BRAND PROMISE

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

YAMAHA PHILOSOPHY

The Yamaha Philosophy expresses the core framework of the Yamaha Group’s management and consists of four elements: the Corporate Philosophy, Customer Experience, Yamaha Quality (criteria for quality), and Yamaha Way (mindset and manners). We utilize the Yamaha Philosophy as a foundation to draw from, try to think from the customer’s viewpoint, and consistently provide high-quality products and services that exceed the expectations of our customers, and to create excitement and cultural inspiration together with people around the world.

Diagram of the Yamaha Philosophy

Make Waves

Just a few notes or a simple melody can send out ripples that trigger an emotional bond with another person. Sound and music have a transformational impact on individuals and the world around us.

The “Make Waves” concept focuses on our passions and what matters most to people, namely, expressing themselves and making an impact, to progress personally as a listener and player, and to come together with others.

Yamaha is committed to empowering people to “Make Waves” with their sound and music.
Since 2018, the Yamaha Group has been integrating its prior annual reports and corporate social responsibility (CSR) reports to publish integrated reports that communicate the Group’s medium- to long-term value creation initiatives to shareholders, investors, and all of our other stakeholders. This report is our third such integrated report.

When creating Annual Report 2020, we referenced the International Integrated Reporting Council’s International Integrated Reporting Framework as well as the Ministry of Economy, Trade and Industry’s Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation. Summarizing the policies we adopt on a Groupwide basis, this report was created thanks to the cooperation of each division of the Company. As such, I believe the creation process and the content of this report is appropriate.

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

October 2020

Takuya Nakata
Director, President and Representative Executive Officer

Key Points of Annual Report 2020

Annual Report 2020 provides details on Yamaha’s progress during the first year of its Make Waves 1.0 medium-term management plan. It also offers information on concrete initiatives for creating social value while leveraging the accumulated strengths and technologies of the Yamaha Group and identifying business risks and opportunities based on the perspective of medium- to long-term growth. We encourage readers to focus on the following key points to help deepen their understanding of the content of this report.

POINT 1
Creation of New Value through Sound and Music

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

1 Management Vision and Value Creation Story (Pages 10–11), Special Feature: Enactment of Yamaha’s Value Creation Story (Pages 12–17)

POINT 2
Progress in the First Year of Make Waves 1.0 and Preparations for the New Normal

The changes to social structures that will represent the new normal after the global COVID-19 pandemic have brought under control are something that we can address by following the path we have walked thus far. While responding to the issues brought to light by the pandemic, we will steadily advance the key strategies of Make Waves 1.0 as we nurture the seeds of future growth in order to capitalize on the opportunity to act ahead of the times presented by the current adversity.

1 Message from the President (Pages 24–31), Make Waves 1.0 Medium-Term Management Plan (Pages 32–43), Financial Strategies (Pages 44–47)

POINT 3
Reinforcement of Oversight Function and Highly Transparent Management

One facet of the Company’s efforts to reinforce the management function of the Board of Directors was to establish the new position of audit officer, effectively enhancing the auditing function. Meanwhile, the Company improved and revised its risk management measures and emphasized compliance throughout the organization for the purpose of practicing healthy and highly transparent management.

1 Corporate Governance (Pages 70–98)

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Yamaha’s Path of Ambition

Yamaha’s Business

Management Vision and Value Creation Story

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Scope of This Report

Information in this report covers 66 companies (as of March 31, 2020): Yamaha Corporation, its 61 consolidated subsidiaries, and its 4 affiliates. In cases where it is necessary to specify the scope of reporting, this report lists the applicable institution individually.

Reporting Period

This report primarily covers fiscal 2020 (April 1, 2019 to March 31, 2020). However, certain sections of this report include information from April 1, 2020, and onward.

Disclaimer on Forward-Looking Statements

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

Names, including those of products and services, used in this report are trademarks or registered trademarks of Yamaha Corporation or of the respective rights holders.

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

**1887**

**Domestic Production of Musical Instruments Beginning with Organ Repair**

Following the repair of a single organ, Company founder Torakusu Yamaha succeeded in creating the first domestically produced organs in Japan. This success prompted him to establish Nippon Gakki Co., Ltd. (currently Yamaha Corporation), and commence the domestic manufacture of pianos. Through this undertaking, he created the foundations for the musical instruments business that is the core business of Yamaha today, while also proposing the culture of enjoying musical instruments to the people of Japan. This is the point of origin of Yamaha's Corporate Philosophy: "With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world."

**Symbology of the Yamaha Brand**

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

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

Inspired by a desire to communicate the joy of music to as many people as possible, Yamaha began efforts to promote the spread of music, such as organ classes (prediscease of the Yamaha Music School). Meanwhile, the technology and sensibilities cultivated through the manufacture of musical instruments was adapted to broader product lines to include audio equipment and to develop new businesses such as motorcycles, which would lead to the creation of Yamaha Motor Co., Ltd., and also sports equipment. In 1958, Yamaha established its first overseas subsidiary in Mexico, marking the start of its global expansion as a comprehensive musical instrument manufacturer.

**Laying of Groundwork as a Global Company**

Yamaha expanded its global sales network with the establishment of Yamaha de México, S.A. de C.V., its first overseas subsidiary in Mexico, in 1958, and developed a production basis in Taiwan in 1969. This groundwork served as a springboard for the aggressive overseas expansion of the Company beginning in the 1970s. Having quickly solidified its global network, Yamaha was able to leverage this network to exhibit significant competitiveness, supporting the growth of the Company, which has more than 10% of its revenue generated overseas today.

**Value Creation by Yamaha**

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

“With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world.”

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

Groupwide Business Overview and Consolidated Revenue and Core Operating Profit

Global Business Scale, Ratio of Overseas Revenue, and Market Share (Fiscal 2020, IFRS)

Revenue Composition and Number of Employees by Region

Overseas Revenue Driving Growth

Analysis of and Trends in Core Operating Profit (Operating Income)

Core Yamaha Products Boasting High Market Shares

Global Market Shares of Major Products (Fiscal 2020, monetary value basis, based on surveys by Yamaha)
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.
Contributing to People’s Lives by Creating New Value through Sound and Music

Throughout its history spanning more than 130 years, the Yamaha Group has continued to accumulate technological capabilities and insight related to research and development, production, sales, and marketing. At the same time, we have proceeded to hone our sensibilities in business fields centered on sound and music. The Group works to improve its corporate value by fully leveraging these strengths while helping create greater levels of value for society by addressing contemporary social issues and needs. In this special feature, we will introduce examples of initiatives by Yamaha in which the Company utilizes the strengths of its distinctive technologies, sensibilities, and value chain to help resolve social issues and contribute to the enrichment of people’s lives by creating new value through sound and music.

New Business Opportunities and Contributions to Resolution of Social Issues through Remote Solutions

Under the Make Waves 1.0 medium-term management plan, the Yamaha Group aims to improve lifetime value by developing direct ties with customers in both digital and physical spaces. Faced with the massive changes to the business environment as a result of the global COVID-19 pandemic, we aim to explore new business opportunities to ensure that we are able to contribute to the resolution of various social issues while continuing to foster ties between people through music and musical instruments. Here, we will look at some case studies highlighting such business proposals.

SYNCROOM Online Remote Ensemble Performance Service

Standard online conference and IP telephony systems are designed with telephone calls and meetings in mind. As these systems often entail slight delays in the transmission of sound, they are not suited to delivering the type of real-time synchronicity required for ensemble performances. Yamaha took a step toward resolving this issue in 2011 when it launched the beta version of an app using its proprietary NETDUETTO™ technology. This technology makes it possible to perform music in real time with people in remote locations by transmitting data through the internet in a manner that minimizes delays in sound. In 2014, the next step was taken with the launch of the NETDUETTO Lab test website. After releasing the beta version, we proceeded to incorporate user feedback to refine our technology as we continued to update the application. Then, in April 2020, amid the COVID-19 pandemic, we announced in Japan the SYNCROOM online remote ensemble performance service, which uses this technology to allow for remote ensemble performances to be conducted by multiple people playing separately in their own homes. This service drew a great deal of attention. In June 2020, we augmented this service with the launch of an official application for Windows and macOS that features reverberation, metronome, and recording functions. SYNCROOM now makes it possible for multiple users at up to five locations* as one “Room” to conduct remote ensemble performances. This service can be used for free simply by installing the computer app and signing up for an account. By helping multiple musicians take part in ensemble performances from separate locations with this service, we hope to inject a little more positivity into our new lifestyles.

* By connecting two Rooms, it is possible to link up to 10 locations.
CASE STUDY 02
Support for Remote Entrance Exams at Freiburg University of Music

Yamaha is offering support to the Freiburg University of Music in Germany for conducting remote entrance exams. In offering this support, we use Yamaha’s Disklavier™-player piano, which features an automatic performance function that can accurately reproduce even the most minute differences in keystrokes and pedal manipulation. The Freiburg University of Music is an internationally renowned music school with a unique presence in global society that has continued to foster countless famous musicians since its establishment in 1946. Under normal circumstances, aspiring musicians from around the world would gather in June to take this school’s entrance exams, which include practical musical instrument performance tests. In 2020, however, the pandemic made it unfeasible for people from other countries to take examinations at the school. For this reason, the Freiburg University of Music utilized Yamaha’s instruments and technologies to arrange remote entrance exams that made it possible for applicants to undergo piano performance tests from remote locations. Piano performance tests were carried out remotely by establishing internet connections between Germany and Japan and China. The performances of participants in Japan and China were faithfully reproduced by pianos in Germany. This method proved immensely successful, and both examiners and performers were satisfied with the results. In the future, we will promote the further utilization of our technologies, which help people in different locations share the same performance experience, with an eye to applying these technologies to standard music lesson sites. We thereby aim to propose solutions that address issues pertaining to losses of opportunities due to social conditions or geographic restrictions.

CASE STUDY 03
Remote Music School Lessons

We have been forced to halt lessons at music schools around the world due to the COVID-19 pandemic. However, committed to supporting the uninterrupted learning of students, even during the prolonged closure of music schools, we have begun conducting remote lessons via the internet. In March 2020, a directly operated music school in Boston in the United States began offering remote group lessons via an online remote service. Approximately 90% of the school’s students signed up for these lessons, indicating clear demand. In countries with unreliable communications infrastructure, such as Indonesia and Latin American countries, we went beyond simply providing remote lessons to offer additional value by having students send teachers videos of their at-home practice after lessons to receive feedback. By arranging lessons based on the needs of specific customers and regions, we sought out the most effective form for our remote lessons. In Japan, as well, we offered free online lessons in seven prefectures in April 2020 following the institution of the government’s state of emergency declaration (official paid remote lessons were introduced in June). We are also utilizing digital learning material distribution services in addition to the materials used for standard lessons and taking other steps to update lesson content and environments to be suited to online lessons.

Going forward, we will seek to develop frameworks to ensure that lessons can be taken with peace of mind even after standard in-person lessons are resumed while developing new service systems to provide additional value by combining in-person and online lessons.

CASE STUDY 04
Remote Cheerer powered by SoundUD™ Remote Cheering System

Yamaha is moving ahead with the development and verification of the Remote Cheerer powered by SoundUD™ remote cheering system, which allows vocal support to be transmitted to sports stadiums from remote locations with the touch of a smartphone or other device. This system utilizes a technology developed out of the desire to help sports fans that cannot visit the stadium for whatever reason cheer on their favorite team together with fans at the venue and have their support transmitted to the venue. The resulting solution is garnering a great deal of attention as concern rises for a possible second wave of COVID-19 infections due to its ability to allow sports fans to enjoy cheering on their teams while maintaining social distancing and accommodating our new lifestyles.

Improvement of Lifetime Value by Helping Resolve Social Issues Amid the New Normal

The global COVID-19 pandemic greatly impacted Yamaha’s business activities while also presenting new business opportunities through the acceleration of the trend toward a remote society. People are increasingly staying home to prevent the spread of COVID-19, and this behavioral change is driving changes in awareness, subsequently transforming the issues and needs of customers. People now face issues in how they are unable to take part in band performances with their friends, hold concerts or other live performances, or take music lessons. There are also many who desire to transmit their cheers to sports stadiums as sporting events are held without audiences. Yamaha looks to address these new issues by providing various solutions that capitalize on its robust sound-related expertise and network technologies. To this end, Yamaha assembled a cross-divisional project team tasked with analyzing the issues arising from our new lifestyles, investigating and developing effective solutions, and formulating plans for commercializing these solutions. The efforts of this project team might not immediately lead to the creation of new businesses, but they will still be advanced to have a wider range of customers experience our services so that we can develop closer ties with them to be leveraged in the new normal after the pandemic. After this, we will look to develop various solutions for improving lifetime value into new businesses.
India is a massive country garnering attention as one of the constituents of the global economy with the greatest growth potential. Yamaha established its first production base in this country in Chennai in 2019. Together with our existing sales office, this production base was utilized to launch full-fledged business activities in India. In this country, we aim to capitalize on the comprehensive strengths of Yamaha pertaining to development, production, sales, and the promotion of music to improve our corporate value through the creation of social value. In this section, we will explain Yamaha’s medium- to long-term strategies for the Indian market.

Construction of Growth Foundations

Development of Integrated Production and Sales Bases to Realize Local Production and Consumption and Expansion of Customer Contact Points

The Yamaha Group’s presence in the Indian market can be traced back to the 2008 establishment of local subsidiary Yamaha Music India Pvt. Ltd. (YM-IN). With the start of operations of our first directly operated production site in Chennai in 2019, we are now developing operations that integrate both sales and manufacturing in which we produce and sell products to the growing Indian market as well as other emerging markets.

At the Chennai Plant, we produce entry-level portable keyboards, acoustic guitars, and PA equipment primarily for the Indian and emerging markets. Yamaha offers local portable keyboard models designed specifically for countries such as India and China and regions like the Near and Middle East, where musical content based on local musical traditions is a must. The PSR-1500 and 1400 portable keyboards launched in 2019 were designed for the Indian market as part of this series of local models. Produced at the Chennai Plant for local consumption, these made-in-India, made-for-India keyboards are packed with music content based on the musical traditions that are familiar throughout India.

Ranking No. 7 in terms of geographic area, India is an expansive country in which strengthening ties with customers and the greater society and increasing contact points with customers is imperative. Accordingly, we are focusing on in-person sales through retail locations in developing our sales network while also establishing online sales venues to accommodate customers with limited access to such stores and to cater to the projected rise in e-commerce demand. The level of IT and social infrastructure can vary by region in this vast market. We are therefore developing region-specific strategies as we advance forward-looking initiatives to expand customer contact points and solicit Yamaha’s value.

Unexplored Potential of the Indian Market

In 2020, India’s population has been estimated to be approximately 1.3 billion, with roughly half of this population comprised of youths under 25. Moreover, global population estimates released by the United Nations project that India will surpass China as the global population leader by 2030. Accordingly, this country represents a massive market with potential for growth in terms of both production and consumption. The current government administration led by Narendra Modi, who became prime minister in 2014, is advancing campaigns such as Make in India and Skill India, thereby transforming the country from an importer to a producer and creating jobs through economic reform and the revitalization of the manufacturing industry. Moreover, India boasts a geographical advantage due to its easy access to the Near and Middle Eastern and African markets. Numerous companies from around the world have been entering the Indian market in recent years with the aim of capitalizing on these advantages.

Growth Strategies and Value Creation Initiatives in India

India is a country in which people enjoy listening to music as part of their everyday lives, whether that be traditional music, music from movies, or popular local songs. Despite this love of music, instrumental music education is not part of the compulsory education curriculum of schools, and the vast majority of people therefore have no experience playing musical instruments.

To address this issue, Yamaha launched the School Project, a program for supporting the provision of musical performance experiences primarily in emerging countries, in India in 2018. Focused on private elementary schools, the program is providing instrumental music education programs using recorders, which are ideal for one’s first musical performance experience due to their easy playability. We began offering this program to 44 schools in India in fiscal 2019 and an additional 81 schools in fiscal 2020, making for a total of 125 schools as of April 1, 2020. By communicating the joy of musical instrument performances to children that had not been given the opportunity to play a musical instrument and helping them grow in a more fulfilling manner, we aim to familiarize them with the Yamaha brand and thereby drive the expansion of the Indian market.

Medium- to Long-Term Value Creation

Creation of Social Value through Business in India to Drive Future Market Growth

Growth through Community-Rooted Value Creation

Yamaha was quick to establish production bases overseas, with which it has contributed to develop business activities that respect local cultures through local production and sales. The Company is also promoting the spread of music on a global scale. By communicating the joy of musical instrument performances and providing opportunities to experience the fun of learning about music to people around the world, Yamaha is creating new demand and thereby growing its business. The experience and expertise we have accumulated over the years will be utilized to spur our growth in the new market of India. This growth will be accomplished while treasuring our connections with customers and creating social value through our business activities.
PERFORMANCE HIGHLIGHTS

Financial Highlights (Fiscal 2020) * All explanations are based on figures calculated under IFRS. Graphs for fiscal 2019 also include J-GAAP conversions.

Revenue decreased ¥20.1 billion year on year, to ¥414.2 billion, due to reductions in the industrial machinery and components business.

Capital expenditures totaled ¥20.5 billion, up ¥4.6 billion. The Company’s capital expenditures centered on constructing overseas plants and updating production areas. To realize sustainable timber procurement that takes into account the preservation of forests and biodiversity, we conduct thorough surveys to confirm the production areas, legality, and other matters regarding the wood resources we procure and stringently manage the production areas of those resources.

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

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

Yamaha is targeting return on equity (ROE) of 11.5% and earnings per share (EPS) of ¥270 in fiscal 2022, the final year of the medium-term management plan.

Non-Financial Highlights (Fiscal 2020)

Brand ranking

Worldwide brand value ranking that combines Japan’s global brands and domestic brands rankings.

Brand Ranking Interbrand’s Best Japan Brands 2020*

Ranked 32nd

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* Figures are for Yamaha Corporation and Yamaha Motor Co., Ltd.

** According to the results of the Basic Survey on Wage Structure published by the Ministry of Health, Labour and Welfare of Japan.
The Yamaha Group has established and is promoting efforts to address sustainability priorities for the medium to long term, which are based on SUSTAINABILITY PRIORITIES AND PROGRESS.

For information on the process of identifying the sustainability priorities, please visit the Company’s sustainability website.

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For information on the sustainability priorities, please visit the Company’s sustainability website.
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Progress in First Year of the Medium-Term Management Plan and Preparations for the New Normal

I would like to begin by expressing our 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.

The Yamaha Group is placing the health and safety of its employees, customers, and suppliers above all else when responding to the COVID-19 pandemic. Acting in accordance with this policy, we have been following the instructions and requests of government agencies in the relevant countries, halting operations in some cases and continuing operations while utilizing teleworking in others.

Social and economic activities have resumed since the outbreak of the pandemic, but that does not mean the pandemic has come to an end. Forced to coexist with the virus for the time being, people continue to search for the proper response from a variety of angles.

Our ability to engage in music activities, learning, and other aspects of life is currently limited. At the Yamaha Group, we recognize that this adversity offers a chance to change. We will thus be accelerating our efforts to respond to the new normal while prioritizing resolution of the issues we face.

Operating Environment in Fiscal 2020

Fiscal 2020, the first year of our Make Waves 1.0 medium-term management plan, presented a challenging operating environment.

The trade friction between the United States and China caused a slowdown in the global economy. This slowdown became particularly pronounced in China and emerging countries, resulting in the depreciation of the currencies of emerging countries. The impacts of this depreciation along with the exchange rates for the euro seen throughout the fiscal year weighed heavily on our performance. In addition, the United States placed sanctions on Chinese products, temporarily disrupting the market. Japan, meanwhile, suffered from depressed consumption due to a consumption tax rate hike instituted in October 2019 and the impacts of natural disasters.

Moreover, the COVID-19 pandemic brought swift and massive impacts as we approached the end of the fiscal year, further compounding the challenges faced throughout the year. The pandemic impacted our ability to supply products as the Company’s production plans were affected by government-imposed restrictions on operations in countries worldwide. Fortunately, we had previously developed a supply chain that included multiple sources for components and frameworks for utilizing substitute components based on our experience with the Great East Japan Earthquake in 2011. We were thus able to minimize the disruptions to our supply chain. We are also able to utilize the strength of our integrated factories to coordinate production line operation between factories and to flexibly utilize factory human resources in order to realize a high degree of responsiveness.

Impacts of the COVID-19 Pandemic

In fiscal 2020, the financial impact of the COVID-19 pandemic amounted to a reduction of ¥13.7 billion in revenue. The factors behind this impact are still ongoing, and it is clear that some time will need to pass before we see the conclusion of this pandemic. Fiscal 2021 will also be a challenging year. However, we see such adversity as an opportunity to accelerate the evolution of the Yamaha Group. Moreover, we recognize that the impacts of the pandemic have not been entirely negative.

We were forced to close our music schools until early June 2020. Meanwhile, as people stayed in their homes to prevent the spread of COVID-19, they had the opportunity to become reacquainted with the power of music. As a result, sales of entry-level musical instruments models have surpassed the period prior to the pandemic, with instruments that are easy to play at home, such as digital musical instruments and guitars, proving especially popular. Another factor behind this outcome was the ease of purchasing these instruments through e-commerce venues.

When one buys a piano or wind instrument, it is common for them to go to an instrument store to choose the specific instrument that they will be purchasing. With digital musical instruments and guitars, however, Yamaha’s reputation for reliable quality gives customers the peace of mind needed to purchase these instruments online. This reputation has thus contributed to the growth of our market share.

Of course, our ability to cater to this demand was a result of the digital marketing initiatives we have been advancing since before the pandemic. Although e-commerce will probably never fully replace physical stores, we see potential for uncovering latent demand by generating synergies between these two venues.

At the same time, our new lifestyles are limiting the ability of people to play in ensembles, which generally require a number of people to assemble in a single place. Yamaha has long been engaged in the development of technologies for realizing remote ensemble performances powered by IT. We recently began distributing software for such performances for the purpose of running verification tests, and the number
of downloads greatly exceeded our expectations. These efforts will not only help us address the issues placed before us, but they also have the potential to lead to significant business opportunities in the future.

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

We will be forced to live in the midst of the COVID-19 pandemic for the foreseeable future. The issues that have emerged as a result of the pandemic provide us with valuable hints as to the changes to social structures that will represent the new normal after the conclusion of the pandemic. Moreover, these issues are something that we can address by following the path we have walked thus far.

Looking at the themes of Yamaha’s medium-term management plans after the 2008 global financial crisis, 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), the previous medium-term management plan, was “increase brand power,” a theme aimed at taking the Company to a new growth stage. Based on the results achieved under these prior plans, the Make Waves 1.0 medium-term management plan positions the three-year period leading up to fiscal 2022 as the stage in which we should develop closer ties with customers and society, and boost value creation capabilities. To this end, the plan puts forth four key strategies (see below) for responding to the changes in industry structures and consumer attitudes accompanying progress in digital technologies.

This is the course we charted prior to the outbreak of the pandemic. The basic elements of this plan will be accelerated to prepare for the new normal. I would now like to look back on our progress in the plan’s first year from the two perspectives of performance in our principal businesses and our initiatives based on the plan’s four key strategies.

Performance in Business Segments

1. Musical Instruments Business—Growth in Digital Music Instrument and Guitar Sales as People Stay Home

Performance in the musical instruments business was generally strong up until the third quarter of fiscal 2020. In the fourth quarter, the performance of pianos suffered in China due to impacts of the pandemic, but was still relatively unchanged year on year. Performance of digital music instruments, meanwhile, was strong, being driven by digital pianos. We are seeing robust sales of entry-level digital pianos that can easily be purchased via online venues in fiscal 2021. If we are to further capitalize on the opportunity this trend represents, it will be crucial for us to go beyond simply supporting e-commerce to ramp up efforts to solicit our products and propose means of enjoying these products in online environments via digital marketing.

The current conditions have also led to the expansion of the range of customers purchasing guitars. Yamaha has previously faced issues regarding its share of the market for mid-range and high-end guitar models in Europe and the United States. We sought to address this issue with the launch of the A Series of guitars for younger musicians in 2011, strengthening our lineup of mid-range models. The advancement of such measures in the United States and other major markets is contributing to improvements in profitability. In Asia, meanwhile, the image of Yamaha products is strong, causing product sales prices to rise in tandem with share growth.

In regard to wind instruments, competition with European rivals in the fields of custom models is intense. Accordingly, we have been increasing engagement with professional performers in relation to high-level models to improve compatibility with the expected technical requirements. The benefits of these efforts have appeared for saxophones and trumpets. We therefore intend to advance similar initiatives for clarinets and other wind instruments going forward.

Performance has been more or less smooth outside of Japan, which is being impacted by declining births. However, the operating environment became exceptionally challenging after the outbreak of the COVID-19 pandemic due to the fundamental characteristics of wind instruments, namely that they must be blown into. For this reason, Yamaha is working to develop guidelines for the safe use of wind instruments based on scientific evidence, and we are seeking the aid of external specialists in this undertaking.

2. Audio Equipment Business—Path to Success through Response to Demand Arising from People Staying Home

Performance in the musical instruments business was generally strong up until the third quarter of fiscal 2020. In the fourth quarter, the performance of pianos suffered in China due to impacts of the pandemic, but was still relatively unchanged year on year. Performance of digital music instruments, meanwhile, was strong, being driven by digital pianos. We are seeing robust sales of entry-level digital pianos that can easily be purchased via online venues in fiscal 2021. If we are to further capitalize on the opportunity this trend represents, it will be crucial for us to go beyond simply supporting e-commerce to ramp up efforts to solicit our products and propose means of enjoying these products in online environments via digital marketing.

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3. Industrial Machinery and Components Business—Ongoing Development of In-Vehicle Solutions Domain Foundations

The industrial machinery and components business was heavily impacted by macroeconomic conditions, placing the business as a whole in a difficult position. This is particularly true when it comes to factory automation (FA) equipment, which suffered from a major drop in capital expenditure demand as the impacts of the dissipation of the special demand trend experienced in fiscal 2019 were compounded by the trade friction between the United States and China and the COVID-19 pandemic. Automobile interior wood components operations were impacted by delays in the launch of new automobiles scheduled to employ Yamaha components. In electronic devices, smooth progress was made in relation to in-vehicle modules in line with our plans. We have won a fair amount of praise from customers through new initiatives in the in-vehicle audio domain, and are hopeful for the future of these initiatives.

It will take some time for macroeconomic conditions to recover, but we still aim to begin generating results from these initiatives in fiscal 2022.

Initiatives Based on Four Key Strategies

1. Develop Closer Ties with Customers—Bolstering of Product Lineups and Enhancement of Remote Communication

Our efforts to develop more direct ties with customers by establishing customer contact points centered on digital marketing entailed deploying a strategy aimed at lifetime value. Under this strategy, we have been developing customer data platforms, and are now ready to move on to the practical application stage. At the same time, we have been moving forward with digital marketing efforts, and have thereby been able to start directing some 140,000 customers toward the physical aspects of our business from the perspective of digitally communicating the product value. Meanwhile, we have been shifting toward a more experience-oriented approach in our directly owned stores. This move has led to the acceleration of renovations to transform directly owned stores in Japan, in Tokyo, Osaka, and Nagoya specifically, into brand shops, and stores in emerging countries into experience-oriented shops.

We are also expanding our sales networks in China, India, and the ASEAN region, laying the groundwork for developing nearly 3,000 stores in these areas through measures matched to each market.
One specific example of our efforts to promote music culture is the School Project, a program for offering guidance and support for instrumental music education launched primarily in emerging countries in 2015. Under the current medium-term management plan, we are pursuing the target of providing opportunities to play musical instruments to a cumulative total of one million students in seven countries, and we had offered such opportunities to approximately 390,000 students in five countries as of March 31, 2020. This program may not begin generating profits immediately, but it is something that we will continue with into the future.

An effort to help overcome social challenges through business activities can be seen in the earphones equipped with Listening Care that I mentioned earlier. These earphones propose a solution to issues regarding earphone-induced hearing loss, which is something that the World Health Organization has raised the alarm on. The SYNCRROOM online remote ensemble performance service launched recently also represents a promising business with the potential to address social issues stemming from the COVID-19 pandemic.

In regard to the current business environment, we expect to achieve a certified timber utilization rate of 46% as of March 31, 2021, compared with the rate of 28% for fiscal 2020, bringing us quite close to the medium-term management plan target rate of 50%. We have also made significant progress with regard to the introduction of Eco-Products,*1 launching 46 such products in fiscal 2020, 31, 2021, compared with the rate of 28% for fiscal 2020, bringing us quite close to the medium-term management plan target rate of 50%. We have also made significant progress with regard to the introduction of Eco-Products,*1 launching 46 such products in fiscal 2020, the first year of the plan, which moved us toward the plan’s target of releasing a total of 120 Eco-Products over the three-year period.

Furthermore, Yamaha declared its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*2 in June 2019. Communicating this commitment and the results of related initiatives to external stakeholders will be important from the perspective of enhancing our brand image going forward.

*1 Environmentally friendly products certified as meeting standards established by Yamaha as part of its environmental management system.
*2 A task force created by the Financial Stability Board, comprised of the central bank heads and financial ministers of various countries, that released guidelines/ recommendations aimed at facilitating appropriate investment decisions through disclosure of the potential financial impacts of climate change.

Strengthening of Corporate Governance Based on Internal and External Perspectives

Yamaha has consistently taken steps to strengthen corporate governance. In 2017, the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure in order to delegate a large degree of authority to the executive team, thereby enabling the Board of Directors to focus on discussing fundamental aspects of operations, such as management and business directives. Currently, the Board of Directors is comprised of seven directors, five of which are independent outside directors. Furthermore, executive officers attend meetings of the Board of Directors as observers to help add new dimensions to reports and discussions. Assembling members from both the executive and oversight sides of management in this manner enables more lively and practical discussions.

Moreover, we have achieved our long-pursued goal of having any member of the Audit Committee be an independent outside director. In addition, we have positioned the representatives of the Audit Committee’s Office and of the Internal Auditing Division, which provides auditing functions encompassing Group companies, as audit officers ranked at the same level as executive officers to help augment complementary auditing functions. The Audit Committee performs audits of legal compliance as well as the appropriateness of operations, thereby enabling us to strengthen systems for enhancing audit effectiveness.
With this large number of outside directors and thanks to our initially planned for the need to hold remote meetings, our response to the pandemic has so far been smooth. In such trying times, members of the Board of Directors endeavor to voice opinions from the overarching perspective of what Yamaha can do to serve society. This perspective has led outside directors to offer pinpointed instructions on how to revise business strategies to account for the pandemic. I feel that exposing the executive team to such outside opinions helps members of this team elevate the level of their own perspective.

Importance of Human Resources and Engagement

When talking about the key strategies of the medium-term management plan, I also spoke of the importance of human resources. Healthy corporate activities require a corporate culture emphasizing open communication. Compliance with all laws, including those prohibiting harassment, under all circumstances is also a must. If even just 1% of employees fall in terms of compliance, it means that compliance at the Company was not functioning.

Based on this recognition, we are reforming our corporate culture with a dedication to reshaping this culture from the ground up. Our first step will be to thoroughly entrench the basic understanding and recognition that prohibited actions are absolutely forbidden. We also aim to make the organization an emotional safe space in which employees feel comfortable quickly reaching out for help should they become the victim of misconduct. For this purpose, we are increasing our number of external compliance whistleblowing venues, strengthening dedicated compliance organizations, and enhancing harassment prevention training.

Of absolute importance to the fostering of a corporate culture emphasizing open communication is engagement. In fact, engagement is crucial in all processes. We are therefore sharing information on matters such as which factories are operating and whether Group employees have become infected by COVID-19 on practically a weekly basis. Employees have expressed how these efforts fostered a peace of mind to employees.

I adhere to four policies in addressing this task. The first policy is to prioritize employee health and safety above all else. Rather that wasting time with discussing the effectiveness of teleworking, we were quick to implement a policy of teleworking whenever possible, which no doubt provided peace of mind to employees.

The second is to keep everyone at the Company up-to-date on our situation. Everyone has concern for their company. We are therefore sharing information on matters such as which factories are operating and whether Group employees have become infected by COVID-19 on practically a weekly basis. Employees have expressed how these efforts fostered a sense of peace of mind while also making them feel that Yamaha was truly “their company.”

The third is to be receptive to various ideas and proposals. Yamaha has previously had an internal open application system for new business ideas and proposals that could be accessed via the Company intranet. After enhancing this system and asking employees to submit ideas and proposals for businesses after the conclusion of the pandemic, we quickly found ourselves with a substantial amount of input. As a manager, I found this proactivity among employees incredibly reassuring.

The fourth and final policy is to clearly indicate the direction targeted by the Company. I issued a message to employees stating that, given the difficult times, we should devote our efforts to addressing social issues. Moreover, I made clear that our workstyle and other measures should not be temporary and rather that we should view this crisis as an opportunity to accelerate our own transformation. I hope that this experience has served to remind employees of exactly what type of company Yamaha is.

This undertaking reaffirmed in my mind the crucial nature of transparency and information sharing to raising employee motivation. Fiscal 2021 will also be a challenging year, but I hope to carefully nurture the seeds of future growth as we advance forward during this year. Adversity presents opportunities to transform and act ahead of the times. Looking ahead, the Yamaha Group will unite in its effort to ensure that the challenges we surmount in fiscal 2021 will benefit us in subsequent fiscal years. I would like to ask our stakeholders, starting with our shareholders and other investors, for their continued support as we pursue these endeavors going forward.

October 2020

Takuya Nakata
Director, President and Representative Executive Officer

MESSAGE FROM THE PRESIDENT
Yamaha is moving ahead with Make Waves 1.0, a three-year medium-term management plan that was launched in April 2019. In formulating this plan, we analyzed the rapid changes in the business environment and determined our future outlook, based on which we established a management vision for the Company over the medium to long term. We also unveiled a value creation story that will serve as our approach to realizing this vision. At the same time, we defined basic and key strategies along with corresponding management targets that comprise the three pillars of financial targets, non-financial targets, and shareholder returns. In this section, we will offer an overview of Make Waves 1.0 while also taking a look at the progress of this plan in fiscal 2020, its first year.

### Positioning of the Make Waves 1.0 Medium-Term Management Plan

Looking back on our medium-term management plans to date, YMP125 was carried out in a period when our business faced tough conditions due to yen appreciation. The period of YMP125 was positioned as a phase for rebuilding our business platforms through such means as restructuring our core business and integrating our sales offices in Europe and plants. After completing that phase, we commenced YMP2016, under which we transitioned from a business-unit organizational structure to a function-specific one, promoted optimized pricing, and moved forward with selection and concentration from a multifaceted perspective to focus on core business. Through these efforts, we were able to achieve an operating income ratio of 9.3%.

With the previous medium-term management plan, NEXT STAGE 12, we established the management vision of “Becoming an Indispensable, Brilliantly Individual Company.” Guided by this vision, we worked to boost our brand power in an effort to take the next step toward further growth as a company. As a result, we were able to raise our operating income ratio to 12.8% (J-GAAP).

Taking into account the achievements we have made thus far, we have positioned the three years of Make Waves 1.0 as a period in which we will aim to develop closer ties with customers and society, and boost value creation capabilities, and we have adopted that aim as the basic strategy of the plan. Based on this strategy, we will pursue a two-pronged approach of boosting profitability and reinforcing our growth foundation. By fiscal 2022, the final year of the plan, we aim to increase our core operating profit ratio to 13.8% as a step toward reaching our long-term target of 20%, which we adapted under our management vision.

### Financial Results

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<th>YMP125 Final year</th>
<th>YMP2016 Final year</th>
<th>NEXT STAGE 12 Final year</th>
<th>IFRS</th>
<th>J-GAAP</th>
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<td>Net sales* / Revenue (Billions of yen)</td>
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<td>Operating income* / Core operating profit (Billions of yen)</td>
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### Approach to Formulating the Medium-Term Management Plan

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

### Analysis of Impacts on Operating Environment

(Examination of Development Domains, Growth Opportunities, and Risks)

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

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

#### Transformations caused by accelerated digital technologies

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

#### Greater diversity in lifestyles and senses of value

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

#### Heightened awareness of sustainability

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

### Directives of the Medium-Term Management Plan

In the era in which there is greater demand for emotional satisfaction and authenticity, the need for emotional value will unquestionably surpass the need for functional value. Our business domains center on sound and music, which offer significant value in the form of sensibilities and emotional impact. In these fields, these changes in needs will no doubt provide a positive outcome to the Yamaha Group, which has assessed sound and musical instruments as a part of culture itself and has striven to refine its technologies and sensibilities. It is therefore imperative that we fully leverage our strengths to capitalize on this growth opportunity by enhancing our ties with customers and society as well as our connection to market growth and growth domains.

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

**Combining technologies and sensibilities presents growth opportunities for Yamaha**
Major Medium-Term Management Plan Measures for Accomplishing Our Management Vision

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
(Based on our matrix for medium to long term)

Value Creation Story
Enhance corporate value and realize vision by creating social value

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 ratio: 13.8% (IFRS)
- ROE: 11.5%
- EPS: ¥270

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

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

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

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 reaching a core operating profit ratio of 20%, a target we adopted under 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 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.

Progress in Fiscal 2020

In fiscal 2020, strong performance was seen centered on the musical instruments business up until the third quarter. Performance in the fourth quarter, however, was impacted by the spread of COVID-19. As a result, full-year financial performance fell below our targets.

Non-financial performance, however, represented strong performance toward targets. Moreover, steady progress was made with regard to the four key strategies of Make Waves 1.0—develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses—in the plan’s first year (see pages 36–43). The environmental changes and impacts on the Company that were projected when formulating our operating environment outlook are accelerating, creating a need to expedite the implementation of key strategies to keep pace.

Four Key Strategies Progress Summary

(See pages 36–43 for details)

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

**Basic Medium-Term Strategy**

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

*Make Waves 1.0*

- Yamaha value creation
- Social value creation
- Profitability
- Customer value
- Productivity
- Reflection of society's values on our mission values over the medium to long term

To promote our basic strategy of “develop closer ties with customers and society, and boost value creation capabilities,” we established four key strategies. By successfully 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 improvements in corporate value over the medium-to-long term.

**Develop Closer 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.

- **Shift industrial machinery and components business domain into in-vehicle solutions**
- **Expand audio equipment business domain**
- **Develop direct ties with customers with a focus on digital marketing**
- **Contribute to lifetime value enhancement (communicate value proposals suited to customer life stages)**

**Achieve growth in emerging markets**

- **Broaden, deeper, and longer**
  - Engage with middle-income earners and accelerate growth
  - Develop direct ties with customers with a focus on digital marketing
  - Contribute to lifetime value enhancement

**Expand business domains**

- **Broader, deeper, and longer**
  - Expand audio equipment business domain
  - Shift industrial machinery and components business domain into in-vehicle solutions

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

**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.

- **Fiscal 2020 Initiatives**
  - Establishment of Company-wide branding system, utilization of awareness-raising tools, and training
  - Preparation and distribution of global content for effectively articulating brand promise
  - Development of frameworks for and gradual spread of implementation of branding activity plan-do-check-act (PDCA) cycle

**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.

- **Fiscal 2020 Initiatives**
  - Practical training at 19 sales subsidiaries worldwide to improve digital marketing skills
  - Efforts to direct customer traffic to Company websites and applications (certain regions)
  - Development of frameworks for and gradual spread of implementation of branding activity plan-do-check-act (PDCA) cycle

**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.

- **Fiscal 2020 Initiatives**
  - Steady development of customer data platform that analyzes customer information and behavior patterns
  - Customer support service through easy product registration
  - Provision of solutions such as applications that support musical performance

**Achieving Growth in Emerging Markets**

- **Broader**
  - Expanding sales networks primarily in cities with over 500,000 residents

**Realizing Growth in India, ASEAN, and Other Markets**

- **Aiming for 50% Growth over the Next Three Years through Sales Network Expansion and Brand Promotion**
  - Aiming for 25% Growth over the Next Three Years through Sales Network Expansion and Brand Promotion

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 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.

- **Fiscal 2020 Initiatives**
  - Expansion of sales networks centered on rural cities and increase in exhibitions of high-value-added products
  - Strengthening and communication of brand power (500 videos receiving total of more than 12 million views, etc.)
  - Information provision via social media to strengthen connections with customers

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*Yamaha Group Annual Report 2020*
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 Cataled 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.

Promoting Musical Instrument Education and Developing New Markets As of March 31, 2020, we have provided a cumulative total of approximately 390,000 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.

Expanding Business Domains into Growth Markets and Accelerating Growth 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.

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.

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

Products and Services Enhance added value by pursuing combination of authenticity and innovation Pursuing Authenticity Pivotal 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.

Pursuing Innovation Efforts to spur innovation: In June 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 mold 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-oriented 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.

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 sensitivity 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 and digital technologies, human sensitivity evaluation technologies, and analysis and simulation technologies. This is because we use 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.

Fiscal 2020 Initiatives

- Expand Business Domains: Broader through amalgamation of sales networks, improvement of solicitation capabilities through guitar wall displays in stores, beginning of shipments from factories of acoustic guitars manufactured locally for the Indian market.

- ASEAN region: On-schedule progress in developing sales networks, enhancement of existing stores, promotion of digital marketing, and rebalancing of approach toward middle-income earners.

- Africa: Further expansion of retail stores and acceleration of product sales in emerging countries.

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

- Products and Services: Enhance added value by pursuing combination of authenticity and innovation.

Fiscal 2020 Initiatives

- Launch of headphones and earphones designed to protect user hearing and progress in transforming business portfolio of sound bars and other equipment operations.

- Higher sales following increases in equipment installation projects in Japan and product sales in emerging countries.

- Make WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN

- Make WAVES 2.0 MEDIUM-TERM MANAGEMENT PLAN

- Creating Value - Create New Value by Combining Technologies and Sensibilities

- Yamaha Group Annual Report 2020

- Yamaha Group Annual Report 2020
### Development of Products with Distinctive Individuality in Fiscal 2020
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.

**Topics: Synergies between Social Change and Unique Products and Services**

- Deployment of silent musical instruments to address growth in demand related to people staying at home, as well as pianos, guitars, wind instruments, and various other instruments.
- Clavinova™ digital piano
- THR5 guitar amplifier
- TW-E7A truly wireless Bluetooth earphones
- Support for remote piano performance and ensemble exams linking Japan and China to Germany (See page 14 for details)
- SYNCROM online remote ensemble performance service (See page 15 for details)

### Goals of Digital Transformation (Customer Data Platforms, Next-Generation SCM, and Process Reforms)

- **Customer Journey**
  - Consolidated accounting system
  - POS
  - CDP
  - New SCM system
  - ERP/Resource planning (ERP) system
  - Distributors

### 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 customer data platform (CDP) and new supply chain management (SCM) systems. In addition, through the promotion of a digital transformation, we will transform our business processes themselves in an effort to promote productivity.

### Establishing a Foundation for Global Human Resource Management
We will transition from region-specific human resource systems to a Groupwide, globally shared system. We will also promote the cross-border absorbing of human resources and the discovery and development of managerial talent. Additionally, we will step up our efforts toward diversity and protecting human rights.

### Digital Transformation Initiatives
The Companywide Digital Transformation Strategy Committee was established in fiscal 2020, installing a structure for promoting digital transformation strategies, and progress was made in digital transformation in various business and operational fields.

#### Initiative Aim

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Aim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of CDP</td>
<td>Build CDP platform to develop closer customer ties</td>
</tr>
<tr>
<td>Operation of next-generation social systems</td>
<td>Innovate SCM systems to optimize efficient operations with customer information</td>
</tr>
<tr>
<td>Promotion of business process transformation</td>
<td>Reform of work processes through digital transformation initiatives, expanding introduction of agile methods to development process, eventually connecting accounting systems in front-office operations, utilizing robotic process automation (RPA) to automate routine work</td>
</tr>
</tbody>
</table>

#### Key strategy

<table>
<thead>
<tr>
<th>Process trial</th>
<th>System trial</th>
<th>Full-scale operation and global rollout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of systems and frameworks</td>
<td>Establishment of systems and frameworks</td>
<td>Full-scale operation and global rollout</td>
</tr>
<tr>
<td>Optimization of production and sales management</td>
<td>Optimization of production and sales management</td>
<td>Full-scale operation and global rollout</td>
</tr>
</tbody>
</table>

#### Initiative execution (2016/4 to 2020/3)

- **Reduce production costs**
  - Labor cost reduction: 10.3 billion yen
  - Process rationalization and improvements: 5.5 billion yen
  - Global efficiency improvement: 2.0 billion yen

- **Optimize pricing**
  - Price cuts: 1.4 billion yen
  - Optimization and reforms: 1.1 billion yen

- **Optimize operations and use expenditures strategically**
  - Procurement cost reduction: 0.4 billion yen

**Cost reduction analysis**

- **Costs in fiscal 2019**
  - Production cost reductions: 3.4 billion yen

- **Costs in fiscal 2020**
  - Labor cost improvements: 1.4 billion yen
  - Procurement cost reductions: 0.4 billion yen
  - Overall: 2.0 billion yen

**Digital Twin Production Management**

- Virtual factory
  - Production data
  - Production orders
  - Production management
  - Integrated automation

- Physical factory
  - Production data
  - Production orders
  - Production management
  - Integrated automation

**Fiscal 2020 Initiatives**

In the first year of Make Waves 1.0, cost reductions amounted to ¥3.4 billion on a gross basis and ¥2.0 billion on a net basis adjusting for the increase in overseas labor costs. In addition, progress was made in transferring production processes, consistently procuring parts and materials through bulk purchasing, and equipment automation trials for improving productivity. We also advanced discussions on standardizing production management procedures for our diverse line of products through digital transformation along with digital twin production management initiatives implemented through an IoT-powered trial of a production data collection system.
Contribute to Society through Our Businesses

Contribute 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 provide the contribution of sustainable 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.

Contributing to the Sustainability of Music Culture

By offering a diverse lineup of musical instruments, we will contribute to the global music scene. In addition, through such initiatives as spreading musical instrument education in schools and promoting activities to spread musical instrument education at schools in emerging countries (see page 17), we will extensively convey the joy of music across the globe.

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)

Resolving Social Issues through Our Products and Services

We will support the healthy development of youth through music popularization activities in Latin America. We will also work to revitalize communities through the Oto-Machi Project, which aims to create communities filled with music in Japan. By doing so, we will carry out continuous efforts to leverage our products and services with the aim of resolving the various social issues facing each country and region of operation.

Enhancing Diversity and Fulfillment among All Employees

We will take steps to create an environment where diverse personnel can make full use of their individuality and creativity. Also, with the aim of preventing human rights violations, we will promote human rights due diligence across our entire supply chain.

Utilizing Sustainable Timber

We will promote due diligence to avoid the purchase of timber from illegal sources. Additionally, we will aim to expand our utilization rate of certified timber (target of 50%), which is produced from sustainable forests. Furthermore, we will promote the sustainable use of timber through a broad range of efforts, such as undertaking activities to sustainably conserve scarce timber resources in collaboration with local communities and promoting collaborative research with academia including Kyoto University.

For more information on progress with regard to these and other themes, please refer to “Sustainability Priorities and Progress” on pages 20–21.

MORE INFORMATION

MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN

Environment

Coexist with the natural environment

Activities to conserve scarce timber resources in Tanzania

Yamaha Eco-Products (environmentally friendly material)

SCIENCE BASED TARGETS

Reducing GHG Emissions

We will work to meet our Science Based Target (SBT)*1 through such means as installing highly energy-efficient equipment and shifting toward renewable energy sources. Also, we will work to reduce GHG emissions throughout our entire value chain through the development of energy-saving products and the streamlining of distribution, among other initiatives.

*1 Environmentally friendly products certified as meeting standards established by Yamaha

*2 A Science Based Target to achieve the 2°C GHG emission reduction goal set in the Paris Agreement (20% reduction by 2031)

Fiscal 2020 Initiatives

- Identification and specification of important human rights issues and supplementation of Group regulations and rules with necessary elements from human rights perspective to facilitate promotion of human rights due diligence; comprehensive human rights assessments to be advanced through monitoring of compliance status going forward
- Launch of earphones equipped with proprietary Listening Care technology for reducing burden placed on listener’s ears as new product proposing solutions to social issues; provision of new value to fulfill social mission as a company with a business model centered on sound and music through the development of products that allow users to enjoy high-quality sound while also protecting their hearing

For more information on progress with regard to these and other themes, please refer to “Sustainability Priorities and Progress” on pages 20–21.

Fiscal 2020 Initiatives

- Confirmation that 90.8% volume ratio of procured timber was low risk by assessing the place of origin, the legality of harvesting, and the sustainability of relevant resources for all suppliers of timber
- Certified timber projected to constitute 46% by volume, compared with 28% in fiscal 2020) of timber purchases anticipated in fiscal 2021,

42 Yamaha Group Annual Report 2020

43 Yamaha Group Annual Report 2020
Yamaha will seize the opportunity to accelerate its evolution presented by the current adversity in its ongoing quest to improve corporate value.

Review of the First Year of Make Waves 1.0

In fiscal 2020, the first year of the Make Waves 1.0 medium-term management plan, Yamaha posted year-on-year declines in revenue and profit, despite the strong performance seen centered on musical instruments leading up to the third quarter, as a result of impacts of the spread of COVID-19 in the fourth quarter.

Revenue was down ¥20.1 billion, or 4.6%, year on year, to ¥434.2 billion. Factors behind this decline included reductions of ¥13.7 billion as a result of COVID-19 and ¥13.1 billion from foreign exchange influences as well as the impacts of stag-nancy in the industrial machinery and components business. Core operating profit decreased ¥6.4 billion, or 12.1%, to ¥46.4 billion, following the impact of COVID-19 and a reduc-tion of ¥6.5 billion attributable to the foreign exchange influ-ences as well as to the deterioration in performance of the industrial machinery and components business. Similarly, profit attributable to owners of parent declined ¥6.7 billion, or 14.2%, to ¥34.6 billion. Factors behind this decline included the decrease in core operating profit as well as a ¥14.4 billion loss from suspension of operations attributable to closures of directly operated stores and music schools stemming from the spread of COVID-19 and halts to factory operations and a ¥3.3 billion impairment loss on fixed assets. Both of these losses were recorded under other expenses. *1

As a result, the core operating profit ratio was 11.2%, ROE was 10.1%, and EPS was ¥195. The figures for all of these key performance indicators (KPIs), for which financial targets were set in the medium-term management plan, were down year on year.

Core operating profit is forecast to decline ¥21.4 billion, or 46.1%, year on year, to ¥25.0 billion, and profit attributable to owners of parent is projected to decrease ¥18.6 billion, or 53.8%, to ¥16.0 billion. While we will strive to reduce fixed costs, we will not be able to avert the massive drop in rev-enue projected to occur due to the aforementioned factors and to be concentrated largely in the first half of the fiscal year.

Given this outlook, we will take steps to minimize the impact on free cash flows including cutting fixed costs, reducing inventories and accounts receivable, and revising investment plans. At the same time, Yamaha will continue to invest in growth under the new normal while also drastically revising expenses previously thought to be matter of course in order to better focus our expenses. The operating environ-ment may be challenging, but we see this adversity as a prime opportunity to improve our corporate constitution.

Balance between Financial Health and Capital Efficiency

Performance is expected to continue to suffer due to the COVID-19 pandemic. Regardless, we chose not to deviate from our initial dividend forecast for fiscal 2020, issuing divi-dend payments of ¥66 per share, making for a year-on-year increase of ¥6 per share and a dividend payout ratio of 33.9%, a move that won much praise from shareholders and investors. We will adhere to our policy of issuing steady and continuous dividends in fiscal 2021 as well, despite the mas-sive projected decreases in revenue and profit, by once again issuing dividend payments of ¥66 per share for a forecast dividend payout ratio of 72.5%.

On June 30, 2020, cash and deposits totaled ¥390.0 billion and the equity ratio*2 climbed above 70%. This level of cash reserves and financial health is no doubt a source of peace of mind with regard to Yamaha’s ability to respond to emergency conditions.

For our capital measures, we have put forth the target of achieving a total return ratio of 50% on an aggregate basis over the period of the medium-term management plan. In addition to issuing dividend payments of ¥66 per share in fiscal 2020, we also conducted share buybacks totaling ¥13.1 billion as a result of COVID-19 and ¥13.7 billion from...
**Shareholder Returns**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends Paid (¥)</th>
<th>Total Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>20.9</td>
<td>26.12</td>
</tr>
<tr>
<td>21</td>
<td>24.3</td>
<td>33.9</td>
</tr>
<tr>
<td>22</td>
<td>27.3</td>
<td>40.1</td>
</tr>
<tr>
<td>23</td>
<td>29.6</td>
<td>47.2</td>
</tr>
</tbody>
</table>

**Plans for Cash Flows**

- **Flexible shareholders' returns:** The plan aims to return shareholders' investments with all information possible. The financial results announcement was thus preceded by disclosure on the operating status of Group companies in April 2020 and of business- and region-specific revenue forecasts in early May.

- **Total return ratio:** This voluntary disclosure earned praise from the Tokyo Stock Exchange, among others. At the same time, this experience brought light to other issues. For example, processes were impeded, at least a little, by the dependence on paper and ink stamps in Japan. Accordingly, Yamaha is accelerating its shift toward paperless operations and electronic approval out of consideration for the projected second and third waves of COVID-19 infections.

**Improvement of Profitability and Optimization of Inventories**

Although we will have to weather the temporary impacts of the pandemic, there will be no change to the basic direction of the strategies put forth in the medium-term management plan. Accomplishing the financial targets for the three defined KPIs (core operating profit ratio, ROE, and EPS) will hinge on the improvement of the core operating profit ratio. The following four initiatives will be advanced side by side with the aim of achieving these goals going forward.

- The first initiative will be to achieve top-line growth. The high-margin profit ratio of Yamaha products means that growth in sales will drive improvements in the core operating profit ratio. The expansion of sales centered on emerging countries will thus be key to achieving such improvements. The pursuit of such sales growth has therefore been posited as a key strategy, despite the unfavorable macroeconomic conditions and currency depreciation trends projected.

- The second initiative will be to deliver greater levels of value through the launch of unique and differentiated products. Yamaha has proceeded to build the reputation of its musical instrument business through the ongoing release of high-value-added products. Similarly, we are launching unique and differentiated high-value-added products in our audio equipment business, such as wireless earphones equipped with our proprietary Listening Care technology. Going forward, we will continue to enhance our audio equipment business product portfolio.

- The third initiative will be the ongoing reduction of costs. We are targeting a net cost reduction of ¥9.5 billion over the three-year period of the medium-term management plan. Cost reductions amounted to ¥2.0 billion in the first year of the plan. In the second year, we will be forced to prioritize efforts for improving the operating ratios of factories in response to the pandemic, which will slow reductions in costs. However, this does not change the fact that reducing costs will be a key strategy going forward.

- The fourth and final initiative will be to leverage our dominating market presence to optimize product selling prices. Steady progress was made with this regard during the first year of the plan, contributing to improvements in the core operating profit ratio.

Meanwhile, a financial task that will be important over the medium to long term will be maintaining inventories at the optimal level. We have been ramping up monitoring based on indicators such as the cash conversion cycle, but these efforts have been ineffective in curbing increases in inventories stemming from the physiological fear of missing out on sales opportunities. Accordingly, we will be approaching the optimization of inventories from the perspectives of digital transformation and front-line awareness improvement going forward.

**Further Improvement of Corporate Value**

The current medium-term management plan, launched in April 2019, illustrates a narrative for improving corporate value centered on the concept of integrated thinking. Corporate value is a reflection of the evaluation of various factors, including financial performance, future growth potential, brand power, and initiatives for contributing to the accomplishment of the United Nations SDGs.

Based on this recognition, the medium-term management plan includes three non-financial targets that stand alongside its financial targets. Performance with regard to these non-financial targets in the first year of the plan met or exceeded our expectations. Corporate brand value*4 was up 15% year on year, compared with the three-year target of achieving a 30% improvement. Efforts to promote music popularization for learning musical instruments in emerging markets saw us offering support to an aggregate total of 390,000 children, making progress toward the target of one million. In addition, we are expecting a ratio of certified timber use of 46% on March 31, 2021, close to the target of 50%.

In addition to pursuing these three non-financial targets, we also carried out environmental, social, and governance (ESG) initiatives. In environmental initiatives, we implemented the Yamaha Eco-Products Program*5 and moved forward with other efforts for reducing CO2 emissions. As for governance, having transitioned to a Company with Three Committees (Nominating, Audit, and Compensation committees) in 2017 to enhance the Board of Directors’ oversight function and expedite execution, we sought to further increase the functionality of this structure. Specifically, we established the new position of audit officer in fiscal 2020 to augment audit functions.

For risk management, Yamaha classifies risks into 32 risk categories (nine business strategy risks to consider taking and 23 fundamental risks to be avoided) and 121 sub-categories. Risks maps are then prepared based on the frequency of materialization and scope of damages upon materialization, and the Company’s response capabilities are assessed and quantified. The risk maps are designated as an important item to be reported to the Board of Directors, and the accuracy of risk maps is improved based on the feedback received from the Board. In addition, shared Group rules are in place for individual countries, and a PDCA cycle based on uniform standards is implemented on an ongoing basis.

**Adversity as an Opportunity for Evolution**

Yamaha will have to take various measures to respond to extreme circumstances in fiscal 2021. However, we have chosen not to view this year merely as a time for responding to negative conditions, rather viewing the adversity as presenting an opportunity for implementing various reforms. This year will be a prime opportunity to enact or accelerate reforms that may have been neglected previously. For example, we look to ramp up digital transformation strategies in a wide range of fields and expand teleworking and other work-from-home strategies. Capitalizing on adversity as an opportunity to further its evolution, Yamaha will march forward on its ongoing quest for improved corporate value.
III. Strategies by Business and Function

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- Industrial Machinery and Components Business ........... 56

Strategies by Function
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- Research and Development ........................................... 62
- Design ........................................................................... 66
- Human Resources ............................................................ 68
Yamaha is enhancing its developmental capabilities in terms of hard and soft technologies and amassing a wealth of expertise to build lifelong relationships with customers and earn their highest evaluation. At the same time, we are strengthening our brand power to achieve overwhelmingly high levels of profit.

Teruhiko Tsurumi
Operating Officer
Executive General Manager of Musical Instruments Business Unit

Business Overview
In the musical instruments business, which represents our core business, we possess numerous core technologies related to sound and music that have been cultivated over a long history. In addition to developing acoustic instruments such as pianos, wind, string, and percussion instruments, and digital musical instruments that leverage electronic technologies, we are also rolling out other products such as hybrid instruments that meld both acoustic and digital technologies.

In recent years, we have been utilizing AI, kenshi (sensibility) engineering, and simulation technologies to take on challenges in the digital network environment and other new domains. Through our diverse product lines and global sales and service structures, which also include the music school and software content businesses, we have secured a position as the world’s leading comprehensive musical instruments manufacturer.

Review of Fiscal 2020
In the musical instruments business, revenue and profit were down year-on-year due to the impacts of the global COVID-19 pandemic and foreign exchange rate fluctuations. Nevertheless, we saw a rise in profitability attributable to declines in manufacturing costs and progress in selling price optimization. Measures implemented in fiscal 2020 included rapidly moving forward with digital marketing and e-commerce initiatives to strengthen ties with customers and society. We also made progress in expansion of sales networks around the world and in shifting toward experience-oriented stores. At the same time, we bolstered our product portfolio through such additions as portable keyboards designed specifically to match the local music traditions in India, and the STORIA® series of guitars boasting fresh ideas for attracting new guitar users with regard to playability and design. It was also during fiscal 2020 that new simulations of human performance abilities by Alis garnering attention. In addition, efforts on promotional instrumental music education in emerging countries moved ahead on schedule in this, the first year of the medium-term management plan.

Overview of Markets by Mainstay Products / Yamaha’s Strengths / Main Competitors

<table>
<thead>
<tr>
<th>Category</th>
<th>Region</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pianos</td>
<td>China</td>
<td>Yamaha enjoys strong brand power in China and remains one of the leading brands in the Chinese market.</td>
</tr>
<tr>
<td>Digital musical instruments</td>
<td>Global</td>
<td>Yamaha enjoys strong brand power in global major markets due to its broad product lineups and comprehensive strategies for expanding sales networks.</td>
</tr>
<tr>
<td>Guitars</td>
<td>Japan</td>
<td>Yamaha enjoys strong brand power in Japan due to its high brand awareness and competition.</td>
</tr>
<tr>
<td>Wind, string, and percussion instruments</td>
<td>Global</td>
<td>Yamaha enjoys strong brand power in global major markets due to its broad product lineups and comprehensive strategies for expanding sales networks.</td>
</tr>
</tbody>
</table>

Overview of Major Products

<table>
<thead>
<tr>
<th>Sales of Major Products (Billions of yen)</th>
<th>2019</th>
<th>2020</th>
<th>2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keyboards</td>
<td>100</td>
<td>120</td>
<td>130</td>
</tr>
<tr>
<td>Pianos</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Wind, string, and percussion instruments</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Digital musical instruments</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Guitars</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Review of Financial Performance

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>2019</th>
<th>2020</th>
<th>2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>¥4,410 billion</td>
<td>¥3,590 billion</td>
<td>¥3,670 billion</td>
</tr>
<tr>
<td>Core operating profit</td>
<td>¥49.0 billion</td>
<td>¥49.0 billion</td>
<td>¥50.0 billion</td>
</tr>
</tbody>
</table>

Key Strategies

- Develop global connections and ties with customers
- Implement product lineup and launch products that cater to local characteristics
- Promote efforts to form direct ties with customers

Realize high levels of profit by expanding our business portfolio

- Enhance product lineup and launch products that cater to local characteristics
- Strengthen responsiveness capabilities to address diversifying product usage and the needs of customers in each age group

Create value through the combination of essential value enhancement and elemental technologies

- Promote the essence of musical instruments and Integrated IT and digital technologies
- Strive to create new value by forming broader, deeper, and longer ties with users

Opportunities

- Reduced demand as a result of the COVID-19 pandemic
- Utilization of factories from IT and other industries, potential for utilization of ecommerce brands utilizing O2M
- Potential for the trend of growth in the sharing economy and secondhand market to accelerate

Business Policies for Fiscal 2021
Despite the challenging operating environment projected, we will pursue improved brand power and high earnings by advancing key strategies for accomplishing the goals of the medium-term management plan, constructing and reinforcing frameworks for continuous business growth, and responding to the COVID-19 pandemic.

Major Initiatives Pertaining to Priority Themes for Fiscal 2021
Implementing Strategies for Accomplishing Goals of Medium-Term Management Plan
We will continue the steady implementation of the three key strategies defined in the medium-term management plan to achieve our business vision, as was also our approach in the previous fiscal year. By forging direct connections with customers through both physical and digital means, we will effectively solicit the value of the Yamaha brand and ramp up efforts to promote the value we offer to customers in order to contribute to improved lifetime value from customers and thereby move to a broader, deeper, and longer relationships with customers and society. At the same time, we will work to broaden our business portfolio by developing strong sound sources and products matched to customer and regional characteristics, deploying new product lineups, creating musical instruments for younger musicians, and pursuing improved profitability through the stimulation of demand. Other initiatives will include merging the sensibilities and intuitive nature Yamaha has cultivated in its instruments with cutting-edge digital technologies, including 5G, AI, and IoT technologies, to create new inspiration along with new value that is viable for forming ties with a wide range of users.

Construction and Reinforcement of Frameworks for Continuous Business Growth
Our efforts to construct foundations for continuous business growth are focused on product prices, places; promotions; popularization; the management of production, sales, and inventories; people, and organizations. Accordingly, we aim to construct and reinforce business processes based on these focuses that will enable us to respond to the changes seen in customers and markets in all steps from product creation to sales. At the same time, we will be strengthening the people and organizations that are responsible for achieving business growth through these frameworks. Moreover, we aim to contribute to innovation and value creation in line with the Society 5.0 vision advocated by the Japanese government. We will therefore be accelerating our efforts to provide opportunities for new learning. In addition, we will seek to share knowledge and information and to build an empowered and informed organization fully infused with the Yamaha Philosophy through frank discussion and communication. These efforts will be advanced alongside efforts to strengthen organizational capabilities for generating synergies in our four major musical instrument businesses to further the development of frameworks for continuous business growth.

Response to the COVID-19 Pandemic
We moved ahead with measures for responding to the pandemic as we sought to secure the necessary numbers of products to be supplied by revising model mixes and changing the production locations of certain products. Moreover, we adjusted regional mixes to maximize sales while securing business profit through streamlined management.
**PIANO BUSINESS**

- Global market share for Yamaha’s products: 39%.
- Revenue (Fiscal 2020): ¥13.0 billion.

**DIGITAL MUSICAL INSTRUMENTS BUSINESS**

- Global market share for Yamaha’s products: 50%.
- Revenue (Fiscal 2020): ¥19.1 billion.

**WIND, STRING, AND PERCUSSION INSTRUMENTS BUSINESS**

- Global market share for Yamaha’s products: 37%.
- Revenue (Fiscal 2020): ¥15.7 billion.

**GUITAR BUSINESS**

- Global market share for Yamaha’s products: 9%.
- Revenue (Fiscal 2020): ¥26.8 billion.

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**Business Overview**

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

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**Targets for Fiscal 2022**

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

- Strengthen brand power through the high-end Strengthen brand power through the high-end
- Expand customer base and sales value
- Propose diverse product value and strengthen customer engagement

**Points of Emphasis in Achieving Targets**

In the first year of the medium-term management plan, we focused our efforts on measuring for making Yamaha the most chosen brand by custom- ers ranging from top-level professional pianists to beginners. These efforts generated results, such as gaining exposure for our flagship CPiX premium pianos at international competitions, growing sales of our SX series of high-end pianos, and expanding our sales network in the growth market of China. In the second year of the plan, we will pursue further improvements to brand power by stepping up coordination between all functions, from brand management, sales, and marketing to research and development. We will also continue to develop new products that cater to the emotions of customers, ensuring a diverse and harmonious product lineup.

---

**Key Strategies of Key Strategies of**

- Develop digital pianos leveraging Yamaha’s unique technologies in acoustic and digital products and service.
- Deepen our understanding of emotional and physical phenomena to further realize expressive power.
- Promote diverse product value that meets a wide range of needs.
- Leverage digital technologies to further enhance product quality.

---

**Financial Results**

- **Revenue (Fiscal 2020):** ¥19.1 billion
- **Net Income:** ¥53.0 billion

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**Notes**

* Results for fiscal 2020 are based on amounts estimated by Yamaha.
Business Overview
The audio equipment business acts as the second business pillar of Yamaha, a business developed and centered on sound and music, after the musical instruments business. In this business, we offer PA equipment for commercial and facility use and AV products for consumers. In addition, we provide ICT equipment, such as network devices and voice communication equipment, and cloud services. By leveraging not only our strengths in terms of diverse sound technologies but also our network and ICT technologies, we position the audio equipment business as a growth domain.

Review of Fiscal 2020
In fiscal 2020, the audio equipment business suffered year-on-year declines in revenue and profit due to the impacts of a challenging macroeconomic environment characterized by negative foreign exchange influences, trade friction between the United States and China, and the COVID-19 pandemic. Nevertheless, we achieved ongoing growth in our PA equipment operations through the expansion of our ICT delivery operations and the steady growth of installation projects for commercial spaces. In AV products, sound bar operations continued to grow, and our new wireless earphones equipped with Listening Care, a proprietary Yamaha technology for reducing the burden on users’ ears and facilitating easy listening even at low volumes, won high praise in Japan, where they were introduced before the global launch. However, performance was down in comparison to fiscal 2019 due to delays in shifting our business portfolio to be more oriented toward the personal audio field. Meanwhile, performance was in line with the previous fiscal year for ICT equipment as network router sales were firm and business-to-business products contributed to performance even as overseas sales of online conference systems struggled due to it being a period between model upgrades.

Overview of Markets and Yamaha’s Operations
Overview of Markets by Mainstay Products

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>FY2020 (Billions of yen)</th>
<th>FY2019 (Billions of yen)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audio equipment business</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>AV Products</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>PA equipment</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>ICT equipment</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
</tbody>
</table>

Sales of Major Products

<table>
<thead>
<tr>
<th>Product Line</th>
<th>FY2020 (Billions of yen)</th>
<th>FY2019 (Billions of yen)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audio equipment</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>AV Products</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>PA equipment</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
<tr>
<td>ICT equipment</td>
<td>80</td>
<td>85</td>
<td>-6%</td>
</tr>
</tbody>
</table>

Business Policies for Fiscal 2021
PA equipment operations are expected to continue to be impacted by the depression of the concert market over the foreseeable future. We will thus be focusing on sales of personal music production products and on deploying measures matched to the market conditions of specific countries in the equipment business. In AV products, we aim to secure profitability in the stable Hi-Fi product market while also boldly expanding our headphone operations. Meanwhile, the rising demand for remote solutions will be capitalized on as an opportunity for expanding ICT equipment operations.

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

<table>
<thead>
<tr>
<th>Theme</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA equipment</td>
<td>Expand business proposal capabilities to include personal audio devices centered on headphones</td>
</tr>
<tr>
<td>AV products</td>
<td>Strengthen product competitiveness through automation technologies</td>
</tr>
<tr>
<td>ICT equipment</td>
<td>Improve system performance through remote monitoring and control</td>
</tr>
</tbody>
</table>

Cloud services | Enhance compatibility of ICT software with cloud services |

Cloud Services
Yamaha is deploying a plethora of cloud services, including its multi-language information provision services and business process services, based on its SoundCloud™ soundpowered telecommunications technology. Going forward, we will continue to create new services to realize haskeless-free remote meetings.

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

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

Targets for Fiscal 2022 (Based on IFRS)

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥135.0 billion (12.4% growth compared with fiscal 2019)</td>
</tr>
<tr>
<td>Core operating profit</td>
<td>¥13.0 billion (35.4% growth compared with fiscal 2019)</td>
</tr>
</tbody>
</table>

Key Strategies

- Expand business portfolio to include personal audio fields centered on headphones
- Strengthen product competitiveness through automation technologies
- Improve system performance through remote monitoring and control
- Expand business portfolio to include personal audio fields centered on headphones
- Achieve differentiation from competitors through the integration of technologies
- Explore new sales channels in Europe and the United States, expand sales of existing products, and launch new products tailored to business conditions

Opportunities

- Potential for the advance impact of uncertain international relations spreading to investment in manufacturing projects in the BRIC domain
- Demand for equipment for events and concerts due to the COVID-19 pandemic

Priority Themes for Fiscal 2021

<table>
<thead>
<tr>
<th>Theme</th>
<th>Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA equipment</td>
<td>Reduce &quot;break-even risk&quot; and expand product lines</td>
</tr>
<tr>
<td>AV products</td>
<td>Expand product lines and develop network of customer contact points (bricks-and-mortar)</td>
</tr>
<tr>
<td>ICT equipment</td>
<td>Promote sales of LAN products and develop cloud services</td>
</tr>
</tbody>
</table>

Strategies by Business and Function

- **PA equipment**
  - Reduce product development risk and expand product lines
  - Strengthen product competitiveness through automation technologies

- **AV products**
  - Expand product lines and develop network of customer contact points (bricks-and-mortar)
  - Promote sales of LAN products and develop cloud services

- **ICT equipment**
  - Promote sales of LAN products and develop cloud services
  - Expand product lines and develop network of customer contact points (bricks-and-mortar)
**Business Overview**

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

For electronic devices, we are promoting a shift toward component modules related to sound, an area in which the Company excels. We are also transitioning toward the total in-vehicle solutions domain. Furthermore, we are achieving results in terms of in-vehicle communication module products (modules for in-vehicle hands-free telephone calls geared toward emergency alert systems), in-vehicle audio systems, and other products. For the future, we aim to begin creating steady results in our efforts to grow the industrial machinery and components business as our third business pillar, along with the musical instruments and audio equipment businesses.

**Review of Fiscal 2020**

For the in-vehicle solutions domain, an important theme, adoption of Yamaha in-vehicle sound modules rose significantly from the previous fiscal year. Also, double-digit growth was achieved for electronic devices following increases in sales of graphics LSI for amusement equipment and thermoelectric devices for use in implementing 5G communications technologies in China. In FA equipment, sales of hybrid and electric vehicle (EV) battery inspection equipment were up, but overall sales were significantly lower than in the previous fiscal year due to faltering sales of precision machines as a result of the rebound from the brisk capital expenditure demand seen in fiscal 2019 and the trade friction between the United States and China. Sales of automobile interior wood components also fell below the fiscal 2019 level because of sluggish sales by customers and delays in the launch of new automobile models.

**Business Policies for Fiscal 2021**

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

**Key Strategies**

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

**Priority Themes for Fiscal 2021**

- **Electronic devices (in-vehicle audio)**
  - Improve shorter and medium-term profitability
  - Expand sales by securing new orders
- **Automobile interior wood components**
  - Promote sales of new precision machine products
  - Expand customer base for knock detectors and vehicle battery inspection equipment
- **FA equipment**
  - Improve shorter and medium-term profitability
  - Expand sales by securing new orders

**Automobile Interior Wood Components**

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

**FA Equipment**

In the FA equipment field, we will strive to maintain our leading market share for flexible printed circuit board testing machines on a Groupwide basis. The technical and quality requirements for smart-phones are growing increasingly more rigorous amid trends such as the spread of 5G technologies and the adoption of multi-lens cameras. Through swift responses to these requirements, we aim to earn greater trust from customers and have our products used by a wider range of customers. Meanwhile, the rise in EVs is stimulating demand for vehicle battery inspection equipment and subsequently leading to a rise in the market for knock detectors. Yamaha already boasts a track record in this field, and we aim to have these products adopted by even more customers going forward. We also offer non-destructive inspection equipment that leverages ultrasonic technologies, and are actively creating new applications and exploring new markets for these products.
SALES

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

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

The Strengths of Yamaha's Sales
Global Sales Activities That Are Deeply Rooted in Local Communities

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

Added Value Promotion and Price Optimization

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

Artist Relations and Service Locations

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

Review of Fiscal 2020

In fiscal 2020, sales suffered due to the impacts of operating environment conditions, such as the trade friction between the United States and China and the global COVID-19 pandemic. Regardless, we made steady progress toward accomplishing the targets of the medium-term management plan.

Revenue Growth by Region (in yen) (Forecast)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total for children and adults</th>
<th>Total for over 40 countries and regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,270</td>
<td>290,000</td>
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<tr>
<td>Overseas</td>
<td>1,405</td>
<td>86,000</td>
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</tbody>
</table>

*1 Number of students reflects the number of students able to receive lessons in June 2020

Expansion of School Project*2 (as of March 2020)

<table>
<thead>
<tr>
<th>Countries offering the project</th>
<th>Total number of students</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 countries</td>
<td>390,000</td>
</tr>
</tbody>
</table>

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

*3 Plan to achieve a cumulative total of one million students in seven countries over the next two years.

Sales framework reforms included proactive measures for communicating our value directly to customers worldwide, which led to an increase in customers visiting stores. These measures were aimed at realizing a process, through enhanced digital marketing, in which improved recognition attracts customers and subsequently drives customer traffic. We also achieved an increase in the number of registered product users by promoting the provision of service value in order to improve lifetime value.

Meanwhile, progress was made in expanding sales networks in emerging countries, including India and ASEAN countries and most notably China. Efforts to popularize playing music and stimulate demand included the School Project, which advanced according to plans and has offered music instrument performance experiences to approximately 390,000 students to date.

Status of Music Popularity Activities

Music Schools (as of June 2020)

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

The practice of having sales companies directly communicate our value, heightening our service value, and expanding contact points with customers. Meanwhile, we will carefully monitor market trends and appropriately tailor sales company operation measures accordingly based on the conditions pertaining to the COVID-19 pandemic.

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

Improve ability to communicate brand and product value

To improve our ability to communicate brand and product value, we are accelerating efforts to drive customer traffic through digital marketing. The practice of having sales companies directly communicate our value to customers in their respective countries has become an entrenched part of our operations. The number of sales measures implemented will continue to be increased going forward, and we will also work to improve the rate of purchases while directing customers to our stores. Meanwhile, we keep shifting more expenses toward improving customer value while allocating greater quantities of resources for communicating our value.

Improvement of Service Value

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

Expansion of Contact Points with Customers

We continue to develop experience-oriented stores, which have powerful sales promotion benefits, around the world as part of our efforts to expand contact points with customers. We are also advancing comprehensive e-commerce strategies that encompass both B2C and B2B offerings in order to improve operation efficiency. Looking at efforts by region, we are expanding our network of specialty shops centered on Tier 4 and Tier 5 rural cities in China, bolstering sales networks and accelerating exhibitions of mid-range and high-end products in India, and enhancing existing stores in the ASEAN region.

Response to the COVID-19 Pandemic

In responding to the COVID-19 pandemic, we placed the health and safety of our customers, business partners, employees, and their families as our top priority, emphasizing measures for preventing the spread of the virus while carefully monitoring market trends. The conditions vary by market, and we are moving forward with sales framework reform initiatives with a focus on digital marketing and e-commerce while accounting for these changes.

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Targets for Fiscal 2022 (Based on IFRS)

Revenue: ¥470.0 billion, up 8.2% (over three-year period)

Encouraging customers to seek out the Yamaha brand by promoting customer value

Promoting new sales frameworks on a global basis

Analysis for Revenue Growth by Region (Musical Instruments Business and Audio Equipment Business) (Billions of yen)

<table>
<thead>
<tr>
<th>Region</th>
<th>Fiscal 2022 Estimate</th>
<th>Fiscal 2019 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>101%</td>
<td>96%</td>
</tr>
<tr>
<td>Overseas</td>
<td>100%</td>
<td>91%</td>
</tr>
<tr>
<td>Europe</td>
<td>102%</td>
<td>98%</td>
</tr>
<tr>
<td>China</td>
<td>102%</td>
<td>91%</td>
</tr>
<tr>
<td>North America</td>
<td>104%</td>
<td>98%</td>
</tr>
<tr>
<td>Other regions</td>
<td>105%</td>
<td>81%</td>
</tr>
</tbody>
</table>

*1 Number of venues

*2 Number of teachers

*3 Number of students

*4 Number of schools

*5 Number of students

Business Strategies

Pursuing further sales growth

Strengthen contact points with customer

Improve ability to communicate brand and product value

Expand contact points with customers (increase in sales volume in emerging countries)

Launch of models designed specifically for the Indian market

SMEs

Establish global management foundation

Key Strategies

Analysis for Revenue Growth by Region (Musical Instruments Business and Audio Equipment Business) (Billions of yen)
PRODUCTION

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

**The Strengths of Yamaha's Production**

Craftsmanship and Technologies

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

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

**Global Production Structure**

From early on in our history, we have established overseas production bases. Currently, we have key production bases in Japan, China, Indonesia, Malaysia, and India. The establishment of a global production structure optimized to each of our business domains is another factor that contributes to our overwhelmingly high level of competitiveness.

Yamaha Technical Skills Training

Putting the finishing touches on a musical instrument is a kind of craftsmanship, and Yamaha has a proud history of being involved in the production of musical instruments. We have established overseas production bases to produce products that meet the needs of consumers in the respective areas. We are actively promoting efforts to maintain a consistent supply of products to the market throughout fiscal 2020, despite the fluctuations in production volumes due to the tariffs arising from the trade friction between the United States and China and the halts to production activities in China as a result of the pandemic. In num...
By further refining and enhancing the combination of technologies and sensibilities, which represents our long-cultivated core competence, we will develop products and services that are overwhelmingly competitive and responsive to the changing times and thereby contribute to profit generation and business growth.

RESEARCH AND DEVELOPMENT

The Strengths of Yamaha’s Research and Development (R&D)

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

What Does the Combination of Technologies and Sensibilities Entail?

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

Various Technologies That Serve as a Source of Competitiveness

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

Review of Fiscal 2020

In the first year of the medium-term management plan, steady progress was made in initiatives based on the core themes of the plan, moving us forward in achieving the overarching goal of creating new value through the combination of technologies and sensibilities. Progress was particularly strong in the AI field, where various technological feats were accomplished through the combination of technologies and sensibilities. Examples of these accomplishments include systems that reproduce the voices of singers and the performances of pianists as well as systems that play images and sounds based on the movements of conductors and automated musical transcription apps. We also accelerated open innovation activities, through means such as joint research with domestic and overseas universities, as we advanced research aimed at creating new value for the future.

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

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

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

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

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

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

Fields of Materials and Elemental Components

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

Material Development That Leverages Our Databases as Platforms

By integrating our long-cultivated technologies and sensibilities with AI technologies, we will develop products and services that are uniquely Yamaha. For example, we are working to endow products with functions such as personalization of musical accompaniment and sound synthesis.

Field of AI

By integrating our long-cultivated technologies and sensibilities with AI technologies, we will develop products and services that are uniquely Yamaha. For example, we are working to endow products with functions such as personalization of musical accompaniment and sound synthesis.

Examples of Apps That Support Performing Artists

- Lessons, automated and assisted PA operation, synthesized singing voice technologies, and production of musical instrument sounds
- Establishing and Innovating Design and Development Methods

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

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

Rendering of Audio Analysis

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

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

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

Examples of Apps That Support Performing Artists

- Lessons, automated and assisted PA operation, synthesized singing voice technologies, and production of musical instrument sounds
- Establishing and Innovating Design and Development Methods

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

Additionally, we will dramatically enhance the speed of our development by utilizing AI analysis and simulation.
Efforts to Promote Sustainability within Our R&D Activities

In tandem with the aforementioned strategies pertaining to cutting-edge technologies, we are also actively engaging in efforts to promote sustainability. Timber is essentially a sustainable resource. In the future, rather than refraining from and moving beyond the use of timber, it is essential that we use timber in an appropriate manner to ensure that it remains sustainable. As a company with a base of materials technologies, we believe that we can play a major role in establishing supply chains that allow for the creation of musical instruments with quality sound.

Approach to Sustainable Materials from Two Perspectives

Yamaha’s Vision for Sustainable Materials

<table>
<thead>
<tr>
<th>Replace exhausted and endangered resources with renewable ones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing sustainable supply chains in cooperation with local communities in resource-producing areas</td>
</tr>
<tr>
<td>Promoting preservation activities for Japanese spirens in Hokkaido</td>
</tr>
<tr>
<td>Pursuing collaborative research with academia (Kyoto University, etc.)</td>
</tr>
<tr>
<td>Cultivating forest resources and improving usage efficiency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expand material sources scientifically toward new renewable resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing materials that look appealing, produce quality sound, and are sustainable (Replacing materials to exceed the quality of scarce timber)</td>
</tr>
<tr>
<td>Systemizing materials technologies and establishing platforms</td>
</tr>
<tr>
<td>Expanding the use of plant-based materials</td>
</tr>
<tr>
<td>Controlling contamination and high-order structures</td>
</tr>
</tbody>
</table>

TOPICS: R&D Innovations Creating New Value

Online Remote Ensemble Performance Service

SYNCRROOM (Applied Technology: Low-Latency Network Connection Technology)

SYNCRROOM is an online remote ensemble performance service that enables several individuals to enjoy ensemble performances together from their respective homes. Using Yamaha’s proprietary low-latency network connection technology, this service allows for satisfying ensemble performances to be performed without any sense of irregularity despite members being in remote locations.

Truly Wireless Bluetooth Earphones

TW-E7A (Applied Technology: Listening Care)

The TW-E7A earphones are equipped with Yamaha’s proprietary Listening Care technology. It has been estimated that 1.1 billion people, or roughly half of the world’s music-loving youth, are at risk of hearing loss. Yamaha developed the Listening Care technology to address this social issue. Based on the technologies installed in Yamaha’s AV receivers, this technology optimizes the balance of sound in accordance with the volume in order to reduce the burden placed on the listener’s ears.

Intellectual Property

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

Yamaha founder Torakusu Yamaha himself made many inventions and acquired patents for these inventions. Since the Company’s founding, in coordination with our business activities, we have taken steps to create, protect, manage, and utilize intellectual property. Over many years of R&D and business activities, the Company has accumulated a range of intellectual property, such as ideas, designs, trademarks, and copyright-protected works. Through the use of patents, design rights, trademark rights, copyrights, etc., we will continue to appropriately protect, manage, and utilize this intellectual property, thereby contributing to the Company’s business operations. Moreover, to maintain and enhance brand value, we are taking steps to acquire intellectual property rights in a variety of fields in countries around the world. We are also aggressively implementing countermeasures to counterfeit products.

To differentiate itself from its competitors, gain a business advantage, ensure greater business flexibility, and enable earning to third parties, Yamaha has formulated a patent strategy tailored to its operations in specific business segments. Every year, we conduct evaluations pertaining to such factors as our current patent utilization status and the future potential of patent utilization with the aim of rigorously distinguishing and organizing intellectual properties that contribute to our product development and enhance our competitiveness. By optimizing the number of patents we hold and the content of these patents, we are working to leverage our intellectual properties in a logical manner. As of March 31, 2020, the Group possessed approximately 2,500 patents in Japan and roughly 3,500 patents overseas, centered in the United States, Europe, and China.

Intellectual Property Related to Products

To realize this strategy, we are focusing on countermeasures to prevent counterfeit products. Yamaha has established management committees to conduct preliminary investigations into products and service names and to acquire trademarks.

In addition to industrial property rights, such as patents, designs, and trademarks, the Yamaha Group produces numerous copyrighted works, primarily in the fields of sound and music. Music-related copyrights are of particular importance to Yamaha in terms of its overall intellectual property policy. The Company takes steps to ensure their proper management and use, including undertaking legal action when necessary.

Strategies by Business and Function

TOPICS: R&D Innovations Creating New Value

Online Remote Ensemble Performance Service

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Truly Wireless Bluetooth Earphones

TW-E7A (Applied Technology: Listening Care)

The TW-E7A earphones are equipped with Yamaha’s proprietary Listening Care technology. It has been estimated that 1.1 billion people, or roughly half of the world’s music-loving youth, are at risk of hearing loss. Yamaha developed the Listening Care technology to address this social issue. Based on the technologies installed in Yamaha’s AV receivers, this technology optimizes the balance of sound in accordance with the volume in order to reduce the burden placed on the listener’s ears.
DESIGN

Design 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.

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

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

Yamaha's Design Philosophy—Development Emphasizing Design

For four months beginning with October 2019, a special exhibit on Yamaha's design philosophy, and how it aims to give form to the future, was held at the Innovation Road corporate museum. This exhibit looked back on the approach toward development emphasizing design—Yamaha's Design Philosophy—and how it aims to give form to the future, was held at the Innovation Road corporate museum. This exhibit included items that had previously only been displayed overseas or only shown to product-related staff. With so many rare items assembled under a single roof, the exhibit drew a wide range of visitors, including members of the design industry and the general public and even employees. Visitors left with a deeper understanding of the design philosophy Yamaha has forged through its ongoing design activities. Specific examples of the items exhibited included a line of furniture designed with musical instruments in mind commercialized by a furniture manufacturer based on design proposals and the YEV electric violin that graduated from a design competition to become an actual product. These items helped visitors see how the Company values innovation and the essence that is transmitted from Yamaha's approach toward development emphasizing design to its products.

Earning strong market praise and establishing unique design aesthetic through constant engagement with new themes

STORIA™ Acoustic Guitar

The STORIA™ acoustic guitar was created for millennials, who value connections and empathy with other people based on their own unique style. The design makes it easy to use and play, thereby making guitar-players of all ages part of people's lives. To that end, the guitar-picks a beautiful, starting appearance and shape that makes it easy to play. With its inner colors, uniform metal parts, and other features, the STORIA™ acoustic guitar was crafted with attention to detail.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award

CP88 and CP73 Stage Pianos

The CP88 and CP73 stage pianos continue a rich tradition as the newest in the CP Series of pianos designed for live performances. In addition to complementing our prior line of 88-key models with a new 73-key model, we completely rewired even the most minute details of these pianos, right down to the button feel. With all the lavish metallic body and a design that exhibits the elegance of a piano, despite being a compact size, these pianos will have strong presence along with a sense of strength and brashness while taking other steps to create a design that was suited to the various places and situations in which guitars play.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award
Silver Award, DFA Designs for Asia Award 2019

CP88 and CP73 Stage Pianos

TwE-SA Truly Wireless Bluetooth Earphones

The TW-E5A is a set of truly wireless Bluetooth earphones designed based on the theme of delivering sound that reverberates through the body and soul of listeners, with its inner target being people who have discerning tastes for both sound quality and style. These earphones were designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a musical instrument before. The TW-E5A is a set of truly wireless Bluetooth earphones designed based on the theme of delivering sound that reverberates through the body and soul of listeners, with its inner target being people who have discerning tastes for both sound quality and style. These earphones were designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a musical instrument before.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award

CP88 and CP73 Stage Pianos

YAMAHA'S DESIGN

Sonogenic SHS-500 Keytars

The Sonogenic SHS-500 is a “keytar,” a compact digital keyboard that can be held like a guitar, designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a musical instrument before. Sonogenic Keytar features a body shape that allows for a wider range of sounds and functionality from the one instrument, making it a perfect addition to a stage. In this way, Sonogenic SHS-500 keytars appeal to those in the market for a fashion accessory in a similar manner as a smartphone. These keytars are crafted with a sense of strength and brashness while taking other steps to create a design that was suited to the various places and situations in which guitars play.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award
Silver Award, DFA Designs for Asia Award 2019

TLH-II Series Guitar Amplifiers

There are guitarists who want to be able to play their instrument anytime. The TLH-II Series of desktop guitar amplifiers helps realize the desire and thus can be used by guitarists around the world. Seeking to make the manipulation of settings and knobs a tactile experience, we used metal in the body and handle of these amplifiers to enable them with a sense of strength and brashness while taking other steps to create a design that was suited to the various places and situations in which guitars play.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award
Silver Award, DFA Designs for Asia Award 2019

CP88 and CP73 Stage Pianos

TH-800 Digital Audio Processor

The TH-800 is a digital audio processor designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a musical instrument before. The TH-800 is a digital audio processor designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a musical instrument before.

—GOOD DESIGN AWARD 2019
Product category design award, 2020 iF Product Design Award

CP88 and CP73 Stage Pianos

TH-800 Digital Audio Processor

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HUMAN RESOURCES

We are working to create an environment that emphasizes respect for the individuality and autonomy of employees with unique personalities and diverse backgrounds in order to enable them to fully demonstrate their sensibilities and creativity. At the same time, by promoting human resources management, which includes cultivating and developing personnel, through a globally uniform structure, we aim to enhance and fully utilize our human capital in order to grow and develop our business while achieving 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 allocates 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.

Review of Fiscal 2020

In fiscal 2020, we established guidelines to facilitate more appropriate implementation of the Group Human Resources Management Policies & Rules that define basic policies regarding human resources management. Understanding and enforcement of these guidelines is being promoted at domestic and overseas Group companies. We also developed global grading standards to serve as a platform for the globally integrated management of human resources and complement the implementation of career development plans as a new framework for cultivating future managers and personnel for core positions.

Initiatives to more fully utilize human resources included the revision of human resources systems and rehiring systems to place greater emphasis on role and specialties to make for systems that give higher evaluations to employees who passionately fulfill their role and contribute to the creation of value. In addition, we conducted leadership skill training for managers at domestic companies based on our belief that improving the quality of workplace communication is imperative to responding to increasingly complex work issues and utilizing diverse human resources.

As for initiatives pertaining to respect for human rights, we published the Guidelines for Labor and Human Rights to facilitate understanding and discovery with regard to corporate frameworks for promoting respect for human rights, and awareness of these guidelines was spread on a global basis.

Initiatives for supporting sexual minorities included revising work regulations to make Company systems applicable to same-sex partners, establishing consultation venues, and other efforts to foster a workplace environment in which diverse employees are able to deliver their maximum performance with peace of mind.

As a reflection of the evaluations of these initiatives, in October 2019 Yamaha was awarded 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 LGBT community and other sexual minorities.

As part of our workstyle reforms, we introduced a teleworking system that can be used for childcare or nursing care purposes. The range of reasons for which this system can be used was later revised to encourage use of the system as one of our measures for responding to the COVID-19 pandemic.

Strategies for Fiscal 2021

Global Human Resources Management, Development, and Utilization

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 accelerating human resources management practices that emphasize independence and diversity.

For example, we are creating career development frameworks that allow for a constant link between employees’ desires for skill development and the improvement of corporate value, more extensively implementing career development programs based on global grading standards, and refining human resources development systems. Furthermore, regular monitoring based on the previously established Group Human Resources Management Policies & Rules is carried out in order to better utilize human resources across the Group.

Diversity and Inclusion and Work-Life Balance

Yamaha conducts Groupwide monitoring pertaining to human rights and promotes employee human rights awareness while also administering awareness surveys to gauge employee motivation and workplace comfort in order to foster greater levels of trust between the Company and employees. To empower female employees, we are offering support for the perspectives of skill and mindset development to encourage female employees to feel motivated and pursue constant progress in their careers. To this end, we provide training for employees returning from childcare leave and for their supervisors as well as skill development training before and after female employees are promoted to managerial positions.

In fiscal 2021, Yamaha made smoking prohibited on all Company premises in the area around the Yamaha Corporation headquarters as part of the Company’s efforts to promote employee health. Going forward, we intend to prohibit smoking at business sites in Tokyo and Osaka as well as at domestic Group companies while also stepping up health guidance at these sites.
IV. Corporate Governance

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Takuya Nakata
Director, President and Representative Executive Officer
Number of shares owned: 75,500
1981 Joined the Company
2005 General Manager of Pro Audio & Digital Musical Instruments Division
2006 Executive Officer
2009 Director and Executive Officer
2010 President and Director of Yamaha Corporation of America
Senior Executive Officer of the Company
2013 President and Representative Director
Director of Yamaha Motor Co., Ltd. (Outside Director) (to the present)
2015 President of Yamaha Music Foundation (to the present)
2017 Director, President and Representative Executive Officer (to the present)

Yoshimi Nakajima
Independent Outside Director
Number of shares owned: 0
1980 Joined The Yawata Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
1982 Joined ASIN Holdings Co., Ltd.
1987 Joined Citibank N.A. as Vice President
1999 Joined Societe Generale Securities Japan Limited as Senior General Manager
2002 Joined American Express International, Inc. as Vice President and Head of Global Travelers Cheques and Prepaid Services, Japan
2011 Country Manager, Singapore (President), American Express International, Inc.
2014 President and Representative Director of American Express Japan Co., Ltd.
2017 Outside Director of Yamaha Corporation (to the present)
Outside Director of Japan Freight Railway Company (to the present)
Outside Director of JVC, Inc. (to the present)

Satoshi Yamahata
Director and Managing Executive Officer
Number of shares owned: 29,400
1986 Joined the Company
2000 General Manager of Accounting and Finance Division
2013 Executive Officer and General Manager of Corporate Planning/Division
2015 Executive General Manager of Operations Unit, Director and Senior Executive Officer
2016 Executive General Manager of Corporate Management Unit (to the present)
2017 Director and Managing Executive Officer (to the present)
2020 Executive General Manager of Human Resources and General Administration Unit (to the present)

Takuo Fukui
Independent Outside Director
Number of shares owned: 0
1981 Registered as an attorney
1987 Joined Kashikojima Sogo Law Offices
2004 Professor of Kio University Law School (to the present)
2005 Outside Audit & Supervisory Board Member of Shin-Etsu Chemical Co., Ltd. (to the present)
2008 Managing Partner of Kashikojima Sogo Law Offices (to the present)
2017 Outside Director of Yamaha Corporation (to the present)

Yoshihiro Hidaka
Independent Outside Director
Number of shares owned: 1,500
1987 Joined Yamaha Motor Co., Ltd.
2010 Vice President of Yamaha Motor Corporation, U.S.A.
2013 Executive General Manager of 3rd Business Unit, M/C Business Operations of Yamaha Motor Co., Ltd.
2014 Executive Officer of Yamaha Motor Co., Ltd.
2015 Executive General Manager of 2nd Business Unit, M/C Business Operations of Yamaha Motor Co., Ltd.
2016 Executive General Manager of 1st Business Unit, M/C Business Operations, and General Manager of ASSAN Sales Division, 1st Business Unit, M/C Business Operations of Yamaha Motor Co., Ltd.
2017 Executive General Manager of Corporate Planning & Finance Center of Yamaha Motor Co., Ltd.
Senior Executive Officer and Director of Yamaha Motor Co., Ltd.
2018 President, Chief Executive Officer, and Representative Director of Yamaha Motor Co., Ltd. (to the present)
Outside Director of Yamaha Corporation (to the present)

Paul Candland
Independent Outside Director
Number of shares owned: 0
1981 Joined Owens Corning
1987 Joined PepsiCo, Inc.
1996 President of Dinova-PepCo, Inc.
1998 Representative of Japan Branch, PepsiCo International Ltd.
2002 Managing Director, Walt Disney Television International Japan of The Walt Disney Company (Japan) Ltd.
2007 Representative Director and President, The Walt Disney Company Ltd.
2013 President of The Walt Disney Company, Asia
2016 Managing Director of PMC Partners Co., Ltd. (to the present)
2019 Outside Director of Yamaha Corporation (to the present)
CFO of Age of Learning, Inc. (to the present)

Mikio Fujitsuka
Independent Outside Director
Number of shares owned: 0
1977 Joined Komatsu Ltd.
2001 General Manager, Corporate Controlling Department, Komatsu Ltd.
2005 Executive Officer
2008 President of Global Retail Finance Business Division
2009 General Manager, Corporate Planning Division and President of Global Retail Finance Business Division
2010 Senior Executive Officer
2011 CFO, Director and Senior Executive Officer
2013 Director and Senior Executive Officer
2018 Executive Vice President and Representative Director
2019 Director
Outside Director of Yamaha Corporation (to the present)
Outside Corporate Auditor of Mitsui Chemicals, Inc. (to the present)

Yamaha Group Annual Report 2020
Yamaha Group Annual Report 2020
Takuya Nakata
Director and Managing Executive Officer

 назначен директором в компании в должности директора и управляющего директора с 2019 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

Satomi Yamaha
Independent Outside Director

 назначен директором в компании в должности независимого директора с 2016 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

Yoshimi Nakajima
Executive General Manager of Technology Unit

 назначен директором в компании в должности независимого директора с 2016 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

Takumu Fujiwara
Independent Outside Director

 назначен директором в компании в должности независимого директора с 2016 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

Miki Fujimoto
Independent Outside Director

 назначен директором в компании в должности независимого директора с 2016 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

Paul Cannland
Independent Outside Director

 назначен директором в компании в должности независимого директора с 2016 года. Он является независимым директором и управляющим директором. Директора назначаются в компании на основании рекомендаций, сделанных независимым директором.

President and Representative Executive Officer

 Яков Зайцев назначен в качестве президентом и представительным исполнительным директором компании с 2019 года. Он является президентом и представительным исполнительным директором.

Managing Executive Officers

 Йошитака Фуки назначен в качестве управляющим директором компании с 2019 года. Он является управляющим директором.

Yutaka Matsuoka
President and Executive General Manager of Musical Instruments Business Unit

 назначен президентом и управляющим директором по музыкальным инструментам в компании с 2019 года. Он является президентом и управляющим директором по музыкальным инструментам.

Teruhiko Tsuromi
Executive General Manager of Musical Instruments Business Unit

 назначен менеджером по музикальным инструментам в компании с 2019 года. Он является менеджером по музикальным инструментам.

Hisashi Mukuho
President of Yamaha Corporation

 назначен президентом компании Yamaha Corporation с 2019 года. Он является президентом компании Yamaha Corporation.

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

 назначен в качестве заместителя управляющего директором по производству музыкальных инструментов и аудиопродуктов в компании с 2019 года. Он является заместителем управляющего директором по производству музыкальных инструментов и аудиопродуктов.

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

 назначен в качестве управляющего директором по производству музыкальных инструментов и аудиопродуктов в компании с 2019 года. Он является управляющим директором по производству музыкальных инструментов и аудиопродуктов.

Satoshi Yamashita
President of Yamaha Corporation

 назначен президентом компании Yamaha Corporation с 2019 года. Он является президентом компании Yamaha Corporation.

Taro Tokuhiro
Executive General Manager of Operations Unit

 назначен управляющим директором по операциям в компании с 2019 года. Он является управляющим директором по операциям.

Hiroko Ohshima
Executive General Manager of Brand Development Unit

 назначен управляющим директором по развитию бренда в компании с 2019 года. Он является управляющим директором по развитию бренда.

Yutaka Matsui
President and Executive General Manager of Piano Division

 назначен президентом и управляющим директором по дивизиону пианино в компании с 2019 года. Он является президентом и управляющим директором по дивизиону пианино.

Hiromi Mukaibo
Senior General Manager of Audit Committee’s Office

 назначен старшим директором по аудио в компании с 2019 года. Он является старшим директором по аудиту.

President Representative Executive Officer

 Яков Зайцев назначен в качестве представительного исполнительного директора компании с 2019 года. Он является представительным исполнительным директором.

Operating Officers

 Йошитака Фуки назначен в качестве управляющим директором компании с 2019 года. Он является управляющим директором.

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

 назначен в качестве управляющего директора по производству музыкальных инструментов и аудиопродуктов в компании с 2019 года. Он является управляющим директором по производству музыкальных инструментов и аудиопродуктов.

Hiroki Ohmura
Deputy Executive General Manager of Corporate Management Business Unit

 назначен в качестве заместителя управляющего директора по корпоративному управлению в компании с 2019 года. Он является заместителем управляющего директора по корпоративному управлению.

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

 назначен в качестве управляющего директора по производству музыкальных инструментов и аудиопродуктов в компании с 2019 года. Он является управляющим директором по производству музыкальных инструментов и аудиопродуктов.

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

 назначен в качестве заместителя управляющего директора по производству музыкальных инструментов и аудиопродуктов в компании с 2019 года. Он является заместителем управляющего директора по производству музыкальных инструментов и аудиопродуктов.

Taro Tokuhiro
Executive General Manager of Operations Unit

 назначен управляющим директором по операциям в компании с 2019 года. Он является управляющим директором по операциям.

Hiroko Ohshima
Executive General Manager of Brand Development Unit

 назначен управляющим директором по развитию бренда в компании с 2019 года. Он является управляющим директором по развитию бренда.

President and Executive General Manager of Piano Division

 Яков Зайцев назначен в качестве президентом и управляющим директором по дивизиону пианино в компании с 2019 года. Он является президентом и управляющим директором по дивизиону пианино.

Hiromi Mukaibo
Senior General Manager of Audit Committee’s Office

 назначен старшим директором по аудиту в компании с 2019 года. Он является старшим директором по аудиту.
MESSAGES FROM THE OUTSIDE DIRECTORS

Further Enhancing Yamaha’s Governance Structure with a Focus on Corporate Value That Adapts to the Times

Impressions of Yamaha from an Outside Expert’s Perspective

To state my candid impression of Yamaha, I believe that Yamaha is a company with rich traditions and demonstrates a high level of awareness toward compliance. In the three years that I have served as outside director, my fellow outside directors and I have had opportunities to meet with Yamaha employees at various locations both in Japan and overseas. In the interactions with these employees, as well as at meetings of the Board of Directors and the Audit Committee, the other outside directors and I have always been provided with relevant information in a very straightforward manner. Such information has proven to be extremely beneficial within my duties as a member of the Audit Committee.

Meanwhile, in both a positive and negative sense, the people who work at Yamaha are incredibly serious people. From a positive perspective, this means that they think very carefully when they need to resolve an issue or undertake a new initiative, and this leads to a tendency where no action is taken until sufficient preparations are made. While this serious nature enables these people to steadily advance measures in a reliable manner, it also means to a certain degree that the Company is lacking a sense of speed.

Necessary Steps Yamaha Needs to Take to Enhance Corporate Value and Realize Sustainable Growth Going Forward

In terms of enhancing corporate value, the Company obviously needs to continue efforts to further evolve its compliance and governance. However, the very definition of corporate value is something that changes with the times. It is therefore also important to ascertain what corporate value means in this day and age.

Recently, instead of focusing only on shareholders, visions for a robust financial foundation are being rethought, and greater emphasis is now being placed on ensuring equal returns to all stakeholders, including employees and business partners. When it comes to a company actually belongs to, while legally a company belongs to its shareholders, there is also an emerging opinion that a company should belong to its employees, customers, investors, and local community members as well. I believe we find ourselves in an era when it is impossible for a corporation to realize sustainable growth if it is unable to consider various aspects from perspectives that differ greatly from the past.

Improvement of the Effectiveness of Yamaha's Governance and the Role of Outside Directors in Enhancing That Effectiveness

The effectiveness of Yamaha's Board of Directors has been increasing year by year. In February 2019, the Japan Association of Corporate Directors recognized Yamaha as the winner of its Grand Prize Company award for Corporate Governance of the Year™ 2018. I believe that Yamaha received this award not only for its governance frameworks, which involved the transition to a Company with Three Committees (Investing, Audit, and Compensation), but also from the perspective of its management indicators. The Company has been successful with selection and concentration from a management perspective, which has occurred against the backdrop of separating the roles of oversight and execution and pursuing reforms to raise the number of outside directors on the Board, among other efforts, and this success has led to improved profitability. In addition, all members of the Audit Committee are now outside directors, and this has created an extremely balanced committee from the perspective of the division of roles, as we all state our opinions from different perspectives based on our individual career histories and expertise. To help the Company receive an even higher evaluation from society going forward, my role as an outside director is to provide advice from the perspective of an attorney while referencing the circumstances of other companies and the general trends in the industry.

Taku Fukui
Independent Outside Director

Career Summary

Mr. Taku Fukui possesses a mastery of corporate law and corporate governance in Japan and overseas as an attorney. Mr. Fukui serves as a Managing Partner at Kashiwagi Sogo Law Offices, and also teaches as a Professor of Keio University Law School. He has been serving as an Outside Director with the Company since June 2017.

Increasing the Number of Brand Ambassadors to Become a Winning Company That Can Swiftly Respond to Change

Impressions of Yamaha from an Outside Expert’s Perspective

My impression of Yamaha is that it is a company with a long history that boasts a strong global brand and high-quality products. What particularly impresses me about Yamaha is its outstanding level of quality as well as the passion and craftsmanship of Yamaha employees, who work diligently to offer customers wonderful sound and music experiences. In addition to advanced technologies and strictly reinforced quality management, what enables Yamaha products to live up to the standards of the Yamaha brand is the exceptional craftsmanship possessed by the Company’s employees.

Steps Yamaha Needs to Take to Enhance Corporate Value and Realize Sustainable Growth Going Forward

Lifestyles have changed dramatically due to the spread of COVID-19. Going forward, there will be even more opportunities for people to enjoy spending time on their own. Furthermore, e-commerce will be utilized on an even more widespread basis around the world. For Yamaha, these trends do not represent a negative. As e-commerce becomes more widespread, people will develop the trend of purchasing products based on brand evaluations. Accordingly, brand power will become increasingly more important going forward. Companies that can respond swiftly to new forms of consumer needs and trends and turn them into business opportunities will win out over the competition and realize growth in the future.

Additionally, Yamaha has achieved steady growth in mature markets while at the same time actively entering into and establishing its brand in the markets of emerging countries, which are anticipating tremendous future growth. Thus far, China has served as an engine that has driven growth, but I believe that India will become a major growth driver going forward. I believe that Yamaha’s decision to establish a local plant in India and produce and sell specialized local models of digital musical instruments represents a sound investment that will not only enhance the level of Yamaha’s brand recognition but also lead to future growth.

Necessary Steps for Further Enhancing the Yamaha Brand

Having an even greater number of customers enjoy the Yamaha brand and creating many brand ambassadors are necessary steps for enhancing the Yamaha brand. People quickly forget “average” experiences, while both excellent and poor experiences remain in people’s memories for a long time. As Yamaha provides customers with experiences that exceed their expectations, they will certainly more customers will become Yamaha brand fans and ambassadors.

Meanwhile, I believe the Company needs to further clarify the Yamaha brand. In a rather unique situation, the Yamaha brand is quite well known around the globe as Yamaha Corporation and Yamaha Motor Co., Ltd. share the same brand name. However, from the perspective of the customers, it is all the same Yamaha brand, making it difficult for customers to understand the difference between the two companies. While the two companies effectively coordinate brand activities, it is imperative that the Company further refine brand positioning so that all customers can understand the superior quality of the Yamaha brand.

Paul Candland
Independent Outside Director

Career Summary

Mr. Paul Candland has been involved for many years in management as the person responsible for the Asia region and the Japanese firms of global entertainment companies such as The Walt Disney Company. Drawing on his abundant experience and track record as a manager, Mr. Candland has been serving as an Outside Director with the Company since June 2018.

Major Concurrent Positions

• Managing Director of PMC Partners Co., Ltd.
• CEO of Age of Learning, Inc.
Basic Policies for Corporate Governance

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

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

Corporate Governance Structure

In June 2017, Yamaha transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure for the purpose of further clarifying the separation of management oversight and business execution functions, in addition to strengthening the oversight functions of the Board of Directors while aiming to accelerate business execution.

Regarding the composition of the Board of Directors, Yamaha enhances the transparency and objectivity of oversight functions by having independent outside directors, including managers from other industries who come from various professional backgrounds, comprise five-sevenths of the total. Yamaha has also established the Nominating Committee, on which independent outside directors must form a majority, as well as the Audit Committee and the Compensation Committee. The Audit Committee conducts suitability audits and compliance audits while collaborating with the Internal Auditing Division with the objective of enhancing oversight functions through audits. Yamaha has established the executive officer role as an official function under the Companies Act to bear the direct responsibility for shareholders. Executive officers have been delegated broad authorities by the Board of Directors to make important decisions pertaining to business execution, with the aim of accelerating business execution.

Oversight Function

Directors and Board of Directors

As a general rule, the Board meeting is held monthly. Based on its fiduciary responsibilities, the Board of Directors promotes the Group’s sustainable growth and corporate value improvement over the medium to long term. The Board of Directors also oversees the performance of the executive officers and directors. At the same time, the Board determines important matters—such as basic management policies—required by laws and ordinances, the articles of incorporation, and the rules of the Board of Directors. In addition, the Board of Directors supervises the overall management of the Company by overseeing succession plans for the representative executive officer and other officers; selecting the members and the chair of the Nominating Committee, Audit Committee, and Compensation Committee; appointing executive officers, operating officers, and audit officers; approving transactions with related parties; and supervising the structure and operation of internal control systems.

In light of its fiduciary responsibilities, the Board of Directors works to realize sustainable growth for the Company and improve corporate value over the medium to long term while giving consideration to relationships with all of the Company’s stakeholders. The directors understand relevant laws and ordinances, the articles of incorporation, etc., and take steps to gather sufficient information. On that basis, the directors actively exchange opinions and engage in constructive discussions at meetings of the Board of Directors.

In keeping with their independent status, the independent outside directors perform a management oversight function, advisory function, and a conflict of interest oversight function. These directors also work to appropriately reflect the viewpoints of the stakeholders within the Board of Directors.

Yamaha’s Standards for Independence

In addition to the requirements for independence established by the Companies Act and the Tokyo Stock Exchange, the Company has established its own independence standards.

For further information about the independence standards, please refer to the Corporate Governance Report.

Director Training Policies

The Company supplies directors with the necessary training on an ongoing basis. Outside directors are provided with opportunities to receive briefings on the Yamaha Philosophy, the Company’s corporate governance structure, internal regulations, and the progress of the medium-term management plan in order to facilitate understanding regarding the current state of the Company and the issues it faces when assuming office.

In addition, directors take part in management meetings to deepen their understanding regarding management issues.
Support Systems for Outside Directors

In principle, materials pertaining to meetings of the Board of Directors are shared with outside directors three days prior to meetings through the Company’s database system. In addition, briefings on individual proposals are arranged as necessary. Information on the proposals raised at meetings of the Managing Council as well as internal regulations is shared through the same database system.

Information is also supplied on major internal events and analyst reports via the secretariat when necessary.

Major Proposals in Fiscal 2020

- Budgets, financial results
- Establishment of new position of audit officer (corporate governance, organizational structure)
- New executive team
- Status of operational execution (reported items)
- Business and function strategy (administration items), etc.

Nominating Committee

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

Process and Standards for Selecting Officers, etc.

Regarding the selection of candidates for director positions, the Nominating Committee screens candidates for inside or outside director positions based on the basic qualifications desirable for the roles, in addition to personnel requirements, taking into account their competencies, experiences, and achievements. The Nominating Committee also composes the nomination proposals submitted to the General Shareholders’ Meeting.

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

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

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

Succession Plans for Representative Executive Officer and Other Officers

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

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

Major Activities in Fiscal 2020

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

Compensation Committee

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

Compensation System

The compensation of directors, excluding outside directors, and compensation of executive officers consists of (1) fixed compensation, (2) performance-linked bonuses, and (3) compensation in the form of restricted stock. The approximate breakdown of total compensation of (1), (2), and (3) is 5:3:2. Performance-linked bonuses vary according to the Company’s consolidated profit for the period attributable to owners of parent and ROE in the previous fiscal year, and these bonuses are calculated with consideration for the individual’s record of performance. The evaluation of individual performance is based on indicators of performance linked to business strategy and function in each area the individual is responsible for. (3) The restricted stock compensation system has been introduced with the intent of motivating the directors and executive officers to enhance corporate value sustainably and having them share a common interest with shareholders. Compensation based on Company performance has also been introduced to provide a motivation for reaching performance goals in the medium term, therefore two-thirds of the total amount is linked to Company performance. Performance criteria give equal weight to the core operating profit ratio, ROE, and EPS, which are contained in the medium-term management plan. For the purpose of aligning the interests of the corporate officers with those of the shareholders over a long period after the end of the medium-term management plan, restrictions on the transfer of stock cannot be lifted until the corporate officer retires (i.e., 30 years or until retirement). Furthermore, in the event of serious cases of accounting fraud or major losses during this period, depending on the responsibility of the officers in charge, a clawback clause is included that will require the return of all or a portion of restricted shares transferred to officers on an accumulated basis to date.

Outside directors only receive fixed compensation.

Performance-Linked Bonuses

Consolidated profit attributable to owners of parent and ROE, two metrics used for setting performance-linked bonuses, were ¥3,621 million and 10.1%, respectively.

Compensation in Restricted Stock

The financial targets of the Make Waves 1.0 medium-term management plan—are operating profit ratio of 13.8%, ROE of 11.5%, and earnings per share (EPS) of ¥270 in fiscal 2022—are used as indicators for determining performance-linked compensation. In fiscal 2020, core operating profit ratio was 11.2%, ROE was 10.1%, and EPS was ¥194.71.

Major Activities in Fiscal 2020

- Determination of officer compensation amounts
- Decision of officer bonus amounts, etc.

Audit Committee

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

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

Securing the Effectiveness of the Audit Committee

To assist the committee with its work, the Audit Committee’s Office has been established as a full-time organization under the direct jurisdiction of the Audit Committee. The Audit Committee instructs the head of the Audit Committee’s Office to attend important meetings to voice opinions, in addition to gathering and assessing information within the

### Key Activities of Outside Directors (Fiscal 2020)

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of meetings held</td>
<td>12 times</td>
<td>3 times</td>
<td>14 times</td>
<td>3 times</td>
</tr>
<tr>
<td>Masatoshi Ito*1</td>
<td>Number of attendances</td>
<td>12 times</td>
<td>3 times</td>
<td>—</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Norimichi Nakajima</td>
<td>Number of attendances</td>
<td>12 times</td>
<td>13 times</td>
<td>—</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>92.86%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Takuo Fujita</td>
<td>Number of attendances</td>
<td>12 times</td>
<td>—</td>
<td>14 times</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>—</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Hiroshi Hishiki</td>
<td>Number of attendances</td>
<td>11 times</td>
<td>3 times</td>
<td>3 times</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>—</td>
<td>100%</td>
<td>—</td>
</tr>
<tr>
<td>Masa Fugatake</td>
<td>Number of attendances</td>
<td>10 times</td>
<td>—</td>
<td>11 times</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Paul Canda</td>
<td>Number of attendances</td>
<td>10 times</td>
<td>3 times</td>
<td>—</td>
</tr>
<tr>
<td>Attendance rate**</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*1 Retired at the end of his term as of the conclusion of the 156th Ordinary General Shareholders’ Meeting held on June 23, 2020

**The denominator for the attendance rate is the total number of meetings held during the period in which each person was in office.

### Breakdown of Compensation (Fiscal 2020)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total Compensation (Millions of yen)</th>
<th>Compensation in the form of restricted stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed compensation</td>
<td>Performance-linked compensation</td>
</tr>
<tr>
<td>Directors</td>
<td>68</td>
<td>68</td>
</tr>
<tr>
<td>(including outside directors)</td>
<td>81</td>
<td>81</td>
</tr>
<tr>
<td>Executive Officers</td>
<td>579</td>
<td>279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>
Company. To ensure the Audit Committee’s Office’s independence from the executive officers and other people responsible for business execution, the approval of the Audit Committee is required for personnel evaluations, personnel reassignments, and disciplinary actions for the Audit Committee’s Office’s personnel. When deemed necessary, the Audit Committee enlists the help of external experts to perform audits.

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

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

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

Major Activities in Fiscal 2020
- Drafting of audit plans
- Reports to and discussion with the president and representative executive officer
- Compilation of accounting auditor financial results review report
- Pre-financial results announcement internal audit report, etc.

Audit Officers
Audit officers are responsible for audits of Yamaha Group companies as members of the management team of positions equivalent to operating officers (please see pages 84 and 85).

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

Executive Officers
The executive officers are responsible for the execution of business. With a Companywide perspective, they make important decisions on matters related to the execution of business matters that have been delegated to them by the Board of Directors, and they implement business execution, subject to the oversight of the Board of Directors. To develop frameworks for ensuring the efficient execution of business by executive officers, the Company establishes regulations on organizations, divisions of authority, and other business execution-related matters and clarifies the authority and responsibilities of executive officers, the appropriate delegation of authority, the missions of Company divisions and subsidiaries, and chains of command. These provisions are meant to expedite business execution and improve managerial efficiency. In addition, the Company has established the Managing Council as an advisory body to the president and representative executive officer. Reports on discussions at council meetings pertaining to matters such as important business execution decisions are submitted to the president and representative executive officer. Furthermore, an administrative management system has been implemented to facilitate swift management decisions and risk management to support the establishment of targets and the evaluation of performance on a Groupwide basis.

Managing Council
Yamaha has established the Managing Council, which is composed of executive officers, as an advisory body to the president and representative executive officer. Reports on discussions at council meetings pertaining to matters such as important business execution decisions are submitted to the president and representative executive officer. Furthermore, an administrative management system has been implemented to facilitate swift management decisions and risk management to support the establishment of targets and the evaluation of performance on a Groupwide basis.

Corporate Committees
The Company has established corporate committees that act as advisory bodies to the president and representative executive officer. These committees deliberate policies regarding the management of the Company and in accordance with important business execution-related matters and clarify the authority and responsibilities of the executive officers. The Audit Committee, the Annual General Meeting of Shareholders, and the subsidiary boards deliberate on matters regarding the Company’s internal control. The Audit Committee reports the results of these deliberations to the president and representative executive officer.

Risk Management Committee
Yamaha has established the Risk Management Committee as an advisory body to the president and representative executive officer. It discusses risk management-related matters from a Companywide perspective and reports the results of these discussions to the president and representative executive officer.

Internal Audits
Yamaha established the Internal Auditing Division (staffed by 18 people as of June 24, 2020) under the direct control of the president and representative executive officer. The Division’s role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company and Group companies, from the standpoint of legality, effectiveness, and efficiency. Based on the results of these examinations and evaluations, the Division provides information and offers advice and proposals for improvement.

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

Accounting Auditor
Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor, and certified public accountants Toshikatsu Sekiguchi, Toshiyuki Matsuura, and Shuji Okamoto from Ernst & Young ShinNihon conduct the accounting audits of the Company. Ernst & Young ShinNihon has voluntarily adopted a rotating system for its managing partners in order to ensure that the number of continuous years of auditing service does not exceed a fixed period of time. A total of 12 certified public accountants and 37 other staff assist with the audit work.

Policy and Reasoning Behind Selection of Accounting Auditor
The Company’s Audit Committee has appointed Ernst & Young ShinNihon as its accounting auditor, in continuation from fiscal 2019, as a result of its examination based on the following policy for deciding whether to dismiss or not reappoint the accounting auditor:

Policy for Deciding Whether to Dismiss or Not Reappoint Accounting Auditor
The Company’s Audit Committee will dismiss the accounting auditor by mutual consent of all members of the committee in the event that one of the items in Article 340 (1) of the Companies Act applies to the accounting auditor. The Audit Committee determines the content of proposals regarding the dismissal or non-reappointment of the accounting auditor submitted to the General Shareholders’ Meeting in the event that it is deemed necessary to change the accounting auditor, for reasons such as the accounting auditor being involved in performing its duties based on a comprehensive analysis of the accounting auditor’s qualifications, specializations, independence from the Company, and other evaluation criteria.

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

Group Internal Control System
The Group internal control system is established to govern subsidiaries based on the Group Management Charter, which defines basic policies for Group management, and the Group Internal Control Policies & Rules, which put forth internal control policies. Meanwhile, Group company management regulations are formulated to define the responsibilities, authority, and operational management methods of subsidiaries. In fiscal 2020, new Group regulations were developed pertaining to legal affairs, document management, and internal audits. In addition, an international conference was held at which managers and representatives from legal affairs, IT systems, logistics, and other areas were assembled from domestic and overseas subsidiaries to share information on process issues and best practices. Meanwhile, the Internal Auditing Division performed audits assessing the legality, rationality, effectiveness, and efficiency of Groupwide business execution.

Subsidiaries are required to receive prior approval from the Company for decisions on management conditions and other important matters with the potential to impact Group management and to report to the Company with regard to certain matters. All Group companies are required to submit regular reports with regard to items required by law as well as items requested by the Audit Committee. Items requiring reporting include the results of internal audits by the Internal Auditing Division, reports on the status of compliance operation by legal affairs divisions, helpline operation and reports, compliance by other staff divisions, and internal control activities.


Internal Control System, Internal Audits, and Accounting Audits
Internal Control System
In order to ensure appropriate business operations, the Company has established an internal control system, as detailed below, pursuant to Japan’s Companies Act and the Enforcement Regulations of the Companies Act. This system aims to improve the efficiency of the Company’s business activities, ensure reporting reliability and thorough compli- ance with laws and regulations, protect the value of Company assets, and strengthen risk management.


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

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

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Subsidiaries are required to receive prior approval from the Company for decisions on management conditions and other important matters with the potential to impact Group management and to report to the Company with regard to certain matters. All Group companies are required to submit regular reports with regard to items required by law as well as items requested by the Audit Committee. Items requiring reporting include the results of internal audits by the Internal Auditing Division, reports on the status of compliance operation by legal affairs divisions, helpline operation and reports, compliance by other staff divisions, and internal control activities.
Changes in Corporate Governance
Yamaha views corporate governance as fundamental for improving the quality of overall management and as an essential aspect of sustainable development for a corporation. Furthermore, the Company is aware of the need to constantly reform and improve corporate governance systems once they have been put into place.

Yamaha has consistently taken steps to strengthen corporate governance, such as introducing an operating officer system in 2007, appointing an outside director and establishing the nominating and compensation committees on a voluntary basis in 2003, reducing the number of inside directors and appointing multiple outside directors in 2010, and formulating the Corporate Governance Policies in 2015. To further strengthen corporate governance, in June 2017 the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure, in June 2019 the Company appointed its first foreign national as an independent outside director, and in April 2020 the Company established the new position of audit officer.

Consolidated Operating Income Ratio (Core Operating Profit Ratio) and Reinforcement of Governance
Yamaha continues to strengthen and improve the effectiveness of its governance system. Based on strong oversight functions and incentives, the Company intends to increase profitability by executing its medium-term management plans with a sense of urgency.

Reinforcement of Oversight Functions
In a bid to accelerate management, the Company has separated functions for business oversight and execution. Yamaha has reinforced oversight functions by increasing the ratio of independent outside directors. As of June 24, 2020, independent outside directors comprised five-sevenths of the members on the Board of Directors (please see Ratio of Outside Directors below).

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

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

Reason for Establishment of New Position of Audit Officer
One of Yamaha’s basic corporate governance policies is to ensure that the Board of Directors is highly effective by separating the oversight and executive functions and strengthening the oversight function.

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

For internal audits, we are establishing audit systems centered on officers responsible for audits that encompass the Yamaha Group’s global-expanding business. We also faithfully engage in the task of conducting audits in conjunction with risk management activities. Meanwhile, regular reports and information is provided at meetings of the Managing Council with regard to improvement activities pertaining to issues identified by audits in order to improve audit awareness.

Message from Senior General Manager of the Audit Committee’s Office
As described in this report (on the previous page), Yamaha is working to strengthen its audit function through organization-wide audits. It may not always be entirely apparent why auditing is important. However, when you think about it, you will realize that, as it is difficult for people and organizations to be objective in self-evaluations, it is vital for someone else to view them from an independent standpoint to make them aware of matters that they would not have noticed otherwise.

In this manner, the Audit Committee is expected to offer accurate guidance from an outside perspective. The Audit Committee members responsible for offering this guidance coordinate with the Internal Auditing Division and accounting auditors for which they depend on for daily audit information collection and for various audits to ensure that the committee has the information it needs. At the same time, they work to improve organization-wide audits.

For internal audits, we are establishing audit systems centered on officers responsible for audits that encompass the Yamaha Group’s global-expanding business. We also faithfully engage in the task of conducting audits in conjunction with risk management activities. Meanwhile, regular reports and information is provided at meetings of the Managing Council with regard to improvement activities pertaining to issues identified by audits in order to improve audit awareness.
**Effectiveness of the Board of Directors**

Analyzing and Evaluating the Effectiveness of the Board of Directors

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

**Evaluation Process**

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

**Issues Identified in Evaluation of Effectiveness and Improvement Initiatives**

The major issues identified in the evaluation of the effectiveness of the Board of Directors conducted in fiscal 2019 and the related improvement initiatives in fiscal 2020 are described in the table below.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight of succession plans for representative executive officer and other officers by the Board of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Separation of role of chairman of the Board of Directors and president</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representation of audits by the Audit Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement of awareness regarding compliance and internal audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results of Evaluation of Effectiveness of the Board of Directors (Surveys)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fiscal 2019</td>
<td>Fiscal 2020</td>
</tr>
<tr>
<td>Items receiving positive evaluation in more than 75% of responses</td>
<td>43</td>
<td>55</td>
</tr>
<tr>
<td>Items receiving positive evaluation in 50% of responses</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Items receiving positive evaluation in less than 50% of responses</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

**Summary of the Evaluation**

- The reformed corporate governance system has become entrenched in the Company, and the system is functioning under the Company with Three Committees (Nominating, Audit, and Compensation) structure.
- Oversight of the management team from an independent and objective standpoint is conducted in a highly effective manner.
- Sincere and constructive discussions are being held with regard to major management issues.
- The Audit Committee, which has no full-time members, was positively evaluated due to the newly-established position of audit officer and the strengthening of the Internal Auditing Division.
- For further improvement, management issues were raised regarding discussions on the direction of long-term management, improvement of risk management, and further strengthening of the internal audits.

**Applying Functions as Asset Owner of Corporate Pensions**

Through the Yamaha Corporate Pension Fund, the Company manages pension assets based on a policy asset ratio for the longer term, designed to ensure pension benefits for retirees in the future.

Decisions regarding asset management are made by the board of representatives with consideration paid to the deliberations of the Asset Management Committee. The Asset Management Committee and the board of representatives are staffed by personnel with appropriate qualifications, such as managers from the Company’s finance and personnel department. Additionally, key persons from the labor union, for example, are representatives of the beneficiaries.

The administrative office for the corporate pension fund is staffed by personnel selected for their qualifications.

**Initiatives to Engage in Dialogue with Shareholders and Investors**

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

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

In addition to the respective dialogue with shareholders and investors, the Company gives presentations on its medium-term management plan and quarterly earnings, as well as business briefings, facilities tours, and presentations for private investors. Presentation materials for business plans, results briefings, and others are always available on our corporate website.

The results of dialogues with shareholders and investors are reported to the Board of Directors by the director in charge, executive officers, or operating officers on a timely basis, and they are appropriately reflected in the management of the Company, leading to the Group’s sustainable growth and enhancing corporate value over the medium to long term. Additionally, the voting is analyzed for each resolution at the Ordinary General Shareholders’ Meeting, and this is reported to the Board of Directors.

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

**Major IR Activities**

Major IR activities in fiscal 2020 were as follows.

- **Publications and Presentation Activities**
  - **Press releases**
  - **Company briefing for private investors**
  - **Results briefing for six-month period ended September 30, 2019**

- **IR (Investor Relations) Activities**

- **Major IR Activities Fiscal 2020**

<table>
<thead>
<tr>
<th>Target</th>
<th>Activity</th>
<th>Frequency</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>For analysts and institutional investors</td>
<td>Financial results briefings</td>
<td>4</td>
<td>Quarterly briefings</td>
</tr>
<tr>
<td></td>
<td>Medium-term management plan briefing</td>
<td>1</td>
<td>Strategy briefing</td>
</tr>
<tr>
<td></td>
<td>Conference held by executive company</td>
<td>1</td>
<td>Conference held by executive company</td>
</tr>
<tr>
<td></td>
<td><strong>Interview</strong></td>
<td>1</td>
<td>Interviews with IR team</td>
</tr>
<tr>
<td></td>
<td><strong>Facility tour</strong></td>
<td>2</td>
<td>Corporate museum, factory, and other tours</td>
</tr>
<tr>
<td>For domestic and international institutional investors</td>
<td>Management plan / IR briefings</td>
<td>7</td>
<td>Visits by president and representative executive officer, officers in charge (Japan, North America, Europe, Asia)</td>
</tr>
<tr>
<td>For private investors</td>
<td>Company briefings</td>
<td>1</td>
<td>Nagoya, Tokyo (domestic), and Naha (Japan)</td>
</tr>
<tr>
<td></td>
<td><strong>Promotional activities targeting investors</strong></td>
<td></td>
<td>Website information updates, content enhancement, and registration campaigns (three months)</td>
</tr>
<tr>
<td></td>
<td>Information provision activities</td>
<td>1</td>
<td>Direct and advertisements in specialized magazines and online</td>
</tr>
</tbody>
</table>
General Shareholders’ Meetings
Yamaha endeavors to establish an environment that ensures that there is adequate time for shareholders to exercise their voting rights at a General Shareholders’ Meeting, so that they can properly exercise their voting rights. In addition to sending the notice for the Ordinary General Shareholders’ Meetings at least three weeks in advance of the meeting date, we create an environment in which every shareholder can properly exercise their voting rights by disclosing the content of the notice on our website in both Japanese and English as soon as possible, holding the Ordinary General Shareholders’ Meeting on a date that avoids the concentration of shareholders’ meetings, and ensuring that it is convenient to exercise voting rights by using an electronic proxy voting platform.

Items Voted On at the Ordinary General Shareholders’ Meeting
The following items were voted on at the 196th Ordinary General Shareholders’ Meeting on June 23, 2020.

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

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

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

Status of Shareholdings
For specified equity securities, all shareholdings as of March 31, 2020, are presented in the table below. Yamaha does not have any deemed shareholdings or investments in equity securities for pure investment purposes.

Investments in Equity Securities Held for Purposes Other than Pure Investment

Items Voted On at the 196th Ordinary General Shareholders’ Meeting ( Held on June 23, 2020)

Proposal 1. Appointment of seven directors
1,540,880 267 100 100.0 Approved

Proposal 2. Appointment of seven directors

Number of companies and amount shown on balance sheet

<table>
<thead>
<tr>
<th>Stock in listed companies</th>
<th>Stock in listed companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 companies</td>
<td>¥348 million</td>
</tr>
<tr>
<td>12 companies</td>
<td>¥100 million</td>
</tr>
</tbody>
</table>

Total amount of stocks sold in fiscal 2020, pertaining to decreases in the number of companies / shares in which shareholdings were reduced

— 6 companies ¥1 million

Total amount of stocks acquired in fiscal 2020, pertaining to increases in the number of companies / shares in which shareholdings were increased

— 3 companies ¥1 million

Note: In fiscal 2020, the increase in the number of companies in which shareholdings were increased reflected share acquisitions for the purpose of gathering information about information provision methods, etc., for shareholders.

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

<table>
<thead>
<tr>
<th>Security name</th>
<th>No. of shares as of March 31, 2020</th>
<th>No. of shares as of March 31, 2020</th>
<th>Yamaha ownership of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamaha Motor Co., Ltd.*1</td>
<td>34,642,780</td>
<td>34,642,780</td>
<td>Yes</td>
</tr>
<tr>
<td>MS&amp;AD Insurance Group Holdings, Inc.*1</td>
<td>75,209</td>
<td>45,278</td>
<td>Yes</td>
</tr>
<tr>
<td>TOYOTA MOTOR CORPORATION*1</td>
<td>1,218,623</td>
<td>1,218,623</td>
<td>Yes</td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.*2</td>
<td>1,318,984</td>
<td>2,068,484</td>
<td>No</td>
</tr>
<tr>
<td>Ascension Group Ltd.*2</td>
<td>2,387</td>
<td>1,405</td>
<td>Yes</td>
</tr>
<tr>
<td>DAIICHIKOSHO CO., LTD.*3</td>
<td>6,269,306</td>
<td>6,269,306</td>
<td>No</td>
</tr>
<tr>
<td>Sumitomo Mitsui Financial Group, Inc.*4</td>
<td>2,986,757</td>
<td>7,086,757</td>
<td>Yes</td>
</tr>
<tr>
<td>Mizuho Financial Group, Inc.*3</td>
<td>7,440,258</td>
<td>7,440,258</td>
<td>Yes</td>
</tr>
<tr>
<td>HORIBA, Ltd.*1</td>
<td>124</td>
<td>91</td>
<td>No</td>
</tr>
<tr>
<td>MontaPO Co., Ltd.*2</td>
<td>—</td>
<td>102</td>
<td>No</td>
</tr>
<tr>
<td>J. FRONT RETAILING Co., Ltd.*1</td>
<td>—</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>Canon Inc.*1</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
<tr>
<td>Shimizu Corporation*3</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
<tr>
<td>Ebara Corporation*3</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
<tr>
<td>Japen Tobacco Inc.*3</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
<tr>
<td>Showa Shell Sekiyu K.K.*4</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
<tr>
<td>Panasonic Corporation*3</td>
<td>100</td>
<td>—</td>
<td>No</td>
</tr>
</tbody>
</table>

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

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

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

*3 The Company holds the shares for the purpose of information provision.

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

*5 Showa Shell Sekiyu K.K. became a wholly-owned subsidiary of Idemitsu Kosan Co., Ltd., following an exchange of stores making this company the parent company conducted with an effective date of April 1, 2019.

Notes:
• Proposal 1: Approval of a majority vote of shareholders in attendance
• Proposal 2: Appointment of seven directors

Corporate Governance
Risk Management

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

Basic Policy

Yamaha has established the Risk Management Committee as an advisory body to the president and representative executive officer. The committee discusses risk management-related matters from a Companywide perspective and reports the results of these discussions to the president and representative executive officer. In addition, the Working Group for BCP and Disaster Prevention Management, Working Group for Financial Management, Working Group for Compliance, Working Group for Export Control, and Working Group for Information Security have been established under the Risk Management Committee. These working groups set activity policies and monitor activities related to important Companywide themes. The Risk Management Committee categorizes the various risks identified in relation to the Yamaha Group’s business into four categories: External environment risks, strategic risks, operational risks (business activities), and operational risks (support activities). The materiality of risks is assessed based on the projected scale of damages and frequency of materialization. In addition, the level of control is evaluated for each risk category, and material risks requiring priority response are identified, and the divisions responsible for managing these risks are designated in order to promote risk mitigation activities and thereby improve overall risk control levels.

Please visit our corporate website for more information on risk management systems and the Risk Management Committee.


Categorization of Business Risks

External Environment Risks

- Strategic Risks
  - Business resource allocation
  - National or regional changes
  - Unforeseen policies or regulations
  - M&A / Restructuring
  - Group governance
  - Cyberattack
  - Legal and regulatory change
  - Foreign exchange and interest rate fluctuation
  - Natural disaster
  - Infectious diseases

Operational Risks (Business activities)

- Business strategy risk
  - Changes in the business environment
  - National or regional changes
  - M&A / Restructuring
  - Group governance
  - Compliance

Operational Risks (Support activities)

- Fundamental risk
  - Human resources management
  - Quality of products and services
  - Labor relations
  - Communication
  - Capital
  - Information technology
  - Finance / Tax
  - Transportation / Logistics
  - Environment
  - Intellectual property
  - Business partner (Sales side)
  - Procurement
  - Sales
  - Marketing / Product development

Material Risks Countermeasures

Countermeasures for the risk items in the highest priority areas of the risk map (those outlined in red) are as shown in the table below.

<table>
<thead>
<tr>
<th>Risk category</th>
<th>Risk item</th>
<th>Relevant key strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production systems are being developed to ensure that major products can be supplied from at least two locations. Sales measures include flexible supply from inventories in responses to unforeseeable economic conditions in specific countries.</td>
<td>Production strategy, Sales strategy</td>
<td></td>
</tr>
<tr>
<td>Legal and regulatory change</td>
<td>The Group Legal Affairs Policies &amp; Rules define our basic policies for legal affairs based on which we are developing and implementing information platforms that comprehensively compile the latest information on legal trends in order to ensure timely compliance with new laws in all countries of operation. Meanwhile, the Working Group for Export Control takes steps to reduce the risk of legal violations in import and export activities by strengthening management of technologies applicable under U.S. regulations and developing export control systems for exports from China and India.</td>
<td>Legal affairs, Export control</td>
</tr>
<tr>
<td>The potential impacts of foreign exchange risks are mitigated by repositioning processes on a global scale through means such as transferring production processes performed in Japan to overseas. We respond to fluctuations in the euro to yen exchange rate by flexibly setting prices from the perspective of globally standardizing wholesale prices in order to maximize sales volumes and selling prices.</td>
<td>Foreign exchange and interest rate fluctuation strategy</td>
<td></td>
</tr>
<tr>
<td>Group governance</td>
<td>The Company has developed organizations dedicated to specific functions and Group companies are positioned under these organizations. To facilitate the oversight of these Group companies, the Group Management Charter and the Group Company Management Policies &amp; Rules, which define basic policies for Group companies, designate the items for which Group companies are required to receive prior approval from the Company. To ensure that such prior approval is received, individuals responsible for specific prior approval items and specific Group companies are positioned in the organizations tasked with overseeing Group companies in order to provide instruction to these companies.</td>
<td>Internal Audit Division, Compliance</td>
</tr>
<tr>
<td>Compliance</td>
<td>Group compliance regulations have been established and the Company regularly monitors activities across the Group to ensure total compliance with laws and regulations. In addition, the Compliance Code of Conduct has been established to foster compliance awareness among all organizations and employees. Training and other activities are conducted to heighten Group-wide compliance awareness and compliance helplines have been set up on a global basis to serve as a deterrence for violations and to facilitate swift response should a violation occur.</td>
<td>Compliance</td>
</tr>
</tbody>
</table>

* ① Develop closer ties with customers, ② Create new value, ③ Enhance productivity, and ④ Contribute to society through our businesses.
Global Pandemic Response Measures

The global COVID-19 pandemic requires a response different from that for other pandemics or natural disasters, a fact that initially caused difficulty. Nevertheless, we have been able to furnish a generally swift response through measures including collecting and sharing information from Group companies, complying with government regulations enacted overseas, taking steps to ensure the safety of teleworking for employees and customers (at stores, music schools, etc.), and implementing related improvement activities as well as conducting systematic education on regulatory systems for quality management personnel. Furthermore, efforts are taken to promote and service quality including safety education for employees and performing accounting and auditing procedures through remote systems, and holding meetings of the Board of Directors and other important internal meetings remotely. Going forward, we will take a more proactive approach toward developing systems that allow for quick and systematic efforts to facilitate the resumption of business activities in preparation for a potential second wave of COVID-19 infections or similar outbreaks. We are also using this pandemic as an opportunity to reconsider how we work and utilize offices.

Global Pandemic Response Measures

| Risk Category | Risk Term | Risk Countermeasures | Relevant for strategies
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Developing closer ties with customers, 
- Creating new value, 
- Enhance productivity, and 
- Contribute to society through our businesses.

Endorsement of the TCFD Recommendations

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

In June 2019, the Yamaha Group announced its endorsement of the TCFD recommendations. Based on these recommendations, we are analyzing the risks and opportunities for business that could result from climate change. The results of these analyses are incorporated into management strategies, and information on the potential financial impacts is disclosed.

**Risk Management**

- **Governance**
  - Addressing climate change has been positioned as an important management strategy and a portion of our sustainability and management systems.
  - Climate change and other important sustainability issues are discussed at least once a year at meetings of the Management Council, which is headed by the president.

- **Strategy**
  - The risks and opportunities that may result from rapid 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 GHG emissions, develop environmentally friendly products, and realize sustainable timber use.

- **Risks and Opportunities**
  - The Group employed various scenarios described by the International Energy Agency 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 phenomenon. The specific scenarios utilized were RCP 4.5 (2°C scenario) and RCP 8.5 (4°C scenario). 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

Transition Risks and Opportunities

- **Regulatory risks:** Increased operating and equipment costs due to expanded carbon pricing (carbon taxes, etc.) and regulation (emission standards for new and existing facilities) as well as increased awareness and pressure to decarbonize society are corporate responsibilities and important management issues.

- **Market opportunities:** Increased demand for green products (e.g., renewable energy and energy efficiency-related products) and systems; growing public awareness of environmental issues.

- **Physical Risks:** Increased demand for corporate products (e.g., wind turbines) and services (e.g., pollution control equipment), which are essential for mitigating climate change and its effects.

**Corporate Governance**

- **Metric and Targets**
  - We manage GHG emissions volumes in accordance with the Greenhouse Gas Protocol and third-party verification has been received for Scopes 1 and 2, as well as emissions from operations in the USA, Japan, and China. We have also defined measures to reduce GHG emissions in Scope 1 and 2 operations, and these measures are incorporated into our annual business site plans.

- **Risks and Opportunities**
  - The Group has set the medium-term targets of reducing total Scope 1 and Scope 2 GHG emissions by 30% and total Scope 3 GHG emissions by 30% from fiscal 2019 levels by fiscal 2031. These targets were defined by the International Energy Agency in June 2019. In addition, we have set a long-term target of reducing total Scope 1 and Scope 2 GHG emissions by 83% from fiscal 2018 levels by fiscal 2050. 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 Japanese business sites.

1) Representative Concentration Pathways (RCP) scenarios are named based on the hypothetical radiative forcing level of the portion of energy consumed in the work that is trapped within the Earth’s atmosphere. Scenarios for 2050 are abbreviated as RCP 2.6, 4.5, and 8.5 respectively.

2) Science-Based Targets are an international initiative that encourages companies to formulate GHG emissions reduction targets based on scientific evidence and that evaluates and certifies these targets to contribute to the accomplishment of the goals of the Paris Agreement.

3) The Greenhouse Gas Protocol is a set of standards for calculating and reporting GHG emission volumes.
Compliance

As a global conglomerate, the Yamaha Group recognizes that compliance is among the most important management themes and a prerequisite for corporate activities. Basic Policy and Compliance Code of Conduct

The Yamaha Group has positioned compliance among its most important management themes for fulfilling its responsibility to stakeholders and society and for achieving sustainable growth. The Compliance Code of Conduct puts forth a code for guiding the actions of all members of the Yamaha Group as the foundation for compliance management. Since the establishment of the code in 2003, ongoing revisions have been implemented in reflection of changes in environmental and social conditions, and the code has been translated into multiple languages. In addition, the Yamaha Group publishes and distributes to all employees booklets that describe in detail the Compliance Code of Conduct.

Compliance Management Frameworks and Promotion System

The Working Group for Compliance, an organization positioned under the Risk Management Committee, which is an advisory body to the president and representative executive officer, is a central organization in the promotion of compliance. This working group discusses and decides on Groupwide compliance-related policies and measures. In addition, the working group is responsible for monitoring the activities of divisions and Group companies to ensure legal compliance and ethical behavior. Other measures for ensuring sound business activities include internal education and training programs, employee questionnaires, and the development of compliance helplines for use by both Company employees and temporary staff.

Compliance Promotion System

Global Conformity in Compliance Initiatives

As the Yamaha Group’s business grows even more global, resulting in business activities being advanced in manners that blur the boundaries between countries and regions with differing political and economic frameworks, business customs, and values, increasing the conformity of compliance initiatives with global standards is becoming a pressing issue. The Yamaha Group signed the United Nations Global Compact in June 2011 and is working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption in its business activities. In addition, we participate in managing subcommittees of Global Compact Network Japan. Meanwhile, our basic policy for legal compliance is to focus on the reinforcement of global legal violation prevention measures. On a Groupwide basis, we develop and implement rules based on the Compliance Code of Conduct while advancing measures and education and awareness-raising activities for purposes such as preventing corruption and ensuring fair trade. The Legal Division monitors the status of these initiatives within the Group.

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

Monitoring

The Working Group for Compliance conducts regular monitoring of the status of compliance systems and compliance promotion at Company divisions and Group companies to ensure that the business activities of the Yamaha Group are ethical and legally compliant. Support for corrective actions is provided as necessary.

Education and Awareness-Raising Activities

The Working Group for Compliance distributes educational and training content via the Company intranet and also holds compliance seminars as needed to foster compliance awareness within the Company. Through the intranet, employees are given access to Compliance News, Compliance Quizzes, and other content that is easy to understand and allows users to efficiently learn about key compliance points in a short amount of time. In addition, the Yamaha Group holds internal compliance seminars whenever necessary. In fiscal 2020, seminars on the prevention of power harassment, legal training sessions, and anti-corruption training sessions were held.

Harassment Prevention Initiatives

The Yamaha Group stipulates the prohibition of harassment, an act that violates human rights, in the Compliance Code of Conduct. This is elaborated on in the Compliance Code of Conduct booklets distributed to all Group employees. At the Company, work regulations clearly state that harassment will be addressed with disciplinary actions and that the action taken will be made public, indicating our stern stance toward violations of human rights.

Recently, 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 make the Company an emotional safe space. In April 2020, the president declared his commitment to fostering a corporate culture emphasizing openness and mutual respect for colleagues at the Group Managers’ Meeting, which assembles the heads of core divisions from throughout the Group. This declaration highlighted the importance of responsibility toward work and emotional security in developing a strong team and organization.

Other harassment prevention measures include increasing the number of external compliance consultation venues, strengthening dedicated compliance organizations, and enhancing harassment prevention training.

Compliance Helplines

The Yamaha Group has established compliance helplines for addressing compliance-related consultations and reports. These helplines can be used to receive support via the internet, telephone, fax, email, or standard mail. In Japan, cards detailing the contact information for these helplines are distributed to employees, and this information can also be found in Compliance Code of Conduct booklets and on posters displayed in Company facilities. We also promote awareness regarding these venues through questionnaires and during training sessions. Internal rules pertaining to the operation of compliance helplines include provisions to protect whistleblowers by stating that earnest reporters are not to suffer reprisal as a result of reports. In March 2020, we established the Yamaha Compliance Hotline, a new external consultation venue for domestic Group companies operated by a subcontractor. Combined with the existing internal consultation venue and venue for consultation with an external legal firm, this made for three consultation venues available in Japan.

For overseas Group companies, in addition to the helplines operated by these Group companies, global helplines operated by the Company offering support via the internet have been available in 16 language since 2017.

Recently, we have received reports through domestic and global compliance helplines.
V. Financial and Corporate Information

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## 11-YEAR SUMMARY

### Financial and Corporate Information

#### Years ended March 31

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>J-GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011/3</td>
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<tr>
<td>2020/3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021/3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### For the year:

#### Key Indicators:

- **Core operating profit ratio (Operating income ratio)**: 1.6% 3.5% 2.3% 2.5% 6.3%
- **Return on equity (ROE)**: 7.0% 9.3% 10.9% 11.3% 12.8%
- **Return on assets (ROA)**: 5.1 6.5 9.4 10.2 8.2
- **Equity attributable to owners of the parent**: 1,276.35 1,250.06 1,052.01 1,171.67 1,403.12
- **Dividends**: 27.50 10.00 10.00 10.00 27.00

#### Notes:

- Figures prior to fiscal 2019 are based on J-GAAP standards. From fiscal 2019, the presentation method has been changed as a result of the adoption of partial revisions to accounting standards for tax benefit accounting. Accordingly, figures for fiscal 2018 have been retroactively changed to conform with this presentation method.
- Net income (loss) has been presented as net income attributable to owners of parent on the consolidated financial statements since fiscal 2016. Under IFRS, net income is displayed as profit for the period attributable to owners of parent.
- A special dividend of ¥20 is included in dividends per share in fiscal 2010.
Analysis of Overall Performance in Fiscal 2020

The business environment in fiscal 2020 was characterized by an overall slowing in global economic growth caused by factors that included the spread of protectionism, which was particularly evident in the U.S.–China trade friction. While the U.S. economy remained firm, China’s economy weakened under the trade friction and Europe’s economic growth continued to slow. Japan’s economy saw a moderate expansion fueled by a rush in demand ahead of the consumption tax rate hike, but the pace of growth later slowed due in part to a strong typhoon that directly hit east Japan. In addition to these conditions, the rapid spread of COVID-19 that began near the end of 2019 had a huge impact on the entire global economy.

Amid these economic conditions, the Yamaha Group entered the first year of its Make Waves 1.0 medium-term management plan, and the Group’s activities focused on advancing the plan’s four key strategies to “develop closer ties with customers,” “create new value,” “enhance productivity,” and “contribute to society through our businesses.”

Covering the three-year period beginning with fiscal 2020, Make Waves 1.0 puts forth the financial targets of achieving a core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270 in fiscal 2022. In fiscal 2020, the Company posted a core operating profit ratio of 11.2%, ROE of 10.1%, and EPS of ¥194.7.

To develop closer ties with customers, we took our first steps toward transforming our shops and music schools in Japan and overseas from bases for sales and lessons into “brand value communication bases,” where our customers can experience Yamaha value. We are also developing our e-commerce operations. The musical instruments business introduced new products aimed at meeting various needs, and the others segment (Others) made strong efforts to popularize instrumental music education not only in Indonesia but also in India, Vietnam, and other countries. We were thereby able to increase the cumulative total number of students to which instrumental music education tries. We were thereby able to increase the cumulative total number of students to which instrumental music education opportunities were provided to approximately 390,000 as of March 31, 2020, indicating a solid start toward our three-year target of one million students. We are also making progress in using certified timber for our wooden products as planned, toward our three-year target of 50%.

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

Revenue decreased 4.6%, year on year, to ¥414.2 billion. This decline was attributable to factors including reductions of ¥13.7 billion as a result of COVID-19 and ¥13.1 billion from foreign exchange influences as well as the impacts of stagnancy in the industrial machinery and components business.

By region, revenue was down in all regions, particularly China, which was the first to be impacted by COVID-19.

Core operating profit was down 12.1%, to ¥46.4 billion, as year-on-year declines in profit were seen in the musical instruments segment, the audio equipment segment, and the others segment (Others). Overall profit was down year on year due to the impacts of the COVID-19 pandemic, unfavorable foreign exchange influences, deteriorations in the performance of the industrial machinery and components business and the others business, and higher manufacturing expenses due in part to increases in labor costs at overseas production bases. These detractors outweighed the boost to profit from reductions in SG&A expenses and other costs.

Profit for the period attributable to owners of parent declined 14.2%, to ¥34.6 billion. Factors behind this decline included a ¥14.2 billion loss from suspension of operations attributable to the spread of COVID-19 and a ¥3.3 billion impairment loss on fixed assets.

To enhance productivity, progress was made in measures such as getting our factory in India operating at full capacity and commencing production of piano frames at a factory in Suzhou, China. In addition, we moved ahead with various cost reduction measures through integrating IoT into Indonesian factories to convert them into smart factories and accelerating global bulk purchasing. Progress was also achieved as planned in optimizing product prices.

To contribute to society through our businesses, we continued efforts to popularize instrumental music education not only in Indonesia but also in India, Vietnam, and other countries. We were thereby able to increase the cumulative total number of students to which instrumental music education opportunities were provided to approximately 390,000 as of March 31, 2020, indicating a solid start toward our three-year target of one million students. We are also making progress in using certified timber for our wooden products as planned, toward our three-year target of 50%.

To develop closer ties with customers, we took our first steps toward transforming our shops and music schools in Japan and overseas from bases for sales and lessons into “brand value communication bases,” where our customers can experience Yamaha value. We are also developing our e-commerce operations. The musical instruments business introduced new products aimed at meeting various needs, and the others segment (Others) made strong efforts to popularize instrumental music education not only in Indonesia but also in India, Vietnam, and other countries. We were thereby able to increase the cumulative total number of students to which instrumental music education opportunities were provided to approximately 390,000 as of March 31, 2020, indicating a solid start toward our three-year target of one million students. We are also making progress in using certified timber for our wooden products as planned, toward our three-year target of 50%.
Results by Segment

Musical Instruments
Revenue in the musical instruments segment declined 3.6%, to ¥269.4 billion, with core operating profit decreasing 75%, to ¥37.6 billion. By product, sales of pianos were down as the high ratio of sales made through physical venues and the impact of the COVID-19 pandemic on China, a principal market for these products, detracted from sales to a degree that outweighed the growth in sales of TransAcoustic™ Pianos and other high-value-added products seen centered on developed countries. Sales of digital musical instruments were up thanks to the benefits of brick e-commerce sales and new portable keyboard products. Wind instruments enjoyed higher sales in all regions except Japan. Sales were also up for string and percussion instruments due to growth in guitar sales stemming from the benefits of new products and e-commerce sales channel measures.

By region, sales were down in Japan. In a market characterized by birthrate decline and population aging, sales were impacted by sluggish consumption following the consumption tax rate hike and closures of stores and music schools due to the pandemic. In North America, piano sales were down while sales of digital musical instruments and guitars proved firm. Sales in China were relatively unchanged year on year as the impacts of the pandemic incurred in the fourth quarter counteracted the benefits of progress in enhancing inland sales networks and accommodating e-commerce sales. In Europe and other regions, sales rose in all product categories, although some regions were affected by the spread of COVID-19.

Audio Equipment
Revenue in the audio equipment segment decreased 4.8%, to ¥114.4 billion, and core operating profit declined 10.9%, to ¥8.6 billion. By product, sales of PA equipment were up while sales declined for AV products and ICT equipment. Audio equipment sales were down as a result of the contraction of the market for AV receivers, a manystop product, as well as the impacts of the COVID-19 pandemic, which were most significantly felt in North America. The rise in PA equipment sales can be attributed to on-schedule deliveries in domestic audio equipment installation projects, which helped offset the impacts of the deterioration of the live performance market and delivery delays stemming from the pandemic.

Others (Industrial Machinery and Components Business, etc.)
Revenue in the others segment decreased 12.4%, to ¥30.5 billion, with core operating profit down 98.7%, to ¥30 million. In the industrial machinery and components business, electronic devices saw sales of in-vehicle modules grow as planned while sales of products for amusement equipment remained firm. For FA equipment, sales decreased following the U.S.–China trade friction and declines in capital expenditures resulted from the COVID-19 pandemic.

Analysis of Financial Position

Total assets as of March 31, 2020, stood at ¥474.0 billion, a decrease of ¥41.9 billion, or 8.1%, from ¥515.9 billion at the end of the previous fiscal year. Increases in assets came in the form of higher property, plant and equipment, net of accumulative depreciation, exceeding capital expenditures centered on construction of overseas factories and upgrades and renovations of equipment. These increases were outweighed by decreases from a decline in financial assets associated with a drop in the market prices of securities held by the Company as well as the impacts of unfavorable foreign exchange influences.

Total liabilities were ¥1426 billion, down ¥9.3 billion, or 0.6%, from the previous fiscal year-end figure of ¥1435.3 billion, owing to decreases in deferred tax liabilities and lease liabilities. Total equity amounted to ¥328.6 billion, a decrease of ¥22.5 billion, or 6.5%, from ¥351.1 billion at the end of the previous fiscal year. Other components of equity decreased following a drop in the market prices of securities held by the Company and unfavorable foreign exchange influences. In addition, treasury shares acquisitions totaling ¥23.1 billion were conducted as part of shareholder returns based on a resolution by the Board of Directors (Announced 2020).

Analysis of Cash Flows
Cash and cash equivalents (hereafter, “cash”) at the end of fiscal 2020 stood at ¥327.7 billion, a decrease of ¥3.1 billion compared with the end of the previous fiscal year (cash was down ¥21.6 billion at the end of previous fiscal year). Net cash provided by operating activities in fiscal 2020 was ¥57.2 billion, compared with ¥35.5 billion provided in the previous fiscal year, owing mainly to the contribution of profit before income taxes.

Forecast for Fiscal 2021
In fiscal 2021, the Company projects revenue of ¥395.0 billion, down 14.3% year on year; and core operating profit of ¥25.0 billion, down 46.1%. The COVID-19 pandemic is expected to continue to create highly opaque conditions for Yamaha’s business, but a gradual recovery in business conditions is anticipated beginning in the third quarter.

Yamaha will continue to advance the four key strategies of the Make Waves 1.0 medium-term management plan in fiscal 2021. However, the impacts of the pandemic are expected to weigh heavily on performance, resulting in year-on-year decreases in revenue in all segments. Core operating profit will likewise be down in all segments, with the exception of the others segment (industrial machinery and components business, etc.) as the Company will be unable to compensate for the negative impacts felt in the first half of 2020 through price optimization and SG&A expense reduction efforts.

Analysis of Cash Flows
Net cash used in investing activities amounted to ¥21.1 billion, compared with ¥23.1 billion used in the previous fiscal year, primarily as a result of purchase of property, plant and equipment, and intangible assets.

Net cash used in financing activities was ¥36.4 billion, compared with ¥34.0 billion used in the previous fiscal year, owing in part to expenditures for the purchase of treasury shares and cash dividends paid ¥2.2 billion.
### Consolidated Statement of Financial Position

**Yamaha Corporation and its consolidated subsidiaries**

<table>
<thead>
<tr>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td><strong>Liabilities and equity</strong></td>
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<tr>
<td><strong>Current assets</strong></td>
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<td><strong>Liabilities</strong></td>
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<tr>
<td>Cash and cash equivalents (Notes 6 and 33)</td>
<td>¥92,671</td>
<td>¥95,815</td>
<td>Trade and other payables (Notes 15 and 33)</td>
<td>¥52,062</td>
<td>¥59,525</td>
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<td></td>
<td>$ 851,521</td>
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<td>Interest-bearing debt (Notes 16 and 33)</td>
<td>$10,830</td>
<td>$ 8,936</td>
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<td>Trade and other receivables (Notes 7, 23 and 33)</td>
<td>58,067</td>
<td>65,346</td>
<td>Lease liabilities (Note 33)</td>
<td>5,365</td>
<td>5,739</td>
</tr>
<tr>
<td>Other financial assets (Notes 13 and 33)</td>
<td>12,939</td>
<td>10,508</td>
<td>Other financial liabilities (Notes 17 and 33)</td>
<td>9,620</td>
<td>9,650</td>
</tr>
<tr>
<td>Inventories (Note 8)</td>
<td>100,054</td>
<td>101,003</td>
<td>Income tax payables</td>
<td>4,236</td>
<td>2,474</td>
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<tr>
<td>Other current assets (Note 9)</td>
<td>6,455</td>
<td>10,144</td>
<td>Provisions (Note 18)</td>
<td>1,700</td>
<td>1,898</td>
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<tr>
<td><strong>Total current assets</strong></td>
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<td>282,819</td>
<td>Other current liabilities (Notes 19 and 23)</td>
<td>14,412</td>
<td>12,228</td>
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<tr>
<td><strong>Non-current assets</strong></td>
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<td><strong>Total current liabilities</strong></td>
<td>95,149</td>
<td>100,443</td>
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<tr>
<td>Property, plant and equipment (Note 10)</td>
<td>97,106</td>
<td>91,326</td>
<td><strong>Total non-current liabilities</strong></td>
<td>48,434</td>
<td>56,473</td>
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<tr>
<td>Right-of-use assets (Note 11)</td>
<td>24,480</td>
<td>29,579</td>
<td><strong>Total non-current liabilities</strong></td>
<td>48,434</td>
<td>56,473</td>
</tr>
<tr>
<td>Goodwill (Note 12)</td>
<td>158</td>
<td>161</td>
<td><strong>Total liabilities</strong></td>
<td>147,584</td>
<td>156,917</td>
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<tr>
<td>Intangible assets (Note 12)</td>
<td>1,736</td>
<td>1,321</td>
<td><strong>Equity</strong></td>
<td>326,450</td>
<td>359,007</td>
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<tr>
<td>Financial assets (Notes 13 and 33)</td>
<td>67,817</td>
<td>101,093</td>
<td>Capital stock (Note 21)</td>
<td>28,534</td>
<td>28,534</td>
</tr>
<tr>
<td>Deferred tax assets (Note 14)</td>
<td>10,795</td>
<td>7,237</td>
<td>Capital surplus (Note 21)</td>
<td>21,277</td>
<td>21,568</td>
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<tr>
<td>Other non-current assets (Note 20)</td>
<td>1,740</td>
<td>5,559</td>
<td>Retained earnings (Note 21)</td>
<td>316,899</td>
<td>293,547</td>
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<tr>
<td><strong>Total non-current assets</strong></td>
<td>253,944</td>
<td>233,106</td>
<td>Treasury shares (Note 21)</td>
<td>(65,093)</td>
<td>(42,533)</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>¥474,034</td>
<td>¥515,924</td>
<td>Other components of equity</td>
<td>23,789</td>
<td>56,620</td>
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<tr>
<td></td>
<td>¥4,355,729</td>
<td></td>
<td><strong>Equity</strong></td>
<td>325,409</td>
<td>357,931</td>
</tr>
</tbody>
</table>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*
<table>
<thead>
<tr>
<th>CONSOLIDATED STATEMENT OF INCOME</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yamaha Corporation and its consolidated subsidiaries</strong></td>
<td><strong>For the fiscal years ended March 31, 2020 and 2019</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td><strong>Revenue (Notes 5 and 23)</strong></td>
<td>¥ 414,227</td>
<td>¥ 434,373</td>
</tr>
<tr>
<td><strong>Cost of sales (Notes 20 and 25)</strong></td>
<td>(245,967)</td>
<td>(255,367)</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td>168,259</td>
<td>179,005</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses (Notes 20, 24, 25 and 30)</strong></td>
<td>(121,907)</td>
<td>(126,259)</td>
</tr>
<tr>
<td><strong>Core operating profit (Note 5)</strong></td>
<td>46,352</td>
<td>52,745</td>
</tr>
<tr>
<td><strong>Other income (Note 29)</strong></td>
<td>3,806</td>
<td>1,558</td>
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<tr>
<td><strong>Other expenses (Notes 20 and 26)</strong></td>
<td>(5,826)</td>
<td>(1,488)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>43,333</td>
<td>52,815</td>
</tr>
<tr>
<td><strong>Finance income (Note 27)</strong></td>
<td>4,968</td>
<td>4,852</td>
</tr>
<tr>
<td><strong>Finance expenses (Note 27)</strong></td>
<td>(1,083)</td>
<td>(1,008)</td>
</tr>
<tr>
<td><strong>Share of profit of associates accounted for using the equity method</strong></td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td><strong>Profit before income taxes</strong></td>
<td>47,225</td>
<td>56,471</td>
</tr>
<tr>
<td><strong>Income taxes (Note 14)</strong></td>
<td>(12,521)</td>
<td>(16,055)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>¥ 34,703</td>
<td>¥ 40,386</td>
</tr>
</tbody>
</table>

**Profit for the period attributable to:**

| Owners of parent | ¥ 34,621 | ¥ 40,337 | $ 318,120 |
| Non-controlling interests | 81 | 48 | 744 |

**Earnings per share**

| Basic (Note 29) | ¥194.71 | $1.79 |
| Diluted (Note 29) | – | – |

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

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<table>
<thead>
<tr>
<th>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yamaha Corporation and its consolidated subsidiaries</strong></td>
<td><strong>For the fiscal years ended March 31, 2020 and 2019</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>¥ 34,703</td>
<td>¥ 40,386</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
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<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
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<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans (Note 28)</td>
<td>7</td>
<td>(444)</td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income (Note 28)</td>
<td>(23,431)</td>
<td>(24,588)</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates accounted for using the equity method (Note 28)</td>
<td>1</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Total items that will not be reclassified to profit or loss</strong></td>
<td>(23,421)</td>
<td>(25,048)</td>
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<tr>
<td>Items that may be subsequently reclassified to profit or loss</td>
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</tr>
<tr>
<td>Exchange differences on translation of foreign operations (Note 28)</td>
<td>(9,629)</td>
<td>(916)</td>
</tr>
<tr>
<td>Cash flow hedges (Note 28)</td>
<td>(35)</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Total items that may be subsequently reclassified to profit or loss</strong></td>
<td>(9,664)</td>
<td>(928)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income (Note 28)</strong></td>
<td>(33,086)</td>
<td>(25,976)</td>
</tr>
<tr>
<td><strong>Comprehensive income for the period</strong></td>
<td>¥ 1,616</td>
<td>¥ 14,409</td>
</tr>
</tbody>
</table>

**Comprehensive income for the period attributable to:**

| Owners of parent | ¥ 1,597 | ¥ 14,383 | $ 14,674 |
| Non-controlling interests | 19 | 25 | 175 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Date</th>
<th>Capital stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury shares</th>
<th>Other components of equity</th>
<th>Total</th>
<th>Remeasurements of defined benefit plans</th>
<th>Financial assets measured at fair value through other comprehensive income</th>
<th>Exchange differences on translation of foreign operations</th>
<th>Cash flow hedges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at April 1, 2019</td>
<td>¥28,534</td>
<td>¥28,534</td>
<td>¥115</td>
<td>¥42,780</td>
<td>¥390,488</td>
<td>¥1,054</td>
<td>¥389,533</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(444)</td>
<td>(24,603)</td>
<td>(893)</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(444)</td>
<td>(24,603)</td>
<td>(893)</td>
<td>(12)</td>
<td>¥115</td>
<td>¥42,780</td>
<td>¥390,488</td>
<td>¥1,054</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancellation of treasury shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(17,964)</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends (Note 22)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation (Note 32)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the ownership interest of a subsidiary without a loss of control</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassified to retained earnings</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(14,010)</td>
<td>(10,417)</td>
<td>6,022</td>
<td>444</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥28,534</td>
<td>¥21,568</td>
<td>¥293,547</td>
<td>¥(42,533)</td>
<td>¥57,610</td>
<td>¥(10,461)</td>
<td>¥67</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(444)</td>
<td>(24,603)</td>
<td>(893)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(444)</td>
<td>(24,603)</td>
<td>(893)</td>
<td>¥102</td>
<td>¥56,820</td>
<td>¥357,936</td>
<td>¥1,070</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancellation of treasury shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends (Note 22)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation (Note 32)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the ownership interest of a subsidiary without a loss of control</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassified to retained earnings</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(22,935)</td>
<td>(789)</td>
<td>(23,725)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥28,534</td>
<td>¥21,277</td>
<td>¥316,899</td>
<td>¥(65,093)</td>
<td>¥34,183</td>
<td>¥(10,461)</td>
<td>¥67</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.
## CONSOLIDATED STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>¥ 47,225</td>
<td>¥ 56,471</td>
<td>¥ 433,934</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>17,322</td>
<td>16,553</td>
<td>169,166</td>
<td></td>
</tr>
<tr>
<td>Impairment losses (reversal of impairment losses)</td>
<td>2,921</td>
<td>295</td>
<td>28,840</td>
<td></td>
</tr>
<tr>
<td>Finance income and finance expenses</td>
<td>(4,260)</td>
<td>(4,120)</td>
<td>(39,144)</td>
<td></td>
</tr>
<tr>
<td>Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets</td>
<td>(246)</td>
<td>264</td>
<td>(2,389)</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(2,841)</td>
<td>(6,244)</td>
<td>(28,105)</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in trade and other receivables</td>
<td>3,282</td>
<td>967</td>
<td>30,157</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>(4,887)</td>
<td>(1,392)</td>
<td>(44,905)</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liabilities</td>
<td>(291)</td>
<td>(1,152)</td>
<td>(3,533)</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in provisions</td>
<td>1,942</td>
<td>(34)</td>
<td>17,844</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable due to transition to defined contribution plans</td>
<td>(1,416)</td>
<td>(1,558)</td>
<td>(13,011)</td>
<td></td>
</tr>
<tr>
<td><strong>Other net</strong></td>
<td>2,939</td>
<td>(25)</td>
<td>27,557</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>41,635</td>
<td>81,045</td>
<td>566,342</td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>4,535</td>
<td>4,654</td>
<td>41,670</td>
<td></td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(802)</td>
<td>(859)</td>
<td>(7,369)</td>
<td></td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
<td>(2,938)</td>
<td>(20,319)</td>
<td>(75,409)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>57,182</td>
<td>35,520</td>
<td>525,241</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (increase) decrease in time deposits</td>
<td>(3,244)</td>
<td>(4,955)</td>
<td>(29,808)</td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment, and intangible assets</td>
<td>(20,473)</td>
<td>(20,192)</td>
<td>(188,119)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment, and intangible assets</td>
<td>1,012</td>
<td>597</td>
<td>9,299</td>
<td></td>
</tr>
<tr>
<td>Purchase of investments securities</td>
<td>(1)</td>
<td>(1)</td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale and redemption of investment securities</td>
<td>449</td>
<td>2,386</td>
<td>4,126</td>
<td></td>
</tr>
<tr>
<td><strong>Payments for acquisition of businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from government grant</td>
<td>706</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other net</strong></td>
<td>483</td>
<td>51</td>
<td>4,438</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(21,067)</td>
<td>(23,101)</td>
<td>(193,577)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (increase) decrease in time deposits</td>
<td>(3,244)</td>
<td>(4,955)</td>
<td>(29,808)</td>
<td></td>
</tr>
<tr>
<td>Repayments of long-term borrowings (Note 31)</td>
<td>2,120</td>
<td>(2,525)</td>
<td>19,480</td>
<td></td>
</tr>
<tr>
<td>Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation</td>
<td>–</td>
<td>41</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Repayments of lease liabilities (Note 31)</td>
<td>(5,871)</td>
<td>(5,804)</td>
<td>(53,947)</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(21,326)</td>
<td>(11,948)</td>
<td>(150,828)</td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in cash segregated as deposits for acquisition of treasury shares</td>
<td>–</td>
<td>1,765</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid (Note 22)</td>
<td>(11,274)</td>
<td>(10,547)</td>
<td>(103,593)</td>
<td></td>
</tr>
<tr>
<td>Cash dividends paid on non-controlling interests</td>
<td>(49)</td>
<td>(90)</td>
<td>(460)</td>
<td></td>
</tr>
<tr>
<td><strong>Other net (Note 31)</strong></td>
<td>33</td>
<td>137</td>
<td>(203)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(36,422)</td>
<td>(33,993)</td>
<td>(193,569)</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of exchange rate on cash and cash equivalents</strong></td>
<td>(2,816)</td>
<td>(15)</td>
<td>(25,875)</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(1,143)</td>
<td>(21,508)</td>
<td>(128,880)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents - beginning of the period (Note 6)</strong></td>
<td>95,815</td>
<td>117,403</td>
<td>880,410</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents - end of the period (Note 6)</strong></td>
<td>¥ 92,671</td>
<td>¥ 95,815</td>
<td>¥ 851,512</td>
<td></td>
</tr>
</tbody>
</table>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS AND NOTES

Yamaha Corporation and its consolidated subsidiaries
For the fiscal years ended March 31, 2020 and 2019

### 1 Reporting Entity

Yamaha Corporation (hereinafter, the “Company”) is a company located in Japan and listed on the Tokyo Stock Exchange. The registered address of the Company’s headquarters is 10-1, Nakazawa-cho, Naka-ku, Hamamatsu-shi, Shizuoka, Japan. The consolidated financial statements for the fiscal year ended March 31, 2020 comprise the financial statements of the Company and its subsidiaries (the “Group”) as well as equity interests in associated companies of the Group. The Group’s operations include the musical instruments business, audio equipment business, and other businesses.

### 2 Basis for Preparation

#### (1) Compliance with IFRS and items related to first-time adoption

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board. Having met the requirements for a Specified Company under Designated International Accounting Standards, as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the consolidated financial statements of the Group have been prepared pursuant to Article 93 of the aforementioned regulation.

The Group applied IFRS for the first time effective from the fiscal year ended March 31, 2020 and the date of transition to IFRS was April 1, 2018. The Group previously applied Japanese generally accepted accounting principles (“Japanese GAAP”), and the most recent consolidated financial statements of the Group prepared in accordance with Japanese GAAP were for the fiscal year ended March 31, 2019. Upon the transition to IFRS, IFRS 1 “First-time Adoption of International Financial Reporting Standards” hereinafter, “IFRS 1” is applied and disclosures of the impact of the adoption on the Group’s financial position, operating performance, and cash flows are stated in “33 First-time adoption”.

The consolidated financial statements are approved by Takuya Nakata, President and Representative Executive Officer, on June 30, 2020.

#### (2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies described in “3. Significant Accounting Policies.” The amounts of assets and liabilities, except for financial instruments measured at fair value and assets and liabilities associated with the defined benefit plans as disclosed in significant accounting policies, are recorded on a historical cost basis.

#### (3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, in units of one million yen with figures less than one million yen omitted. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, and has been made at the rate of ¥108.63 to U.S.$1, the approximate exchange rate at March 31, 2020. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

#### (4) Accounting standards and interpretations issued but not yet applied

The Group has applied, including early application, all significant accounting standards and interpretations issued as of the date of authorization of the consolidated financial statements.

### 3 Significant Accounting Policies

#### (1) Basis of consolidation

The consolidated financial statements of the Group are prepared using the financial statements of Group companies and associated companies of the Group based on unified accounting policies. If a subsidiary or associated company’s accounting policy differs from that of the Group, the financial statements of the entity are adjusted as necessary.

A) Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an entity when it has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement in the investee and when it has the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which control commences until the date on which control ceases. When the Group retains control over a subsidiary after divesting a portion of its interest in the company, the change in the Group’s equity interest is accounted for as an equity transaction and the difference between the adjusted amount and the fair value of the non-controlling interest is directly recognized in equity attributable to the owners of the parent. Where there is a loss of control, any resultant profit or loss is recognized. The balance of receivables and payables and transactions among Group companies, and unrealized profit or loss from transactions between Group companies, are eliminated upon preparation of the consolidated financial statements.

Comprehensive income of subsidiaries shall be attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance. If the accounting period of a subsidiary differs from that of the Company, the subsidiary’s financial statements shall be adjusted based on the Company’s accounting period.

B) Associated companies

An associated company is an entity that is not controlled by the Group but for which the Group is able to exert significant influence over its financial and operating policies. The equity method is applied...
to investments in associated companies based on the acquisition cost at the time of acquisition. The Group’s share of profit or loss and other comprehensive income is recognized from the date on which significant influence commences until the date on which significant influence ceases as changes in the carrying amount of the investments in the associated companies.

C) Business combinations

Business combinations are accounted for using the acquisition method.

The acquisition cost is measured as the sum of the acquisition-date fair value of the assets acquired, liabilities assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Transaction cost paid in exchange for the business combination are expensed when incurred.

The excess of the acquisition cost over the Group’s net fair value of the identifiable assets acquired and liabilities assumed on the date of acquisition is recognized as goodwill.

Conversely, if the difference is negative, a gain is recognized in profit or loss.

The Group applies the exemption in IFRS 1 allowing it to elect not to retrospectively apply IFRS 3 “Business Combinations” for business combinations that occurred before the date of transition to IFRS.

(2) Foreign currencies

A) Transactions denominated in foreign currencies

The financial statements of each of Group entity are prepared using each company’s functional currency.

Transactions conducted in currencies other than the functional currency are translated into the functional currency using the exchange rate on the transaction date or on exchange rate that approximates the rate at that date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency using the exchange rate at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are recognized at fair value.

The excess of the acquisition cost over the Group’s net fair value of the identifiable assets acquired and liabilities assumed on the date of acquisition is recognized as goodwill.

Conversely, if the difference is negative, a gain is recognized in profit or loss.

B) Foreign operations

Assets and liabilities of the Group’s foreign operations are translated using the exchange rates at the fiscal year-end. Income and expense items are translated at the average exchange rates for the reporting period, unless any significant change has occurred. Any exchange differences arising from translation or settlement are recognized in profit or loss.

B) Financial assets

A) Financial assets

Financial assets are recognized on the trade date when the Group becomes a party to the transaction.

Financial assets at initial recognition, other than financial assets measured at fair value through profit or loss, are measured at an amount equal to fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

B) Classification and subsequent measurement

The Group, at initial recognition, classifies financial assets as (i) financial assets measured at amortized cost, (ii) financial assets measured at fair value through other comprehensive income, or (iii) financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

Among financial assets, debt instruments meeting both of the following conditions are categorized as financial assets measured at amortized cost.

- They are held based on a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of these instruments give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and profit or loss, in cases where a financial asset is derecognized, are recognized in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income

Changes in the fair value of financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When applying hedge accounting, financial assets classified at initial recognition as financial liabilities measured at fair value through other comprehensive income are derecognized at fair value.

The Group recognizes a financial hedge within the category of assets of similar type and potential to offset the financial instrument and are categorized as financial assets. Hedge effectiveness is determined on an ongoing basis using a hedge ratio method.

(iii) Financial assets measured at fair value through profit or loss

Financial assets other than the above are categorized as financial assets measured at fair value through profit or loss.

Changes in the fair value of financial assets measured at fair value through profit or loss after initial recognition are recognized in profit or loss.

(3) Financial instruments

A) Financial assets

(i) Initial recognition and measurement

Financial assets are recognized on the trade date when the Group becomes a party to the transaction.

Hedged items are financial instruments that are designated on initial recognition to hedge risks associated with a specific liability or financial asset, or specific transactions or future inflows or outflows of cash flows that are expected to affect net cash flows of the hedged item.

Hedge effectiveness is determined on an ongoing basis using a hedge ratio method. Changes in the fair value of financial instruments that are designated as hedging instruments are offset against the changes in the fair value of the designated hedged item. Changes in the fair value of the designated hedged item are recognized in profit or loss for the period in which the change in the fair value of the financial asset or liability is recognized in profit or loss.

B) Financial liabilities

A) Initial recognition and measurement

Financial liabilities are recognized on the trade date on which the Group becomes a party to the transaction.

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and profit or loss, in cases where a financial liability is derecognized, are recognized in profit or loss.

(b) Classification and subsequent measurement

Financial liabilities are recognized at fair value upon the execution of a contract and subsequently remeasured at fair value.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits as well as short-term investments that are readily convertible into cash, are not exposed to significant risk related to changes in value and are redeemable within three months of the date of acquisition.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value.

The acquisition cost of inventories is determined primarily based on the weighted average method, with the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment

Property, plant and equipment is measured using the cost model and stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the initial estimate for disposal, removal, or other restoration costs and borrowing costs that should be capitalized.

Depreciation costs on an item of property, plant and equipment, except for land and land improvements in progress, are accounted for using the straight-line method over the estimated useful lives. The range of estimated useful lives by major asset items is as follows:

Buildings: 31 to 50 years
Fixtures and furniture: 5 to 6 years
Office equipment: 3 to 12 years

Estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimates.

(7) Right-of-use assets

The Group leases a portion of its property, plant, and equipment. The right-of-use asset is categorized based on cost using the present value of the lease payments during a non-cancelable period plus reasonably certain extension option period (hereafter “lease period”), and any lease prepayments prior to the...
The measurement of impairment loss of cash-generating units, including goodwill, is conducted by first reducing the book value of the cash-generating unit to its cash flows discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If there are indications that an impairment loss recognized in a previous period no longer exists or has decreased and the recoverable amount of the asset or cash-generating unit exceeds the book value, the impairment loss is reversed. The impairment loss is reversed up to the level of the calculated recoverable amount or book value less the necessary depreciation and amortization had the impairment loss not been recognized previously. Impairment loss on goodwill is not reversed.

(10) Provisions

When the Group has a present legal or constructive obligation arising from past circumstances, and this is likely to require the Group to foreign resources with economic benefits to settle a liability a provision is recognized if a reliable estimate can be determined. In instances where the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a discount rate reflecting the time value of money and risks specific to the liability.

(11) Employee benefits

A) Post-employment benefits

The Group maintains defined benefit plans and defined contribution plans for employees. Defined benefit obligation is determined using the projected unit credit method based on the present value of the defined benefit obligation. Discount rate used to discount to the present value of defined benefit obligations is determined by referring to the market yields of high-quality corporate bonds matching the currency and the maturity date with the retirement benefit obligation. Assets or liabilities related to the defined benefit plans are measured as the net sum of the present value of the defined benefit obligation and the fair value of plan assets for each plan.

(12) Government grants

Government grants are recognized at their fair values when the conditions attached to the grant are fulfilled and there is reasonable assurance that the grant will be received. A grant related to an asset is treated as deferred revenue and recorded in revenue on a systematic basis over the period the associated asset incurs expenses. A grant related revenue is regularly recognized in profit or loss in the period in which such costs corresponding to grants are incurred.

(13) Equity

Proceeds from the issuance of common shares are recorded as capital stock and capital surplus, with costs associated with the issuance deducted from capital surplus. Treasury shares are recognized at the acquisition cost and treated as an asset. In the event that treasury shares are sold, the difference between the book value at the time of sale and the actual amount received is recognized in capital surplus.

(14) Share-based compensation

The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers (excluding the executive officers responsible for the combined audit and certain operating officers) to further promote sustainable increases in corporate value and share value with shareholders. Equity-settled share-based compensation is considered a restricted stock compensation system. Among the granted Company’s shares, the value of a certain number of shares that the lifting of the transfer restrictions is expected is measured by the fair value of the stocks referred at the time they are granted and are recognized under profit or loss as an expense for the corresponding service, and an equivalent amount is recognized as an addition to equity. Cash-settled share-based compensation is calculated under the same conditions as the equity-settled stock-based compensation, and the estimated future payment amount at the end of each reporting period is measured at fair value and recognized under profit or loss as an expense for the corresponding service.

(15) Revenue recognition

Revenue is recognized through the following steps in accordance with IFRS. Step 1. Identify the contract with a customer.

Step 2. Identify the performance obligations in the contract.

Step 3. Determine the transaction price per each performance obligation.

Step 4. Allocate the transaction price to each performance.

Step 5. Recognize revenue when at a performance obligation is satisfied.

The Group’s main business is the manufacture and sale of musical instruments, audio equipment, and other products. In principle, the customer takes possession of an item at the time of transfer and this is deemed as fulfilling the performance obligation. In most cases, revenue is recognized at the time of transfer. Revenue is measured as the amount set at the time of the contract is entered into with customers less any discounts, rebates, or sales returns.

(16) Income taxes

Income taxes comprise current and deferred tax recognized in profit or loss. Income taxes are recognized in profit or loss with the exception of items related to business combinations or reorganization directly in equity or in other comprehensive income. Current tax is measured at the amount expected to be paid or recovered from the tax authorities. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. In the event of uncertainty concerning the tax position for treatment under income tax, if there is a high probability of the tax position to occur based on the tax laws, then a reasonable estimated amount is recognized as an asset or liability.

Deferred tax is recognized on the temporary difference between the reported book value of assets and liabilities at the end of the reporting period and associated amounts for taxation purposes, losses carried forward and tax credits carried forward.

A deferred tax asset is recognized for future deductible temporary differences, losses carried forward, and tax credits carried forward to the extent that the asset is expected to be recovered. A deferred tax liability is, in principle, recognized for all projected future taxable temporary differences. A deferred tax asset is reviewed each fiscal period and reduced to the extent that the tax benefit of the deferred tax asset is no longer expected to be realized.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

• Future taxable temporary differences arising from the initial recognition of goodwill;

• Temporary differences arising on the initial recognition of an asset or liability arising in a transaction other than a business combination and that affects neither accounting profit nor taxable income;

• Future taxable temporary differences associated with investments in subsidiaries and associated companies to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that they will not reverse in the foreseeable future.

• Future deductible temporary differences associated with investments in subsidiaries and associated companies to the extent that the benefits from the taxable temporary difference or that it is not probable that the taxable temporary difference will be eliminated in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset is realizable or liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are netted when the entity has a legally enforceable right to offset current tax assets and liabilities, and the tax balances are associated to the same entity and same tax authorities.

The Company and some of its subsidiaries have adopted the consolidated taxation system.

(17) Earnings per share

Basic earnings per share is calculated by profit or loss attributable to the parent company’s common shareholders during the period divided by the weighted-average number of common shares outstanding during the period adjusted for treasury shares. Diluted profit per share is not calculated because there are no dilutive shares with a dilutive effect.

4 Significant Accounting Estimates and Judgments

The Group utilizes estimates and assumptions concerning the applicability of accounting policies and measurement of assets, liabilities, revenues and expenditures in the preparation of the consolidated financial statements. The estimates and assumptions are based on the management best judgement in consideration of past performance and other various factors considered to be reasonable at the
end of a reporting period. However, by their nature, the presented amounts that are based on estimates and assumptions may differ from actual results.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of revisions to the estimates are recognized in the period in which the estimate is revised and in future periods that are affected by the revision. Judgments, estimates, and assumptions that may have significant effects on the amounts recognized in the consolidated financial statements of the Group are as follows:

- **Scope of subsidiaries** ("3. Significant Accounting Policies (1) Basis of consolidation")
  - Whether a subsidiary is eligible for inclusion in consolidation is determined by whether the Group has control over the company.
- **Impairment of non-financial assets** ("3. Significant Accounting Policies (9) Impairment of non-financial assets")
  - The Group conducts impairment tests in accordance with "3. Significant Accounting Policies (9) Impairment of non-financial assets.
  - The Group's reportable segments are composed of business units for which discrete financial information is available and which are regulated by the Board of Directors of the Company for the purposes of evaluating business performance and management decision-making about resource allocations.
  - Provisions are measured based on best estimates of payments to settle future liabilities on the reporting date with the amounts of the payments calculated in consideration of all possible future outcomes. The estimates used to calculate such provisions can be affected by changes in uncertain future economic conditions and therefore contain the risk that the reported amounts for the provisions may require significant revision in the future.
  - Deferred tax assets are recognized based on the assumption that it is highly probable the Company will generate taxable income that can be applied to future deductible temporary differences. The judgment of whether sufficient taxable income will be generated is based on projections in the business plan of when and how much income is expected. Management uses their best estimates to set the estimates; however, uncertain future economic conditions can change to the extent that they affect the actual results.
- **Provisions concerning the Group's future performance**; however, as of the end of the current fiscal year, there are concerns that the spread of COVID-19 will cause a significant slowdown in the global economy. The global economy is expected to gradually recover from fiscal year ending March 31, 2021 through fiscal year ending March 31, 2022 as the spread of COVID-19 in various regions converges and economic activities resume. However, the Group's future performance could be significantly affected if the impact of the pandemic on the global economy is longer than expected.
  - The Group's reportable segment information is as follows:
  - The Group reports core operating profit as segment profit. Core operating profit corresponds to operating profit under Japanese GAAP calculated by subtracting selling, general and administrative expenses from gross profit.

(2) Reportable segment information

The Group's reportable segment information is as follows:

- The accounting methods of the reported business segments are the same as those presented in "3. Significant Accounting Policies."
  - Operating profit

5 Segment Information

(1) Summary of reportable segments

The Group's reportable segments are composed of business units for which discrete financial information is available and which are regularly reviewed by the Board of Directors of the Company for the purposes of evaluating business performance and management decision-making about resource allocations.

The Group's reportable segments, based on the economic features and similarity of products and services, comprise its two principal reportable segments, which are "musical instruments" and "audio equipment." Other businesses are included in the "others" segment.

The musical instruments segment includes the manufacture and sales of pianos, digital musical instruments, wind, string, and percussion instruments; and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The "others" segment includes electronic devices business, automobile interior wood components, factory automation (FA) equipment, golf products, resorts, and certain other lines of business.

(2) Reportable segment information

The Group's reportable segment information is as follows:

- The accounting methods of the reported business segments are the same as those presented in "3. Significant Accounting Policies."
  - Operating profit

Note: Intersegment revenue is based on the prevailing market price.

* Capital expenditures represent increases in expenditures for property, plant and equipment, intangible assets and right-of-use assets. Depreciation and amortization represent amounts corresponding to capital expenditures.
A) Revenue

Information on revenue and non-current assets by geographical areas is as follows:

(4) Information about geographical areas

For the fiscal year ended March 31, 2019

<table>
<thead>
<tr>
<th>Region/Category</th>
<th>Revenue from external customers (Millions of yen)</th>
<th>Intersegment revenue (Millions of yen)</th>
<th>Total (Millions of yen)</th>
<th>Adjustments (Millions of yen)</th>
<th>Consolidated (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥279,471</td>
<td>¥120,144</td>
<td>¥404,615</td>
<td>¥34,373</td>
<td>¥439,373</td>
</tr>
<tr>
<td>North America</td>
<td>¥399,616</td>
<td>¥34,757</td>
<td>¥434,373</td>
<td></td>
<td>¥434,373</td>
</tr>
<tr>
<td>Europe</td>
<td>¥384,706</td>
<td>¥334</td>
<td>¥418,040</td>
<td>(334)</td>
<td>¥414,708</td>
</tr>
<tr>
<td>Asia, Oceania, and other areas</td>
<td>¥244,259</td>
<td>¥1,214</td>
<td>¥245,473</td>
<td></td>
<td>¥245,473</td>
</tr>
</tbody>
</table>

Other income:

- Interest income
- Other income

(1,558)

(3) Information about products and services

The disclosure is omitted since the similar information is presented in "(1) Summary of reportable segments" and "(2) Reportable segment information".

(4) Information about geographical areas

Revenue (Millions of yen): USD: $1,159,754

North America

- U.S.A.: $365,007
- Canada: $254,746

Europe

- Germany: $361,565
- France: $216,189

Asia, Oceania, and other areas

- Korea: $31,688
- Australia: $23,333

(5) Information about major customers

This disclosure is omitted since no single external customer accounts for 10% or more of the Group’s revenue.

6 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

<table>
<thead>
<tr>
<th>Region/Category</th>
<th>Cash and deposits (Millions of yen)</th>
<th>Total (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥124,831</td>
<td>¥146,373</td>
</tr>
<tr>
<td>North America</td>
<td>¥124,771</td>
<td>¥146,373</td>
</tr>
<tr>
<td>Europe</td>
<td>¥124,771</td>
<td>¥146,373</td>
</tr>
<tr>
<td>Asia, Oceania, and other areas</td>
<td>¥124,771</td>
<td>¥146,373</td>
</tr>
</tbody>
</table>

7 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

<table>
<thead>
<tr>
<th>Region/Category</th>
<th>Notes and trade receivables (Millions of yen)</th>
<th>Allowance for doubtful accounts (Millions of yen)</th>
<th>Total (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥51,537</td>
<td>(1,760)</td>
<td>¥49,777</td>
</tr>
<tr>
<td>North America</td>
<td>¥47,727</td>
<td>(1,108)</td>
<td>¥46,619</td>
</tr>
<tr>
<td>Europe</td>
<td>¥626,996</td>
<td>(667)</td>
<td>¥620,329</td>
</tr>
<tr>
<td>Asia, Oceania, and other areas</td>
<td>¥102,667</td>
<td>(1,270)</td>
<td>¥101,397</td>
</tr>
</tbody>
</table>

8 Inventories

The breakdown of inventories is as follows:

<table>
<thead>
<tr>
<th>Region/Category</th>
<th>Finished goods and merchandise (Millions of yen)</th>
<th>Work in process (Millions of yen)</th>
<th>Raw materials and supplies (Millions of yen)</th>
<th>Total (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥106,231</td>
<td>13,771</td>
<td>13,339</td>
<td>¥133,341</td>
</tr>
<tr>
<td>North America</td>
<td>¥100,054</td>
<td>13,771</td>
<td>13,339</td>
<td>¥127,164</td>
</tr>
</tbody>
</table>

Note: The amounts of write-downs (reversal of write-downs) of inventories recognized in "Cost of sales" for the fiscal years ended March 31, 2020 and 2019 were ¥391 million ($2,560 thousand) and ¥520 million, respectively. The reversal refers to reversal of write-downs recognized in the previous fiscal year due to revaluation, etc.
9. Other current assets

The breakdown of other current assets is as follows:

<table>
<thead>
<tr>
<th>Components</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>$13,700</td>
<td>$12,120</td>
<td>$10,720</td>
<td>$26,540</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>$1,968</td>
<td>$2,985</td>
<td>$3,157</td>
<td>$61</td>
</tr>
<tr>
<td>Other</td>
<td>$4,791</td>
<td>$4,497</td>
<td>$6,110</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$19,405</td>
<td>$16,617</td>
<td>$13,898</td>
<td></td>
</tr>
</tbody>
</table>

2. Impairment losses or reversal of impairment losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Please see “26. Other income.

10. Property, Plant and Equipment

Changes in book value, acquisition cost, accumulated depreciation and impairment losses of property, plant and equipment are as follows:

(1) Changes in book value

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>$1,462,670</td>
</tr>
<tr>
<td>Balance as of March 31, 2019</td>
<td>$1,462,670</td>
</tr>
<tr>
<td>Value change in current year</td>
<td>$0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$765,060</td>
</tr>
<tr>
<td>Sales or disposals</td>
<td>$24,000</td>
</tr>
<tr>
<td>Changes in other current assets</td>
<td>$10,144</td>
</tr>
<tr>
<td>Total depreciation</td>
<td>$789,204</td>
</tr>
<tr>
<td>Total impairment losses</td>
<td>$3,253</td>
</tr>
<tr>
<td>Total other current assets</td>
<td>$103,450</td>
</tr>
<tr>
<td>Total</td>
<td>$873,016</td>
</tr>
</tbody>
</table>

(2) Acquisition cost

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$103,465</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>$73,537</td>
</tr>
<tr>
<td>Total income taxes receivable</td>
<td>$67,836</td>
</tr>
<tr>
<td>Total acquisition cost</td>
<td>$26,132</td>
</tr>
<tr>
<td>Total acquisition income</td>
<td>$14,400</td>
</tr>
<tr>
<td>Total acquisition income per share</td>
<td>$2.80,453</td>
</tr>
</tbody>
</table>

(3) Accumulated depreciation and impairment losses

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$1,051,233</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>$12,381</td>
</tr>
<tr>
<td>Total income taxes receivable</td>
<td>$25,331</td>
</tr>
<tr>
<td>Total acquisition cost</td>
<td>$19,851</td>
</tr>
<tr>
<td>Total acquisition income</td>
<td>$86,842</td>
</tr>
<tr>
<td>Total acquisition income per share</td>
<td>$2,739,291</td>
</tr>
</tbody>
</table>

11. Leases

The Group leases land, buildings and structures, machinery and vehicles, and tools, furniture and fixtures. Land and buildings are real estate properties used as offices, factories, stores and music schools.

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>$2,187</td>
</tr>
<tr>
<td>Buildings and structures as underlying assets</td>
<td>$2,187</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>$1,927</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>$2,368</td>
</tr>
<tr>
<td>Total depreciation</td>
<td>$6,471</td>
</tr>
<tr>
<td>Total impairment losses</td>
<td>$3,132</td>
</tr>
<tr>
<td>Total income losses</td>
<td>$7,593</td>
</tr>
<tr>
<td>Total cash outflows for leases</td>
<td>$8,460</td>
</tr>
<tr>
<td>Total cash outflows for leases per share</td>
<td>$2,80,453</td>
</tr>
<tr>
<td>Total balance of right-of-use assets</td>
<td>$24,480</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>$2,80,453</td>
</tr>
<tr>
<td>Total income taxes receivable</td>
<td>$21,110</td>
</tr>
<tr>
<td>Total acquisition cost</td>
<td>$23,938</td>
</tr>
</tbody>
</table>

Note: Depreciation of property, plant and equipment is included in “Cost of sales,” “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of income.

* Depreciation, impairment losses or reversal of impairment losses are included in “Other income” and “Other expenses” in the consolidated statement of income. Please see “26. Other income and Other Expenses” for the details of impairment losses.
12 Goodwill and Intangible Assets

Changes in book value, acquisition cost, accumulated amortization, and impairment losses of goodwill and intangible assets are as follows:

1) Changes in book value

<table>
<thead>
<tr>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of April 1, 2018</td>
<td>–</td>
<td>–</td>
<td>$689</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
<td>253</td>
</tr>
<tr>
<td>Acquisition due to business combination</td>
<td>161</td>
<td>–</td>
<td>651</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>(257)</td>
<td>(257)</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>(6)</td>
<td>10</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>0</td>
<td>(18)</td>
<td>(18)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Balance as of March 31, 2019</td>
<td>$161</td>
<td>–</td>
<td>$1,231</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
<td>204</td>
</tr>
<tr>
<td>Acquisition due to business combination</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>453</td>
<td>–</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>(210)</td>
<td>(210)</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(39)</td>
<td>(18)</td>
<td>(42)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>$115</td>
<td>$4,162</td>
<td>$11,789</td>
</tr>
</tbody>
</table>

2) Acquisition cost

<table>
<thead>
<tr>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2019</td>
<td>$171</td>
<td>–</td>
<td>$12,138</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
<td>1,874</td>
</tr>
<tr>
<td>Acquisition due to business combination</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>–</td>
<td>4,162</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>-1,930</td>
<td>-1,930</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(28)</td>
<td>(38)</td>
<td>(66)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>74</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>$1,462</td>
<td>$4,162</td>
<td>$11,789</td>
</tr>
</tbody>
</table>

* Amortization is included in "Cost of sales," "Selling, general and administrative expenses," and "Other expenses" in the consolidated statement of income.

3) Accumulated amortization and impairment losses

<table>
<thead>
<tr>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of April 1, 2018</td>
<td>–</td>
<td>–</td>
<td>$689</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
<td>253</td>
</tr>
<tr>
<td>Acquisition due to business combination</td>
<td>161</td>
<td>–</td>
<td>651</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>(257)</td>
<td>(257)</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>(6)</td>
<td>10</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>0</td>
<td>(18)</td>
<td>(18)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Balance as of March 31, 2019</td>
<td>$161</td>
<td>–</td>
<td>$1,231</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
<td>204</td>
</tr>
<tr>
<td>Acquisition due to business combination</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>453</td>
<td>–</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>(210)</td>
<td>(210)</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(39)</td>
<td>(18)</td>
<td>(42)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>$115</td>
<td>$4,162</td>
<td>$11,789</td>
</tr>
</tbody>
</table>

13 Other Financial Assets

The status of other financial assets under current assets and financial assets under non-current assets is as follows:

1) Breakdown of other financial assets

<table>
<thead>
<tr>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>–</td>
<td>–</td>
<td>$24,892</td>
</tr>
</tbody>
</table>

Financial assets measured at amortized cost:

- Time deposits with a maturity of more than three months: ¥12,757, 10,246, 5,327, 117,220
- Other: 4,188, 4,450, 4,732, 38,482

Subtotal: ¥16,945, 14,698, 9,085, 155,702

Financial assets measured at fair value through profit or loss:

- Debt instruments: 497, –, –, 4,567
- Derivative assets: 128, 207, 178, 1,176

Subtotal: ¥806, 453, 178, 5,143

Financial assets measured at fair value through other comprehensive income:

- Equity instruments: 63,185, 96,698, 134,034, 580,584
- Other: ¥3,686, 33,869, ¥34,094, ¥580,584

Subtotal: ¥80,756, ¥11,701, ¥142,272, ¥742,038

Note: The Group applies hedge accounting for derivative assets.

2) Equity instruments measured at fair value through other comprehensive income

The Group designates stocks of Yamaha Motor Co., Ltd. which uses the common brand name and stocks of related companies of other businesses as equity instruments measured at fair value through other comprehensive income.

All major stockholdings and their fair value

Names of major equity instruments measured at fair value through other comprehensive income and their fair value are as follows:

As of March 31, 2020 | Millions of yen | Thousands of U.S. dollars (Note 2)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed companies:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yamaha Motor Co., Ltd.</td>
<td>¥405,278</td>
<td>$416,043</td>
</tr>
<tr>
<td>MS&amp;AD Insurance Group Holdings, Inc.</td>
<td>3,136</td>
<td>33,869</td>
</tr>
<tr>
<td>TOYOTA MOTOR CORPORATION</td>
<td>3,258</td>
<td>29,937</td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.</td>
<td>1,845</td>
<td>16,953</td>
</tr>
<tr>
<td>Audinate Group Limited</td>
<td>1,575</td>
<td>14,472</td>
</tr>
<tr>
<td>Other</td>
<td>2,047</td>
<td>18,809</td>
</tr>
<tr>
<td>Total</td>
<td>5,494</td>
<td>50,482</td>
</tr>
</tbody>
</table>

As of March 31, 2019 | Millions of yen
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed companies:</td>
<td></td>
</tr>
<tr>
<td>Yamaha Motor Co., Ltd.</td>
<td>¥75,209</td>
</tr>
<tr>
<td>MS&amp;AD Insurance Group Holdings, Inc.</td>
<td>4,106</td>
</tr>
<tr>
<td>TOYOTA MOTOR CORPORATION</td>
<td>3,251</td>
</tr>
<tr>
<td>Audinate Group Limited</td>
<td>2,967</td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.</td>
<td>2,367</td>
</tr>
<tr>
<td>Other</td>
<td>3,004</td>
</tr>
<tr>
<td>Total</td>
<td>5,747</td>
</tr>
</tbody>
</table>

Note: The Group applies hedge accounting for derivative assets.
14 Income Taxes

(1) Breakdown of deferred tax assets and deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on write-downs of inventories</td>
<td>¥ 1,779</td>
<td>¥ 24</td>
<td>¥ –</td>
<td>¥ 1,804</td>
<td>$ 21,132</td>
<td>$ 2,039</td>
<td>$ 20,493</td>
<td>$ 2,297</td>
<td>$ 21,132</td>
</tr>
<tr>
<td>Unrealized gain on inventory, property, and equipment</td>
<td>¥ 3,155</td>
<td>¥ (213)</td>
<td>¥ –</td>
<td>¥ 3,418</td>
<td>$ 28,425</td>
<td>$ (2,150)</td>
<td>$ 30,575</td>
<td>$ (2,150)</td>
<td>$ 28,425</td>
</tr>
<tr>
<td>Excess of depreciation and amortization</td>
<td>¥ 6,543</td>
<td>¥ (348)</td>
<td>¥ –</td>
<td>¥ 6,195</td>
<td>$ 49,380</td>
<td>$ (3,018)</td>
<td>$ 52,398</td>
<td>$ (3,018)</td>
<td>$ 49,380</td>
</tr>
<tr>
<td>Impairment losses on non-financial assets</td>
<td>¥ 689</td>
<td>¥ 693</td>
<td>¥ –</td>
<td>¥ 1,382</td>
<td>$ 6,872</td>
<td>$ 693</td>
<td>$ 7,565</td>
<td>$ 693</td>
<td>$ 7,565</td>
</tr>
<tr>
<td>Accrued employees’ bonuses</td>
<td>¥ 2,261</td>
<td>¥ 32</td>
<td>¥ –</td>
<td>¥ 2,282</td>
<td>$ 15,668</td>
<td>$ 32</td>
<td>$ 16,012</td>
<td>$ 32</td>
<td>$ 16,012</td>
</tr>
<tr>
<td>Provision for product warranty</td>
<td>¥ 286</td>
<td>¥ 311</td>
<td>¥ –</td>
<td>¥ 578</td>
<td>$ 2,427</td>
<td>$ 311</td>
<td>$ 2,738</td>
<td>$ 311</td>
<td>$ 2,738</td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>¥ 6,885</td>
<td>¥ (490)</td>
<td>¥ 71</td>
<td>¥ 6,466</td>
<td>$ 34,507</td>
<td>$ (490)</td>
<td>$ 34,017</td>
<td>$ (490)</td>
<td>$ 34,017</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>¥ 245</td>
<td>¥ (49)</td>
<td>¥ –</td>
<td>¥ 196</td>
<td>$ 1,262</td>
<td>$ (49)</td>
<td>$ 1,113</td>
<td>$ (49)</td>
<td>$ 1,113</td>
</tr>
<tr>
<td>Other</td>
<td>¥ 6,593</td>
<td>¥ 613</td>
<td>¥ (14)</td>
<td>¥ 7,191</td>
<td>$ 39,890</td>
<td>$ 613</td>
<td>$ 39,277</td>
<td>$ 613</td>
<td>$ 39,277</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for deferred gain on property, and equipment</td>
<td>¥ (2,869)</td>
<td>¥ 101</td>
<td>¥ –</td>
<td>¥ (2,767)</td>
<td>$ (20,368)</td>
<td>$ 101</td>
<td>$ (20,469)</td>
<td>$ 101</td>
<td>$ (20,469)</td>
</tr>
<tr>
<td>Retained earnings of overseas subsidiaries</td>
<td>¥ (2,708)</td>
<td>¥ (10)</td>
<td>¥ –</td>
<td>¥ (2,718)</td>
<td>$ (20,354)</td>
<td>$ (10)</td>
<td>$ (20,364)</td>
<td>$ (10)</td>
<td>$ (20,364)</td>
</tr>
<tr>
<td>Change in fair value of financial assets</td>
<td>¥ (23,838)</td>
<td>¥ –</td>
<td>¥ 3,592</td>
<td>¥ (24,426)</td>
<td>$ (100,850)</td>
<td>$ –</td>
<td>$ (100,880)</td>
<td>$ –</td>
<td>$ (100,880)</td>
</tr>
<tr>
<td>Other</td>
<td>¥ (299)</td>
<td>¥ (666)</td>
<td>¥ –</td>
<td>¥ (1,165)</td>
<td>$ (63,179)</td>
<td>$ (666)</td>
<td>$ (63,845)</td>
<td>$ (666)</td>
<td>$ (63,845)</td>
</tr>
<tr>
<td>Deferred tax liabilities, subtotal</td>
<td>¥ (29,731)</td>
<td>¥ (775)</td>
<td>¥ 3,592</td>
<td>¥ (29,986)</td>
<td>$ (103,924)</td>
<td>$ (775)</td>
<td>$ (104,699)</td>
<td>$ (775)</td>
<td>$ (104,699)</td>
</tr>
<tr>
<td>Deferred tax assets on liabilities, net</td>
<td>¥ (1,413)</td>
<td>¥ (265)</td>
<td>¥ 9,848</td>
<td>¥ 7,969</td>
<td>$ (8,228)</td>
<td>$ (265)</td>
<td>$ (8,493)</td>
<td>$ (265)</td>
<td>$ (8,493)</td>
</tr>
</tbody>
</table>

Note: Changes due to foreign exchange fluctuations are included in the amounts recognized through profit or loss.

(2) Future deductible temporary differences and tax loss carryforwards for which no deferred tax assets were recognized

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future deductible temporary differences</td>
<td>¥ 20,917</td>
<td>¥ (506)</td>
<td>¥ 10,750</td>
<td>¥ 21,413</td>
<td></td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>3,233</td>
<td>3,319</td>
<td>4,869</td>
<td>29,707</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥ 24,151</td>
<td>¥ (3,394)</td>
<td>¥ 15,619</td>
<td>¥ 31,190</td>
<td></td>
</tr>
</tbody>
</table>

Note: The amounts of tax loss carryforwards include amounts of tax credit carryforwards.
The above tax loss carryforwards (tax base) expire as follows:

<table>
<thead>
<tr>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>¥ 181</td>
<td>¥ 684</td>
<td>$ 1,004</td>
<td>$ 1,663</td>
<td></td>
</tr>
<tr>
<td>Between one and two years</td>
<td>124</td>
<td>177</td>
<td>964</td>
<td>1,139</td>
<td></td>
</tr>
<tr>
<td>Between two and three years</td>
<td>230</td>
<td>107</td>
<td>251</td>
<td>2,113</td>
<td></td>
</tr>
<tr>
<td>Between three and four years</td>
<td>40</td>
<td>130</td>
<td>73</td>
<td>368</td>
<td></td>
</tr>
<tr>
<td>Over four years</td>
<td>2,656</td>
<td>2,619</td>
<td>2,636</td>
<td>24,405</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥3,233</td>
<td>¥3,919</td>
<td>$4,369</td>
<td>$25,707</td>
<td></td>
</tr>
</tbody>
</table>

(3) Future taxable temporary differences for which no deferred tax liabilities were recognized

Future taxable temporary differences (future tax base) for which no deferred tax liabilities were recognized are as follows:

<table>
<thead>
<tr>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of future taxable temporary differences associated with investments in subsidiaries</td>
<td>¥79,387</td>
<td>¥76,989</td>
<td>¥70,964</td>
<td>¥729,459</td>
<td></td>
</tr>
</tbody>
</table>

(5) Reconciliation of statutory effective tax rate and average effective tax rate

The reconciliation between the statutory effective tax rate and the average effective tax rate is as follows:

<table>
<thead>
<tr>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory effective tax rate</td>
<td>23.9%</td>
<td>23.0%</td>
<td>Average effective tax rate</td>
<td>22.5</td>
<td>22.5</td>
</tr>
<tr>
<td>Tax adjustments other than temporary differences</td>
<td>(0.1)</td>
<td>(0.2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference in tax rates applied for foreign operations</td>
<td>(3.0)</td>
<td>(2.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in deferred tax assets not recognized</td>
<td>(0.8)</td>
<td>(1.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special deduction for research and development expenses</td>
<td>(2.7)</td>
<td>(2.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign withholding taxes</td>
<td>0.9</td>
<td>1.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesian subsidiary’s past corporation tax</td>
<td>-</td>
<td>2.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Influence by sale of investments in associated company</td>
<td>0.3</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.8</td>
<td>0.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>22.5</td>
<td>22.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
18 Provisions

The breakdown of provisions and changes during the year are as follows:

<table>
<thead>
<tr>
<th>Provision or change</th>
<th>Balance as of April 1, 2018</th>
<th>Increase</th>
<th>Decrease (utilized as intended)</th>
<th>Decrease (reversal)</th>
<th>Unwinding of discount</th>
<th>Exchange differences on translation</th>
<th>Balance as of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current liabilities</td>
<td>¥1,773</td>
<td>¥ 522</td>
<td>¥  4</td>
<td>¥2,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>813</td>
<td>69</td>
<td>3</td>
<td>906</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (utilized as intended)</td>
<td>(706)</td>
<td>(108)</td>
<td>–</td>
<td>(915)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (reversal)</td>
<td>(27)</td>
<td>–</td>
<td>–</td>
<td>(27)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(2)</td>
<td>1</td>
<td>–</td>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of March 31, 2019</td>
<td>¥1,846</td>
<td>¥ 505</td>
<td>¥  8</td>
<td>¥2,354</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To provide for post-sales repair expenses, provision for product warranty is accounted for based on historical experience considering revenue, sales volumes or on individual estimates. Although payments for repairs are mainly made within one year after a claim, certain payments are made beyond one year. Amounts of the obligations may be affected by future business strategy.

19 Other current liabilities

The breakdown of Other current liabilities is as follows:

<table>
<thead>
<tr>
<th>Other current liabilities</th>
<th>2020</th>
<th>2019</th>
<th>Date of transition to IFRS (April 1, 2018)</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued paid leave</td>
<td>¥4,636</td>
<td>¥4,636</td>
<td>¥ 4,395</td>
<td>¥4,359</td>
</tr>
<tr>
<td>Advances received</td>
<td>5,426</td>
<td>2,850</td>
<td>3,256</td>
<td>49,858</td>
</tr>
<tr>
<td>Other</td>
<td>3,049</td>
<td>4,911</td>
<td>4,407</td>
<td>90,961</td>
</tr>
<tr>
<td>Total</td>
<td>¥11,112</td>
<td>¥12,289</td>
<td>¥12,063</td>
<td>$132,427</td>
</tr>
</tbody>
</table>

20 Employee Benefits

(1) Post-employment benefits

The Company and certain subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans as retirement benefits for employees. The amount of benefits is generally determined based on each employee's length of service, salary and other requirements. The defined benefit plans are exposed to general risks such as investment risk, interest rate and inflation risk. The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

The funded defined benefit plan is operated by Yamaha Corporate Pension Fund and other administrators that are legally independent from the Group in accordance with the Defined-Benefit Corporate Pension Act (the "Act"). As stipulated in the Act, the Board of Directors of the pension fund and the pension management trustee should act in the best interest of the plan participants and have responsibilities to manage the fund assets based on the prescribed policies.

In addition, there are certain cases that the Group may pay extra retirement allowances to employees, which are not subject to actuarial calculations. Please see "3. Significant Accounting Policies (11) Employee benefits, A) Post-employment benefits" for the accounting policies for post-employment benefits.

A) Defined benefit plans (funded and unfunded)

(a) Reconciliation of defined benefit obligation and plan assets

Reconciliation of balances of the defined benefit obligation and plan assets and amounts recognized in the consolidated statement of financial position is as follows:

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Defined benefit obligation and assets, net</th>
<th>Plan assets</th>
<th>Defined benefit obligation</th>
<th>Plan assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$20,493</td>
<td>$1,417</td>
<td>$21,909</td>
<td>$1,634</td>
</tr>
<tr>
<td>2019</td>
<td>$19,992</td>
<td>$1,384</td>
<td>$21,376</td>
<td>$1,618</td>
</tr>
<tr>
<td>2020</td>
<td>$23,293</td>
<td>$2,005</td>
<td>$23,704</td>
<td>$2,210</td>
</tr>
</tbody>
</table>

(b) Changes in present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Defined benefit obligations at the beginning of the period</th>
<th>Service cost</th>
<th>Interest cost</th>
<th>Payments from the plan</th>
<th>Remeasurements:</th>
<th>Defined benefit obligations at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$1,071,394</td>
<td>4,087</td>
<td>841</td>
<td>(7,297)</td>
<td>Actuarial differences arising from changes in demographic assumptions</td>
<td>(7,297)</td>
</tr>
<tr>
<td>2019</td>
<td>$1,075,701</td>
<td>4,111</td>
<td>928</td>
<td>(6,553)</td>
<td>Actuarial differences arising from changes in financial assumptions</td>
<td>(6,553)</td>
</tr>
<tr>
<td>2020</td>
<td>$1,089,795</td>
<td>37,954</td>
<td>7,728</td>
<td>(67,050)</td>
<td>Actuarial differences arising from changes in demographic assumptions</td>
<td>(67,050)</td>
</tr>
<tr>
<td>2019</td>
<td>$1,089,154</td>
<td>37,954</td>
<td>7,728</td>
<td>(67,050)</td>
<td>Actuarial differences arising from changes in financial assumptions</td>
<td>(67,050)</td>
</tr>
</tbody>
</table>

Note: Retirement benefit assets are included in "Other non-current assets" in the consolidated statement of financial position.

* Weighted average durations of defined benefit obligations were 11.6 years as of March 31, 2020, 11.4 years as of March 31, 2019, and 11.4 years at the date of transition to IFRS.
sensitivity analysis. The effect to the defined benefit obligations when the major actuarial assumption changes is as follows: This analysis assumes all of other variables are consistent. In reality, however, a change of any other variables may affect the results of this sensitivity analysis.

(b) Changes in fair value of plan assets
Changes in fair value of plan assets are as follows:

The effect to the defined benefit obligations when the major actuarial assumption changes is as follows:

Present value of plan assets at the beginning of the period ¥83,020 ¥80,451 ¥101,625
Interest income 433 544 3,979
Remeasurements
Income on plan assets other than interest income (1,181) 548 (10,852)
Employer’s contributions 2,657 2,602 24,414
Payments from the plan (5,683) (5,613) (52,219)
Exchange differences on translation of foreign operations (27) (13) (171)
Present value of plan assets at the end of the period ¥75,869 ¥83,542 ¥75,000

The plan assets under the funded defined benefit plan are operated mainly by the Yamaha Corporate Pension Fund (the “Fund”). As a basic policy, the Fund manages plan assets by determining an appropriate asset mix from a medium to long-term perspective.

In particular, under the policy, the Fund determines the operating target based on the assumed interest rate for the pension fund and their operating expenses; selects assets that would be appropriate investments to achieve the target; determines the policy asset mix allocation that would be the best asset mix for the future, after considering the expected rate of return on assets, the risk of return and the correlation coefficient between the returns of investments, and maintains those asset mixes. In addition, the Fund renews those asset allocations on a regular or as-needed basis.

For management of the plan assets, the board of representatives will make decisions based on discussions by the asset management committee.

1. The decrease for the fiscal year ended March 31, 2019 is due to cancellation of treasury shares.
2. The increase for the fiscal year ended March 31, 2019 is due to the following:
   a. Increase due to purchase of treasury shares pursuant to a resolution of the Board of Directors - ¥199,344 million
   b. Increase due to purchase of fractional shares of less than one trading unit - ¥2,493 million
   c. The decrease for the fiscal year ended March 31, 2019 is due to the following:
      a. Decrease due to return of restricted stock compensation - ¥2,294 million
      b. The decrease for the fiscal year ended March 31, 2019 is due to cancellation of treasury shares as restricted stock compensation.

21 equity

(1) Policy on equity
With the aim of improving consolidated return on equity, the Group will distribute profit to shareholders while investing in research and development, marketing and capital expenditures to drive corporate growth, based on prospective levels of medium-term consolidated earnings. Although the Group’s basic policy is to distribute profit to shareholders on a continuous and stable basis, the Group will also flexibly distribute profit for the purposes of improving capital efficiency, while balancing and building adequate internal reserves for investments in future corporate growth.

(2) Employee benefit expenses
Total amounts of employee benefit expenses included in “Cost of sales,” “Selling, general and administrative expenses,” and “Other expenses” in the consolidated statement of income were ¥114,725 million ($1,054,167 thousand) and ¥115,114 million for the fiscal years ended March 31, 2020 and 2019, respectively.

(3) Capital surplus and retained earnings
Capital surplus consists of the legal capital reserve and other capital surplus and represents the amount not included in share capital upon the issuance of shares. The Companies Act in Japan requires that 50% or more of paid-in capital for the issuance of shares shall be accounted for as share capital and the remaining amount shall be accounted for as the legal capital reserve. Other capital surplus includes an amount of surplus arising from reversal of the legal capital reserve, gain or loss on disposal of treasury shares, and a decrease due to cancellation of treasury shares. Retained earnings consist of legal retained earnings and other retained earnings that include unappropriated retained earnings. The Company determines the amount available for dividends under the Companies Act in Japan, based on the amount of retained earnings on the Company’s unconsolidated financial statements which are prepared in accordance with Japanese GAAP. The Company distributes retained earnings to its shareholders within certain limitations as stipulated by the Companies Act in Japan on the amount available for dividends.

(b) Defined contribution plans
The amounts recognized as expenses for defined contribution plans were ¥770.3 million ($70,780 thousand) and ¥847.4 million for the fiscal years ended March 31, 2020 and 2019, respectively. In addition to the above, additional retirement benefits of ¥442 million ($388 thousand) and ¥205 million were recognized for the fiscal year ended March 31, 2020 and 2019, respectively.

(2) Employee benefit expenses
Total amounts of employee benefit expenses included in “Cost of sales,” “Selling, general and administrative expenses,” and “Other expenses” in the consolidated statement of income were ¥114,725 million ($1,054,167 thousand) and ¥115,114 million for the fiscal years ended March 31, 2020 and 2019, respectively.

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22 Dividends

The dividends paid are as follows:

For the fiscal year ended March 31, 2020

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Total dividends (millions of yen)</th>
<th>Dividends per share (Yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>¥69,915</td>
<td>¥30.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>¥1,030</td>
<td>¥15.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2019

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Total dividends (millions of yen)</th>
<th>Dividends per share (Yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>¥68,943</td>
<td>¥31.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>¥1,030</td>
<td>¥15.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
</tbody>
</table>

The dividends paid are as follows:

For the fiscal year ended March 31, 2020

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Total dividends (millions of yen)</th>
<th>Dividends per share (Yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
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<td>¥30.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>¥1,030</td>
<td>¥15.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
</tbody>
</table>

For the fiscal year ended March 31, 2019

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Total dividends (millions of yen)</th>
<th>Dividends per share (Yen)</th>
<th>Record date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>¥68,943</td>
<td>¥31.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>¥1,030</td>
<td>¥15.00</td>
<td>31-Mar-19</td>
<td>25-Jun-19</td>
</tr>
</tbody>
</table>

23 Revenue

The breakdown of revenue is as follows:

(1) Breakdown of revenue

Based on economic features and similarity of products and services, the Group classifies its revenue into two reportable segments, “musical instruments” and “audio equipment,” and includes other businesses in the “others” segment. Revenue is also presented by region based on customer location. The breakdown of revenue and segment revenue is disclosed in the following table.

See “5. Segment Information” for product and geographical information about each segment.

<table>
<thead>
<tr>
<th>Region</th>
<th>Reportable segment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Musical instruments</td>
<td>Audio equipment</td>
</tr>
<tr>
<td>Japan</td>
<td>¥68,943</td>
<td>¥31,311</td>
</tr>
<tr>
<td>North America</td>
<td>57,526</td>
<td>26,515</td>
</tr>
<tr>
<td>Europe</td>
<td>49,657</td>
<td>30,269</td>
</tr>
<tr>
<td>China</td>
<td>44,330</td>
<td>7,504</td>
</tr>
<tr>
<td>Asia, Oceania and other areas</td>
<td>48,913</td>
<td>18,792</td>
</tr>
<tr>
<td>Total</td>
<td>¥277,695</td>
<td>¥119,890</td>
</tr>
</tbody>
</table>

Revenue recognized from contracts with customers

<table>
<thead>
<tr>
<th>Reportable segment</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Musical instruments</td>
<td>¥174,041</td>
</tr>
<tr>
<td>Audio equipment</td>
<td>1,530</td>
</tr>
<tr>
<td>Others</td>
<td>5,426</td>
</tr>
</tbody>
</table>

The Group’s revenues mostly consist of the sale of finished goods and merchandise. Revenues from the sale of finished goods and merchandise are recognized when control of finished goods and merchandise is transferred to a customer. Specifically, the Group recognizes revenue when a customer accepts the delivery of finished goods and merchandise, since the legal title, physical possession and significant risk and rewards of ownership of the item are transferred to the customer at that point in time, and the performance obligation has been satisfied.

Revenues are measured as the amount agreed to at the time the contract with a customer was entered into less any discounts, rebates, or incentives.

(2) Balances of contracts

Balances of receivables arising from customer contracts and contract liabilities are as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Millions of yen</th>
<th>Date of transition to U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥53,493</td>
<td>$5,389</td>
</tr>
<tr>
<td>North America</td>
<td>¥51,703</td>
<td>$5,294</td>
</tr>
<tr>
<td>Europe</td>
<td>¥47,504</td>
<td>$4,391</td>
</tr>
<tr>
<td>China</td>
<td>¥34,742</td>
<td>$3,364</td>
</tr>
</tbody>
</table>

Of revenue recognized for the fiscal years ended March 31, 2020 and 2019, the balances included in contract liabilities at the beginning of the respective years were ¥2,671 million ($24,543 thousand) and ¥3,223 million, respectively. In addition, for the fiscal years ended March 31, 2020 and 2019, there is no significant revenue recognized from the performance obligation fulfilled in the past.

In addition, the Group provides services, such as music school business, in which revenue from the services is recognized when the services are performed since the performance obligation has been satisfied at that point.
24 Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freight and transportation expenses</td>
<td>¥118,746</td>
<td>¥108,286</td>
<td>¥118,746</td>
</tr>
<tr>
<td>Advertising and sales promotion expenses</td>
<td>(15,241)</td>
<td>(15,241)</td>
<td>(15,241)</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(561,280)</td>
<td>(561,280)</td>
<td>(561,280)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(45,043)</td>
<td>(45,043)</td>
<td>(45,043)</td>
</tr>
<tr>
<td>Other</td>
<td>(356,492)</td>
<td>(356,492)</td>
<td>(356,492)</td>
</tr>
<tr>
<td>Total</td>
<td>(1,210,190)</td>
<td>(1,210,190)</td>
<td>(1,210,190)</td>
</tr>
</tbody>
</table>

25 Research and Development Expenses

The amount of research and development expenses included in cost of goods sales and selling, general and administrative expenses of the consolidated statement of income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development expenses</td>
<td>¥228,007</td>
<td>¥228,007</td>
<td>¥228,007</td>
</tr>
</tbody>
</table>

26 Other Income and Other Expenses

The breakdown of other income and other expenses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain on sale of fixed assets</td>
<td>¥3,418</td>
<td>¥152</td>
<td>¥3,418</td>
</tr>
<tr>
<td>Government grants</td>
<td>9,788</td>
<td>9,788</td>
<td>9,788</td>
</tr>
<tr>
<td>Reversal of impairment losses</td>
<td>3,749</td>
<td>3,749</td>
<td>3,749</td>
</tr>
<tr>
<td>Loss on sale and retrieval of fixed assets</td>
<td>(1,020)</td>
<td>(1,020)</td>
<td>(1,020)</td>
</tr>
<tr>
<td>Loss from suspension of operations</td>
<td>(12,735)</td>
<td>(12,735)</td>
<td>(12,735)</td>
</tr>
<tr>
<td>Impairment loss**</td>
<td>(30,598)</td>
<td>(30,598)</td>
<td>(30,598)</td>
</tr>
<tr>
<td>Loss on sale of investments in associates</td>
<td>(2,123)</td>
<td>(2,123)</td>
<td>(2,123)</td>
</tr>
<tr>
<td>Restructuring expenses</td>
<td>1,001</td>
<td>1,001</td>
<td>1,001</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>34,219</td>
<td>34,219</td>
<td>34,219</td>
</tr>
</tbody>
</table>

27 Finance Income and Finance Expenses

The breakdown of finance income and finance expenses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>¥7,462</td>
<td>¥8,600</td>
<td>¥7,462</td>
</tr>
<tr>
<td>Dividend income</td>
<td>34,219</td>
<td>34,219</td>
<td>34,219</td>
</tr>
<tr>
<td>Gain on revaluation of investment securities</td>
<td>(505,385)</td>
<td>(505,385)</td>
<td>(505,385)</td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>3,724</td>
<td>3,724</td>
<td>3,724</td>
</tr>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td>3,724</td>
<td>3,724</td>
<td>3,724</td>
</tr>
<tr>
<td>Foreign exchange gain or loss</td>
<td>(3,188)</td>
<td>(3,188)</td>
<td>(3,188)</td>
</tr>
<tr>
<td>Total</td>
<td>34,219</td>
<td>34,219</td>
<td>34,219</td>
</tr>
</tbody>
</table>

28 Other Comprehensive Income

The adjustments and reclassifications by items of other comprehensive income and income tax adjustment are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>¥7</td>
<td>¥7</td>
<td>¥7</td>
</tr>
<tr>
<td>Revaluations of financial assets measured at fair value through other comprehensive income</td>
<td>(33,023)</td>
<td>(33,023)</td>
<td>(33,023)</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates accounted for using equity method</td>
<td>(23,431)</td>
<td>(23,431)</td>
<td>(23,431)</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>¥133,090</td>
<td>¥133,090</td>
<td>¥133,090</td>
</tr>
</tbody>
</table>
The breakdown of major non-cash transactions is as follows:

### Reconciliation of Liabilities Arising from Financing Activities

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Balance at beginning of the period</th>
<th>Changes due to cash flows from financing activities</th>
<th>Acquisition of right-of-use assets</th>
<th>Effect of changes in foreign exchange rate</th>
<th>Balance at end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liabilities</td>
<td>$23,988</td>
<td>$15,229</td>
<td>$10,669</td>
<td>$21,229</td>
<td>$21,229</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>8,936</td>
<td>2,120</td>
<td>–</td>
<td>10,806</td>
<td></td>
</tr>
<tr>
<td>Resort membership deposits</td>
<td>8,087</td>
<td>(17)</td>
<td>–</td>
<td>8,086</td>
<td></td>
</tr>
</tbody>
</table>

### Share-Based Compensation Payments

1. **Overview of share-based compensation plans**

   The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers (excluding the executive officers in charge of internal audit) and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders.

   As the equity-settled share-based compensation plan, the Group adopts a restricted stock compensation plan. Under the plan, the Group grants monetary compensation receivables to eligible executive officers (excluding the executive officer in charge of the internal audit) and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders. For the purpose of giving incentive to achieve performance targets in the medium term, the Group sets conditions for releasing transfer restrictions in a way that two-thirds of the restricted stock compensation are based on operating performance, while equally considering performance indicators such as “Core operating income ratio,” “ROE” and “EPS” as presented in the Medium-Term Management Plan. With the aim of sharing value with shareholders over a long period of time after the Medium-Term Management Plan, the transfer restrictions shall not be released until the retirement as officers (the period of restriction on transfer shall be 30 years or upon the retirement from officers). In addition, a clawback provision shall be applied if any significant fraudulent accounting or significant losses were revealed, so that all or a part of the accumulated number of restricted shares shall be returned free of charge, depending on the responsibilities of each officer.

   The cash-settled share-based compensation plan is a cash-settled share-based payment whose conditions are the same as the restricted stock compensation plan.
Credit risk exposures to the receivables held by the Group are as follows:

(b) Credit risk exposures

The maximum credit risk exposures for financial assets are presented based on the book value in the consolidated financial statements.

Derivative transactions are executed based on the Group’s policy and rules. Limiting derivative transactions to actual exposure, the Group does not enter into derivative transactions for speculative purposes. In addition, in order to mitigate counterparty credit risk, the Group only enters into derivative transactions where the counterparty is a financial institution that satisfies certain rating conditions.

As to trade receivables from domestic and overseas customers, the Group is exposed to a risk that those receivables may become uncollectible due to deterioration in credit standing or bankruptcy of customers. Establishing rules for managing its credit exposure and trade receivables, the Group has established a risk management system; that is, the Group has set up the Group Financial Management Policies and Rules, and the Company and its consolidated subsidiaries have prepared rules based on the Policies and Rules.

The Group establishes a cash management plan based on the annual management plan, prepares and updates a cash flow budget to control cash flows, and monitors the budget and actual cash flows on a continuous basis. In addition, the Company, its domestic subsidiaries and certain overseas subsidiaries manage the liquidity risk by practicing group finance.

Financial Instruments

(1) Policy on capital management

The Group, in principle, limits its cash management to deposits for which the principal is guaranteed and interest rates are fixed. In addition, the Group raises funds mainly through bank borrowings. Furthermore, the Company, its domestic subsidiaries and certain overseas subsidiaries participate in group finance. The Group uses derivatives for the purpose of reducing risks mentioned below and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Financial risk management

The Group is exposed to various financial risks including credit risk, liquidity risk, and market risk in the course of business activities. To mitigate such risks, the Group has established a risk management system; that is, the Group has set up the Group Financial Management Policies and Rules, and the Company and its consolidated subsidiaries have prepared rules based on the Policies and Rules.

(a) Credit risk management

The Group is exposed to credit risk that the Group may suffer a financial loss if a counterparty of holding financial assets could not perform contractual obligations.

As to trade receivables from domestic and overseas customers, the Group is exposed to a risk that those receivables may become uncollectible due to deterioration in credit standing or bankruptcy of customers. Establishing rules for managing its credit exposure and trade receivables, the Group evaluates and manages a credit limit by customer, keeps records of receivables and confirms outstanding balances on a regular basis. For receivables that become overdue, the Group monitors the cause and estimates when they will be collectible.

Regarding excess funds, the Group, in principle, limits the investments to principal guaranteed deposits with fixed interest rates, thereby emphasizing safety and security.

Derivative transactions are executed based on the Group’s policy and rules. Limiting derivative transactions to actual exposure, the Group does not enter into derivative transactions for speculative purposes. In addition, in order to mitigate counterparty credit risk, the Group only enters into derivative transactions with financial institutions with high-credit ratings.

The maximum credit risk exposures for financial assets are presented based on the book value in the consolidated financial statements.

(b) Credit risk exposures

Credit risk exposures to the receivables held by the Group are as follows:

(c) Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Accountability in allowance for doubtful accounts</th>
<th>Sales income</th>
<th>Other items</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2020</td>
<td>Book value</td>
<td>Contractual</td>
<td>Within one year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Book value</th>
<th>Contractual</th>
<th>Within one year</th>
<th>Between one and two years</th>
<th>Between three and four years</th>
<th>Between four and five years</th>
<th>Over five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2020</td>
<td>Book value</td>
<td>Contractual</td>
<td>Within one year</td>
<td>Between one and two years</td>
<td>Between three and four years</td>
<td>Between four and five years</td>
<td>Over five years</td>
</tr>
<tr>
<td>Non-derivative liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2020 and 2019, no significant financial assets were transferred between levels.

The fair value hierarchy is as follows:

- **Level 1**: Fair value measured using unadjusted quoted prices in active markets
- **Level 2**: Fair value measured using inputs other than Level 1 inputs that are observable either directly or indirectly
- **Level 3**: Fair value measured using valuation techniques that rely on unobservable inputs

The fair value of financial instruments measured at amortized cost approximates their book value. Thus, the disclosure of a comparison between the fair value and book value of these financial instruments is omitted.

### (b) Fair value measurement method

Fair value measurement method of major financial instruments is as follows:

- **Cash and cash equivalents, financial assets and liabilities (excluding borrowings and lease liabilities) measured at amortized cost**
  - Cash and cash equivalents, short-term investments, receivables and payables (excluding borrowings and lease liabilities) measured at amortized cost are settled in a short period of time or are financial instruments which are payable on demand. Since their fair value approximates book value, their book value is used as fair value.

- **Equity instruments and debt instruments measured at fair value through profit or loss**
  - Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

### (c) Borrowings

Short-term borrowings are settled in a short period of time and their fair value approximates their book value. Thus, the book value is used as fair value. Fair value of long-term borrowings is calculated by discounted future cash flows by interest rates assumed for new similar borrowings, and classified as Level 2.

### (d) Derivatives transactions

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

### (e) Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost approximates their book value. Thus, the disclosure of a comparison between the fair value and book value of these financial instruments is omitted.

### (f) Derivatives transactions

The breakdown of financial instruments measured at fair value is as follows:

### (g) Price fluctuation risk of equity instruments

The Company holds equity instruments including stocks of companies with which it has business relationships, and therefore, is exposed to a market price fluctuation risk. The Company continuously monitors the status of changes in fair value of these equity instruments. The Group does not hold equity instruments for short-term trading purposes and does not actively trade them.

As to equity instruments held by the Group during the fiscal years ended March 31, 2020 and 2019, the table below shows the potential impact on profit before income taxes in the consolidated statement of comprehensive income if the Japanese yen appreciated against related foreign currencies by 1.0%. This analysis does not include the effects of foreign currency translation into Japanese yen with regard to financial instruments denominated in functional currencies and assets, liabilities, revenue and expenses of foreign operations. In addition, it excludes the amount for which foreign exchange fluctuation risk is hedged by derivative transactions.

### (3) Fair value of financial instruments

#### (a) Fair value hierarchy

The fair value hierarchy is as follows:

- **Level 1**: Fair value measured using unadjusted quoted prices in active markets
- **Level 2**: Fair value measured using inputs other than Level 1 inputs that are observable either directly or indirectly
- **Level 3**: Fair value measured using valuation techniques that rely on unobservable inputs

The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2020 and 2019, no significant financial assets were transferred between levels.

### (b) Equity instruments and debt instruments measured at fair value through profit or loss

Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

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### (d) Derivatives transactions

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

### (e) Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost approximates their book value. Thus, the disclosure of a comparison between the fair value and book value of these financial instruments is omitted.

### (f) Derivatives transactions

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### (3) Fair value of financial instruments

#### (a) Fair value hierarchy

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The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2020 and 2019, no significant financial assets were transferred between levels.

### (b) Equity instruments and debt instruments measured at fair value through profit or loss

Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

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### (d) Derivatives transactions

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

### (e) Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost approximates their book value. Thus, the disclosure of a comparison between the fair value and book value of these financial instruments is omitted.

### (f) Derivatives transactions

The breakdown of financial instruments measured at fair value is as follows:

### (g) Price fluctuation risk of equity instruments

The Company holds equity instruments including stocks of companies with which it has business relationships, and therefore, is exposed to a market price fluctuation risk. The Company continuously monitors the status of changes in fair value of these equity instruments. The Group does not hold equity instruments for short-term trading purposes and does not actively trade them.

As to equity instruments held by the Group during the fiscal years ended March 31, 2020 and 2019, the table below shows the potential impact on profit before income taxes in the consolidated statement of comprehensive income if the Japanese yen appreciated against related foreign currencies by 1.0%. This analysis does not include the effects of foreign currency translation into Japanese yen with regard to financial instruments denominated in functional currencies and assets, liabilities, revenue and expenses of foreign operations. In addition, it excludes the amount for which foreign exchange fluctuation risk is hedged by derivative transactions.

### (3) Fair value of financial instruments

#### (a) Fair value hierarchy

The fair value hierarchy is as follows:

- **Level 1**: Fair value measured using unadjusted quoted prices in active markets
- **Level 2**: Fair value measured using inputs other than Level 1 inputs that are observable either directly or indirectly
- **Level 3**: Fair value measured using valuation techniques that rely on unobservable inputs

The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2020 and 2019, no significant financial assets were transferred between levels.
The breakdown of financial instruments measured at fair value on a recurring basis and classified as Level 3 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2019</th>
<th>As of date of transition to IFRS (April 1, 2018)</th>
<th>As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Financial assets</td>
<td>¥137,658</td>
<td>¥117</td>
<td>¥63,376</td>
</tr>
<tr>
<td></td>
<td>¥191</td>
<td>(13)</td>
<td>(138)</td>
</tr>
<tr>
<td></td>
<td>¥128</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>¥5,790</td>
<td>¥5,790</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥3,969</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>¥3,969</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The corresponding financial instruments are mainly unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss. They are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies.

(4) Offset of financial assets and financial liabilities

The following summarizes the amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position as of March 31, 2020, March 31, 2019 and April 1, 2018.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position</th>
<th>Amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Flows of financial assets and financial liabilities offset to present in the consolidated statement of financial position</td>
<td>Flows of financial assets and financial liabilities offset to present in the consolidated statement of financial position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net amounts presented in the consolidated statement of financial position</td>
<td>Net amounts presented in the consolidated statement of financial position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial assets</td>
<td>Financial liabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Derivatives</td>
<td>Derivatives</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>¥144</td>
<td>(15)</td>
<td>¥128</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>¥138</td>
<td>(138)</td>
<td>(138)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>¥209 (2)</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following summarizes the amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position as of date of transition to IFRS (April 1, 2018).

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position</th>
<th>Amounts of financial assets and financial liabilities offset to present in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Flows of financial assets and financial liabilities offset to present in the consolidated statement of financial position</td>
<td>Flows of financial assets and financial liabilities offset to present in the consolidated statement of financial position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net amounts presented in the consolidated statement of financial position</td>
<td>Net amounts presented in the consolidated statement of financial position</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial assets</td>
<td>Financial liabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Derivatives</td>
<td>Derivatives</td>
</tr>
<tr>
<td>As of transition to IFRS (April 1, 2018)</td>
<td>¥191 (13)</td>
<td>(13)</td>
<td>(13)</td>
</tr>
</tbody>
</table>
34 Related Party Transactions

(1) Transactions with related parties
There are no significant related party transactions to be disclosed.

(2) Remuneration to key management personnel
The remuneration to key management personnel of the Group, which includes the Company’s directors and executive officers, for each fiscal year is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020 (¥)</th>
<th>2019 (¥)</th>
<th>2020 (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>9,348</td>
<td>6,359</td>
<td>3,138</td>
</tr>
<tr>
<td>Performance-based bonuses</td>
<td>141</td>
<td>184</td>
<td>1,296</td>
</tr>
<tr>
<td>Restricted share-based compensation</td>
<td>1,452</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,648</td>
<td>8,837</td>
<td>4,524</td>
</tr>
</tbody>
</table>

35 Major Subsidiaries

Major subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Capital (¥)</th>
<th>The Company’s holding ratio</th>
<th>Major business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamaha Corporation of America</td>
<td>50,000</td>
<td>100.00%</td>
<td>Import and sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Music Europe GmbH</td>
<td>70,000</td>
<td>100.00%</td>
<td>Import and sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Music &amp; Electronics (China) Co., Ltd</td>
<td>792,033</td>
<td>100.00%</td>
<td>Rolling company for subsidiaries in China, sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Electronics Manufacturing (Malaysia) Sdn. Bhd</td>
<td>31,000</td>
<td>100.00%</td>
<td>Manufacturing of audio equipment</td>
</tr>
<tr>
<td>Yamaha Musical Instruments Asia</td>
<td>274,888</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments</td>
</tr>
<tr>
<td>Yamaha Electronics Manufacturing Asia</td>
<td>82,460</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Electronics (Southeast Asia) Co., Ltd</td>
<td>328,754</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Musical Products Asia</td>
<td>568,540</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments</td>
</tr>
<tr>
<td>Yamaha Musical Instruments Co., Ltd</td>
<td>396,121</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments</td>
</tr>
<tr>
<td>Yamaha Music India Pvt. Ltd</td>
<td>3,700</td>
<td>100.00%</td>
<td>Import and sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Musical Instruments Co., Ltd</td>
<td>100,000</td>
<td>100.00%</td>
<td>Import and sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Music &amp; Electronics (China) Co., Ltd</td>
<td>100,000</td>
<td>100.00%</td>
<td>Sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Music Retailing Co., Ltd</td>
<td>100,000</td>
<td>100.00%</td>
<td>Sales of musical instruments and audio equipment</td>
</tr>
<tr>
<td>Yamaha Music Manufacturing Japan Corporation</td>
<td>100,000</td>
<td>100.00%</td>
<td>Manufacturing of musical instruments and audio equipment</td>
</tr>
</tbody>
</table>

36 Subsequent Events

There are no subsequent events to be disclosed.

37 First-time Adoption

The Group presents its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2020. The Group previously applied Japanese GAAP, and the most recent consolidated financial statements the Group prepared in accordance with Japanese GAAP were for the fiscal year ended March 31, 2019. The date of transition to IFRS was April 1, 2018.

(1) IFRS 1 exemptions
Companies adopting IFRS for the first time are, in principle, required to apply IFRS retrospectively to previous-year financial statements. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (IFRS 1) allows certain exemptions in the preparation of financial statements applying IFRS retrospectively.

The Group has applied the following exemptions in the transition from Japanese GAAP to IFRS:

A) Business combinations
The Group has not retrospectively applied IFRS 3 “Business Combinations” for business combinations that occurred before the date of transition to IFRS.

B) Exchange differences on translation of foreign operations
The Group has transferred cumulative exchange differences on translation of all foreign operations as of the date of transition to IFRS from other components of equity to retained earnings.

C) Deemed cost
The Group has reported the fair value of a portion of property, plant and equipment as of the date of transition to IFRS as deemed cost in accordance with IFRS.

D) Recognising previously designated financial instruments
The Group has designated holdings of equity instruments measured at fair value through other comprehensive income based on certain conditions on the date of transition to IFRS.

E) Leases
The Group has assessed whether contracts contain leases based on events and conditions existing at the date of transition to IFRS. Lease liabilities other than assets that were categorized to finance leases prior to the date of transition to IFRS have been measured on the date of transition to IFRS and an equivalent amount has been recorded as right-of-use assets. Decisions whether to exempt recognition of underlying assets with low value or short-term leases were made based on conditions on the date of transition to IFRS.

(2) IFRS 1 mandatory exceptions
IFRS 1 prohibits retrospective application of IFRS to “estimates,” “derecognition of financial assets and liabilities,” “hedge accounting,” “non-controlling interests” and “classification and measurement of financial assets.” The Group applies IFRS to such items occurring after the date of transition to IFRS.

(3) Reconciliation from Japanese GAAP to IFRS
The changes in the Group’s financial position, operating results and cash flows due to the transition from Japanese GAAP to IFRS are as follows:

The “Reclassification” column presents items that do not affect retained earnings and comprehensive income, and the “Difference in recognition and measurement” column presents items that affect retained earnings or comprehensive income.
### Reconciliation of equity as of the date of transition to IFRS (April 1, 2018)

<table>
<thead>
<tr>
<th>JGAAP line item</th>
<th>Difference in recognition and measurement</th>
<th>JGAAP</th>
<th>IFRS</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>¥122,731</td>
<td>¥ (5,327)</td>
<td>¥ –</td>
<td>¥117,403</td>
</tr>
<tr>
<td>Notes and accounts receivable—trade</td>
<td>56,499</td>
<td>9,474</td>
<td>10</td>
<td>65,984</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>65,084</td>
<td>29,061</td>
<td>936</td>
<td>95,082</td>
</tr>
<tr>
<td>Work in process</td>
<td>13,339</td>
<td>(13,339)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>15,721</td>
<td>(5,537)</td>
<td>22</td>
<td>5,559</td>
</tr>
<tr>
<td>Other</td>
<td>17,352</td>
<td>(8,591)</td>
<td>399</td>
<td>8,883</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(1,216)</td>
<td>(1,216)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>¥289,493</td>
<td>(164)</td>
<td>1,368</td>
<td>¥290,697</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>115,817</td>
<td>(240)</td>
<td>(28,443)</td>
<td>87,133</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6,167</td>
<td>(5,478)</td>
<td>–</td>
<td>689</td>
</tr>
<tr>
<td>Investment securities</td>
<td>136,341</td>
<td>4,001</td>
<td>4,370</td>
<td>135,173</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>33</td>
<td>(93)</td>
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<td>(9,703)</td>
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<td><strong>Total liabilities and net assets</strong></td>
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<td>¥ –</td>
<td>¥ 6,110</td>
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### Consolidated Financial Statements and Notes

#### B) Reconciliation to equity as of March 31, 2019

<table>
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<tr>
<th>JGAAP Line Item</th>
<th>JGAAP</th>
<th>Reclassification</th>
<th>Difference in Recognition and Measurement</th>
<th>IFRS</th>
<th>Notes</th>
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<td>¥515,924</td>
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<tr>
<th>JGAAP Line Item</th>
<th>JGAAP</th>
<th>Reclassification</th>
<th>Difference in Recognition and Measurement</th>
<th>IFRS</th>
<th>Notes</th>
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<td><strong>Liabilities</strong></td>
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<td></td>
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<th>JGAAP</th>
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<th>Difference in Recognition and Measurement</th>
<th>IFRS</th>
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<td><strong>Net assets</strong></td>
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<tr>
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<td>–</td>
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<tr>
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<td>1,052</td>
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Yamaha Group Annual Report 2020

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Yamaha Group Annual Report 2020
D) Reconciliation to comprehensive income for the fiscal year ended March 31, 2019

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<th>IFRS line item</th>
<th>Notes</th>
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<td>(164)</td>
<td>(126,295)</td>
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<td>Non-operating expenses</td>
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<td>–</td>
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<td>Non-operating expenses</td>
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<td>(980)</td>
<td>Extraordinary loss</td>
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<td>389</td>
<td>1,568</td>
<td>Income before income taxes</td>
</tr>
<tr>
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<td>58,030</td>
<td>389</td>
<td>52,815</td>
<td>Gross profit</td>
</tr>
<tr>
<td>Cost of sales</td>
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<td>(86)</td>
<td>(255,367)</td>
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<td>¥(3,240)</td>
<td>¥197</td>
<td>¥437,416</td>
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<tr>
<td>Income before income taxes</td>
<td>56,030</td>
<td>389</td>
<td>52,815</td>
<td>Income before income taxes</td>
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<td>Income taxes</td>
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</tr>
<tr>
<td>Extraordinary loss</td>
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<td>389</td>
<td>52,815</td>
<td>Income before income taxes</td>
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<td>Income before income taxes</td>
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<td>389</td>
<td>52,815</td>
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<td>(164)</td>
<td>(126,295)</td>
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<td>Operating profit</td>
<td>58,030</td>
<td>389</td>
<td>52,815</td>
<td>Operating profit</td>
</tr>
<tr>
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<td>(9,349)</td>
<td>–</td>
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<td>Extraordinary loss</td>
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<tr>
<td>Gross profit</td>
<td>58,030</td>
<td>389</td>
<td>52,815</td>
<td>Gross profit</td>
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<tr>
<td>Cost of sales</td>
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<td>9</td>
<td>(86)</td>
<td>(255,367)</td>
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<tr>
<td>Net sales</td>
<td>¥437,416</td>
<td>¥(3,240)</td>
<td>¥197</td>
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<td>389</td>
<td>52,815</td>
<td>Income before income taxes</td>
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<td>Income taxes</td>
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<td>581</td>
<td>(16,085)</td>
<td>Income taxes</td>
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<td>389</td>
<td>52,815</td>
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<td>56,030</td>
<td>389</td>
<td>52,815</td>
<td>Income before income taxes</td>
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</table>

E) Notes to adjustments

(i) Reclassification

a. Items such as sales and purchase discounts presented as non-operating income and non-operating expenses under Japanese GAAP are deducted from revenue and cost of sales, respectively, under IFRS.

b. Items (including sales and purchase discounts) presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP are presented as finance income and finance expenses for financial-related items and as other income, other expenses, or share of profit of associates accounted for using the equity method for other items under IFRS.

c. Time deposits with deposit periods longer than three months presented as “cash and deposits” under Japanese GAAP are presented as “other financial assets” under current assets under IFRS.

d. Long-term deposits presented as “other” under non-current liabilities under Japanese GAAP are presented as “other financial liabilities” in current liabilities under IFRS.

e. Other accounts receivable presented as “other” under current assets under Japanese GAAP are included in “trade and other receivables” under IFRS. Also, “accounts payable—other and accrued expenses” under Japanese GAAP are presented as “trade and other payables” under IFRS.

f. Land use rights included in “intangible assets” under Japanese GAAP are included in “right-of-use assets” under IFRS.

(ii) Differences in recognition and measurement

The Group made the following adjustments related to tax effect accounting and allocations to non-controlling interests.

(iii) Valuation and unrealized gains or losses on consolidated internal transactions

The calculation method of unrealized gains or losses on inventories has been changed with the revaluation of inventories based on manufacturing costs under IFRS.

(iv) Valuation of property, plant and equipment

The cost model was used for valuation of property, plant and equipment on the date of transition to IFRS. As a result, the land revaluation under Japanese GAAP was reversed and it was valued at acquisition cost. Also, the Group applied the exemption provision for the first-time adoption of IFRS regarding certain property, plant and equipment and has valued the landholdings at deemed cost.

The book value of property, plant and equipment valued at deemed cost is ¥628 million under Japanese GAAP and their fair value is ¥2,558 million on the date of transition to IFRS.

(v) Application of impairment accounting

Impairment losses were recorded on some items of property, plant and equipment as a result of evaluating the recoverability of non-current assets in accordance with IFRS on the date of transition to IFRS.

(vi) Lease transactions

Under Japanese GAAP lease payments other than those associated with finance lease transactions are recorded as expenses at the time of occurrence. Under IFRS, the present value is measured based on the future lease payments at the commencement date of the lease transaction and accounted for as a right-of-use asset and lease liabilities. For a right-of-use asset, depreciation is applied to the leased item using the straight-line method over the projected lease period, and the lease liability is then adjusted for interest and recognized as a liability.

(vii) Measurement of financial instruments

Unlisted shares valued at acquisition cost under Japanese GAAP are valued at fair value through other comprehensive income under IFRS. Also, gain or loss on sales or impairment losses on equity instruments were recognized in net income under Japanese GAAP are classified as financial assets measured at fair value through other comprehensive income under IFRS and therefore gain or loss on sales or impairment losses are not recognized in profit or loss. When financial instruments are sold and are no longer recognized as when the fair value has declined substantially, the amount recognized in other comprehensive income is immediately reclassified to retained earnings.

(viii) Retirement benefit liabilities

There are differences in actuarial assumptions such as discount rates between Japanese GAAP and IFRS. Under Japanese GAAP, actuarial differences and past service costs are accounted for through other comprehensive income at the time of occurrence and accounted as an expense over a fixed number of years within the average remaining service period of employees at the time of occurrence. Under IFRS, actuarial differences are recognized as other comprehensive income at the time of occurrence and immediately reclassified to retained earnings; past service costs are recognized in profit or loss at the time of occurrence. Under IFRS, for interest cost, the amount calculated by multiplying net defined benefit assets or liabilities by a discount rate is recognized in profit or loss.
m  Accounting for deferred tax assets
    Under Japanese GAAP, the judgment of recoverability of deferred tax assets takes into account future temporary differences; under IFRS, the
    method of judgment of recoverability does not take into account future temporary differences. In addition, regarding the accounting for
    deferred tax assets associated with unrealized gains from internal transactions within the consolidated group, under Japanese GAAP recover-
    ability is judged based on taxable income of the selling company and the amount is recorded based on the effective tax rate of the selling com-
    pany. Under IFRS, recoverability is determined based on taxable income in the future at the purchasing company and recorded using the
    effective tax rate at the purchasing company. This both increases and decreases the amounts of deferred tax assets and liabilities, but it also
    reduces the amount of assets and liabilities that be offset and ultimately leads to higher amounts recognized as deferred tax assets and
    liabilities.

n  Accounting for leases
    Under Japanese GAAP, tax levies were accounted for as liabilities when they were levied; under IFRS, tax levies are accounted for as liabilities at
    the time of assessment and determination.

o  Unutilized paid leave
    Unutilized paid leave that is not recognized under Japanese GAAP is recognized as a liability under IFRS.

p  Government grants
    Under Japanese GAAP, a grant related to an asset is collectively recognized as revenue when it was determined that it would be received; under
    IFRS, it is treated as deferred revenue and is regularly recognized as revenue over the period in which the corresponding cost for which the
    grant was provided is recognized as an expense.

q  Restricted stock compensation
    Under Japanese GAAP, restricted stock compensation is recognized as an increase in equity at the time the stock is granted; under IFRS, an
    increase in equity is recognized corresponding to the provision of services for which the stock is granted.

r  Exchange differences on translation of foreign operations
    The Group has adopted the exemption provision for the first-time adoption of IFRS, and cumulative exchange differences of foreign operations as
    of the date of transition to IFRS are reclassified from other components of equity to retained earnings.

F) Adjustments to retained earnings

<table>
<thead>
<tr>
<th>Date of transition to IFRS of March 31, 2019</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items of note:</td>
<td>Millions of yen</td>
</tr>
<tr>
<td>g  Inventory valuation and unrealized gains or losses on consolidated internal transactions</td>
<td>586 (221)</td>
</tr>
<tr>
<td>h  Valuation of property, plant and equipment</td>
<td>(615) (818)</td>
</tr>
<tr>
<td>i  Application of impairment accounting</td>
<td>3,027 (3,389)</td>
</tr>
<tr>
<td>l  Retirement benefit liabilities</td>
<td>1,390 229</td>
</tr>
<tr>
<td>m  Accounting for deferred tax assets*</td>
<td>(722) (872)</td>
</tr>
<tr>
<td>n  Accounting for leases</td>
<td>(5,167) (5,240)</td>
</tr>
<tr>
<td>o  Unutilized paid leave</td>
<td>79 105</td>
</tr>
<tr>
<td>p  Government grants</td>
<td>(23,862)</td>
</tr>
<tr>
<td>r  Exchange differences on translation of foreign operations</td>
<td>(23,862)</td>
</tr>
<tr>
<td>Other</td>
<td>31,276</td>
</tr>
<tr>
<td>Total</td>
<td>31,594</td>
</tr>
</tbody>
</table>

* “No Accounting for deferred tax assets” includes accounting for tax effects related to other categories.

G) Reconciliation to cash flows for the fiscal year ended March 31, 2019

Under Japanese GAAP, other than for finance leases, lease payments are classified as cash flows from operating activities; on the other hand, they
are classified as cash flows from financing activities under IFRS since they are deemed as repayments of lease liabilities. As a result, net cash pro-
vided by operating activities increased by ¥5,677 million and net cash used in financing activities increased by the same amount.
Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Hamamatsu, Japan
June 30, 2020

Toshikatsu Sekiguchi
Designated Engagement Partner
Certified Public Accountant

Toshiyuki Matsuura
Designated Engagement Partner
Certified Public Accountant

Shuji Okamoto
Designated Engagement Partner
Certified Public Accountant
The Yamaha Group is currently expanding its business on a global basis, with locations in over 30 countries and regions across the world.

**Overseas Network**

- Yamaha Music Europe GmbH
- Yamaha Music Europe Ltd.
- Yamaha Music Europe GmbH (France)
- Yamaha Music Europe Ltd. (Italy)
- Yamaha Music Europe Ltd. (Ibérica)
- Yamaha Music Europe Ltd. (U.K.)
- Yamaha Music Europe Ltd. (Scandinavia)
- Yamaha Music Europe Ltd. (Benelux)
- Yamaha Music Europe Ltd. (Poland)
- Yamaha Music Europe Ltd. (Turkey)
- Yamaha Music Europe Ltd. (Steinberg Media Technologies GmbH)

- Yamaha Music Gulf FZE
- Yamaha Music India Pvt. Ltd.
- Yamaha Music Gulf FZE (Branches in France, Italy, Benelux, U.K., Scandinavia, Poland, Turkey)
- Yamaha Music Gulf FZE (Steinberg Media Technologies GmbH)

- Yamaha Music Middle East FZE
- Yamaha Music Middle East FZE (Branches in Australia, Asia, Latin America, the U.S., Europe, Africa, the Middle East)
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- Yamaha Music Latin America, S.A.
- Yamaha Music Latin America, S.A. (Branches in Argentina, Brazil, Mexico, Latin America, the U.S., Europe, Africa, the Middle East)
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- Yamaha Music (Russia) LLC.
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- Yamaha Music Korea Ltd.
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STOCK INFORMATION

(Date of March 31, 2020)

Dividends

Year-end: To the shareholders of record on March 31
Interim: To the shareholders of record on September 30
Number of Shares of Common Stock

Issued: 191,599,025 (includes treasury stock of 15,735,084)
Number of Shareholders

18,290
ORDINARY GENERAL
Shall be issued electronically at the following URL, except when an accident or other unavoidable occurrence prevents this, in which case they shall be released in the Nihon Kaiza Shim bun business daily in Tokyo.

https://www.yamaha.com/ja/about/public_notices/(only in Japanese)
Public Notices

Be invited electronically at the following URL, except when an accident or other unavoidable occurrence prevents this, in which case they shall be released in the Nihon Kaiza Shim bun business daily in Tokyo.

https://www.yamaha.com/ja/about/public_notices/(only in Japanese)

Ordinary General

Shareholders’ Meeting

Number of Shareholders 18,290

Common Stock Price Range and Trading Volume

Trading volume (Million shares)

276 288 255 209 209

Price to book value ratio (Times)

2.12 1.57 2.20 2.60 2.78

Share price at the end of fiscal year (Yen)

3,390 3,065 4,675 5,530 5,530


STOCK INFORMATION

(Date of March 31, 2020)

Corporate Profile

Company Name

Yamaha Corporation

Headquarters

10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan

Phone

093 (463) 1111 (exceptionalist)

Year of Foundation

1887

Date of Incorporation

October 12, 1887

Paid-In Capital

¥26,534 million

Number of Employees

20,203

Number of Subsidiaries

61

Major External Evaluations and Incorporation in Indices

Yamaha Corporation is included in ESG indexes and socially responsible investment (SRI) funds, which give consideration to environmental and social factors, both in Japan and overseas. Yamaha is also included in the four ESG indices in Japan that are selected by the GPIF**.

- Nikkei Stock Average (Nikkei 225)
- Topix MX 400 / Topix 500 / Topix 1000
- MSCI ESG Leaders Indexes**
- MSCI Japan ESG Select Leaders Index**
- MSCI Japan Empowering Women Index (WIN)**
- FTSE4Good
- FTSE Blossom Japan**
- S&P / JPX Carbon Efficient Index**
- FTSE4Good
- FTSE Blossom Japan**
- S&P / JPX Carbon Efficient Index**
- J PX-NIKKEI 400
- ECPI Global Developed ESG Best-in-Class Equity Index
- ECPI World ESG Equity Index

Credit Ratings

- Moody’s: A1 and long-term debt rating every year and has received the following evaluations.
- Forecasted from 2020

Yamaha Recognized with Award for Corporate Governance of the Year™

In February 2019, the Japan Association of Corporate Directors recognized Yamaha as the winner of its Grand Prize Company award for Corporate Governance of the Year™ 2018 (Grand Prize Company)***.

This award, which began in 2015, recognizes companies that promoting healthy medium- and long-term growth through corporate governance, and the award was conceived to encourage improvement in the profitability of Japanese companies, which is one of the aims of the government’s growth strategy.

*** Corporate Governance of the Year™ is a registered trademark of the Japan Association of Corporate Directors.

Participation in Initiatives

With a commitment to cooperating and forming ties with global society as we work toward realizing a sustainable society, Yamaha signed the United Nations Global Compact in June 2011 and is working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption. As a member of Global Compact Network Japan, we also actively participate in subcommittees.

COMPANY INFORMATION

(Date of March 31, 2020)

HEAD OFFICE

Hamamatsu, Shizuoka 430-8650, Japan

Corporate Governance of the Year™ 2018 (Grand Prize Company)

Financial and Corporate Information

COMPANY INFORMATION

(Date of March 31, 2020)

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(Date of March 31, 2020)

COMPANY INFORMATION

(Date of March 31, 2020)

COMPANY INFORMATION

(Date of March 31, 2020)