

Value Creation Story

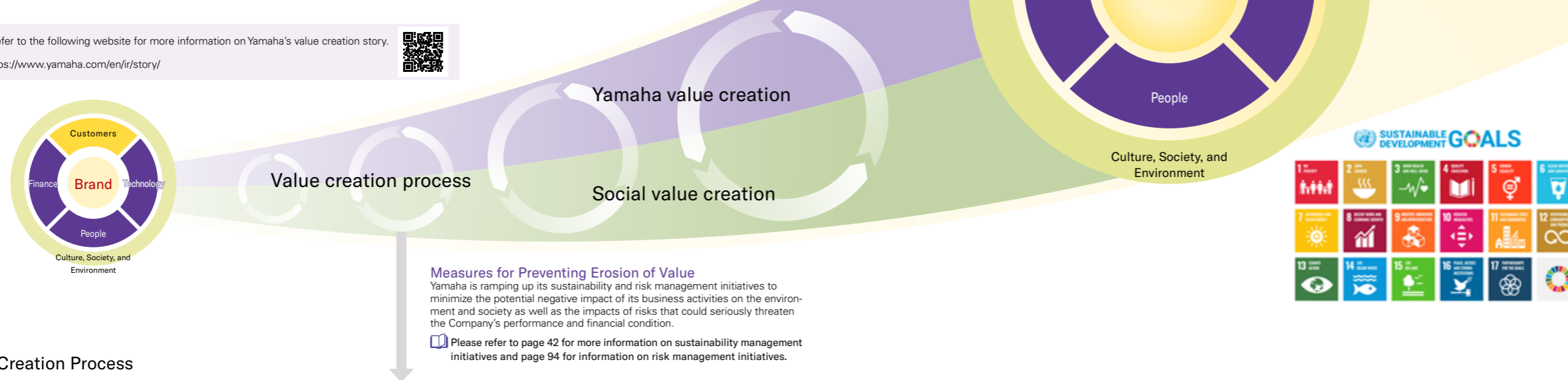
Enhance Corporate Value and Realize Vision by Creating Social Value

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/>



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



* 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



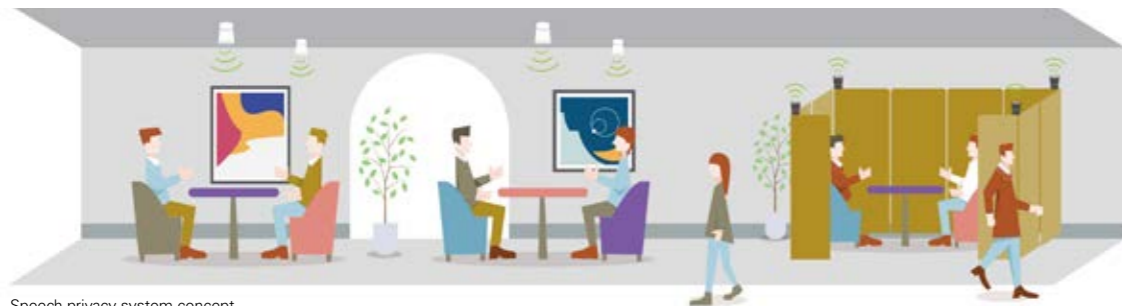
Solutions Made Possible by Yamaha's Expertise in Sound

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.

MANAGEMENT SECTION

II. Management Strategy

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Takuya Nakata
Director, President and
Representative Executive Officer

MESSAGE FROM THE PRESIDENT

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



SYNCROOM online remote ensemble performance service

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.

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

Basic Medium-Term Strategy

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

Make Waves 1.0



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.



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

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.

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 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 forests 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 risk 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.

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).

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.



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 fulfilling 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.

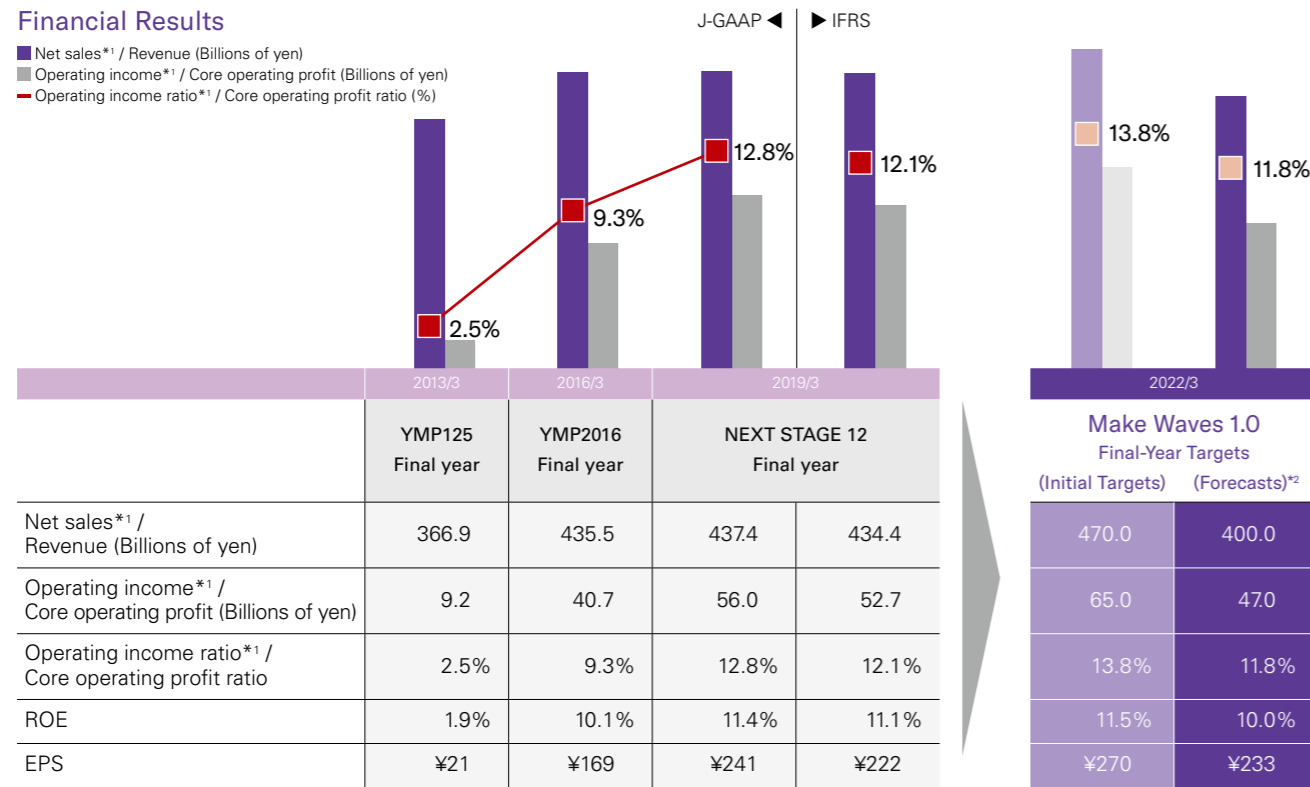
September 2021

Takuya Nakata
Director, President and Representative Executive Officer

Review and Progress of the Medium-Term Management Plan

Financial Results

■ Net sales*1 / Revenue (Billions of yen)
 ■ Operating income*1 / Core operating profit (Billions of yen)
 ■ Operating income ratio*1 / Core operating profit ratio (%)



*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.

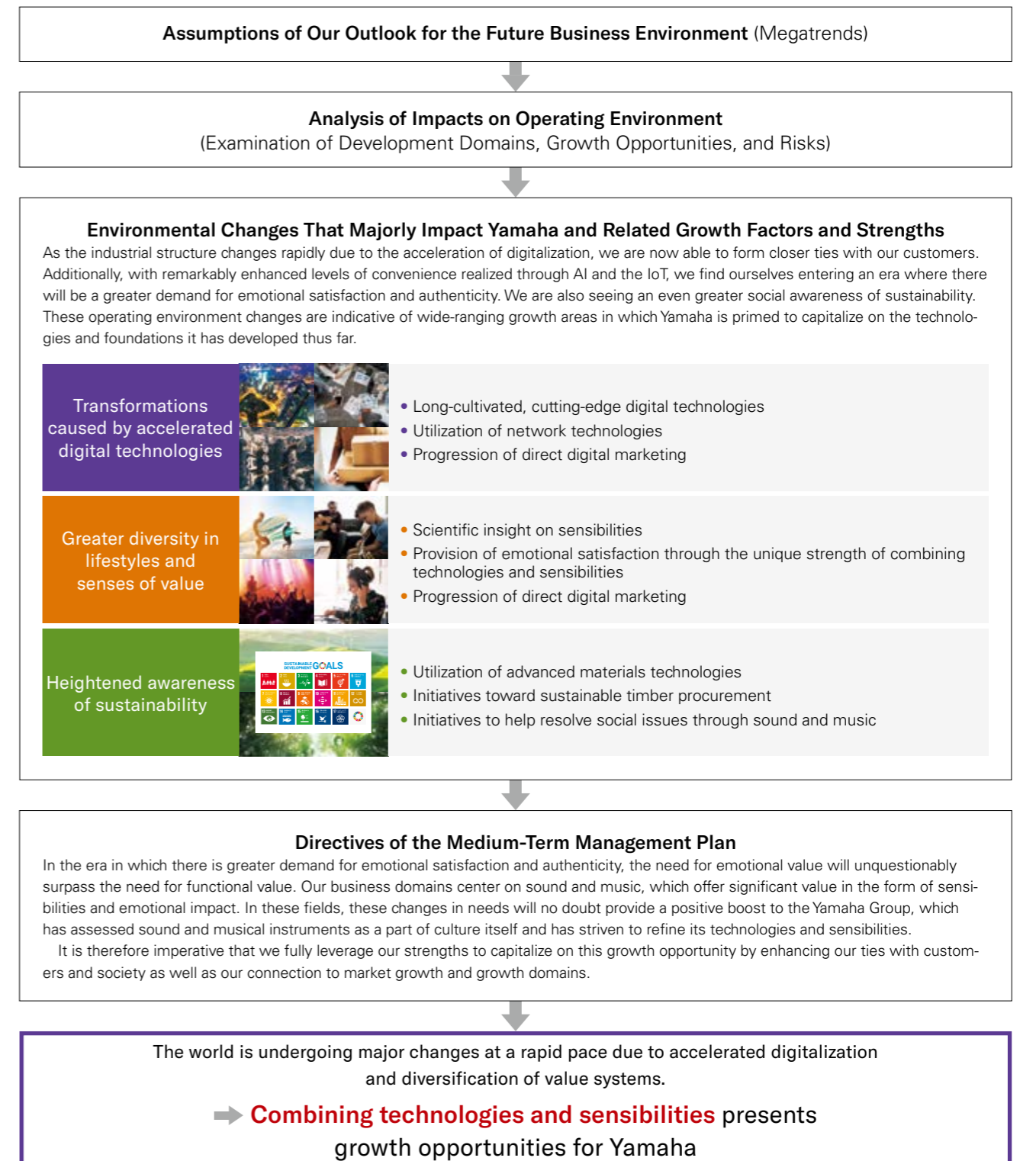
Progress of Make Waves 1.0 Medium-Term Management Plan

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 Make 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.



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

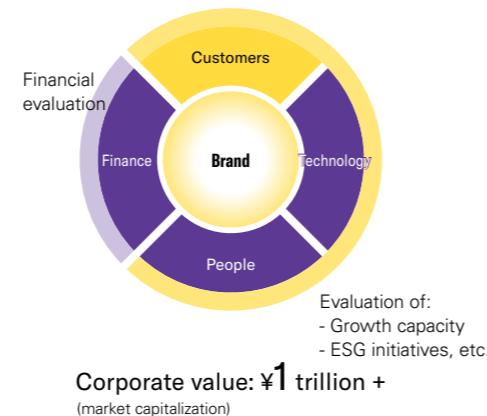


Basic Strategy

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%



*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.

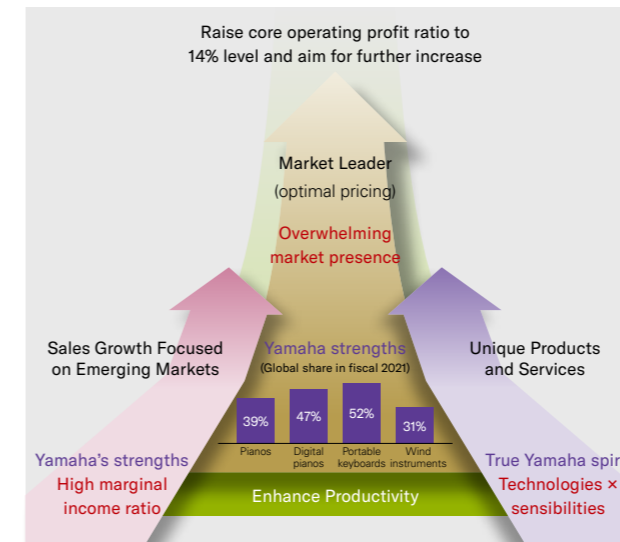
*3 Combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd.: US\$1.2 billion (Best Japan Brands 2019, issued by Interbrand Japan, Inc.)

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.

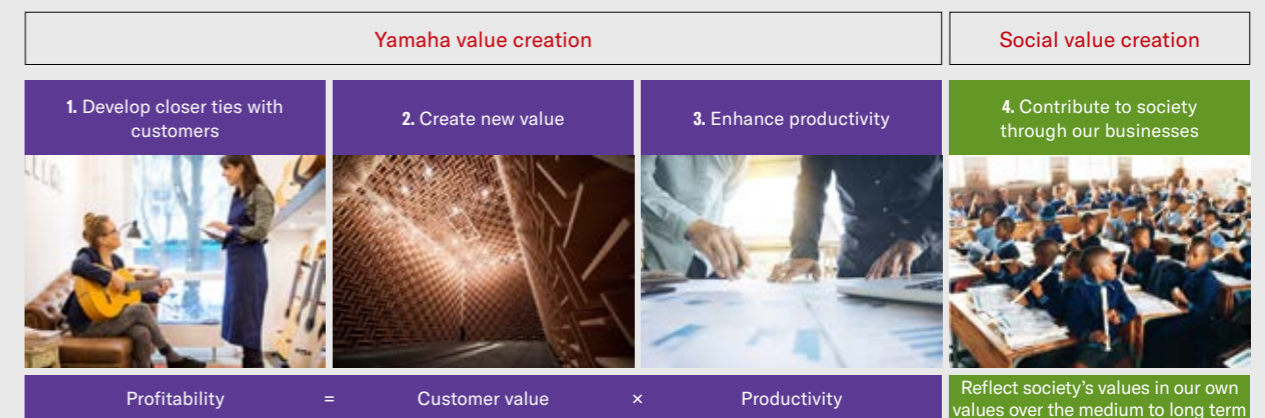
In addition, our high marginal income ratio and sales growth centered on emerging countries are two strengths that will also help us boost profitability. Furthermore, increasing profitability through efforts to reduce costs will contribute significantly to improving our core operating profit ratio.

* 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



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.

Key strategy 1 Develop Closer Ties with Customers

Develop Broader, Deeper, and Longer Ties with Customers

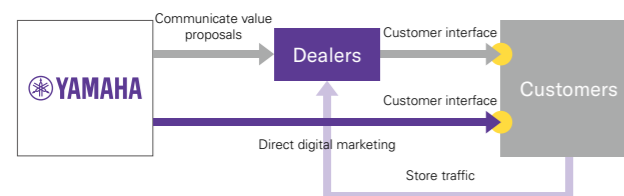
To develop broader, deeper, and longer ties with our customers, we will promote our brand through our new brand promise and develop digital and physical customer interfaces with a focus on digital marketing. We will also take steps to contribute to lifetime value enhancement. Additionally, in emerging 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 Broader, Deeper, and Longer	Achieve growth in emerging markets Broader, Deeper, and Longer	Expand business domains Broader, Deeper, and Longer
<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Engage with middle-income earners and accelerate growth 	<ul style="list-style-type: none"> Expand audio equipment business domain Shift industrial machinery and components business domain into in-vehicle solutions
<p>Sales = customer numbers (broad) × frequency (deep) × unit price (deep) × duration (long)</p>		

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

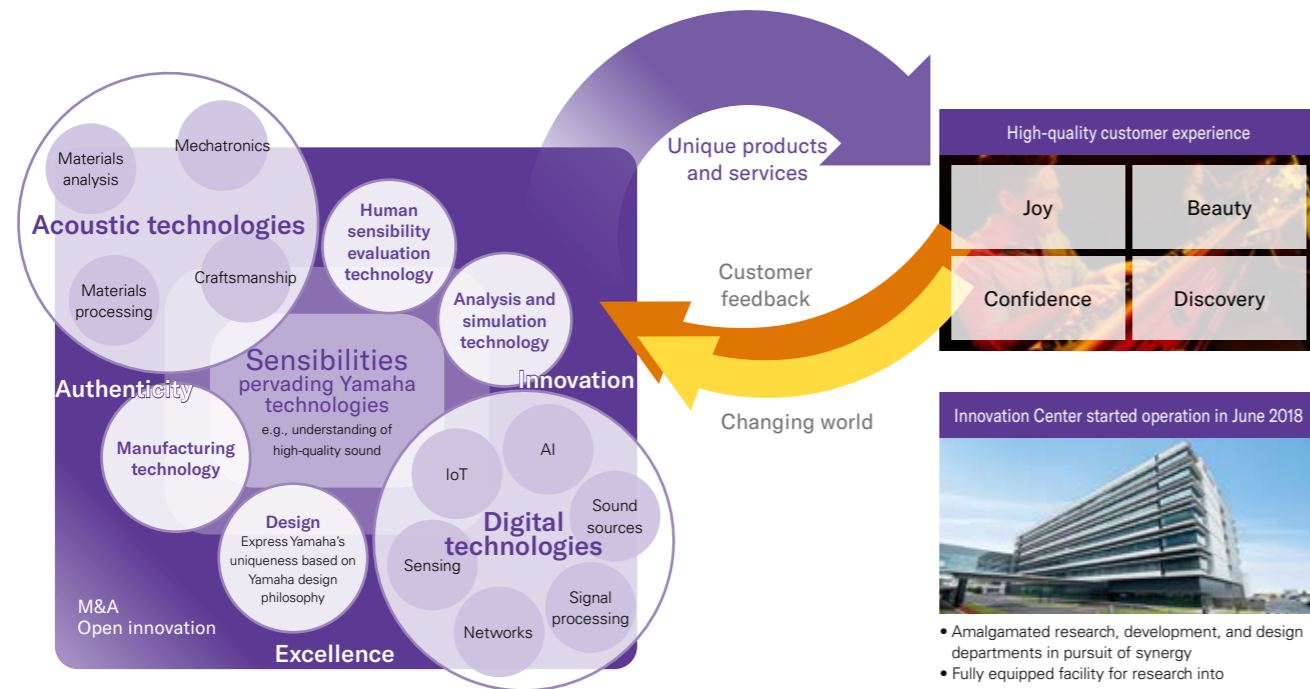
In fiscal 2021, we advanced physical and digital initiatives to develop customer experience frameworks and customer data platforms (CDPs) that will create opportunities for customers to forge a connection with Yamaha. To communicate our brand value, we renovated our Ginza and Nagoya locations to make 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.

MAJOR MEDIUM-TERM MANAGEMENT PLAN MEASURES FOR ACCOMPLISHING OUR MANAGEMENT VISION

2 Create New Value
2 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.



Innovation Center started operation in June 2018

- 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.

3 Enhance Productivity
3 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.

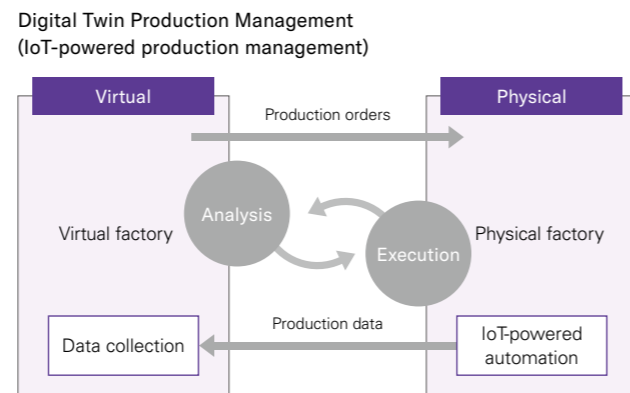
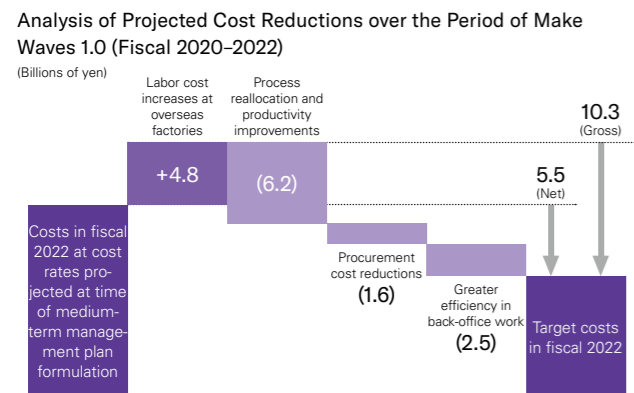
Strategic Expenditures

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.

MAJOR MEDIUM-TERM MANAGEMENT PLAN MEASURES FOR ACCOMPLISHING OUR MANAGEMENT VISION



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

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

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)



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.



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.

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,** 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



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

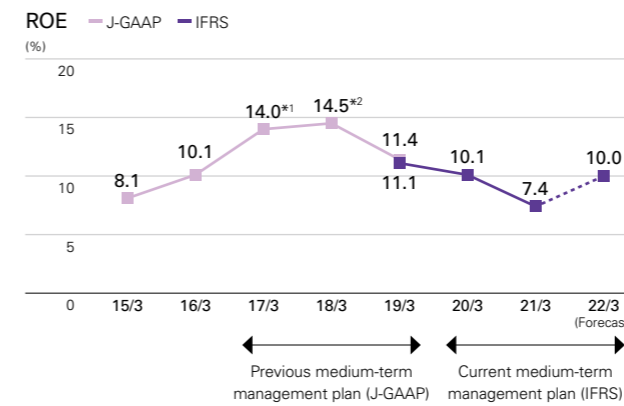
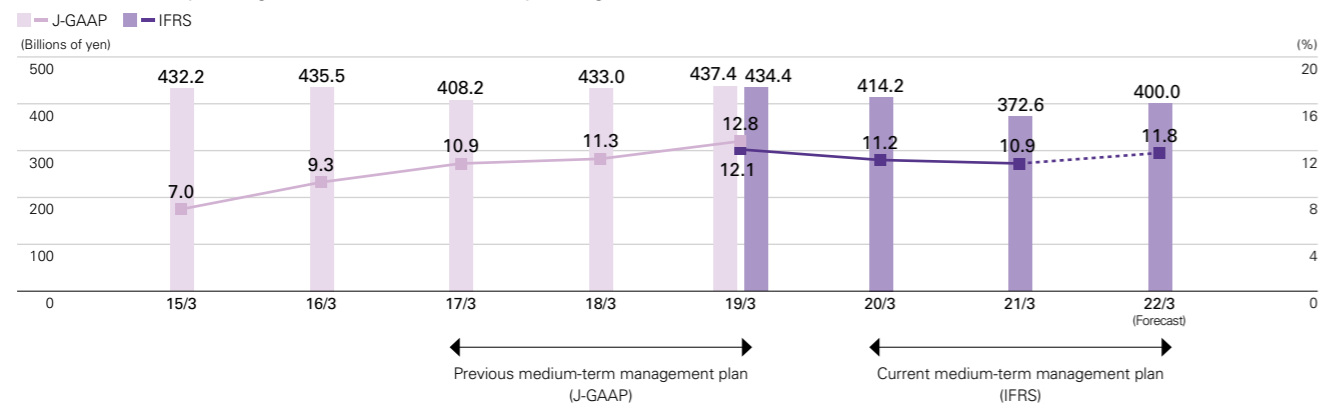
We will seek to link our efforts in the final year of the medium-term management plan to robust growth over the following three years.

Review of Fiscal 2021

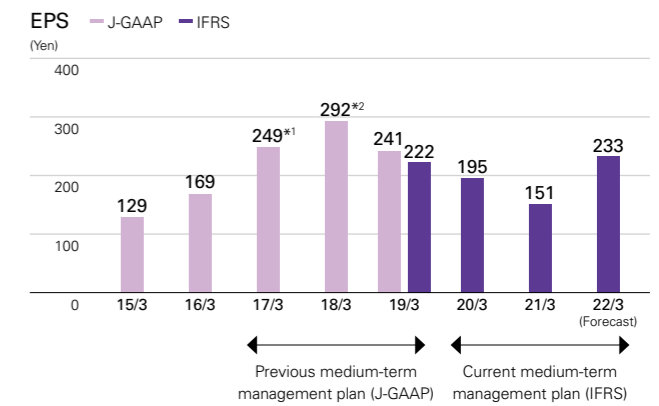
In fiscal 2021, the second year of the Make Waves 1.0 medium-term management plan, we got off to a difficult start as the global impacts of the COVID-19 pandemic caused temporary closures of stores and factories at the beginning of the fiscal year. However, the market recovered leading up to the second 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

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 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 underlying 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.

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.

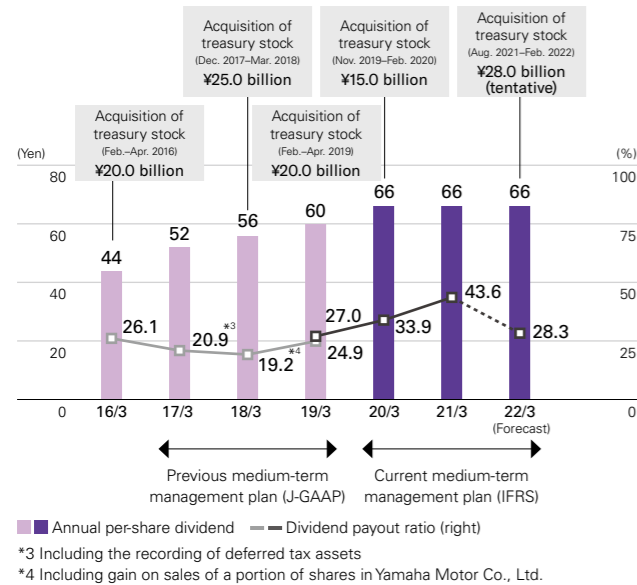
As we refrained from nonessential and nonurgent investments in fiscal 2021, total capital expenditures were down ¥9.3 billion, or 45.2%, year on year, to ¥11.3 billion. This was not a sufficient level of strategic investment. The medium-term management plan sets a three-year target for strategic investment 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

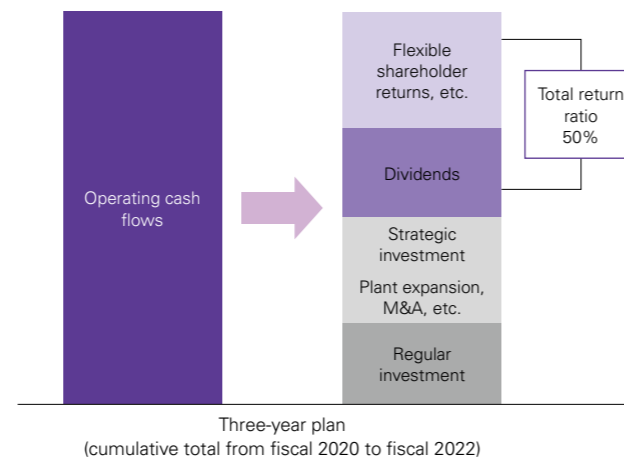
Cash Allocation Policy



Shareholder Returns



Plans for Cash Flows



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.

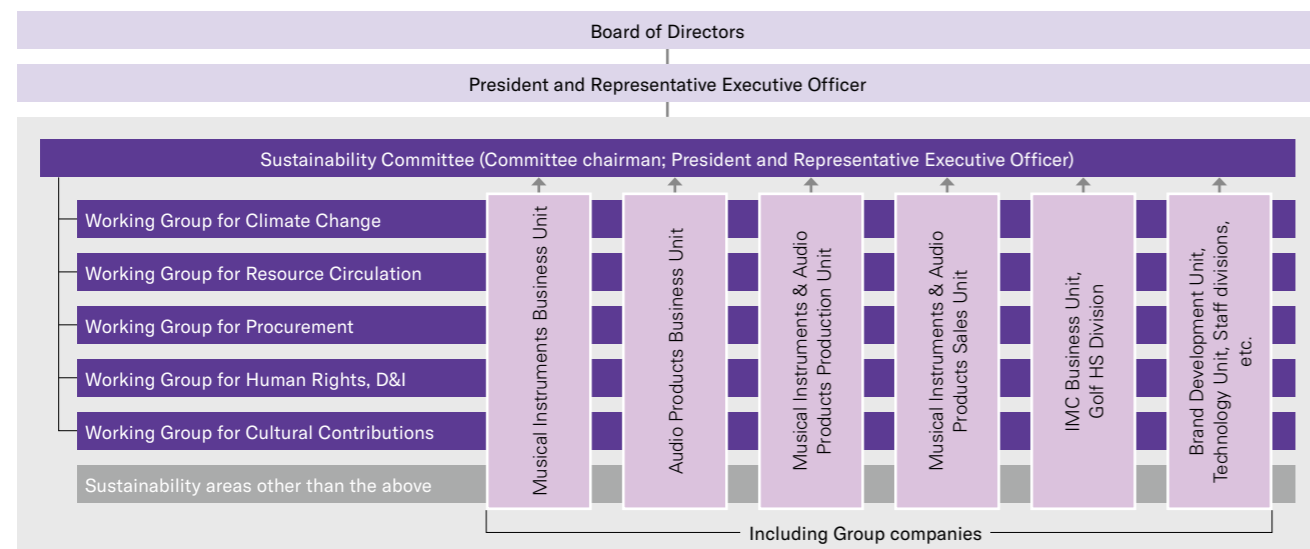
Today, numerous environmental and social risks are materializing on a global scale, placing humanity at a crossroad staring down two paths: one to a sustainable society and one to an unsustainable society. As a responsible company, Yamaha places sustainability at the heart of its management and business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

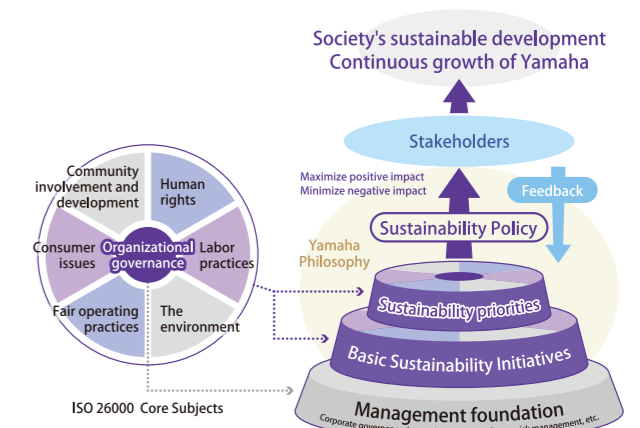


development of products and services and in efforts to improve business processes. Specific examples of these efforts include advancing music promotion activities to contribute to Goal 4 “Quality education” and practicing sustainable timber procurement to help achieve Goal 12 “Responsible consumption and production” and Goal 15 “Life on land.”



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/>

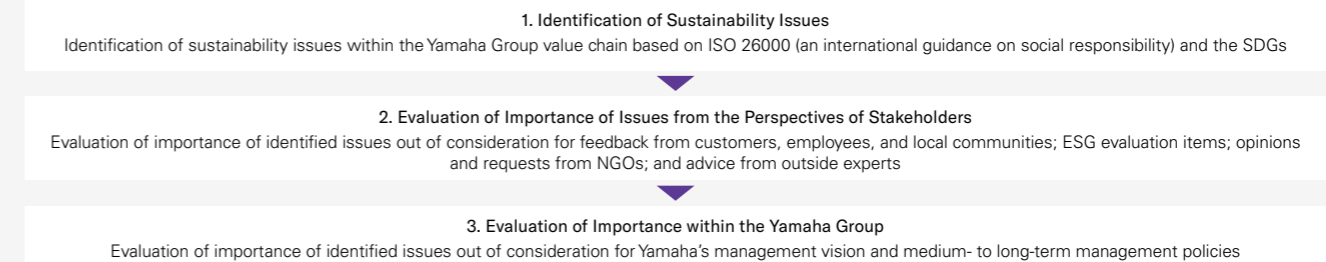


For more information on sustainability priorities and related progress, please refer to the following website.

<https://www.yamaha.com/en/csr/management/>



Priority Identification Process



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

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°C 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°C 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 CO₂ 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 rationality for limiting global warming to 2°C 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.

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.



Yamaha Eco-Label



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°C 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°C 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 reliably, 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 in 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	- -
		Risks	Risk of additional costs due to institution or increase of carbon prices	- -
	Direct operations	Risks	Risk of additional costs due to increased procurement of renewable energy	-
		Product demand	Opportunities	Opportunities created by increased product demand as people limit movement to combat climate change
Physical risks (Global warming of 4°C)	Procurement	Risks	Risk of difficulties in procuring timber due to changes in production region environments	- -
	Direct operations	Risks	Risk of halts to operations and lost profit due to heavy rains, floods, or other natural disasters impacting operating bases (factories)	-
	Product demand	Opportunities	Opportunities created by increased product demand as people refrain from leaving homes during summer as a result of rising temperatures	+ +

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

Legend: 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 CO₂ 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 CO₂ 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.

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, multilingual 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 confidentiality of reports and protecting those submitting reports from retaliation.

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

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.



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.



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.

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/



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

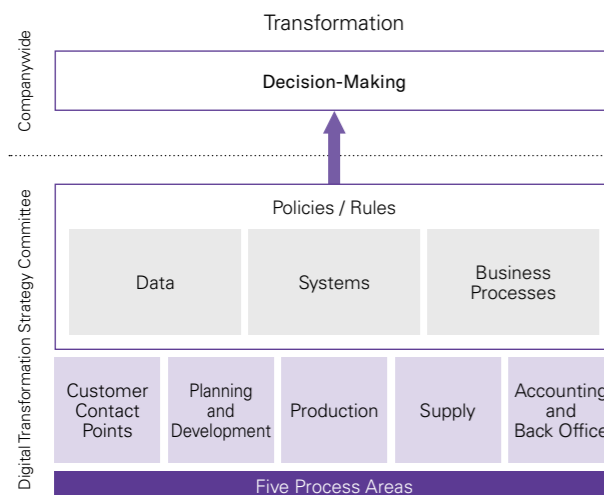


Basic Policy

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.

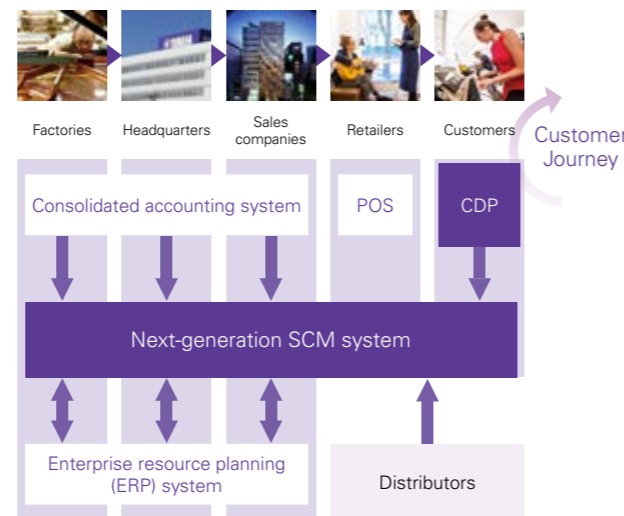
Under the current medium-term management plan, Yamaha has begun implementing full-fledged transformations to its businesses and business processes from a customer-oriented perspective. Transformation efforts have included the development of business platforms, namely customer data platforms, next-generation 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

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.



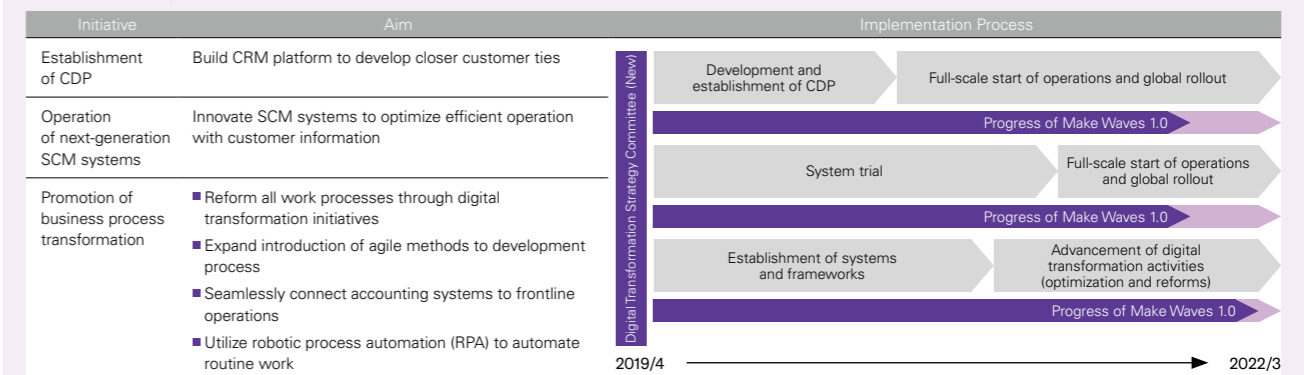
Digital Transformation Strategies of Make Waves 1.0 Medium-Term Management Plan

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.



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.

SYNCRROOM Online Remote Ensemble Performance Service

The SYNCRROOM 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. SYNCRROOM 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.



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

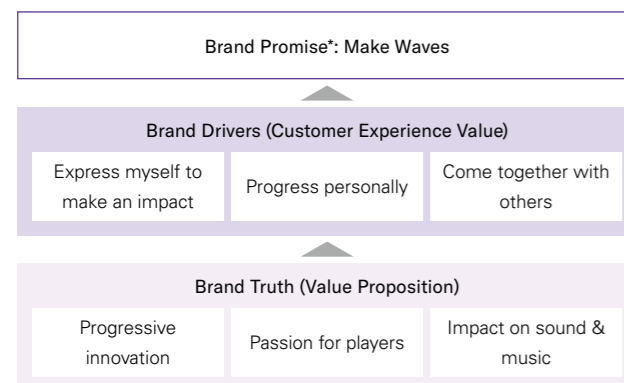


Basic Policy

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.



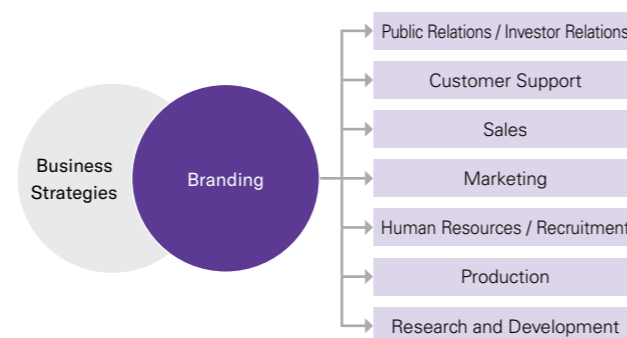
* Yamaha’s brand promise defines the value Yamaha provides to customers (brand truth), the experiences that can be delivered with this value (brand drivers), and how individuals can express themselves through this value and these experiences.

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	<ul style="list-style-type: none"> ■ Developed training programs for improving market capabilities 	<ul style="list-style-type: none"> ■ Implementation and enhancement of marketing training programs to bolster marketing capabilities
Utilize data (develop better understanding of customers, markets, and businesses)	<ul style="list-style-type: none"> ■ Utilized data to a greater degree and reflected data in measures 	<ul style="list-style-type: none"> ■ Establishment and implementation of data-driven strategies
Enhance connections with customers	<ul style="list-style-type: none"> ■ Expanded customer base ■ Examined possibility of revising committee memberships in Japan 	<ul style="list-style-type: none"> ■ Provision of superior experiences to core customers
Bolster information provision capabilities	<ul style="list-style-type: none"> ■ Launched consistent advertisements on a global scale ■ Increased internal sharing of marketing information around the world 	<ul style="list-style-type: none"> ■ Efficient production and distribution of appealing content through global frameworks
Build and utilize platforms	<ul style="list-style-type: none"> ■ Developed and integrated customer data platforms 	<ul style="list-style-type: none"> ■ Improvement of understanding of customer needs and business negotiation success rates
Strengthen brand image	<ul style="list-style-type: none"> ■ Conducted brand promise trainings (worldwide) and workshops ■ Formulated brand guidelines ■ Opened the newly renovated Yamaha Ginza Building and Nagoya store 	<ul style="list-style-type: none"> ■ 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

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)

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



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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.

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.

