment of the market that displays a strong interest in music, thereby communicating the fact that Yamaha is a trustworthy brand meeting needs that are not limited to specific types of instruments or music genres.

Reopening of the Yamaha Ginza Building and Nagoya Store as Experience-Oriented Brand Shops

In April 2021, the Yamaha Ginza Building as well as Yamaha's Nagoya store, both directly operated stores, were reopened after having been renovated to become experience-oriented brand shops. These shops do more than just sell musical instruments; they function as bases for broadcasting the Yamaha brand at which visitors can discover various new ways of enjoying music and musical instruments, regardless of their level of experience playing musical instruments. In addition to allowing visitors to freely engage with Yamaha musical instruments and audio equipment, these shops feature corners with hands-on content for experiencing the latest sound and music technologies to provide an even wider range of music experiences. Through this wide range of music experiences, we aim to expand our points of contact with new customers and heighten our ability to communicate our brand value while also contributing to the energization of music culture in the surrounding communities.


Yamaha Ginza Building


Yamaha's Nagoya store

Management Strategy

DESIGN

The design of products is a crucial component of the Yamaha brand. Yamaha was quick to adopt an emphasis on design. In 1963, we established an in-house organization dedicated to design, which has since continued to support the Yamaha brand. In recent years, we have expanded the area of operation for this in-house organization, working to design various contact points with customers with the aim of enhancing our brand value.

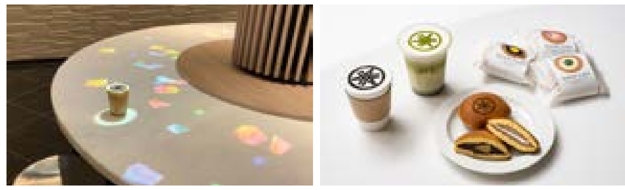
Manabu Kawada
General Manager of Design Laboratory,
Brand Development Unit

The Five Elements of Our Design Philosophy (Formulated in 1987)

INTEGRITY	INNOVATIVE	AESTHETIC	UNOBTRUSIVE	SOCIAL RESPONSIBILITY
Design that respects the essence of the object	Creative design	Beautiful design	Restrained design	Design that meets the needs of today's society

Designs Delivering Brand Experiences —Rebirth of the Yamaha Ginza Building

The Design Laboratory, which was established within the Brand Development Unit in 2018, is taking steps to give form to the customer experiences that the Yamaha brand aspires to deliver and to communicate the appeal of our brand.
One such initiative was the renovation of the Yamaha Ginza Building, which was reopened in April 2021 and now features a unique café and lounge along with a virtual concert space in which visitors are invited to play instruments freely, a library of music-related books, and product concept model exhibits. These are just some of the new additions designed to communicate the multifaceted appeal of sound and music culture. In the large, open lobby facing Ginza Dori road, visitors will find a concept model for a table-type digital piano. This model was designed with the goal of promoting communication between performers and their audience. There are also a wide range of carefully crafted items available for purchase, including exclusive souvenir novelties, original music-themed cocktails, and traditional Japanese confections adorned with the Yamaha brand tuning fork logo. All of these features have been designed to make the Yamaha Ginza Building a place that allows visitors to discover new ways of enjoying music and to have experiences that they want to share with others.



Musical table that produces sounds and images when a cup is placed on top of it (left)
Craft beverages, art lattes, and traditional Japanese confections adorned with the Yamaha brand logo available at café (right)

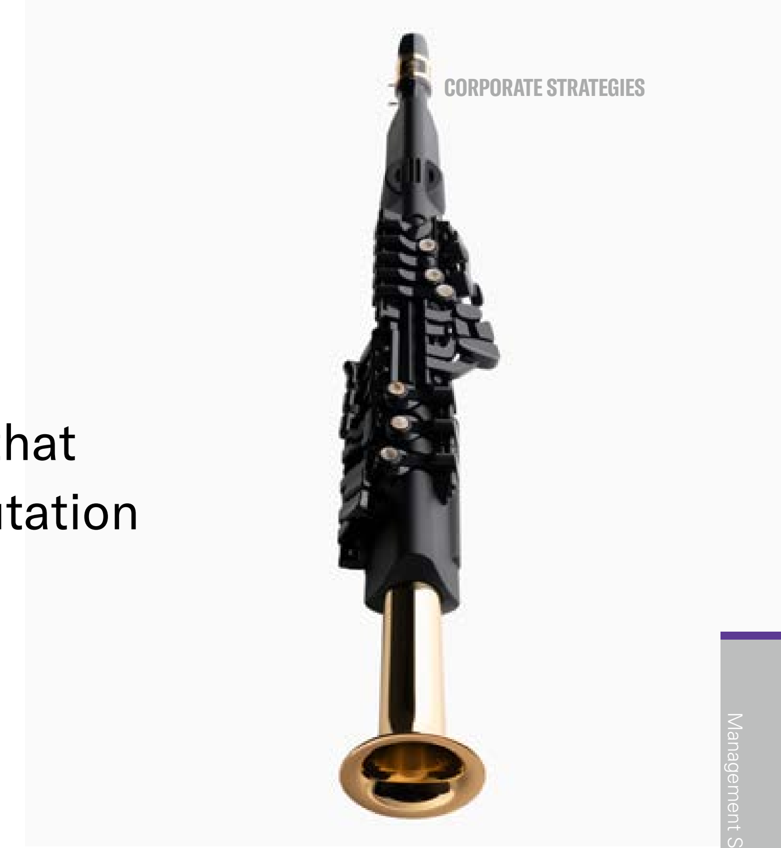
Digital piano with a unified design that encompasses the surrounding circular bench and a system that displays the fingers of the player on screen to make them feel like a professional artist

Lounge featuring real sound viewing system that produces the sounds of musical instruments in conjunction with video in which visitors can relax while becoming lost in music-related books

Post cards (left) and stickers (right) offered among the various exciting exclusive goods available at the Yamaha Ginza Building

YAMAHA'S DESIGN

Designs based on new, convention-defying themes that contribute to the strong reputation of Yamaha's design



YDS-150 Digital Saxophone

The YDS-150 digital saxophone is an unprecedented offering that combines acoustic and digital technologies. Its brass bell is made in the same manner as an acoustic saxophone to reverberate sound and provide the unique lip-vibrating sensation and other qualities that are associated with performing wind instruments. This new offering is an example of Yamaha's design tradition of innovating based on an understanding of the essence of instruments.

Best of the Best, Red Dot Award: Product Design 2021
Product category design award, 2021 iF Product Design Award

THR-II Series Guitar Amplifiers

This is the first new model in eight years for the THR series of guitar amplifiers that created the new desktop guitar amplifier category. Great care was paid to the feel of switches and knobs and to the aesthetic to grant these amplifiers a sense of warmth as industrial products so that they can earn a position as a long-trusted partner to guitarists.

Red Dot Award: Product Design 2021
Product category design award, 2021 iF Product Design Award

Charlie™ Communication Robot

Charlie™ is the world's first communication robot to communicate by singing along with a melody. Cutting-edge technologies were used to balance a simple design meant to evoke the image of a Scandinavian wood doll with features that allow for easy recognition of any facial expression to make Charlie™ a lovable and relatable character.

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TW-E3B Truly Wireless Bluetooth® Earphones (Rin Shima Original Color)

Yamaha's TW-E3B truly wireless Bluetooth® earphones are equipped with a Listening Care function for reducing the burden placed on users' ears and are characterized by their gentle shape and colors. The pictured model is a limited-edition model that uses a color based on a motorcycle appearing in the popular Laid-Back Camp anime series and features voice guidance by one of the series' voice actors.

The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by Yamaha Corporation is under license.

STRATEGY SECTION

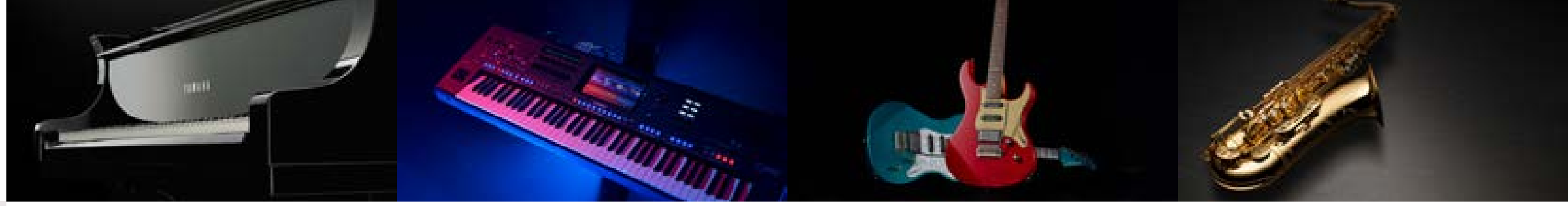
III. Strategies by Business and Function











MUSICAL INSTRUMENTS BUSINESS

With development capabilities pertaining to both the tangible and intangible elements of products backed by extensive expertise, Yamaha is working to build lifelong relationships with customers and earn their highest evaluation. At the same time, we are strengthening our brand power to achieve overwhelmingly high levels of profit.

Takuya Nakata
Director, President and Representative Executive Officer
Executive General Manager of Musical Instruments Business Unit

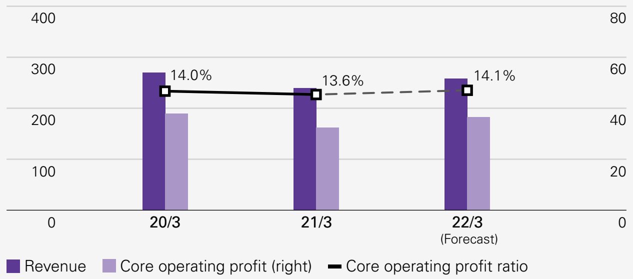
Business Overview

In the musical instruments business, which represents our core business, we possess numerous core technologies related to sound and music that have been cultivated over our long history. In addition to developing acoustic instruments such as pianos, wind, string, and percussion instruments, and digital musical instruments that leverage electronic technologies, we are also rolling out other products such as hybrid instruments that meld both acoustic and digital technologies. In recent years, we have been utilizing AI, *kansei* (sensibility) engineering, and simulation technologies to take on challenges in the digital network environment and other new domains. Through our diverse product lineups and global sales and service structures, which also include the music school and software content businesses, we have secured a position as the world's leading comprehensive musical instruments manufacturer.

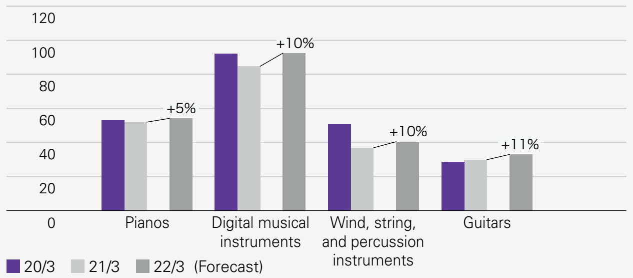
Review of Fiscal 2021

In the musical instruments business, revenue and profit were down year on year as a result of the activity restrictions imposed in response to the COVID-19 pandemic as well as the procurement issues that arose from a fire at the factory of a parts supplier. We responded to these issues through measures including the swift development of designs using alternative parts and the review of expenses related to our business activities. Measures implemented in fiscal 2021 included strengthening our connections with customers and with society under the new normal by promoting digital marketing, e-commerce, and live commerce initiatives. Meanwhile, we launched a number of distinctive products, including the CLP-700 series of digital pianos that offer a high level of expressiveness to match the sensitivity of the player and the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with noise-reduction features. Another new product introduced was Charlie™, the world's first communication robot to communicate via singing.

Revenue / Core Operating Profit / Core Operating Profit Ratio



Sales of Major Products



Overview of Markets by Mainstay Products and Yamaha's Operations / Yamaha's Strengths / Main Competitors

	Overview of Markets and Yamaha's Operations	Yamaha's Strengths	Main Competitors
Pianos	■ Continued growth in the piano market in China ■ Increasing focus on higher value in mature markets	■ Robust lineup that can accommodate customers of all levels developed through dedication to the fundamental essence of acoustic pianos ■ Wide-ranging proposals for enjoying pianos that apply technologies pertaining to Disklavier™, TransAcoustic™, and other products	Steinway & Sons (Germany and United States) Guangzhou Pearl River Piano Group Co., Ltd. (China) Kawai Musical Instruments Manufacturing Co., Ltd. (Japan)
Digital musical instruments	■ Strong performance of digital pianos amid rising demand as people increasingly stay home in response to the COVID-19 pandemic ■ Growth in portable keyboard sales volumes due to market exploration with miniature keyboards and launch of models designed specifically for the Indian market ■ Sluggish market for stage keyboards as a result of reduced opportunities for performances amid the COVID-19 pandemic, but highly positive response for new products equipped with newly developed organ sound source	■ Strong brand image and high market share backed by quality ■ Extensive product lineup matched to diverse user needs ■ Development capabilities, production bases, and wide-ranging sales channels allowing for supply of models with functions and content tailored to the local music traditions of Western markets as well as emerging markets	Casio Computer Co., Ltd. (Japan) Roland Corporation (Japan) Kawai Musical Instruments Manufacturing (Japan) KORG Inc. (Japan)
Wind, string, and percussion instruments	■ Lower global demand as school and community wind band activities were restricted as a result of the COVID-19 pandemic ■ Growth in demand for digital drums, digital wind instruments, and digital violins, which can be played easily at home ■ Recovery in demand projected as restrictions on concerts are lifted in response to vaccine rollouts	■ Production and sales of almost all instruments used in wind bands and orchestras ■ Broad lineup of products for customers ranging from beginners to professional performers ■ Product development capabilities capitalizing on digital instrument and other expertise as a comprehensive musical instruments manufacturer ■ Expertise in stimulating demand for wind instruments through coordination with professional performers and music instructors	Buffet Crampon SAS (France) Eastman Music Company (United States) Conn-Selmer, Inc. (United States) JINBAO (China)
Guitars	■ Reduced demand for concert-related products due to the COVID-19 pandemic, but ongoing moderate growth in guitar sales as a result of demand associated with people increasingly staying home centered on Europe and the United States ■ Advancement in new concept guitars, diversification in ways people enjoy playing ■ Numerous competitors centered on U.S. brands	■ Global leader in number of acoustic guitars sold* ■ Comprehensive solutions encompassing peripheral equipment offered through Yamaha Guitar Group, Inc. (Line 6, Ampeg) ■ TransAcoustic™, wireless, and other new technologies a step ahead of competitors	Fender Musical Instruments Corporation (United States) Gibson Brands, Inc. (United States) Taylor Guitars (United States) C.F. Martin & Co. (United States)

* Yamaha estimation, as of March 31, 2021

Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

Business Vision

Receive the highest possible evaluation from an even greater number of customers
Realize overwhelmingly high levels of profitability by enhancing our brand power

Key Strategies

Develop global connections and ties with customers	Realize high levels of profit by expanding our business portfolio	Create value through the combination of essential value enhancement and elemental technologies
■ Promote the Yamaha brand and contribute to society through our businesses ■ Promote efforts to form direct ties with customers	■ Enhance product lineup and launch products that cater to local characteristics ■ Strengthen response capabilities to address diversifying product usage and the needs of customers in each age group	■ Promote the essence of musical instruments and integrate IT and digital technologies ■ Strive to create new value by forming broader, deeper, and longer ties with users

Opportunities	Risks
■ Improvement in the promotion of value that fits the life stage of each customer through digital marketing ■ Enhancement of product development capabilities for pursuing the essence of musical instruments due to the progression of digital technologies and AI ■ Incorporation of demand from the middle class in emerging markets through the expansion of sales networks and e-commerce; capturing of demand through the development of product models that cater to local music cultures; and incorporation of demand from new growth in the musical-instrument-playing population through music popularization activities ■ Rise in new ways of enjoying musical instruments online that incorporate remote technologies	■ Impacts of the COVID-19 pandemic ■ Entrance of manufacturers from IT and other industries, potential for saturation of e-commerce brands utilizing OEMs ■ Potential for the trend of growth in the sharing economy and secondhand market to accelerate

Priority Themes for Fiscal 2022

1. Implement key strategies of the medium-term management plan and rebuild foundations for sales and profit growth
2. Enhance and accelerate sustainability initiatives
3. Improve resilience

Business Policies for Fiscal 2022

In the challenging operating environment projected, we will pursue improved brand power and high earnings with a focus on rebuilding foundations for sales and profit growth, enhancing and accelerating sustainability initiatives, and improving resilience through initiatives built on the foundations furnished by the key strategies of the medium-term management plan.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

Implementation of Key Strategies of the Medium-Term Management Plan and Rebuilding of Foundations for Sales and Profit Growth

In response to the temporary slowdown in sales and profit growth caused by the COVID-19 pandemic, we will take steps to rebuild growth foundations by ramping up product development and new value creation activities; strengthening management of production, sales, and inventories; and optimizing selling prices. Amid the new normal created by the pandemic, the need for ways to learn and enjoy musical instruments at home is rising. We will therefore seek to respond to this need through both products and services. Moreover, we will adapt to changes in production and distribution trends by heightening the precision of production, sales, and inventory management to take advantage of sales opportunities. Meanwhile, selling prices will be optimized based on the trends seen in specific markets to boost profits. Wind, string, and percussion instrument operations are facing a challenging environment due to factors such as the restrictions placed on group performances. These challenges will be met by an increased drive to recover sales through online sales promotions.

Enhancement and Acceleration of Sustainability Initiatives

Efforts to ensure the sustainability of our corporate activities will include working to ensure that the maximum value is extracted from finite resources, incorporating an eco-friendly perspective into design and production activities, and reinforcing frameworks for after-sales recycling, reuse, and other functions. At the same time, we are engaged in a variety of social contribution activities as part of our business. These activities include the School Project underway in emerging countries, musical instrument donations and other education support efforts, and scholarships for cultivating individuals capable of furthering the development of music culture in Japan and overseas.

Improvement of Resilience

The production activity restrictions and parts procurement market disruptions caused by the COVID-19 pandemic forced us to reacknowledge the importance of corporate resilience. Seeking to improve corporate resilience, we are providing products matched to customer lifestyles, strategically enhancing after-sales services and other aspects of quality assurance, reinforcing development frameworks for supporting robust SCM, and taking other steps to ensure we can continue supplying high-quality products and services.

PIANO BUSINESS

Global market share for Yamaha's products	**Pianos: 39%***
Revenue (Fiscal 2021):	**¥51.9 billion**

Business Overview

The piano business is a business we have cultivated for over a century and can be considered a core part of the Yamaha Group's operations. In this business, we create Yamaha pianos that meld acoustic and digital technologies to cater to the emotions of all customers who wish to play piano at all skill levels. Rather than remaining satisfied with the current conditions in the piano business, we will aim to propose products with diverse value so that Yamaha pianos will be the preferred choice of customers around the world.

Targets for Fiscal 2022

Growth in the Chinese market and strengthen brand power and added-value promotion in maturing markets

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2022
Strengthen brand power through the high-end strategy	■ Ramp up approach toward a variety of target demographics ranging from top-level professional pianists to music colleges ■ Strengthen frameworks for communicating brand value (ranging from branding to sales measures)
Expand customer base and raise value	■ Grow share in Chinese market (expand and strengthen sales channels, plan and sell region-specific models) ■ Increase ratio of sales of hybrid pianos in mature markets
Propose diverse product value and strengthen customer engagement prefaced on IT and digital transformation	■ Develop products and technologies unique to Yamaha ■ Create and propose music education solutions and services for generating lifetime value
Reinforce business platforms	■ Guarantee reliable supplies

Points of Emphasis in Achieving Targets

In the second year of the medium-term management plan, the COVID-19 pandemic caused store closures in countries around the world and supply difficulties. However, sales recovered to the pre-COVID-19 level in China, the largest market for the pianos. In addition, Yamaha succeed in growing its presence in the global market thanks to a rise in cross-border remote lessons using pianos with automatic performance functions and its ability to form relations with a broad range of stakeholders.

In the final year of the medium-term management plan, priorities will include ongoing efforts to expand and strengthen sales channels centered on the Chinese market to grow our customer portfolio, to promote sales of high-value-added models, and to enhance experience-oriented stores and solicitation opportunities. We will also seek to grow sales by guaranteeing stable supplies even in the current uncertain operating environment.

DIGITAL MUSICAL INSTRUMENTS BUSINESS

Global market share for Yamaha's products	**Digital pianos: 47%*** **Portable keyboards: 52%***
Revenue (Fiscal 2021):	**¥84.7 billion**

Business Overview

In the digital musical instruments business, our product lineup spans from digital pianos and portable keyboards, for which we boast a world-leading market share, to synthesizers, stage pianos, and Electone™ electronic organs. We also possess a strong competitive edge in terms of hybrid products that meld acoustic and digital technologies. With these strengths, we offer attractive products that leverage our superior technological capabilities. In this business, we are presented with significant opportunities primarily in emerging countries, including the growing market of India. Capitalizing on these opportunities, we will create emotional musical experiences that meet the needs of our customers.

Targets for Fiscal 2022

Achieve further growth in digital pianos and other existing fields and cultivate future customers by pursuing challenges in new domains

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2022
Develop digital pianos leveraging Yamaha's strengths in acoustic products and solicit their value	■ Deepen our understanding of emotional and physical phenomena to further realize expressive power ■ Propose diverse product value that meets a wide range of needs ■ Leverage diverse digital technologies to further improve value
Expand range of keyboards and content suited to local musical traditions	■ Provide solutions and content based on local needs and expand customer base by developing and utilizing local models ■ Accelerate keyboard sales in the Indian market
Expand customer base by developing new products targeting young people who want to express themselves through music	■ Introduce new products and ramp up branding activities that accommodate the new ways of enjoying music popular among younger demographics ■ Expand customer base through approach toward working women as well as younger demographics interested in dance music

Points of Emphasis in Achieving Targets

As we proceeded to expand our business portfolio with the announcement of new keyboard products and communication robots in the second year of the medium-term management plan, we saw a rise in demand related to people increasingly staying at home coupled with sales of easily affordable digital pianos and portable keyboards through e-commerce venues. Meanwhile, the COVID-19 pandemic restricted factory operation, impeding sales of mid-range and high-end products. We will seek to grow mid-range and high-end product operations, capitalize on the demand associated with people staying at home, and acquire new customers with affordable products in the final year of the plan. At the same time, we will advance sales strategies that accommodate the shift to e-commerce along with digital marketing as we endeavor to communicate Yamaha's brand value through a mix of physical and e-commerce sales values in order to maximize earnings.

WIND, STRING, AND PERCUSSION INSTRUMENTS BUSINESS (EXCLUDING GUITARS)

Global market share for Yamaha's products	**Wind instruments: 31%*** **Drums: 11%***
Revenue (Fiscal 2021):	**¥36.8 billion**

Business Overview

The wind, string, and percussion instruments business spans a wide range of products, including wind instruments such as trumpets, saxophones, and flutes; percussion instruments like timpani and marimbas; and acoustic and digital drums. With this wide range of products, the Yamaha brand is able to compete for the leading position in various musical genres. We are also involved in the creation of custom models that meet the needs of major artists and entry-level models that are played in educational settings around the world.

Targets for Fiscal 2022

Realize market expansion and increased sales by boosting the strengths of our products and creating environments for musical performances

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2022
Improve brand power and grow market share for mid-range and high-end wind instruments	■ Enhance joint product development through collaboration with major artists ■ Improve brand power and grow market share by accurately communicating value of mid-range and high-end instruments
Create markets in China and emerging countries	■ Promote brass and wind instrument bands and create demand in China and emerging countries ■ Accelerate sustainable wind instrument promotion activities and develop frameworks for sales to schools
Approach new customers with easier-to-play musical instruments	■ Approach new customers with musical instruments with new value to broaden player horizons

Points of Emphasis in Achieving Targets

The market contraction seen in the second year of the medium-term management plan, a result of the restrictions placed on group performances (wind instrument band, marching band, orchestra, etc.) by the COVID-19 pandemic, caused for a challenging operating environment. Nevertheless, we proceeded to promote our brand value via the internet, produce content employing leading artists, and utilize social media on a global scale in relation to our new digital saxophone. These new and other measures proved successful. In the final year of the plan, we will continue to communicate Yamaha's brand value via the internet while launching appealing new products developed jointly with artists and promoting sales of mid-range and high-end products to ensure that our brand is chosen by as many customers as possible. At the same time, we will move ahead with wind instrument promotion activities in China and emerging countries and work to broaden player horizons with musical instruments that are easier to play in order to create new markets.

GUITAR BUSINESS

Global market share for Yamaha's products	**Guitars: 9%***
Revenue (Fiscal 2021):	**¥29.8 billion**

Business Overview

Since we commenced the manufacture and sale of domestic guitars in 1966, our guitars have been recognized for their craftsmanship and genuine quality, which has helped us expand global sales of our robust product lineup, including acoustic guitars, electric guitars and basses, amps, and other peripherals. In recent years, we have been developing attractive new products such as the TransAcoustic™ Guitar, which is equipped with unique Yamaha technologies. We have also been promoting R&D and marketing activities that leverage our relationships with major music artists.

Targets for Fiscal 2022

Improve selling prices and reinforce existing business foundation with a focus on strengthening mid-range and high-end products and creating new value

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2022
Promote sales of mid-range and high-end products to achieve rapid growth	■ Plan and develop high-end guitars ■ Develop brand equity for Yamaha guitars
Create new value and deliver inspiration, stimulation, opportunities, and encouragement	■ Promote distinctive brand identity of Yamaha through inspiring experiences and value creation ■ Hold exhibitions and training sessions for communicating value
Deploy comprehensive solutions capitalizing on appealing peripheral equipment	■ Enhance lineup of peripheral items including Line 6 and Ampeg brand and other amps and effectors ■ Supply one-stop solutions for guitarists and bassists
Reinforce business platforms	■ Advance marketing strategies and product development based on regional characteristics ■ Manage product manufacturing in a manner oriented toward increases in selling prices

Points of Emphasis in Achieving Targets

We moved ahead with the deployment of new products and the planning and development of high-end models in the second year of the medium-term management plan to expand our lineup of mid-range and high-end products. At the same time, we deployed comprehensive solutions that employed amps, effectors, and other appealing peripherals. We also succeeded in capitalizing on the demand from individuals newly picking up the guitar amid the COVID-19 pandemic, thereby achieving higher sales in all product categories, accented by double-digit growth in China and Japan.

In the final year of the medium-term management plan, we will continue to move forward with the plan's key strategies while also striving to develop brand equity for Yamaha guitars. Focuses with this regard will include the enhancement of information provision through both physical and digital venues; planning and development of next-generation guitars that create new, appealing value; and region-specific growth strategies.

* Fiscal 2021, monetary value basis, based on surveys by Yamaha

AUDIO EQUIPMENT BUSINESS

We will grow the audio equipment business as a piece of social infrastructure by supplying a wide range of customers, including commercial and consumer users, with products built on our exceptional sound insight and superior technologies.

Shinobu Kawase
Managing Executive Officer
Executive General Manager of Musical Instruments & Audio Products Production Unit
Executive General Manager of Audio Products Business Unit

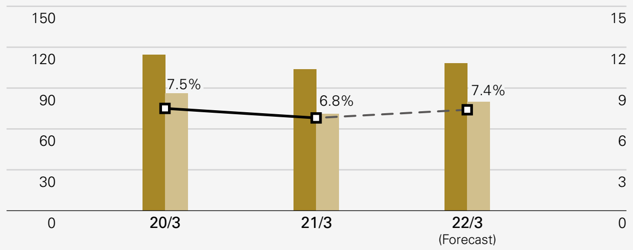
Business Overview

The audio equipment business is one of the business pillars of Yamaha, which develops a business centered on sound and music. In this business, we offer PA equipment for commercial and facility use and AV products for consumers. In addition, we provide ICT equipment, such as network devices and voice communication equipment, and cloud services. By leveraging not only our strengths in terms of diverse sound technologies but also our network and ICT technologies, we position the audio equipment business as a growth domain.

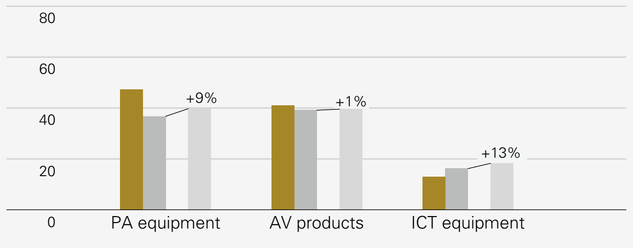
Review of Fiscal 2021

In fiscal 2021, the audio equipment business suffered year-on-year declines in revenue and profit as a result of the activity restrictions and production ramifications of the COVID-19 pandemic. In PA equipment operations, sales of concert-related products and equipment struggled due to a reduction in events. Conversely, substantial growth was seen in sales of music production equipment and other personal-use products due to the demand associated with people increasingly staying home. In AV products, sales were brisk for sound bars as well as for wireless headphones equipped with Yamaha's proprietary Listening Care technology. We also rolled out digital marketing campaigns based on the concept of TRUE SOUND for communicating the intent of creators while also endeavoring to solicit our value to millennials and a wide range of other customers. Meanwhile, in ICT equipment operations, we enjoyed massive increases in sales of communication equipment accommodating diverse needs amid rapid growth in remote meeting demand stimulated by the pandemic.

Revenue / Core Operating Profit / Core Operating Profit Ratio



Sales of Major Products



Overview of Markets by Mainstay Products and Yamaha's Operations / Yamaha's Strengths / Main Competitors

	Overview of Markets and Yamaha's Operations	Yamaha's Strengths	Main Competitors
PA equipment	■ Progression in the integrated management, remote operations, and automation of networks and facilities ■ Strong demand for high reliability and support structures ■ Bearish live sound market due to the COVID-19 pandemic, but bullish music production and online broadcasting markets ■ Updates to company and school facilities in response to the COVID-19 pandemic and in preparation for the period thereafter	■ Ability to propose comprehensive solutions in accordance with customer needs, covering everything from speakers to mixers and music production equipment	Harman International Industries (United States) Music Tribe (Philippines) Robert Bosch GmbH (Germany)
AV products	■ Continuous growth in the headphones, sound bar, and wireless speaker markets ■ Further advancement in personalization free of time and space restrictions following popularization of streaming content	■ TRUE SOUND technology for communicating the intent of creators ■ Combinations of network and audio technologies ■ Earphones equipped with high-level signal processing capabilities	Sonos (United States) Bose Corporation (United States) Sony Corporation (Japan)
ICT equipment	■ Continuous market growth following the further shift to IT, progression in quality-based competition ■ Diversification of workstyles and growth in demand for network revisions amid rising need for remote solutions stimulated by the COVID-19 pandemic	■ Audio communication products compatible with a wide range of usage cases ■ Expanded mainstay commercial-use routers as well as LAN products ■ Reinforcement of equipment proposal capabilities as well as service capabilities	Cisco Systems, Inc. (United States) Allied Telesis (Japan) Polycom Inc. (United States)

Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

Business Vision

Transform our business framework and realize dramatic growth to become the second pillar next to the musical instruments business

Key Strategies

PA equipment	AV products	ICT equipment
■ Become supplier of choice for upstream clients such as facility owners and consultants ■ Strengthen product competitiveness through automation technologies and immersive sound technology development ■ Improve system performance through remote monitoring and control	■ Expand business portfolio to include personal audio fields centered on earphones ■ Strengthen the appeal of the Yamaha brand among millennials ■ Create new value in the home entertainment field	■ Expand product categories and services ■ Achieve differentiation from competitors through the integration of technologies

Opportunities	Risks
■ Increase in potential projects by strengthening proposals in upstream sales channels ■ Growth of demand for audio equipment focused on remote solutions to respond to impacts of the COVID-19 pandemic	■ Potential for the adverse impact of unstable international relations spreading to investment in installation projects in the BtoB domain ■ Continuously stagnant demand for equipment for events and concerts due to the COVID-19 pandemic

Priority Themes for Fiscal 2022

PA equipment	AV products	ICT equipment
■ Expand equipment business foundations ■ Launch new products in a timely manner ■ Develop PA systems of the future with remote support and automation features ■ Create immersive sound systems	■ Achieve grow through full-fledged advancement into the headphone field ■ Expand sound bar operations ■ Advance AV branding strategies (connect with millennials and other generations)	■ Promote sales of LAN products and develop network of customer contact points (network products) ■ Explore new sales channels in Europe and the United States, expand sales of existing products, and launch new products (unified communication products)

Cloud services	■ Enhance compatibility of ICT software with cloud services ■ Expand new cloud services merging sound, telecommunications, and ICT technologies

Business Policies for Fiscal 2022

In PA equipment operations, we will move forward with initiatives for stimulating the recovery of the concert market while redoubling our approach toward non-entertainment-related markets and promoting sales of personal-use music production equipment. AV product initiatives will include efforts to grow headphone operations through sales promotions advanced at physical stores and online and the expansion of our lineup. As for ICT equipment operations, we will look to link the rising remote demand to opportunities for business growth.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

PA Equipment

Faced with an opaque macroeconomic environment for PA equipment, we will expand our product and service offerings for addressing the high demand for personal music production and distribution in order to drive aggressive sales promotions. Equipment operation initiatives will include an accelerated approach toward companies, educational institutions, and other non-concert users as well as the ongoing proposal of products to upstream area customers, including facility owners and audio equipment consultants. At the same time, we will move ahead with the development of unique products such as immersive sound systems that offer even greater levels of immersion and feature remote support and automated control functions.

AV Products

Marketing activities will be tailored to customer preferences, pushing headphones for millennials and high-end products for hobbyists, to raise brand recognition in a more effective manner. In addition, we will advance sales promotion activities at physical stores while also using online venues to heighten our sales capabilities by raising our brand recognition, communicating our value, and directing customers toward e-commerce websites. In our continuously growing sound bar operations, we will seek to expand opportunities for increasing recognition. Meanwhile, we will create new value through the proposals of authentic yet easy-to-use sound systems that can be enjoyed in the home.

ICT Equipment

Our communication equipment efforts will be geared toward growing sales of portable equipment that can be used in a variety of settings as well as installations that offer higher levels of quality. We will also ramp up our approach centered on equipment installation sales channels to increase the number of service providers who use Yamaha equipment. Network equipment initiatives, meanwhile, will be focused on proposals in response to teleworking demand, the bolstering of our product lineup, and the reinforcement of customer contact points.

Cloud Services

Yamaha is deploying a plethora of cloud services, including its multilanguage information provision services and touchless payment services, based on its SoundUD™ sound-powered telecommunications technology. Going forward, we will continue to create new services, such as the Remote Cheerer powered by SoundUD remote cheering system that can be used to communicate support from remote locations to sports and other events held without audiences amid the COVID-19 pandemic.

INDUSTRIAL MACHINERY AND COMPONENTS BUSINESS

Through comprehensive solutions centered on sound, we will promote a shift in the domains of our business portfolio and expand our customer base.

Shigeki Fujii
Executive Officer
Executive General Manager of IMC Business Unit and Technology Unit

Business Overview

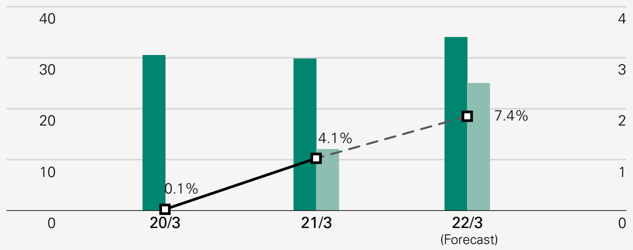
The industrial machinery and components business covers a broad range of fields, such as electronic devices, which started with the development of LSI for digital musical instruments; FA equipment, which originated in our musical instruments manufacturing facilities; and automobile interior wood components for luxury automobiles, which started from the integration of our lumber processing and coating technologies.

For electronic devices, we are promoting a shift toward component modules related to sound, an area in which the Company excels. We are also transitioning toward the total in-vehicle solutions domain. Furthermore, there has been an increase in the number of vehicles employing our in-vehicle communication module products (modules for in-vehicle hands-free telephone calls geared toward emergency alert systems), in-vehicle audio systems, and other products. For the future, we aim to expand the scale of the industrial machinery and components business as our third business pillar, alongside the musical instruments and audio equipment businesses.

Review of Fiscal 2021

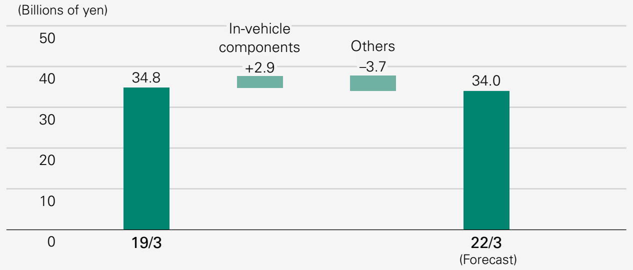
Sales of major products were favorable in the industrial machinery and components business, and this business enjoyed improvements in efficiency and consequently profitability. Automotive field operations are a major focus in this business. In this area, Yamaha brand in-vehicle audio systems were adopted by multiple automobile manufacturers. Mass production and shipments of these systems began in November 2020, and we expect to see an increasingly wide range of vehicles equipped with these systems in the future. Sales of in-vehicle communication module products were stagnant due to the COVID-19 pandemic, but the number of vehicles using these products is rising. Meanwhile, automobile interior wood components were up year on year due to the commencement of full-fledged shipments of components for use in new automobile models for the North American market. In FA equipment, sales of flexible printed circuit board testing machines were strong.

Revenue / Core Operating Profit / Core Operating Profit Ratio



Notes: The above graph shows figures for the industrial machinery and components business and other businesses.

Revenue Projection in Fiscal 2022



Note: The above graph shows figures for the industrial machinery and components business and other businesses.

Major Products / Overview of Markets / Yamaha's Strengths

Major Products		Overview of Markets	Yamaha's Strengths
Electronic devices	In-vehicle audio systems, in-vehicle sound modules, in-vehicle image and digital sound field processor semiconductors, graphics LSIs and sound generators for amusement equipment, thermoelectric devices, etc.	■ Contraction in the market for amusement equipment ■ Rising expectations for in-vehicle audio systems stemming from trends toward electrified vehicles and automated driving	■ Product proposals amalgamating core sound-related technologies and sound production expertise
Automobile interior wood components	Interior wood components for luxury cars of both Japanese and overseas automotive manufacturers that leverage the lumber processing and coating technologies used for pianos	■ Strong sales of high-end sport utility vehicles in which Yamaha products are installed	■ Lumber processing, coating, and decorating technologies cultivated through traditional piano manufacturing practices
FA equipment	Precision machines for flexible printed circuit board testing machines, leak detectors, robots, etc.	■ Growth in demand for testing machines due to rise in number of devices using flexible printed circuit boards in conjunction with increases in smartphone functionality ■ Robust demand for investment in storage battery manufacturing equipment due to rapid popularization of EVs	■ Superior levels of quality and reliability and cutting-edge technologies that realize high-speed, high-precision FA equipment

Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

Business Vision

Shift our focus to providing comprehensive solutions to in-vehicle audio domain
Expand product and support foundation to accelerate growth toward becoming the third business pillar

Key Strategies

Electronic devices (in-vehicle audio)	Automobile interior wood components	FA equipment
■ Expand adoption of in-vehicle sound modules and in-vehicle audio systems ■ Enhance level of market recognition and propose value that meets the needs of customers	■ Expand customer base for vehicle interior panels	■ Develop new detection solutions and expand customer base

Opportunities	Risks
■ Business growth in the massive in-vehicle audio market by leveraging Yamaha's core strengths ■ Growing demand for flexible printed circuits following the shift toward IoT and automotive smart technologies	■ Opaque market demand outlook due to the COVID-19 pandemic ■ Difficult-to-predict fluctuations in customer plans due to global semiconductor shortages

Priority Themes for Fiscal 2022

Electronic devices (in-vehicle audio)	Automobile interior wood components	FA equipment
■ Increase the number of vehicles using in-vehicle audio systems and strengthen customer support and promotion base functions ■ Grow domestic and overseas customer base for in-vehicle communication module products	■ Expand North American customer base ■ Strengthen earnings foundations through manufacturing cost reductions	■ Bolster customer base by improving the functionality of and developing applications for flexible printed circuit board testing machines ■ Increase customers using vehicle battery inspection equipment and develop lineup of ultrasound inspection equipment

Business Policies for Fiscal 2022

In the industrial machinery and components business, we are targeting growth in the in-vehicle solutions domain and the FA field. The focus for electronic devices will be to transform into a comprehensive in-vehicle solutions vendor that emphasizes automotive modules more than in previous semiconductor offerings. With this focus, we will expand our customer base for automobile interior wood components to solidify our foundations in the in-vehicle solutions domain. Meanwhile, business growth will be pursued in regard to FA equipment by further honing our strengths in terms of high-precision, high-speed inspection technologies to respond to market needs.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

Electronic Devices (In-vehicle audio)

We will accelerate proposals that leverage our core sound technologies in electronic devices operations. In regard to in-vehicle audio systems, we will pursue our passion for sound in the unique sound environment inside automobiles to achieve differentiation via high sound quality and thereby increase the number of vehicles using our systems along with our brand recognition. By advertising the number of vehicles using Yamaha products, proposing sound systems matched to specific vehicle concepts, and bolstering our lineup, we aim to capture a share in the massive in-vehicle audio market. As for in-vehicle communication module products, we will take advantage of the opportunity created by the rise in regions requiring vehicles to be equipped with emergency notification systems to increase the number of vehicles using Yamaha products in Japan and overseas.

Automobile Interior Wood Components

We aim to expand the scale of our automobile interior wood components operations by growing our overseas customer base. Since 2018, we have been increasing the range of automobiles employing Yamaha products by building a track record through the acquisition of major customers in the North American market. In this area, our strength can be seen in our superior decoration technologies and the heights of our made-in-Japan quality. These strengths have enabled us to earn the trust of customers by transforming their desires for novel designs into industrial products. Going forward, we will strengthen customer support functions and develop manufacturing technologies in our quest to deliver products that exceed customer expectations.

FA Equipment

In the FA equipment field, we will strive to maintain our leading market share for flexible printed circuit board testing machines on a Groupwide basis. The technical and quality requirements for smartphones are growing increasingly more rigorous amid trends such as the spread of 5G and AI technologies and the adoption of multi-lens cameras and other sophisticated features. Through swift responses to these requirements, we aim to have our products used by a wider range of customers. At the same time, we look to expand the scope of application of high-value-added testing machines for communication and automotive circuit boards and modules. Meanwhile, the rise in EVs is stimulating demand for vehicle battery inspection equipment and subsequently leak detectors. We aim to capitalize on this trend to have these products adopted by even more customers going forward. We also offer nondestructive inspection equipment that leverages ultrasound technologies, and are actively creating new applications and exploring new markets for these products.

RESEARCH AND DEVELOPMENT

By further refining and enhancing the combination of technologies and sensibilities, which represents our long-cultivated core competence, we will develop products and services that are overwhelmingly competitive and responsive to the changing times and thereby contribute to profit generation and business growth.

Shigeki Fujii
Executive Officer
Executive General Manager of IMC Business Unit and Technology Unit

The Strengths of Yamaha's Research and Development

We have inherited the craftsmanship capabilities and sensibilities toward sound creation that Yamaha has cultivated over its long history, which spans generations. With these capabilities and sensibilities as our foundation, we possess a deep understanding of and vast insight related to sensibilities for determining a good sound and a good sound environment. These serve as our unique strengths and enable us to differentiate ourselves from our competitors. We have established sensibility evaluation technologies as a means to effectively utilize our insight on sensibilities. Leveraging these technologies, we are striving to meld our various other technologies, such as our acoustic, digital, and electronic technologies, which in turn will enable us to offer unique products and services that cannot be imitated by competitors. Our foundation of organizational knowledge pertaining to sensibilities toward sound, which have been cultivated over our long history, and sensibility evaluation technologies serve as a major source of our competitiveness in the global market.

Review of Fiscal 2021

Even amid the COVID-19 pandemic, we continued to move forward with initiatives based on the core themes of the medium-term management plan with the aim of accomplishing our overarching goal of creating new value through the combination of technologies and sensibilities. Efforts for innovating design and development methodologies included development incorporating refined analytical and measurement technologies. New speaker unit design tools were one of the methodologies used with this regard. At the same time, we succeeded in developing a new AI technology that allows virtual characters to sing along with actual performances through our efforts to create essential technologies. In the materials field, meanwhile, progress was made in creating new value through the development of functional materials and in proposing eco-friendly materials technologies.

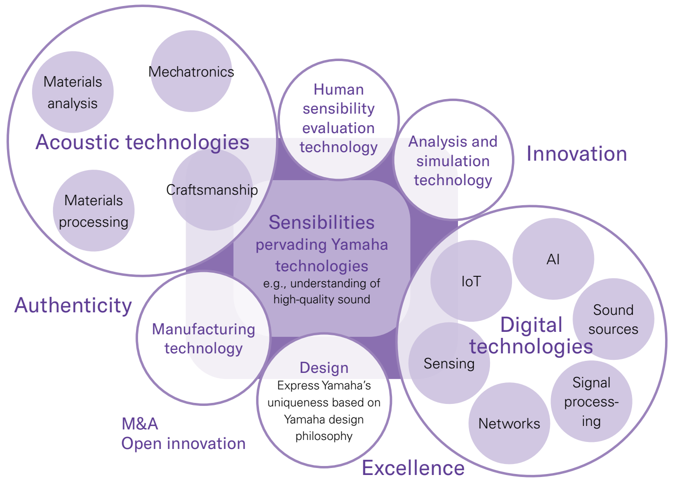
We also accelerated open innovation activities, through means such as joint research with domestic and overseas universities, as we advanced research aimed at creating new value for the future.

What Does the Combination of Technologies and Sensibilities Entail?

Yamaha's strength of combining technologies and sensibilities essentially boils down to gaining a scientific understanding on the value of sensibility centered on sound, and leveraging this understanding to commercialize products. The value of human sensibilities for determining what constitutes a good sound and a good sound environment is not something that can be represented by simple quantitative data. In addition, scientifically analyzing the appeal and value of music and incorporating these elements into products and services is also something that requires a deep understanding on the value of sensibility centered on sound. At Yamaha, we have cultivated such a scientific understanding and insight through our long history, which began with the creation of musical instruments. Drawing on this sensibility value as our core competence, we are able to provide truly unique products and services through the combination of our wide range of technologies.

Various Technologies That Serve as a Source of Competitiveness

- Acoustic technologies
  Technologies that support acoustic musical instruments
  Craftsmanship capabilities, materials analysis, materials processing, mechatronics, etc.
- Digital technologies
  Electronic technologies, best represented by our digital signal processing technologies
  Sound sources, signal processing, networks, sensing, IoT, AI, etc.
- Sensibility evaluation technologies
  Evaluation technologies pertaining to human recognition and sensibilities toward sound
- Analysis and simulation technologies
  Analysis and simulation technologies related to sound, audio, music, etc.
- Manufacturing technologies
  Technologies pertaining to production processes, such as manufacturing methods and RPA



Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

R&D Strategies under the New Medium-Term Management Plan

Creating New Value through the Combination of Technologies and Sensibilities—Enhancing Added Value with the Pursuit of Authenticity and Innovation

- Strengthen technologies in the fields of materials, elemental components, and AI
- Establish and innovate design and development methods
- Develop elemental technologies that extensively provide new value to customers on a continuous basis
- Develop technologies that contribute to sustainability and reduce environmental burden

Priority Themes for Fiscal 2022

- Acquisition of new design elements and enhancement of design and development methodologies through refinement of analytical and measurement technologies
- Creation of new value by evolving and integrating innovative technological elements and addressing operating environment changes in the fields of materials, elemental components, and AI

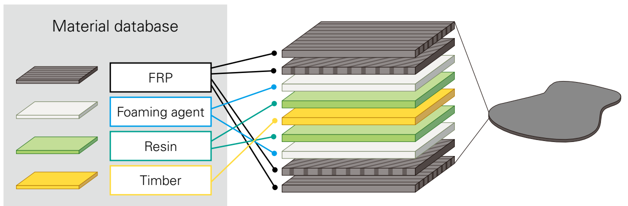
Reaching New Heights of Competitiveness by Enhancing Our Strengths in the Fields of Materials, Elemental Components, and AI

By incorporating innovative technologies in the fields of cutting-edge materials, elemental components, and AI, we will acquire an overwhelming level of competitiveness that will allow us to win out over the competition.

Fields of Materials and Elemental Components

In the fields of materials and elemental components, we will systematically organize our materials technologies (development and processing), which are currently spread across the Company, and establish platforms for sharing technologies that leverage our accumulated organizational knowledge on a Companywide basis. In this way, we will be able to promote more sophisticated and efficient R&D activities through the combination of technologies and sensibilities, which has become implicit knowledge within Yamaha.

Material Development That Leverages Our Databases as Platforms



Field of AI

By integrating our long-cultivated technologies and sensibilities with AI technologies, we will develop products and services that are uniquely Yamaha. For example, we are working to endow products with functions such as personalization of musical accompaniment and lessons, automated and assisted PA operation, synthesized singing voice technologies, and production of musical instrument sounds.

Yamaha AI Technology Allowing for Characters to Sing Along with Performances

Yamaha has developed an AI technology that allows for virtual characters Hatsune Miku and Ichika Hoshino (voiced by Ruriko Noguchi) to automatically sing along with performances of music designated by Project SEKAI Piano. This technology takes advantage of the stream light feature that comes standard on Yamaha's CSP Series of Clavinova™ digital pianos to make it easier for anyone to enjoy; even people who cannot read music are able to play by pressing keys in time with the streaming lights above the keyboard.

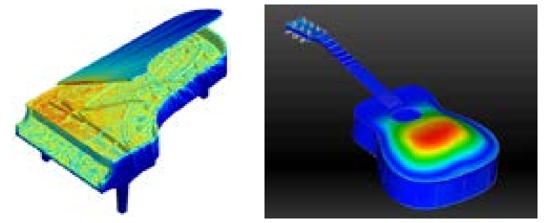
Please visit our corporate website for more information on AI-related initiatives.
https://www.yamaha.com/en/about/ai

Establishing and Innovating Design and Development Methods

We will work to scientifically analyze and systematically organize design methods in order to promote more sophisticated and efficient R&D activities. By logically systematizing and standardizing elemental technologies such as measurement, analysis, simulation, and sensibility evaluation technologies, we will strive to establish and innovate our design methods on a Companywide level.

Additionally, we will dramatically enhance the speed of our development by utilizing AI analysis and simulation.

Rendering of Audio Analysis



Developing Elemental Technologies That Extensively Provide New Value to Customers on a Continuous Basis

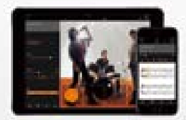
We will focus our efforts on developing elemental technologies that support the diverse ways of enjoying sound, music, and musical instruments.

For example, by providing performance support through AI to allow even beginners to enjoy playing a musical instrument in a simplified manner, we are able to lower the hurdle for people to begin learning a musical instrument. In addition, through musical notation technologies, we can make it possible for people to enjoy the music they like at a level suited to individual playing skills. Going forward, we will refine our unique, cutting-edge sensibility evaluation technologies so that we can form close ties with all customers in a manner that caters to their age, experience, nationality, culture, and other characteristics.

Examples of Apps That Support Performing Artists

Chord Tracker
https://ca.yamaha.com/en/products/musical_instruments/pianos/apps/chord_tracker/index.html

Smart Pianist
https://ca.yamaha.com/en/products/musical_instruments/pianos/apps/smart_pianist/index.html



Efforts to Promote Sustainability within Our R&D Activities

In tandem with the aforementioned strategies pertaining to cutting-edge technologies, we are also actively engaging in efforts to promote sustainability. Timber is essentially a sustainable resource. In the future, rather than refraining from and moving beyond the use of timber, it is essential that we use timber in an appropriate manner to ensure that it remains sustainable. As a company with a base of materials technologies, we believe that we can play a major role in establishing supply chains that allow for the creation of musical instruments with quality sound. Researching what type of timber to use and the ideal ways to use it is a means for us to discover new solutions. We have concluded a comprehensive research agreement with Kyoto University, and will pursue further collaboration with outside research institutions and companies over the medium to long term as we move forward with the development of new sustainable materials and other endeavors.

Approach to Sustainable Materials from Two Perspectives

Yamaha's Vision for Sustainable Materials

Replace exhaustible and endangered resources with renewable ones

- Establishing sustainable supply chains in cooperation with local communities in resource-producing areas
  → Promoting conservation activities for African blackwood in the Republic of Tanzania
  → Promoting preservation activities for Japanese spruce in Hokkaido
- Pursuing collaborative research with academia (Kyoto University, etc.)
  → Cultivating forest resources and improving usage efficiency

Expand material sources scientifically toward new renewable resources

- Developing materials that look appealing, produce quality sound, and are sustainable (Replacing materials to exceed the quality of scarce timber)
  → Systemizing materials technologies and establishing platforms
  → Expanding the use of plant-based materials
  → Controlling conjugation and higher-order structures

Roles of R&D

- Developing and enhancing materials technologies (analysis technologies, processing technologies, etc.)
- Collaborating with research institutions and other companies

Topics: R&D Innovations Creating New Value

YC88, YC73, and YC61 Stage Keyboards (Applied Technology: VCM Organ Sound Source)

YC88, YC73, and YC61 stage keyboards feature Yamaha's VCM organ sound source, which was developed using its virtual circuitry modeling (VCM) technology to faithfully reproduce the saturated and non-continuous sounds that are characteristic of analog instruments. These keyboards promise the pinnacles of sound quality expected by keyboardists with commitment to authentic sound and performances whether producing, performing, or distributing music.

ADECIA Comprehensive Remote Conferencing Solution (Applied Technology: Audio Signal Processing Technology)

ADECIA is a comprehensive solution for high-quality, comfortable remote communication. This solution offers features such as auto room tuning, a feature that automatically sets and adjusts acoustics based on the dimensions and acoustic characteristics of the given meeting room, and Yamaha's proprietary audio signal processing technology that delivers a comfortable sound environment. With these features, ADECIA can accommodate a diverse range of workstyle changes and office space needs.

Charlie™ Communication Robot (Applied Technology: VOCALOID™ Technologies, Automated Composition Technologies)

Charlie™ is the world's first communication robot that communicates by singing. Utilizing Yamaha's VOCALOID™ technologies and automated composition technologies, this robot matches its words and expressions to melodies for heart-warming communication while coloring people's lives with music.

Intellectual Property

We are advancing a global intellectual property strategy and working to create, protect, manage, and utilize intellectual property. In these ways, we are taking steps to maintain and enhance corporate value and brand value.

Basic Policy

The Yamaha Group believes that proper protection and use of intellectual property rights, whether belonging to the Group or other parties, are essential for accelerating innovation and inspiring creativity and make social development faster and healthier. The Group, since its inception, has proceeded to protect its business through the proactive acquisition of intellectual property rights. The Group has also proceeded to foster a culture of respecting others' intellectual property rights and an organization that is built on this respect.

The Group is proactive in its efforts to acquire, protect, and utilize intellectual property rights created during the course of its business activities, such as those pertaining to new technological concepts, designs, products, or service names. At the same time, we view respect for the intellectual property rights of others as a basic principle.

Intellectual Property Protection Initiatives

Patents

In addition to acquiring patents in Japan, the United States, Europe, China, and other areas, Yamaha applies for patents in emerging countries based on the assumption that these markets too will see growth in the future and to protect its products and services therein. Recently, we have been stepping up patent acquisition activities with regard to AI and other technologies that create new value as well as technologies that address social issues, such as the Listening Care technology for protecting user hearing. These activities are meant to protect distinctive Yamaha offerings. Our patent portfolios are assessed on a country and region basis each year to maintain the ideal level of patent maintenance costs by rigorously categorizing and managing our portfolio of intellectual property with the potential to contribute to the establishment of a competitive advantage.

Number of Patents Held by the Yamaha Group (As of March 31, 2021)

Japan	Overseas	Total
Approx. 2,500	Approx. 3,500	Approx. 6,000

Designs

Yamaha's designs are an important element of the value of its products and of its branding activities. These designs have been the target of external recognition. For example, the design rights for our YEV series electronic violins received the Commissioner of the Patent Office award in the 2019 National Invention Awards. This rise in the value of our designs has recently led to an increase in products imitating the designs of Yamaha products. To combat such imitations, we are ramping up design rights activities centered on China and aggressively exercising our rights to fight the producers of such imitations in order to protect our business, products, and brand value.

Number of Design Rights Held by the Yamaha Group (As of March 31, 2021)

Japan	Overseas	Total
Approx. 440	Approx. 840	Approx. 1,280

Trademarks

Trademark rights have been acquired in all areas of the world with regard to the symbols that are the core element of the Yamaha brand (YAMAHA and the tuning fork brand logo) as part of our efforts to protect and improve brand value. The rise of the internet has led to increased cases of misuse of such brand marks through e-commerce and other venues. We diligently monitor for such misuse and issue cease and desist requests should misuse be detected. This diligence helps protect customers, mitigate risks to brand value, and contribute to the realization of a fair and impartial society. For this reason, we actively promote such activities through a concerted Group effort and through coordination with sales companies and dealers across the globe.

Copyrights

In addition to patents, designs, and trademarks, the Yamaha Group has produced a large number of copyrighted works in the sound, music, and other fields. Music-related copyrights are a particularly important form of intellectual property. VOCALOID™ and other software and the performance data used in digital musical instruments also constitute valuable works produced by the Company. Appropriate action is taken to combat plagiarism and other illegal use of these works. At the same time, it is important to avoid misuse of the copyrighted material of other parties. For this reason, we conduct awareness-raising activities on copyrights on a Groupwide basis through means such as internal seminars and the distribution of guidebooks.

PRODUCTION

While pursuing our strengths of craftsmanship and advanced technologies, we will establish optimal foundations for global production and bolster our production capacity to industry-leading levels. By doing so, we will further enhance our production operations in terms of quality, cost, delivery, safety, and the environment (QCDSE).

Shinobu Kawase
Managing Executive Officer
Executive General Manager of Musical Instruments & Audio Products Production Unit
Executive General Manager of Audio Products Business Unit

The Strengths of Yamaha's Production

Craftsmanship and Technologies

Amid our long history of being involved in the production of musical instruments, we have refined the craftsmanship capabilities that have helped us put the finishing touches on even better musical instruments. Craftsmanship involves creating products through the vision and handiwork of people, and our craftsmanship is a significant element in differentiating ourselves from other companies. Linking our craftsmanship capabilities with our proprietary technology for the scientific evaluation of assessing human sensibilities is another important factor in realizing further differentiation.

Meanwhile, through scientific research of each production process and the utilization of cutting-edge techniques, we have accumulated a foundation of industry-leading manufacturing technologies. The fact that we are able to maintain and integrate our refined craftsmanship capabilities and advanced technologies at a high level is what sets our production processes apart from other companies. It also serves as a source of our competitiveness.

Global Production Structure

From early on in our history, we have established overseas production bases. Currently, we have key production bases in Japan, China, Indonesia, Malaysia, and India. Resilience strengthening and other extensive risk management measures are being implemented at various bases as we develop frameworks through which products of a given category can be produced at multiple bases. The establishment of a global production structure optimized to each of our business domains is another factor that contributes to our overwhelmingly high level of competitiveness.

Review of Fiscal 2021

The COVID-19 pandemic had a massive impact on our supply chain as we were forced to temporarily halt the operation of factories around the world and as government-imposed restrictions on operations caused additional disruptions to our distribution network. These disruptions created an ongoing situation in which we were unable to produce a sufficient supply to match the recovering market demand. Nevertheless, we took steps to improve production lines while implementing exhaustive measures for preventing the spread of COVID-19. We were thereby able to recover production to the level seen in fiscal 2020 by the second half of fiscal 2021, minimizing the overall impact on performance.

Under these conditions, we moved forward with measures based on the key strategies of the medium-term management plan while advancing digital transformation in our production operations. For example, we introduced IoT technologies into model factories in Japan, and we have begun using digital twin methodologies for production. Meanwhile, we worked to develop standardized production management systems for Chinese model factories. Conversely, the cost reduction benefits of these activities did not appear as intended as we were forced to delay many process reallocation and automated production line equipment installation procedures until fiscal 2022.

Approach under the Medium-Term Management Plan

Our production strategy under the medium-term management plan is built upon the three pillars of production engineering, production information management, and global production services. For production engineering, we are creating value by innovating our production methods. In terms of production information management, we are examining how we can best manage production information with a view to improving and evolving our overall production operations. Global production services essentially boils down to establishing a production infrastructure, as this part of our strategy involves the organizational and personnel structure of our production operations as well as the procurement of materials and components. In tandem with pursuing the three pillars of our production strategy, we will combine our craftsmanship capabilities and advanced technologies at a high level, thereby further enhancing our production operations in terms of QCDSE.

Location of Yamaha Production Bases and Major Products Manufactured

Country	No. of Production Subsidiaries	Pianos	Digital Musical Instruments	Wind, String, and Percussion Instruments	Guitars	AV Products	PA Equipment	ICT Equipment
Japan	3	●	●	●	●		●	●
China	4	●	●	●	●	●	●	●
Indonesia	6	●	●	●	●	●	●	●
India	1		●		●		●	
Malaysia	1					●	●	●

Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

Basic Policy

Pursue the latest production techniques and the analysis and utilization of information

Establish foundation for optimal global production services

Continuous improvements in terms of QCDSE (from the perspective of key KPIs for improvement)

Quality	Cost	Delivery	Safety	Environment
Pursue high quality Reduce the rate of defects, etc.	Achieve cost reduction targets	Achieve 100% rate of on-time delivery	Zero accidents and accidents requiring suspension of work	50% utilization rate of certified timber (Target of the medium-term management plan)

Progress in Key Strategies of the Medium-Term Management Plan and Priority Themes for Fiscal 2022

Key Strategies	Specific Initiatives	Progress in Fiscal 2021	Priority Themes for Fiscal 2022
Production engineering (Production hardware) Develop technologies to innovate production processes Establish competitive production processes	Reorganization of production processes, establishment of new factories, promotion of process automation and RPA, development of production methods and material development, enhancement of production processes	■ Recovery of production capacity to pre-COVID-19 levels through production line adjustments amid restrictions imposed due to the pandemic ■ Capacity improvements, despite delays in commencing full-fledge piano frame production at the Suzhou Factory in China ■ Daily production capacity increases for guitars at the India Factory ■ Measures for environmental regulations	■ Bolster factory production capacities and develop procedures ■ Achieve stable production of piano frames at the Suzhou Factory in China ■ Promote labor-efficient production and measures for environmental issues
Production information management (Production software) Realize digital transformation within our production management	Establishment and evolution of SCM systems, utilization of IoT, analysis of production information and improvement in utilization capabilities, establishment of production structure linked to market trends	■ On-schedule progress in developing standardized production management system (target of introducing SCM system within period of the medium-term management plan) ■ Trial introduction of IoT-powered production data collection frameworks for certain processes	■ Employ digital twin methodologies in manufacturing at model factories ■ Launch of new SCM system
Global production services (Production infrastructure) Strengthen production structure (organization and personnel) Stabilize procurement and reduce costs by establishing a procurement structure	Establishment of regional headquarters, development and optimal allocation of human resources, establishment and enhancement of global procurement structure, promotion of sustainable forest resources	■ Procurement cost reduction of ¥480 million ■ Rate of certified timber use of 48% ■ On-schedule progress in establishment of area oversight functions (China, Indonesia, and Japan)	■ Secure materials by issuing long-term upfront orders and identifying alternative materials ■ Achieve rate of certified timber use of 55% (medium-term management plan target: 50%) ■ Enhance human resources for specific positions and optimally position personnel

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

In fiscal 2022, we will implement measures related to the COVID-19 pandemic, distribution, and procurement aimed at ensuring that we can furnish a sufficient supply for meeting the robust demand. At the same time, with employee safety as our top priority, exhaustive measures will be put in place to prevent the spread of COVID-19 and to ensure that our factories do not become sites of widespread infection. Meanwhile, we will take steps to minimize risks including long-term shipping reservations in terms of logistics and long-term upfront orders and alternative material selection based on sales forecasts in terms of procurement.

We have also began implementing a new SCM system. This system allows for the integrated management of information pertaining to all steps of the creation of diverse products, ranging from production to sales, making it possible to supply the desired products where, when, and in the quantity needed. We will also automate the collection of production data through the use of IoT technologies to realize improvements with regard to quality, cost, and delivery through means such as analyzing factory equipment operating rates and improving production quality. Meanwhile, we will digitize production management data by coordinating core systems and other cutting-edge IT tools to install the infrastructure for automating work on productions floors.

Sustainability of Forest Resources (Timber Procurement)

Taking into account the fact that we use a diverse range of timber in our business activities, we are actively promoting efforts to maintain valuable timber resources and utilize these resources sustainably with a focus on 50 to 100 years in the future. In addition to giving consideration to the preservation of forests and the volume of timber resources, it is imperative that we ensure our supply chain is economically sustainable as well. We are therefore contributing to the development of local communities in timber-producing areas through the creation of employment opportunities and the establishment of infrastructure.

Strategic Significance of New Factory in India

Yamaha's factory in India was constructed to respond to the projected increase in demand for musical instruments and audio equipment to result from the expansion of the middle class in emerging countries. This factory serves as a base for producing and supplying entry-level portable keyboards, acoustic guitars, and PA equipment and has the potential to become an important base for exports to the Near and Middle East and Europe. India is a growth market that ranks right after China in importance. By optimizing planning, procurement, production, and distribution functions for this market, this factory integrates manufacturing, sales, and technical services to deliver products with superior levels of cost competitiveness. Furthermore, we utilize the sales warehouse attached to the factory to grow sales in the Indian market. This factory is oriented both toward local production and consumption and to establishing a production base outside of China for manufacturing products for the U.S. market.

SALES

In our business domains centered on sound and music, we will expand and optimize our contact points with customers and strive to gain an accurate understanding of market trends and customer needs. At the same time, we will promote the value that our products and services offer to the greatest extent possible. In these ways, we will aim to expand sales.

Seiichi Yamaguchi
Executive Officer
Executive General Manager of Musical Instruments & Audio Products Sales Unit

The Strengths of Yamaha's Sales

Global Sales Activities That Are Deeply Rooted in Local Communities

We have established sales offices in over 30 countries and regions around the world, thereby rolling out our business on a global scale. In key markets, we have established direct sales networks through our subsidiaries. In emerging markets, we approach customers through our authorized distributors. Our sales networks cater to local characteristics and span a wide range of outlets, including specialty stores, chain stores, mass retailers, and directly operated stores. The ability to ascertain local music cultures and customer needs through these sales networks and promote sales strategies in accordance with local characteristics represents one of our major strengths.

Added Value Promotion and Price Optimization

We give sufficient consideration to such factors as the market environment, competitive relationships, and product features in order to promote efforts to optimize our prices so that they appropriately reflect the value a product offers. In addition to revising the selling price of existing products, we work to enhance value when introducing new products, or when adding new services to existing products, and attach prices that appropriately reflect this added value.

Artist Relations and Service Locations

To develop even more attractive products and services, we are expanding and enhancing our locations for maintaining relations with artists around the world. Our extensive network with the world's top artists and music education institutions is another one of our major strengths.

Review of Fiscal 2021

In fiscal 2021, the restrictions imposed in response to the COVID-19 pandemic had a significant impact on product demand, and the effects of the restrictions on production and sales activities seen in first half of the year continued to linger throughout the fiscal year. As a result, performance was lackluster in fiscal 2021. However, we achieved a gradual recovery in our supply capabilities during the second half of fiscal 2021, and progress was made in addressing demand arising from new lifestyle changes as well as in advancing the measures of the medium-term management plan.

Sales framework reforms included digital marketing initiatives implemented on a global scale as well as proactive measures for soliciting our value to customers. These efforts enabled us to direct customer traffic in a way that contributed to higher sales. Meanwhile, the ratio of sales through e-commerce venues rose in various markets due to the demand associated with people increasingly staying at home. We also achieved an increase in the number of registered product users by promoting the provision of service value in order to improve lifetime value.

Our activities in emerging markets were heavily impacted by the restrictions imposed as a result of the COVID-19 pandemic. Conversely, we were able to expand our sales network in China, which was able to relatively quickly resume social activities. Efforts to popularize playing music and stimulate demand included the School Project, which advanced according to plans and has offered music instrument performance experiences to an aggregate total of 710,000 students to date.

Status of Music Popularization Activities (As of March 2021)

Music Schools	Number of Venues (Schools)	Number of Students*1
Japan (total for children and adults)	2,600	334,000
Overseas (total from over 40 countries and regions)	1,350	156,000

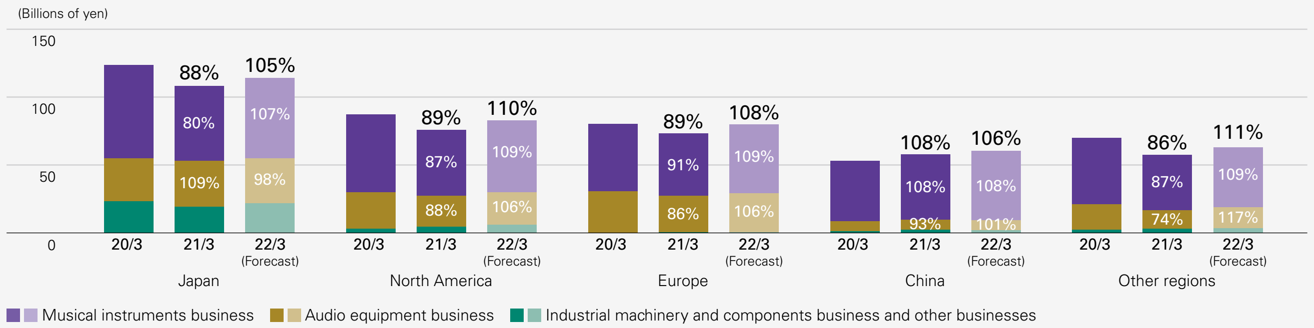
*1 Number of students reflects the number of students able to receive lessons in fiscal 2021

Countries Offering the School Project*2	Aggregate Total of Students	March 31, 2022 Target
6 countries	710,000 people	1,000,000 people (7 countries)

*2 Project that provides opportunities for children to play musical instruments in schools with the aim of spreading musical instrument education and increasing the musical-instrument-playing population

Revenue Growth by Region

(Year-on-year change excluding the impact of exchange rates, based on IFRS)



Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

- Encouraging customers to seek out the Yamaha brand by promoting customer value
- Promoting new sales frameworks on a global basis

Progress in Key Strategies of the Medium-Term Management Plan and Priority Themes for Fiscal 2022

	Key Strategies	Progress in Fiscal 2021	Priority Themes for Fiscal 2022
Sales framework reforms	Improve ability to communicate brand and product value	■ Increase in number of direct marketing initiatives and in customer referrals ■ Commencement of global use of sales promotion tools	■ Continue enhancement of ability to communicate value ■ Accelerate shift toward pull marketing ■ Redouble approach toward millennials
Sales framework reforms	Improve service value	■ Rise in number of registered product users achieved through enhancement of services	■ Clarify services to be provided with regard to specific products and regions
Sales framework reforms	Strengthen contact points with customers	■ Promote domestic brand shop measures (Ginza and Nagoya) ■ Expansion of e-commerce networks in various markets	■ Implement domestic brand shop measures ■ Develop experience-oriented stores in various markets ■ Advance e-commerce strategies including BtoB trading
	Expand contact points with customers (achieve growth in emerging countries)	■ School Project progress in line with plans ■ Expansion of sales network in China and in emerging countries ■ Delays in addressing middle-income demographics in the ASEAN region due to activity restrictions	■ Expand the School Project ■ Continue expanding sales networks in emerging countries
	Establish global management foundation	■ Examination of introduction of next-generation ERP system ■ Tracking and planned development of global human resources	■ Commence preparations for introduction of next-generation ERP system ■ Start global management of human resources

Business Policies for Fiscal 2022

In fiscal 2022, we will seek to ascertain the timing at which the COVID-19 pandemic will come to an end so that we can implement sales activities through physical and digital venues in conjunction with the recovery of supply capabilities. Special attention will be paid to improving the accuracy of demand projections with regard to product categories that were impacted by supply issues to facilitate efforts to recover our market share. Another focus will be ramping up measures for increasing our market presence. Other initiatives will include establishing business foundations that are matched to the market conditions amid the post-COVID-19 new normal, strengthening customer contact points to transform changes into opportunities, improving brand and product value communication capabilities, and building new growth foundations.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

Improvement of Ability to Communicate Brand and Product Value

To improve our ability to communicate brand and product value, we will accelerate efforts to drive customer traffic through digital marketing. The social and market changes brought about by the pandemic are placing increased importance on digital platforms. We will respond to this trend by continuing to accelerate efforts to drive customer traffic through proactive information provision via social media and other venues while targeting improvements in purchase rates.

Meanwhile, we will keep shifting more expenses toward improving customer value while allocating greater quantities of resources for communicating our value.

Improvement of Service Value

We aim to improve service value through proposals matched to customer life stages with regard to regions and products in order to maximize lifetime value for customers.

Expansion of Contact Points with Customers

Building upon the examples set by the reopening of locations in Ginza and Nagoya as brand shops, we will continue to develop experience-oriented stores, which have powerful sales promotion benefits, around the world as part of our efforts to expand and strengthen contact points with customers. We are bolstering e-commerce sales channels in order to respond to the massive changes in customer purchasing behavior spurred by the pandemic and advancing Companywide strategies that encompass BtoB offerings in order to improve operation efficiency.

Looking at efforts by region, we are expanding our network of specialty shops centered on Tier 4 and Tier 5 rural cities in China, bolstering sales networks and accelerating exhibitions of mid-range and high-end products in India, and enhancing existing stores in the ASEAN region.

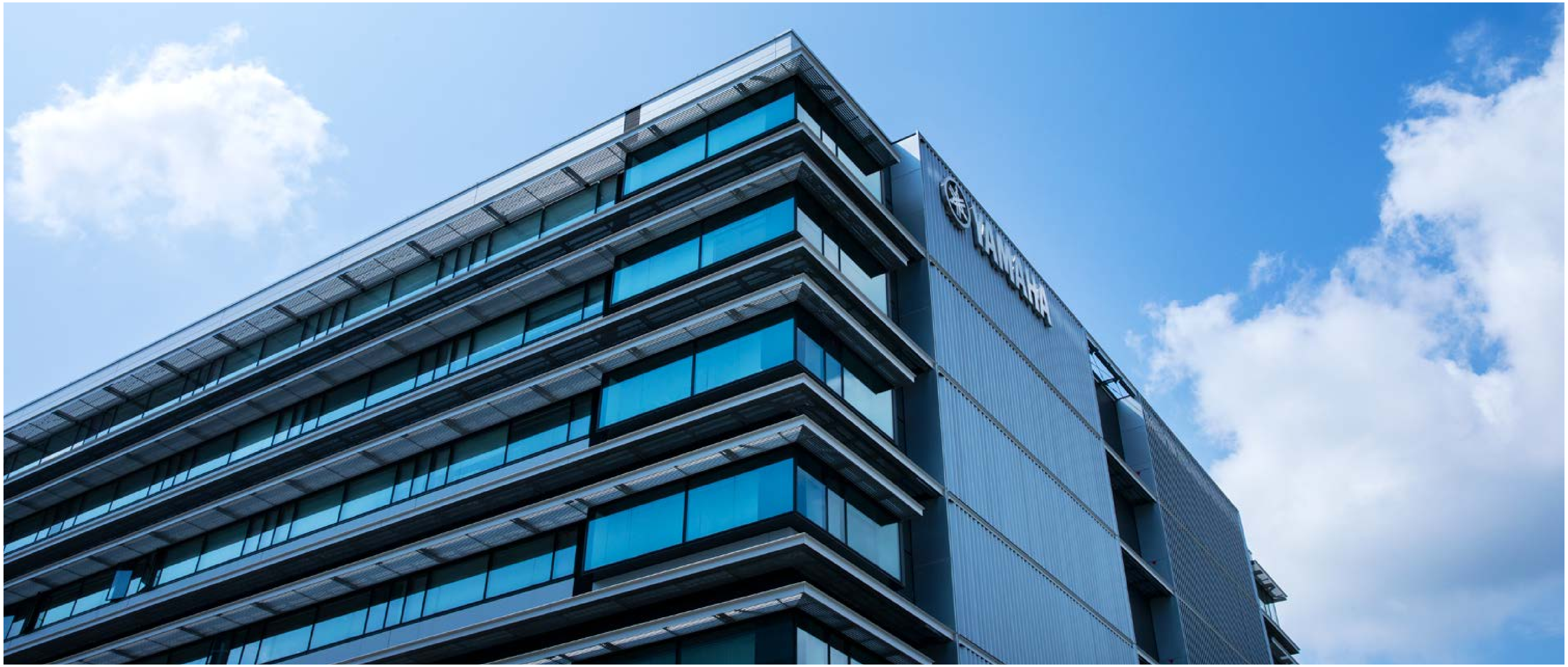
Response to the COVID-19 Pandemic

In responding to the COVID-19 pandemic, we placed the health and safety of our customers, business partners, and employees and their families as our top priority, emphasizing measures for preventing the spread of the virus.

The conditions vary by market, and we are moving forward with sales framework reform initiatives with a focus on digital marketing and the enhancement of customer contact points while carefully monitoring the pandemic trends in a bid to ascertain when it will end.

GOVERNANCE SECTION

IV. Corporate Governance



DIRECTORS

(As of June 25, 2021)

Takuya Nakata

Director, President and Representative Executive Officer
Number of shares owned: 75,500

1981	Joined the Company
2005	General Manager of Pro Audio & Digital Musical Instruments Division
2006	Executive Officer
2009	Director and Executive Officer
2010	President and Director of Yamaha Corporation of America Senior Executive Officer of the Company
2013	President and Representative Director
2014	Director of Yamaha Motor Co., Ltd. (Outside Director) (to the present)
2015	President of Yamaha Music Foundation (to the present)
2017	Director, President and Representative Executive Officer (to the present)

Satoshi Yamahata

Director and Managing Executive Officer
Number of shares owned: 28,400

1988	Joined the Company
2009	General Manager of Accounting and Finance Division
2013	Executive Officer and General Manager of Corporate Planning Division
2015	Executive General Manager of Operations Unit Director and Senior Executive Officer
2016	Executive General Manager of Corporate Management Unit (to the present)
2017	Director and Managing Executive Officer (to the present)
2020	Executive General Manager of Human Resources and General Administration Unit (to the present)

Taku Fukui

Independent Outside Director
Number of shares owned: 0

1987	Registered as an attorney Joined Kashiwagi Sogo Law Offices
2004	Professor of Keio University Law School (to the present)
2005	Outside Audit & Supervisory Board Member of Shin-Etsu Chemical Co., Ltd.
2009	Managing Partner of Kashiwagi Sogo Law Offices (to the present)
2017	Outside Director of Yamaha Corporation (to the present)
2021	Outside Audit & Supervisory Board Member of METAWATER Co., Ltd. (to the present)

Yoshihiro Hidaka

Independent Outside Director
Number of shares owned: 2,900

1987	Joined Yamaha Motor Co., Ltd.
2010	Vice President of Yamaha Motor Corporation, U.S.A.
2013	Executive General Manager of 3rd Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.
2014	Executive Officer of Yamaha Motor Co., Ltd.
2015	Executive General Manager of 2nd Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.
2016	Executive General Manager of 1st Business Unit, MC Business Operations, and General Manager of ASEAN Sales Division, 1st Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.
2017	Executive General Manager of Corporate Planning & Finance Center of Yamaha Motor Co., Ltd. Senior Executive Officer and Director of Yamaha Motor Co., Ltd.
2018	President, Chief Executive Officer, and Representative Director of Yamaha Motor Co., Ltd. (to the present) Outside Director of Yamaha Corporation (to the present)

Mikio Fujitsuka

Independent Outside Director
Number of shares owned: 0

1977	Joined Komatsu Ltd.
2001	General Manager, Corporate Controlling Department, Komatsu Ltd.
2005	Executive Officer
2008	President of Global Retail Finance Business Division
2009	General Manager, Corporate Planning Division and President of Global Retail Finance Business Division
2010	Senior Executive Officer
2011	CFO, Director and Senior Executive Officer
2013	Director and Senior Executive Officer
2016	Executive Vice President and Representative Director
2019	Outside Director of Yamaha Corporation (to the present) Outside Corporate Auditor of Mitsui Chemicals, Inc. (to the present)

Paul Candland

Independent Outside Director
Number of shares owned: 300

1985	Joined Owens Corning
1987	Joined PepsiCo, Inc.
1994	President of Okinawa Pepsi-Cola, Inc.
1998	Representative of Japan Branch, PepsiCo International Ltd. Representative Director and General Manager of The Disney Store Japan, Inc.
2002	Managing Director, Walt Disney Television International Japan of The Walt Disney Company (Japan) Ltd.
2007	Representative Director and President, The Walt Disney Company (Japan) Ltd.
2014	President of The Walt Disney Company, Asia
2018	Managing Director of PMC Partners Co., Ltd. (to the present)
2019	Outside Director of Yamaha Corporation (to the present) CEO of Age of Learning, Inc. (to the present)

Hiromichi Shinohara

Independent Outside Director
Number of shares owned: 0

1978	Entered Nippon Telegraph and Telephone Public Corporation
2003	Head of Access Service System Laboratory of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)
2007	Head of the Information Sharing Laboratory Group of NTT
2009	Senior Vice President, Head of Research and Development Planning, Member of the Board of NTT
2012	Executive Vice President, Head of Research and Development Planning, Member of the Board of NTT
2014	Senior Executive Vice President, Head of Research and Development Planning, Member of the Board of NTT
2018	Chairman of the Board of NTT (to the present)
2021	Outside Director of Yamaha Corporation (to the present)

Naoko Yoshizawa

Independent Outside Director
Number of shares owned: 0

1988	Entered Fujitsu Limited
2009	Vice President of Mobile Phones Unit of Fujitsu Limited
2011	Head of Global Research & Development Center of Fujitsu Laboratories of America, Inc.
2016	Deputy Head of Advanced System Research & Development Unit and Head of AI Promotion Office of Fujitsu Limited
2017	Corporate Executive Officer and Head of AI Platform Business Unit of Fujitsu Limited
2018	Corporate Executive Officer, EVP and Vice Head of Digital Services Business of Fujitsu Limited Corporate Executive Officer, EVP of Fujitsu Limited, CEO of FUJITSU Intelligence Technology Ltd.
2019	Corporate Executive Officer, EVP and Evangelist of Digital Software & Solutions Business Group of Fujitsu Limited
2020	Director of knowledge piece Inc. (to the present)
2021	Outside Director of Nitori Holdings Co., Ltd. (to the present) Outside Director of Yamaha Corporation (to the present)

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Appointed Committee	Reasons for Appointment, Expected Role, and Independence of Outside Directors	Attendance at Meetings of the Board of Directors and Committees in Fiscal 2021	Expertise of Directors						
				Corporate management	Legal affairs and risk management	Finance and accounting	IT and digital technologies	Manufacturing, technology, and R&D	Sales and marketing	Global operations
Takuya Nakata Director, President and Representative Executive Officer	Nominating Committee Compensation Committee	Having served in positions such as General Manager of our Pro Audio & Digital Musical Instruments Division, President and Director of Yamaha Corporation of America, Mr. Takuya Nakata has a wealth of experience and achievements alongside broad insight in business. He has led the Group as President and Representative Director since June 2013, and as Director, President and Representative Executive Officer since June 2017 after our transition to a Company with Three Committees (Nominating, Audit, and Compensation). Additionally, he has been a leader in corporate governance reform via initiatives such as the transition to a Company with Three Committees (Nominating, Audit, and Compensation), and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc.	Board of Directors: 12/12 (100%) Nominating Committee: 3/3 (100%) Compensation Committee: 4/4 (100%)	●			●	●	●	●
Satoshi Yamahata Director and Managing Executive Officer	—	In addition to work experience at an overseas subsidiary, Mr. Satoshi Yamahata has served as General Manager of the Accounting and Finance Division, General Manager of the Corporate Planning Division, Executive General Manager of the Operations Unit, Executive General Manager of the Corporate Management Unit, and Executive General Manager of the Human Resources and General Administration Unit, and has a wealth of experience and achievements alongside broad insight. He has promoted corporate governance reform as Director and Senior Executive Manager since June 2015 and as Director and Managing Executive Officer since June 2017, and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc.	Board of Directors: 12/12 (100%)		●	●				●
Taku Fukui Independent Outside Director	Audit Committee	With a mastery of corporate law and corporate governance in Japan and overseas as an attorney, Mr. Taku Fukui has a high degree of expertise, wealth of experience, and achievements alongside broad insight. Since assuming the position of Outside Director of the Company in June 2017, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his high degree of expertise, wealth of achievements and insights, etc. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and Kashiwagi Sogo Law Offices, where Mr. Taku Fukui serves as Managing Partner.	Board of Directors: 12/12 (100%) Audit Committee: 15/15 (100%)		●					●
Yoshihiro Hidaka Independent Outside Director	Nominating Committee Compensation Committee	Having been involved in management at one of the largest global transportation equipment manufacturers in Japan, Mr. Yoshihiro Hidaka has a wealth of experience and achievements alongside broad insight as a corporate officer. Additionally, as President and Representative Director of Yamaha Motor Co., Ltd., a company that shares a common brand with the Company, he is a person with one of the deepest understandings of the Yamaha brand. Since assuming the position of Outside Director of the Company in June 2018, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value. As the Company and Yamaha Motor Co., Ltd., where Mr. Yoshihiro Hidaka serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value via the Company's sustainable growth also provides a positive effect on said company's corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company's corporate value. Mr. Yoshihiro Hidaka is a person with one of the deepest understandings of the Yamaha brand, which is the source of the Company's brand value, and he shares an interest with ordinary shareholders regarding improvement of the Company's brand value. Furthermore, not only there are no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but as the Company is no longer a major shareholder of said company since 2017, there are no concerns that Mr. Yoshihiro Hidaka will have conflicts of interest with ordinary shareholders, and the Company believes that he can fulfill his duty for supervision, etc., of management from an independent standpoint in order to maximize profits for shareholders of the Company. * The amount of transactions between the Company and Yamaha Motor Co., Ltd. is less than 0.2% of consolidated net sales of both companies.	Board of Directors: 12/12 (100%) Nominating Committee: 3/3 (100%) Compensation Committee: 4/4 (100%)	●		●				●
Mikio Fujitsuka Independent Outside Director	Audit Committee	Having been involved in management as CFO at one of the largest global construction machinery manufacturers in Japan, Mr. Mikio Fujitsuka has a wealth of experience and achievements alongside broad insight as a corporate officer, as well as adequate knowledge of finance and accounting. Since assuming the position of Outside Director of the Company in June 2019, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc.	Board of Directors: 12/12 (100%) Audit Committee: 15/15 (100%)	●	●	●				●
Paul Candland Independent Outside Director	Nominating Committee Compensation Committee	Having been involved in management as the person responsible for the Asian region and the Japanese firms of a global entertainment company, Mr. Paul Candland has a wealth of experience and achievements alongside broad insight as a corporate officer as well as broad knowledge of brand and marketing. Since assuming the position of Outside Director of the Company in June 2019, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and PMC Partners Co., Ltd. or Age of Learning, Inc., where Mr. Paul Candland serves as representative, and neither party is classified as a major shareholder of the other.	Board of Directors: 12/12 (100%) Nominating Committee: 3/3 (100%) Compensation Committee: 4/4 (100%)	●					●	●
Hiromichi Shinohara Independent Outside Director	Nominating Committee Compensation Committee	Having been involved in management as a Representative Director of one of the largest communications and ICT companies in Japan, Mr. Hiromichi Shinohara has a wealth of experience and achievements alongside broad insight as a corporate officer. He also has wide-ranging and in-depth knowledge of communications systems and electronics. He has been appointed as a director on expectations that he will help strengthen the oversight function of the Board of Directors through these achievements and insights., etc. There are no significant transaction relationships* between the Company and NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), where Mr. Hiromichi Shinohara serves as a director, and neither party is classified as a major shareholder of the other. * The amount of transactions between the Company and NTT is less than 0.3% of consolidated net sales of either of the two companies.	—	●			●	●		●
Naoko Yoshizawa Independent Outside Director	Audit Committee	Having been involved in management as an executive officer of one of the largest electronics and ICT companies in Japan and as the CEO of its overseas group company, Ms. Naoko Yoshizawa has a wealth of experience and achievements alongside broad insight as a corporate officer. She also has a high degree of expertise in digital and AI technologies. She has been appointed as a director on expectations that she will help strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and knowledge piece Inc., where Ms. Naoko Yoshizawa serves as a director, and neither party is classified as a major shareholder of the other.	—	●			●	●		●

Note: The Company has submitted notification to the Tokyo Stock Exchange to designate Taku Fukui, Yoshihiro Hidaka, Mikio Fujitsuka, Paul Candland, Hiromichi Shinohara, and Naoko Yoshizawa as Independent Directors as described in the provisions set forth by the Tokyo Stock Exchange.

EXECUTIVE OFFICERS, OPERATING OFFICERS, AND AUDIT OFFICERS

(As of June 25, 2021)

President and Representative Executive Officer

Takuya Nakata
Executive General Manager of Musical Instruments Business Unit

Please refer to page 78 for career summary.

Managing Executive Officers

Shinobu Kawase
Executive General Manager of Musical Instruments & Audio Products Production Unit and Audio Products Business Unit

1983	Joined the Company
2004	President of Yamaha Fine Technologies Co., Ltd.
2011	General Manager of Wind, String & Percussion Instruments Division
2013	General Manager of Acoustic Musical Instruments Production Division, Musical Instruments & Audio Products Production Unit
2014	Executive Officer
2015	Senior Executive Officer Executive General Manager of Musical Instruments & Audio Products Production Unit (to the present)
2016	Managing Executive Officer
2017	Managing Executive Officer (to the present)
2020	Executive General Manager of Audio Products Business Unit (to the present)

Satoshi Yamahata
Executive General Manager of Corporate Management Unit and Human Resources and General Administration Unit

Please refer to page 78 for career summary.

Executive Officers

Shigeki Fujii
Executive General Manager of IMC Business Unit and Technology Unit

1983	Joined the Company
2005	General Manager of Advanced System Division Center
2009	General Manager of Semiconductor Division
2013	Executive Officer Executive General Manager of IMC Business Unit (to the present)
2015	Senior Executive Officer
2017	Executive Officer (to the present)
2018	Executive General Manager of Technology Unit (to the present)

Seiichi Yamaguchi
Executive General Manager of Musical Instruments & Audio Products Sales Unit

1985	Joined the Company
2006	Director and President of Yamaha Scandinavia AB
2010	Chairman and President of Yamaha Music & Electronics (China) Co., Ltd.
2013	Executive Officer
2014	General Manager of Business Planning Division, Musical Instruments & Audio Products Sales & Marketing Unit
2015	Executive General Manager of Service Business Unit
2016	Senior Executive Officer
2017	Executive General Manager of Musical Instruments & Audio Products Sales Unit (to the present) Executive Officer (to the present)

Operating Officers

Shinichi Takenaga
Deputy Executive General Manager of Audio Products Business Unit

Masato Oshiki
President of Yamaha Music Japan Co., Ltd.

Thomas Sumner
President of Yamaha Corporation of America

Naoya Tetsumura
Deputy Executive General Manager of Musical Instruments & Audio Products Production Unit

Taro Tokuhiro
Executive General Manager of Operations Unit

Hiroko Ohmura
Executive General Manager of Brand Development Unit

Yutaka Matsuki
Senior General Manager of Piano Division, Musical Instruments Business Unit

Hirofumi Yamashita
Senior General Manager of Corporate Planning Division of Corporate Management Unit

Atsushi Yamaura
Senior General Manager of Digital Musical Instruments Division, Musical Instruments Business Unit

Audit Officers

Hirofumi Mukaino
Senior General Manager of Internal Auditing Division

Yasushi Nishiyama
Senior General Manager of Audit Committee's Office

MESSAGE FROM AN OUTSIDE DIRECTOR

Mikio Fujitsuka
Independent Outside Director

Career Summary

Mr. Mikio Fujitsuka has held positions as General Manager of the Corporate Planning Department and CFO at Komatsu Ltd., a major Japanese global construction equipment manufacturer, and was even involved in management as an Executive Vice President and Representative Director. He has been serving as an outside director with the Company since June 2019.

Major Concurrent Position

- Outside Corporate Auditor of Mitsui Chemicals, Inc.

Ongoing Growth Achieved by Utilizing Strengths and Overcoming Weaknesses

Impression of Yamaha When Viewed from a Specialist Perspective

Yamaha's strengths can be seen in the solid position of the Yamaha brand, which is founded on the Company's core products boasting superior profitability and market shares. Another characteristic of Yamaha is that the human resources who were involved in various business fields back when the Company was engaged in diversified businesses are now driving the growth of businesses in different fields. Yamaha employees are diligent and adaptable, and I also have praise for Yamaha's decisiveness, as seen in its active appointment of talented individuals to new business fields.

Conversely, Yamaha's employees seem to be more reserved than those of other Japanese companies. I therefore hope that employees will find a way to break out of their own shells. In terms of corporate governance, Yamaha has been enhancing its systems to accommodate the evolution of its business from a domestic affair to a global enterprise. Even with these advancements, it is important to remember that there is no endpoint to the enhancement of governance. A company must always pursue new pinnacles of governance, and this is more true today than ever.

Advancements Necessary for Improving Corporate Value and Achieving Ongoing Growth

If a company hopes to achieve ongoing growth, it is imperative for it to practice constant self-analysis in order to build upon its strengths and overcome its weaknesses. Yamaha has proceeded to revise its organizations and business domains through selection and concentration. However, the Company must not become complacent with its success thus far, but should rather continue to evolve in this fashion. In pursuing such evolution, it will be important for Yamaha to evaluate the areas in which it can capitalize on its existing strengths and exercise its competitiveness when it seeks to start new business with its eyes looking five to 10 years down the line.

Luckily, Yamaha currently has an incredibly strong balance sheet, no doubt a product of constant effort on the part of its forebears. Finding an outlet for exercising this financial competitiveness will be an important area of consideration going forward. I also hope to the see the Company engaged in more substantive discussion on how best to conduct forward-looking growth and strategic investments while striking a balance with shareholder returns.

Yamaha's Mission and Future Expectations

Yamaha's business consists of music instruments, audio equipment, golf products, and resorts, and could thus be called an entertainment business based on a broad definition. The role, the mission, of an entertainment business is to bring joy to people around the world. When I see the joy in the eyes of children attending Yamaha's music schools across the globe, I cannot help but feel that the ongoing development of this business, which brings joy and enriches lives, will contribute to the accomplishment of the SDGs. Of course, one cannot deny the importance of generating profit in the short term. However, the increased social emphasis on sustainability has created a need for companies to focus on both long-term profitability and the resolution of social issues. There may be times when this approach places downward pressure on short-term earnings, but I believe that it is the responsibility of Yamaha's management to commit itself to a sustainability-minded approach with a sense of decisiveness shaped by an understanding of the future growth potential of its businesses and Yamaha's role and mission.

As an outside director and a member of the Audit Committee, I look to identity obstacles to Yamaha's ongoing growth as well as means of removing these obstacles while also helping drive the enhancement of corporate governance.

Changes in Corporate Governance

Yamaha views corporate governance as fundamental for improving the quality of overall management, and as an essential aspect of sustainable development for a corporation. Furthermore, the Company is aware of the need to constantly reform and improve corporate governance systems once they have been put into place.

Yamaha has consistently taken steps to strengthen corporate governance, such as introducing an operating officer system in 2001; appointing an outside director and establishing the nominating and compensation committees on a voluntary basis in 2003; reducing the number of inside directors and appointing multiple outside directors in 2010; and formulating the Corporate Governance Policies in 2015. In addition, in June 2017 the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure and appointed its first female independent outside director; in June 2019 the Company appointed its first foreign national as an independent outside director; and in April 2020 the Company established the new position of audit officer.

Consolidated Core Operating Profit Ratio (Operating Income Ratio) and Reinforcement of Corporate Governance

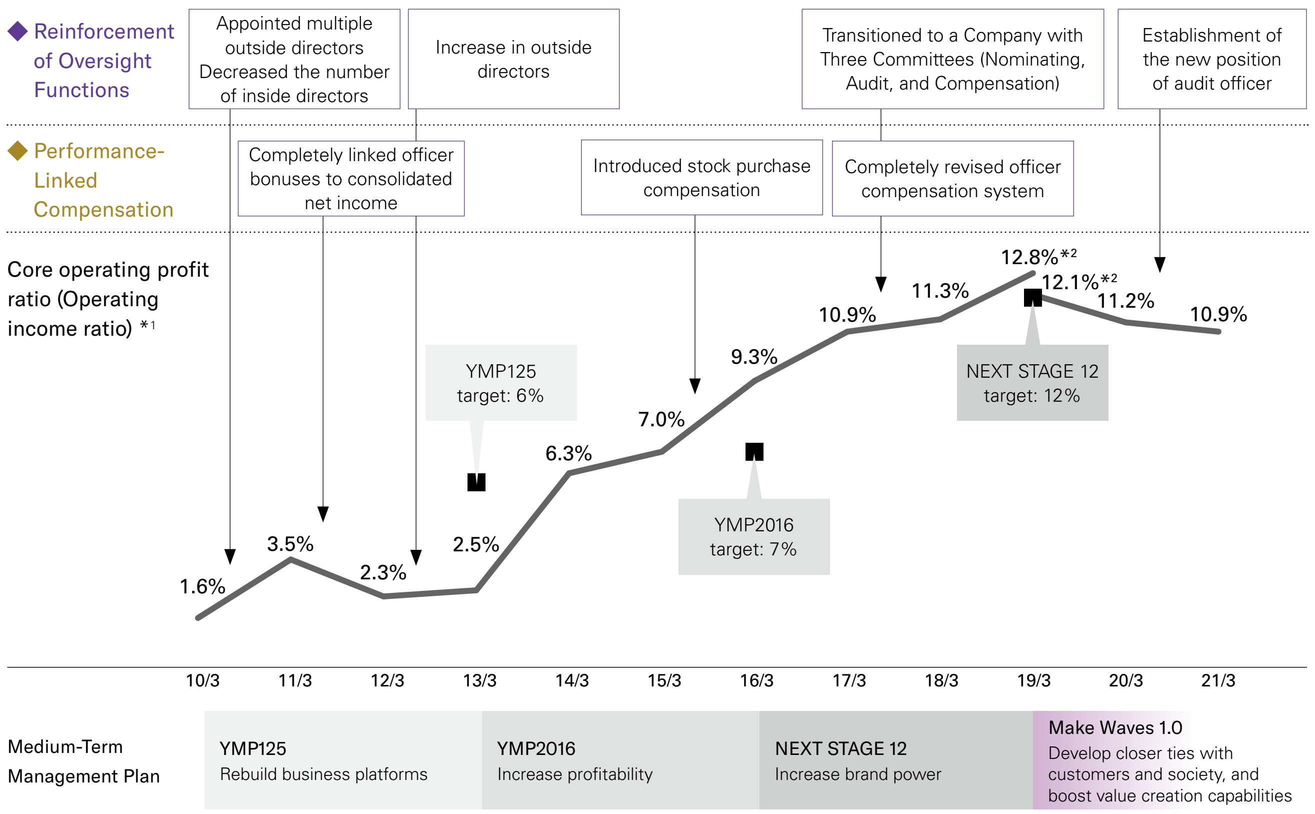
Yamaha continues to strengthen and improve the effectiveness of its corporate governance system. Backed by strong oversight functions and incentives, the Company has continued to increase profitability by executing its medium-term management plans with a sense of urgency since fiscal 2010.

Reinforcement of Oversight Functions

In a bid to accelerate management, the Company has separated functions for business oversight and execution. Yamaha has reinforced oversight functions by increasing the ratio of independent outside directors. As of June 25, 2021, independent outside directors comprised three-fourth of the members on the Board of Directors (please see Ratio of Outside Directors to the right).

Initiatives for Separating the Oversight and Executive Functions

The Board of Directors determines important matters—such as basic management policies—required by laws and ordinances, the articles of incorporation, and the rules of the Board of Directors. Authority for important decisions pertaining to business execution is delegated to executive officers from the Board of Directors, and matters related to these decisions that must be reported to the Board of Directors are defined by the rules of the Board of Directors. By adhering to these rules and requiring related procedures and approvals to be conducted in a rational manner, the Board of Directors exercises its oversight function. Executive officers regularly report on the status of business execution to the Board of Directors, and the Board of Directors oversees business execution by executive officers. The Audit Committee audits the execution of duties by directors and executive officers based on audit standards and audit plans. To ensure that executive officers, operating officers, and audit officers are able to perform their duties efficiently, the Company has established rules for these officers and provisions for this purpose are included in the rules for the Managing Council.



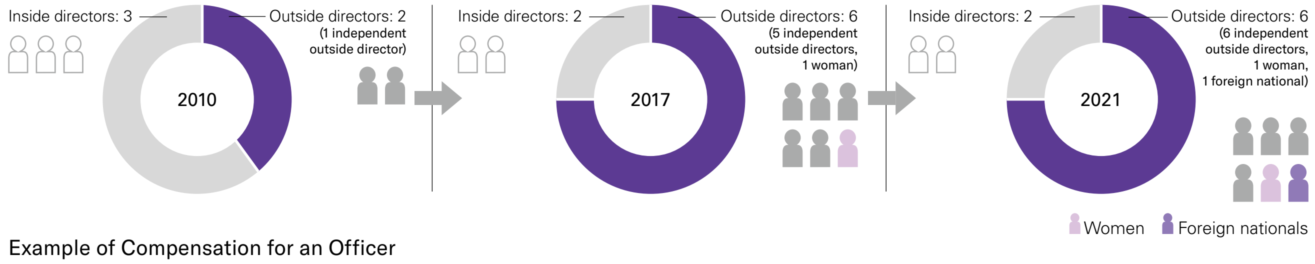
*1 Calculated based on J-GAAP standards up until fiscal 2019; calculated based on IFRS from fiscal 2020 forward
*2 12.8% under J-GAAP and 12.1% under IFRS in fiscal 2019

Performance-Linked Compensation

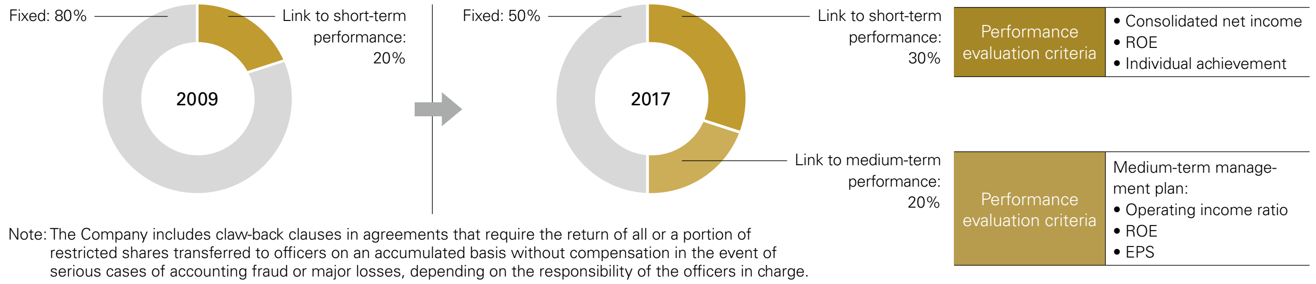
In 2017, Yamaha increased the ratio of performance-linked compensation for directors responsible for business execution and executive officers after completely revising the officer compensation system with the objective of aligning the values of management with shareholders and providing sound incentives that link the compensation system to enhancements in corporate value over the medium and long term while sustaining growth (please see Example of Compensation for an Officer below).

For information on compensation systems, please refer to page 88.

Ratio of Outside Directors

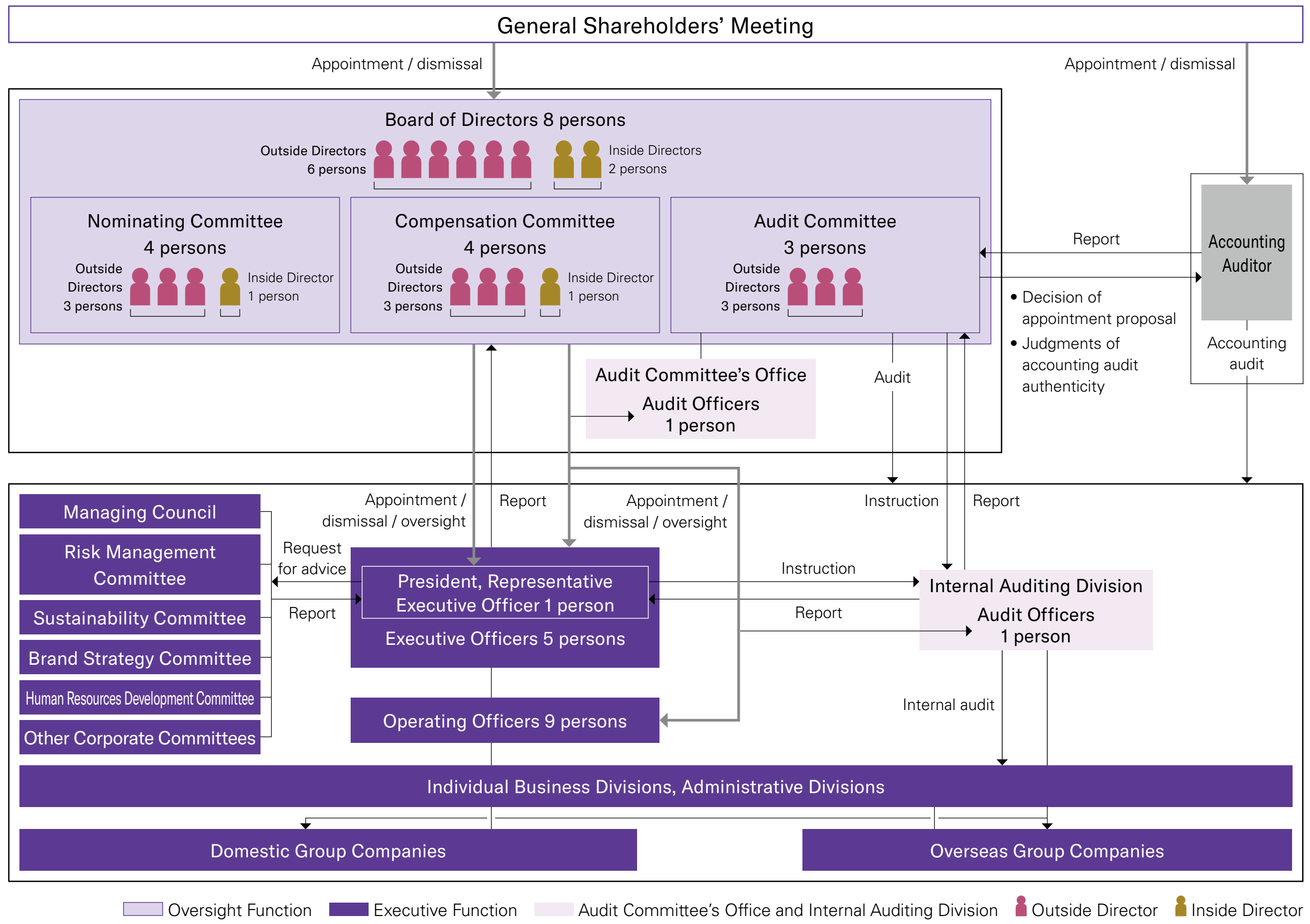


Example of Compensation for an Officer



Note: The Company includes claw-back clauses in agreements that require the return of all or a portion of restricted shares transferred to officers on an accumulated basis without compensation in the event of serious cases of accounting fraud or major losses, depending on the responsibility of the officers in charge.

Corporate Governance Structure (As of June 25, 2021)



Basic Policies for Corporate Governance

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

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

Basic Policies for Corporate Governance

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

Effectiveness of the Board of Directors

Analyzing and Evaluating the Effectiveness of the Board of Directors

The Company seeks to improve the functionality of the Board of Directors by analyzing and evaluating its effectiveness and receiving assessments from external experts with regard to efforts to improve the issues identified through this process.

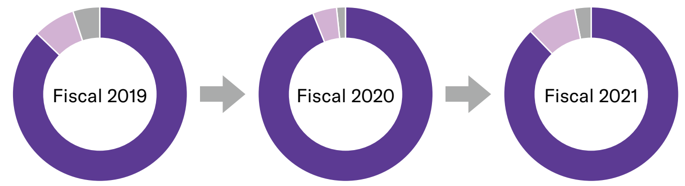
Evaluation Process

Surveys
▼
Individual interviews
▼
Improvement of issues identified through evaluation and analysis
Report on results and improvement directives
▼
Disclosure of evaluation results

Issues Identified in Evaluation of Effectiveness and Improvement Initiatives

Area	Fiscal 2021		Fiscal 2022	
	Issue	Response	Issue	Direction for Future Initiatives
Discussions	Discussions regarding long-term management strategies	• Discussions regarding medium- to long-term goals, policies, and action plans pertaining to areas such as management vision and sustainability and reflection of discussions in management policies and strategies • Regular monitoring of Companywide measures for improving corporate value	• Discussions regarding long-term management strategies (ongoing) • **Discussions regarding ESG initiatives and related communication**	• Discussions regarding items requiring examination by the Board of Directors and provision of opportunities for intensive discussion (director retreats, etc.) • Reports to the Sustainability Committee
Succession	Oversight of succession plans for representative executive officer and other officers by the Board of Directors	• Succession process progress monitoring and regular reports by the Nominating Committee • Provision of forums for exchanges between outside directors and heads of core divisions	• Oversight of succession plans for representative executive officer and other officers by the Board of Directors (ongoing) • **Discussions regarding succession plans for outside directors** • **Exchanges between internal officer candidates**	• Ongoing discussions regarding succession plans by the Nominating Committee • Reports from the Nominating Committee to and related discussions by the Board of Directors • Arrangement of opportunities for exchanges between outside directors and junior employees, future leaders, and directors
Proceedings	Stimulation of brisk discussion among directors	• Direction of meetings with emphasis on increasing opportunities for input from directors and executive officers • Provision of materials related to Board of Directors' meetings three days in advance in principle	• Stimulation of brisk discussions among directors (ongoing)	Agenda management emphasizing brisk discussion and improvement of awareness among meeting attendees
Structure	Separation of role of chairman of the Board of Directors and president	• Meeting proceedings accounting for differences between roles of the chairman of the Board of Directors and the president (executive function)	• Separation of roles of the chairman of the Board of Directors and the president (ongoing) • **Member numbers and compositions of the Board of Directors and committees**	• Examination of possible improvement measures in conjunction with progress of succession plans for representative executive officer and other officers • Increase in number of outside directors by one and elimination of directors holding concurrent positions on the Audit Committee and other committees under new structure (implemented on June 24, 2021)
Risks	• Improvement of awareness regarding compliance helplines • Enhancement of internal audits at overseas subsidiaries	• Enhancement of compliance helpline systems and structures and bolstering of Groupwide information provision • Promotion of improvements in line with Group Internal Audit Policies & Rules and execution plans	• Improvement of awareness regarding compliance helplines and proactive communication of negative news (ongoing) • Enhancement of internal audits at overseas subsidiaries (ongoing)	• Swift resolution of issues reported through helplines and other improvements to helpline implementation • Improvement of awareness regarding internal audits • Ongoing communication using Companywide meetings and other venues • Development of open organizational culture (communication activities, etc.) • Enhancement of internal audit systems of Group companies

Results of Evaluation of Effectiveness of the Board of Directors (Surveys)



	Fiscal 2019	Fiscal 2020	Fiscal 2021
Items receiving positive evaluation in more than 75% of responses	55	62	58
Items receiving positive evaluation in between 51% and 74% of responses	6	3	6
Items receiving positive evaluation in less than 50% of responses	3	1	2

Summary of the Evaluation

- The reformed corporate governance system has become entrenched in the Company, and the system is functioning under the Company with Three Committees (Nominating, Audit, and Compensation) structure.
- Oversight of the management team from an independent and objective standpoint is conducted in a highly effective manner.
- Sincere and constructive discussions are being held with regard to major management issues.
- The Audit Committee has been positively evaluated for effectively utilizing the newly appointed audit officers.
- For further improvement, management issues were raised regarding discussions on the direction of long-term management, enhancement of internal audit systems at overseas Group companies, and the need to develop an open organizational culture.

Oversight Function

Nominating Committee

The Nominating Committee decides on the content of proposals regarding the appointment and dismissal of directors, which are submitted at the General Shareholders' Meeting. The committee also determines the content of proposals for the appointment and dismissal of executive officers, operating officers, and audit officers, which are submitted to the Board of Directors. The Nominating Committee also implements succession plans for the representative executive officer and other officers through the development of human resources to serve as directors, executive officers, operating officers, and audit officers.

Process and Standards for Selecting Officers, etc.

Regarding the selection of candidates for director positions, the Nominating Committee screens candidates for director positions based on the basic qualifications desirable for the roles, in addition to personnel requirements, taking into account their competencies, experiences, and achievements. Another factor taken into account in the selection of candidates is the Company's skill matrix, which indicates the areas of specialty required to advance management strategies. The Nominating Committee also composes the nomination proposals submitted to the General Shareholders' Meeting.

Regarding the selection of members and heads of the Nominating, Audit, and Compensation committees, the Nominating Committee screens candidates based on personnel requirements defined by the role of the committee, and decides the content of nomination proposals submitted to the Board of Directors. The Nominating Committee elicits the opinions of the Audit Committee before selecting candidates for members and the head of the Audit Committee.

The Nominating Committee screens candidates for executive officer positions based on the basic qualifications desirable for the role, in addition to personnel requirements, taking into account their competencies, experiences, and achievements. The Nominating Committee also composes the nomination proposals submitted to the Board of Directors.

The Nominating Committee screens candidates for operating officer and audit officer positions based on personnel requirements defined by the role they are expected to perform. The Nominating Committee also composes the nomination proposals submitted to the Board of Directors. Input is solicited from the Audit Committee prior to nominating audit officers.

Succession Plans for Representative Executive Officer and Other Officers

After defining systems and personnel requirements, the Nominating Committee follows a personnel selection, evaluation, and development process for determining successor candidates.

From an early stage, Yamaha ensures there is adequate time and opportunities to carry out succession plans, by having the Nominating Committee advise on the screening of successor candidates and conduct interviews for the appointment of executive officers and candidates for executive officer positions. Meanwhile, at a preliminary stage, the Human Resources Development Committee maintains career development programs for core personnel and sets ups venues for candidates to present their ideas to the Board of Directors and other entities.

Major Initiatives in Fiscal 2021

- Implementation of succession plans for the representative executive officer and other officers
- Decision of new executive team, etc.
- Revision of officer personnel requirements, etc.

Corporate Governance

Compensation Committee

The Compensation Committee has formulated the policy for determining director, executive officer, operating officer, and audit officer compensation and decides on individual compensation amounts based on this policy.

Compensation System

The compensation of directors, excluding outside directors, and compensation of executive officers consists of (1) fixed compensation, (2) performance-linked bonuses, and (3) restricted stock compensation. The approximate breakdown of total compensation of (1), (2), and (3) is 5:3:2.

(1) Fixed compensation is monetary compensation according to job titles and is paid monthly.

(2) Performance-linked bonuses are monetary compensation paid according to job titles that is linked with consolidated profit for the period and ROE for the given fiscal year and will be calculated, reflecting the individual's record of performance, in order to motivate individuals to contribute to enhancement of the Company's performance. These bonuses are paid after the completion of the applicable fiscal year. The individual's performance will be evaluated based on indicators of performance set by business and function in each area the individual is responsible for.

(3) Restricted stock compensation is share-based compensation according to job titles and is provided at the launch of each medium-term management plan with the intent of motivating directors and executive officers to enhance corporate value sustainably and having them share a common interest with shareholders. In order to motivate directors and executive officers to achieve the Company's medium-term performance targets, one-third of restricted stock compensation is paid under the condition that an individual remains in the service of the Company for a certain period and two-thirds of restricted stock compensation is linked to the Company's performance. Performance criteria gives equal weight to the core operating profit ratio, ROE, and EPS, which are contained in the medium-term management plan. For the purpose of aligning the interests of the corporate officers with those of the shareholders over a long period after the end of the medium-term management plan, restrictions on the transfer of stock cannot be lifted until the corporate officer retires or for 30 years from the receipt of restricted stock compensation. Furthermore, in the event of serious cases of accounting fraud or major losses during this period, depending on the responsibility of the officers in charge, a claw-back clause is included that will require the return of all or a portion of restricted shares transferred to officers on an accumulated basis to date.

(4) Outside directors only receive fixed compensation.

Performance-Linked Bonuses

Consolidated profit for the period and ROE for the current fiscal year, which are indicators used for performance-linked bonuses, were ¥26.6 billion and 7.4%, respectively.

Restricted Stock Compensation

The financial targets of the Make Waves 1.0 medium-term management plan—core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270 in fiscal 2022—are used as indicators for determining performance-linked compensation. In fiscal 2021, core operating profit ratio was 10.9%, ROE was 7.4%, and EPS was ¥151.39.

Major Initiatives in Fiscal 2021

- Decision of individual compensation amounts, etc.

Audit Committee

The Audit Committee, either working in collaboration with the Internal Auditing Division or directly on its own, audits the structure and operation of the internal control systems of the Company and other Group companies. Based on the results of these audits, the Audit Committee conducts audits to determine the legality and appropriateness of the conduct of duties by the executive officers and directors.

When deemed necessary, members of the Audit Committee report or express their opinions to the Board of Directors, or may issue cease and desist orders to executive officers and/or directors. In addition, the Audit Committee may decide on proposals to be considered in the General Shareholders' Meeting, including the selection / dismissal of the accounting auditor.

Securing the Effectiveness of the Audit Committee

To assist the committee with its work, the Audit Committee's Office has been established as a full-time organization under the direct jurisdiction of the Audit Committee. The Audit Committee instructs the head of the Audit Committee's Office to attend important meetings to voice opinions, in addition to gathering and assessing information within the Company. To ensure the Audit Committee's Office's independence from the executive officers and other people responsible for business execution, the approval of the Audit Committee is required for personnel evaluations, personnel reassignments, and disciplinary actions for the Audit Committee's Office's personnel.

When it deems necessary, the Audit Committee enlists the help of external experts to perform audits.

The president and representative executive officer promotes continuous improvements in the maintenance and operation of internal control systems while periodically exchanging opinions with the Audit Committee.

Collaboration between the Accounting Auditor and the Internal Auditing Division

In regard to items necessary in auditing the conduct of duties by the executive officers and directors, the Audit Committee has secured a system that facilitates the implementation of sufficient and appropriate audits, including collaboration and sharing information with the accounting auditor and the Internal Auditing Division. The Audit Committee works to improve audit quality and to realize efficient audits. The Audit Committee is allowed to provide instructions regarding audits of the Internal Auditing Division when necessary. In the event that instructions provided to the Internal Auditing Division by the Audit Committee conflict with instructions provided by the president and representative executive officer, the instructions of the Audit Committee will take precedence. In regard to the general manager reassignment of the Internal Auditing Division, the opinions of the Audit Committee will be heard in advance.

The Internal Auditing Division must report to the Audit Committee when asked, in addition to submitting periodic and timely reports on the outcomes of their audits to the Audit Committee.

Major Initiatives in Fiscal 2021

- Interviews of and exchanges of opinions with the president
- Interviews of executive officers and operating officers
- Receipt of reports from the Internal Auditing Division and the Audit Committee's Office
- Audit planning and review report meetings with accounting auditor, etc.

Audit Officers

Audit officers are responsible for audits of Yamaha Group companies as members of the management team of positions equivalent to operating officers (please see page 91).

Executive Function

Representative Executive Officer

The representative executive officer represents the Company as the chief executive for Company matters and is in overall charge of business under the basic policies set by the Board of Directors.

Executive Officers

The executive officers are responsible for the execution of business. With a Companywide perspective, they make important decisions on matters related to the execution of business matters that have been delegated to them by the Board of Directors, and they implement business execution, subject to the oversight of the Board of Directors.

To develop frameworks for ensuring the efficient execution of business by executive officers, the Company establishes regulations on organizations, divisions of authority, and other business execution-related matters and clarifies the authority and responsibilities of executive officers, the appropriate delegation of authority, the missions of Company divisions and subsidiaries, and chains of command. These provisions are meant to expedite business execution and improve managerial efficiency. In addition, the Company has established the Managing Council as an advisory body to the president and representative executive officer. Reports on discussions at council meetings pertaining to matters such as important business execution decisions are submitted to the president and representative executive officer. Furthermore, Groupwide targets are set, performance is evaluated, and an administrative management system has been implemented to facilitate swift management decisions and risk management.

Managing Council

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

Breakdown of Compensation (Fiscal 2021)

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)			Number of People
		Fixed compensation	Performance-linked bonuses	Compensation in the form of restricted stock	
Directors	67	67	—	—	6
(Including outside directors)	(67)	(67)	(—)	(—)	(6)
Executive Officers	451	224	85	141	6

Notes:
1. The above numbers include a director who retired at the conclusion of the 196th Ordinary General Shareholders' Meeting held on June 23, 2020.
2. The total amount of compensation, etc., paid to the executive officers concurrently serving as directors is described in the section for executive officers.
3. All shares to be allocated as restricted stock compensation were issued in fiscal 2020, the first year of the medium-term management plan, and no shares were issued in fiscal 2021. Above compensation amounts are accounting-use figures that allocate the amounts of restricted stock compensation across the three-year period of the medium-term management plan.

Key Activities of Outside Directors (Fiscal 2021)

Name		Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
	No. of meetings held	12 times	3 times	15 times	4 times
Yoshimi Nakajima*1	Number of attendances	11 times	3 times	15 times	3 times
	Attendance rate*2	91.66%	100%	100%	100%
Taku Fukui	Number of attendances	12 times	—	15 times	—
	Attendance rate*2	100%	—	100%	—
Yoshihiro Hidaka	Number of attendances	12 times	3 times	—	4 times
	Attendance rate*2	100%	100%	—	100%
Mikio Fujitsuka	Number of attendances	12 times	—	15 times	—
	Attendance rate*2	100%	—	100%	—
Paul Candland	Number of attendances	12 times	3 times	—	4 times
	Attendance rate*2	100%	100%	—	100%

*1 Retired at the end of her term as of the conclusion of the 197th Ordinary General Shareholders' Meeting held on June 24, 2021
*2 The denominator for the attendance rate is the total number of meetings held during the period in which each person was in office.

Corporate Committees

Corporate committees act as advisory bodies to the president and representative executive officer. These committees discuss policies regarding pertinent themes requiring ongoing action and examination from a Companywide and management-level perspective and report to the president on these matters. The following are some of the Company's major committees.

Risk Management Committee

The Risk Management Committee is an advisory body to the president and representative executive offer. The committee discusses risk management-related matters from a Companywide perspective and reports its findings to the president.

Sustainability Committee

The Sustainability Committee is an advisory body to the president and representative executive officer. The committee discusses sustainability promotion-related matters from a Companywide perspective and reports its findings to the president.

Brand Strategy Committee

The Brand Strategy Committee is an advisory body to the president and representative executive officer. The committee discusses strategic brand value improvement-related matters from a Companywide perspective and reports its findings to the president.

Human Resources Development Committee

The Human Resources Development Committee is an advisory body to the president and representative executive officer. The committee discusses development of managerial talent-related matters from a Companywide perspective and reports its findings to the president.

Working Group for Gender Equality

The Working Group for Gender Equality has been established under the Human Resources Development Committee. The working group plans and promotes initiatives to enhance corporate value by improving diversity at the managerial level through the strategic, focused, and continuous development and creation of female leaders.

For more information on corporate committees, please refer to the Company's corporate governance report.
https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Operating Officers

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

Internal Control System, Internal Audits, and Accounting Audits

Internal Control System

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

For further information about the internal control system, please refer to the Company's corporate governance report.
https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Internal Audits

Yamaha established the Internal Auditing Division (staffed by 19 people as of June 25, 2021) under the direct control of the president. The division's role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company and Group companies, from the standpoint of legality, effectiveness, and efficiency. Based on the results of these examinations and evaluations, the division provides information and offers advice and proposals for improvement.

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

Accounting Auditor

Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor, and certified public accountants Toshikatsu Sekiguchi, Toshiyuki Matsuura, and Shuji Okamoto from Ernst & Young ShinNihon conduct the accounting audits of the Company. Ernst & Young ShinNihon has voluntarily adopted a rotating system for its managing partners in order to ensure that the number of continuous years of auditing service does not exceed a fixed period of time. A total of 10 certified public accountants and 32 other staff assist with the audit work.

Policy and Reasoning Behind Selection of Accounting Auditor

The Company's Audit Committee has appointed Ernst & Young ShinNihon as its accounting auditor, in continuation from fiscal 2020, as a result of its examination based on the following policy for deciding whether to dismiss or not reappoint the accounting auditor.

- Policy for Deciding Whether to Dismiss or Not Reappoint Accounting Auditor

Reason for Establishment of New Position of Audit Officer

One of Yamaha's basic corporate governance policies is to ensure that the Board of Directors is highly effective by separating the oversight and executive functions and strengthening the oversight function.

Strengthening the oversight function requires the reinforcement of the audit function, which is a component of the oversight function. The Company has implemented a number of initiatives for this purpose. For example, we improved the objectivity of the Audit Committee by transitioning to a membership completely comprised of independent outside directors. We also bolstered the systems of the Audit Committee's Office, a dedicated support organization that acts based on the direction of the Audit Committee and works with the committee in its daily activities, to ensure that the committee is effective. Furthermore, the Company's internal audit system was reinforced to conduct the audits that serve as a third line of defense against risks based on the needs of the executive team and a system was developed to allow for internal audits to be relied upon for audits with the same scope as those by the Audit Committee. Finally, frameworks for closer coordination between the Audit Committee, the Audit Committee's Office, and the Internal Auditing Division were established.

Based on the progress of these initiatives, we established the new position of audit officer, which differs from executive officer and operating officer, in April 2020. The goals of this move included pursuing ongoing improvements to the independence and objectivity of the oversight function. This move was also meant to revise the team of internal officers responsible for audits to complement the information-gathering capabilities of the Audit Committee given the deficiency created by lack of a full-time Audit Committee member from within the Company and thereby separate these officers from the executive function. The positions of senior general manager of the Audit Committee's Office and senior general manager of the Internal Auditing Division have been entrusted to audit officers.

Audit officers fulfill their duties in the respective audit divisions while closely coordinating with the accounting auditor to maintain a multifaceted understanding of Group activities in order to facilitate overall increases in audit effectiveness and efficiency.

Message from the Senior General Manager of the Internal Auditing Division

We conduct internal audits of all processes throughout the Yamaha Group. Steps are taken to verify the appropriateness of our processes from an independent, objective standpoint, and the results of audits are reported to the president and representative executive officer. Should an issue be detected, improvements will be requested of the relevant divisions, and these improvement activities are monitored until completion in order to mitigate risks. In addition, accurate and concise reports are issued to the Audit Committee to deepen the understanding of Audit Committee members with regard to the risks faced by Yamaha so that we can receive more pertinent advice.

As the senior general manager of the Internal Auditing Division, I aim to ensure that the division is unparalleled in strength. Specific objectives that I am pursuing with this regard include encouraging team members to always think and evolve, bolstering the fundamental audit skills of all team members, fostering talented individuals, and invigorating the division by enhancing the comprehensive capabilities emerging from our diverse team.

In fiscal 2022, important areas for initiatives will include the systematic digital transformation of Companywide risk management verification and audit activities, development of global internal audit systems, and improvement in efficiency of activities based on Japanese auditing laws. I also plan to advance preparations for audits that will support Yamaha in contributing to the accomplishment of the SDGs, which will be an important element of the next medium-term management plan.

Hirofumi Mukaino
Audit Officer
Senior General Manager of Internal Auditing Division

The Company's Audit Committee will dismiss the accounting auditor by mutual consent of all members of the committee in the event that one of the items in Article 340 (1) of the Companies Act applies to the accounting auditor. The Audit Committee determines the content of proposals regarding the dismissal or non-reappointment of the accounting auditor submitted to the General Shareholders' Meeting in the event that it is deemed necessary to change the accounting auditor, for reasons such as the accounting auditor being impeded in performing its duties based on a comprehensive analysis of the accounting auditor's qualifications, specializations, independence from the Company, and other evaluation criteria.

Evaluation of Accounting Auditor by the Audit Committee

The Company's Audit Committee assesses the accounting auditor.

The Audit Committee deliberates and conducts a comprehensive evaluation based on committee members' assessments of the accounting auditor's qualifications, specializations, independence from the Company and other evaluation criteria, with due consideration paid to the state of direct communications between the Audit Committee and the accounting auditor, and reports by audited divisions about the audits conducted by the accounting auditor.

Initiatives to Engage in Dialogue with Shareholders and Investors

In order to have constructive dialogue with shareholders and investors, the Board of Directors appoints a director in charge of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other internal and outside directors, executive officers, or operating officers will appear in person to explain matters such as the capital policy, the medium-term management plan, and related progress to shareholders or investors in a clear and easy-to-understand manner.

The Legal Division, IR Department, and Corporate Finance Division cooperate and assist the director in charge to ensure that dialogue with shareholders and investors is conducted in a reasonable and orderly manner.

In addition to the respective dialogue with shareholders and investors, the Company gives presentations on its medium-term management plan and quarterly earnings, as well as business briefings, facilities tours, and presentations for private investors. Presentation materials for business plans, results briefings, and others are always available on our corporate website. The results of dialogues with shareholders and investors are reported to the Board of Directors by the director in charge, executive officers, or operating officers on a timely basis, and they are appropriately reflected in the management of the Company, leading to the Group's sustainable growth and enhancing corporate value over the medium to long term. Additionally, the voting is analyzed for each resolution at the Ordinary General Shareholders' Meeting, and this is reported to the Board of Directors.

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

Major IR Activities

Major IR activities in fiscal 2021 were as follows.

General Shareholders' Meetings

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

Items Voted On at the Ordinary General Shareholders' Meeting

The following items were voted on at the 197th Ordinary General Shareholders' Meeting held on June 24, 2021.

Major IR Activities (Fiscal 2021)

Target	Activity	Frequency	Content
For shareholders, analysts, and institutional investors	Financial results briefings	4 times	Quarterly briefings by the president and relevant officers
	Small meetings	3 times	Meetings with the president and relevant officers
	Management meetings	28 times	Individual meetings with the president and relevant officers
	One-on-one interviews	250 times	IR interviews with the IR team
For private investors	Company briefings for private investors	1 time	Online company briefings
Other IR activities	Promotional activities targeting investors	Monthly	Website information updates, content enhancement, and registration campaigns

Note: Visits to investors by the president and relevant officers (in Japan, North America, Europe, and Asia) were halted in fiscal 2021 due to the COVID-19 pandemic.

Resolutions Made at 197th Ordinary General Shareholders' Meeting (held on June 24, 2021)

Proposal 1. Appropriation of Surplus

Proposal 2. Appointment of Eight Directors

Proposal	Number of Votes For	Number of Votes Against	Number of Abstained Votes	Approval Percentage	Results
Proposal 1. Appropriation of surplus	1,419,035	150,456	23	90.4	Approved
Proposal 2. Appointment of eight directors					
Takuya Nakata	1,479,287	90,735	23	94.2	Approved
Satoshi Yamahata	1,561,406	8,626	23	99.4	Approved
Taku Fukui	1,568,078	1,954	23	99.9	Approved
Yoshihiro Hidaka	1,438,053	131,969	23	91.6	Approved
Mikio Fujitsuka	1,568,052	1,980	23	99.9	Approved
Paul Candland	1,557,584	12,448	23	99.2	Approved
Hiromichi Shinohara	1,564,085	5,947	23	99.6	Approved
Naoko Yoshizawa	1,554,458	15,574	23	99.0	Approved

Note: Necessary conditions for the approval of each proposal were as follows:
- Proposal 1: Approval by a majority vote of shareholders in attendance
- Proposal 2: Attendance of shareholders holding one-third or more of the voting rights of the shareholders who can exercise their voting rights, and approval by a majority vote of the shareholders in attendance

Reason for not including some of the number of voting rights of the shareholders in attendance in the number of voting rights: By calculating the total of the number of voting rights exercised by the date immediately before the date of the meeting and the number of voting rights of some of the shareholders present, whose intentions regarding approval or disapproval of each proposal were confirmed, the necessary conditions for the approval of each proposal were satisfied and the resolutions were legally passed pursuant to the Companies Act. Therefore, among those shareholders in attendance on the day of the meeting, the calculation did not include the number of voting rights for which intentions regarding approval, disapproval, or abstention were not confirmed.

Basic Cross-Holdings Policy

It is Yamaha's basic policy to have cross-holdings only to the extent that this is reasonable because it contributes to the Company's sustainable growth and the enhancement of corporate value over the medium to long term. Reasonableness, from the standpoint of contributing to the Company's sustainable growth and long-term improvements in corporate value, is defined as cross-holdings that help maintain relationships with important partner companies, suppliers, and financial institutions, as well as those that enhance the Company's brand value, support sustainable growth, and reinforce its financial foundation.

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

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

Status of Shareholdings

For specified equity securities, all shareholdings as of March 31, 2021, are presented in the table below. On August 28, 2021, the Company sold 19,000,000 shares of stock in Yamaha Motor Co., Ltd., reducing its total holding in this company to 15,642,790 shares. Yamaha does not have any deemed shareholdings or investments in equity securities for pure investment purposes.

Investments in Equity Securities Held for Purposes Other than Pure Investment

	Stock in Unlisted Companies	Stock in Firms Other than Unlisted Companies
Number of companies and amount shown on balance sheet	34 companies ¥885 million	12 companies ¥110,060 million
Total amount of stock sold in fiscal 2021, pertaining to decreases in the number of companies / shares in which shareholdings were reduced	2 companies ¥15 million	7 companies ¥1,153 million
Total amount of stock acquired in fiscal 2021, pertaining to increases in the number of companies / shares in which shareholdings were increased	—	3 companies ¥1 million

Note: In fiscal 2021, the increase in the number of companies in which shareholdings were increased reflected share acquisitions for the purpose of gathering information about information provision methods, etc., for shareholders.

Number of Shares Held in Each Company for Specified Equity Securities and Amounts Shown on Balance Sheet (Listed Companies)

Security Name	No. of Shares as of March 31, 2020 Amount on Balance Sheet (Millions of yen)	No. of Shares as of March 31, 2021 Amount on Balance Sheet (Millions of yen)	Yamaha Ownership of Shares
Yamaha Motor Co., Ltd.*1	34,642,790 45,278	34,642,790 93,916	Yes
TOYOTA MOTOR CORPORATION*2	501,300 3,258	501,300 4,319	No
Audinate Group Limited*2	6,289,308 1,575	6,289,308 3,729	No
MS&AD Insurance Group Holdings, Inc.*3	1,218,623 3,686	1,048,423 3,406	Yes
The Shizuoka Bank, Ltd.*3	2,808,564 1,845	2,686,064 2,336	Yes
Sumitomo Mitsui Financial Group, Inc.*3	356,402 934	311,802 1,249	Yes
Mizuho Financial Group, Inc.*3*4	7,086,757 875	470,775 752	Yes
DAIICHIKOSHO CO., LTD.*2	50,000 144	50,000 214	No
Mitsubishi UFJ Financial Group, Inc.*3	226,480 91	226,480 134	Yes
FUJI SOFT INCORPORATED*5	— —	100 0	No
YASKAWA Electric Corporation*5	— —	100 0	No
Cybozu, Inc.*5	— —	100 0	No
HORIBA, Ltd.*5	100 0	— —	No
MonotaRO Co., Ltd.*5	100 0	— —	No
J. FRONT RETAILING Co., Ltd.*5	100 0	— —	No

Notes: "—" means no shares in the company are held.

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

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

*3 The Company holds the shares for the purpose of maintaining and continuing a smooth relationship with financial institutions.

*4 Mizuho Financial Group, Inc., performed a 10-for-1 reverse stock split of shares of common stock effective October 1, 2020.

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

Corporate Governance

Risk Management

The Yamaha Group is working to establish and enhance risk management promotion systems and frameworks to improve its capability to respond to risk and to implement sound, highly transparent management.

Basic Policies

The Yamaha Group practices risk management in accordance with the following basic policies.

1. We shall establish organizations and frameworks for risk management and work to enhance responsiveness to risk in order to maximize corporate value.
2. In risk management activities under normal circumstances, we shall identify, evaluate, and mitigate risks and conduct awareness-raising activities such as education and training to instill a greater awareness of and foster a greater sensitivity toward risks.
3. We shall prioritize people's safety when risks manifest themselves as crises and coordinate with local communities to ensure sincere, appropriate, and speedy responses to minimize adverse impacts. In addition, we shall strive to ensure the stable supply of products and services, continue business to the greatest extent possible, and contribute to the sustainable development of society.
4. After addressing risks, we shall analyze the reasons they occurred and how they were addressed in order to ensure they do not occur again.

Promotion System

Under the supervision of the Board of Directors, Yamaha Corporation has established the Risk Management Committee as an advisory body to the president and representative executive officer. The committee discusses risk management-related matters from a Companywide perspective and reports the results of these discussions to the president and representative executive officer. In addition, the Working Group for BCP and Disaster Prevention Management, Working Group for Financial Management, Working Group for Compliance, Working Group for Export Control, and Working Group for Information Security have been established under the Risk Management Committee. These working groups set activity policies and monitor activities related to important Companywide themes.

Please visit our corporate website for more information on risk management systems and the Risk Management Committee.
https://www.yamaha.com/en/csr/governance/risk_management/

Risk Management Initiatives

The Risk Management Committee categorizes the various risks identified in relation to the Yamaha Group's business into four categories: external environment risk, strategic risk, operational risk (business activities), and operational risk (support activities). The materiality of risks is assessed based on the projected scale of damages and frequency of materialization. In addition, the level of control is evaluated for each risk category, material risks requiring priority response are identified, and the divisions responsible for managing these risks are designated in order to promote risk mitigation activities and thereby improve overall risk control levels.

Categorization of Business Risks

Business strategy risk / Fundamental risk

External Environment Risk
- 1 Changes in the business environment
- 2 Changes in the business environment (Pandemic, etc.)
- 3 Nationwide conflict and disruption
- 4 Accident
- 5 Crime
- 6 Cyberattack
- 7 Legal and regulatory change
- 8 Foreign exchange and interest rate fluctuation
- 9 Natural disaster
- 10 Infectious diseases

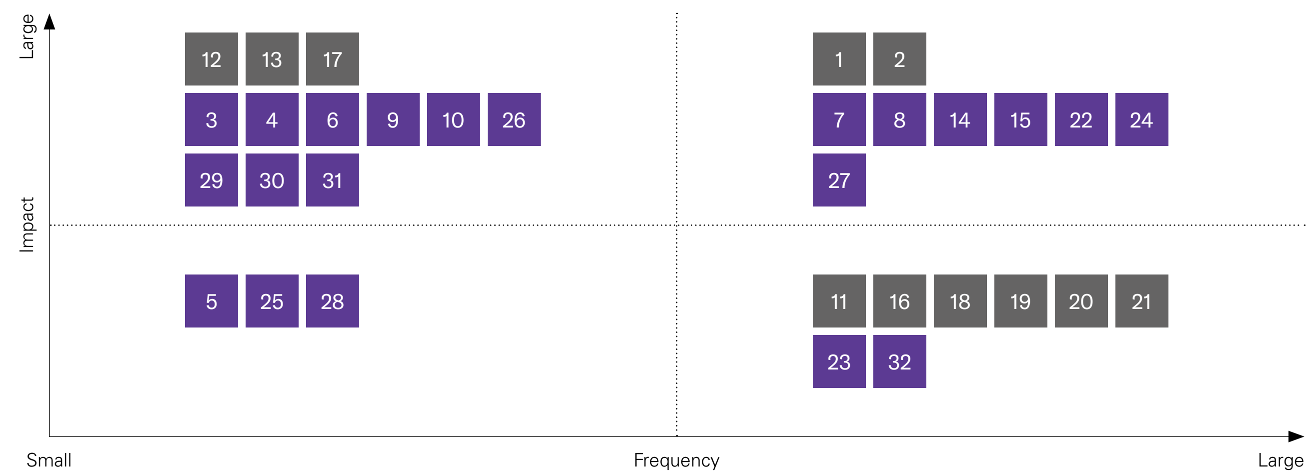
Strategic Risk
- 11 Business resource allocation
- 12 Sustainability
- 13 M&A / Restructuring
- 14 Group governance
- 15 Compliance

Operational Risk (Business activities)
- 16 Marketing / Product planning / Product development
- 17 Procurement
- 18 Production
- 19 Sales
- 20 Business partner (Sales side)
- 21 Inventory

Operational Risk (Support activities)

Humans	Goods	Capital	Information
22 Human resources / Labor management	24 Quality of products and services	27 Finance / Tax	29 Information technology
23 Communication	25 Transportation / Logistics	28 IR	30 Information leak
	26 Environment		31 Public relations
			32 Intellectual property

Risk Map



Revision of Business Risk Categories

In 2021, Yamaha revised its business risk categories. The major revisions are as follows.

Changes in the Business Environment (Pandemic, etc.)

The COVID-19 pandemic created a situation in which initiatives for addressing the new normal in our daily lives are of increasing importance. To reflect this situation, we separated from the "changes in the business environment" risk category "changes in the business environment (pandemic, etc.)," which was established as an independent risk category. Measures for addressing risks in this category have included swift responses to changes in social and customer trends and flexible adjustments in functions ranging from product planning to sales. We are also preparing for unforeseen circumstances through an increased focus on business partners and all other areas of the supply chain.

Sustainability

Yamaha continues to manage risks related to matters such as climate change and human rights in the existing risk categories of "procurement," "human resources / labor management," and "environment." However, we have also decided to pursue management of these risks individually and as a comprehensive risk category on a Groupwide, cross-business basis to accommodate the rise in sustainability awareness.

Measures for Preventing Spread of Infectious Diseases

In fiscal 2021, the Yamaha Group took swift action to combat the COVID-19 pandemic by restricting overseas business trips, promoting teleworking, and implementing other safeguards. Moreover, information provision and awareness-raising campaigns regarding basic infection prevention methods were advanced by industrial physicians, and alcohol sanitization stations using Yamaha products were developed and installed. These activities and the relevant information were shared with domestic and overseas Group companies via the intranet to encourage action at bases around the world.

Alcohol hand sanitization awareness poster

Preventing the spread of infectious diseases that can have a significant social and economic impact, such as HIV and AIDS, tuberculosis, and malaria, is a global issue. Recognizing the importance of this issue, Yamaha Group production sites in Southeast Asia implemented exhaustive infection prevention measures into their workplace environments. Specifically, these sites are practicing effective hygiene management in workplaces, cafeterias, and break spaces while also taking environment-related steps such as pest extermination. In addition, notification of the infectious disease risks of the relevant areas is provided to employees going on overseas business trips as well as to employees stationed overseas and their families, and immunizations for hepatitis A, hepatitis B, tetanus, rabies, and measles and other prevention measures are recommended prior to departure from Japan.

CORPORATE GOVERNANCE

Compliance

As a global conglomerate, the Yamaha Group recognizes that compliance is among the most important management themes and a prerequisite for corporate activities.

Basic Policy and Compliance Code of Conduct

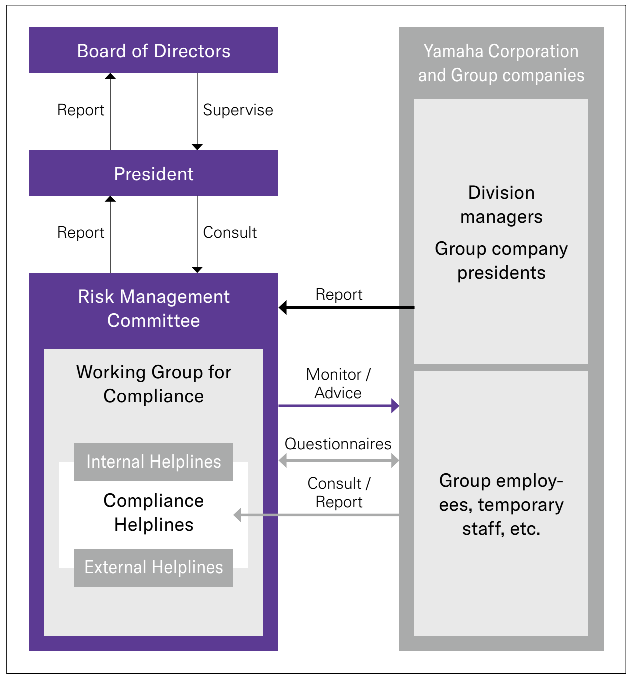
The Yamaha Group has positioned compliance among its most important management themes for fulfilling its responsibility to stakeholders and society and for achieving sustainable growth. We practice compliance management with a focus on ensuring strong legal compliance, adherence to social norms, and a high level of corporate ethics. The Compliance Code of Conduct puts forth a code for guiding the actions of all members of the Yamaha Group as the foundation for compliance management. Since the establishment of the code in 2003, ongoing revisions have been implemented in reflection of changes in environmental and social conditions, and the code has been translated into multiple languages.

Compliance Management Frameworks and Promotion System

The Working Group for Compliance, an organization positioned under the Risk Management Committee, which is an advisory body to the president and representative executive officer, is a central organization in the promotion of compliance. This working group discusses and decides on Groupwide compliance-related policies and measures. In addition, the working group is responsible for monitoring the activities of divisions and Group companies to ensure legal compliance and ethicality.

Other measures for ensuring sound business activities include internal education and training programs, employee questionnaires, and the development of compliance helplines for use by both Company employees and temporary staff.

Compliance Promotion System



Global Conformity in Compliance Initiatives

As the Yamaha Group's business grows even more global, resulting in business activities being advanced in manners that blur the boundaries between countries and regions with differing political and economic frameworks, business customs, and values, increasing the conformity of compliance initiatives with global standards is becoming a pressing issue.

The Yamaha Group signed the UN Global Compact in 2011. As a member of Global Compact Network Japan, we are working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption in our business activities.

Meanwhile, our basic policy for legal compliance is to focus on the reinforcement of global legal violation prevention measures. Accordingly, we have begun using legal databases in order to manage legal information in an integrated, Groupwide manner. In addition, we develop and implement rules, on a Groupwide basis, in accordance with the Compliance Code of Conduct while advancing measures and education and awareness-raising activities for purposes such as preventing corruption and ensuring fair trade. The Legal Division monitors the status of these initiatives within the Group.

To strengthen global compliance frameworks, we position compliance representatives in all overseas subsidiaries who play a role in advancing measures in their respective regions, conducting education and awareness-raising activities, and sharing information with the rest of the Group.

Monitoring

The Working Group for Compliance conducts regular monitoring of the status of compliance systems and compliance promotion at Company divisions and Group companies to ensure that the business activities of the Yamaha Group are ethical and legally compliant. Support for corrective actions is provided as necessary. Furthermore, employee questionnaires are conducted once every three years, the results are analyzed to identify any issues, and various measures are put in place to address the identified issues. Recent efforts based on questionnaire results include the enhancement of harassment prevention measures and the expansion of external compliance helplines.

Education and Awareness-Raising Activities

Proactive education and awareness-raising activities are imperative to enhancing compliance.

Positioning compliance as an important theme for Groupwide human resources development, we have incorporated compliance curricula into rank-based training programs, which are implemented in accordance with career levels. In addition, we offer group training and seminars as well as e-learning and online training to ensure that compliance training is available to as many employees as possible. For the compliance subjects that are most closely related to everyday operations, employees in Japan are given access to Compliance News, which explains concepts in four-panel comic strips; Compliance Quizzes; and other compliance-related content for supporting efficient learning via the intranet. This content is updated on a monthly basis.

In fiscal 2021, training and awareness-raising activities conducted amid the COVID-19 pandemic included rank-based as well as other online training programs and e-learning programs on preventing abuses of power. Three training sessions were held in fiscal 2021, and these sessions were attended by approximately 7,000 individuals.

Compliance Helplines

The Yamaha Group has established compliance helplines for addressing compliance-related consultations and reports. These helplines can be used to receive support via the internet, telephone, fax, email, or standard mail. In Japan, cards detailing the contact information for these helplines are distributed to employees, and this information can also be found in Compliance Code of Conduct booklets and on posters displayed in Company facilities. We also promote awareness regarding these venues through questionnaires and during training sessions. Internal rules pertaining to the operation of compliance helplines include provisions to protect whistleblowers by stating that those reporting in earnest are not to suffer reprisal as a result of reports.

In March 2020, we established the Yamaha Compliance Hotline, an external consultation venue for domestic Group companies operated by a subcontractor. Combined with the existing internal consultation venue and venue for consultation with an external legal firm, this made for three consultation venues available in Japan.

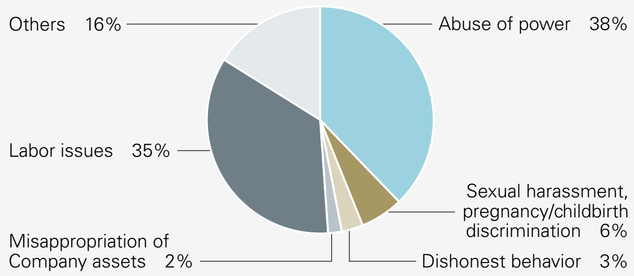
Overseas, helplines have been set up at 34 Group companies, and Yamaha also established global helplines offering support via the internet that are available in 16 languages in 2017.

Numbers of Reports Received through Compliance Helplines

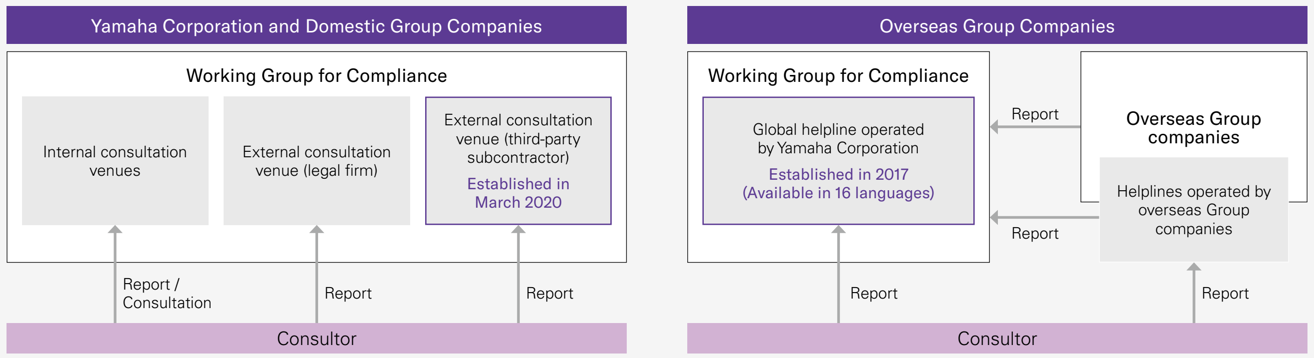
	Name Provided	Anonymous	Total*
Fiscal 2017	26	13	39
Fiscal 2018	34	13	47
Fiscal 2019	25	9	34
Fiscal 2020	54	12	66
Fiscal 2021	50	33	83

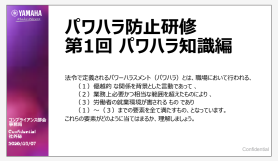
* Figures represent the total numbers of reports received through domestic and global compliance helplines.

Breakdown of Reports Received in Fiscal 2021

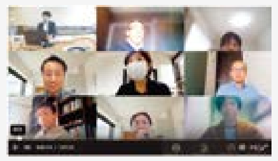


Compliance Helpline System

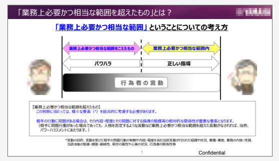




E-learning program for domestic employees



Two-way online training session for managers



Training on harassment prevention using diagrams, illustrations, and videos

Intranet content for employees of domestic Group companies (Compliance News four-panel comic strips)

DATA SECTION

V. Financial and Corporate Information

11-YEAR SUMMARY

Yamaha Corporation and its consolidated subsidiaries
As of and for the years ended March 31

	J-GAAP									IFRS		Millions of yen	Millions of U.S. dollars*1
	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2019/3	2020/3	2021/3	2021/3
For the year:													
Revenue (Net sales)	¥373,866	¥356,616	¥366,941	¥410,304	¥432,177	¥435,477	¥408,248	¥432,967	¥437,416	¥434,373	¥414,227	¥372,630	$ 3,365.82
Cost of sales	237,313	231,659	238,261	262,310	270,357	262,406	242,451	258,465	255,291	255,367	245,967	229,720	2,074.97
Gross profit	136,553	124,957	128,680	147,994	161,820	173,070	165,796	174,501	182,124	179,005	168,259	142,909	1,290.84
Selling, general and administrative expenses	123,387	116,846	119,465	121,999	131,684	132,407	121,493	125,668	126,094	126,259	121,907	102,198	923.11
Core operating profit (Operating income)	13,165	8,110	9,215	25,994	30,135	40,663	44,302	48,833	56,030	52,745	46,352	40,711	367.73
Profit before income taxes (Income before income taxes and minority interests)	6,802	6,971	7,795	25,818	28,526	41,578	42,898	74,471	60,485	56,471	47,225	37,102	335.13
Profit (loss) for the period (Net income (loss))*2	5,078	(29,381)	4,122	22,898	24,929	32,633	46,719	54,378	43,753	40,337	34,621	26,615	240.40
Capital expenditures	10,439	11,337	13,844	10,799	13,846	11,220	17,542	24,600	15,956	15,956	20,545	11,260	101.71
Depreciation expenses	12,814	11,973	11,613	12,759	12,597	12,681	11,145	10,777	10,835	10,614	11,156	11,387	102.85
R&D expenses	22,416	22,819	22,149	22,561	25,439	24,793	24,415	24,797	24,926	24,926	24,814	24,189	218.49
Cash flows from operating activities	22,646	10,880	7,755	33,213	31,729	42,399	39,142	47,498	30,234	35,520	57,162	58,225	525.92
Cash flows from investing activities	(9,740)	(9,004)	(12,617)	(22,950)	(11,700)	591	(9,663)	4,766	(23,092)	(23,101)	(21,067)	(5,785)	(52.25)
Free cash flow	12,906	1,875	(4,862)	10,263	20,029	42,991	29,478	52,264	7,142	12,419	36,095	52,440	473.67
Cash flows from financing activities	(10,080)	(3,247)	(5,536)	(4,745)	(5,909)	(30,349)	(12,588)	(35,584)	(28,479)	(33,993)	(36,422)	(20,602)	(186.09)
At year-end:													
Total assets	¥390,852	¥366,610	¥390,610	¥438,932	¥530,034	¥469,745	¥522,362	¥552,309	¥514,762	¥515,924	¥474,034	¥557,616	$ 5,036.73
Total current assets	194,717	188,952	197,902	214,487	247,632	255,135	272,720	289,493	281,608	282,819	270,189	301,103	2,719.75
Total current liabilities	74,836	72,829	71,550	73,145	80,976	75,459	82,565	101,919	80,495	100,443	99,149	100,852	910.96
Interest-bearing debt	11,838	11,295	10,013	8,755	11,868	8,510	11,241	11,173	8,936	8,936	10,830	7,980	75.58
Total equity (Net assets)	245,002	206,832	229,636	274,843	348,752	303,889	367,437	388,345	382,771	359,007	326,450	396,949	3,585.48
												Yen	U.S. dollars
Per share:													
Profit (loss) for the period (Net income (loss))	¥ 25.90	¥ (151.73)	¥ 21.29	¥ 118.26	¥ 128.75	¥ 168.90	¥ 249.17	¥ 291.81	¥ 240.94	¥ 222.12	¥ 194.71	¥ 151.39	$ 1.37
Equity attributable to owners of the parent (Net assets)	1,250.06	1,052.01	1,171.67	1,403.12	1,787.42	1,601.55	1,948.01	2,125.51	2,124.83	1,992.57	1,850.81	2,252.34	20.34
Dividends	10.00	10.00	10.00	27.00	36.00	44.00	52.00	56.00	60.00	60.00	66.00	66.00	0.60
												%	
Key indicators:													
Core operating profit ratio (Operating income ratio)	3.5%	2.3%	2.5%	6.3%	7.0%	9.3%	10.9%	11.3%	12.8%	12.1%	11.2%	10.9%	
Return on equity (ROE)	2.1	(13.2)	1.9	9.2	8.1	10.1	14.0	14.5	11.4	11.1	10.1	7.4	
Return on assets (ROA)	1.3	(7.8)	1.1	5.5	5.1	6.5	9.4	10.2	8.2	7.5	7.0	5.2	
Equity ratio attributable to owners of the parent	61.9	55.6	58.1	61.9	65.3	64.2	69.9	70.0	74.1	69.4	68.6	71.0	
Debt to equity ratio (Times)	0.05	0.05	0.04	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.03	0.02	
Interest coverage (Times)	40.38	31.84	40.64	130.19	130.51	129.41	165.40	149.08	138.90	67.20	69.15	85.16	
Current ratio	260.2	259.4	276.6	293.2	305.8	338.1	330.3	284.0	349.8	281.6	272.5	298.6	
Dividend payout ratio	38.6	—	47.0	22.8	28.0	26.1	20.9	19.2	24.9	27.0	33.9	43.6	

Note: Figures prior to fiscal 2019 are based on J-GAAP standards. From fiscal 2019, the presentation method has been changed as a result of the adoption of partial revisions to accounting standards for tax benefit accounting. Accordingly, figures for fiscal 2018 have been retroactively changed to conform with this presentation method.
*1 U.S. dollar amounts are translated from yen at the rate of ¥110.71 = U.S.$1, the approximate rate prevailing on March 31, 2021.
*2 Net income (loss) has been presented as net income attributable to owners of parent on the consolidated financial statements since fiscal 2016. Under IFRS, net income is displayed as profit for the period attributable to owners of parent.

FINANCIAL REVIEW

Fiscal 2021 Performance (IFRS)

Analysis of Overall Performance in Fiscal 2021

The business environment in fiscal 2021 was characterized by the strong impact of the COVID-19 pandemic on the global economy and the negative global real economic growth in 2020. The impact of the pandemic in Japan was enormous and, with no current outlook for when the pandemic will end, balancing efforts to control the virus while also supporting socioeconomic activity has become a major issue. In addition, other developments also impacted the global economy, including the inauguration of a new presidential administration in the United States, intensifying trade friction between the United States and China, and the finalized withdrawal of the United Kingdom from the European Union.

Amid these economic conditions, the Yamaha Group continued to implement measures in the second year of the Make Waves 1.0 medium-term management plan by advancing the four key strategies of develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses.

In fiscal 2022, the medium-term management plan targets a core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270. In fiscal 2021, amid the COVID-19 pandemic, the Company posted a core operating profit ratio of 10.9%, ROE of 7.4%, and EPS of ¥151.39.

Efforts to develop closer ties with customers included developing a CDP system and establishing a structure for creating customer experiences that will create new connections with Yamaha. In addition, Yamaha stepped up initiatives including increasing messaging on social media and other online media in response to the growth in digital customer contact points via the internet to communicate the Yamaha brand value and to connect business at our physical stores. We are also expanding our e-commerce presence and promoting live commerce, a new type of sales promotion, and accelerating other various initiatives. Furthermore, we broadened our business domains by raising recognition of our products in the headphone and earphone markets and by securing contracts from Chinese automobile manufacturers for our in-vehicle audio systems.

For the key strategy of create new value, our new YDS-150 digital saxophone reproduces the realistic and beautiful tones of acoustic instruments while eliminating the initial challenge of playing a reed instrument. The THR30IIA Wireless amplifier for guitars was designed for intimate performances at home or other small venues and to meet the demand for online distribution of performance videos. The THR30IIA Wireless amplifier was well-received by a wide range of customers.

We also initiated the development of Remote Cheerer powered by SoundUD and the Distance Viewing next-generation live viewing service, designed to enable viewers to safely and comfortably enjoy live concerts, sports competitions, and other events that have suffered during the pandemic.

In efforts to enhance productivity, we advanced various measures, ranging from putting in place an area oversight system at manufacturing sites, standardizing production control, and creating smart factories, despite the factory shutdowns due to the spread of COVID-19 and other disruptions. We also made progress in using internal and external resources to shorten the time needed for product development in the audio equipment business.

For our key strategy of contribute to society through our businesses, the aggregate total of students offered instrument musical education experience in emerging countries reached 710,000, representing smooth progress toward the target of one million students set for the third year of the medium-term management plan. We also made steady progress in achieving the goal of a 50% ratio of certified timber use, reaching 48% in the second year of the plan.

Revenue, Core Operating Profit, and Profit for the Period Attributable to Owners of Parent

Revenue decreased 10.0% year on year, to ¥372.6 billion. This decrease was a result of the impacts of the COVID-19 pandemic and a reduction of ¥2.3 billion from foreign exchange influences (GRAPH 1).

By region, revenue was down in all regions, with the exception of China, where recovery in economic activities led to increased revenue (GRAPH 2).

Core operating profit was down 12.2% year on year, to ¥40.7 billion, as decreases in profit in the musical instruments and audio equipment segments counteracted higher profit in the others segment (GRAPH 3). Factors increasing profit included reductions in selling, general and administrative expenses and other costs as well as higher profit in the industrial machinery and components business and the others business. However, these factors were outweighed by reductions in sales and production associated with the pandemic as well as rising labor costs at overseas production bases, resulting in an overall decrease in profit (GRAPH 4).

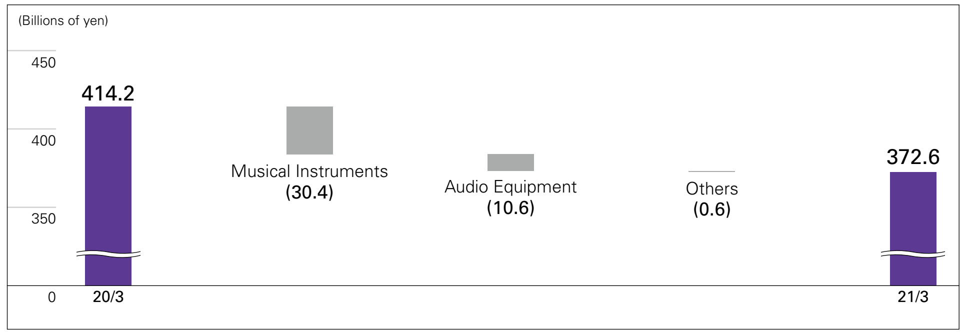
Profit for the period attributable to owners of parent declined 23.1% year on year, to ¥26.6 billion. Factors behind this decline included lower core operating profit, a ¥2.3 billion loss from suspension of operations attributable to the pandemic, and ¥3.6 billion in impairment losses.

GRAPH 1

Revenue (Change by Business Segment)

(Billions of yen)

	2020/3	2021/3
Revenue	414.2	372.6
Musical Instruments	269.4	239.0
Audio Equipment	114.4	103.8
Others	30.5	29.8

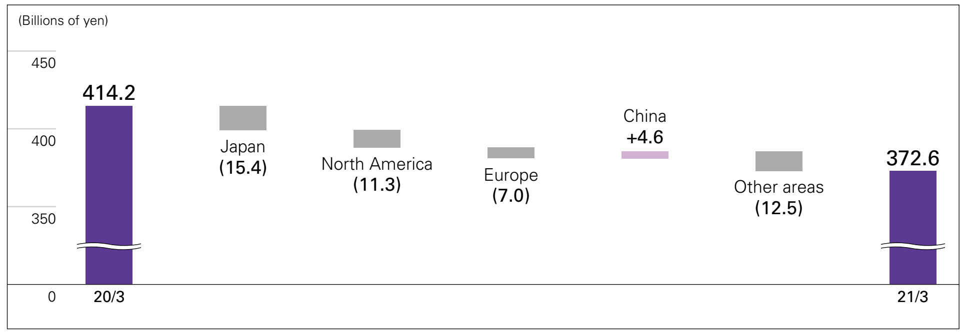


GRAPH 2

Revenue (Change by Region)

(Billions of yen)

	2020/3	2021/3
Revenue	414.2	372.6
Japan	123.6	108.2
North America	87.3	76.0
Europe	80.2	73.2
China	53.1	57.7
Other areas	70.0	57.5

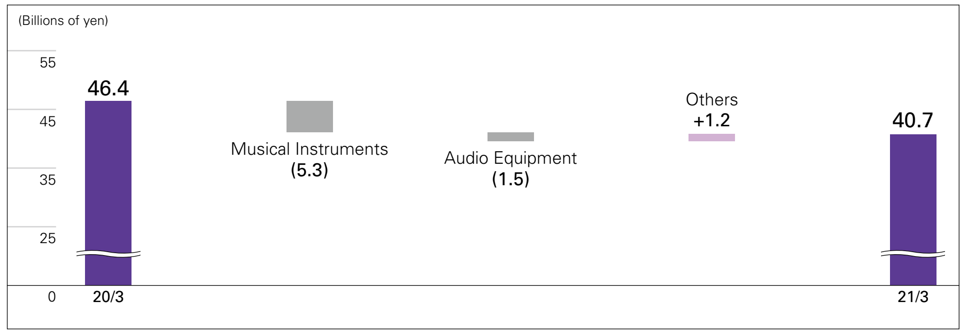


GRAPH 3

Core Operating Profit (Change by Business Segment)

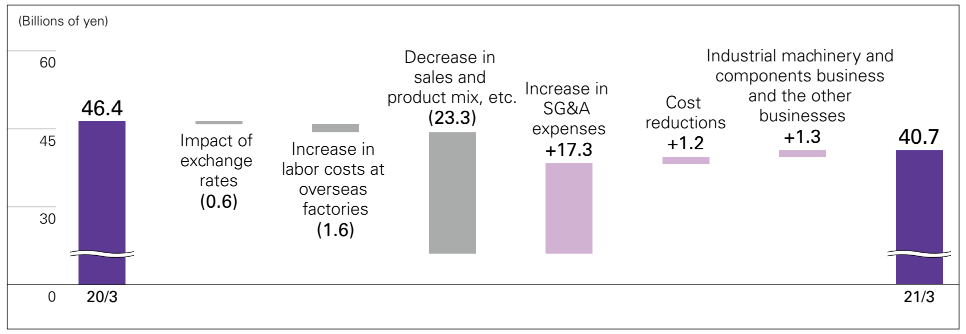
(Billions of yen)

	2020/3	2021/3
Core operating profit	46.4	40.7
Musical Instruments	37.8	32.4
Audio Equipment	8.6	7.1
Others	0	1.2



GRAPH 4

Core Operating Profit (Change by Factor)



Results by Segment

Musical Instruments

Revenue in the musical instruments segment declined 11.3% year on year, to ¥239.0 billion, and core operating profit decreased 14.1%, to ¥32.4 billion.

By product, sales of pianos decreased as in-store sales dropped as a result of the COVID-19 pandemic, which offset the benefits of our ability to return to a growth track with regard to sales in China and of recovery in the markets of certain countries. Sales of digital musical instruments were down, despite the strong demand for entry-level products stimulated by people increasingly staying home, due to supply shortfalls. Sales decreased for wind instruments as a result of delays in market recovery following a low level of band activities. Conversely, sales of guitars rose because the increase in people staying at home drove market growth as new users picked up the instrument, leading to higher sales primarily in Japan and China.

By region, sales in Japan were down. Although domestic guitar sales were up as a result of demand associated with people increasingly staying at home, overall sales suffered from store and music school closures as well as a low level of band activities associated with the pandemic. Sales were also down in North America and Europe. Demand associated with people increasingly staying home in response to the pandemic held firm in these regions as consumption activities shifted toward e-commerce, but overall sales were impacted by product supply shortages and reductions in demand associated with activity restrictions. In China, sales were up in all product categories, except wind instruments, for which market recovery is lagging, as this country returned to a growth track faster than other countries. In other regions, sales decreased in all regions as a result of the impacts of the pandemic.

Audio Equipment

Revenue in the audio equipment segment decreased 9.2% year on year, to ¥103.8 billion, and core operating profit declined 17.5%, to ¥7.1 billion.

By product, overall sales of audio equipment were down as the increased sales of sound bars and other products driven by demand associated with people staying at home could not compensate for the first-half reductions in sales attributable to product supply shortfalls. PA equipment sales also decreased as the COVID-19 pandemic caused stagnancy in the concert and equipment markets. Sales of ICT equipment, meanwhile, were up due to higher sales of meeting systems supported by robust demand stimulated by the rapid normalization of teleworking and remote meetings.

Others (Industrial Machinery and Components Business, etc.)

Revenue in the others segment decreased 2.1% year, to ¥29.8 billion, while core operating profit increased ¥1.2 billion, to ¥1.2 billion.

In the industrial machinery and components business, sales of electronic devices showed smooth growth following the commencement of shipments of Yamaha brand in-vehicle audio systems for new models produced by Chinese automobile manufacturers, but overall electronic device sales were down as a result of lower shipments of products for amusement equipment. Meanwhile, sales of automobile interior wood components and FA equipment were up following a recovery in demand.

Analysis of Financial Position

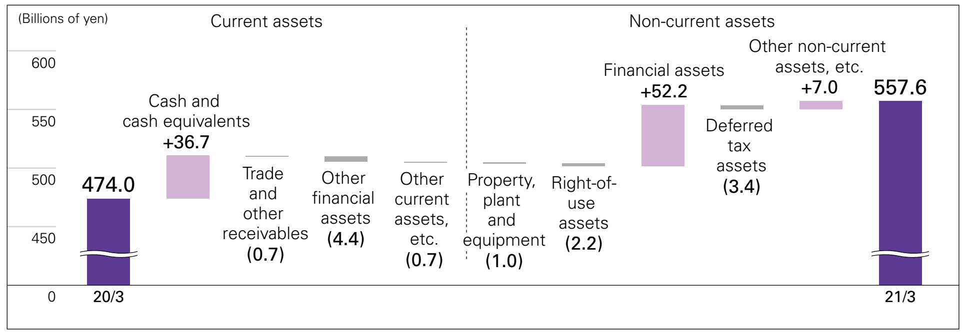
Total assets on March 31, 2021, amounted to ¥557.6 billion, an increase of ¥83.6 billion, or 17.6%, from ¥474.0 billion a year earlier. Factors behind this outcome included an increase in cash and cash equivalents as well as higher financial assets attributable to a rise in the market value of securities held (GRAPH 5).

Total liabilities on March 31, 2021, were ¥160.7 billion, an increase of ¥13.1 billion, or 8.9%, from ¥147.6 billion at the end of the previous fiscal year as a result of an increase in deferred tax liabilities due to the rise in the market value of securities held.

Total equity on March 31, 2021, amounted to ¥396.9 billion, an increase of ¥70.5 billion, or 21.6%, from ¥326.5 billion on March 31, 2020. In addition to an increase in retained earnings due to reporting of profit for the period, other components of equity increased owing to a rise in the market value of securities held and the impact of exchange rate fluctuations (GRAPH 6).

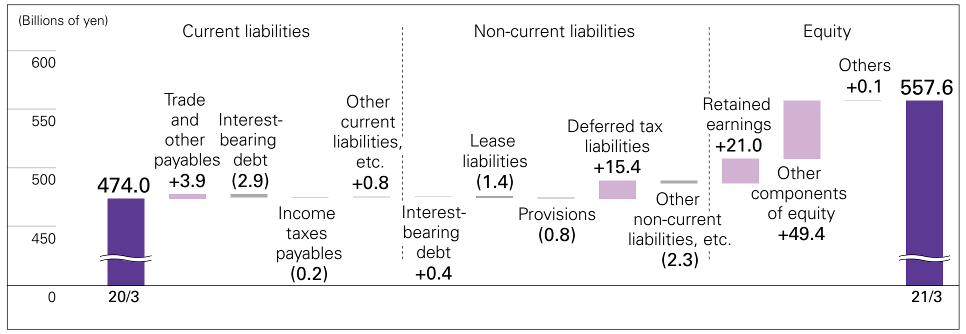
GRAPH 5

Total Assets



GRAPH 6

Total Liabilities and Equity



Analysis of Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year increased ¥36.7 billion, compared to a decrease of ¥3.1 billion in the previous fiscal year, and stood at ¥129.3 billion.

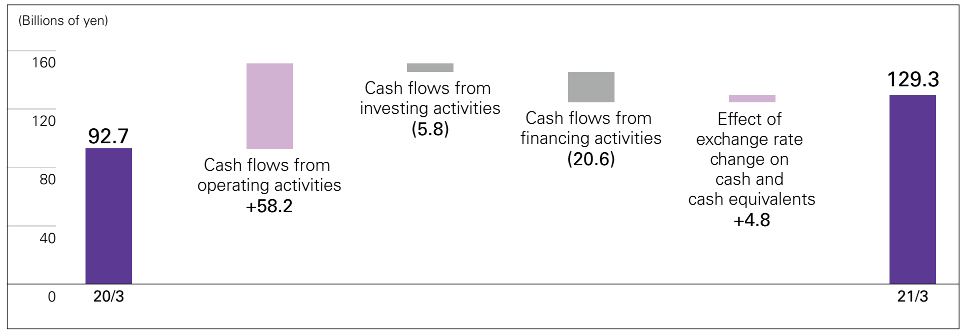
Net cash provided by operating activities in fiscal 2021 amounted to ¥58.2 billion, compared with ¥57.2 billion in the previous fiscal year, due mainly to the contribution of profit before income taxes.

Net cash used in investing activities totaled ¥5.8 billion, compared with ¥21.1 billion in the previous fiscal year, primarily due to the purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities was ¥20.6 billion, compared with ¥36.4 billion in the previous fiscal year, as a result of cash dividends paid (GRAPH 7).

GRAPH 7

Cash Flows

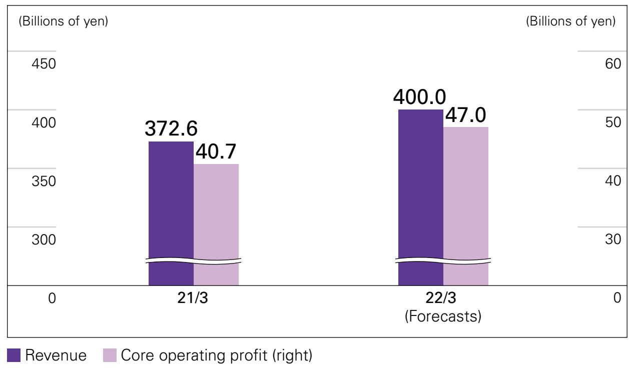


Forecasts for Fiscal 2022

In fiscal 2022, the Company projects revenue of ¥400.0 billion, up 7.3% year on year, and core operating profit of ¥47.0 billion, up 15.4%, a level of performance on par with fiscal 2020, prior to the COVID-19 pandemic. We forecast a strong recovery in market conditions, despite the continuation of opaque conditions related to performance such as factory operation restrictions, difficulties in procuring semiconductors and other components, and logistics disruptions caused by the COVID-19 pandemic (GRAPH 8).

GRAPH 8

Fiscal 2022 Revenue and Core Operating Profit Forecasts (Announced May 10, 2021)



Financial and Corporate Information

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Yamaha Corporation and its consolidated subsidiaries
As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Assets			
Current assets			
Cash and cash equivalents (Notes 6 and 33)	¥129,345	¥ 92,671	$1,168,323
Trade and other receivables (Notes 7, 23 and 33)	57,329	58,067	517,830
Other financial assets (Notes 13 and 33)	8,573	12,939	77,437
Inventories (Note 8)	96,803	100,054	874,384
Other current assets (Note 9)	7,871	6,455	71,096
Subtotal	299,924	270,189	2,709,096
Assets held for sale	1,179	–	10,649
Total current assets	301,103	270,189	2,719,745
Non-current assets			
Property, plant and equipment (Note 10)	96,142	97,106	868,413
Right-of-use assets (Note 11)	22,231	24,480	200,804
Goodwill (Note 12)	160	158	1,445
Intangible assets (Note 12)	2,529	1,736	22,843
Financial assets (Notes 13 and 33)	120,058	67,817	1,084,437
Deferred tax assets (Note 14)	7,407	10,795	66,905
Other non-current assets (Note 20)	7,983	1,749	72,107
Total non-current assets	256,513	203,844	2,316,981
Total assets	¥557,616	¥474,034	$5,036,727

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

As of March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables (Notes 15 and 33)	¥56,915	¥52,982	$514,091
Interest-bearing debt (Notes 16 and 33)	7,980	10,830	72,080
Lease liabilities (Note 33)	5,696	5,365	51,450
Other financial liabilities (Notes 17 and 33)	9,745	9,620	88,023
Income taxes payables	4,045	4,236	36,537
Provisions (Note 18)	1,806	1,700	16,313
Other current liabilities (Notes 19 and 23)	14,664	14,412	132,454
Total current liabilities	100,852	99,149	910,957
Non-current liabilities			
Interest-bearing debt (Notes 16 and 33)	387	–	3,496
Lease liabilities (Note 33)	14,465	15,864	130,657
Other financial liabilities (Notes 17 and 33)	178	1,568	1,608
Retirement benefit liabilities (Note 20)	22,576	23,704	203,920
Provisions (Note 18)	1,823	2,574	16,466
Deferred tax liabilities (Note 14)	18,244	2,825	164,791
Other non-current liabilities	2,137	1,897	19,303
Total non-current liabilities	59,814	48,434	540,276
Total liabilities	160,667	147,584	1,451,242
Equity			
Capital stock (Note 21)	28,534	28,534	257,736
Capital surplus (Note 21)	21,430	21,277	193,569
Retained earnings (Note 21)	337,923	316,899	3,052,326
Treasury shares (Note 21)	(65,086)	(65,093)	(587,896)
Other components of equity	73,156	23,789	660,789
Equity attributable to owners of parent	395,958	325,409	3,576,533
Non-controlling interests	991	1,040	8,951
Total equity	396,949	326,450	3,585,485
Total liabilities and equity	¥557,616	¥474,034	$5,036,727

Financial and Corporate Information

CONSOLIDATED STATEMENT OF INCOME

Yamaha Corporation and its consolidated subsidiaries
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Revenue (Notes 5 and 23)	¥ 372,630	¥ 414,227	$ 3,365,821
Cost of sales (Notes 20 and 25)	(229,720)	(245,967)	(2,074,971)
Gross profit	142,909	168,259	1,290,841
Selling, general and administrative expenses (Notes 20, 24, 25 and 32)	(102,198)	(121,907)	(923,114)
Core operating profit (Note 5)	40,711	46,352	367,726
Other income (Note 26)	1,909	2,806	17,243
Other expenses (Notes 20 and 26)	(7,580)	(5,826)	(68,467)
Operating profit	35,039	43,333	316,494
Finance income (Note 27)	3,366	4,968	30,404
Finance expenses (Note 27)	(1,303)	(1,083)	(11,769)
Share of profit of associates accounted for using the equity method	–	6	–
Profit before income taxes	37,102	47,225	335,128
Income taxes (Note 14)	(10,393)	(12,521)	(93,876)
Profit for the period	¥ 26,708	¥ 34,703	$ 241,243
Profit for the period attributable to:			
Owners of parent	¥ 26,615	¥ 34,621	$ 240,403
Non-controlling interests	93	81	840

	Yen		U.S. dollars (Note 2)
Earnings per share			
Basic (Note 29)	¥151.39	¥194.71	$1.37
Diluted (Note 29)	–	–	–

The above consolidated statement of income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Yamaha Corporation and its consolidated subsidiaries
For the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Profit for the period	¥26,708	¥ 34,703	$241,243
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans (Note 28)	5,687	7	51,368
Financial assets measured at fair value through other comprehensive income (Note 28)	37,927	(23,431)	342,580
Share of other comprehensive income of associates accounted for using the equity method (Note 28)	–	1	–
Total items that will not be reclassified to profit or loss	43,614	(23,421)	393,948
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 28)	12,037	(9,629)	108,725
Gain or loss on cash flow hedges (Note 28)	(191)	(35)	(1,725)
Total items that may be subsequently reclassified to profit or loss	11,846	(9,664)	107,000
Total other comprehensive income (Note 28)	55,460	(33,086)	500,948
Comprehensive income for the period	¥82,169	¥ 1,616	$742,200
Comprehensive income for the period attributable to:			
Owners of parent	¥81,993	¥ 1,597	$740,611
Non-controlling interests	175	19	1,581

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Financial and Corporate Information

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2021 and 2020	Millions of yen Equity attributable to owners of parent Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Gain or loss on cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2019	¥28,534	¥21,568	¥293,547	¥(42,533)	¥ –	¥ 57,610	¥ (893)	¥ 102	¥ 56,820	¥357,936	¥1,070	¥359,007
Profit for the period	–	–	34,621	–	–	–	–	–	–	34,621	81	34,703
Other comprehensive income	–	–	–	–	7	(23,429)	(9,567)	(35)	(33,024)	(33,024)	(61)	(33,086)
Total comprehensive income for the period	–	–	34,621	–	7	(23,429)	(9,567)	(35)	(33,024)	1,597	19	1,616
Purchase of treasury shares	–	–	–	(23,078)	–	–	–	–	–	(23,078)	–	(23,078)
Dividends (Note 22)	–	–	(11,274)	–	–	–	–	–	–	(11,274)	(49)	(11,324)
Share-based compensation (Note 32)	–	(290)	–	519	–	–	–	–	–	228	–	228
Changes in the ownership interest of a subsidiary without a loss of control	–	–	–	–	–	–	–	–	–	–	–	–
Reclassified to retained earnings	–	–	5	–	(7)	2	–	–	(5)	–	–	–
Total transactions with owners	–	(290)	(11,269)	(22,559)	(7)	2	–	–	(5)	(34,124)	(49)	(34,173)
Balance at March 31, 2020	¥28,534	¥21,277	¥316,899	¥(65,093)	–	¥ 34,183	¥(10,461)	¥ 67	¥ 23,789	¥325,409	¥1,040	¥326,450
Profit for the period	–	–	26,615	–	–	–	–	–	–	26,615	93	26,708
Other comprehensive income	–	–	–	–	5,687	37,927	11,955	(191)	55,378	55,378	82	55,460
Total comprehensive income for the period	–	–	26,615	–	5,687	37,927	11,955	(191)	55,378	81,993	175	82,169
Purchase of treasury shares	–	–	–	(9)	–	–	–	–	–	(9)	–	(9)
Dividends (Note 22)	–	–	(11,603)	–	–	–	–	–	–	(11,603)	(59)	(11,663)
Share-based compensation (Note 32)	–	152	–	16	–	–	–	–	–	168	–	168
Changes in the ownership interest of a subsidiary without a loss of control	–	0	–	–	–	–	–	–	–	0	(165)	(165)
Reclassified to retained earnings	–	–	6,011	–	(5,687)	(324)	–	–	(6,011)	–	–	–
Total transactions with owners	–	152	(5,591)	6	(5,687)	(324)	–	–	(6,011)	(11,444)	(225)	(11,669)
Balance at March 31, 2021	¥28,534	¥21,430	¥337,923	¥(65,086)	¥ –	¥ 71,786	¥ 1,494	¥(123)	¥ 73,156	¥395,958	¥ 991	¥396,949

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Yamaha Corporation and its consolidated subsidiaries For the fiscal year ended March 31, 2021	Thousands of U.S. dollars (Note 2) Equity attributable to owners of parent Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Gain or loss on cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at March 31, 2020	$257,736	$192,187	$2,862,424	$(587,960)	$ –	$308,762	$(94,490)	$ 605	$214,877	$2,939,292	$ 9,394	$2,948,695
Profit for the period	–	–	240,403	–	–	–	–	–	–	240,403	840	241,243
Other comprehensive income	–	–	–	–	51,368	342,580	107,985	(1,725)	500,208	500,208	741	500,948
Total comprehensive income for the period	–	–	240,403	–	51,368	342,580	107,985	(1,725)	500,208	740,611	1,581	742,200
Purchase of treasury shares	–	–	–	(81)	–	–	–	–	–	(81)	–	(81)
Dividends (Note 22)	–	–	(104,805)	–	–	–	–	–	–	(104,805)	(533)	(105,347)
Share-based compensation (Note 32)	–	1,373	–	145	–	–	–	–	–	1,517	–	1,517
Changes in the ownership interest of a subsidiary without a loss of control	–	0	–	–	–	–	–	–	–	0	(1,490)	(1,490)
Reclassified to retained earnings	–	–	54,295	–	(51,368)	(2,927)	–	–	(54,295)	–	–	–
Total transactions with owners	–	1,373	(50,501)	54	(51,368)	(2,927)	–	–	(54,295)	(103,369)	(2,032)	(105,401)
Balance at March 31, 2021	$257,736	$193,569	$3,052,326	$(587,896)	$ –	$648,415	$ 13,495	$(1,111)	$660,789	$3,576,533	$ 8,951	$3,585,485

Financial and Corporate Information

CONSOLIDATED STATEMENT OF CASH FLOWS

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2021 and 2020	Millions of yen 2021	 2020	Thousands of U.S. dollars (Note 2) 2021
Cash flows from operating activities			
Profit before income taxes	¥37,102	¥47,225	$335,128
Depreciation and amortization	17,056	17,322	154,060
Impairment losses (reversal of impairment losses)	3,553	2,921	32,093
Finance income and finance expenses	(2,854)	(4,260)	(25,779)
Loss (gain) on disposal or sales of property, plant and equipment and intangible assets	93	(260)	840
(Increase) decrease in inventories	7,666	(2,841)	69,244
(Increase) decrease in trade and other receivables	3,077	3,282	27,793
Increase (decrease) in trade and other payables	3,081	(4,887)	27,829
Increase (decrease) in assets and liabilities associated with the defined benefit plans	794	(391)	7,172
Increase (decrease) in provisions	(1,232)	1,942	(11,128)
Increase (decrease) in accounts payable due to transition to defined contribution plans	(1,447)	(1,416)	(13,070)
Other, net	(1,490)	2,999	(13,459)
Subtotal	65,401	61,635	590,742
Interest and dividends income received	3,401	4,535	30,720
Interest expenses paid	(565)	(802)	(5,103)
Income taxes refunded (paid)	(10,011)	(8,206)	(90,425)
Net cash provided by (used in) operating activities	58,225	57,162	525,924
Cash flows from investing activities			
Net (increase) decrease in time deposits	5,007	(3,244)	45,226
Purchase of property, plant and equipment and intangible assets	(12,572)	(20,473)	(113,558)
Proceeds from sales of property, plant and equipment and intangible assets	382	1,012	3,450
Purchase of investment securities	(1)	(1)	(9)
Proceeds from sales and redemption of investment securities	1,405	449	12,691
Proceeds from government grants	–	706	–
Other, net	(7)	483	(63)
Net cash provided by (used in) investing activities	(5,785)	(21,067)	(52,254)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings (Note 31)	(3,398)	2,120	(30,693)
Proceeds from long-term borrowings (Note 31)	795	–	7,181
Repayment of lease liabilities (Note 31)	(6,063)	(5,871)	(54,765)
Purchase of treasury shares	(9)	(21,312)	(81)
Payment for acquisition of interests in subsidiaries that do not result in change in scope of consolidation	(165)	–	(1,490)
Cash dividends paid (Note 22)	(11,603)	(11,274)	(104,805)
Cash dividends paid to non-controlling interests	(59)	(49)	(533)
Other, net (Note 31)	(97)	(33)	(876)
Net cash provided by (used in) financing activities	(20,602)	(36,422)	(186,090)
Effect of exchange rate change on cash and cash equivalents	4,836	(2,816)	43,682
Net increase (decrease) in cash and cash equivalents	36,673	(3,143)	331,253
Cash and cash equivalents at beginning of period (Note 6)	92,671	95,815	837,061
Cash and cash equivalents at end of period (Note 6)	¥129,345	¥92,671	$1,168,323

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended March 31, 2021 and 2020

1 Reporting Entity

Yamaha Corporation (hereinafter, the "Company") is a company located in Japan and listed on the Tokyo Stock Exchange. The registered address of the Company's headquarters is 10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka, Japan. The consolidated financial statements for the fiscal year ended March 31, 2021 comprise the financial statements of the Company and its subsidiaries (the "Group"). The Group's operations include the musical instruments business, audio equipment business, and other businesses.

2 Basis for Preparation

(1) Compliance with IFRS

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. Having met the requirements for a Specified Company under Designated International Accounting Standards, as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the consolidated financial statements of the Group have been prepared pursuant to Article 93 of the aforementioned regulation.

The consolidated financial statements are approved by Takuya Nakata, President and Representative Executive Officer, on June 25, 2021.

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies described in "3. Significant Accounting Policies." The amounts of assets and liabilities, except for financial instruments measured at fair value and assets and liabilities associated with the defined benefit plans as disclosed in significant accounting policies, are recorded on a historical cost basis.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, in units of one million yen with figures less than one million yen omitted.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 to U.S.$1, the approximate exchange rate at March 31, 2021. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) Accounting standards and interpretations issued but not yet applied

The Group has applied, including early application, all significant accounting standards and interpretations issued as of the date of authorization of the consolidated financial statements.

3 Significant Accounting Policies

(1) Basis of consolidation

The consolidated financial statements of the Group are prepared using the financial statements of Group companies and associated companies of the Group based on unified accounting policies. If a subsidiary or associated company's accounting policy differs from that of the Group, the financial statements of the entity are adjusted as necessary.

A) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an entity when it has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement in the investee, and when it has the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases. When the Group retains control over a subsidiary after divesting a portion of its interest in the company, the change in the Group's equity interest is accounted for as an equity transaction and the difference between the adjusted amount and the fair value of the non-controlling interest is directly recognized in equity attributable to owners of parent. Gains or losses are recognized when there is a loss of control.

The balance of receivables and payables and transactions among Group companies, and unrealized profit or loss from transactions between Group companies, are eliminated upon preparation of the consolidated financial statements.

Comprehensive income of subsidiaries shall be attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the accounting period of a subsidiary differs from that of the Company, the subsidiary's financial statements shall be adjusted based on the Company's accounting period.

B) Associated companies

An associated company is an entity that is not controlled by the Group but for which the Group has significant influence over its financial and operating policies. The equity method is applied to investments in associated companies initially recognized at cost at the time of acquisition. The Group's share of profit or loss and other comprehensive income is recognized as changes in the carrying amount of the investments in the associated companies from the date on which significant influence commences until the date on which significant influence ceases.

C) Business combinations

Business combinations are accounted for using the acquisition method.

The acquisition cost is measured as the sum of the acquisition-date fair value of the assets acquired, liabilities assumed, and equity instruments issued by the Company in exchange for control of the acquiree.

Transaction costs incurred in association with a business combination are expensed when incurred.

The excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets acquired and liabilities assumed on the date of acquisition is recognized as goodwill. Conversely, if the difference is negative, a gain is recognized in profit or loss.

(2) Foreign currencies

A) Transactions denominated in foreign currencies

The financial statements of each of Group entity are prepared using each company's functional currency.

Transactions conducted in currencies other than the functional currency are translated into the functional currency using the exchange rate on the transaction date or an exchange rate that approximates the exchange rate on that date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency using the exchange rate at the fiscal year-end, and non-monetary assets and liabilities measured at fair value are translated at the exchange rate on the date of calculation of fair value. Any exchange differences arising from translation or settlement are recognized in profit or loss.

However, exchange differences arising from financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

B) Foreign operations

Assets and liabilities of the Group's foreign operations are translated using the exchange rates at the fiscal year-end. Income and expense items are translated at the average exchange rates for the reporting period, unless any significant change has occurred. Any exchange differences arising from these translations are recognized in other comprehensive income. If a foreign operation is disposed of, the accumulated amount of the exchange differences on translation related to the foreign operation is reclassified to profit or loss at the time the foreign operation was disposed of.

(3) Financial instruments

A) Financial assets

(a) Initial recognition and measurement

Financial assets are recognized on the trade date when the Group becomes a party to the transaction.

Financial assets other than financial assets measured at fair value through profit or loss, are measured at an amount of fair value plus transaction costs directly attributable to the acquisition of the financial asset at initial recognition. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(b) Classification and subsequent measurement

The Group, at initial recognition, classifies financial assets as (i) financial assets measured at amortized cost, (ii) financial assets measured at fair value through other comprehensive income, or (iii) financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

Among financial assets, debt instruments are categorized as financial assets measured at amortized costs if both of the following conditions are met:

- They are held based on a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets for which these conditions are met is measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and profit or loss, in cases where a financial asset is derecognized, is recognized in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income

Among financial assets, debt instruments are categorized as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- They are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, such as shares of Yamaha Motor Co., Ltd., which uses a common brand as the Group, and shares of companies related to other businesses, are categorized upon initial recognition as financial assets measured at fair value through other comprehensive income.

After initial recognition, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized as other comprehensive income. When financial assets are derecognized or the fair value decreases materially, the cumulative gain or loss recognized in other comprehensive income is reclassified to retained earnings. Dividends from such financial assets are recognized in profit or loss as finance income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets other than the above are categorized as financial assets measured at fair value through profit or loss.

Changes in the fair value of financial assets measured at fair value through profit or loss after initial recognition are recognized in profit or loss.

(c) Impairment of financial assets

For trade and other receivables, the Group recognizes an allowance for doubtful accounts equivalent to the expected credit loss over the full period.

For trade and other receivables for which repayment is doubtful or potentially doubtful, the impairment loss on such assets is assessed individually or as a group for assets of similar types of risk and accounted for in the allowance for doubtful accounts.

For trade and other receivables that do not fall into the above category, impairment loss is assessed primarily based on the historical actual default rate and accounted for in the allowance for doubtful accounts.

For trade and other receivables for which impairment loss was previously recognized and the impairment amount decreased due to a subsequent event, the previously recognized impairment loss is reversed and recognized in profit or loss.

For trade and other receivables that are clearly not recoverable, the unrecoverable amount is written off directly.

(d) Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or when such rights are transferred by the Group and all the risks and rewards of ownership of the financial asset are substantially transferred.

B) Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognized on the trade date when the Group becomes a party to the transaction.

Financial liabilities measured at amortized cost are measured at fair value less the associated direct transaction costs at initial recognition.

(b) Categorization and subsequent measurement

Financial liabilities are classified as financial liabilities measured at amortized cost at initial recognition.

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and gains and losses on derecognition are recognized in profit or loss.

(c) Derecognition

A financial liability is derecognized when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled, or expires.

C) Presentation of financial instruments

Financial assets and liabilities are offset and presented at a net amount in the consolidated statement of financial position when the Group has a legally enforceable right to offset the financial asset and liability balances and it intends either to settle on a net basis or to realize financial assets and settle financial liabilities simultaneously.

D) Hedge accounting and derivatives

The Group uses, within the scope of actual demand, foreign exchange forward contracts (comprehensive contracts) and currency options to hedge potential foreign exchange exposure from foreign currency-denominated receivables and payables arising from import and export transactions. Derivative transactions are initially recognized at fair value upon the execution of a contract and subsequently remeasured at fair value.

With regard to derivative transactions, the Group Financial Management Policies and Rules have been established, and transactions are conducted and managed in compliance with policies and rules.

Hedge accounting is applied to cash flow hedges that meet specific criteria with the effective portion of profit or loss arising from the hedging instrument recognized in other comprehensive income and the remaining ineffective portion recognized in profit or loss. The amount of a hedging instrument recorded in other comprehensive income is reclassified to profit or loss at the time the corresponding hedged transaction affects profit or loss.

When applying hedge accounting, the Company assesses whether the derivative used for the hedge transaction is effective or not in offsetting the changes in cash flows of the hedged item at inception of hedge and on an ongoing basis.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are not exposed to significant risk related to changes in value, and are redeemable within three months of the date of acquisition.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is determined principally based on the weighted-average method and includes the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment

The Company applied the cost model for the property, plant and equipment and subsequently measured at cost less accumulated depreciation and accumulated impairment.

The acquisition cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the initial estimate for disassembly, removal, or other restoration costs and borrowing costs that should be capitalized.

Depreciation costs on an item of property, plant and equipment, except for land and construction in progress, are accounted for using the straight-line method over the estimated useful lives. The range of estimated useful lives by major asset items is as follows:

Buildings: 31 to 50 years
(Mainly 15 years for equipment attached to buildings)
Structures: 10 to 30 years
Machinery and equipment: 4 to 12 years
Tools, furniture and fixtures: 5 to 6 years

Estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year and, if there is a change, the depreciation charge is adjusted prospectively as changes in accounting estimates.

(7) Right-of-use assets

The Group leases a portion of its property, plant, and equipment.

The initial measurement of a right-of-use asset is calculated based on cost using the present value of the lease payments during a non-cancelable period plus reasonably certain extension option period (hereafter, "lease period"), and any lease prepayments prior to the commencement date, initial direct costs and the amount of the initial estimate for disassembly, removal, or other restoration costs and less any lease incentives received. Lease liabilities are set at the initial measurement of the present value of the lease payments during the lease period. When there are changes in the lease period or lease payments subsequent to the initial measurement, the lease liability is remeasured, and the cost of a right-of-use asset and corresponding lease liability are adjusted.

Right-of-use assets are accounted for using the cost model and measured at cost less accumulated depreciation and the accumulated impairment losses. Lease liabilities are stated at the initial measurement amount and adjusted for any remeasurement less lease payments and adjusted for interest.

Depreciation cost of right-of-use assets is accounted for using the straight-line method over the lease period. Interest expenses associated with lease liabilities are classified separately from depreciation costs on right-of-use assets and included in finance expenses.

However, short-term leases with lease periods of 12 months or less and underlying assets with low value are not recognized as right-of-use assets or lease liabilities and lease payments are recognized in profit or loss either by applying the straight-line method or other established standards to the lease amount.

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Of the rent concessions or exemptions granted as a direct result of the COVID-19 pandemic, those that meet the prescribed requirements are accounted for as variable lease payments by applying the practical expedient method.

(8) Goodwill and intangible assets

A) Goodwill

The measurement method at the date of initial recognition of goodwill is stated in "(1) Basis of consolidation, C) Business combinations." Goodwill is presented based on acquisition cost less accumulated impairment losses.

B) Intangible assets

Intangible assets are accounted for using the cost model and measured at acquisition cost less accumulated amortization and accumulated impairment losses.

(9) Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, and assets associated with employee benefits) are assessed whether indications of impairment exist at the end of each reporting period and tested for impairment when indications exist. Impairment tests are conducted annually and each time indications of impairment are identified for goodwill, intangible assets with indefinite useful lives, and intangible assets which are not available for use at the end of the reporting period.

Impairment loss is recognized if an impairment test indicates that the book value of the asset or a cash-generating unit exceeds the recoverable amount of the asset.

For assets not tested individually under impairment tests, assets are grouped into the smallest cash-generating unit that generates cash inflows that are largely independent of the cash inflows of other assets or asset groups. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less the cost of disposal. In determining the value in use, estimated future cash flows arising from assets and cash-generating units are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The measurement of impairment loss of cash-generating units, including goodwill, is conducted by first reducing the book value of the goodwill that was allocated to the cash-generating unit, and then proportionately allocating the impairment loss based on the book value of each asset of the cash-generating unit.

If there are indications that an impairment loss recognized in a previous period no longer exists or has decreased and the recoverable amount of the asset or cash-generating unit exceeds the book value, the impairment loss is reversed. The impairment loss is reversed up to the lower of the calculated recoverable amount or book value less the necessary depreciation and amortization had the impairment loss not been recognized previously. Impairment loss on goodwill is not reversed.

(10) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation arising from past circumstances and it is probable that an outflow of resources embodying economic benefits to settle the obligation and a reliable estimate can be determined.

When the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a discount rate reflecting the time value of money and risks specific to the liability.

(11) Employee benefits

A) Post-employment benefits

The Group maintains defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

Defined benefit obligation is determined using the projected unit credit method based on the present value of the defined benefit obligation and related current and past service costs. The discount rate used to discount to the present value of defined benefit obligations is determined by referring to the market yields of high-quality corporate bonds matching the currency and the maturity date with the retirement benefit obligation. Assets or liabilities related to the defined benefit plans are calculated as the net amount of the present value of the defined benefit obligation and the fair value of plan assets for each plan. Differences arising in remeasurement of defined benefit plans are recognized in other comprehensive income in the period they are incurred and immediately reclassified to retained earnings. Past service costs are recognized as profit or loss in the period they are incurred.

Contributions to defined contribution plans are recognized as expenses at the time the relevant service is provided.

B) Short-term employee benefits

Short-term employee benefits are not discounted and are recognized as an expense at the time service is provided.

Bonuses and paid leave costs are recognized as a liability in the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(12) Government grants

Government grants are recognized at their fair value when the conditions attached to the grants are fulfilled and there is reasonable assurance that the grant will be received.

A grant related to an asset is treated as deferred revenue and recorded in revenue on a systematic basis during the period the associated asset incurs expenses. A grant-related revenue is regularly recognized in profit or loss in the period in which such costs corresponding to grants are incurred.

(13) Equity

Proceeds from the issuance of common shares are recorded as capital stock and capital surplus, with costs associated with the issuance deducted from capital surplus.

Treasury shares are recognized at the acquisition cost and treated as a deduction from equity. In the event that treasury shares are sold, the difference between the book value at the time of sale and the actual amount received is recognized in capital surplus.

(14) Share-based compensation

The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers (excluding the executive officers in charge of the internal audit) and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders.

Equity-settled share-based compensation is a stock compensation plan with a restriction on share transfer. Among the granted shares, a certain number of shares that are expected to release of restriction on transfer is measured at the fair value referred at the time they are granted and are recognized as an expense under profit or loss over the corresponding service, and an equivalent amount is recognized as an increase of equity.

Cash-settled share-based compensation is a stock compensation plan similar to equity-settled share-based compensation, the estimated future payment amount of which is measured at the end of each reporting period at fair value and recognized as an expense under profit or loss over the corresponding service.

(15) Revenue recognition

Revenue is recognized through the following steps in accordance with IFRS 15 "Revenue from Contracts with Customers."

Step 1. Identify the contract(s) with a customer.
Step 2. Identify the performance obligations in the contract.
Step 3. Determine the transaction price.
Step 4. Allocate the transaction price to each performance.
Step 5. Recognize revenue when/as a performance obligation is satisfied.

The Group's main business is the manufacture and sale of musical instruments, audio equipment, and other products. In principle, the customer takes possession of an item at the time of transfer and this is deemed as fulfilling the performance obligation. In most circumstances, revenue from sale of finished goods is recognized at the time of transfer.

Revenue is measured as the amount set at the time of the contract is entered into with customers less any discounts, rebates, or sales returns.

(16) Income taxes

Income taxes comprise current and deferred tax and are recognized in profit or loss with the exception of items related to business combinations or recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or refunded from the tax authorities. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. In the event of uncertainty concerning the tax position for treatment under income tax, if there is a high probability of the tax position to occur based on the tax laws, then a reasonable estimated amount is recognized as an asset or liability.

Deferred tax is recognized on the temporary difference between the carrying amount of the assets and liabilities at the end of the reporting period and their tax basis, losses carried forward, and tax credits carried forward.

A deferred tax asset is recognized for future deductible temporary differences, losses carried forward, and tax credits carried forward to the extent that it is probable that taxable income is available against which the deductible temporary difference can be utilized. A deferred tax liability is, in principle, recognized for all future taxable temporary differences. A deferred tax asset is reviewed each fiscal period and adjusted to the extent that the tax benefit is no longer probable to be realized.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Future taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction other than a business combination and that does not affect either accounting profit or taxable income;
- Future taxable temporary differences associated with investments in subsidiaries and associated companies to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future;
- Future deductible temporary differences associated with investments in subsidiaries and associated companies to the extent it is not probable that sufficient taxable income will be available to utilize the temporary difference or that it is not probable that the deductible temporary difference will be realized in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset is realized or liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are netted: (i) when the entity has a legally enforceable right to offset current tax assets and liabilities, and the tax balances are associated to the same entity and same taxation authority, (ii) when the current tax liabilities and assets are settled in net although the tax balances are associated to separate entities, or (iii) when the entity has the intention to recover the tax assets and settle the tax liabilities at the same time.

The Company and some of its subsidiaries have adopted the consolidated taxation system.

(17) Earnings per share

Basic earnings per share is calculated by the profit or loss attributable to the parent company's ordinary shareholders for the period divided by the weighted-average number of common stock outstanding during the period adjusted for treasury shares. Diluted profit per share is not calculated because there is no potential common stock with a dilutive effect.

(18) Changes in accounting policy

Effective from the fiscal year ended March 31, 2021, the Group early adopted the following standard:

IFRS		Overview of new standard or amendment to the standard
IFRS 16	Lease	Amendment to the accounting treatment regarding COVID-19-related rent concessions

This amendment allows lessees granted rent concessions as a direct result of the COVID-19 pandemic to apply simplified accounting treatment.

In accordance with this amendment, a lessee can choose the practical expedient that does not require the lessee to determine whether COVID-19-related rent concessions or exemptions that meet the prescribed requirements constitute a "lease modification" as defined in IFRS 16.

The Group applies this expedient to qualifying rent concessions that meet the requirements and treats them as variable lease payments. The amount recognized in profit or loss as variable lease payments was ¥283 million ($2,556 thousand) for the fiscal year ended March 31, 2021.

4 Significant Accounting Estimates and Judgments

The Group utilizes estimates and assumptions concerning the application of accounting policies and measurement of assets, liabilities, revenues, and expenditures in the preparation of the consolidated financial statements. Management made the judgment for the estimates and assumptions based on the best available information in consideration of the latest actual results and other various factors considered to be reasonable at the end of the reporting period. However, actual results could differ from those estimates and assumptions due to their inherent uncertainty.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods that are affected by the changes. Judgments, estimates, and assumptions that may have significant effects on the amounts recognized in the consolidated financial statements of the Group are as follows:

- Scope of subsidiaries ("3. Significant Accounting Policies (1) Basis of consolidation")

Whether a subsidiary is eligible for inclusion in consolidation is determined by whether the Group has control over the company.

- Impairment of non-financial assets ("3. Significant Accounting Policies (9) Impairment of non-financial assets," and "26. Other Income and Other Expenses")

The Group conducts impairment tests in accordance with "3. Significant Accounting Policies" on property, plant and equipment, right-of-use assets, goodwill, and intangible assets. The impairment tests to calculate recoverable amount include assumptions for future cash flows, discount rates, and other items. Management uses their best estimates and judgment to set the assumptions; however, the test results can be affected by changes in uncertain future economic conditions. When changes in accounting estimates are necessary, the changes can have a material effect on the consolidated financial statements.

- Recognition and measurement of provisions ("3. Significant Accounting Policies (10) Provisions," and "18. Provisions")

Provisions are measured based on the best estimates of payments to settle future liabilities on the reporting date with the amounts of the payments calculated in consideration of all possible future outcomes. The estimates used to calculate such provisions can be affected by changes in uncertain future economic conditions and therefore contain the risk that the measurement of the provisions may require significant revision in the future.

- Measurement of retirement benefit obligation ("3. Significant Accounting Policies (11) Employee benefits," and "20. Employee Benefits")

Under the defined benefit corporate pension plan, the net amount of the defined benefit obligation and fair value of plan assets as assets or liabilities is recognized. The defined benefit obligation is calculated using actuarial calculations, which include estimates for the discount rate, retirement rate, mortality rate, and rate of salary increase. These assumptions are determined based on a comprehensive judgment using available information, such as market trends in interest rate fluctuations. The assumptions for the actuarial calculations can be affected by changes in uncertain future economic conditions as well as social circumstances and therefore contain the risk that the measurement of the retirement benefit obligation may require significant revision in the future.

- Recoverability of deferred tax assets ("3. Significant Accounting Policies (16) Income taxes," and "14. Income Taxes")

Deferred tax assets are recognized based on the assumption that it is highly probable the Company will generate taxable income that can be applied to future deductible temporary differences. The judgment of whether sufficient taxable income will be generated is based on projections in the business plan of when and how much income is expected. Management uses their best estimates and judgment to set the assumptions; however, actual results can be affected by uncertain changes in future economic conditions.

The above estimates include judgments based on the prospective performance of the Group and assumptions, whose basis are the business plan developed based on the future sales forecast and outlook of the foreign exchange rates.

Although there remains a high degree of uncertainty regarding the impact of the COVID-19 pandemic on the Group's business, the future operating performance was estimated based on assumptions that the gradual recovery continues. If the impact of the pandemic is longer than expected, the Group's future performance could be significantly affected, and there could be a significant impact on the Company's consolidated financial statements.

In addition, the estimates and assumptions used in the preparation of the consolidated financial statements are based on management's best estimates as of the end of the fiscal year. However, due to the uncertainty of future economic conditions, the Group performance may also be impacted by unanticipated developments in economic conditions. If such changes require management to revise its outlook, there could be a significant impact on the Company's consolidated financial statements.

5 Segment Information

(1) Summary of reportable segments

The Group's reportable segments are composed of business units for which discrete financial information is available and which are regularly reviewed by the Board of Directors of the Company for the purposes of evaluating business performance and management decision-making about resource allocations.

The Group's reportable segments, based on the economic features and similarity of products and services, comprise its two principal reportable segments, which are "musical instruments" and "audio equipment." Other businesses are included in the "others" segment.

The musical instruments segment includes the manufacture and sales of pianos; digital musical instruments; wind, string, and percussion instruments; and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The others segment includes electronic devices business, automobile interior wood components, factory automation (FA) equipment, golf products, resorts, and certain other lines of business.

(2) Reportable segment information

The Group's reportable segment information is as follows:

The accounting methods of the reported business segments are the same as those presented in "3. Significant Accounting Policies."

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In addition, the Group reports core operating profit as segment profit. Core operating profit corresponds to operating profit under Japanese generally accepted accounting principles ("Japanese GAAP") calculated by subtracting selling, general and administrative expenses from gross profit.

	Millions of yen						
	Reportable segment						
For the fiscal year ended March 31, 2021	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
Revenue							
Revenue from external customers	¥238,981	¥103,813	¥342,794	¥29,836	¥372,630	¥ –	¥372,630
Intersegment revenue	–	–	–	254	254	(254)	–
Total	238,981	103,813	342,794	30,090	372,884	(254)	372,630
Core operating profit (Segment profit)	32,417	7,067	39,485	1,225	40,711	–	40,711
Other income							1,909
Other expenses							(7,580)
Operating profit							35,039
Finance income							3,366
Finance expenses							(1,303)
Share of profit of associates accounted for using the equity method							–
Profit before income taxes							37,102
Other items*							
Depreciation and amortization	(7,474)	(3,133)	(10,607)	(855)	(11,462)	–	(11,462)
Impairment losses	(3,553)	–	(3,553)	–	(3,553)	–	(3,553)
Reversal of impairment losses	–	–	–	–	–	–	–
Capital expenditures	8,551	2,752	11,304	848	12,153	–	12,153

	Thousands of U.S. dollars (Note 2)						
	Reportable segment						
For the fiscal year ended March 31, 2021	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
Revenue							
Revenue from external customers	$2,158,622	$937,702	$3,096,324	$269,497	$3,365,821	$ –	$3,365,821
Intersegment revenue	–	–	–	2,294	2,294	(2,294)	–
Total	2,158,622	937,702	3,096,324	271,791	3,368,115	(2,294)	3,365,821
Core operating profit (Segment profit)	292,810	63,833	356,653	11,065	367,726	–	367,726
Other income							17,243
Other expenses							(68,467)
Operating profit							316,494
Finance income							30,404
Finance expenses							(11,769)
Share of profit of associates accounted for using the equity method							–
Profit before income taxes							335,128
Other items*							
Depreciation and amortization	(67,510)	(28,299)	(95,809)	(7,723)	(103,532)	–	(103,532)
Impairment losses	(32,093)	–	(32,093)	–	(32,093)	–	(32,093)
Reversal of impairment losses	–	–	–	–	–	–	–
Capital expenditures	77,238	24,858	102,105	7,660	109,773	–	109,773

Note: Intersegment revenue is based on the prevailing market price.
* Capital expenditures represent increases in expenditures for property, plant and equipment, intangible assets and right-of-use assets. Depreciation and amortization represent amounts corresponding to capital expenditures.

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For the fiscal year ended March 31, 2020	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
	Millions of yen						
	Reportable segment						
Revenue							
Revenue from external customers	¥269,371	¥114,392	¥383,764	¥30,462	¥414,227	¥ –	¥414,227
Intersegment revenue	–	–	–	341	341	(341)	–
Total	269,371	114,392	383,764	30,804	414,569	(341)	414,227
Core operating profit (Segment profit)	37,750	8,571	46,322	30	46,352	–	46,352
Other income							2,806
Other expenses							(5,826)
Operating profit							43,333
Finance income							4,968
Finance expenses							(1,083)
Share of profit of associates accounted for using the equity method							6
Profit before income taxes							47,225
Other items*							
Depreciation and amortization	(7,435)	(2,915)	(10,351)	(880)	(11,231)	–	(11,231)
Impairment losses	(3,330)	–	(3,330)	–	(3,330)	–	(3,330)
Reversal of impairment losses	408	–	408	–	408	–	408
Capital expenditures	15,129	4,418	19,547	1,681	21,229	–	21,229

Note: Intersegment revenue is based on the prevailing market price.
* Capital expenditures represent increases in expenditures for property, plant and equipment, intangible assets, and right-of-use assets. Depreciation and amortization represents amounts corresponding to capital expenditures.

(3) Information about products and services

Disclosure is omitted since similar information is presented in "(1) Summary of reportable segments" and "(2) Reportable segment information."

(4) Information about geographical areas

Information on revenue and non-current assets by geographical areas is as follows:

A) Revenue

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Japan	¥108,193	¥123,615	$ 977,265
North America	75,963	87,347	686,144
[Of which, U.S.A.]	(64,541)	(76,051)	(582,974)
Europe	73,212	80,191	661,295
China	57,730	53,082	521,452
Other	57,530	69,990	519,646
Total	¥372,630	¥414,227	$3,365,821

Notes: 1. Revenue is classified by countries or areas based on the location of customers.
2. Major countries or areas included in geographical category other than Japan and China
North America U.S.A., Canada
Europe Germany, France, U.K.
Other Republic of Korea, Australia

B) Non-current assets (excluding financial assets, deferred tax assets, and retirement benefit assets)

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Japan	¥ 65,492	¥ 70,701	$ 591,564
North America	4,871	4,372	43,998
Europe	5,895	5,851	53,247
China	17,594	15,762	158,920
Other	28,765	28,132	259,823
[Of which, Indonesia]	(17,755)	(16,942)	(160,374)
Total	¥122,619	¥124,820	$1,107,569

Note: Major countries or areas included in geographical category other than Japan and China
North America U.S.A., Canada
Europe Germany, France, U.K.
Other Indonesia, India, Malaysia

(5) Information about major customers

Disclosure is omitted since no single external customer accounts for 10% or more of the Group's revenue.

6 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Cash and deposits	¥129,345	¥92,671	$1,168,323
Total	¥129,345	¥92,671	$1,168,323

Note: The balance of "cash and cash equivalents" on the consolidated statement of financial position is the same as the balance of "cash and cash equivalents at end of period" on the consolidated statement of cash flows.

7 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Notes and trade receivables	¥49,239	¥51,537	$444,757
Other	9,453	8,289	85,385
Allowance for doubtful accounts	(1,363)	(1,760)	(12,311)
Total	¥57,329	¥58,067	$517,830

Note: "Trade and other receivables" are classified as financial assets measured at amortized cost.

8 Inventories

The breakdown of inventories is as follows:

	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Finished goods and merchandise	¥64,327	¥ 68,236	$581,041
Work in process	12,033	12,938	108,689
Raw materials and supplies	20,442	18,878	184,645
Total	¥96,803	¥100,054	$874,384

Note: The amounts of write-downs (reversal of write-downs) of inventories recognized in "Cost of sales" for the fiscal years ended March 31, 2021 and 2020 were ¥656 million ($5,925 thousand) and ¥391 million, respectively.

9 Other Current Assets

The breakdown of other current assets is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Income taxes receivable	¥1,853	¥1,663	$16,737
Other	6,017	4,791	54,349
Total	¥7,871	¥6,455	$71,096

10 Property, Plant and Equipment

Changes in carrying amount, cost, accumulated depreciation, and impairment losses of property, plant and equipment are as follows:

(1) Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥42,740	¥15,982	¥11,483	¥13,477	¥ 7,641	¥ 91,326
Acquisition	1,968	2,985	3,157	61	11,678	19,851
Depreciation*1	(3,205)	(3,474)	(4,276)	–	–	(10,956)
Impairment losses or reversal of impairment losses*2	(732)	–	(2)	408	(20)	(346)
Sales or disposals	(103)	(216)	(230)	(128)	(81)	(759)
Reclassification to assets held for sale	–	–	–	–	–	–
Reclassification	1,463	3,206	1,706	3,126	(9,502)	–
Exchange differences on translation	(680)	(613)	(370)	(59)	(274)	(1,998)
Other	–	–	–	–	(10)	(10)
Balance as of March 31, 2020	¥41,452	¥17,870	¥11,467	¥16,885	¥ 9,430	¥ 97,106
Acquisition	2,058	1,699	2,283	–	4,580	10,622
Depreciation*1	(3,324)	(3,522)	(4,301)	–	–	(11,148)
Impairment losses or reversal of impairment losses*2	(848)	–	(165)	(120)	(18)	(1,153)
Sales or disposals	(105)	(132)	(154)	–	(74)	(466)
Reclassification to assets held for sale	–	–	–	(936)	(242)	(1,179)
Reclassification	1,372	1,608	1,398	–	(4,379)	–
Exchange differences on translation	731	746	349	105	430	2,364
Other	–	–	–	–	(3)	(3)
Balance as of March 31, 2021	¥41,336	¥18,270	¥10,877	¥15,934	¥ 9,723	¥ 96,142

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020	$374,420	$161,413	$103,577	$152,516	$85,177	$877,120
Acquisition	18,589	15,346	20,621	–	41,369	95,944
Depreciation*1	(30,024)	(31,813)	(38,849)	–	–	(100,696)
Impairment losses or reversal of impairment losses*2	(7,660)	–	(1,490)	(1,084)	(163)	(10,415)
Sales or disposals	(948)	(1,192)	(1,391)	–	(668)	(4,209)
Reclassification to assets held for sale	–	–	–	(8,455)	(2,186)	(10,649)
Reclassification	12,393	14,524	12,628	–	(39,554)	–
Exchange differences on translation	6,603	6,738	3,152	948	3,884	21,353
Other	–	–	–	–	(27)	(27)
Balance as of March 31, 2021	$373,372	$165,026	$98,248	$143,926	$87,824	$868,413

*1. Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses," and "Other expenses" in the consolidated statement of income.

*2. Impairment losses or reversal of impairment losses are included in "Other income" and "Other expenses" in the consolidated statement of income. Please see "26. Other Income and Other Expenses" for details on of impairment losses.

(2) Cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥116,017	¥76,880	¥68,855	¥23,690	¥7,641	¥293,085
Balance as of March 31, 2020	115,494	78,682	67,848	26,640	9,451	298,117
Balance as of March 31, 2021	119,923	82,422	70,214	25,809	9,741	308,112

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2021	$1,083,217	$744,486	$634,216	$233,123	$87,987	$2,783,055

(3) Accumulated depreciation and impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2019	¥(73,277)	¥(60,897)	¥(57,372)	¥(10,212)	¥ –	¥(201,759)
Balance as of March 31, 2020	(74,042)	(60,811)	(56,381)	(9,754)	(20)	(201,011)
Balance as of March 31, 2021	(78,587)	(64,152)	(59,336)	(9,875)	(18)	(211,969)

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2021	$(709,846)	$(579,460)	$(535,959)	$(89,197)	$(163)	$(1,914,633)

11 Leases

The Group leases land, buildings and structures, machinery and vehicles, and tools, furniture and fixtures. Land and buildings are real estate properties used as offices, factories, stores and music schools.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Depreciation of right-of-use assets			
Land as underlying asset	¥ (217)	¥ (238)	$ (1,960)
Buildings and structures as underlying assets	(5,206)	(5,715)	(47,024)
Machinery and vehicles as underlying assets	(218)	(182)	(1,969)
Tools, furniture and fixtures as underlying assets	(25)	(29)	(226)
Total depreciation	(5,668)	(6,166)	(51,197)
Impairment losses on right-of-use assets			
Land as underlying asset	(184)	(158)	(1,662)
Buildings and structures as underlying assets	(2,213)	(2,416)	(19,989)
Tools, furniture and fixtures as underlying assets	(2)	–	(18)
Total impairment losses	(2,400)	(2,575)	(21,678)
Interest expenses on lease liabilities	(336)	(354)	(3,035)
Lease expense where the recognition exemption is applied for short-term leases and leases of low-value assets	(2,568)	(2,817)	(23,196)
Total amount of cash outflows for leases (Note)	(8,348)	(8,689)	(75,404)
Increase in right-of-use assets	5,537	5,244	50,014
Breakdown of the balance of right-of-use assets			
Land as underlying asset	7,296	6,948	65,902
Buildings and structures as underlying assets	14,419	17,007	130,241
Machinery and vehicles as underlying assets	463	469	4,182
Tools, furniture and fixtures as underlying assets	51	56	461
Total balance of right-of-use assets	¥22,231	¥24,480	$200,804

(Note) For the fiscal year ended March 31, 2021, the total amount of cash outflows for leases includes ¥283 million ($2,556 thousand) of variable lease payments related to rent concessions granted due to the COVID-19 pandemic.

12 Goodwill and Intangible Assets

Changes in carrying amount, cost, accumulated amortization, and impairment losses of goodwill and intangible assets are as follows:

(1) Carrying amount

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2019	¥161	¥ –	¥1,321	¥1,482
Acquisition	–	–	204	204
Increase due to internal development	–	453	–	453
Amortization*	–	–	(210)	(210)
Sales or disposal	–	–	–	–
Exchange differences on translation	(3)	–	(39)	(42)
Other	–	–	8	8
Balance as of March 31, 2020	¥158	¥453	¥1,283	¥1,895
Acquisition	–	–	758	758
Increase due to internal development	–	250	–	250
Amortization*	–	–	(252)	(252)
Sales or disposal	–	–	(19)	(19)
Exchange differences on translation	2	–	51	54
Other	–	–	3	3
Balance as of March 31, 2021	¥160	¥703	¥1,825	¥2,690

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2020	$1,427	$4,092	$11,589	$17,117
Acquisition	–	–	6,847	6,847
Increase due to internal development	–	2,258	–	2,258
Amortization*	–	–	(2,276)	(2,276)
Sales or disposal	–	–	(172)	(172)
Exchange differences on translation	18	–	461	488
Other	–	–	27	27
Balance as of March 31, 2021	$1,445	$6,350	$16,485	$24,298

* Amortization is included in "Cost of sales," "Selling, general and administrative expenses," and "Other expenses" in the consolidated statement of income.

(2) Cost

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2019	¥161	¥ –	¥3,920	¥4,081
Balance as of March 31, 2020	158	453	3,992	4,604
Balance as of March 31, 2021	160	703	4,874	5,739

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2021	$1,445	$6,350	$44,025	$51,838

(3) Accumulated amortization and impairment losses

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2019	¥–	¥–	¥(2,599)	¥(2,599)
Balance as of March 31, 2020	–	–	(2,709)	(2,709)
Balance as of March 31, 2021	–	–	(3,049)	(3,049)

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2021	$–	$–	$(27,540)	$(27,540)

13 Other Financial Assets

The status of other financial assets under current assets and financial assets under non-current assets is as follows:

(1) Breakdown of other financial assets

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Financial assets measured at amortized cost			
Time deposits with a maturity of more than three months	¥ 8,519	¥12,757	$ 76,949
Other	4,092	4,188	36,961
Subtotal	12,611	16,945	113,910
Financial assets measured at fair value through profit or loss			
Debt instruments	252	497	2,276
Derivative assets	–	128	–
Subtotal	¥252	¥625	$2,276
Financial assets measured at fair value through other comprehensive income			
Equity instruments	115,768	63,185	1,045,687
Subtotal	¥115,768	¥63,185	$1,045,687
Total	¥128,631	¥80,756	$1,161,873

Note: The Group applies hedge accounting for derivative assets.

(2) Equity instruments measured at fair value through other comprehensive income

The Group designates stocks of Yamaha Motor Co., Ltd., which uses the common brand name and stocks of related companies of other businesses as equity instruments measured at fair value through other comprehensive income.

A) Major stocks and their fair value

Names of major equity instruments measured at fair value through other comprehensive income and their fair value are as follows:

As of March 31, 2021	Millions of yen	Thousands of U.S. dollars (Note 2)
Listed companies		
Yamaha Motor Co., Ltd.	¥ 93,916	$ 848,306
TOYOTA MOTOR CORPORATION	4,319	39,012
Audinate Group Limited	3,729	33,683
MS&AD Insurance Group Holdings, Inc.	3,406	30,765
The Shizuoka Bank, Ltd.	2,336	21,100
Other	2,352	21,245
Unlisted companies	5,707	51,549
Total	¥115,768	$1,045,687

As of March 31, 2020	Millions of yen
Listed companies	
Yamaha Motor Co., Ltd.	¥45,278
MS&AD Insurance Group Holdings, Inc.	3,686
TOYOTA MOTOR CORPORATION	3,258
The Shizuoka Bank, Ltd.	1,845
Audinate Group Limited	1,575
Other	2,047
Unlisted companies	5,494
Total	¥63,185

B) Equity instruments measured at fair value through other comprehensive income, derecognized during the period

The Board of Directors of the Company regularly and continuously reviews the status of equity instruments held by the Group whether the holding purpose is reasonably appropriate in terms of business relationship with each issuer or the capital costs are worth the benefits or risks involved. Based on such reviews, the Group proceeds with the reduction of its cross-holdings.

The fair value at the time of derecognition (e.g., sale) and cumulative gain or loss upon sale, before tax, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Fair value	¥1,168	¥2	$10,550
Cumulative gain or loss, before tax	463	(0)	4,182

Note: Cumulative gain or loss in other comprehensive income is reclassified to retained earnings upon derecognition after tax adjustment.

14 Income Taxes

(1) Breakdown and reconciliation of deferred tax assets and deferred tax liabilities

The breakdown and reconciliation of deferred tax assets and deferred tax liabilities by major components are as follows:

	Millions of yen			
For the fiscal year ended March 31, 2021	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	¥ 1,804	¥ 213	¥ –	¥ 2,018
Unrealized gain on inventory, property, plant and equipment	2,941	(462)	–	2,479
Excess of depreciation and amortization	6,195	(249)	–	5,945
Impairment losses on non-financial assets	1,262	748	–	2,011
Accrued employees' bonuses	2,228	(101)	–	2,126
Provision for product warranty	578	(206)	–	371
Retirement benefit liabilities	6,466	147	(2,492)	4,121
Tax loss carryforwards	196	1,077	–	1,273
Other	7,191	(582)	52	6,661
Deferred tax assets, subtotal	¥ 28,866	¥ 584	¥ (2,440)	¥ 27,010
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(2,767)	99	–	(2,667)
Retained earnings of overseas subsidiaries	(2,717)	(1,221)	–	(3,939)
Change in fair value of financial assets	(14,245)	–	(15,682)	(29,928)
Other	(1,165)	(117)	(28)	(1,311)
Deferred tax liabilities, subtotal	¥(20,896)	¥(1,239)	¥(15,711)	¥(37,847)
Deferred tax assets or liabilities, net	¥ 7,969	¥ (655)	¥(18,151)	¥(10,836)

Note: Changes due to foreign exchange fluctuations are included in the amounts recognized through profit or loss.

	Thousands of U.S. dollars (Note 2)			
For the fiscal year ended March 31, 2021	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	$ 16,295	$ 1,924	$ –	$ 18,228
Unrealized gain on inventory, property, plant and equipment	26,565	(4,173)	–	22,392
Excess of depreciation and amortization	55,957	(2,249)	–	53,699
Impairment losses on non-financial assets	11,399	6,756	–	18,165
Accrued employees' bonuses	20,125	(912)	–	19,203
Provision for product warranty	5,221	(1,861)	–	3,351
Retirement benefit liabilities	58,405	1,328	(22,509)	37,223
Tax loss carryforwards	1,770	9,728	–	11,499
Other	64,953	(5,257)	470	60,166
Deferred tax assets, subtotal	$ 260,735	$ 5,275	$ (22,040)	$ 243,971
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(24,993)	894	–	(24,090)
Retained earnings of overseas subsidiaries	(24,542)	(11,029)	–	(35,579)
Change in fair value of financial assets	(128,669)	–	(141,649)	(270,328)
Other	(10,523)	(1,057)	(253)	(11,842)
Deferred tax liabilities, subtotal	$(188,745)	$(11,191)	$(141,911)	$(341,857)
Deferred tax assets or liabilities, net	$ 71,981	$ (5,916)	$(163,951)	$ (97,877)

	Millions of yen			
For the fiscal year ended March 31, 2020	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	¥ 1,779	¥ 25	¥ –	¥ 1,804
Unrealized gain on inventory, property, plant and equipment	3,155	(213)	–	2,941
Excess of depreciation and amortization	6,543	(348)	–	6,195
Impairment losses on non-financial assets	569	693	–	1,262
Accrued employees' bonuses	2,261	(32)	–	2,228
Provision for product warranty	266	311	–	578
Retirement benefit liabilities	6,885	(490)	71	6,466
Tax loss carryforwards	245	(49)	–	196
Other	6,593	613	(14)	7,191
Deferred tax assets, subtotal	¥ 28,300	¥ 509	¥ 56	¥ 28,866
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(2,869)	101	–	(2,767)
Retained earnings of overseas subsidiaries	(2,706)	(10)	–	(2,717)
Change in fair value of financial assets	(23,838)	–	9,592	(14,245)
Other	(299)	(866)	–	(1,165)
Deferred tax liabilities, subtotal	¥(29,713)	¥(775)	¥9,592	¥(20,896)
Deferred tax assets or liabilities, net	¥ (1,413)	¥(265)	¥9,648	¥ 7,969

Note: Changes due to foreign exchange fluctuations are included in the amounts recognized through profit or loss.

(2) Future deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognized

Future deductible temporary differences and tax loss carryforwards (tax base) for which deferred tax assets were not recognized are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Future deductible temporary differences	¥23,003	¥20,917	$207,777
Tax loss carryforwards	2,354	3,233	21,263
Total	¥25,357	¥24,151	$229,040

Note: The amounts of tax loss carryforwards include the amounts of tax credit carryforwards.

The above tax loss carryforwards (tax base) expire as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Within one year	¥ 131	¥ 181	$ 1,183
Between one and two years	135	124	1,219
Between two and three years	45	230	406
Between three and four years	132	40	1,192
Over four years	1,909	2,656	17,243
Total	¥2,354	¥3,233	$21,263

(3) Future taxable temporary differences for which deferred tax liabilities were not recognized

Future taxable temporary differences (temporary difference base) for which deferred tax liabilities were not recognized are as follows:

Future taxable temporary differences associated with investments in subsidiaries are not recognized since the Group can control the timing of reversal of those temporary differences and it is probable that such temporary differences will not reverse in the foreseeable period.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Total amount of future taxable temporary differences associated with investments in subsidiaries	¥89,146	¥79,387	$805,221

(4) Breakdown of income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Current			
Current year	¥ (9,213)	¥(12,487)	$(83,217)
Amendment of past year	(314)	16	(2,836)
Deferred			
Temporary differences originated or reversed	(835)	(334)	(7,542)
Change in unrecognized deferred tax assets	(30)	283	(271)
Total	¥(10,393)	¥(12,521)	$(93,876)

(5) Reconciliation of statutory effective tax rate and average effective tax rate

The Company is subject to corporate tax, inhabitant tax and enterprise tax., The statutory effective tax rate calculated based on these taxes was 29.9% for the fiscal years ended March 31, 2021 and 2020. The Company's subsidiaries are subject to corporate and other taxes in their country of domicile.

The reconciliation between the statutory effective tax rate and the average effective tax rate is as follows:

	2021	2020
Statutory effective tax rate	29.9%	29.9%
Tax adjustments other than temporary differences	0.1	(0.1)
Difference in tax rates applied for foreign operations	(2.8)	(3.0)
Change in unrecognized deferred tax assets	0.1	(0.6)
Special tax credit for research and development expenses	(1.4)	(2.7)
Foreign withholding taxes (including deferred tax expenses for retained earnings of overseas subsidiaries)	4.2	0.9
Influence by sale of investments in associated company	–	0.3
Other	(2.1)	1.8
Average effective tax rate	28.0%	26.5%

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15 Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Notes and trade payables	¥17,300	¥15,895	$156,264
Other	39,615	37,087	357,827
Total	¥56,915	¥52,982	$514,091

Note: "Trade and other payables" are classified as financial liabilities measured at amortized cost.

16 Interest-Bearing Debt

The breakdown of interest-bearing debt is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)	Average interest rate	Repayment date
	2021	2020	2021		
Short-term borrowings	¥7,537	¥10,830	$68,079	0.72%	–
Current portion of long-term borrowings	442	–	3,992	1.75	–
Long-term borrowings (excluding current portion)	387	–	3,496	1.75	2023
Total	¥8,367	¥10,830	$75,576		

Notes: 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. The average interest rate represents the weighted-average interest rate applied to the balance of the borrowings as of the end of the current fiscal year.

17 Other Financial Liabilities

The breakdown of other financial liabilities under current liabilities and non-current liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Financial liabilities measured at amortized cost			
Resort membership deposits	¥8,894	¥ 8,980	$80,336
Other	791	2,209	7,145
Subtotal	9,685	11,189	87,481
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	238	–	2,150
Subtotal	238	–	2,150
Total	¥9,923	¥11,189	$89,631

Note: The Group applies hedge accounting for derivative liabilities.

Financial and Corporate Information

18 Provisions

The breakdown of provisions and changes during the year are as follows:

	Millions of yen			
	Provision for product warranty	Asset retirement obligations	Other	Total
Balance as of April 1, 2019	¥ 1,840	¥ 505	¥ 8	¥ 2,354
Increase	1,745	978	39	2,764
Decrease (utilized as intended)	(548)	(37)	(48)	(634)
Decrease (reversal)	(120)	–	–	(120)
Unwinding of discount	–	4	–	4
Exchange differences on translation	(76)	(17)	(0)	(93)
Balance as of March 31, 2020	¥ 2,840	¥1,433	¥ 0	¥ 4,274
Increase	807	93	27	929
Decrease (utilized as intended)	(595)	(75)	(0)	(672)
Decrease (reversal)	(1,027)	–	–	(1,027)
Unwinding of discount	–	2	–	2
Exchange differences on translation	102	20	0	123
Balance as of March 31, 2021	¥ 2,128	¥1,474	¥ 27	¥ 3,630

	Thousands of U.S. dollars (Note 2)			
	Provision for product warranty	Asset retirement obligations	Other	Total
Balance as of March 31, 2020	$25,653	$12,944	$ 0	$38,605
Increase	7,289	840	244	8,391
Decrease (utilized as intended)	(5,374)	(677)	(0)	(6,070)
Decrease (reversal)	(9,276)	–	–	(9,276)
Unwinding of discount	–	18	–	18
Exchange differences on translation	921	181	0	1,111
Balance as of March 31, 2021	$19,221	$13,314	$244	$32,788

Provision for product warranty is accounted for post-sales repair expenses based on historical experience considering revenue, sales volumes, or on individual estimates. Although payments for repairs are mainly made within one year after a claim, certain payments are made over one year. Asset retirement obligations are accounted for future payments for dismantling and removing assets and restoring the site. It is assumed that payments to settle these obligations will be required mainly after one year or more, and the amounts of the obligations may be affected by future business strategy.

19 Other Current Liabilities

The breakdown of other current liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Accrued paid leave	¥ 4,868	¥ 4,636	$ 43,971
Contract liabilities	6,237	5,426	56,336
Other	3,557	4,349	32,129
Subtotal	¥14,664	¥14,412	$132,454

20 Employee Benefits

(1) Post-employment benefits

The Company and certain subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans as retirement benefits for employees. The amount of benefits is generally determined based on each employee's length of service, salary, and other requirements. The defined benefit plans are exposed to general risks such as investment risk, interest risk, and inflation risk.

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

The funded defined benefit plan is operated by the Yamaha Corporate Pension Fund ("the Fund") and other administrators that are legally independent from the Group in accordance with the Defined-Benefit Corporate Pension Act (the "Act"). As stipulated in the Act, the Board of Directors of the pension fund and the pension management trustee should act in the best interest of the plan participants and have responsibilities to manage the Fund assets based on the prescribed policies.

In addition, there are certain cases that the Group may pay extra retirement allowances to employees, which are not subject to actuarial calculations.

Please see "3. Significant Accounting Policies (11) Employee benefits, A) Post-employment benefits" for the accounting policies for post-employment benefits.

A) Defined benefit plans (funded and unfunded)

(a) Reconciliation for defined benefit obligation and plan assets

Reconciliation of balances of the defined benefit obligation and plan assets and amounts recognized in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Present value of defined benefit obligation of funded plan	¥ 80,430	¥ 82,970	$ 726,493
Fair value of plan assets	(86,274)	(79,669)	(779,279)
Funded status	(5,844)	3,300	(52,787)
Present value of defined benefit obligation of unfunded plan	21,993	19,992	198,654
Defined benefit obligation and assets, net	16,148	23,293	145,859
Amounts on the consolidated statement of financial position			
Retirement benefit liabilities	22,576	23,704	203,920
Retirement benefit assets	(6,427)	(411)	(58,053)
Net defined benefit liabilities (assets) on the consolidated statement of financial position	¥ 16,148	¥ 23,293	$ 145,859

Note: Retirement benefit assets are included in "Other non-current assets" in the consolidated statement of financial position.

(b) Changes in present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Present value of defined benefit obligations at the beginning of the period	¥102,962	¥107,394	$930,015
Service cost	3,992	4,087	36,058
Interest expense	962	841	8,689
Payments from the plan	(7,032)	(7,297)	(63,517)
Remeasurements			
Actuarial differences arising from changes in demographic assumptions	552	12	4,986
Actuarial differences arising from changes in financial assumptions	130	(1,114)	1,174
Other	213	(158)	1,924
Exchange differences on translation of foreign operations	789	(551)	7,127
Other	(147)	(251)	(1,328)
Present value of defined benefit obligations at the end of the period (Note)	¥102,423	¥102,962	$925,147

(Note) The weighted-average duration of defined benefit obligations was 11.6 years as of March 31, 2021 and 2020.

(c) Changes in fair value of plan assets

Changes in fair value of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Present value of plan assets at the beginning of the period	¥79,669	¥83,520	$719,619
Interest income	488	433	4,408
Remeasurements			
Income on plan assets other than interest income	9,076	(1,181)	81,980
Employer's contributions	2,574	2,657	23,250
Payments from the plan	(5,618)	(5,683)	(50,745)
Exchange differences on translation of foreign operations	84	(78)	759
Present value of plan assets at the end of the period	¥86,274	¥79,669	$779,279

The Group plans to contribute ¥2,552 million ($23,051 thousand) for the fiscal year ending March 31, 2022.

(d) Breakdown of plan assets and their fair value

The plan assets under the funded defined benefit plan are operated mainly by the Yamaha Corporate Pension Fund (the "Fund"). As a basic policy, the Fund manages plan assets by determining an appropriate asset mix from a medium- to long-term perspective.

In particular, under the policy, the Fund determines the operating target based on the assumed interest rate for the pension fund and their operating expenses; selects assets that would be appropriate investments to achieve the target; determines the policy asset mix allocation that would be the best asset mix for the future, after considering the expected rate of return on assets, the risk of return, and the correlation coefficient between the returns of investments; and maintains those asset mixes. In addition, the Fund reviews those asset allocations on a regular or as-needed basis.

For management of the plan assets, the board of representatives will make decisions based on discussions by the asset management committee. The board of representatives and the asset management committee consist of personnel with appropriate qualifications including directors of the Company's finance division and human resources division. The labor union leaders are also included as the representative of the beneficiaries.

The breakdown of the plan assets by major category is as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2021			2020			2021		
Quoted price in active market	Available	Not available	Total	Available	Not available	Total	Available	Not available	Total
Cash and deposits	¥ 1,156	¥ –	¥ 1,156	¥ 1,144	¥ –	¥ 1,144	$ 10,442	$ –	$ 10,442
Equity securities	23,305	–	23,305	17,516	–	17,516	210,505	–	210,505
Debt securities	12,115	–	12,115	10,190	–	10,190	109,430	–	109,430
Life insurance general accounts	–	44,071	44,071	–	45,334	45,334	–	398,076	398,076
Other	–	5,626	5,626	–	5,484	5,484	–	50,817	50,817
Total	¥36,576	¥49,697	¥86,274	¥28,850	¥50,818	¥79,669	$330,377	$448,894	$779,279

(e) Actuarial assumptions

The major actuarial assumption used to determine the present value of defined benefit obligations is as follows:

	2021	2020
Discount rate	0.65%	0.61%

(f) Sensitivity analysis

The effect to the defined benefit obligations when the major actuarial assumption changes is as follows:

This analysis assumes all other variables are consistent. In reality, however, a change of any other variables may affect the results of this sensitivity analysis.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Increase of 0.5% in discount rate	¥(5,801)	¥(5,906)	$(52,398)
Decrease of 0.5% in discount rate	5,840	5,944	52,750

B) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥(7,366) million ($(66,534) thousand) and ¥(7,703) million for the fiscal years ended March 31, 2021 and 2020, respectively. In addition to the above, additional retirement benefits of ¥(17) million ($(154) thousand) and ¥(42) million were recognized for the fiscal years ended March 31, 2021 and 2020, respectively.

(2) Employee benefit expenses

Total amounts of employee benefit expenses included in "Cost of sales," "Selling, general and administrative expenses," and "Other expenses" in the consolidated statement of income were ¥(109,566) million ($(989,667)thousand) and ¥(114,725) million for the fiscal years ended March 31, 2021 and 2020, respectively.

21 Equity

(1) Policy on equity

With the aim of improving consolidated return on equity, the Group will distribute profit to shareholders while investing in research and development, marketing and, capital expenditures to drive corporate growth, based on prospective levels of medium-term consolidated earnings. Although the Group's basic policy is to distribute profit to shareholders on a continuous and stable basis, the Group will also flexibly distribute profit for the purposes of improving capital efficiency, while balancing and building adequate internal reserves for investments in future corporate growth.

(2) Share capital and treasury shares

Changes in the numbers of authorized shares, outstanding shares, and treasury shares are as follows:

All of the Company's shares are no-par value common stock without restriction on rights and all outstanding shares are fully paid in.

	Shares	
	2021	2020
Number of authorized shares	700,000,000	700,000,000
Number of outstanding shares		
Beginning of the period	191,555,025	191,555,025
Increase	–	–
Decrease	–	–
End of the period	191,555,025	191,555,025
Number of treasury shares		
Beginning of the period	15,735,084	11,919,368
Increase*1	25,170	3,952,516
Decrease*2	4,000	136,800
End of the period	15,756,254	15,735,084

*1. The increase for the fiscal year ended March 31, 2021 is due to the following:
Increase due to return of restricted stock compensation without payment before completion of the restricted period – 23,400 shares
Increase due to purchase of fractional shares of less than one trading unit – 1,770 shares
The increase for the fiscal year ended March 31, 2020 is due to the following:
Increase due to purchase of treasury shares pursuant to a resolution of the Board of Directors – 3,950,500 shares
Increase due to purchase of fractional shares of less than one trading unit – 2,016 shares

*2. The decrease for the fiscal year ended March 31, 2021 is due to disposal of treasury shares as restricted stock compensation – 4,000 shares.
The decrease for the fiscal year ended March 31, 2020 is due to disposal of treasury shares as restricted stock compensation.

(3) Capital surplus and retained earnings

Capital surplus consists of the legal capital reserve and other capital surplus and represents the amount not included in share capital upon the issuance of shares.

The Companies Act in Japan requires that 50% or more of paid-in capital for the issuance of shares shall be accounted for as share capital and the remaining amount shall be accounted for as the legal capital reserve. Other capital surplus includes an amount of surplus arising from reversal of the legal capital reserve, gain or loss on disposal of treasury shares, and a decrease due to cancellation of treasury shares.

Retained earnings consist of legal retained earnings and other retained earnings that include unappropriated retained earnings.

The Company determines the amount available for dividends under the Companies Act in Japan, based on the amount of retained earnings on the Company's unconsolidated financial statements which are prepared in accordance with Japanese GAAP. The Company distributes retained earnings to its shareholders within certain limitations as stipulated by the Companies Act in Japan on the amount available for dividends.

22 Dividends

The dividends paid are as follows:
For the fiscal year ended March 31, 2021

Resolution	Class of shares	Total dividends		Dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars (Note 2)	Yen	U.S. dollars (Note 2)		
Annual shareholders' meeting held on June 23, 2020	Common stock	¥5,802	$52,407	¥33.00	$0.30	March 31, 2020	June 24, 2020
Board of Directors' meeting held on November 2, 2020	Common stock	5,801	52,398	33.00	0.30	September 30, 2020	December 3, 2020

For the fiscal year ended March 31, 2020

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 24, 2019	Common stock	¥5,389	¥30.00	March 31, 2019	June 25, 2019
Board of Directors' meeting held on November 1, 2019	Common stock	5,885	33.00	September 30, 2019	December 5, 2019

The dividends with a record date in the current fiscal year and effective date in the next fiscal year are as follows:
For the fiscal year ended March 31, 2021

Resolution	Class of shares	Source	Total dividends		Dividends per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars (Note 2)	Yen	U.S. dollars (Note 2)		
Annual shareholders' meeting held on June 24, 2021	Common stock	Retained earnings	¥5,801	$52,398	¥33.00	$0.30	March 31, 2021	June 25, 2021

23 Revenue

The breakdown of revenue is as follows:

(1) Breakdown of revenue

Based on economic features and similarity of products and services, the Group classifies its revenue into two reportable segments, "musical instruments" and "audio equipment," and includes other businesses in the "others" segment. Revenue is also presented by region based on customer location. The breakdown of revenue and segment revenue is disclosed in the following table.

See "5. Segment Information" for product and geographical information about each segment.

	Millions of yen			
	Reportable segment			
For the fiscal year ended March 31, 2021	Musical instruments	Audio equipment	Others	Total
Japan	¥ 55,057	¥ 33,980	¥19,155	¥108,193
North America	48,736	22,701	4,524	75,963
Europe	46,053	26,707	451	73,212
China	48,176	7,008	2,545	57,730
Other	40,956	13,415	3,158	57,530
Total	¥238,981	¥103,813	¥29,836	¥372,630
Revenue recognized from contracts with customers	¥237,742	¥103,401	¥29,699	¥370,843
Revenue recognized from other sources	1,238	412	136	1,787

	Thousands of U.S. dollars (Note 2)			
	Reportable segment			
For the fiscal year ended March 31, 2021	Musical instruments	Audio equipment	Others	Total
Japan	$ 497,308	$306,928	$173,020	$ 977,265
North America	440,213	205,049	40,864	686,144
Europe	415,979	241,234	4,074	661,295
China	435,155	63,301	22,988	521,452
Other	369,939	121,172	28,525	519,646
Total	$2,158,622	$937,702	$269,497	$3,365,821
Revenue recognized from contracts with customers	$2,147,430	$933,981	$268,259	$3,349,679
Revenue recognized from other sources	11,182	3,721	1,228	16,141

Main countries or areas included in geographical category other than Japan and China:

North America	U.S.A., Canada
Europe	Germany, France, U.K.
Other	Republic of Korea, Australia

	Millions of yen			
	Reportable segment			
For the fiscal year ended March 31, 2020	Musical instruments	Audio equipment	Others	Total
Japan	¥ 68,943	¥ 31,311	¥23,361	¥123,615
North America	57,526	26,515	3,306	87,347
Europe	49,657	30,269	264	80,191
China	44,330	7,504	1,246	53,082
Other	48,913	18,792	2,284	69,990
Total	¥269,371	¥114,392	¥30,462	¥414,227
Revenue recognized from contracts with customers	¥267,841	¥114,014	¥30,303	¥412,159
Revenue recognized from other sources	1,530	378	159	2,067

Main countries or areas included in geographical category other than Japan and China:

North America	U.S.A., Canada
Europe	Germany, France, U.K.
Other	Republic of Korea, Australia

The Group's revenues mostly consist of the sale of finished goods and merchandise. Revenues from the sale of finished goods and merchandise are recognized when control of finished goods and merchandise is transferred to a customer. Specifically, the Group recognizes revenue when a customer accepts the delivery of finished goods and merchandise, since the legal title, physical possession, and significant risk and rewards of ownership of the item are transferred to the customer at that point in time, and the performance obligation has been satisfied.

Revenues are measured as the amount agreed to at the time the contract with a customer was entered into less any discounts, rebates, or sales returns.

In addition, the Group provides services, such as music school business, in which revenue from the services is recognized when the services are performed since the performance obligation has been satisfied at that point.

(2) Balances of contracts

Balances of receivables arising from customer contracts and contract liabilities are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2021	2020	As of April 1, 2019	2021
Receivables arising from customer contracts	¥49,239	¥51,537	¥55,254	$444,757
Contract liabilities	6,237	5,426	2,850	56,336

Contract liabilities mainly present advances received from customers.

The revenue included in the beginning balances of contract liabilities for the fiscal years ended March 31, 2021 and 2020, were ¥4,750 million ($42,905 thousand) and ¥2,671 million, respectively. In addition, there is no significant revenue recognized from the performance obligation fulfilled in the past.

There is no significant contract whose expected period of performance obligation exceeds one year. A significant amount of the consideration arising from a contract with a customer is all included in the transaction amount.

24 Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Freight and transportation expenses	¥ (11,817)	¥ (12,922)	$(106,738)
Advertising and sales promotion expenses	(10,910)	(17,226)	(98,546)
Employee benefit expenses	(52,458)	(55,001)	(473,833)
Depreciation and amortization	(4,910)	(4,902)	(44,350)
Other	(22,102)	(31,854)	(199,639)
Total	¥(102,198)	¥(121,907)	$(923,114)

25 Research and Development Expenses

The amount of research and development expenses included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Research and development expenses	¥(24,189)	¥(24,814)	$(218,490)

26 Other Income and Other Expenses

The breakdown of other income and other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Other income and other expenses			
Gain on sale of fixed assets	¥ 106	¥ 372	$ 957
Government grants*1	956	1,063	8,635
Reversal of impairment losses	–	408	–
Loss on sale and retirement of fixed assets	(200)	(111)	(1,807)
Loss from suspension of operations*2	(2,318)	(1,386)	(20,938)
Impairment losses*3	(3,553)	(3,330)	(32,093)
Fines for competition law infringements	(527)	–	(4,760)
Loss on sale of investments in associates	–	(231)	–
Other	(134)	196	(1,210)

*1. Government grants
For the fiscal year ended March 31, 2021, the Company recognized ¥669 million ($6,043 thousand) of government grants due to the COVID-19 pandemic.

*2. Loss from suspension of operations
For the fiscal year ended March 31, 2021, the spread of COVID-19 and its serious worldwide impact have led the Group to temporarily close its directly managed shops and music schools, as well as, suspend factory operations. Expenses incurred during the period of business suspensions and factory shutdowns are recognized as loss from suspension of operations.

Loss from suspension of operations is recorded net of subsidies related to the COVID-19 pandemic of ¥572 million ($5,167 thousand).

For the fiscal year ended March 31, 2020, the spread of COVID-19 and its serious worldwide impact have led the Group to temporarily close its directly managed shops and music schools, suspend factory operations, and cancel events. Expenses incurred during the period of business suspensions and factory shutdowns and from event cancellations are recognized as loss from suspension of operations.

*3. Impairment losses
For the fiscal year ended March 31, 2021, the Company recognized impairment losses of ¥(3,553) million ($(32,093) thousand), which consisted of ¥(3,441) million ($(31,081) thousand) on assets related to its directly managed shops and music schools in Japan in the musical instruments segment and ¥(111) million ($(1,003) thousand) on domestic idle assets. The breakdown of the impairment losses in the musical instruments segment is as follows:

Segment	Location	Type	Millions of yen 2021	Thousands of U.S. dollars (Note 2) 2021
Musical instruments	Tokyo and other regions	Property, plant and equipment		
		Buildings	¥ (838)	$ (7,569)
		Other	(202)	(1,825)
		Right-of-use assets	(2,400)	(21,678)
		Total	¥(3,441)	$(31,081)

Method of grouping assets
The Group's assets are grouped based on the minimum cash-generating units that generate primarily independent cash inflows. In general, the Group recognizes cash-generating units based on the business segment for management purposes.

Reason for recognition of an impairment loss
The COVID-19 pandemic has led to lower sales of musical instruments at directly managed shops in Japan and lower income from music schools owing to the decrease in the number of students. At the end of the previous fiscal year, the Group expected the situation to recover to pre-pandemic levels in the fiscal year ending March 31, 2022, except for the future impact from the decrease of new students during the fiscal year ended March 31, 2021. However, with the pandemic continuing to worsen at the end of the fiscal year ended March 31, 2021, as it is expected to take a long period of time to recover to the level before the spread of the infection, impairment losses were recognized for the asset group without prospects to generate future cash flows sufficient to recover the carrying amount of the assets.

Calculation of the recoverable amount
The recoverable amount is ¥4,592 million ($41,478 thousand), which is measured based on value in use. The value in use is calculated by discounting the future cash flows under the above assumptions by 3.6%.

For the fiscal year ended March 31, 2020, the breakdown of the impairment losses is as follows:

Segment	Location	Type	Millions of yen 2020
Musical instruments	Tokyo and other regions	Property, plant and equipment	
		Buildings	¥ (732)
		Other	(23)
		Right-of-use assets	(2,575)
		Total	¥(3,330)

Method of grouping assets
The Group's assets are grouped based on the minimum cash-generating units that generate primarily independent cash inflows.

Reason for recognition of impairment losses
Due to the spread of COVID-19, directly managed shops and schools in Japan remained closed from April through May. New student recruitment activities for music schools were also reduced, and this is expected to lead to a prolonged period of decreased profitability for the music schools. The Company recognized an impairment loss on an asset group that is expected to be unable to recover its book value through future cash flow due to an expected deterioration in earnings.

Calculation of the recoverable amount
The recoverable amount is ¥7,623 million, which is measured based on value in use. The value in use is calculated by discounting future cash flows by 4.5% assuming that directly managed shops and schools will operate as usual from the fiscal year ending March 31, 2022.

27 Finance Income and Finance Expenses

The breakdown of finance income and finance expenses is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Interest income			
Financial assets measured at amortized cost	¥ 672	¥ 811	$ 6,070
Dividend income			
Financial assets measured at fair value through other comprehensive income	2,693	3,724	24,325
Gain on revaluation of investment securities			
Financial assets measured at fair value through profit or losses	–	432	–
Interest expenses			
Financial liabilities measured at amortized cost	(180)	(381)	(1,626)
Lease liabilities	(336)	(354)	(3,035)
Loss on revaluation of investment securities			
Financial assets measured at fair value through profit or losses	(8)	–	(72)
Foreign exchange gain or loss	(778)	(347)	(7,027)
Total	¥2,062	¥3,885	$18,625

The breakdown of dividend income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Financial assets derecognized during the period	¥ 86	¥ 0	$ 777
Financial assets held at the end of the period	2,607	3,723	23,548
Total	¥2,693	¥3,724	$24,325

28 Other Comprehensive Income

The adjustments and reclassifications by items of other comprehensive income and income tax adjustment are as follows:

	Millions of yen				
For the fiscal year ended March 31, 2021	Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	¥ 8,179	¥ –	¥ 8,179	¥ (2,492)	¥ 5,687
Financial assets measured at fair value through other comprehensive income	53,748	–	53,748	(15,820)	37,927
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	12,037	–	12,037	–	12,037
Gain or loss on cash flow hedges	(847)	574	(272)	81	(191)
Total other comprehensive income	¥73,118	¥574	¥73,692	¥(18,232)	¥55,460

	Thousands of U.S. dollars (Note 2)				
For the fiscal year ended March 31, 2021	Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	$ 73,878	$ –	$ 73,878	$ (22,509)	$ 51,368
Financial assets measured at fair value through other comprehensive income	485,485	–	485,485	(142,896)	342,580
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	–	–
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	108,725	–	108,725	–	108,725
Gain or loss on cash flow hedges	(7,651)	5,185	(2,457)	732	(1,725)
Total other comprehensive income	$660,446	$5,185	$665,631	$(164,683)	$500,948

	Millions of yen				
For the fiscal year ended March 31, 2020	Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	¥ 79	¥ –	¥ 79	¥ (71)	¥ 7
Financial assets measured at fair value through other comprehensive income	(33,023)	–	(33,023)	9,592	(23,431)
Share of other comprehensive income of investments accounted for using the equity method	1	–	1	–	1
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	(9,629)	–	(9,629)	–	(9,629)
Gain or loss on cash flow hedges	166	(216)	(49)	14	(35)
Total other comprehensive income	¥(42,405)	¥(216)	¥(42,622)	¥9,536	¥(33,086)

29 Earnings per Share

Basic earnings per share and the basis for its calculation are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Profit for the period attributable to owners of parent	¥ 26,615	¥ 34,621	$240,403
Weighted-average number of common shares (Thousand shares)	175,804	177,811	

	Yen		U.S. dollars (Note 2)
Basic earnings per share	¥151.39	¥194.71	$1.37

Note : Diluted earnings per share is not stated since there are no potential share that would have a dilutive effect.

30 Non-Cash Transactions

The breakdown of major non-cash transactions is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Increase in right-of-use assets in connection with recognition of lease liabilities	¥4,963	¥4,550	$44,829

31 Reconciliation of Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities are as follows:

	Millions of yen				
			Non-cash changes		
For the fiscal year ended March 31, 2021	Balance at beginning of the period	Changes due to cash flows from financing activities	Acquisition of right-of-use assets	Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	¥21,229	¥(6,063)	¥4,341	¥654	¥20,161
Interest-bearing debt	10,830	(2,602)	–	139	8,367
Resort membership deposits	8,980	(86)	–	–	8,894

	Thousands of U.S. dollars (Note 2)				
			Non-cash changes		
For the fiscal year ended March 31, 2021	Balance at beginning of the period	Changes due to cash flows from financing activities	Acquisition of right-of-use assets	Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	$191,753	$(54,765)	$39,211	$5,907	$182,106
Interest-bearing debt	97,823	(23,503)	–	1,256	75,576
Resort membership deposits	81,113	(777)	–	–	80,336

	Millions of yen				
			Non-cash changes		
For the fiscal year ended March 31, 2020	Balance at beginning of the period	Changes due to cash flows from financing activities	Acquisition of right-of-use assets	Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	¥23,988	¥(5,871)	¥3,689	¥(577)	¥21,229
Interest-bearing debt	8,936	2,120	–	(225)	10,830
Resort membership deposits	8,997	(17)	–	–	8,980

32 Share-Based Compensation Payments

(1) Overview of share-based compensation plans

The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders.

As the equity-settled share-based compensation plan, the Group has a compensation plan with a restriction on share transfer. Under the plan, the Group grants monetary compensation receivables to eligible executive officers and certain operating officers and has them pay in all these receivables as contributed assets to issue or dispose of shares of the Company's common stock.

With the aim of sustainably enhancing its corporate value and sharing value with shareholders, the Company grants the share-based compensation with a restriction on share transfer depending on the level of the position and responsibilities at the commencement of the Medium-Term Business Plan. For the purpose of giving incentive to achieve performance targets in the medium term, the Group grants one-third of entire compensation on the condition that the officer remains in the position and two-thirds are corresponding to operating performance, while equally considering performance indicators such as "Core operating profit ratio," "Return on equity (ROE)" and "Earning per share (EPS)" as presented in the Medium-Term Business Plan. With the aim of sharing value with shareholders over a long term after the Medium-Term Business Plan, the transfer restrictions shall not be released until the retirement as officers or 30 years have passed after granting. In addition, a clawback provision shall be applied if any significant fraudulent accounting or significant losses were revealed, so that all or a part of the accumulated number of restricted shares shall be returned free of charge, depending on the responsibilities of each officer.

The payment terms of the cash-settled share-based compensation plan are the same as the compensation plan with a restriction on share transfer.

(2) Number of shares granted during the period and their fair value

Restriction on transfer of stock compensation	2021	2020
Date of grant	July 22, 2020	June 20, 2019
Number of shares granted (Shares)	4,000	136,800
Fair value at the date of grant (Yen)	20,640,000	686,736,000

Fair value was measured using the price of company shares at the time they are granted, and no adjustment was made in consideration of prospective dividend.

(3) Share-based compensation expenses

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Equity-settled	¥(168)	¥(228)	$(1,517)
Cash-settled	(31)	(0)	(280)
Total	¥(200)	¥(229)	$(1,807)

(4) Liabilities for share-based compensation

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Book value of liabilities	¥74	¥69	668
[Of which, amount vested]	–	–	–

33 Financial Instruments

(1) Policy on capital management

The Group, in principle, limits its cash management to deposits for which the principal is guaranteed and interest rates are fixed. The Company, its domestic subsidiaries, and certain overseas subsidiaries execute the group finance for the effective use of the funds among the Group companies. In addition, certain subsidiaries borrow funds from financial institutions after comprehensively considering borrowing conditions such as amounts, terms, and interest rates. The Group uses derivatives for the purpose of hedging risks mentioned below and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Financial risk management

The Group is exposed to various financial risks including credit risk, liquidity risk, and market risk in the course of its business activities. To mitigate such risks, the Group has established a risk management system; that is, the Group has set up the Group Financial Management Policies and Rules, and the Company and its consolidated subsidiaries have prepared rules based on the Policies and Rules.

A) Credit risk

(a) Credit risk management

The Group is exposed to credit risk that the Group may suffer a financial loss if a counterparty of holding financial assets could not perform contractual obligations.

As to trade receivables from domestic and overseas customers, the Group is exposed to a risk that those receivables may become uncollectible due to deterioration in credit standing or bankruptcy of customers. Establishing rules for managing its credit exposure and trade receivables, the Group evaluates and manages a credit limit by customer, keeps records of receivables and, confirms outstanding balances on a regular basis. For receivables that become overdue, the Group monitors the cause and estimates when they will be collectible.

Regarding excess funds, the Group, in principle, limits investments to principal guaranteed deposits with fixed interest rates, thereby emphasizing safety and security.

Derivative transactions are executed based on the Group's Policy and Rules. Limiting derivative transactions to actual exposure, the Group does not enter into derivative transactions for speculative purposes. In addition, in order to mitigate counterparty credit risk, the Group only enters into derivative transactions with financial institutions with high-credit ratings.

The maximum credit risk exposures for financial assets are presented based on the book value in the consolidated financial statements.

(b) Credit risk exposures

Credit risk exposures to the receivables held by the Group are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
Overdue period	2021	2020	2021
Not yet overdue	¥58,745	¥57,453	$530,621
Within 90 days	2,409	4,542	21,760
Over 90 days	266	259	2,403
Total	¥61,421	¥62,256	$554,792

(c) Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Balance at beginning of the period	¥ 1,892	¥1,122	$17,090
Increase	744	939	6,720
Decrease (charge-off)	(153)	(69)	(1,382)
Decrease (reversal)	(1,055)	(48)	(9,529)
Other	63	(51)	569
Balance at end of the period	¥ 1,490	¥1,892	$13,459

B) Liquidity risk

Liquidity risk is the risk that the Group may not perform its obligations to repay financial liabilities on their due dates.

The Group establishes a cash management plan based on the annual business plan, prepares and updates a cash flow budget to control cash flows, and monitors the budget and actual cash flows on a continuous basis. In addition, the Company, its domestic subsidiaries, and certain overseas subsidiaries manage the liquidity risk by execution of group finance.

Balances of major financial liabilities and lease liabilities by due date are as follows. The amounts of assets or liabilities arisen from derivative transactions are shown in net.

	Millions of yen							
As of March 31, 2021	Carrying amount	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	¥56,915	¥56,915	¥56,915	¥ –	¥ –	¥ –	¥ –	¥ –
Interest-bearing debt	8,367	8,367	7,980	387	–	–	–	–
Lease liabilities	20,161	21,327	5,802	4,667	3,287	2,376	1,250	3,941
Derivative liabilities								
Currency-related	238	238	238	–	–	–	–	–

	Thousands of U.S. dollars (Note 2)							
As of March 31, 2021	Carrying amount	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	$514,091	$514,091	$514,091	$ –	$ –	$ –	$ –	$ –
Interest-bearing debt	75,576	75,576	72,080	3,496	–	–	–	–
Lease liabilities	182,106	192,638	52,407	42,155	29,690	21,461	11,291	35,598
Derivative liabilities								
Currency-related	2,150	2,150	2,150	–	–	–	–	–

	Millions of yen							
As of March 31, 2020	Carrying amount	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	¥52,982	¥52,982	¥52,982	¥ –	¥ –	¥ –	¥ –	¥ –
Interest-bearing debt	10,830	10,830	10,830	–	–	–	–	–
Lease liabilities	21,229	22,494	5,457	4,486	3,506	2,544	1,919	4,580
Derivative liabilities								
Currency-related	–	–	–	–	–	–	–	–

C) Market risk

(a) Foreign exchange risk

Receivables and payables denominated in foreign currencies are exposed to foreign currency fluctuation risk.

In order to mitigate a risk arising from foreign currency fluctuation in connection with regular export and import transactions, the Group uses foreign exchange forward contracts and currency option contracts to hedge actual exposures of net positions of trade receivables and payables denominated in foreign currencies.

The details of derivative transactions are as follows:

	Millions of yen					
	2021			2020		
	Contractual amount			Contractual amount		
		Over one year	Fair value		Over one year	Fair value
Foreign exchange forward contracts						
Sell	¥15,064	¥–	¥(238)	¥14,745	¥–	¥128

	Thousands of U.S. dollars (Note 2)		
	2021		
	Contractual amount		
		Over one year	Fair value
Foreign exchange forward contracts			
Sell	$136,067	$–	$(2,150)

Note: The Group applies cash flow hedge accounting to the derivative transactions shown above. Derivative assets and derivative liabilities are included in "Other financial assets" or "Other financial liabilities," respectively, in the consolidated statement of financial position.

(b) Sensitivity analysis

As to financial instruments denominated in foreign currencies held by the Group for the fiscal years ended March 31, 2021 and 2020, the table below shows the potential impact on profit before income taxes in the consolidated statement of income if the Japanese yen appreciated against related foreign currencies by 1.0%. This analysis does not include the effects of foreign currency translation into Japanese yen with regard to financial instruments denominated in functional currencies and assets, liabilities, revenues, and expenditures of foreign operations. In addition, it excludes the amount for which foreign exchange fluctuation risk is hedged by derivative transactions.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
U.S. dollars	¥(140)	¥(115)	$(1,265)
Euro	(2)	1	(18)

(c) Price fluctuation risk of equity instruments

The Company holds equity instruments including stocks of companies with which it has business relationships, and therefore, is exposed to a market price fluctuation risk. The Company continuously monitors the status of changes in fair value of these equity instruments. The Group does not hold equity instruments for short-term trading purposes and does not actively trade them.

As to equity instruments held by the Group during the fiscal years ended March 31, 2021 and 2020, the table below shows the potential impact on profit before income taxes in the consolidated statement of comprehensive income if the market prices of listed stocks declined by 10% as at year-end. This analysis assumes other variables remain constant.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Potential impact on other comprehensive income	¥(11,006)	¥(5,769)	$(99,413)

(3) Fair value of financial instruments

A) Fair value hierarchy

The fair value hierarchy is as follows:

Level 1: Fair value measured by unadjusted quoted prices in active markets

Level 2: Fair value measured by inputs other than Level 1 inputs that are observable either directly or indirectly

Level 3: Fair value measured by valuation techniques that rely on unobservable inputs

The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2021 and 2020, no significant financial assets were transferred between levels.

B) Fair value measurement method

Fair value measurement method of major financial instruments is as follows:

(a) Cash and cash equivalents, financial assets and liabilities (excluding borrowings and lease liabilities) measured at amortized cost

The carrying amount of cash and cash equivalents, short-term investments, and receivables and payables (excluding borrowings and lease liabilities) measured at amortized cost in the consolidated statement of financial position approximate fair value due to these being settled in a short period of time or financial instruments which are payable on demand.

(b) Equity instruments and debt instruments measured at fair value through profit or loss

Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and, debt instruments measured at fair value through profit or loss are measured by the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

(c) Borrowings

The carrying amount of short-term borrowings in the consolidated statement of financial position approximates fair value due to these being settled in a short period of time.

Fair value of long-term borrowings is calculated by discounting future cash flows by interest rates assumed for new similar borrowings, and classified as Level 2.

(d) Derivatives transactions

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

C) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost are as follows. The financial instruments whose fair value approximates their carrying amount are not included in the following table.

	Millions of yen				
		Fair value			
As of March 31, 2021	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities					
Long-term borrowings (Including current portion)	¥830	¥–	¥831	¥–	¥831
Total	¥830	¥–	¥831	¥–	¥831

	Thousands of U.S. dollars (Note2)				
		Fair value			
As of March 31, 2021	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities					
Long-term borrowings (Including current portion)	$7,497	$–	$7,506	$–	$7,506
Total	$7,497	$–	$7,506	$–	$7,506

		Millions of yen				
		Fair value				
As of March 31, 2020	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities					
Long-term borrowings (Including current portion)	¥–	¥–	¥–	¥–	¥–
Total	¥–	¥–	¥–	¥–	¥–

D) Financial instruments measured at fair value

The breakdown of financial instruments measured at fair value is as follows:

	Millions of yen			
As of March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	¥ –	¥ –	¥ 252	¥ 252
Derivative assets	–	–	–	–
Financial assets measured at fair value through other comprehensive income				
Equity instruments	110,060	–	5,707	115,768
Total	¥110,060	¥ –	¥5,959	¥116,020
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	238	–	238
Total	¥ –	¥238	¥ –	¥ 238

	Thousands of U.S. dollars (Note 2)			
As of March 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ –	$ –	$ 2,276	$ 2,276
Derivative assets	–	–	–	–
Financial assets measured at fair value through other comprehensive income				
Equity instruments	994,129	–	51,549	1,045,687
Total	$994,129	$ –	$53,825	$1,047,963
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	2,150	–	2,150
Total	$ –	$2,150	$ –	$ 2,150

	Millions of yen			
As of March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	¥ –	¥ –	¥ 497	¥ 497
Derivative assets	–	128	–	128
Financial assets measured at fair value through other comprehensive income				
Equity instruments	57,690	–	5,494	63,185
Total	¥57,690	¥128	¥5,991	¥63,811
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ –

The breakdown of financial instruments measured at fair value on a recurring basis and classified as Level 3 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Balance at beginning of the period	¥5,991	¥5,790	$54,114
Gain or loss*1	(8)	432	(72)
Other comprehensive income*2	227	217	2,050
Purchase	0	0	0
Sale/redemption	(252)	(449)	(2,276)
Balance at end of the period	¥5,959	¥5,991	$53,825

*1. Gain or loss relates to financial assets measured at fair value through profit or loss and is included in "Finance income" or "Finance expenses" in the consolidated statement of income.

*2. Other comprehensive income relates to "financial assets measured at fair value through other comprehensive income" and included in Financial assets measured at fair value through other comprehensive income, in the consolidated statement of comprehensive income.

The corresponding financial instruments are mainly unlisted stocks, investments in associates, and debt instruments measured at fair value through profit or loss. They are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies.

(4) Offset of financial assets and financial liabilities

The following summarizes the amounts of financial assets and financial liabilities off-set for presentation in the consolidated statement of financial position as of March 31, 2021 and 2020.

	Millions of yen		
As of March 31, 2021	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	¥ 8	¥(8)	¥ –
Financial liabilities			
Derivatives	246	(8)	238

	Thousands of U.S. dollars (Note 2)		
As of March 31, 2021	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	$ 72	$(72)	$ –
Financial liabilities			
Derivatives	2,222	(72)	2,150

	Millions of yen		
As of March 31, 2020	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	¥144	¥(15)	¥128
Financial liabilities			
Derivatives	15	(15)	–

34 Related-Party Transactions

(1) Transactions with related parties

There are no significant related-party transactions to be disclosed.

(2) Remuneration to key management personnel

The remuneration to key management personnel of the Group, which includes the Company's directors and executive officers, for the fiscal years ended March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2020	2021
Fixed compensation	¥(292)	¥(348)	$(2,638)
Performance-based bonuses	(85)	(141)	(768)
Restricted share-based compensation	(141)	(158)	(1,274)
Total	¥(519)	¥(648)	$(4,688)

35 Major Subsidiaries

Major subsidiaries are as follows:

There is no subsidiary with significant non-controlling interests.

Company name	Capital		The Company's holding ratio	Major business
Yamaha Corporation of America	50,000	Thousands of U.S. dollars	100.00%	Import and sales of musical instruments and audio equipment
Yamaha Music Europe GmbH	70,000	Thousands of euros	100.00%	Import and sales of musical instruments and audio equipment
Yamaha Music & Electronics (China) Co., Ltd.	782,023	Thousands of Chinese yuan renminbi	100.00%	Holding company for subsidiaries in China; sales of musical instruments and audio equipment
Xiaoshan Yamaha Musical Instruments Co., Ltd.	274,888	Thousands of Chinese yuan renminbi	100.00%	Manufacturing of musical instruments
Yamaha Electronics (Suzhou) Co., Ltd.	328,754	Thousands of Chinese yuan renminbi	100.00%	Manufacturing of musical instruments and audio equipment
Hangzhou Yamaha Musical Instruments Co., Ltd.	396,121	Thousands of Chinese yuan renminbi	100.00%	Manufacturing of musical instruments
PT. Yamaha Indonesia	8,507	Millions of Indonesian rupiah	100.00%	Manufacturing of musical instruments
PT. Yamaha Music Manufacturing Asia	82,450	Millions of Indonesian rupiah	100.00%	Manufacturing of musical instruments and audio equipment
PT. Yamaha Musical Products Asia	568,540	Millions of Indonesian rupiah	100.00%	Manufacturing of musical instruments
Yamaha Electronics Manufacturing (M) Sdn. Bhd.	31,000	Thousands of Malaysian ringgit	100.00%	Manufacturing of audio equipment
Yamaha Music India Pvt. Ltd.	3,700	Millions of Indian rupee	100.00%	Import and sales of musical instruments and audio equipment and manufacturing of musical instruments
Yamaha Music Japan Co., Ltd.	100	Millions of yen	100.00%	Sales of musical instruments and audio equipment
Yamaha Music Retailing Co., Ltd.	100	Millions of yen	100.00%	Sales of musical instruments
Yamaha Music Manufacturing Japan Corporation	100	Millions of yen	100.00%	Manufacturing of musical instruments and audio equipment

36 Subsequent Events

(Sale of assets held for sale)

On April 30, 2021, the Company sold land (Chuo-ku, Sapporo, Hokkaido), which was accounted for as "Assets held for sale" on the consolidated statement of financial position as of March 31, 2021, to ALJ Sapporo RE2 TMK (Chiyoda-ku, Tokyo). As a result, the Company will recognize a gain on sale of fixed assets of ¥4,700 million ($42,453 thousand) under other income for the fiscal year ending March 31, 2022.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

Independent Auditor's Report

The Board of Directors
YAMAHA CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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Recoverability of deferred tax assets of the parent company	
Description of Key Audit Matter	Auditor's Response
As described in Note 4 "Significant Accounting Estimates and Judgments" and Note 14 "Income Taxes" to Consolidated Financial Statements, as of March 31, 2021, the Company recognized deferred tax assets of ¥27,010 million (before being offset against deferred tax liabilities), the majority of which comprised deferred tax assets of the parent company. The Company determines the recoverability of deferred tax assets in consideration of estimated future taxable income based on future profitability. Estimated future taxable income on the basis of future profitability is based on future business plans, and the significant assumptions underlying such plans are the sales volume and selling prices of products as well as foreign exchange rates. The Company operates globally, and has manufacturing and sales sites in various regions throughout the world. Accordingly, there are uncertainties in determining the recoverability of deferred tax assets because the significant assumptions underlying future business plans are affected by factors such as the economic conditions and market environment in various countries around the world. Given that assessment of these uncertainties require management's judgment, we have determined that this is a key audit matter.	We performed the following audit procedures in examining the recoverability of deferred tax assets, among others: ・We assessed the balance of deductible temporary differences by involving tax specialists to verify whether such balance is appropriate, and considered the scheduling of the reversal of this balance. ・We assessed future business plans that is the basis for the estimate of future taxable income to evaluate the reasonableness of the estimate. We also assessed whether such future business plans are consistent with the most recent budget approved by management. ・We compared prior year business plans with actual results to evaluate the effectiveness of the estimation process in formulating business plans by management. ・Regarding the sales volume and selling prices of products as well as foreign exchange rates, which are significant assumptions included in future business plans, we discussed with management, performed trend analysis based on historical data, and compared the assumptions to the latest available external data in order to evaluate the reasonableness of such significant assumptions. ・We performed sensitivity analysis for significant assumptions to evaluate the appropriateness of management's assessment of uncertainty of estimates included in future business plans.

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Impairment of property, plant and equipment and right-of-use assets related to directly managed shops and music schools in Japan in the musical instruments segment	
Description of Key Audit Matter	Auditor's Response
As described in Note 4 "Significant Accounting Estimates and Judgments" and Note 26 "Other Income and Other Expenses" to Consolidated Financial Statements, the Company recorded impairment loss of ¥3,441 million related to directly managed shops and music schools in Japan in the musical instruments segment for the fiscal year ended March 31, 2021. At the end of the previous fiscal year, the Company expected the situation to recover to pre-pandemic levels in the fiscal year ending March 31, 2022, except for the future impact from the decrease of new students during the fiscal year ended March 31, 2021. However, with the pandemic continuing to worsen at the end of the fiscal year ended March 31, 2021, the Company now expects that it will take a long period of time to recover to the level before the spread of the infection, and thus recognized an impairment loss for the fiscal year ended March 31, 2021. In considering whether property, plant and equipment and right-of-use assets are impaired, the Company measures the recoverable amounts of cash-generating units at their value in use. Value in use is determined as the present discounted value of future cash flows, and future cash flows are based on future business plans approved by management. Significant assumptions used in estimating value in use are estimates of future cash flows based on such business plans and discount rates. Future business plans are based on the sales volume and selling prices of products as well as the number of students attending music schools. Impairment testing is complex, and estimates of future cash flows and discount rates are subject to uncertainties and require management's judgment. In addition, these significant assumptions are affected by factors such as restrictions on sales activities and decreased demand, both of which have resulted from the COVID-19 pandemic. Therefore, we have determined that this is a key audit matter.	We performed the following audit procedures in examining value in use, which is used to measure impairment loss on property, plant and equipment and right-of-use assets related to directly managed shops and music schools in Japan, among others: ・We compared periods for which future cash flows projection were estimated to the remaining useful life of major assets to determine whether such estimation period is reasonable. ・We assessed whether amounts of future cash flows are consistent with future business plans approved by management to determine whether such amounts are reasonable. ・We compared prior year business plans with actual results to evaluate the effectiveness of the estimation process in formulating business plans by management. ・Regarding the sales volume and selling prices of products as well as the number of students attending music schools, on which future business plans are based, we discussed with management, performed trend analysis based on historical data, and compared these figures to the latest available external data in order to confirm the reasonableness of such figures. ・In order to evaluate the appropriateness of discount rates and the valuation method used for value in use, we evaluated the consistency between the valuation method and accounting standards and the consistency between input information used to estimate discount rates and external information by involving valuation specialists at EY network firms.

Responsibilities of Management, Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee , we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Hamamatsu, Japan
June 25, 2021

Toshikatsu Sekiguchi
Designated Engagement Partner
Certified Public Accountant

Toshiyuki Matsuura
Designated Engagement Partner
Certified Public Accountant

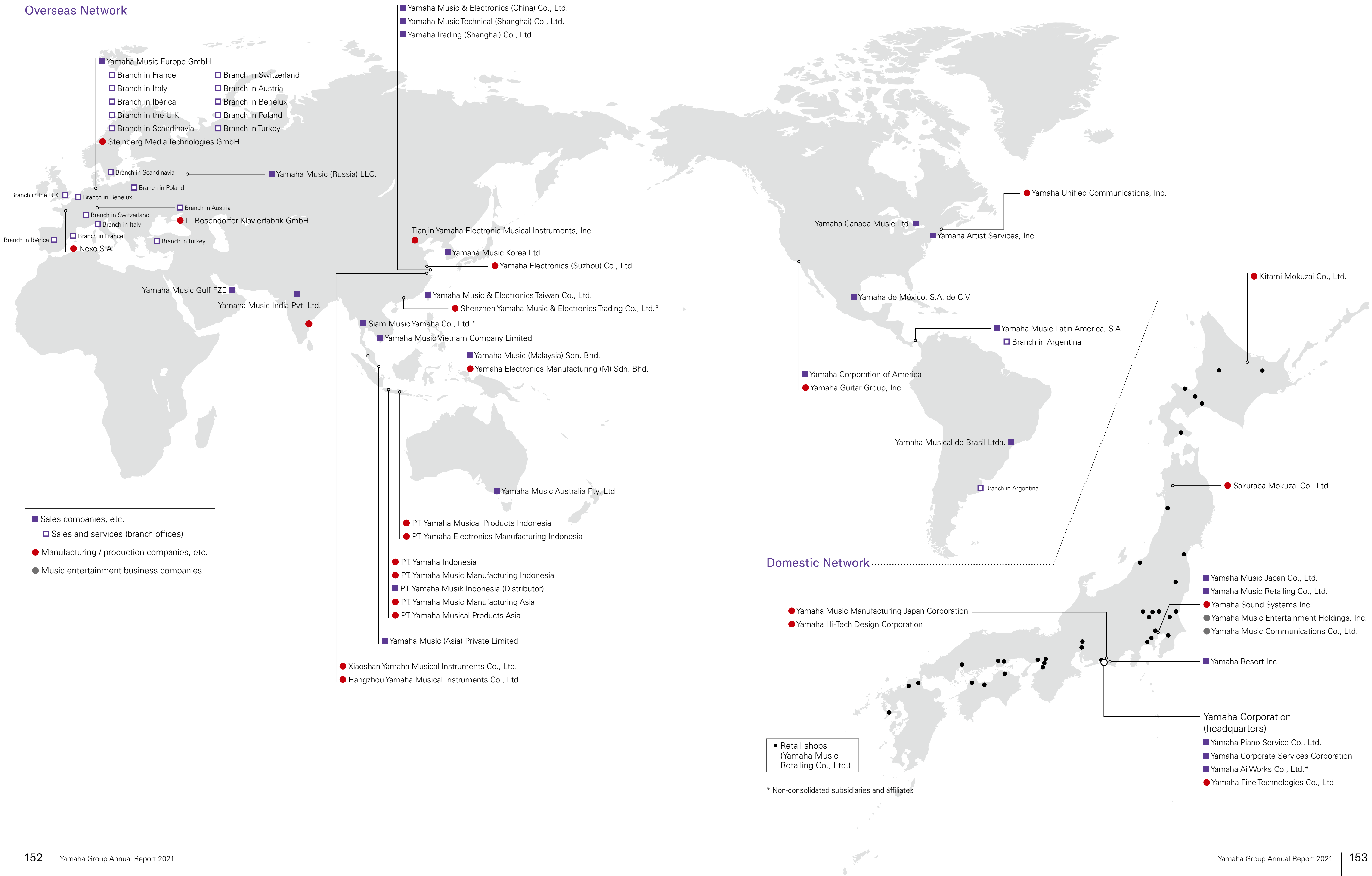
Shuji Okamoto
Designated Engagement Partner
Certified Public Accountant

MAIN NETWORKS

(As of September 1, 2021)

The Yamaha Group is currently expanding its business on a global basis, with locations in over 30 countries and regions across the world.

Overseas Network



* Non-consolidated subsidiaries and affiliates

Financial and Corporate Information

STOCK INFORMATION

(As of March 31, 2021)

Dividends	Year-end: To the shareholders of record on March 31 Interim: To the shareholders of record on September 30
Number of Shares of Common Stock	Issued: 191,555,025 (includes treasury stock of 15,756,254)
Stock Exchange Listing	Tokyo First Section, Code No. 7951
Administrator of Shareholders' Registry	The Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan
Public Notices	Shall be issued electronically at the following URL, except when an accident or other unavoidable occurrence prevents this, in which case they shall be released in the *Nihon Keizai Shimbun* business daily in Tokyo. https://www.yamaha.com/ja/about/public_notices/ (only in Japanese)
Ordinary General Shareholders' Meeting	June
Number of Shareholders	17,603

Shareholder Composition

	Number of Shareholders	Ratio of Number of Shares to Total
Individuals	16,618	14.6%
Financial institutions	56	51.6%
Japanese corporations	182	6.2%
Foreign investors	712	26.0%
Securities companies	35	1.6%
Total	17,603	100%

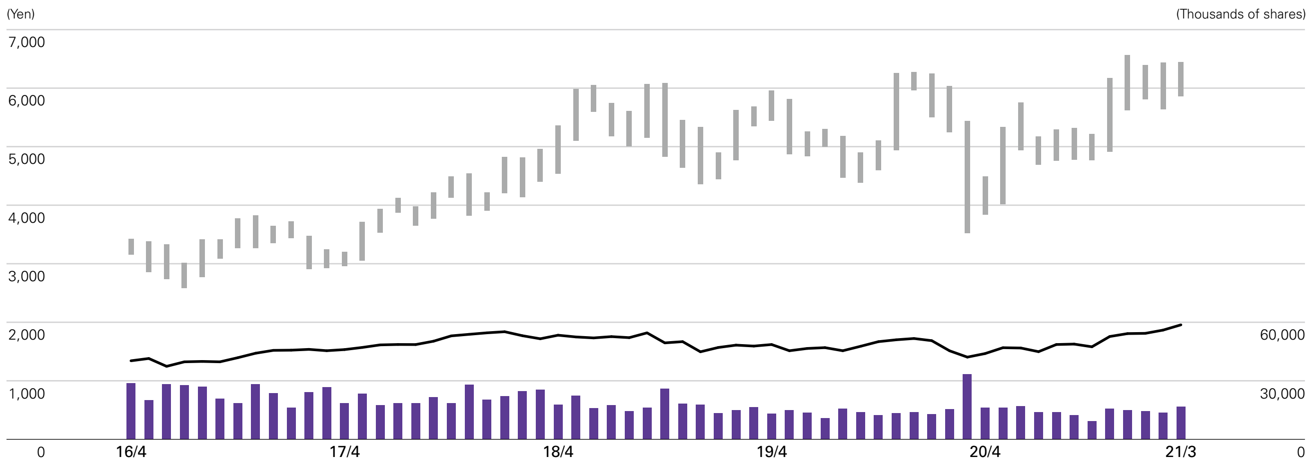
Note: The figure for individuals includes treasury stock.

Major Shareholders

Number of Shareholders	Shareholding Ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	17.1%
Custody Bank of Japan, Ltd. (Trust account)	7.1%
Yamaha Motor Co., Ltd.	5.9%
The Shizuoka Bank, Ltd.	4.3%
Sumitomo Life Insurance Company	4.2%
Mitsui Sumitomo Insurance Co., Ltd.	3.7%
Nippon Life Insurance Company	2.8%
Mizuho Bank, Ltd.	2.3%
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1.6%
State Street Bank and Trust Company 505223	1.4%

Note: Yamaha Corporation holds 15,756,254 shares of treasury stocks which have been excluded from the above Major Shareholders. The shareholding ratio is calculated by excluding treasury stock from total outstanding shares.

Common Stock Price Range and Trading Volume



Yen

Fiscal year ended	J-GAAP 2017/3	J-GAAP 2018/3	J-GAAP 2019/3	IFRS 2019/3	IFRS 2020/3	IFRS 2021/3
Share price at the end of fiscal year (Yen)	3,065	4,675	5,530	5,530	4,215	**6,010**
Share price—high (Yen)	3,820	4,960	6,080	6,080	6,270	**6,560**
Share price—low (Yen)	2,588	2,955	4,355	4,355	3,520	**3,835**
Trading volume (Million shares)	288	255	209	209	182	**173**

Fiscal year ended	2017/3	2018/3	2019/3	2019/3	2020/3	2021/3
Dividend yield (%)	1.70	1.20	1.08	1.08	1.57	**1.10**
Price to earnings ratio (Times)	12.3	16.0	23.0	24.9	21.6	**39.7**
Price to book value ratio (Times)	1.57	2.20	2.60	2.78	2.28	**2.67**
Number of shares issued (Thousand shares)	197,255	197,255	191,555	191,555	191,555	**191,555**
Market capitalization at the end of fiscal year (Millions of yen)	604,587	922,167	1,059,299	1,059,299	807,404	**1,151,246**
Percentage of shares owned by foreign investors (%)	24.4	24.3	22.8	22.8	25.6	**26.0**

COMPANY INFORMATION

(As of March 31, 2021)

Corporate Profile

Company Name	Yamaha Corporation
Headquarters	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
Phone	053 (460) 1111 (receptionist)
Year of Foundation	1887
Date of Incorporation	October 12, 1897
Paid-in Capital	¥28,534 million
Number of Employees (Consolidated)	20,021 (Excluding average number of temporary employees: 8,644)
Number of Subsidiaries	60 (of which, 56 are consolidated subsidiaries)
Account Settlement Date	March 31
Accounting Auditor	Ernst & Young ShinNihon LLC

Major External Evaluations and Incorporation in Indices

Yamaha Corporation is included in ESG indexes and socially responsible investment (SRI) funds, which give consideration to environmental and social factors, both in Japan and overseas.

- Nikkei Stock Average (Nikkei 225)
- JPX-Nikkei Index 400
- TOPIX Mid 400 / TOPIX 500 / TOPIX 1000
- MSCI ESG Leaders Indexes*1
- MSCI Japan ESG Select Leaders Index*1
- FTSE4Good
- FTSE Blossom Japan*2
- S&P / JPX Carbon Efficient Index
- S&P Japan 500 ESG
- ECPI Global Developed ESG Best-in-Class Equity Index
- ECPI World ESG Equity Index

JPX-NIKKEI 400

FTSE4Good

FTSE Blossom Japan

2021 MSCI ESG Leaders Indexes Constituent

ECPI Sense in sustainability

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

- 2020 Internet IR Award
- Gomez IR Site Ranking 2020

IR Site Ranking SILVER 2020

In addition, as an indicator of long-term financial soundness, Yamaha asks credit rating agencies to provide a long-term debt rating every year and has received the following evaluations.

Credit Ratings

Rating and Investment Information, Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA–

*1 The inclusion of Yamaha Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Yamaha Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*2 FTSE Russell (the trading name of International Limited and Frank Company) confirms that Yamaha Corporation has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Yamaha Recognized with Award for Corporate Governance of the Year™ 2018 (Grand Prize Company)

In February 2019, the Japan Association of Corporate Directors recognized Yamaha as the winner of its Grand Prize Company award for Corporate Governance of the Year™ 2018.* This award, which began in 2015, recognizes companies that are pursuing healthy medium- and long-term growth through corporate governance, and the award was conceived to encourage improvement in the profitability of Japanese companies, which is one of the aims of the government's growth strategy.

Left: Yoshihiko Miyauchi, Chairman of the Japan Association of Corporate Directors
Right: Takuya Nakata, President and Representative Executive Officer of Yamaha Corporation

* Corporate Governance of the Year™ is a registered trademark of the Japan Association of Corporate Directors.

Participation in Initiatives

With a commitment to cooperating and forming ties with global society as we work toward realizing a sustainable society, Yamaha signed the UN Global Compact in June 2011 and is working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption. As a member of Global Compact Network Japan, we also actively participate in subcommittees.

WE SUPPORT