The Yamaha Group publishes integrated reports to communicate its road map for medium- to long-term value creation to its shareholders, investors, and other stakeholders. The COVID-19 pandemic fundamentally changed the environment in which we live, including the social and economic frameworks, while also transforming how people think along with their values and lifestyles. The Yamaha Group views such changes as prime opportunities for creating new value. Based on this outlook, Make Waves 2.0, the new medium-term management plan launched in April 2022, has the central theme of enhancing our capacity for sustainable growth in the new society that will emerge after the pandemic. As we move forward with this plan, we will also seek to achieve our management vision of “Becoming an Indispensable, Brilliantly Individual Company.” This objective will guide our daily business activities as we work to support the “Well-Being of People around the World.”

In Annual Report 2022, we sought to communicate the approach we will take toward fulfilling our social responsibility and creating value through our business activities based on our medium- to long-term vision. This report was prepared while referencing the Integrated Reporting Framework of the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry. Summarizing the policies we adopt on a Groupwide basis, this report was created thanks to the cooperation of each division of the Company. As such, I believe the creation process and the content of this report to be appropriate.

Going forward, we will utilize our integrated reports as engagement tools as we pursue constructive dialogue with shareholders, investors, and other 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 of our long-term corporate value creation.

September 2022

Takuya Nakata
Director, President and Representative Executive Officer

Key Points of Annual Report 2022

Annual Report 2022 provides an overview of Make Waves 2.0, the new medium-term management plan launched in April 2022. It also offers information on concrete initiatives for creating social value while leveraging the accumulated strengths and technologies of the Yamaha Group in order to support the “Well-Being of People around the World.” We encourage readers to focus on the following key points to help deepen their understanding of the content of this report.

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Make Waves 1.0
Value Creation Story
Yamaha’s 135-Year History
Yamaha’s Business Portfolio
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Performance Highlights

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Sustainability Management
Environment
Human Rights
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Audio Equipment Business
Industrial Machinery and Components Business

Corporate Strategies
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Design

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Executive Officers, Operating Officers, and Audit Officers
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V. Financial and Corporate Information

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Financial Review
Main Networks
Stock Information
Company Information

Scope of This Report
Information in this report covers 68 companies (as of March 31, 2022: Yamaha Corporation, its 69 consolidated subsidiaries, and its affiliates). In cases where it is necessary to specify the scope of reporting, this report lists the applicable individual institution individually.

Reporting Period
This report primarily covers fiscal 2022 (April 1, 2021 to March 31, 2022). However, certain sections of this report include information from April 1, 2022, 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 undertake 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.
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.
The entire Yamaha Group shares promises to our stakeholders—customers, the people who work with Yamaha, business partners, regional communities and society, our planet earth, and shareholders—working to improve the satisfaction of each stakeholder and making effective use of our management resources to achieve sustainable growth in order to maximize its corporate value.

Customer-Oriented and Quality-Conscious Management
(For Customers)
For the well-being of its customers, Yamaha offers quality and valuable products and services that incorporate innovative and traditional technologies as well as sensibilities and refined creativity.

Management that Values People
(For People Who Work with Yamaha)
Yamaha places the highest priority on the health and safety of all people who work with Yamaha and aims to create a corporate culture where each person’s individuality and creativity are respected, and that encourages everyone to take on challenges to achieve self-fulfillment through their work.

Management Based on Mutual Understanding and Trust
(For Business Partners)
Yamaha values mutual understanding and trust and builds sound business relationships with all of our business partners, including distributors and suppliers.

Management that Contributes to Social and Cultural Development
(For the Regional Communities and Society)
Yamaha complies with the laws with the highest ethical standards, and as a good corporate citizen, contributes to the development of society and culture through its accumulated technologies and expertise to address various social issues as well as efforts that only Yamaha could do.

Management that Considers the Global Environment
(For Earth)
Yamaha actively works to reduce CO2 emissions and conserve and make effective use of resources such as timber, and takes a role as a company to hand down the precious global environment to the future.

Transparent and Sound Management (For Shareholders)
Yamaha ensures sound business performance, continues to deliver proper returns to shareholders, and pursues sustainable development through transparent and high-quality management.

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

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.
Yamaha has forged a position as a corporate group that continuously uses technologies and sensibilities based on sound and music to create excitement and cultural inspiration.

The history of the Yamaha Group dates back to its founding in 1887. Since then, we have continued with our aim of creating excitement and cultural inspiration together with people around the world while centering our business on sound and music. The principles and policies that have guided us on our journey have been codified into the Yamaha Philosophy, which has been a treasured part of our corporate culture throughout our 135-year history.

Birth of the Yamaha Brand

The birth of the Yamaha Group can be traced to the repair of a single broken organ by founder Torakusu Yamaha. This experience led Yamaha to success in creating domestically produced organs in Japan, and this success would in turn prompt him to establish Nippon Gakki Co., Ltd. (currently Yamaha Corporation), in 1897 and commence the domestic manufacture of pianos. Yamaha would then go on to build the foundations for the Company’s core musical instruments business of today and to create excitement and cultural inspiration together with people around the world. Our founder is the namesake for the Yamaha brand.

1887 Founded in

Advancement onto the Global Stage as a Comprehensive Musical Instruments Manufacturer Combining Technologies and Sensibilities

Yamaha began offering organ classes (precursors of the Yamaha Music School) in 1954. Meanwhile, the technology and sensibilities cultivated through the manufacture of musical instruments was adapted to diversify our business through involvement in audio products, sports equipment, lifestyle items, and other areas. These strengths have been merged with digital technologies to create a number of innovative products. Made possible by the proprietary large-scale integration chips created through in-house production of semiconductors, these products include our DX7 digital synthesizer, Clavinova™ digital pianos, and the SILENT™ Series. Meanwhile, our musical instrument production technologies were applied to commercialize factory automation (FA) equipment and automobile interior wood components, greatly expanding the business and regional scope of our operations. The Company adopted its current name of Yamaha Corporation in conjunction with its centennial anniversary in 1987.

1940 1960 1980 2000

1950 1970 1990 2010

2022

Positioning of Sound and Music as Core Business through Selection and Concentration

Yamaha undertook selection and concentration of its previously diversified businesses to focus more on its core business centered on sound and music. This move saw us reorganizing and consolidating domestic and overseas production and sales bases and acquiring overseas companies to restructure our core business and strengthen our growth foundations. This was the start of business reorganizations aimed at taking our business to the next growth stage.

Quest to Support the “Well-Being of People around the World”

Yamaha is supplying new solutions that respond to recent changes in the social climate through sound and music. Examples of these solutions include the DYNROOM online remote ensemble performance service, the Remote Cheerer powered by SoundIQ remote cheering system, and the Distance Viewing next-generation live viewing service. By delivering these solutions, we aim to contribute to the resolution of social issues and improve corporate value. Guided by Make Waves 2.0, its new medium-term management plan launched in April 2022, Yamaha has embarked on a quest to support the “Well-Being of People around the World.” In this quest, we aim to enhance corporate value by creating social value and thereby achieve our management vision of “Becoming an Indispensable, Brilliantly Individual Company.”

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

Yamaha Group Annual Report 2022
Yamaha enhances corporate value and fulfills its mission 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 and fulfill its mission by pursuing a cycle that improves both brand and corporate value. Yamaha’s current value creation process is as described in the table below.

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

Please refer to the following website for more information on Yamaha’s value creation story.
Yamaha’s Three Core Businesses and Their Major Products

Musical Instruments Business

The musical instruments business includes a diverse spectrum of operations ranging from the manufacture and sale of mainstay musical instruments to the operation of music schools and the production and distribution of music and video content.

Audio Equipment Business

In the audio equipment business, we sell an extensive lineup of products, including both consumer and commercial equipment.

Others (Industrial Machinery and Components Business, etc.)

Other businesses include the provision of products and services such as semiconductors, FA equipment, and automobile interior wood components.

Yamaha will support the “Well-Being of People around the World” through its business centered on sound and music.

Yamaha is the world’s largest comprehensive musical instruments 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, audio equipment, and network equipment, and beside industrial machinery and components businesses focused on semiconductors.

Groupwide Consolidated Revenue and Core Operating Profit

- **Musical Instruments Business**
  - ¥276.2 billion (67.7%)
- **Audio Equipment Business**
  - ¥96.9 billion (23.7%)
- **Others (Industrial Machinery and Components Business, etc.)**
  - ¥35.1 billion (8.6%)

Core Operating Profit

- **Musical Instruments Business**
  - ¥66.4 billion (13.3%)
- **Audio Equipment Business**
  - ¥34.7 billion (20.9%)
- **Others**
  - ¥5.2 billion (6.8%)

Core Operating Profit Ratio (Operating Income Ratio)

- **Musical Instruments Business**
  - 12.8%
- **Audio Equipment Business**
  - 14.9%
- **Others**
  - 14.0%

Breakdown of Core Operating Profit (Operating Income) and Core Operating Profit Ratio (Operating Income Ratio)
**GLOBAL OPERATIONS**

Yamaha's network is expanding across the globe.

Yamaha has been aggressively expanding its global operations for some 60 years, and Yamaha products and services are now the choice of customers around the world. Today, our network encompasses more than 30 countries and regions, allowing us to grow by selling products and promoting music based on the needs of customers all over the globe. We have also set up production bases in growth markets, such as India and Indonesia, as part of our proactive exploration of new markets.

Revenue Composition and Number of Employees by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue Composition (¥ billion)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥105.4 billion (25.8%)</td>
<td>5,615 employees</td>
</tr>
<tr>
<td>Other regions</td>
<td>¥68.3 billion (16.8%)</td>
<td>7,472 employees</td>
</tr>
<tr>
<td>China</td>
<td>¥67.8 billion (16.6%)</td>
<td>4,969 employees</td>
</tr>
<tr>
<td>Europe</td>
<td>¥79.3 billion (19.4%)</td>
<td>19,895 employees</td>
</tr>
<tr>
<td>North America</td>
<td>¥87.5 billion (21.4%)</td>
<td>737 employees</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Product</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Musical Instruments</td>
<td>26%</td>
</tr>
<tr>
<td>Pianos</td>
<td>39%</td>
</tr>
<tr>
<td>Digital Pianos</td>
<td>47%</td>
</tr>
<tr>
<td>Portable Keyboards</td>
<td>52%</td>
</tr>
<tr>
<td>Wind Instruments</td>
<td>31%</td>
</tr>
<tr>
<td>Guitars</td>
<td>9%</td>
</tr>
</tbody>
</table>

Location of Yamaha Production Bases and Major Products Manufactured

<table>
<thead>
<tr>
<th>Country</th>
<th>Japan</th>
<th>China</th>
<th>Indonesia</th>
<th>India</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Manufactured/ Number of production bases)</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Pianos</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Digital musical instruments</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Wind, string, and percussion instruments</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Guitars</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>AV systems</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>ICT products</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>
Yamaha has set a target for the ratio of female managers. Efforts to accomplish the target include proactive recruitment and promotion of female employees, the provision of opportunities for female employees to develop their skills, the cultivation of a comfortable workplace, and training and other awareness-raising activities.

As part of our efforts to promote diversity management, 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 a discrepancy between the average term of service of our male and female employees, but our average term of service has exceeded the national average for around a decade.

1. Figures are for Yamaha Corporation on a non-consolidated basis.

Yamaha is targeting a reduction of 55% in Scope 1 and Scope 2 emissions of greenhouse gases from fiscal 2018 to be achieved by fiscal 2031 and aims to achieve effective action immediately by fiscal 2051. In one facet of our efforts to achieve effective action, we have implemented a policy to target 100% of the electricity purchased at our Company headquarters in April 2021 as renewable energy.

Since 2015, we have been advancing the School Project to promote the incorporation of instrumental music performance into public school curricula through cooperation with local government agencies and education institutions in aiming to provide instrumental music education to one million children in the target areas by 2023. The target include proactive recruitment and promotion of female employees, the provision of opportunities for female employees to develop their skills, the cultivation of a comfortable workplace, and training and other awareness-raising activities.

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MESSAGE FROM THE PRESIDENT

Yamaha will create new value by heightening its ability to achieve sustainable growth amid the new society through support for the “Well-Being of People around the World.”

Strength of Yamaha Fostered amid Adversity and Newly Emerging Issues

Looking back at the past two years, I cannot help but recognize just how much stronger Yamaha has become today. The COVID-19 pandemic temporarily forced us into a position that was tantamount to closing our doors. Even if we wanted to make products, we couldn’t. Even if we wanted to hold music classes, we couldn’t. This situation resulted in us recording a loss for the three-month period ended June 30, 2020. Nevertheless, Yamaha was once again posting profit in the six-month period ended September 30, 2020, and our earnings have continued to grow since. The Yamaha of the past might have recorded a loss or fallen into a period of stagnancy as a result of such extreme circumstances. The Yamaha of today, however, is able to bounce back to overcome a loss in a single quarter. This is an undeniable testament to how far we have come.

Nothing was more impressive than the way we were able to band together in the face of a crisis. If we could not get the components we needed, we were quick to adjust product designs. If we could not make a given product, we worked to find ways to sell other products. The united and proactive efforts of employees throughout all processes, including development, procurement, production, and sales, are evidence of our evolution. I too could not help but be moved by this strong progress. I regret the fact that we were unable to accomplish the financial targets put forth in our medium-term management plan. However, I am confident that we have come out of this experience with a stronger capacity to generate earnings and to respond to crises.

There is no denying, though, that the operating environment is changing at a speed and to a degree that has not been seen previously. This reality points to a clear need to heighten our risk management capabilities. We have always been focused on predicting and responding to the impacts of potential operating environment changes on our businesses. However, the current operating environment is one in which unpredictable change is the norm. As such, we are pressed to revise our prior risk management systems in line with this operating environment.

We also need to reassess the resilience of our supply chain. Previous resilience measures have included globalizing our supply chain based on natural disasters that had occurred in the past and minimizing inventories to increase the efficiency of our production activities. However, the current operating environment is one in which unpredictable change is the norm. Regardless of these efforts, the supply chain we built proved to lack the necessary resilience in the face of the COVID-19 pandemic, which brought activities around the world to a screeching halt.

There is also a need to reform our procurement practices. We had previously sought to procure only the necessary components in a timely manner as required for production. However, this approach resulted in a complete stop to our ability to manufacture products due to the global semiconductor shortage, casting light on our vulnerability to such supply and demand imbalances. Accordingly, I see a need for a more finely tuned approach toward procurement. For example, if there is no substitute for a given item, it might be prudent for us to secure a year’s worth of supply in advance, as opposed to only a week’s worth. This crisis has made it clear that stocks previously viewed as excessive should be reframed as a necessary amount of leeway in management decisions.

Takuya Nakata
Director, President and Representative Executive Officer
Yamaha unveiled its new medium-term management plan—Make Waves 2.0—in May 2022. Before I talk about this plan, I would like to take a look back at Make Waves 1.0, our previous plan.

This plan covered the three-year period from April 2019 to March 2022, which ended up overlapping with the period during which the impacts of the COVID-19 pandemic were the most pronounced. As a result, we were unable to achieve our financial targets. Despite these impacts, though, we were able to make steady progress in our key strategies and to achieve all of the plan’s non-financial targets. I therefore am confident in saying that the foundations supporting our growth are now stronger than they have ever been.

One way in which our foundations have been made stronger is through the establishment of the Innovation Center, an R&D center completed in 2018. Consolidating our engineers in a single location has led to the launch of a number of unique products that merge technologies ranging from acoustic and digital technologies to network technologies. Examples of these products include the SYNCRDOM online remote ensemble performance service, which allows performers separated physically to take part in real-time ensemble performances via the internet, and the Remote Cheerer powered by SoundUD remote cheering system that makes it possible for sports fans to cheer on their favorite teams more emotionally.

Another way in which our foundations have been made stronger is through the School Project in Egypt, which took place during which the impacts of the COVID-19 pandemic were the most pronounced. The students were able to maintain their studies through the online School Project even through the pandemic later sent figures plummeting to the ¥300.0 billion level. It was in fiscal 2022 when we were finally able to get revenue back above ¥400.0 billion. Even if revenue growth is flat, it is still possible to increase profit to a certain degree by improving profit margins.

As part of this process, we defined material issues that represent the priority management issues to be addressed in order to fulfill our mission and realize our vision. This entailed reframing the material issues that had previously been established from the perspectives of sustainability and ESG issues as material issues for management that can be incorporated into all of our business activities. Moreover, the new medium-term management plan describes how we will further build upon the successes of the previous plans, which have been centered around increasingly large themes, starting with profitability and escalating to brand power and then value creation. This is how we have proceeded to heighten corporate value. In the next stage represented by the new medium-term management plan, we will seek to enhance our capability for sustainable growth.

Some might wonder why we chose to emphasize growth capability at this time. Basically, I believe that most pressing among the numerous management challenges we face at this point in time is the drop in revenue as a result of the COVID-19 pandemic. A glance back at the past 15 years will reveal that our revenue had continued to decline after peaking in fiscal 2007, with a net sales figure of ¥550.0 billion based on the J-GAAP accounting standards used at the time. In the years that followed, we undertook selection and concentration measures, including the transfer of our metal product, resort facilities, and lifestyle-related products businesses. The resulting downturn in sales was exacerbated by the 2008 global financial crisis, and these factors eventually led net sales to fall to ¥350.0 billion in fiscal 2012. We were able to recover net sales to around ¥400.0 billion, but the pandemic later sent figures plummeting to the ¥300.0 billion level. It was in fiscal 2022 when we were finally able to get revenue back above ¥400.0 billion.

Through this new R&D approach, we have unlocked new possibilities for developing products and services. As far as our quantitative results, we achieved double-digit growth for mainstream offerings in the musical instruments business like pianos as well as wind, string, and percussion instruments. We also saw growth for guitars as well as for digital musical instruments, which were the subject of struggling production and supply due to semiconductor shortages and logistics disruptions. This growth was achieved on the back of strong demand. In addition, the number of students offered instrumental music performance experiences through the School Project, which we are developing centered on emerging countries, soared past our target of 1.0 million to 1.3 million. These successes reaffirmed the strong latent demand for instruments and music. This also made me aware of the potential to further broaden the scope of our business by winning greater levels of customer trust through proactive effort.

The pandemic transformed how people think and live along with their values. These changes present substantial opportunities for Yamaha, a company committed to technologies, sensibility, and the value born out of these. Under the new medium-term management plan, we are committed to achieving ongoing growth by tackling the management challenges I spoke of while building upon the operating foundations created under the previous plan to capture the wide range of business opportunities that are emerging.

New Make Waves 2.0 Medium-Term Management Plan for a Stronger Yamaha

Make Waves 2.0, the new medium-term management plan, puts forth a mission that combines Yamaha’s enduring corporate philosophy of “Sharing Passion & Performance” with our purpose of “Well-Being of People around the World.” This decision was made in response to the voices of employees asking for our precious philosophy to have a clear position within the medium-term management plan that guides our growth. Another goal behind the definition of this mission was to share our aspirations with internal and external stakeholders.

In formulating the new medium-term management plan, we took a backcasting approach starting from our mission and management vision to determine how we needed to change over the next three years in order to accomplish these goals. As part of this process, we defined material issues that represent the priority management issues to be addressed in order to fulfill our mission and realize our vision. This entailed reframing the material issues that had previously been established from the perspectives of sustainability and ESG issues as material issues for management that can be incorporated into all of our business activities.

Moreover, the new medium-term management plan describes how we will further build upon the successes of the previous plans, which have been centered around increasingly large themes, starting with profitability and escalating to brand power and then value creation. This is how we have proceeded to heighten corporate value. In the next stage represented by the new medium-term management plan, we will seek to enhance our capability for sustainable growth.

Some might wonder why we chose to emphasize growth capability at this time. Basically, I believe that most pressing among the numerous management challenges we face at this point in time is the drop in revenue as a result of the COVID-19 pandemic. A glance back at the past 15 years will reveal that our revenue had continued to decline after peaking in fiscal 2007, with a net sales figure of ¥550.0 billion based on the J-GAAP accounting standards used at the time. In the years that followed, we undertook selection and concentration measures, including the transfer of our metal product, resort facilities, and lifestyle-related products businesses. The resulting downturn in sales was exacerbated by the 2008 global financial crisis, and these factors eventually led net sales to fall to ¥350.0 billion in fiscal 2012. We were able to recover net sales to around ¥400.0 billion, but the pandemic later sent figures plummeting to the ¥300.0 billion level. It was in fiscal 2022 when we were finally able to get revenue back above ¥400.0 billion. Even if revenue growth is flat, it is still possible to increase profit to a certain degree by improving profit margins.

Yamaha, however, will take a different path. We are committed to proving that our confidence in the latent potential of music and instruments was not unfounded in order to contribute to the “Well-Being of People around the World.” For this reason as well, it is important for us to paint a vision...
MESSAGE FROM THE PRESIDENT

Enhancement of Growth Capability

The new medium-term management plan delineates three key policies for enhancing our sustainable growth capability.

Key Policy 1: Further strengthen the business foundation

The themes under the policy of further strengthen the business foundations are (1) Develop closer ties with customers, (2) Create new value, and (3) Be more flexible and resilient. Themes (1) and (2) were also areas of focus for the previous medium-term management plan. The number of Yamaha Music ID registrants has been defined as a non-financial indicator for gauging the progress of initiatives based on theme (1), and we have set a target of five million registrants. We are in the process of transitioning to the new frameworks for integrating our roughly four million current holders of Yamaha service IDs, which means that we can accomplish this target by acquiring another million users.

For theme (2), we will continue the initiatives of the previous medium-term management plan to expand our lineup of products that capitalize on Yamaha’s strengths in acoustic and digital technologies. For this theme, the plan puts forth the model in which all steps from processing to assembly are performed at the same location in certain regions. Yamaha will also be bolstering its R&D foundations and promoting digital transformation to create new value and reform processes.

Key Policy 2: Set sustainability as a source of value

For the key policy of set sustainability as a source of value, we have defined key themes from the perspectives of the environment, society, and culture. From the perspective of the environment, we seek to build a value chain that supports the future of the earth and society. Efforts to this end will include reducing CO₂ emissions in response to climate change, practicing sustainable use of timber for use in musical instruments, and pursuing resource savings and reduction in waste and hazardous substances. For example, in the past we have applied several coatings of black paint to pianos, and then ground down this paint during the polishing process.

We have earmarked ¥35.0 billion for investment in this area to be used to expedite the development of frameworks for flexible supply of products to the market, even in an opaque operating environment. These investments will be directed toward revising production systems, improving the capabilities of existing factories, and utilizing the Internet of Things (IoT) and other digital technologies. We have also examined the potential for sustainable growth, which includes our resilience toward change. Accordingly, the new medium-term management plan is not a plan for merely growing top-line revenue through measures such as M&A activities for expanding our scale. We therefore hope you will look forward to seeing how much Yamaha can enhance its capabilities for sustainable growth over the period of the new plan.

However, this approach led to an amount of paint becoming wasted through the polishing process that surpassed the amount that remained as coating on the piano. This approach is important for producing a deep and elegant color, but we cannot deny the large impact this process has on the environment. Conversely, if we were to share such environmental impacts as part of product information, customers may come to assign higher evaluations to pianos that take advantage of the aesthetic of the natural wood. In this manner, I believe ideas that defy conventions and communication with customers will be more important than ever in responding to consumer values in a receptive manner going forward.

In terms of society, we look to enhance our brand power and competitiveness by contributing to comfortable lives. One area we are focusing on in this quest is remote performances and communication. We are also accelerating our efforts for ensuring respect for human rights across the supply chain, and we have set a target of introducing on-site supplier audits at 60 companies. Furthermore, Yamaha is seeking to propose new health and safety value that calls upon its expertise as a company involved in sound. This value will be provided through products that reduce the burden placed on users’ ears, technologies for facilitating traffic safety via voice guidance, and contributions to quality of life with music. As for culture, Yamaha looks to expand the musical instrument-playing population. Targets for accomplishing this goal include the number of individuals aided through instrumental music education promotion and support activities and the number of students of overseas music schools. To work toward these targets, we are accelerating the cultivation of the instructors and technicians that are indispensable to the development of musical culture along with activities for supporting musicians and researchers.

Key Policy 3: Enable Yamaha colleagues to be more valued, more engaged, and more committed

The themes for the key policy of enable Yamaha colleagues to be more valued, more engaged, and more committed are as follows: (1) Increase job satisfaction, (2) Promote respect for human rights and diversity, equity, and inclusion (DE&I), and (3) Foster open organizational culture where people can proactively take on challenges.

Yamaha is in the business of sound and music, which is directly tied to people’s sensitivities. As such, our greatest management resources are our creativity and the people who supply this creativity. I am always thinking about what we need to do to ensure that employees enjoy their work and are able to take on new challenges. This is because, based on my own experience, I believe that employees produce the best output when they find their job fun and engaging.

Yamaha has been developing a global business since the 1960s, meaning that we have talented people across the globe. Energizing this diverse staff of talented individuals and tying this energy to the growth of the Company is imperative to the ongoing creation of corporate value. This is the reason that making our colleagues more valued, more engaged, and more committed has been positioned as a key policy, as opposed to a measure, under the new medium-term management plan.

Teleworking has become commonplace over the past two years, increasing the degree of freedom employees have in the way they work. Employees are thus able to choose the ideal workstyle option based on their own duties and the stage of whatever they are doing. Depending on the job at hand, they may choose to work alone at home, or to go into the office to talk to their colleagues face to face. However, it is important to ensure that the pursuit of short-term efficiency does not lead...
to workstyles that impede the medium- to long-term growth of the organization or of individuals, perhaps by causing a loss of creativity or of trust-based relationships with colleagues. As such, I believe that management has an important duty to build frameworks and foster a corporate culture that allows us to exercise creativity at both the individuals and the organizational level.

Road to Accomplishment of the Targets of the New Medium-Term Management Plan

Under the new medium-term management plan, we will advance initiatives based on the themes defined for the three key policies while also working toward the accomplishment of the three non-financial targets set for each of these policies. Together with these non-financial targets, we will pursue the financial targets of a revenue growth rate of 20%, a core operating profit ratio of 14%, and ROE and return on invested capital (ROIC) of 10% or more. At the moment, raw material prices are soaring against a backdrop of rising crude oil prices and difficulties procuring semiconductors as a result of geopolitical risks. The higher material prices have prompted the industry to adopt a policy of transferring these costs to the buyer. Yamaha has not escaped the impacts of this trend, as we saw costs grow by approximately ¥12.0 billion in fiscal 2022, roughly 50% of which we transferred to the prices of our products. We also expect an increase in costs of between ¥5.0 billion and ¥6.0 billion during fiscal 2023, the first year of the new medium-term management plan. However, we anticipate that we will be able to offset all of this increase, including that outstanding from fiscal 2022, by raising selling prices.

The new medium-term management plan also sets the course for the business portfolio we will target in the future. Specifically, we will seek to strengthen our earning power centered on the piano and wind, string, and percussion instrument businesses while also growing our digital musical instruments business. At the same time, we will cultivate our guitar, industrial machinery and components, and new service businesses into future growth pillars. Our guitar business has suffered from a relatively low share to date, but this business has continued to grow nonetheless, and I believe that the possibility of getting this business on the growth track is within reach. The audio equipment business, meanwhile, struggled for a bit during the COVID-19 pandemic. However, this does not change the fact that the market has significant growth potential. Several initiatives in this business are already beginning to produce results, and I therefore expect that we can get this business on the growth track by combining these initiatives to generate synergies.

When formulating the new plan, we were meticulous not only in crafting the plan itself but also in deciding the approach we would use to explain the plan. For previous plans, we began by putting forth our financial targets and explaining how we will accomplish them. For the new plan, we are taking the opposite approach; first describing our overarching vision and management policies and then looking at the challenges needing to be overcome in order for Yamaha to grow. This framing is then used to explain the specific measures we will be implementing as well as our non-financial targets that will be accomplished as a result of the measures we have explained up to this point. You may have noticed that this is exactly the approach I took in explaining the plan to you just now. Through this approach, we sought to avoid becoming preoccupied with numbers and to facilitate employee understanding. In other words, we wanted to explain the plan in a manner that gave people a genuine, intuitive understanding. This same approach is also used in explaining the plan to shareholders and investors in order to ensure uniformity in the messages we communicate both inside and outside of the organization.

Intangible Assets as a Growth Driver

Among its various types of intangible assets, Yamaha places particular emphasis on its technological capabilities. With this regard, it is not enough to merely develop cutting-edge technologies; we also need technologies for quantifying the evolution of Yamaha technologies. With this in mind, we will continue to strengthen our technological capabilities with these assets.

Governance for Supporting Transformation

I would now like to talk a little about corporate governance at Yamaha. I feel that we have been seeing qualitative improvements to discussions at meetings of the Board of Directors as of late. Mr. Hiroshi Shinozaka and Ms. Naoko Yosizawa, the new outside directors who joined us in June 2021, boast experience in managing major companies in businesses that use digital technologies. Accordingly, they are extremely insightful when it comes to managing from the perspective of technologies. Moreover, the ability to gain input and advice from outside directors with varied backgrounds and insight has also helped me make new discoveries. Discussion on the type of evolution Yamaha will need to undergo in the future with these members has made it clear that one of the functions of governance is supporting transformation in pursuit of the medium- to long-term creation of value. As well, the position of audit officer, established in 2020, is contributing to improvements in our auditing and information collection functions, which were previously areas of concern. Audit officers have also proven to be reliable allies to the members of the Audit Committee. Furthermore, their efforts have been providing a positive type of pressure to the executive team, and I expect that the audit officers will help drive ongoing qualitative improvements to governance and internal control systems.

True Value of Yamaha Seen in Diligence

For Yamaha, there is a positively correlated relationship between sustainability and earnings growth. When awareness for sustainability began rising across society, Yamaha was quick to take a diligent stance toward promoting sustainability. This diligence has contributed to our brand image and is one of the reasons that Yamaha’s products and services have been able to win the support of customers. This means that the level of diligence we exercise in pursuing the non-financial targets of the new medium-term management plan will translate directly to the enhancement of our growth capabilities. Accordingly, I want fiscal 2023, the first year of the new plan, to be a year in which we demonstrate the true value of Yamaha by taking a diligent stance in all of our endeavors. Through such diligence, we should work to prove our growth capability to stakeholders.

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I look forward to ongoing engagement with shareholders, investors, and other stakeholders through online and other venues. I would also like to ask our stakeholders for their continued support going forward.

September 2022

Takuya Nakata
Director, President and Representative Executive Officer
Review of the Previous Medium-Term Management Plan (Make Waves 1.0)

The changes projected under the previous medium-term management plan, including digitalization, increased emphasis on diversity, and growing awareness of sustainability, were accelerated by the COVID-19 pandemic. The pandemic placed restrictions on the movement of people and on face-to-face interactions. This trend spurred an increase in exchanges of goods and information via the internet, giving rise to products and services that accommodate this new lifestyle. Meanwhile, the growing awareness of sustainability was indicative of a shift in people’s focus from economic prosperity to a more fundamental feeling of emotional enrichment.

With a view to the new society emerging amid these changes, the Yamaha Group sees an increasingly wide range of opportunities to seize, as part of its quest to create excitement and cultural inspiration with the combination of its technologies and sensibilities founded on sound and music. At the same time, we recognize that the business environment also presents risks of economic stagnation and unpredicted supply chain disruptions due to the COVID-19 pandemic.

Such changes to the business environment were considered when defining material issues.

Outlook for the Yamaha Group’s Operating Environment

A New Society Brought about by Business Environment Changes

The COVID-19 pandemic has rapidly changed people’s awareness and the environment, as part of the transition to the new post-COVID-19 society.

• In an era in which people seek more fundamental forms of fulfillment, sound and music are becoming much more essential to people.
• People’s purchasing behavior is shifting to digital and online, thus increasing the number of e-commerce users.
• Changes are underway regarding the way people enjoy sound and music and communicate, such as remote ensembles, online conferences, etc.

The new society offers Yamaha more opportunities to seize through the combination of its technologies and sensibilities.

Financial Targets

<table>
<thead>
<tr>
<th></th>
<th>Make Waves 1.0</th>
<th>2019-2022/3</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>434.4</td>
<td>414.2</td>
</tr>
<tr>
<td>Core operating profit (Billions of yen)</td>
<td>52.7</td>
<td>46.4</td>
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<tr>
<td>Core operating profit ratio</td>
<td>12.1%</td>
<td>11.2%</td>
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<tr>
<td>ROE</td>
<td>11.1%</td>
<td>10.9%</td>
</tr>
<tr>
<td>EPS</td>
<td>1.0%</td>
<td>0.9%</td>
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<tr>
<td>Foreign exchange rate (yen/U.S. dollar)</td>
<td>111.0</td>
<td>109.9</td>
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<tr>
<td>Non-Financial Targets</td>
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Make Waves 1.0, the previous medium-term management plan, which covered the period from April 1, 2019 to March 31, 2022, defined our management vision (medium- to long-term vision) as “Becoming an Indispensable, Brilliantly Individual Company, boost brand power to become a highly profitable enterprise.” In pursuit of this vision, we advanced four key strategies—develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses—in accordance with the basic strategy of “develop closer ties with customers and society, and boost value creation capabilities.”

We failed to accomplish the financial targets of the previous medium-term management plan due to the significant impacts on business activities from supply chain disruptions and restrictions on social activities resulting from the COVID-19 pandemic. Regardless of these challenges, steady progress was made in the four key strategies. We were therefore able to achieve the non-financial targets defined in Make Waves 1.0 for corporate brand value, music popularization for learning musical instruments, and certified timber use. This accomplishment is especially noteworthy given that this was the first time such non-financial targets were set in a medium-term management plan of the Company.

Regardless of these challenges, steady progress was made in the four key strategies. We were therefore able to achieve the non-financial targets. We were therefore able to achieve the non-financial targets defined in Make Waves 1.0 for corporate brand value, music popularization for learning musical instruments, and certified timber use. Integration of customer data platform progressed, thereby accelerating digitalization.

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Non-Financial Targets

- Increased corporate brand value by 1.3 times, surpassing the target of 1.3 times
- Number of students offered instrumental music performance experiences through School Project reached 1.3 million, exceeding the target of 1 million students
- Achieved use rate target of 50% for certified timber
Based on its medium- to long-term operating environment outlook, the Yamaha Group has defined 10 material issues in the three areas of business foundation, environment and society, and human resources. These issues represent important management priorities.

In the new medium-term management plan, these material issues have been used to shape the three key policies of “further strengthening the business foundation,” “set sustainability as a source of value,” and “enable Yamaha colleagues to be more valued, more engaged, and more committed,” and three key themes for activities have been defined based on these policies.

Material Issues

Material Issue Identification Process

In identifying material issues, we defined management issues and social issues and then assessed these issues based on their importance to fulfilling our mission (purpose and corporate philosophy) and realizing our management vision and based on input from customers, shareholders, investors, employees, communities, and other stakeholders. The material issues were finalized via resolution of the Board of Directors after discussions by the Managing Council and the Board of Directors.

For the area of business foundation, we focused on identifying material issues with an emphasis on their impact on business activities in order to select the issues that would be important to fulfilling our mission and realizing our vision given our operating environment. Meanwhile, the areas of environment and society and human resources have been designated as areas for material sustainability issues. For more information, please refer to the following diagrams and to page 44.

Material Issues for the Yamaha Group

Support for the “Well-Being of People around the World”

The Yamaha Group aims to support the “Well-Being of People around the World” through its business activities. Our corporate philosophy is “Sharing Passion & Performance: 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.” This philosophy serves as the starting point for our actions.

We have been enhancing our corporate value, comprised of our profitability, brand value, and value propositions, at each stage of the medium-term management plan based on our medium- to long-term management vision of “Becoming an Indispensable, Brillantly Individual Company.”

In the new stage of “Make Waves 2.0,” we will further increase our corporate value based on our basic policy of enhancing our sustainable growth capability in the new post-COVID-19 society, which has undergone significant changes.

Basic policy of the medium-term management plan: Enhance capacity for sustainable growth in the new society

Yamaha Group Annual Report 2022

Make Waves 2.0 Medium-Term Management Plan

Make Waves 2.0 Medium-Term Management Plan

Yamaha Group Annual Report 2022

Yamaha Group Annual Report 2022
In Make Waves 2.0, the themes of "develop closer ties with customers" and "create new value," which were also included in the previous medium-term management plan, were complemented with the new theme of "be more flexible and resilient." Based on the lessons learned from the COVID-19 pandemic.

The Yamaha Group positions sustainability as a source of corporate value, as opposed to an obstacle to creating value. Based on this belief, we will advance initiatives from the perspectives of the environment, society, and culture.

We recognize that it is the engagement and commitment of our colleagues that drive all of the value creation activities of the Group. Accordingly, we practice management in a way that draws upon the individuality of all employees to ensure that they can deliver their best possible performance.

Under the previous medium-term management plan, we devoted efforts to direct marketing so as to cultivate successful examples of customers being directed toward stores based on direct communication approach. We are also expanding our network of brand shops overseas.

The new medium-term management plan aims to further augment and utilize our customer data platform so that we can better advertise our value and expand our lineup of services that support customers in living lives involving music.

The Yamaha Group will adopt a hybrid approach toward soliciting its value that combines digital marketing with physical store sales.

1. Further strengthen the business foundation

- Develop closer ties with customers
- Create new value
- Be more flexible and resilient

2. Value Communication
3. Customer Data Platform

Make Waves 2.0 Medium-Term Management Plan

Key Themes

- Environment: Build a value chain that supports the future of the earth and society
- Society: Enhance brand power and competitiveness by contributing to comfortable lives
- Culture: Expand market through the promotion and development of music culture

Key Themes

- Increase job satisfaction
- Promote respect for human rights and DE&I
- Foster open organizational culture where people can proactively take on challenges

Key Themes

- Further strengthen the business foundation: Value communication and services
- Create new value: Dealers and service partners
- Be more flexible and resilient: Customers and Yamaha

Sales Channels

- Direct sales (store + e-commerce)
- Manufacturer direct sales (e-commerce)

Key Themes

- Dealers
- Service partners
- Customers
- Yamaha

Key Themes

- Yamaha’s Strengths
- Yamaha Music ID
- Yamaha Music Connect

Value Communication

Hybrid Value Appeal Integrating Digital Marketing and Physical Stores

The Yamaha Group aspires to issue communications in a manner that integrates digital marketing and physical stores to expand and improve communications showcasing its product and brand value. In addition, we are integrating customer information into our new digital marketing approach in order to realize a more effective communication approach. We are also expanding our network of brand shops overseas.

Customer Data Platform

Improvement of Customer Data Platform

(Yamaha Music ID) to Develop Closer Ties with Users over Their Lifetime

Capitalizing on the Yamaha Music ID registration systems and customer data platforms built under the previous medium-term management plan, the new medium-term management plan will target the reinforcement of ties with customers in order to create services that contribute to each individual customer.

Yamaha is developing new products that combine its strengths in digital and acoustic technologies while building upon the fundamental advantages of its products. We also look to build a business model that forges longer, wider, and deeper ties with customers.

Create New Value

Products

Creation of New Products Unique to Yamaha through the Fusion of Acoustic and Digital Technologies

Yamaha creates unique products and services that other companies cannot mimic through the fusion of the various technologies that underpin its competitive edge. A particular area of focus will be creating products based on this and other new concepts. By releasing products that allow anyone to enjoy sound and music anytime, anywhere, we will seek to generate new value.

Services

Acceleration of Lifetime Value Strategy and Develop Services to Make Life with Music More Enjoyable through External Collaboration and User-Generated Content

Yamaha aims to improve lifetime value by forging longer, wider, and deeper ties with customers through the provision of services matched to individual needs based on the understanding gained through its customer data platform. We are currently in the process of integrating Yamaha’s applications and content into a platform tentatively named Yamaha Music Connect to supply services that make life with music more enjoyable and to offer new experiences.
Sensitivities and AI and Network Technologies

Creation of New Emotional Experiences with Advanced Technology and Rich Sensibilities

Yamaha’s competitiveness is supported by the understanding and insight it has fostered in relation to sensitivities during the course of the Company’s long history, which began with musical instrument production. Our core competencies related to sensitivity value will form the basis of our efforts for creating new value through products and services. With this as our foundation, we will seek to create new experience value through the provision of unique products and services that the competition cannot mimic. These offerings will be developed by combining acoustic and digital technologies, data analysis and cloud technologies, and artificial intelligence (AI) and network technologies that connect people and accommodate their individual preferences.

Be More Flexible and Resilient

To become an entity more resilient to operating environment changes, Yamaha is bolstering its procurement and production systems and enhancing the production capabilities of existing factories. We have therefore earmarked ¥35.0 billion for investment in production infrastructure over the period of the new medium-term management plan. In addition, investments will be conducted to reinforce our development platform by constructing a new R&D base in the Tokyo metropolitan area and ramping up our use of external resources and alliances. In addition, digital transformation will be used as a tool for reforming processes and creating new value.

Manufacturing and Technology Development

Strengthening of Supply Capacity to Respond to Demand and Environmental Changes

Because the Company suffered serious impacts from the COVID-19 pandemic, Yamaha is working to strengthen the resilience of its procurement and production systems. As one facet of these efforts, we are strategically limiting numbers of suppliers and components and increasing our emphasis on risks in managing these processes. In the past, specific items were produced only at a single factory. However, we have recently been reconfiguring our global production system to optimally produce items in multiple areas. We thereby aim to achieve ongoing improvements in quality, cost, delivery, safety, and environment (QCDSE) factors, regardless of country risks or other operating environment changes. In addition, efforts are being pursued to improve the capabilities of existing factories. Specifically, we are actively developing factories that employ AI, IoT, and sensor technologies. Meanwhile, the production capacities of factories in Indonesia and India are being augmented to accommodate growing demand.

Digital Transformation

New Value Creation and Process Transformation through Digital Transformation

Make Waves 2.0 describes the utilization of data for new value creation and process transformation that to create new value, we will make use of customer data to provide every with the ideal services. At the same time, we will develop systems for applying our accumulated sound and music performance and sensitivity data to new technologies while coordinating these systems with various financial and external frameworks in order to propose new experiences. Process transformation, meanwhile, will be promoted through the assignment of development of employees who are proficient in data use to ensure that the decisions and actions of employees are grounded on data. We will also build platforms for easy tracking and visualization of conditions through data. Furthermore, Yamaha is planning the full-fledged implementation of a new supply chain management system that connects all stages of the supply chain, spanning from production to use by customers, in order to coordinate information from various regions and optimize decision-making processes. Standardizing and streamlining sales processes and production management will be another area of focus. Currently, systems and operating processessometimes differ between bases. To rectify this issue, we will pursue stan-dardization by introducing a shared enterprise resource planning (ERP) system and consolidating information through this system to achieve highly accurate operations.
aggregate total of 2.3 million students in 10 countries. To offer instrumental music performance experiences to an increasing number of students, Yamaha is promoting the introduction of instrumental music education in the school education curricula of emerging countries, with the aim of contributing to the realization of an equal society.

Our target for the School Project, our ever-expanding program to provide opportunities for first-time musicians as well as music researchers to create secure and satisfying spaces for the new society, is for it to serve as an ideal form of music schools for the new society. We also hope that it will contribute to the promotion and development of music culture worldwide.

**Contribution to Local Music Cultures**

Yamaha is developing products that incorporate local musical traditions and expanding its local software content offerings in order to help preserve and develop local music cultures. Other efforts to promote the development of music culture include the cultivation of instructors and technicians along with other activities for supporting aspiring musicians and music researchers. In addition, we are broadening the scope of our LovePiano activities with the goal of making people feel more familiar with the piano.

**Respect for Human Rights in the Value Chain**

Yamaha is committed to human rights education and due diligence activities. In addition, we are empowering female employees and taking other steps to develop a diverse staff. We are also promoting respect for human rights across the value chain in order to ensure that Yamaha is deemed to be a desirable company to work for, with the aim of achieving continuous improvements to workplace engagement by utilizing the results of the newly introduced global employee surveys to shape concrete measures.

**Increase Job Satisfaction**

Seeking to ensure that Yamaha is deemed to be a desirable company to work for, we strive to achieve continuous improvements to workplace engagement by utilizing the results of the newly introduced global employee surveys to shape concrete measures. Yamaha is committed to cultivating leaders who can guide business from a global perspective and to achieving the ideal allocation of human resources. As we enhance autonomous career development support to this end, we will also target higher levels of job satisfaction by supporting diverse and flexible workstyles.

**Promote Respect for Human Rights and DE&I**

Yamaha is dedicated to human rights education and due diligence activities. In addition, we are empowering female employees and taking other steps to develop a diverse staff. With the foundations built through these efforts, we will practice management that capitalizes on the individuality of diverse human resources.

As we promote human rights education and due diligence activities, Yamaha will develop a diverse staff by empowering female employees and practicing global human resource management. By capitalizing on the individuality of diverse human resources, we look to maximize human resources, develop our business, and achieve continuous improvements in corporate value.

**Foster Open Organizational Culture Where People Can Proactively Take On Challenges**

We are committed to building a comfortable workplace environment that promotes psychological safety while fostering an organizational culture founded on mutual respect in which ambitious undertakings and co-creation are born of the knowledge and ideas of diverse individuals.

Diverse opportunities for discussion are arranged to invigorate communication. We are also moving ahead with reforms to cultivate an organizational culture that encourages employees to tackle new challenges without fear of failure in order to ensure that our culture offers a comfortable workplace founded on mutual respect.

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**Creation of Remote Environments for the New Society**

Yamaha possesses unique technologies and know-how pertaining to the creation of enjoyable and immersive remote performances and lessons and the facilitation of high-quality, natural, and remote communication. By utilizing these technologies and know-how, we will support comfortable lifestyles in order to create secure and satisfying spaces for the new society.

**Contribution to Sound-Related Health and Safety**

Yamaha proposes a variety of solutions built on its sound technologies. These solutions include earphones equipped with its proprietary Listening Care technology for reducing the burden placed on user ears as well as in-vehicle communication modules for emergency reporting systems. Using sound technologies to contribute to the resolution of social issues and protect the health and safety of people will continue to be a focus under the new medium-term management plan.

**Expansion of the Instrumental-Music-Playing Population**

Unbound by prior conventions, Yamaha is working to realize the ideal form of music schools for the new society. We also hope to provide opportunities for first-time musicians as well as musicians returning to the craft to take up an instrument through the supply of performance support functions, applications, and services. These are just some of the ways in which we aim to expand the musical-instrument-playing population. Our target for the School Project, our ever-expanding program for promoting the introduction of instrumental music education in the school education curricula of emerging countries, is for it to offer instrumental music performance experiences to an aggregate total of 2.3 million students in 10 countries.
The Company will also look to reduce its environmental impact by increasing its use of sustainable timber, cutting CO₂ emissions through energy-saving activities, and helping conserve resources. Our efforts to enable Yamaha employees to be more valued, more engaged, and more committed, meanwhile, will include increasing the ratio of female managers and striving to make the Company a more comfortable and motivating place at which to work.

To further strengthen our business foundation, we will make greater use of digital marketing and our customer data platform to forge stronger connections with customers. At the same time, we will conduct investments surpassing those performed under the previous medium-term management plan in order to propose new value and bolster resilience. Setting sustainability as a source of value, our first priority will be to expand the School Project to other countries as part of our efforts to promote music culture.

Non-financial targets have been set for each of the three key policies of Make Waves 2.0. The advancement of initiatives for achieving said targets is expected to lead the Company to the accomplishment of the plan’s financial targets.
We will pursue higher levels of corporate value by advancing strategies based on the three key policies of the new medium-term management plan to accomplish our non-financial and financial targets.

**Review of Fiscal 2022**

In fiscal 2022, the final year of Make Waves 1.0, our previous medium-term management plan, we were unfortunately unable to meet any of the financial targets set out by the plan. This failure was largely a result of the substantial restrictions placed on Yamaha’s production and sales activities due to the impacts of the global COVID-19 pandemic and worldwide semiconductor and maritime transportation container shortages. Although performance fell short of our targets, we saw growth nonetheless, with revenue of ¥408.2 billion, up ¥35.8 billion year on year; core operating profit of ¥433.0 billion, an increase of ¥2.3 billion; and profit attributable to owners of parent of ¥37.3 billion, a rise of ¥10.6 billion. These increases placed on Yamaha’s production and sales activities due to the COVID-19 pandemic and the supply shortfalls resulting from the difficulties in procuring semiconductors. Our regional approach will entail incorporating the growth of China and emerging markets while expanding operations in the large market of North America and other mature markets.

**Growth under the New Medium-Term Management Plan**

Make Waves 2.0, the new medium-term management plan launched in April 2022, targets revenue growth of 20%, a core operating profit ratio of 14%, and ROE and ROIC of 10% or more. For revenue, we look to achieve a figure of ¥600.0 billion in fiscal 2025, which will be reached in part by growing our musical instruments, industrial machinery and components business and the other business. For core operating profit, we aim for a ratio of 14% amid the rising costs of procurement, processing, and administrative (SG&A) expenses. Nevertheless, a year-on-year increase in core operating profit was achieved thanks to higher sales of and production levels for major products as well as strong performance in the industrial machinery and components business and the other business.

I would now like to discuss the reasons behind the increase in core operating profit in comparison with the previous fiscal year. Higher costs were seen in the form of increases of ¥4.3 billion in procurement costs and ¥6.5 billion in ocean freight charges as well as in a rise in selling, general, and administrative (SG&A) expenses. Nevertheless, a year-on-year increase in core operating profit was achieved thanks to higher sales of and production levels for major products as well as strong performance in the industrial machinery and components business and the other business.

These upturns were supported by solid demand. It is our policy to reflect cost increases in product selling prices, but we were unable to fully do so in fiscal 2022. The portion of cost increases unable to be reflected will thus be an issue to be addressed in fiscal 2023, which we will go about doing while also reflecting any further hikes to costs that might occur. We also see a need to bolster the resilience of our supply chains given the potential for us to become unable to conduct production in the event of disruptions in the supply of semiconductors and other materials.

**Cash Allocation Policy**

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

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

- **Shareholder returns**
  - Based on a policy of issuing steady and continuous dividends, flexibility carry out shareholder returns in an appropriate manner with the aim of improving capital efficiency
Yamaha has almost no interest-bearing debt, and we do not plan to adopt a management approach of exerting leverage amid rising uncertainty.

Over the three-year period of the previous medium-term management plan, we conducted investments centered on bolstering core businesses and factories in India and Indonesia. This cash will be allocated to investments and shareholding in our domestic operations.

Shareholder Returns

Three-Year Plans for Cash Flows in the Make Waves 2.0 Medium-Term Management Plan

Shareholder Returns

Cash Generation Capabilities and Financial Strategies

Over the three-year period of the previous medium-term management plan, operating cash flows generated ¥170.0 billion. This cash will be allocated to investments and shareholder returns in a balanced manner. Specifically, we intend to use ¥65.0 billion for strategic investments, £40.0 billion for standard investments, and ¥65.0 billion for shareholding returns. Targets of strategic investments will include the continuation of the production facility augmentations carried out under the previous medium-term management plan, as well as office reorganizations, research and development, new business creation, and M&A activities. As for shareholding returns, we targeted a total return ratio of 50% during the period of the previous plan and proceeded to issue annual dividend payments of ¥66 per share for three consecutive years, despite the opaque operating environment. Meanwhile, the funds obtained from sales of cross-shareholdings were used to acquire treasury stock. We were thereby able to deliver an incredibly high three-year total return ratio of 78.8%. Under the new medium-term management plan, we will continue to target a total return ratio of 50% as we issue shareholder returns while striking a balance with growth investments.

Make Waves 2.0 is a plan that is not preoccupied with addressing the management issues we face in the short term. Rather, it was formulated to use a backcasting approach from our medium- to long-term vision to determine our directives so that we can focus on how to bridge the gap between our current position and our vision. To paint a clearer picture of this gap in the new medium-term management plan, we have defined material issues that will be addressed on a priority basis by management and positioned the plan as a collection of measures and initiatives for tackling these issues.

This plan was created over a period of around 18 months. Before we got into the essentials of the plan, we used the first six months to engage in in-depth discussions regarding sustainability as part of formulating the overall directives and policies for the plan. Then, over the remaining 12 months, we narrowed down the measures and targets to be pursued under the plan. Through this process, we sought to align employees and management toward a common goal and to lay the groundwork for a constructive dialogue. Dialogue was also a focus at meetings of the Board of Directors as we actively allocated time for discussions and thereby gathered a variety of options and advice from outside directors. One area regarding which advice was received was digital transformation. The executive team is prone to looking primarily at the process reform side of digital transformation, but outside directors reminded us that the fundamental purpose of digital transformation is to create value. This realization provided a new impetus for discussions on our digital transformation measures.

It was two medium-term management plans ago when Yamaha first put forth contributing to the realization of a sustainable society as a priority theme, and we have continued to evolve our initiatives with this regard ever since. Yamaha does not view sustainability as being separate from its business. Rather, sustainability is positioned as the foundation for our management and business activities. The position of sustainability within Yamaha’s management is apparent in not only how we explain the non-financial targets of the new plan before talking about the financial targets but also in the scope and level of detail of said non-financial targets.

One particularly noteworthy element of Make Waves 2.0 is the inclusion of the policy of “enable Yamaha colleagues to be more valued, more engaged, and more committed.” The decision to include this policy was made based on internal discussions on the importance of gaining the understanding of employees and empowering them in their efforts.

One of our measures for empowering employees in this manner is global human resource management. We recently set up a dedicated global human resource organization within our personnel department and appointed a non-Japanese individual to head this organization. We anticipate that this organization will drive initiatives for tying diversity to growth based on ideas and perspectives not found among our Japanese staff. We have also begun building frameworks for spurring autonomous action by employees, which is an important element of human resource management. In particular, we are installing these frameworks at domestic Group companies. At the same time, discussions are moving ahead centered on the personnel department about how best to encourage employees to take a serious look at their careers and to support them in career advancement.

Furthermore, we have been issuing employee engagement surveys to gauge how our efforts are contributing to employee empowerment. Previously limited to Japan, the scope of these surveys has been expanded to include all 14,000 Yamaha Group employees working across the globe. Using survey questions developed by an external specialist firm, as opposed to creating our own survey questions, has allowed us to measure changes over time while also comparing our scores with those of other global organizations. We expect that this approach will make it possible to highlight the unique characteristics of Yamaha while also identifying its issues through comparison with other companies. These surveys will be issued on an annual basis to analyze the results of our efforts and to guide future initiatives.

In Closing

It is currently very difficult to accurately assess the operating environment or the level of risks. Given this uncertainty, we are faced with the pressing task of strengthening the resilience of our supply chains to build a robust corporate constitution that drives growth with change. Our new medium-term management plan has received a lot of praise from investors. By moving ahead with the measures prescribed in this plan, we aim to demonstrate the full capacity of the Yamaha Group.

I hope that our shareholders, investors, and other stakeholders will continue to provide their frank opinions and advice and to offer Yamaha their ongoing support and understanding.
SUSTAINABILITY MANAGEMENT

Today, numerous environmental and social risks are materializing on a global scale, placing humanity at a crossroad standing down two paths: one to a sustainable society and one to an unsustainable society. As a responsible organization, the Yamaha Group places sustainability at the heart of its management and business activities. We also engage with stakeholders based on an understanding of the environmental and social impacts of our business activities and in accordance with the Yamaha Group Sustainability Policy. We are thus accelerating various initiatives to help shape sustainable society.

Sustainability Promotion System

Under the guidance of the Board of Directors, Yamaha Corporation has established the Sustainability Committee as an advisory body to the president. This committee is tasked with discussing directives for Groupwide sustainability initiatives, monitoring initiatives for each respective area, and reporting to the president on these matters. The Board of Directors receives reports on the deliberations and findings of the committee with regard to matters such as revisions to material issues and sustainability policies, and provides approval as appropriate after discussing these matters. Five working groups—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, DE&I, and Working Group for Social and Cultural Contributions—have been formed under the Sustainability Committee to formulate activity policies for important Groupwide themes and monitor trends in their respective areas. The working groups act on a cross-business basis by coordinating with the relevant divisions to advance activities based on the theme of their assigned area.

Yamaha Group Sustainability Policy

Throughout its long history, the Yamaha Group has made various efforts to promote people’s “well-being,” while remaining conscious of its connection with nature, society and culture. Our products, made of timber and other natural materials and carefully finished by skilled craftsmen, have been handed down from generation to generation and, with some products being given new life through renewal, loved by many people. In addition to simply selling products, we have also contributed to promoting the spread and development of music culture in various countries and regions around the world as our own business. These activities range from the spread of instrumental music education for children and the development of music schools to the support of top artists. These ideas and initiatives are in line with social sustainability and have been passed down through the Company’s more than 130-year history, shaping the “distinctive brand identity of Yamaha.”

Yamaha Group Annual Report 2022
Management Strategy
Material Sustainability Issues

The Yamaha Group has defined material sustainability issues for contributing to sustainable social development and medium- to long-term improvements in corporate value based on the impact of its business activities on the environment and society as well as on stakeholder expectations and social demands. Initiatives for addressing these issues are currently underway.

Material Issue Identification Process

Sustainability issues pertinent to the Yamaha Group’s value chain have been identified with reference to the United Nations (UN) Sustainable Development Goals (SDGs) and others. The level of priority of these issues was then assessed based on input from customers, employees, and community members, ESG evaluation criteria, opinions and requests from NGOs, advice from external experts, and corporate philosophy and management vision; and medium- to long-term management policies. In fiscal 2022, we revised our material sustainability issues to integrate these into the material issues used for overall corporate management.

In addition, we have formulated basic policies, priority themes, key performance indicators (KPIs), and targets based on these material issues under the new medium-term management plan (please see pages 28 and 36).

Furthermore, KPIs for gauging the progress of measures related to the identified material sustainability issues by the Sustainability Committee working groups and relevant divisions was established along with related targets and action plans. The Sustainability Committee is responsible for monitoring the progress of initiatives pertaining to material issues.

Major Sustainability KPIs and Targets of Make Waves 2.0

<table>
<thead>
<tr>
<th>Category</th>
<th>Material Issues</th>
<th>Goals/Refrain from/Increase/Reduce</th>
<th>Management target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Sustainable timber use</td>
<td>Increase scale of sustainable timber use</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Resource savings, reduction of waste and hazardous substances</td>
<td>Eliminate plastic packaging for newly launched small products</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Contribution to an equal society and comfortable lives</td>
<td>Improve catering function for reducing carbon footprints by delivering high quality sound at low volumes in all new headphones and earphones</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Respect for human rights in the value chain</td>
<td>Conduct on-site audits of suppliers (60 companies)</td>
<td>N/A</td>
</tr>
<tr>
<td>Culture</td>
<td>Spread and development of music culture</td>
<td>Increase number of students enrolled at overseas music school by 100,000 (Make Waves 2.0 Medium-Term Management Plan)</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Human resources</td>
<td>Continuous improvement of rate of employees offering positive responses regarding motivation on employee engagement surveys</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Realize Resource Savings and Reduce Waste and Hazardous Substances

Participation in Initiatives and Activities Related to the SDGs

With a commitment to cooperating and forming a global society we work toward building a sustainable society, Yamaha signed the UN Global Compact in June 2011 and is participating in various other initiatives. The Group is also actively contributing to the accomplishment of the SDGs, which are a set of shared targets embraced by global society, through its business activities. Yamaha emphasizes the goals and targets of the SDGs in the development of products and services and in efforts to improve business processes. Specific examples of these efforts include advancing music promotion activities to contribute to Goal 4 “Quality education” and practicing sustainable timber procurement to help achieve Goal 12 “Responsible consumption and production” and Goal 15 “Life on land.”
Endorsement of the TCFD Recommendations

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

In fiscal 2019, the Yamaha Group declared its endorsement of the recommendations of the TCFD and commenced initiatives for analyzing the risks and opportunities for its business created by climate change. This information is reflected in management strategies, and information on the financial impacts of these risks and opportunities is disclosed.

**Yamaha’s Initiatives**

**Governance**

Climate change and other important sustainability issues are discussed at meetings of the Sustainability Committee, which is an advisory body to, and chaired by, the president that was established in January 2021, after which these matters are discussed and examined by the Board of Directors to make for a system of appropriate supervision by the Board of Directors. The Sustainability Committee met 10 times in fiscal 2022.

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

In fiscal 2022, Yamaha revised its sustainability priorities (materiality), the management issues with the potential to impact corporate value over the medium to long term, to include climate change among these issues. The new medium-term management plan “Make Waves 2.0” launched in April 2022 defines “set sustainability and value over the medium to long term, to include climate change (global warming of less than 2°C above pre-industrial levels) and other important sustainability issues, and our ratio of certified timber use was 52% on March 31, 2023. In addition, with our dedicated timber-related technology and procurement divisions, we have accumulated the expertise necessary to quickly switch to an alternative source should it become difficult to procure timber from a specific location.

**Major Medium-Term Risks**

- Major medium-term risks include the potential for the institution of various measures aimed at the realization of a decarbonized society to lead to higher energy prices and additional costs resulting from carbon pricing systems.

- To combat these risks, we altered our prior greenhouse gas emissions reduction target, which had been certified by Science Based Targets as a target for limiting global warming to 2°C above pre-industrial levels, and received certification for the new target in September 2021, indicating it as being viable for limiting global warming to 1.5°C above pre-industrial levels. Initiatives in pursuit of this target include advancing Companywide energy conversation activities, utilizing renewable energy, developing energy-efficient products, streamlining logistics processes, and bolstering engagement with suppliers. In addition, we have fully introduced an internal carbon pricing scheme for the purpose of facilitating investment in low-emissions equipment and installed emissions-reducing provisions into new Company buildings. By accelerating initiatives to achieve this more ambitious target, we aim to mitigate various transition risks.

**Physical Risks**

- Major Long-Term Risks: Global warming threatens to change the environments in which we operate. To protect our business, we proceed to understand these environmental changes and produce certain musical instruments. The Yamaha Group undertook an investigation that looked at scarce and difficult-to-substitute tree species from which it procures timber and was based on an academic thesis. This investigation indicated a possibility that the environments in which several of these tree species are cultivated might shrink as a result of climate change. Should it become difficult to procure timber from these tree species, resulting in increases in raw material prices, it would constitute a business risk. For this reason, we will carefully monitor circumstances related to the production of these tree species in the future and make preparations so that, should it be deemed that our operations might be impacted by these circumstances, we will be able to quickly shift to alternative tree species.

Furthermore, the Group exercises due diligence in verifying the legality of tree harvesting methods to ensure that it does not purchase illegally harvested timber and thereby safeguard its ability to continue procuring timber in a sustainable manner. We are also pursuing ongoing improvements to our business resilience through multifaceted initiatives. One such initiative is the Tone Forest activities we engaged in with timber-producing communities to foster high-quality resources used for manufacturing musical instruments with regard to scarce timber that may become more difficult to secure due to climate change.

- With regard to floods and other risks, we completed establishment of business continuity plans (BCPs) for all Yamaha business sites around the world. We have also taken precautionary measures such as installing drainage equipment to safeguard against damages from typhoons, floods, and other natural disasters projected on an individual business site basis. In addition, we have implemented measures such as revising the locations and structure of Company business sites and even external warehouses.

- Furthermore, based on scenarios assuming global warming of 4°C (above pre-industrial levels and once-in-a-century flooding in 2050), flooding risks and the effectiveness of flooding countermeasures were assessed for Yamaha Group bases, major distribution bases, and suppliers located in near-adapted and coastal areas susceptible to floods around the world. These assessments found that no sites were at particularly high risk of flooding.

**Opportunities**

- Major Medium-Term Opportunities: Major medium-term opportunities for Yamaha include the potential for increased demand for its products as people limit movement to help combat climate change. Specifically, it is possible that demand will grow for communication equipment. In addition, the trend toward decarbonization could drive the popularization of EVs, creating the potential for the Yamaha Group to engage in new businesses through which it produces comprehensive soundscapes within vehicles as well as the opportunity to win additional support for customers for its audio technologies, which deliver high sound quality from lightweight equipment.

- Major Long-Term Opportunities: Major long-term opportunities include the possibility that demand for our products will increase as factors like global warming place limitations on outdoor activities. These factors are anticipated to drive growth in demand for a variety of musical instruments as well as for communication equipment. Moreover, by developing alternative materials with characteristics that are even more beneficial than those of the materials currently used, we aim to prepare for the potential depletion of the habitats in which the timber suitaed to musical instrument production is grown. These provisions will allow us to provide value and take advantage of an even wider range of business opportunities.

**Metrics and Targets**

- Reductions to CO2 emissions are managed in a comprehensive manner encompassing the entire Yamaha Group and its supply chains. To facilitate these efforts, the Greenhouse Gas Protocol is used as the standard for calculating total greenhouse gas emissions (Scope 1, Scope 2, and Scope 3 emissions), and third-party verification is received for these calculations.

- Yamaha has set the medium-term targets of reducing total Scope 1 and Scope 2 greenhouse gas emissions by 55% (target certified by Science Based Targets as sufficient for helping limit average global warming to below 1.5°C and total Scope 3 greenhouse gas emissions by 30% from fiscal 2018 levels by fiscal 2031. In addition, we have set a long-term target for Scope 1 and Scope 2 emissions of achieving carbon neutrality by fiscal 2051.

In addition, we have set the goal of achieving a ratio of certified timber use of 56% by fiscal 2022 in order to help preserve forest resources and protect biodiversity. This goal was successfully accomplished in fiscal 2022 with a ratio of 52%. Going forward, we plan to establish internal standards to guide wider-ranging management of timber sustainability. At the moment, we are targeting a ratio of sustainable timber use, as defined based on our internal standards, of 75% by fiscal 2025. Ongoing initiatives will be advanced toward this goal.
Results of Scenario Analyses

### Procurement

**Short-term risks**
- Risk of difficulties in procuring timber because of companies withdrawing from the timber business due to decarbonization trends.

**Medium-term risks**
- Risk of additional costs due to institution or increase of carbon prices.

**Long-term risks**
- Risk of difficulties in procuring timber due to changes in production region environments.

**Opportunities created by increased product demand as people limit movement to combat climate change**
- Opportunities created by increased product demand as people limit movement to combat climate change.

**Physical risks (Global warming of 4°C)**
- Risk of difficulties in procuring timber due to changes in production region environments.

**Product demand**
- Opportunities created by increased product demand as people limit movement to combat climate change.

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### Potential Changes in Timber Procurement Region Environments from Base Year

**Table:**

<table>
<thead>
<tr>
<th>Tree Species</th>
<th>Region</th>
<th>Mean Change in Mean Temperature (°C)</th>
<th>CO2 Emission Reduction</th>
<th>Potential Change in Procurement Region Environments (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conifer species A</td>
<td>North America A</td>
<td>105 100 99 98 96 94 92 90</td>
<td>84%</td>
<td>Approximately 59%</td>
</tr>
<tr>
<td>Conifer species B</td>
<td>Europe A</td>
<td>105 105 96 94 92 90 88 86</td>
<td>50%</td>
<td>Approximately 37%</td>
</tr>
<tr>
<td>Broadleaf tree species A</td>
<td>Asia A</td>
<td>105 105 105 105 105 105 105 105 105 105</td>
<td>4%</td>
<td>Less than 10%</td>
</tr>
<tr>
<td>Broadleaf tree species B</td>
<td>Asia B</td>
<td>105 105 105 105 105 105 105 105 105 105</td>
<td>4%</td>
<td>Less than 10%</td>
</tr>
</tbody>
</table>

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

To help realize a society in which everyone’s human rights are respected, the Yamaha Group remains keenly aware of its responsibility with regard and promotes respect for the human rights of all stakeholders touched by its business activities and value chain.

Basic Policy

Based on the UN Guiding Principles on Business and Human Rights, the Yamaha Group has established the Yamaha Group Human Rights Policy. This policy guides the Group as it strives to comply with international norms pertaining to human rights, including those described in the International Bill of Human Rights, the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the UN Global Compact.

In addition, the Working Group for Human Rights, DEAI has been established as part of the Sustainability Committee, which is chaired by the president. This working group is responsible for monitoring human rights due diligence, education, and awareness-raising activities. The Board of Directors, meanwhile, oversees Groupwide human rights due diligence activities based on reports from executive officers.

Promotion of Human Rights Due Diligence

The Yamaha Group is committed to responsibly addressing the potential impacts of its business activities on human rights. To this end, we assess our activities based on international norms on human rights and on the self-assessment items of the UN Global Compact and actively engage in dialogue with stakeholders and experts. Through this process, we identify and specify the human rights risks apparent in our business. The Group works to identify the material human rights issues faced in different industries through participation in the Stakeholder Engagement Program of Caux Round Table Japan. Also, we began in 2022 to identify human rights issues based on advice received from experts and to revise our frameworks for assessing related risks in order to promote more sophisticated and comprehensive due diligence activities. Moreover, human rights principles are being incorporated into the internal regulations of the Company and Group companies. The status of the protection of employee human rights is monitored based on these regulations with regard to areas such as work conditions and labor-management dialogue, and improvements are pursued as necessary. For production companies in Japan, China, Indonesia, Malaysia, and India, dedicated Company staff members provide support for developing and advice for improving occupational health and safety and health management frameworks. We are thereby working to address human rights risks pertaining to employee health and safety and community members.

Suppliers, meanwhile, are asked to sign agreements stipulating compliance with the Yamaha Supplier CSR Code of Conduct, which includes provisions related to worker human rights, occupational health and safety, environment preservation, and ethics. Adherence with these agreements is regularly confirmed via paper audits. We intend to conduct on-site inspections of suppliers and to ramp up assessments going forward.

Prevention of Harassment

The Yamaha Group advances comprehensive initiatives for preventing all forms of workplace harassment. The Compliance Code of Conduct strictly prohibits harassment, and we have established consultation and whistleblowing systems and otherwise developed the frameworks and processes necessary for handling complaints. We also hold manager training programs for preventing abuses of power and are stepping up internal awareness-raising measures to bolster workplace communication with the goal of fostering a workplace environment free of harassment.

Human Rights-Related Consultation and Whistleblowing Systems

The Yamaha Group has set up human rights-related consultation and whistleblowing systems to allow for the quick detection and response to human rights violations. In Japan, the Company has implemented internal and external compliance-related consultation and whistleblowing systems for use by employees (including contract employees), part-time employees, dispatched employees, and subcontractors.

Overseas, we have developed multilanguage email forms to ensure that the systems can accommodate reports from various countries and regions. We are advancing activities to ensure awareness regarding the respective contact venues and how they are used. At the same time, internal regulations on how to handle reports are being developed, starting in Japan, with stipulations for protecting the confidentiality of reports and ensuring that individuals do not suffer disadvantageous treatment as a result of reporting. Yamaha’s Legal Division monitors the status of whistleblowing system implementation and operation at Group companies worldwide, and assistance for improvements is provided as necessary.

Product and Service Accommodation

The Yamaha Group seeks to improve the safety and accessibility of its products and services to ensure that they do not cause or exacerbate physical or mental health conditions and to allow them to be enjoyed by a wide range of people, regardless of disability or other restrictions. Examples of innovations we have used to this end include the installation of the Listening Care function into our earphones and headphones, the provision of voice guidance functions for digital musical instruments, the development of recorders that can be played with one hand, and the deployment of the SoundUD universal design support system for sound.

Furthermore, we prepared a diversity, equity, and inclusion communication handbook for employees in April 2022 to facilitate inclusive communication that does not discriminate against or exclude others through product and service marketing activities and advertisements or through social media. Yamaha is also a member of the Unstereotype Alliance, a movement spearheaded by UN Women that aims to eliminate harmful stereotypes in media and advertisements.

Yamaha Group Annual Report 2022
Human Resources

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

Basic Policy

Yamaha seeks to ensure that all of its colleagues are able to fully exercise their talents. To this end, we strive to foster a workplace environment in which the individuality of all employees is respected, regardless of their gender, nationality, or race, and in which everyone is able to succeed. These efforts are backed by workplace reforms, health and productivity management, and the cultivation of human resources that can excel on the global stage, among other measures.

Review of Make Waves 1.0

Respect for Diversity
The Yamaha Group Diversity & Inclusion Policy states that the diversity of people is the source of corporate and social value. In accordance with this belief, Yamaha is developing frameworks and cultures that provide opportunities to succeed. The Working Group for Human Rights, D&I (later renamed the Working Group for Human Rights, DE&I) was established under the Sustainability Committee, an advisory body to the president, in fiscal 2021. This working group uses communication with and surveys of Group companies worldwide as a venue for identifying the diversity and inclusion issues we need to tackle. These efforts have revealed that gender equality and the cultivation of female leaders are areas requiring our attention. Based on this recognition, Yamaha is ramping up efforts to communicate its support for people in minority groups. For example, the Company is a member of the UN Unstereotype Alliance. We also implemented initiatives commemorating International Women’s Day and LGBT Pride Month.

In Japan, these efforts have earned recognition including Yamaha Corporation being awarded the highest rating of gold in the PRIDE Index 2021, an index designed to recognize the inclusion initiatives of companies and other organizations for supporting sexual minorities, for three consecutive years.

Support for Women’s Careers
As one facet of its diversity management efforts, the Yamaha Group strives to develop a workplace environment that is conducive to the contributions of women and conducts unconscious bias training and other awareness-raising activities. We are moving ahead with measures for supporting the careers of female employees based on an action plan targeting a gender average of 10% for the ratio of female employees in management positions to be achieved by 2025 while monitoring progress with this regard. The Working Group for Gender Equality, which is positioned under the Human Resources Development Committee, an advisory body to the president, is tasked with offering advice regarding various initiatives for diversifying management through the ongoing cultivation of female leaders and with guiding the implementation of these initiatives.

Furthermore, Yamaha is a member of the 30% Club Japan, an international campaign aimed at promoting gender balances in corporate decision-making bodies. We have also announced our endorsement of the goals of the Women’s Empowerment Principles.

Such commitments by senior management shape our efforts to develop workplace environments that allow all employees to realize their full potential.

Work-Life Balance Support Systems and Workstyle Reforms
The Yamaha Group hopes to allow our employees to exercise their skills while maintaining good physical and mental health and living enriching work and personal lives. We therefore aim to develop flexible systems and workplace environments that are accommodating of the circumstances of individual employees.

We offer employee access to teleworking systems as well as to systems that support employees in balancing their work with medical treatment. Furthermore, a system was introduced in fiscal 2022 that allows employees to work in remote locations to accommodate individuals who would normally be forced to live away from their family for work purposes. We also expanded the range of areas from which individuals can commute so they need to provide nursing care to family members. We therefore hope to allow such individuals to continue exercising their skills.

Human Resources Development
The Yamaha Group has established guidelines for Groupwide education and training programs. Based on these guidelines, we seek to create an education and training system that is equally focused on skill improvement and career development as the basis for the development of globally successful human resources. At the same time, training programs are tailored to specific objectives and groups of employees.

In fiscal 2022, we continued to conduct highly effective education and training programs, even amid the restrictions imposed in response to the COVID-19 pandemic, through the use of e-learning programs utilizing videos as well as discussion-centered programs that take advantage of the characteristics of online meeting tools. We also began arranging kizai meetings for individuals responsible for specialized functions training in their respective organizations in order to share best practices in relation to training programs.

Furthermore, the Company launched new hierarchical level-based training in the form of training for the heads of core and other divisions in order to bolster its training programs for individuals who are central to management. Overseas, we conduct global selective training for selected employees, including local personnel hired overseas, to systematically develop employees who can take charge of management on a global basis.

Organizational Health and Safety and Health and Productivity Management
The Yamaha Group has established the basic occupational health and safety policy of prioritizing health and safety over everything. Based on which we are advancing initiatives for promoting the safety of everyone involved in our business activities and promoting the health of employees and their families.

In fiscal 2022, Yamaha Corporation and Japanese Group companies had a 100% health examination completion ratio, while an industrial physician made work category decisions for 100% of cases for both Yamaha Corporation and domestic Group companies. In addition, our mental health care initiatives have enabled us to maintain rates of more than 80% for employees returning to work after receiving leave for a mental health issue for the first time.

Furthermore, we have continued to help employees quit smoking through advice offered during health checkups as well as individualized support for employees desiring such aid. Moreover, smoking has been completely prohibited on the premises of all domestic Group companies since April 2022. As a result of such efforts, the percentage of smokers among all employees declined to 11.1% in fiscal 2022.

Based on the external recognition for these initiatives, Yamaha Corporation was included, for the first time, in the Health & Productivity Stock Selection in March 2022.

In fiscal 2022, Yamaha Corporation and its subsidiary Yamaha Corporate Services Corporation were certified as White 500 companies in March 2022. This program is designed to recognize companies among those listed on the Tokyo Stock Exchange that exhibit excellence in practicing health and productivity management.

Furthermore, we are working to improve the work environment for women and diverse people by implementing the future working style reform program through the use of online tools.

Organizer’s Recognition Program organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

Going forward, the Group will pursue higher levels of quality in its health and productivity management efforts. To this end, we will seek to support a healthy work-life balance through measures for combatting excessive work hours targeting management and other employees. At the same time, efforts will be made to help employees and their families achieve “Sound Living,” living in good physical and mental health and in accordance with one’s own desires, as described in the Yamaha Group Health Declaration.

Priority Themes of Make Waves 2.0

Increase job satisfaction
- Continuous improving ratio of employees offering positive responses regarding job satisfaction on employee engagement surveys
- Double human resource investment

Promote respect for human rights and DE&I
- Achieve global ratio of female managers of 15%
- Conduct cross-border positioning of 30 individuals
- Utilize individually of diverse employees
- Conduct human rights education and due diligence
- Empower female employees and assemble a diverse team

Foster open organizational culture where people can proactively take on challenges
- Continue improving ratio of employees offering positive responses regarding workplace environment on employee engagement surveys

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DIGITAL TRANSFORMATION

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

Taro Tokuhiro
Operating Officer
Executive General Manager of Operations Unit

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

The goal of Yamaha’s digital transformation strategies is to transform businesses and processes to adopt a customer-oriented perspective with digital technologies. The Digital Transformation Strategy Committee has categorized the Company’s business processes into three perspectives (data, systems, and business processes and systems spanning from production to customers), which have been further subdivided into development; production; supply; and accounting, human resources, and other administrative operations. These perspectives make for a framework for advancing digital transformation strategies on a Companywide basis.

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Review of Make Waves 1.0
Under Make Waves 1.0, the previous medium-term management plan, we promoted digital transformation in five process areas based on the policies and rules formulated in relation with to system environment establishment, development, and implementation. Progress was made in furnishing business platforms through these efforts.

In the area of customer contact points, we facilitated the formation of ongoing connections with customers around the world, we installed customer data platforms at overseas sales companies, thereby developing the frameworks for consolidating customer information. As for planning, research, and development, we are expanding customer contact points and creating new value through offerings such as the SYNCHRON (online remote ensemble performance service) and the Chariot™ communication robot. Initiatives in the areas of production and supply included the completion of a core system centered on the Charlie™ communication robot. Initiatives in the areas of production and supply included the completion of a core system centered on the Charlie™ communication robot. Initiatives in the areas of production and supply included the completion of a core system centered on the Charlie™ communication robot.

Goals of Digital Transformation
(Customer Data Platforms, New SCM, and Process Reforms)

Our new SCM systems for connecting factories and customers. This core system was created while standardizing and optimizing processes and systems through the introduction of enterprise resource management systems at factories around the world. Lastly, in the area of accounting, human resources, and other administrative operations, we promoted use of paperless accounting ventures as well as digital means of processing internal and external contracts, thereby contributing to increased operational efficiency.

Overview of Priority Themes of Make Waves 2.0
Create New Value
Yamaha aspires to provide new sound and music experiences that allow anyone to connect anywhere and at anytime by integrating customer data platforms. Our goal in these efforts is to design and develop services optimized for each individual customer. We are also developing and implementing systems for collecting and utilizing new types of information, including sensibility and performance data. These systems will be linked with various internal and external frameworks in order to create new value.

Transform Business Processes
Yamaha looks to move beyond the phase of developing systems, which primarily involved installing infrastructure through means such as redeveloping and integrating prior business systems. The next phase will entail utilizing information by employing the data produced and collected by the developed systems in decision-making processes. By accelerating initiatives in this phase, we will seek to create new value and transform business processes.

In accomplishing these goals, we will start by structuring the data collected across all business areas through our systems in order to use this data to visualize internal conditions and share this information throughout the Company. Data will be engineered in a manner that allows for data from any business area to be managed in the same format and with the same quality. Meanwhile, digital transformation human resources capable of analyzing and utilizing data will be cultivated to facilitate the use of data for guiding decision-making and actions in all business areas. At the same time, IT training programs will be systematized based on necessary skills, and these programs will be implemented on an ongoing basis.

The Company is also developing new SCM systems that allow for the real-time tracking of data from stages ranging from production to delivery of services to customers. These systems are being rolled out across the globe, allowing us to link production to customer behavior and thereby optimize overall decision-making. In addition, improvement will be pursued with regard to quality, cost, and delivery factors by standardizing sales and production management processes and utilizing digital twin methodologies in factories to increase efficiency in production management.

Digital Transformation Strategies of the New Make Waves 2.0 Medium-Term Management Plan

Create new value and transform processes through digital transformation

Advance data strategies for guiding decision-making and actions

Priority Themes of Make Waves 2.0

<table>
<thead>
<tr>
<th>Priority Themes</th>
<th>Measures</th>
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<tbody>
<tr>
<td>Create new value</td>
<td>* Provide services optimized for each customer by utilizing customer data * Accumulate sound and music performance and sensibility data and apply to new technologies</td>
</tr>
<tr>
<td>Transform business processes</td>
<td>* Advance data strategies for guiding decision-making and actions (build data management platforms; cultivate digital transformation human resources) * Accelerate and improve efficiency of SCM (launch full-scale operation of new SCM system that connects processes spanning from production to customers) * Standardize and improve efficiency of sales activities and production management through introduction of manufacturing digital twin methodologies and ERP systems</td>
</tr>
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</table>

Data Strategies for Guiding Decision-Making and Actions

Collection

Acquisition of Digital Transformation Certification

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

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

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

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

Yamaha unveiled its brand promise in January 2019. This promise expresses that “we at Yamaha want to inspire peoples’ passion and help them take a step forward to express their individuality, emotion and creativity.” Moreover, we promise to “Become an Indispensable, Brilliant Individual Company” that moves customers to their core.

In our quest to fulfill these promises, we will create distinctive new value and practice consistent communication in order to inspire customers to feel passionate about owning Yamaha products or to hold a feeling of admiration toward Yamaha brand. At the same time, we will work to form strong connections with the customers who have inspired us in this way.

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

Review of Make Waves 1.0
During the period of Make Waves 1.0, the previous medium-term management plan, Yamaha devoted focused effort to the entrenchment and implementation of consistent branding strategies based on its brand promise, and we were thereby able to achieve a 50% increase in corporate value over the plan period, surpassing the plan’s non-financial target of a 30% increase. Moreover, we renovate the Yamaha Ginza Building and the Nagoya store and reopened these venues as brand shops in 2021. These shops do more than just sell musical instruments; they function as bases for broadcasting the Yamaha brand at which visitors can engage with our brand. These bases have thus significantly enhanced our ability to broadcast our brand value.

Moreover, to “Make Waves” with our customers, we deployed advertisements and content based on our brand promise on a global scale. To supplement such communications based on a uniform message, we also prepared a diversity, equity, and inclusion communication handbook to ensure that we can carry out communication in a manner that is mindful of such subjects. This handbook was used to foster understanding within the Company.

Furthermore, we moved forward with the introduction of customer data platforms and digital marketing platforms as part of our efforts to develop frameworks for forging deeper and longer relationships with customers. Methods of building these relationships will include stepping up communication and service provision to customers. In addition, the month of October, which contains the anniversary of Yamaha’s founding on October 12, has been defined as a special brand month during which a variety of events are held to provide all employees with opportunities to think more deeply about the Yamaha brand and to thereby raise awareness regarding our brand among all employees. These events are carried out in a voluntary manner all around the world.

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

Customer

Brand Promise*:
Come together with others

Brand Truth (Value Proposition):
Passion for players

Brand Drivers (Customer Experience Value):
Express myself to make an impact
Progress personally
Come together with others

Impact on sound & music

These brand drivers, brand truth, and brand promise were reflected in the activities of all Yamaha Group employees worldwide.

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

Initiatives under the New Medium-Term Management Plan

Advance Branding Strategies that Enhance Emotional Bonds
The Company is developing frameworks for comprehensively communicating the value of the Yamaha brand to as many stakeholders as possible.

Our corporate website is gaining importance as a venue for announcements regarding our philosophy and policies and for enacting our brand promise of “Make Waves.” In reflection of this rising importance, we are enhancing our website based on contemporary changes in stakeholder awareness and on the latest technology and design trends. We are also ramping up distribution of corporate and product advertisements in pursuit of quantitative and qualitative increases in customer contact points.

Physical venues for brand communications include our prior brand shops and Yamaha Hall. Our network of such venues is being expanded through new additions like the Yokohama Minato Mirai 21 brand broadcasting base scheduled for completion by March 31, 2024. By allowing customers to engage with the Yamaha brand through such venues, we hope to deliver brand experiences that inspire customers to “Make Waves.”

Utilize Integrated Customer Data and Provide Services for Improving Lifetime Value
Yamaha aims to utilize the data gained from its connections with customers to deepen its understanding of customers and thereby create new value and heighten customer engagement. By completing the installation of the customer data platforms that was advanced under the previous medium-term management plan, we look to facilitate the acquisition, integration, visualization, and analysis of data to accommodate a shift toward data-driven marketing. At the same time, we will promote global membership systems for providing services that deliver greater customer experiences. For example, we are accelerating the planning and development of applications that contribute to higher lifetime value. Also, the customer data acquired from Yamaha Music ID will be integrated and used to supply personalized customer experiences and thereby forge ongoing connections through after-sales services. Yamaha will target increased customer engagement through such initiatives.

Brand Strategies of the New Make Waves 2.0 Medium-Term Management Plan

Priority Themes of Make Waves 2.0

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<th>Priority Themes</th>
<th>Medium-Term Management Plan</th>
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<tbody>
<tr>
<td><strong>Advance branding strategies that enhance emotional bonds</strong></td>
<td>• Cadify and communicate corporate brand information matched to the times and emphasizing purpose  • Establish brand broadcasting bases that provide the opportunity to engage with the Yamaha brand</td>
</tr>
<tr>
<td><strong>Utilize integrated customer data and provide services for improving lifetime value</strong></td>
<td>• Globally integrate customer IDs (Yamaha Music ID)  • Improve understanding of customers through use of customer data  • Plan and develop comprehensive applications (services) for improving lifetime value for customers</td>
</tr>
<tr>
<td><strong>Build and standardize frameworks for improving customer experience</strong></td>
<td>• Improve customer experiences through customer support points  • Develop frameworks for global measurement of customer satisfaction to track this metric</td>
</tr>
<tr>
<td><strong>Earn trust and understanding from society by exercising corporate accountability in information disclosure and communicating fact-based brand narrative</strong></td>
<td>• Exercise corporate accountability in information disclosure to earn trust from society  • Proactively communicate brand narrative related to business and sustainability  • Practice timely disclosure of corporate information in areas of rising interest and relevance to external assessments  • Enhance ability to accommodate increasingly complex and sophisticated needs pertaining to crisis management communications</td>
</tr>
</tbody>
</table>

CORPORATE STRATEGIES
YAMAHA’S DESIGN

Creation of new value through innovative designs that respect fundamental qualities

Make and Play! Instrument Creation Initiative

The Make and Play! instrument creation initiative was launched amid the COVID-19 pandemic with the aim of providing an activity that children could take part in with their parents as restrictions on leaving home led to an increased amount of time spent indoors. Specifically, we sought to enrich time at home through the experience of making and playing instruments. This arts and crafts activity was packed with the fun of musical instruments as the authentic sound produced despite the simple structure of the instruments crafted meant that kids could enjoy both making and playing instruments.

For more information related to the Make and Play! instrument creation initiative, please refer to the following website.

Special Chief Judge’s Award in 15th Kids Design Award Program

Distance Viewing Next-Generation Live Viewing System

Distance Viewing is a next-generation live viewing service that records the full impact of live performances by artists and faithfully reproduces these performances in a virtual environment. This system does so by combining faithful live performance audio with the vivid visuals displayed on large screens and lighting effects that mimics the actual performance.

GOOD DESIGN AWARD 2021

YVS-120 and YVS-140 Venova™ Causal Wind Instruments

Venova™ creates a new genre of casual wind instruments, and is available in both alto and tenor variants. After careful consideration, we were able to increase the size of the instrument without compromising playability or appearance, giving it the feel of a conversely sized wind instrument and striking a balance between the traits characteristic of the Venova™ line and the qualities expected of a wind instrument.

Best of the Best, Red Dot Award: Product Design 2022 Product category design award, 2022 iF Product Design Award

YH-L700A Wireless Headphones

The YH-L700A is a flagship model for our line of wireless headphones. Built for both ease of use and comfort, these headphones feature a simple yet distinctive rectangular silhouette. Moreover, fabric and leather materials were used throughout to create an impression of gently enveloping the user in the manner of a sofa or an item of clothing.

Best of the Best, Red Dot Award: Product Design 2022 Product category design award, 2022 iF Product Design Award

In addition to contributing to product development as a corporate design division, sharing questions with younger generations to demonstrate our aspirations to enjoy design in a completely serious manner is another important duty of the Design Laboratory.

The Five Elements of Our Design Principle
(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

Key Themes for the Design Laboratory Based on Key Strategies of the New Make Waves 2.0 Medium-Term Management Plan

• Create expression templates that remain consistent no matter how times or values may change by refining and developing new Yamaha design principles and educating employees on these principles
• Continue thought experiments for exploring Yamaha’s essence and values to find hints for future advancements
• Heighten issue identification capabilities by demonstrating our stance toward addressing social issues to the world and posing questions from a unique perspective
• Foster creative culture and organizations to maximize creativity of corporate design divisions

History and Mission of Yamaha’s Design

Yamaha’s design department was established in 1963. At the time, it was rare for a Japanese company to have dedicated design functions. Yamaha, however, was quick to realize the importance of design, prompting it to set up a dedicated organization for establishing a unique flair for the Company. Since then, this organization continued to support the Yamaha brand with a small team of diverse professionals of various nationalities. The mission of the Design Laboratory, the latest incarnation of our design department, is to propose and manage designs and methodologies for expressing the Yamaha philosophy and to thereby contribute to the creation of products and services that surpass customer expectations. The Design Laboratory also strives to broadcast Yamaha’s aspirations on a global scale to contribute to the development of a distinctly Yamaha culture.

Embracing the five elements of our design principle laid out at the centennial anniversary of Yamaha’s founding, this organization will continue to act as a proponent for the Group’s product design activities.

Collaboration with Academia

Department of Design of Chiba University / Lausanne University of Art and Design

In the past, the Design Laboratory has engaged in collaborative projects with numerous global education institutions, including the United Kingdom’s Royal College of Art and Italy’s Polytechnic University of Milan. Currently, this organization is in the process of advancing joint research together with organizations such as the Research Center for Advanced Science and Technology and the California Institute of Technology.

One recent project was conducted together with the Department of Design of Chiba University. In 2022, we partnered with this institution in a thought experiment. Based on theme of “Sumida Toy pianos,” we imagined a world where Yamaha and pianos existed during Japan’s Edo period, thinking about how pianos would have followed a unique path of evolution given the lifestyles at the time. Three prototypes of the imaginary “Sumida Toy pianos” were created based on this experiment and displayed at the Chiba University Graduation Research and Production Exhibition over the period from March 18 to 20, 2022.

We also took part in a collaborative project with renowned Swiss learning institution Lausanne University of Art and Design as part of Milan Design Week 2022, the world’s largest annual design gathering, which was held from June 7 to 12, 2022. Through this project, we exhibited six Yamaha Sound Machines product prototypes that aim to reimage the music player for the new society.

For more information regarding Yamaha’s design activities, please refer to the following websites.
https://www.yamaha.com/en/philosophy/design/
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STRATEGIES BY BUSINESS

MUSICAL INSTRUMENTS BUSINESS

With development capabilities pertaining to both the tangible and intangible elements of products backed by extensive expertise, Yamaha is working to build lifelong relationships with customers and earn their highest evaluations. At the same time, we are strengthening our brand power to achieve a sustainable, highly profitable business structure.

Atsushi Yamaura
Executive Officer
Executive General Manager of Musical Instruments Business Unit and Senior General Manager of Digital Musical Instruments Division

Overview of Markets by Mainstay Products and Yamaha's Operations

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 the 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 rolling out other products such as hybrid instruments that meld both acoustic and digital technologies.

In recent years, we have been utilizing AI, 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.

Revenue by Major Project / Core Operating Profit / Core Operating Profit Ratio

Business Overview

Business Overview

In fiscal 2022, the final year of Make Waves 1.0, Yamaha’s previous medium-term management plan, the musical instruments business achieved increases in sales and profit as the benefits of market recovery countered the impacts of ongoing shortages in product supplies, which resulted from logistics disruptions and difficulties procuring sound-generating, large-scale integration chips (LSIs) and other semiconductors. Looking back over the period of the previous medium-term management plan, progress went according to plan until early 2020. Thereafter, however, performance continued to be impacted by procurement difficulties and logistic disruptions after the start of the COVID-19 pandemic. Despite wide-ranging impacts through measures including altering product designs, we were unable to accomplish the targets of the plan.

In advancing the key strategy of “develop global connections and ties with customers,” great progress was made in efforts to cultivate both digital and physical customer contact points focused on brand communication and digital marketing. We were thereby able to bolster our sales networks and e-commerce venues around the world. Meanwhile, the key strategy of “realize high levels of profit by expanding our business portfolios” was enacted by augmenting our portfolio through various new product launches. New products included portable keyboards that incorporate the musical traditions of the growing market of India as well as the STORIA series of guitars targeting a wider range of customers. As for the key strategy of “create value through the combination of essential value enhancement and elemental technologies,” we moved ahead with the release of the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with volume control features. In addition, we introduced Charile™, the world’s first communication robot to communicate via singing.

Review of Make Waves 1.0

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Business Policies of the New Medium-Term Management Plan

In the musical instruments business, we are promoting sales of high-value-added products by bolstering sales and marketing activities that are adapted to the new society. Efforts in our core piano and wind, string, and percussion instruments businesses will include building a reputation as a premium brand to bolster profitability. As for the digital musical instruments business, which we have positioned as a growth business, we aim to stimulate new demand in order to expand our operations. The guitar business, meanwhile, has been positioned as a business to be fostered. We are pursing the expansion of both profitability and scale in this business through measures for improving brand value centered on middleware to high-end offerings.

Major Initiatives Pertaining to Key Strategies

For the first key strategy, build upon fundamental qualities of musical instruments, we aim to create new and inspiring experiences founded on advanced technologies and exquisite sensibilities. These experiences will be realized by utilizing analytical and simulation technologies to refine musical instruments. We will also foster understanding of and evolve our skills and craftsmanship to enhance our product creation functions.

For the second key strategy, explore new growth fields, we look to develop a growth product line that can stand alongside pianos in order to heighten our share in the constantly growing Chinese market. Meanwhile, we will work toward greater growth in emerging countries by expanding sales in India through the nationwide deployment of e-commerce venues. Further, a new approach in emerging countries will be to expand our sales networks in the ASEAN region in order to target middle-income customer demographics while positioning the Philippines as a priority growth market. Product initiatives will include developing creative products that propose new ways of enjoying music by transcending preconceptions about musical instruments.

In this manner, we aim to provide musical instruments that are more approachable, while still offering genuine experiences, so as to lower the barrier to begin performing and thereby allow sound and music to be enjoyed by anyone, anywhere, and at any time.

For the third key strategy, supply services for forging longer, stronger ties with customers, Yamaha will support performances and provide conducive environments through its Yamaha Music Connect fanatical name platform. This platform will provide services that offer new ways to enjoy musical instruments through features such as automatic accompaniment and support for independent learning. We will also bolster our aftersales services and provide additional functions based on the life stages of customers to ensure that they can continue to play their instruments in the best possible condition by supplying such services matched to customers’ music lifestyles, we will target higher levels of lifetime value from customers.

Key Strategies

1. Build upon the fundamental qualities of musical instruments
2. Explore new growth fields
3. Supply services for forging longer, stronger ties with customers

Business Strategies of the New Make Waves 2.0 Medium-Term Management Plan

Business Vision

Receive the highest possible evaluation from an even greater number of customers while enhancing our brand power to achieve a sustainable, highly profitable business structure.

Targets for Fiscal 2025

Revenue: ¥330.0 billion (increase of 19.9% from fiscal 2022)
Core operating profit: ¥52.0 billion (increase of 39.4% from fiscal 2022)

Opportunities and Risks

Opportunities

Rise in new ways of enjoying musical instruments online that incorporate remote technologies

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Digital Musical Instruments Business

Goal for Fiscal 2020:

- Achieve growth in emerging markets by accommodating strategies that build upon our existing product lines
- Develop frameworks for continuing consistent growth
- Build operating foundations and create new value
- Introduce new products that build on consistent growth
- Create new value through process integrations of digital technologies and cloud services

Business Overview:

In the digital musical instruments business, our diverse product and service lineup spans from digital pianos and portable keyboards to synths-sizers and Electone™ electronic organs. These products are built on our excellence in digital technologies. With these offerings, we seek to approach growing markets in emerging countries, accommodate the needs of various age groups, and respond to the trend toward sustainability and other social changes in order to continue providing customers with new experiences and inspiration.

Global market share for Yamaha products

- Digital pianos: 47%
- Portable keyboards: 52%

Wind, String, and Percussion Instruments Business (Excluding Guitars)

Goal for Fiscal 2023:

- Propose new ways of enjoying instrumental music and reinvigorate the world amid the COVID-19 pandemic
- Propose sustainability-minded value
- Develop frameworks for refurbishing and recycling products
- Create value by utilizing sustainably sourced timber and wood unsuitable for products

Business Overview:

The wind, string, and percussion instruments business spans a wide range of products, including more than 15 varieties of wind instruments, such as trumpets and saxophones; string instruments like violins; and percussion instruments, such as acoustic and digital drums and timpani. With this wide range of products, the Yamaha brand is able to compete for the leading position in various musical genres. We are also involved in the creation of custom models that meet the needs of major artists as well as models that are played in educational settings around the world.

Global market share for Yamaha products

- Wind instruments: 31%
- Drums: 11%

Guitar Business

Goal for Fiscal 2025:

Achieve business growth accompanied by quality through increases in sales volume and higher ratios of sales of high-ticket products

Global market share for Yamaha products

- Guitars: 9%

Business Overview:

Since we commenced the manufacture and sale of domestic guitars in 1968, our guitars have been recognized for their craftsmanship and genuine quality, which has helped us expand global sales of our robust product lineup, including acoustic guitars, electric guitars and basses, amps, and other peripherals. In recent years, we have been developing attractive new products such as the TransAcoustic™ guitar, which is equipped with unique Yamaha technologies. We have also been promoting F&D and marketing activities that leverage our relationships with major music artists.

Major Focuses for Achieving Goals

- Smooth annual revenue growth was achieved under the previous medium-term management plan, due in large part to the strong relationships that we have with people staying at home. In terms of products, we bolstered our lineup of peripherals, including THR- and Catalyst guitar amps. We also expanded our selection and concentration with regard to our product strategies while reinforcing our operating foundation through the launch of the STORIA acoustic guitar, which enabled us to approach new customers and, in addition, the F040 acoustic guitar for the Indian market, a product linked to our regional strategies.

- The three-year period of the new medium-term management plan will be used as a time for completing preparations to become the world’s No. 1 guitar company. Accordingly, the plan puts forth the new goal of achieving business growth accompanied by quality.

- By building upon the fundamental value of self-growth, we will seek to gain the understanding of customers regarding the depth of guitars and to achieve strong differentiation through amazing new value propositions supported by the comprehensive capabilities that set Yamaha apart in the world of digital technologies.

- Yamaha’s products

- Revenue (Fiscal 2022): ¥96.1 billion

** Yields*/ Yields**

- Yamaha Group Annual Report 2022

* Yields*/ Yields**

- Yamaha Group Annual Report 2022

** Yields*/ Yields**

- Yamaha Group Annual Report 2022
**Overview of Markets and Yamaha’s Operations / Yamaha’s Strengths / Main Competitors**

**Strategies by Business**

The audio equipment business is one of the business pillars of Yamaha, a company centered on sound and music. In this business, we offer PA equipment for commercial and facility use and AV products for consumers. In addition, we provide ICT equipment, such as network devices and voice communication equipment, and cloud services. Yamaha is exploring new markets while providing distinctive products and services that combine its digital signal processing technologies, acoustics control technologies, and network technologies.

**Revenue by Major Project / Core Operating Profit / Core Operating Profit Ratio**

![Revenue by Major Project / Core Operating Profit / Core Operating Profit Ratio](image)

**Business Overview**

As we rebuild the audio equipment business in response to market changes, we will broaden the domain of this business to include new growth markets. I am committed to growing the audio equipment business by supplying a wide range of customers, spanning from consumers to businesses, with products built on our masterful technologies pertaining to sound and music.

Shinichi Takanaga
Operating Officer
Executive General Manager of Audio Products Business Unit and Senior General Manager of Professional Audio Division

**Review of Make Waves 1.0**

In fiscal 2022, the final year of Make Waves 1.0, the previous medium-term management plan, higher revenue was posted for PA equipment as a result of a recovery in demand. Conversely, we experienced a decline in revenue for ICT products and ICT equipment due to the heavy impacts of difficulties in procuring semiconductors. Overall, the audio equipment business failed to accomplish the targets of the previous medium-term management plan due to activity and production restrictions and procurement difficulties seen amid the COVID-19 pandemic. PA equipment struggled to do its share to sluggish concert and entertainment market and installation delays that stemmed from the COVID-19 pandemic. Nevertheless, sales of music production, streaming, and other equipment to consumers showed significant growth thanks to demand associated with people staying at home. Production of AV products was down due to difficulties in procuring components, placing downward pressure on performance. Meanwhile, we were successful in advertising our value to millennials and a wide range of other customers. We were thus able to win high market appraisals for our Listening Care function, a proprietary technology installed in Yamaha earphones and headphones that reduces the burden placed on user’s ears. ICT equipment benefited from large increases in demand from businesses and consumers following growth demand in association with teleworking amid the COVID-19 pandemic. This trend contributed to firm sales of speakerphones. At the same time, we bolstered our product portfolio, which includes such offerings as ADECIA, a comprehensive remote conferencing solution for everything from voice input to output that can be used in meeting rooms and classrooms of all sizes.

**Business Policies of the New Medium-Term Management Plan**

The new medium-term management plan will see the audio equipment business, which was greatly changed by the COVID-19 pandemic, rebuilding and expanding its business domain to include new markets. In business products, we will provide companies, public facilities, and other institutions with audio systems that allow anyone to create a comfortable sound environment, even with no specialized knowledge. Meanwhile, consumer product efforts will include supplying solutions that realize high sound quality with easy configuration for use for voice chat for online video games and for social media and various other audio production, streaming, and transmission applications. Demand in these areas will be accommodated through the creation of development platforms and frameworks that allow for the flexible combination of Yamaha’s diverse technological assets and resources to efficiently supply the ideal products and solutions for respective markets.

**Major Initiatives Pertaining to Key Strategies**

In regard to the first key strategy for the audio equipment business, rebuild business in conjunction with market changes and broaden domain to include new growth markets, we will endeavor to restructure and optimize our lineup of business and consumer PA equipment, AV products, and ICT equipment in response to the changes in the market and demand brought about by the COVID-19 pandemic. For business products, we will cater to rising demand for hybrid meetings that combine on-site and remote participation. Yamaha plans to launch products equipped with functions for realizing events that bring together live sound and real-time streaming for the live entertainment market. We will also supply solutions for automatic configuration of sound environments for companies and schools as part of our efforts to explore new sales channels. Meanwhile, the Company will seek to accommodate the rise in demand from consumers committed to high sound quality. Yamaha has diversified its headphones and earphones with its Listening Care function, which delivers superior sound quality while protecting users’ ears. Our AV products, meanwhile, propose accessible ways of enjoying authentic, high-quality, 3D sound via wireless devices. We aim to grow sales of products in both of these areas. We are also targeting the video game market with products that offer immersive sound and smooth voice communication while supplying the audio production and streaming market with solutions for easy production and streaming of professional-quality content.

For the second key strategy, pursue higher development efficiency by creating sound, cloud, and network technology development platforms that facilitate the creation of new value, we will utilize technologies that transcend product categories in order to heighten efficiency. For this purpose, we will develop shared platforms and streamline model development investment in order to better allocate resources to creating value and implementing appealing functions.

As for the third key strategy, accelerate branding for TRUE SOUND to improve recognition of Yamaha’s overall audio product lineup, Yamaha will provide opportunities to experience the emotionally moving qualities of music with the goal of heightening awareness regarding TRUE SOUND. Further improvements to recognition will be pursued along with the enhancement of customer contact points by advertising our value directly to customers through Company-operated e-commerce channels.

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**Opportunities and Risks**

**Business Strategies of the New Make Waves 2.0 Medium-Term Management Plan**

**Business Vision**

Restructure business in conjunction with market changes and broaden domain to include new growth markets

**Targets for Fiscal 2025**

- **Revenue:** ¥280.8 billion (increase of 32.1% from fiscal 2022)
- **Core operating profit:** ¥13.0 billion (increase of 767.0% from fiscal 2022)

**Opportunities**

- Rising understanding regarding the importance of sound quality in communication due to remote interactions experienced during COVID-19 pandemic
- Demand for new audio equipment amid changes in interactions with sound and music stemming from population of social media and streaming

**Potential for the adverse impact of unstable international conditions and economic recession to effect corporate investment**

**Challenges**

- Changes in customer demand
- Rising understanding regarding the importance of sound quality in communication due to remote interactions experienced during COVID-19 pandemic
- Demand for new audio equipment amid changes in interactions with sound and music stemming from population of social media and streaming

**Key Strategies**

1. Rebuild business in conjunction with market changes and broaden domain to include new growth markets

   - Expand base of business customers comprising companies, schools, and other entities by providing simple solutions for utilizing live entertainment technologies and expertise
   - Provide high-quality PA and ICT equipment to consumer market for applications such as voice communication in video games, audio production, and streaming

2. Pursue higher development efficiency by creating sound, cloud, and network technology development platforms that facilitate the creation of new value

   - Create development platforms that flexibly combine Yamaha’s technological assets to efficiently launch new products for various markets
   - Develop unique products and services by combining digital technologies, acoustic technologies, and network technologies

3. Accelerate branding for TRUE SOUND to improve recognition of Yamaha’s overall audio product lineup

   - Deliver ideal sound quality for various applications by utilizing and enhancing sound-related technologies
   - Faster brand recognition through expansion of direct-to-consumer contact points and spread recognition through consumers/consumer promotions
INDUSTRIAL MACHINERY AND COMPONENTS BUSINESS

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

Shigeki Fujii
Executive Officer
Executive General Manager of I&M Business Unit and Technology Unit

Business Overview

The industrial machinery and component business covers a broad range of fields, such as electronic devices, which started with the development of LSIs for digital musical instruments, and automobile interior wood components for luxury automobiles, which began with the integration of our lumber processing and coating technologies. In addition, we are engaged in industrial machinery business areas like FA equipment, which we develop by applying the production technologies created for musical instrument production.

For electronic devices, we are combining Yamaha’s strengths in its core competencies, such as high-speed, high-precision FA equipment, which we develop by applying the production technologies. This approach is being taken amid the development of next-generation in-vehicle communications technologies. Meanwhile, we will explore new markets in the FA equipment and automotive market and expanding our ‘sound and sensing’ technologies.

In the electronic devices business, we accelerate the provision of comprehensive solutions for in-vehicle audio that utilize Yamaha’s core strengths. Our goal for in-vehicle audio products will be to deliver 3D surround sound inside of vehicles through a strong commitment to the unique acoustic environment found within vehicles. Meanwhile, we will target increased adoption of our products in automobiles along with other passenger vehicles in Europe and other markets. In addition, we will seek to grow this business by strengthening our ultrasound and sensing technologies, expanding our customer base, and exploring new markets. In addition, Yamaha is promoting sales of high-functional lithium-ion battery testing equipment for which demand is rising with relation to safety and reliability amid the rapid shift toward EVs.

In the automobile interior wood components domain, we have positioned this as a business to be fostered under the new medium-term plan. For FA equipment, we maintained our high shares for flexible printed circuit board testing machines while growing sales of lithium-ion battery testing equipment and other products that cater to new types of inspection demand emerging in response to safety and reliability needs. We also made headway in the development of high-frequency testing equipment for 5G base stations, ultrasound inspection equipment, and other new products.

Review of Make Waves 1.0

Revenue was up for electronic components and automobile interior wood components in the components business following market recovery and growth in automotive product sales in fiscal 2022, the final year of Make Wave 1.0, the previous medium-term management plan. The industrial machinery business, meanwhile, saw reduced revenue due to a slowdown in demand for flexible printed circuit board testing machines for smartphone applications. The plan started amid a challenging operating environment in fiscal 2020, its first year, as a result of the trade friction between the United States and China and a downturn in capital expenditure demand. Nevertheless, the industrial machinery and components business was able to achieve revenue of ¥5.1 billion, core operating profit of ¥4.2 billion, and a core operating profit ratio of 11.8% in the plan’s final year, due to our progress in expanding our customer base and shift to high-value-added products.

Ongoing initiatives to promote effective use of interior spaces and comfort in automobiles are required to meet increasing standards for safety and reliability amid the rapid shift to EVs. As we accommodate this trend, we are also working to have our in-vehicle communication modules deliver 3D surround sound inside of vehicles through a strong commitment to the unique acoustic environment found within vehicles. Meanwhile, we will explore new markets for ultrasound inspection equipment in the food product packaging field, while streamlining and rationalizing our production processes.

Opportunities and Risks

Increased demand for safety and sanitation of packaging for food and medical products

Rising demand for lithium-ion battery testing equipment following rapid popularization of EVs

Progress in standardization as installation of emergency alert systems becomes mandatory in the European Union and more demanding expectations in terms of performance and functionality are being introduced with regard to these components in order to reduce our environmental impact. Such new processes involve reassessing the amounts of solvents and the types of resins used in processes to lower the impact on the environment while maintaining productivity. Eliminating patina use and CO₂ emissions is another priority for these processes. Streamlining and rationalization is also being promoted in production processes. As we enhance our processes, we will simultaneously strengthen customer support functions with the goal of gaining new customers in North America and China. In regard to FA equipment, Yamaha aims to maintain its strong share for flexible printed circuit board testing machines. We will also seek to grow this business by strengthening our ultrasound and sensing technologies, expanding our customer base, and exploring new markets. In addition, Yamaha is promoting sales of high-functional lithium-ion battery testing equipment, for which demand is rising with relation to safety and reliability amid the rapid shift toward EVs.

In addition, Yamaha is accelerating its proposal of luxury vehicle interiors using its automobile interior wood components. In this area, we have been witnessing a trend toward emphasizing the comfortability of in-vehicle environments, which has been creating a need for larger interior panels. As we accommodate this trend, we are also striving to deliver higher-grade decorative designs for vehicles. Meanwhile, new manufacturing processes are being adopted with regard to these components in order to reduce our environmental impact. Such new processes involve reassessing the amounts of solvents and the types of resins used in processes to lower the impact on the environment while maintaining productivity. Eliminating patina use and CO₂ emissions is another priority for these processes. Streamlining and rationalization is also being promoted in production processes. As we enhance our processes, we will simultaneously strengthen customer support functions with the goal of gaining new customers in North America and China. In regard to FA equipment, Yamaha aims to maintain its strong share for flexible printed circuit board testing machines. We will also seek to grow this business by strengthening our ultrasound and sensing technologies, expanding our customer base, and exploring new markets. In addition, Yamaha is promoting sales of high-functional lithium-ion battery testing equipment, for which demand is rising with relation to safety and reliability amid the rapid shift toward EVs. Furthermore, our signal processing technology is being utilized to develop our high-share printed circuit board testing machines in terms of performance and functionality. At the same time, Yamaha will broaden the scope of its business by developing and selling ultrasound inspection equipment for ensuring peace of mind in the new fields of food and medical product packaging.

Key Strategies

1. Electronic devices (in-vehicle audio)
   - Accelerate growth by providing comprehensive solutions for in-vehicle audio
   - Establish a sustainable earnings structure for in-vehicle space production in the CASE era

2. Automobile interior wood components
   - Establish a sustainable earnings structure for in-vehicle space production in the CASE era
   - Expand business by contributing to the realization of a safe and secure society through ultrasound and sensing technologies

Business Strategies of the New Make Waves 2.0 Medium-Term Management Plan

Business Vision

Shift focus toward providing comprehensive in-vehicle solutions

Expand product and support foundation with sound at its core to accelerate growth toward becoming third business pillar

Targets for Fiscal 2025

Revenue: ¥420 billion (increase of 19.6% from fiscal 2022)
Core operating profit: ¥5.0 billion (increase of 19.0% from fiscal 2022)

Opportunities

- Electric vehicles (EVs) and connected vehicles (CASE) are expected to grow significantly. The number of EVs is projected to reach 553.3 million by 2040, compared to 26 million in 2020. The number of CASEs is projected to reach 153.4 million by 2040, compared to 19.7 million in 2020.
- The market for ultrasound inspection equipment is expected to grow significantly, driven by increasing demand for safety and sanitation of packaging for food and medical products.
- The market for lithium-ion battery testing equipment is expected to grow significantly, driven by increasing demand for EVs worldwide.

Risks

- Rising procurement costs as a result of higher component prices and foreign exchange rate fluctuations.
- Changes to customer plans and production adjustments on Yamaha lines due to global semiconductor and component shortages.
- Prolonged supply chain disruptions resulting from COVID-19 pandemic.

In the automobile interior wood components domain, we have positioned this as a business to be fostered under the new medium-term plan. For FA equipment, we maintained our high shares for flexible printed circuit board testing machines while growing sales of lithium-ion battery testing equipment and other products that cater to new types of inspection demand emerging in response to safety and reliability needs.

In addition, Yamaha is accelerating its proposal of luxury vehicle interiors using its automobile interior wood components. In this area, we have been witnessing a trend toward emphasizing the comfortability of in-vehicle environments, which has been creating a need for larger interior panels. As we accommodate this trend, we are also striving to deliver higher-grade decorative designs for vehicles. Meanwhile, new manufacturing processes are being adopted with regard to these components in order to reduce our environmental impact. Such new processes involve reassessing the amounts of solvents and the types of resins used in processes to lower the impact on the environment while maintaining productivity. Eliminating patina use and CO₂ emissions is another priority for these processes. Streamlining and rationalization is also being promoted in production processes. As we enhance our processes, we will simultaneously strengthen customer support functions with the goal of gaining new customers in North America and China. In regard to FA equipment, Yamaha aims to maintain its strong share for flexible printed circuit board testing machines. We will also seek to grow this business by strengthening our ultrasound and sensing technologies, expanding our customer base, and exploring new markets. In addition, Yamaha is promoting sales of high-functional lithium-ion battery testing equipment, for which demand is rising with relation to safety and reliability amid the rapid shift toward EVs.

Furthermore, our signal processing technology is being utilized to develop our high-share printed circuit board testing machines in terms of performance and functionality. At the same time, Yamaha will broaden the scope of its business by developing and selling ultrasound inspection equipment for ensuring peace of mind in the new fields of food and medical product packaging.
RESEARCH AND DEVELOPMENT
By further refining and enhancing the combination of technologies and sensibilities, which represents our long-cultivated core competence, we will provide products and services that are overwhelmingly competitive and responsive to the changing times and thereby support the “Well-Being of People around the World.”

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

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

Review of Make Waves 1.0
We moved forward with R&D projects based on the core themes of Make Waves 1.0, the previous medium-term management plan, with the goal of creating new value through the combination of technologies and sensibilities and enhancing value through the pursuit of authenticity and innovation. Based on these goals, we accumulated insight and understanding regarding sensibilities in a wide range of fields, including guitars and other musical instruments as well as audio products like speakers. In addition, we launched our new CFX flagship full-concert grand piano as the culmination of a research project spanning decades. Meanwhile, efforts to create innovation led to the launch of multiple new products. These products included the YDS-150 digital saxophone, which is a marriage of our acoustic and digital technologies; Charli™, the world’s first communication robot that communicates musically; and ADECA, a comprehensive remote conferencing solution for arranging ideal remote meetings. Meanwhile, Yamaha won praise for its advancements in AI technology. Most notably, the Dear Glenn Project, which seeks to explore the potential for co-creation between people and AI, was awarded a Silver Lion in the Entertainment Lions for Music category at the Cannes Lions International Festival of Creativity 2021, the largest gathering of the advertising and creative communications industry worldwide.

Initiatives under Make Waves 2.0
Creation of Innovation Value through Initiatives for Accomplishing Our Mission
To combine technologies and sensibilities to help people “Make Waves,” Yamaha will build upon its industry-leading technologies to deliver innovative new value through the provision of solutions from the customer’s perspective.

Yamaha’s products create value by engaging with the sensibilities of people. By enhancing our scientific design methodologies and visualizing customer value, we will work to heighten the value of our products and services. At the same time, we will take advantage of AI and other technologies that accommodate the needs of people in order to deliver new and innovative experience value related to sound and music. These goals will be reached by adopting equipment for analyzing and measuring sound and installing infrastructure for analyzing performance and sensibility data. We also look to recruit and develop human resources capable of using these systems.

CFX Full-Concert Grand Piano (Released in March 2022)
The CFX full-concert grand piano represents a new pinnacle of piano quality. Built through an ongoing process of discussion with top-tier artists from around the world, we crafted this masterpiece by mobilizing our vast knowledge and techniques and exercising our dedication to the utmost excellence in sound quality and the feeling of oneness that musicians experience with their instruments. Employing new design concepts, the CFX achieves even greater heights by incorporating our uniquely developed advanced simulation and measurement technologies and spatial audio processing technology within a recorder.

Sensitivity-Related Initiatives
Yamaha’s product creation activities are founded on the knowledge related to sensibilities it has fostered with a focus on sound and music. We aspire to further increase our sensibility-related knowledge while also adopting scientific approaches to track, share, and consolidate this knowledge. We thereby aim to draw out the maximum potential of this knowledge to create new value.

The CFX full-concert grand piano

What Does the Combination of Technologies and Sensibilities Entail?
Determining what a good sound or a good sound environment is cannot be achieved by quantitative data analysis alone. The source of our competitiveness lies in our deep insight and understanding regarding sensibilities that we have cultivated through our long history, which started with the creation of musical instruments. Leveraging our core competence pertaining to sensibilities as our foundation, we are able to combine a wide variety of technologies, including acoustic technologies, digital technologies, data analysis technologies, cloud technologies, AI technologies, and network technologies. This in turn enables us to provide unique products and services that cannot be imitated by competitors while also creating new experience value.

AI Initiatives
Yamaha is engaged in various research projects with the goal of developing AI that can function as a new partner for expanding the possibilities for people’s music creation activities. Specific examples of our AI initiatives include joint performances between people and AI that reproduce the performances of 20th-century genius pianist Vladimir Horowitz, the Duet with YOO project for interactive performances by people and AI, and the Dear Glenn Project for exploring the potential for co-creation between people and AI. These initiatives allow us to propose new forms of music expression.

For more information regarding Yamaha’s AI initiatives, please refer to the following website: https://www.yamaha.com/en/ai/
INTELLECTUAL PROPERTY MANAGEMENT

Intellectual properties are an important part of our management asset portfolio. Accordingly, we seek to protect and utilize our intellectual properties and to strengthen the associated governance functions on a global scale. Intellectual properties are also used to promote the creation and co-creation of new value in order to improve corporate value and address social issues.


Steps are taken to acquire and utilize intellectual property rights pertaining to the new inventions, ideas, designs, and trademarks created over the course of our business. In addition, multifaceted analyses of intellectual properties are performed to formulate new value proposals. We thereby seek to support the accomplishment of Yamaha’s management vision and improve corporate value.

Furthermore, rigorous intellectual property governance functions have been installed to acquire music copyrights and other global licenses and combat imitations of Yamaha trademarks through swift action. By ensuring the appropriate protection and use of the intellectual property of the Company and of others, we look to contribute to the development of a fair society that encourages technological innovation and artistic creation.

Intellectual Property Management System

Yamaha’s Intellectual Property Division coordinates with Group divisions pertaining to research and development, planning, marketing, and other relevant functions to exercise management, perform oversight, and provide instruction regarding the use of the intellectual property of the Company and of others in business activities.

Membered by intellectual property specialists with diverse backgrounds, the Intellectual Property Division guides Group-wide, global intellectual property strategies. In addition, a dedicated organization has been established to perform analyses of intellectual property. Through these analyses, the organization endeavors to predict changes in market and technology trends, based on which it provides management with advice regarding strategic technology development and other tasks for improving corporate value.

The Company has also installed frameworks for supporting intellectual property activities through means such as screening and managing contracts to create new value. These frameworks are used to maintain strong relationships with partners and otherwise contribute to the improvement of Yamaha’s competitiveness and to the growth of earnings.

Intellectual Property Protection Initiatives

Protection of Technologies and Sensibilities

Yamaha is diligent in protecting its intellectual property in order to safeguard the value it creates with its advanced technologies and rich sensibilities. AI, network, and other critical technologies are protected through patents, while the high-level insight and understanding regarding sensibilities that shapes our craftsmanship and sound creation activities is secured through confidentiality. This strategic yet conservative approach forms a bulwark defending the sources of our distinctive strength.

Intellectual Property Portfolio Generating Substantial Investment Benefits

More than 70% of Yamaha’s revenue is generated overseas. Accordingly, the Company is working to develop an intellectual property portfolio that generates substantial investment benefits by evolving its Japan-centric portfolio to create a high-quality, global portfolio. These efforts have earned recognition, leading to Yamaha’s being named a Top 100 Global Innovator for 2022 by U.K.-based Clarivate Analytics. This selection is compiled based on analyses of intellectual property trends indicated by patent data to identify global innovators.

Protection of Designs

Yamaha’s designs are a major source of the value of its products and have been highly evaluated as a cornerstone of the Yamaha brand. However, the rise in the value of our designs has recently led to an increase in products imitating the designs of Yamaha products. To combat such imitations, we are ramping up design rights activities centered on China and aggressively exercising our rights to fight the producers of such imitations in order to protect our business, products, and brand value.

Case Study: Strategic Utilization of Intellectual Property

Remote Cheerer Powered by SoundUD Remote Cheering System

The Remote Cheerer powered by SoundUD remote cheering system helps people enjoy viewing sports in an interactive manner from their homes or other remote locations. This system features functions that allow applause to be transmitted to stadium speakers as well as chat-room functions through which fans can enjoy text or voice chat while watching events together with other fans separated by physical distance.

The Intellectual Property Division coordinated with other relevant divisions to swiftly acquire intellectual property rights with regard to this system by submitting multiple patent applications. These efforts erected a high barrier to entry for other rivals and contributed to the quick launch of the associated business.

By supporting our efforts to find co-creation partners in relation to soccer, baseball, basketball, and other sports from the perspective of intellectual property, Yamaha strives to encourage brisk communication among people in the new society that will emerge after the COVID-19 pandemic.

Safeguarding of Trademarks

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

Points of Emphasis for Intellectual Property Management

Supporting the New Medium-Term Management Plan Reinforcement of Intellectual Property Landscaping Functions

Intellectual property landscapes involve analyzing intellectual property information as a facet of management and business information to stay abreast of a company’s technology portfolio along with the status of competitors and future trends. This information is then used to shape future business strategies. By reinforcing its intellectual property landscaping functions, the Intellectual Property Division seeks to ramp-up its support for the creation of new value in areas including management and business strategy drafting, decision-making, and the implementation of open and close strategies such as M&A activities and alliances.

Strategic Utilization of Intellectual Property

Remote Cheerer Powered by SoundUD Remote Cheering System

The Remote Cheerer powered by SoundUD remote cheering system helps people enjoy viewing sports in an interactive manner from their homes or other remote locations. This system features functions that allow applause to be transmitted to stadium speakers as well as chat-room functions through which fans can enjoy text or voice chat while watching events together with other fans separated by physical distance.

The Intellectual Property Division coordinated with other relevant divisions to swiftly acquire intellectual property rights with regard to this system by submitting multiple patent applications. These efforts erected a high barrier to entry for other rivals and contributed to the quick launch of the associated business.

By supporting our efforts to find co-creation partners in relation to soccer, baseball, basketball, and other sports from the perspective of intellectual property, Yamaha strives to encourage brisk communication among people in the new society that will emerge after the COVID-19 pandemic.
**Production**

While pursuing our strengths of craftmanship and advanced technologies, we will establish optimal foundations for global production. By doing so, we will further enhance our production operations in terms of quality, cost, delivery, safety, and environment (QCDSE) and achieve industry-leading levels of production capacity and resilience, no matter the operating environment.

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

### The Strengths of Yamaha’s Production

Craftsmanship and Technologies

Aimed at 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 hardwork of people, and our craftsmanship is a significant element in differentiating ourselves from other companies. Linking our craftsmanship capabilities with our proprietary technology for the scientific evaluation of assessing human sensibilities is another important factor in realizing further differentiation.

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

Global Production Structure

Yamaha installed production functions overseas early in its history, establishing its first overseas production base in Taiwan in 1969. Today, we have three production bases in Japan as well as bases in China, Indonesia, Malaysia, and India. Resistance to shocks and other risk management measures are being implemented at various bases as we develop frameworks through which products of a given category can be produced at multiple bases and through which related risks can be mitigated. The establishment of a global production system optimized to each of our business domains is another factor that contributes to our overwhelmingly high level of competitiveness.

Yamaha Technical Skills Training Program

Putting the finishing touches on a musical instrument is a kind of craftsmanship that represents both art and a technique. By working to visualize and transform tacit knowledge of craftsmanship into explicit knowledge, we established the Yamaha Technical Skills Training program, whereby enabling this knowledge and craftsmanship to be instilled in and shared across the Company. In this way, we have made it easier for our new technicians to inherit the exceptional skills of their predecessors and pass those skills down to future generations of employees. Recently, we have been making use of IT and IoT technologies within this training.

In our efforts to establish a global production structure, the Yamaha Technical Skills Training program has been playing a key role in cultivating personnel responsible for production at each production base.

### Review of Make Waves 1.0

In the first year of Make Waves 1.0, the previous medium-term management plan, we commenced full-fledged operations at our factory in India while also starting up production of piano frames at the Suzhou Factory in China. In addition, progress was made in globally centralized purchasing. In this manner, measures for reducing various costs at our factories proceeded in accordance with plans. However, the COVID-19 pandemic struck in the second year of the plan, halting and disrupting operations at factories. We were forced to address these issues through remote support, which led to delays in the plan’s execution and ultimately failure in achieving our targets for the priority theme of achieving ongoing cost reductions. Nevertheless, we continued to pursue improvements to production systems and to effectively supply products. We also sought to put in place an area oversight system at manufacturing sites, standardizing production control; create smart factories, as seen in the use of IoT technology at our factory in Indonesia; and up the production capacity of and number of models manufactured at our factory in India. Success was seen in all of these measures.

### Policies of Make Waves 2.0

#### Medium-Term Management Plan Policies

The new medium-term management plan continues the three key themes of the previous plan, namely, developing capability, production information management, and global production services, following the same path. Throughout our efforts based on these strategies, we target ongoing improvements to QCDSE and resilience, regardless of the operating environment, through masterful fusion of our technologies and craftmanship.

#### Sustainability of Forest Resources (Timber Procurement)

Taking into account that we use a diverse range of timber in our business activities, we are actively promoting efforts to maintain valuable timber resources and utilize those resources sustainably with a focus on the environment. Through these efforts, we will work to achieve a 75% rate of sustainability sourced timber use while advancing the production of timber-related products and contributing to the development of local communities through the creation of employment opportunities and the installation of infrastructure.

### Production Capacity Allocation Policies

In Musical Instruments and Audio Equipment Businesses

Yamaha is reorganizing its production system in a cross-organizational manner in order to boost the production capacity of individual factories. In preparation for future increases to production, at the same time, improved production quality is being pursued through equipment automation and the codification of tacit technical skills. Another part of this reorganization is risk mitigation. For example, the same products are being manufactured at multiple locations from the perspective of business continuity amid the recently volatile operating environment. By doing so, we ensure that, should production be halted in one area, we are equipped to minimize the impact on the market by supplying products manufactured in other areas. Overseas, steps are being taken to reduce the need for inter-country supply of components between production bases by developing integrated production systems for performing all steps, beginning with components and ending with finished products.

### Integrated Regional Production Management

In China and Indonesia, Yamaha has multiple factories that function as independent companies. We are adopting a regional production management approach in these countries. Through this approach, we will improve productivity by standardizing human resources, accounting, and other operating processes and IT platforms among factories within the respective regions. In addition, regional internal auditing functions will be installed to enhance regional risk management. Meanwhile, a regional optimization perspective will be exercised with regard to human resources to utilize the talents of each region.

By promoting coordination among factories and sharing best practices, we aim to bolster region-wide quality and heighten safety levels.

### Strategic Significance of Factory in India

Yamaha’s factory in India was constructed to respond to the projected increase in demand for musical instruments and audio equipment in the country. This factory serves as a base for producing and supplying entry-level portable keyboard instruments, guitar, and PA equipment, and is an important base for exports to the Middle East and Europe. India is a growth market that ranks right after China in terms of growth potential. By optimizing planning, procurement, production, and distribution functions for this market, this factory integrates manufacturing, sales, and technical services to deliver products with superior levels of cost competitiveness. Furthermore, we utilize the sales warehouse built into the factory to grow sales in the Indian market. As we further expand local production and consumption in China, we are examining the possibility of using our India factory as an alternative location for manufacturing products for the U.S. and other markets.

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Priority Themes of Make Waves 2.0

<table>
<thead>
<tr>
<th>Priority Theme</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Pursue high quality, reduce the rate of defects, etc.</td>
</tr>
<tr>
<td>Cost</td>
<td>Limit cost increases</td>
</tr>
<tr>
<td>Delivery</td>
<td>Increase production capacity, achieve 100% rate of on-time delivery, reduce number of semiconductors used by 70%</td>
</tr>
<tr>
<td>Safety</td>
<td>Have zero occupational accidents, including those requiring suspension of work</td>
</tr>
<tr>
<td>Environment</td>
<td>Achieve a 75% rate of sustainably sourced timber use, reduce CO2 emissions by 60% in comparison with fiscal 2018 through energy conservation</td>
</tr>
</tbody>
</table>

Priority Themes of Make Waves 2.0

<table>
<thead>
<tr>
<th>Priority Theme</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production engineering</td>
<td>Expand production capacity and improvement of resilience to operating environment changes</td>
</tr>
<tr>
<td>Production information management</td>
<td>Improve production technologies and quality and development of factories that are employing workstyles</td>
</tr>
<tr>
<td>Global production services</td>
<td>Realize digital transformation within our production management</td>
</tr>
<tr>
<td>Production software</td>
<td>Reduce costs and improvement of quality through digital transformation of production management</td>
</tr>
<tr>
<td>Procurement</td>
<td>Reinforcement of procurement resilience, realization of sustainable procurement, etc.</td>
</tr>
<tr>
<td>Procurement</td>
<td>Enhancement of area oversight systems in China and Indonesia, codification and sharing of tacit specialized techniques and techniques using IT, promotion of diversity, etc.</td>
</tr>
</tbody>
</table>

Within the respective regions. In addition, regional internal auditing functions will be installed to enhance regional risk management. Meanwhile, a regional optimization perspective will be exercised with regard to human resources to utilize the talents of each region. By promoting coordination among factories and sharing best practices, we aim to bolster region-wide quality and heighten safety levels. Strategic Significance of Factory in India

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For information on the location of Yamaha production bases and the major products manufactured, please refer to page 15.
The Strengths of Yamaha’s Sales Activities

**Global Sales Activities That Are Deeply Rooted in Local Communities**
- We have established sales offices in over 30 countries and regions around the world, thereby rolling out our business on a global scale.
- In key markets, we have established direct sales networks through our subsidiaries. In emerging markets, we approach customers through our authorized distributors. Our sales networks cater to local characteristics and span a wide range of outlets, including specialty stores, chain stores, mass retailers, and directly operated stores.
- The ability to assert 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 ample 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 added value products offer. In addition to revising the selling price of existing products, we work to enhance value when introducing new products by 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 relationships with artists around the world. Our extensive network with the world’s top artists and music educational institutions is another one of our major strengths.

**Review of Make Waves 1.0**
- Yamaha was unable to achieve the sales targets of Make Waves 1.0 due to the impact of the restrictions and semiconductor shortages resulting from the COVID-19 pandemic. Nevertheless, we made steady progress and began seeing the benefits of the plan’s strategies of encouraging customers to seek out the Yamaha brand by promoting customer value and advancing new sales frameworks on a global basis.
- During the period of the previous medium-term management plan, we moved ahead with the strengthening of customer contact points and the creation of frameworks for promoting our product and brand value amid the massive changes seen in the purchasing activities of customers. These measures were advanced in both offline and online venues. Offline measures included the development of experience-oriented brand shops designed to provide customers with an opportunity to engage with the Yamaha brand. Online, meanwhile, we ramped up digital marketing activities around the world as we conducted advertisements and measures in line with our brand promise. These efforts were aimed at communicating the value of Yamaha directly to customers to encourage them to visit stores and thereby grow sales.
- Worldwide sales were heavily impacted by the COVID-19 pandemic, but we have since seen a recovery trend in overall sales that may return sales to the level seen before the pandemic. At the same time, efforts to popularize playing music and stimulate demand included the School Project, which offers instrumental music performance experiences to an aggregate total of 1.3 million students to date, surpassing the target of 1 million.

**Status of Music Popularization Activities (As of March 2023)**

<table>
<thead>
<tr>
<th>Music School</th>
<th>Number of Venues (in Asia)</th>
<th>Number of Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (total for children and adults)</td>
<td>2,400</td>
<td>332,000</td>
</tr>
<tr>
<td>Overseas (total from over 40 countries and regions)</td>
<td>1,300</td>
<td>144,000</td>
</tr>
</tbody>
</table>

*Figure 1: Number of students who are due to receive lessons in 2023*

**Expansion of Customer Base**

- Under the previous medium-term management plan, we promoted direct marketing and redoubled our initiatives for communicating the value of our products and brand directly to customers to encourage them to visit stores and seek out the Yamaha brand. The new medium-term management plan will see the continuation of conventional business activities through sales agents. At the same time, we will actively utilize directly operated e-commerce venues to target emerging countries and other markets where we lack coverage and to supply products that are not currently offered through sales agents.

**Customer Relations Initiatives in Sales Activities**

**Prioritizing Sales Activities**

- Under the previous medium-term management plan, we promoted direct marketing and redoubled our initiatives for communicating the value of our products and brand directly to customers to encourage them to visit stores and seek out the Yamaha brand. The new medium-term management plan will see the continuation of conventional business activities through sales agents. At the same time, we will actively utilize directly operated e-commerce venues to target emerging countries and other markets where we lack coverage and to supply products that are not currently offered through sales agents.

**Prioritizing Sales Activities**

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IV. Corporate Governance

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<td>Executive Officers, Operating Officers, and Audit Officers</td>
<td>84</td>
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<td>Discussion between Independent Outside Directors</td>
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<tr>
<td>Compliance</td>
<td>100</td>
</tr>
</tbody>
</table>
**Directors**

As of June 23, 2022

**Yamaha Group Annual Report 2022**

**Directors**

**Satoshi Yamahata**
Director and Managing Executive Officer
Number of shares owned: 75,500

- 1991: Joined the Company
- 2001: General Manager of Audio & Digital Musical Instruments Division
- 2008: Executive Officer
- 2009: Director and Executive Officer
- 2010: President and Director of Yamaha Corporation of America
- 2012: Senior Executive Officer (to the present)
- 2013: 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)

**Takuya Nakata**
Director, President and Representative Executive Officer
Number of shares owned: 25,400

- 1981: Joined the Company

**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 E-Commerce Business Division
- 2010: Representative Director and President, The Walt Disney Company, Japan Ltd.
- 2016: President of the Walt Disney Company, Inc.
- 2016: Managing Director of PMC Partners Co., Ltd. (to the present)
- 2017: Outside Director of Yamaha Corporation (to the present)
- 2019: Outside Director of Yamaha Corporation (to the present)
- 2021: Outside Director of Yamaha Corporation (to the present)

**Paul Candland**
Independent Outside Director
Number of shares owned: 500

- 1987: Joined Disney Consumer Products
- 1987: President, Consumer Products, Inc.
- 1990: Representative of Japan Branch, PepsiCo International Ltd.
- 2003: Managing Director, Walt Disney Television International Japan of The Walt Disney Company
- 2007: Representative Director and President, The Walt Disney Company (Japan) Ltd.
- 2014: President of The Walt Disney Company, Inc.
- 2016: Managing Director of PMC Partners Co., Ltd. (to the present)
- 2017: Outside Director of Yamaha Corporation (to the present)
- 2022: Outside Director of Disney Group Inc. (to the present)

**Taku Fukui**
Independent Outside Director
Number of shares owned: 0

- 1985: Registered as an attorney
- 1987: Joined Kashiwagi Sogo Law Offices
- 2004: Professor of Waseda University Law School (to the present)
- 2009: Managing Partner of Kashiwagi Sogo Law Offices (to the present)
- 2017: Executive General Manager of Corporate Planning Division and General Administration (to the present)
- 2020: Executive General Manager of Corporate Planning Division and General Administration (to the present)

**Hiromichi Shinohara**
Independent Outside Director
Number of shares owned: 10,000

- 1979: Entered Nippon Telegraph and Telephone Public Corporation
- 2003: Head of Access Service Systems Laboratory of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
- 2007: Head of the Information Sharing Laboratory Group of NTT
- 2014: Senior Executive Vice President, Head of Research and Development Planning, Member of the Board of NTT
- 2016: Senior Executive Vice President, Head of Research and Development Planning, Member of the Board of NTT
- 2019: Chairman of the Board of NTT (to the present)
- 2021: Outside Director of Yamaha Corporation (to the present)

**Yoshihiro Hidaka**
Independent Outside Director
Number of shares owned: 4,100

- 1977: Joined Yamaha Motor Co., Ltd.
- 2005: Vice President of Yamaha Motor Corporation, U.S.A
- 2008: General Manager of Zoll Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.
- 2013: Executive Officer of Yamaha Motor Co., Ltd.
- 2016: Executive General Manager of 1st Business Unit, MC Business Operations, and General Manager of ASARAI Sales Division, 1st Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.
- 2017: Executive General Manager of Corporate Planning & Finance Center of Yamaha Motor Co., Ltd.
- 2019: Senior Executive Officer and Director of Yamaha Motor Co., Ltd. (to the present)

**Naoko Yoshizawa**
Independent Outside Director
Number of shares owned: 0

- 1988: Entered Fujitsu Limited
- 2009: Vice President of Adobe Phone Unit of Fujitsu Limited
- 2010: General Manager, Device Development Center of Fujitsu Laboratories of America, Inc.
- 2014: Director of Advanced System Research & Development Unit and Head of AI Promotion Office of Fujitsu Limited
- 2017: Corporate Executive Officer and Head of AI Platform Business Unit of Fujitsu Limited
- 2018: Corporate Executive Officer, EVP and Vice Head of Digital Services Business of Fujitsu Limited
- 2019: Corporate Executive Officer, EVP and President of Digital Software & Solutions Business Group of Fujitsu Limited
- 2020: Director of Knowledge Pace Inc. (to the present)
- 2022: Outside Director of Sharp Holdings Co., Ltd. (to the present)

**From left: Satoshi Yamahata, Mikio Fujitsuka, Paul Candland, Naoko Yoshizawa, Yoshihiro Hidaka, Takuya Nakata, Taku Fukui, Hiromichi Shinohara**
### COMPOSITION OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Takuya Nakata</strong></td>
<td>Director, President and Representative Officer</td>
<td>Having served in positions such as General Manager of a Pro-Audio &amp; Digital Musical Instruments Division, President and Director of Yamaha Corporation of America, Mr. Takuya Nakata has a wealth of experience and achievements alongside broad insight in business. He has held the positions as President and Representative Director since June 2013, and as Director, President and Representative Executive Officer since June 2017 after our transition to a Company with Three Committees (Nominating, Audit, and Compensation). Additionally, he has been a leader in corporate governance reform initiatives such as the establishment of the Companies Act (Reform of Directors’ Code of Conduct and Compensation), and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on expectations that he will further strengthen the oversight function of the Board of Directors through these achievements and insights, etc.</td>
</tr>
<tr>
<td><strong>Satoshi Yamahata</strong></td>
<td>Director and Managing Executive Officer</td>
<td>In addition to work experience at an overseas subsidiary, Mr. Satoshi Yamahata has served as General Manager of the Accounting and Finance Division, General Manager of the Corporate Planning Division, Executive General Manager of the Management Accounting Division, and Executive General Manager of the Management Gerald Resource and General Administration Unit, and has a wealth of experience and achievements alongside broad insight. He has promoted corporate governance reform as Director and Senior Executive Manager since June 2015 and as Director and Managing Executive Officer since June 2017 and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on expectations that he will further strengthen the oversight function of the Board of Directors through these achievements and insights, etc.</td>
</tr>
<tr>
<td><strong>Mikio Fujitsuka</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management at one of the largest global transportation equipment manufacturers in Japan, Mr. Mikio Fujitsuka has a wealth of experience and achievements alongside broad insight as a corporate officer. As President and Representative Director of Yamaha Motor Co., Ltd., a company that shares a common brand with the Company, he is a person with one of the deepest understandings of the Yamaha brand. Since assuming the position of Outside Director of the Company in June 2016, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value as the Company and Yamaha Motor Co., Ltd., where Mr. Yoshizawa serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value as the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshitohiro Hidaka serves as a representative of the Nominating Committee of the Company, which is the source of the Company’s corporate governance reform initiatives. Furthermore, not only are no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but the Company is no longer a major shareholder of said company since 2017. There are no concerns that Mr. Yoshitohiro Hidaka will have conflicts of interest with ordinary shareholders. Furthermore, not only is he a director, but he also serves as a director on the Compensation Committee of the Company. Mr. Shimura serves as a representative of the Compensation Committee of the Company. Mr. Wada serves as a representative of the Audit Committee of the Company.</td>
</tr>
<tr>
<td><strong>Yoshihiro Hidaka</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as CFO at one of the largest global construction machinery manufacturers in Japan, Mr. Yoshihiro Hidaka has a wealth of experience and achievements alongside broad insight as a corporate officer. As President and Representative Director of Kawasaki Heavy Industries, Ltd., a company that shares a common brand with the Company, he is a person with one of the deepest understandings of the Yamaha brand. Since assuming the position of Outside Director of the Company in June 2016, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value as the Company and Yamaha Motor Co., Ltd., where Mr. Yoshizawa serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value as the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshitohiro Hidaka serves as a representative of the Nominating Committee of the Company, which is the source of the Company’s corporate governance reform initiatives. Furthermore, not only are no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but the Company is no longer a major shareholder of said company since 2017. There are no concerns that Mr. Yoshihiro Hidaka will have conflicts of interest with ordinary shareholders. Furthermore, not only is he a director, but he also serves as a director on the Compensation Committee of the Company. Mr. Shimura serves as a representative of the Compensation Committee of the Company. Mr. Wada serves as a representative of the Audit Committee of the Company.</td>
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<td><strong>Hiromichi Shinohara</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as CFO of one of the largest global construction machinery manufacturers in Japan, Mr. Hiromichi Shinohara has a wealth of experience and achievements alongside broad insight as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no significant transaction relationships* between the Company and NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), where Mr. Shinohara serves as a director, and neither party is classified as a major shareholder of the other.</td>
</tr>
<tr>
<td><strong>Takuya Nakata</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as CFO at one of the largest global construction machinery manufacturers in Japan, Mr. Takuya Nakata has a wealth of experience and achievements alongside broad insight as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value as the Company and Yamaha Motor Co., Ltd., where Mr. Yoshizawa serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value as the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshitohiro Hidaka serves as a representative of the Nominating Committee of the Company, which is the source of the Company’s corporate governance reform initiatives. Furthermore, not only are no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but the Company is no longer a major shareholder of said company since 2017. There are no concerns that Mr. Yoshihiro Hidaka will have conflicts of interest with ordinary shareholders. Furthermore, not only is he a director, but he also serves as a director on the Compensation Committee of the Company. Mr. Shimura serves as a representative of the Compensation Committee of the Company. Mr. Wada serves as a representative of the Audit Committee of the Company.</td>
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<tr>
<td><strong>Paul Sandland</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as CFO of one of the largest global construction machinery manufacturers in Japan, Mr. Paul Sandland has a wealth of experience and achievements alongside broad insight as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no significant transaction relationships* between the Company and PMC Partners Co., Ltd., where Mr. Paul Sandland serves as a representative of the Company. Furthermore, neither party is classified as a major shareholder of the other.</td>
</tr>
<tr>
<td><strong>Hiromichi Shinohara</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as a representative of one of the largest communications and ICT companies in Japan, Mr. Hiromichi Shinohara has a wealth of experience and achievements alongside broad insight as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value as the Company and Yamaha Motor Co., Ltd., where Mr. Yoshizawa serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value as the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshitohiro Hidaka serves as a representative of the Nominating Committee of the Company, which is the source of the Company’s corporate governance reform initiatives. Furthermore, not only are no significant transaction relationships* between the Company and NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), where Mr. Shinohara serves as a director, and neither party is classified as a major shareholder of the other.</td>
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<td><strong>Naoko Yoshizawa</strong></td>
<td>Independent Outside Director</td>
<td>Having been involved in management as an executive officer of one of the largest electronics and ICT companies in Japan and as the CEO of its overseas group company, Ms. Naoko Yoshizawa has a wealth of experience and achievements alongside broad insight as a corporate officer. She has also been appointed as a director on expectations that she will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc., and improve the Yamaha brand value as the Company and Yamaha Motor Co., Ltd., where Mr. Yoshizawa serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value as the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshitohiro Hidaka serves as a representative of the Nominating Committee of the Company, which is the source of the Company’s corporate governance reform initiatives. Furthermore, not only are no significant transaction relationships* between the Company and NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), where Mr. Shinohara serves as a director, and neither party is classified as a major shareholder of the other.</td>
</tr>
</tbody>
</table>

*The amount of transactions between the Company and PMC Partners Co., Ltd. is less than 0.3% of consolidated net sales of both companies.

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**Note:** The Company has submitted notification to the Tokyo Stock Exchange to designate Takuya Nakata, Yoshihiro Hidaka, Mikio Fujitsuka, Paul Sandland, Hiromichi Shinohara, and Naoko Yoshizawa as Independent Directors as described in the provisions set forth by the Tokyo Stock Exchange.
Shigeki Fujii
Executive General Manager of RAC Business Unit and Technology Unit
1989 Joined the Company
2006 General Manager of Advanced System Division Center
2008 General Manager of Semiconductor Division
2013 Executive Officer
2015 Executive General Manager of RAC Business Unit (to the present)
2015 Senior Executive Officer
2017 Executive Officer (to the present)
2018 Executive General Manager of Technology Unit (to the present)

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

Atsushi Yamaura
Executive General Manager of Musical Instruments Business Unit and Senior General Manager of Digital Musical Instruments Division
1992 Joined the Company
2006 Director and President of Yamaha Scandinavia AB
2013 Senior General Manager of Digital Musical Instruments Development Division
2016 Senior General Manager of Digital Musical Instruments Development Department
2017 Senior General Manager of Digital Musical Instruments Development Department (to the present)
2021 Operating Officer
2022 Executive Officer (to the present)
2022 Executive General Manager of Musical Instruments Business Unit (to the present)

How has your view of Yamaha changed since you were appointed as an independent outside director and what new discoveries have you made about the Company?
Yoshizawa: My time at Yamaha has deepened my respect for the Company’s dedication to pursuing the utmost limits of sound and the technological might that underpins these efforts. I have had the opportunity to tour piano and wind instrument factories, and these tours have allowed me to see, first hand, the commitment to sound and the technological excellence of the employees who stand on this production floor. I even saw an employee play an instrument that they had made, and was struck by the beauty of the tones it produced.
Shinohara: I think Yamaha is a very diligent company that exhibits a sense of integrity in its approach toward product creation. Before taking up my position as director, I had figured that discussions at Board meetings might be a bit artistic or involve sudden bursts of inspiration. Perhaps this is because Yamaha is a company that deals in artistic products that based on aesthetic appreciation. However, the truth was just the opposite: Yamaha takes an extremely logical approach toward its business.

Given what you have seen over the past year, how would you assess the current oversight functions of the Board and Directors and its effectiveness?
Yoshizawa: Yamaha has installed the frameworks it needs for corporate governance by means of the establishment of Companywide committees for discussing specific themes such as risk management and sustainability. More impressive still is the strong sense of commitment that management exhibits toward making Yamaha a better company through effective corporate governance. This commitment was apparent in the
I feel confident that Yamaha is a company with the power to deliver the value sought in the current era, which is exemplified by concepts like well-being.

Hiromichi Shinohara

I think it is wonderful that Yamaha has a clear vision of the value it provides to customers through its technologies: fun.

Naoko Yoshizawa

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**What are your thoughts regarding the Nominating Committee, the Compensation Committee, and the Audit Committee?**

**Shinohara:** Only a year has passed since I became a member of the Nominating Committee and the Compensation Committee. Over this year, discussions at meetings of the Nominating Committee have centered on succession planning while we primarily talked about how to best link compensation to performance at meetings of the Compensation Committee. An important part of succession planning is the establishment of nomination processes. However, it can take time for people to develop. There is thus a need for discussions and preparations from the perspective of cultivating future leaders.

**Yoshizawa:** Yamaha has adopted a management approach of creating value through sustainability. To effectively implement this approach, the Company will need to foster people who can promote growth by transforming sustainability into value.

**Shinohara:** Discussions on compensation were not just about how to evaluate to degree of progress toward financial targets; we also talked about how to reflect Yamaha’s management approach of positioning sustainability as a wellspring of value in compensation. These discussions eventually culminated in the decision to include the degree of progress toward non-financial targets, specifically those pertaining to the Company’s environmental issues and the related progress, into the evaluation criteria for performance-linked compensation. These new non-financial targets were implemented in conjunction with the launch of the new medium-term management plan.

**Yoshizawa:** The Audit Committee is tasked with overseeing the Group as a whole. As a member of this committee, I try to provide advice for creating more effective and efficient management frameworks. For example, I might propose that we take the best practices that have been implemented in the efforts of subsidiaries to strengthen their specific governance systems and apply these on a Groupwide basis. Oversight for the purpose of ensuring appropriate operations includes turning the spotlight to the root of issues troubling management and front line operations in order to help find resolutions to these issues. Information is imperative to this type of oversight. Luckily, I am able to obtain an ever-larger amount of information from the audit officers, the Audit Committee’s Office, and the Internal Auditing Division. I also have the opportunity to observe front line operations, which further arms me for effective discussion of such issues. My interactions with audit officers are particularly beneficial as the closer communication lets me get answers to any questions I might have on matters that are unclear from briefing materials.

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**What topics do you feel need to be addressed at Board of Directors’ meetings with regard to the new medium-term management plan?**

**Shinohara:** It is crucial to pursue new heights of competitiveness in existing product lines, no matter how the operating environment might change. Based on this premise, I want to discuss more about how Yamaha can adopt an approach that is different from the values it has embraced thus far, an agile development approach, for example.

**Yoshizawa:** In terms of product creation, I think that the reinforcement of business foundations, including supply chain resilience, is an area requiring attention. Earlier, we talked about the new type of value that constitutes the essence of digital transformation. I hope to be able to discuss this on the Board. We also discussed the importance of coordinating and communicating with stakeholders in order to ensure that the Company’s management plan is understood by all stakeholders. In this context, we need to prioritize the Company’s sustainability initiatives and ensure that they are reflected in the Company’s strategy and operations.

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**What topics do you feel need to be addressed at Board of Directors’ meetings with regard to digital transformation?**

**Yoshizawa:** Yamaha already has a strong technological foundation for promoting digital transformation, particularly when it comes to AI technologies. However, this strength presents the risks of the Company becoming overly preoccupied with technologies and thus forgetting the transformation part. To prevent this from happening, we probably need to engage in more discussion on exactly how Yamaha will seek to create value going forward. Yamaha aspires to deliver music and musical instruments to people around the world and to enrich people’s lives through this process. As it already has a clear goal in mind, all that is left is to think about how to use technologies to accomplish this goal.

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Basic Policies for Corporate Governance

Committed to supporting the “Well-Being of People around the World,” the Yamaha Group has adopted the Yamaha Philosophy and the Promises to Shareholders, which apply to shareholders and all other related parties. We are working to secure a high level of profitability based on global competitiveness and increased management efficiency, and we are also striving to fulfill our social responsibilities in such areas as compliance, the environment, safety, and social contributions. In these ways, we are working to realize sustainable growth and to improve corporate value over the medium to long term. To that end, in accordance with our Basic Policies for Corporate Governance, we have established institutional designs for management—in addition to an organizational structure and systems—and we are implementing a range of initiatives and appropriate disclosure of information. In these ways, we are working to realize transparent, high-quality business management.

Basic Policies for Corporate Governance

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

For more information on the Yamaha Philosophy, please refer to page 2. For more information on the Promises to Shareholders (revised on April 1, 2022), please refer to page 5.

Business management systems and organizational structures are subject to change at the discretion of the Company. For more information on the Basic Policies for Corporate Governance, please refer to Corporate Governance Policies (revised on June 10, 2020).


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For more information on the Yamaha Philosophy, please refer to page 2. For more information on the Promises to Shareholders (revised on April 1, 2022), please refer to page 5.

Changes in Corporate Governance

Yamaha views corporate governance as fundamental for improving the quality of overall management, and as an essential aspect of sustainable development for a corporation. Furthermore, the Company is aware of the need to constantly reform and improve corporate governance systems once they have been put into place. Yamaha has consistently taken steps to strengthen corporate governance, such as introducing an operating officer system in 2001; appointing an outside director and establishing the nominating and compensation committees on a voluntary basis in 2003; reducing the number of inside directors and appointing multiple outside directors in 2010; and formulating the Corporate Governance Policies in 2015. In addition, in June 2017 the Company transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure and appointed its first female independent outside director, in June 2018 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.

Initiatives for Separating the Oversight and Executive Functions

The Board of Directors determines important matters—such as basic management policies—by adhering to 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 those 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. In addition, the Company has established the new position of audit officer, which is responsible for the financial and business management systems and the compliance and internal control systems. To that end, the Company has reformulated its corporate governance systems in the new society.

Note: For more information on the Basic Policies for Corporate Governance, please refer to page 5.

Corporate Governance

Reinforcement of Oversight Functions

In a bid to strengthen oversight and 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 23, 2022, independent outside directors comprised three-fourths of the members on the Board of Directors (please see Ratio of Outside Directors to the right).

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 enhancement in corporate value over the medium and long term while sustaining growth (please see Example of Compensation for an Officer to the right).

Example of Compensation for an Officer

In 2009, 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 enhancement in corporate value over the medium and long term while sustaining growth (please see Example of Compensation for an Officer to the right).

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Oversight Function – Directors and Board of Directors

Meetings of the Board of Directors are held monthly (in principal). In keeping with its fiduciary duty, the Board of Directors pursues sustainable growth and improvements to corporate value over the medium to long term. The Board of Directors also oversees the execution of duties by executive officers and the directors and makes decisions on basic management policies and other important matters that are specified in laws and regulations, the articles of incorporation, and the rules of the Board of Directors. In addition, the Board of Directors supervises overall management of the Company by overseeing the strategic plan for the representative executive officer and other officers; selecting the members and the chairpersons 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 development and operation of the internal control systems.

Based on their fiduciary duties, the directors act to ensure the Company’s sustainable growth and enhance its corporate value over the medium to long term, taking into consideration the relationships with all stakeholders. Directors are also expected to understand relevant laws and regulations and the Company’s articles of incorporation and to gather information in a manner that is sufficient to proactively offer opinions and engage in constructive discussions at meetings of the Board of Directors and other opportunities.

Independent outside directors advocate for the perspective of stakeholders in meetings of the Board of Directors by fulfilling the functions of overseeing management, offering advice, and monitoring against conflicts of interest from an independent standpoint.

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 success 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.

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.

Audit Committee

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

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

Securing the Effectiveness of the Audit Committee

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

When it deems necessary, the Audit Committee enlists the help of external experts to perform audits. The president and representative executive officer promotes continuous improvements in the maintenance and operation of internal control systems while periodically exchanging opinions with the Audit Committee.

Collaboration between the Accounting Auditor and the Internal Auditing Division

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

In regard to the general manager reassignment of the Internal Auditing Division, the opinions of the Audit Committee will be heard in advance.

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

Audit Officers

Audit officers are responsible for audits of Yamaha Group companies as members of the management team of positions equivalent to operating officers.

Executive Function – Representative Executive Officer

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

Executive Officers

The executive officers are responsible for the execution of business. With a Groupwide 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 management 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 decision outcomes are submitted to the president and representative executive officer. Furthermore, Groupwide targets are set, performance is evaluated, and an administrative management system has been implemented to facilitate swift management decisions and risk management.

Managing Council

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

Corporate Committees

Corporate committees act as advisory bodies to the president and representative executive officer. These committees discuss policies regarding pertinent matters requiring ongoing analysis and examination from a Groupwide and management-level perspective and report to the president on these matters. The following are some of the Company’s major committees.
Risk Management Committee
The Risk Management Committee is an advisory body to the president and representative executive officer. The committee discusses risk management-related matters from a Company-wide perspective and reports its findings to the president.

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

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

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

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

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

Internal Audits
Yamaha established the Internal Auditing Division (staffed by 19 people as of June 23, 2022) 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 appoints auditors to oversee internal audits with the objective of improving internal auditing functions, based on policies aimed at assuring the effectiveness of the audits of the Audit Committee, which are decided on by vote of the Board of Directors, the Internal Auditing Division has in place a structure for close collaboration with the Audit Committee. At the same time, the division keeps in close contact and conducts precise adjustments with the accounting auditor. In these ways, the Company works to increase audit efficiency.

Accounting Auditor
Yamaha has appointed Ernst & Young ShinNihon LLC as its accounting auditor, and certified public accountants Ryogo Ishikawa, Toshikatsu Seguchi, 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 managing partner of the accounting service does not exceed a fixed period of time. A total of 11 certified public accountants and 39 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 2021, 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 impedied 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 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.

Process and Standards for Selecting Officers, etc.
Regarding the selection of candidates for director positions, the Nominating Committee screens candidates for director positions based on the basic qualifications desirable for the roles, in addition to personnel requirements, taking into account their competencies, experiences, and achievements. Another factor taken into account in the selection of candidates is the Company’s skill matrix, which indicates the areas of specialty required to advance management strategies. The Nominating Committee also compiles 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, and decides the content of nomination proposals submitted to the Board of Directors. The Nominating Committee elicits the opinions of the Audit Committee before selecting candidates for members and the head of the Audit Committee. The Nomination Committee also compiles the nomination proposals submitted to the Board of Directors. The Nominating Committee screens candidates for director 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 compiles the nomination proposals submitted to the Board of Directors.

Succession Plans for Representative Executive Officer and Other Officers
After defining systems and personnel requirements, the Nominating Committee follows a personnel selection, evaluation, and development process for determining successor candidates.

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

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

1. Fixed compensation is monetary compensation according to job titles and is paid monthly.
2. Performance-linked bonuses are monetary compensation paid according to job titles that is linked with consolidated profit for the period and ROE for the given fiscal year and will be calculated, reflecting the individual’s record of performance, in order to motivate individuals to contribute to enhancement of the Company’s performance. These bonuses are paid after the completion of the applicable fiscal year. The individual’s performance will be evaluated based on indicators of performance linked to business and function in each area the individual is responsible for.
3. Restricted stock compensation is share-based compensation according to job titles and is provided at the launch of each medium-term management plan with the intent of motivating directors and executive officers to enhance corporate value sustainably and having them share a common interest with shareholders. In order to motivate directors and executive officers to achieve the Company’s medium-term performance targets, one-third of restricted stock compensation is paid under the condition that an individual remains in the service of the Company for a certain period and two-thirds of restricted stock compensation is linked to the Company’s performance. Performance criteria 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 or for 30 years from the receipt of restricted stock.
Compliance. Furthermore, in the event of serious cases of accounting fraud or major losses during this period, a corporate value target has been established for total shareholder return.

Financial and non-financial targets were introduced for the purpose of encouraging officers to better share the perspective of shareholders. Financial and non-financial targets have been set for the indicators put forth by the medium-term management plan.

The ratio of influence on financial targets, non-financial targets, and corporate value targets has been established for total shareholder return.

Major Initiatives in Fiscal 2022

Major Topics of Discussion by the Board of Directors

Major Activities of the Nominating Committee

Major Activities of the Compensation Committee

Basic Cross-Holdings Policy

Major Activities of the Audit Committee

Performance-Linked Bonuses

Restricted Stock Compensation

Analyzing and Evaluating the Effectiveness of the Board of Directors

Process Evaluation

Summary of the Evaluation

Issues Identified in Evaluation of Effectiveness and Improvement Initiatives

Results of Evaluation of Effectiveness of the Board of Directors (Surveys)
Yamaha Motor Co., Ltd.*1 uses the same Yamaha brand as the Company. Yamaha Motor Co., Ltd. and the Company have established the Joint Brand Committee, Yamaha Brand.

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

The Shizuoka Bank, Ltd.*4
No. of Shares as of March 31, 2022
3,268
Percentage of Total Assets
2.212
Book Value of Shares
2,581,000
Yes

Shinohara, Hiromichi 1,528,736 16,161 0 98.9 Approved

Partial Amendments to the Articles of Incorporation
Proposal 1. Appropriation of Surplus
Proposal 2. Partial Amendments to the Articles of Incorporation
Proposal 3. Appointment of Eight Directors

YAMAHA Corporation*1
No. of Shares as of March 31, 2022
100
Yes
Percentage of Total Assets
2.212
Book Value of Shares
1,538,011 7,989 0 99.4 Approved

When meeting with shareholders and investors, information presented to them includes 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 acquiring 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 disclosing earnings information.

Major IR Activities
Major IR activities in fiscal 2022 were as follows:

<table>
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<tr>
<th>Security Name</th>
<th>No. of Shares as of March 31, 2022</th>
<th>No. of Shares as of March 31, 2022</th>
<th>Yamaha Ownership of Shares</th>
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</thead>
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<td>Yamaha Motor Co., Ltd.*1</td>
<td>34,642,790</td>
<td>34,642,790</td>
<td>Yes</td>
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<tr>
<td>TOYOTA MOTOR CORPORATION*2,*3</td>
<td>561,300</td>
<td>2,549,500</td>
<td>No</td>
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<td>Aoitc Ltd.*4</td>
<td>6,289,308</td>
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<td>MS&amp;I Insurance Group Holdings, Inc.*4</td>
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<td>3,532</td>
<td>Yes</td>
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<tr>
<td>The Shizuoka Bank, Ltd.*4</td>
<td>2,936</td>
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<td>Surumito Mitsui Financial Group, Inc.*4</td>
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<td>Mitsubishi UFJ Financial Group, Inc.*4</td>
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<td>Chugai Pharmaceutical Co., Ltd.*4</td>
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<td>No</td>
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<tr>
<td>Renesas Electronics Corporation*4</td>
<td>100</td>
<td>100</td>
<td>No</td>
</tr>
<tr>
<td>Lion Corporation*1</td>
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</tr>
<tr>
<td>DAINICHIKOSHO CO., LTD.</td>
<td>50,000</td>
<td>50,000</td>
<td>No</td>
</tr>
<tr>
<td>FUJI SOT INCORPORATED</td>
<td>214</td>
<td>214</td>
<td>No</td>
</tr>
<tr>
<td>YAKAWA Electric Corporation</td>
<td>100</td>
<td>100</td>
<td>No</td>
</tr>
<tr>
<td>Clybura, Inc.</td>
<td>100</td>
<td>100</td>
<td>No</td>
</tr>
</tbody>
</table>

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

Proposal 1: Approval of Surplus
Proposal 2: Partial Amendments to the Articles of Incorporation
Proposal 3: Appointment of Eight Directors

Note: Necessary conditions for the approval of each proposal were confirmed, the necessary conditions for the approval of each proposal were satisfied and the resolutions were legally passed pursuant to the Company Act. Therefore, among those shareholders in attendance on the day of the meeting, the calculation did not include the number of voting rights for which intentions regarding approval, disapproval, or abstention were not confirmed.

Note: Necessary conditions for the approval of each proposal were confirmed, the necessary conditions for the approval of each proposal were satisfied and the resolutions were legally passed pursuant to the Company Act. Therefore, among those shareholders in attendance on the day of the meeting, the calculation did not include the number of voting rights for which intentions regarding approval, disapproval, or abstention were not confirmed.

Note: Visits to investors by the president and relevant officers (in Japan, North America, Europe, and Asia) were halted in fiscal 2022 due to the COVID-19 pandemic.
Risk Management

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

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

Promotion System
Under the supervision of the Board of Directors, Yamaha Corporation has established the Risk Management Committee as an advisory body to the president. The committee discusses risk management-related matters from a Company-wide perspective and reports the results of these discussions to the president. 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 Company-wide themes. The Board of Directors confirms and monitors the effectiveness and status of risk management frameworks via reports from executive officers.

Changes to Business Risks
Identification of Digital Transformation as an Independent Risk Category
Yamaha Corporation is moving ahead with reforms to its business processes through digital transformation. However, there is a risk that the Company may be unable to improve its performance due to delays in, or inability to effectively advance, digital transformation. Recognizing that digital transformation is an important focus for management strategies, Yamaha is developing organizational frameworks and methodologies for identifying investment opportunities related to digital transformation.

Revision of Risk Level of Procurement
Global semiconductor shortages are increasing the risk of rises in the prices of procured components and materials, delays to supply, and inability to secure the necessary items. We therefore recognize that procurement risks will need to be positioned as a higher priority going forward. Accordingly, the risk level of “procurement” has been raised to the highest level, and countermeasures are being implemented based on this new designation.

Revision of Risk Level of Transportation / Logistics
The global shortage of maritime transportation containers is causing delays in transportation and extraordinary increases in logistics costs. The risk level of “transportation / logistics” has been increased to reflect the rise in logistics costs, and we are advancing countermeasures accordingly.

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

Responses to Infectious Diseases
In fiscal 2022, the Yamaha Group continued to promote teleworking and basic precautions for preventing the spread of COVID-19 in response to the ongoing global pandemic. In addition, we encouraged early vaccination, and approximately 3,500 Yamaha Group employees have elected to receive COVID-19 vaccinations at the clinic in our headquarters since July 2021. Employees were provided access to COVID-19 booster shots at workplaces in May 2022. Elsewhere, we worked together with the government of Indonesia, where we have production and sales bases, to provide vaccinations for employees as well as for members of their families and subcontractors working at Group business sites.

Preventing the spread of infectious diseases that can have a significant social and economic impact, such as HIV and AIDS, tuberculosis, and malaria, is a global issue. Recognizing the importance of this issue, Yamaha Group production sites in Southeast Asia implemented exhaustive infection prevention measures into their workplace environments. In addition, notification of the infectious disease risks of the relevant areas is provided to employees going overseas, as well as to employees stationed overseas and their families, and vaccinations for hepatitis A, hepatitis B, tetanus, rabies, and measles and other prevention measures are recommended prior to departure from Japan.
Compliance

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

Compliance Promotion System and Compliance Code of Conduct

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

Compliance Management Frameworks and Promotion System

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

Global Conformity in Compliance Initiatives

The Yamaha Group signed the UN Global Compact in 2011. As a member of Global Compact Network Japan, we are working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption in our business activities. Meanwhile, our basic policy for legal compliance is to focus on the reinforcement of global legal violation prevention measures. Accordingly, we use legal databases in order to manage legal information in an integrated, Groupwide manner. In addition, we develop and implement rules, on a Groupwide basis, in accordance with the Compliance Code of Conduct while advancing measures and education and awareness-raising activities for purposes such as preventing corruption and ensuring fair trade.

The Legal Division monitors the status of these initiatives within the Group.

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

Monitoring

The Working Group for Compliance conducts regular monitoring of the status of compliance systems and compliance promotion at Company divisions and Group companies to ensure that the business activities of the Yamaha Group are ethical and legally compliant. Support for corrective actions is provided as necessary. In 2021, compliance questionnaires were administered to domestic Group employees. These questionnaires are conducted once every three years. The results of questionnaires are used to analyze the awareness of domestic Group employees from the perspectives of compliance, risks, and corporate culture. Moreover, organization-level analyses are performed. The results of these analyses are reflected in measures to address issues and reform our corporate culture.

Education and Awareness-Raising Activities

Proactive education and awareness-raising activities are imperative to enhancing compliance. Education and training content for domestic employees is provided via the intranet, and compliance seminars are held regularly along with other initiatives to raise awareness.

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. Objective investigations are conducted to confirm the validity of any reports or consultations indicating potential compliance violations, and response and disciplinary measures are decided based on the findings of these investigations.

In Japan, three helplines are available: the Yamaha Compliance Hotline, an external consultation venue for domestic Group companies operated by a subcontractor; an internal consultation venue; and a venue for consultation with an external legal firm. In addition, cards detailing the contact information for these helplines are distributed to employees. We also promote awareness and use of these venues through tools such as posters and booklets as well as during training sessions. Internal rules pertaining to the operation of compliance helplines include provisions to protect whistle-blowers by stating that those reporting in earnest are not to suffer reprisal as a result of reports. These helplines are available to full-time employees, dispatch employees, and contracted staff. They may also be used by the staff of subcontractors, sales agents, and other business partners as well as by others involved in the business activities of the Yamaha Group.

Overseas, helplines have been set up at 34 overseas Group companies, and Yamaha Corporation also provides a shared helpline offering support via the internet that is available in 16 languages.

Compliance Helpline System

The curriculum for compliance education includes rank-based human resources training arranged in accordance with the career levels of participants, and compliance training has been positioned as an important theme.

<table>
<thead>
<tr>
<th>Report</th>
<th>Consultor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Group for Compliance</td>
<td></td>
</tr>
<tr>
<td>Internal consultation venues</td>
<td>Report / Consultation</td>
</tr>
<tr>
<td>External consultation venue (legal firm)</td>
<td>Report</td>
</tr>
<tr>
<td>External consultation venue (third-party subcontractor)</td>
<td>Report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Promotion System and Compliance Code of Conduct</td>
</tr>
<tr>
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</tr>
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* Figures represent the total numbers of reports received through domestic and global compliance helplines.

| Breakdown of Reports Received in Fiscal 2022 |
| Others | 24% |
| Abuse of power | 23% |
| Sexual harassment | 1% |
| Pregnancy/childbirth discrimination | 1% |
| Dishonest behavior | 8% |
| Labor issues | 44% |

| Numbers of Reports Received through Compliance Helplines |
| Fiscal 2022 | 44 | 43 | 87 |
| Fiscal 2021 | 50 | 33 | 83 |
| Fiscal 2020 | 54 | 12 | 66 |
| Fiscal 2018 | 34 | 13 | 47 |

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

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## 11-YEAR SUMMARY

### Financial and Corporate Information

#### Key Indicators:

- **Core operating profit ratio (Operating income ratio)**: 2.3% - 10.9% 10.5%
- **Return on equity (ROE)**: (13.2) - 12.1% 10.9%
- **Return on assets (ROA)**: (7.8) - 14.0% 7.7%
- **Debt ratio to equity ratio (Times)**: 0.05 - 0.04 0.03
- **Interest coverage (Times)**: 31.84 - 67.20 122.37
- **Current ratio**: 259.4 - 272.5 287.6
- **Dividend payout ratio**: — - 68.0% 0.54

#### Note:
- Figures prior to fiscal 2019 are based on J-GAAP standards. From fiscal 2019, the presentation method has been changed as a result of the adoption of partial revisions to accounting standards for tax benefit accounting. Accordingly, figures for fiscal 2018 have been retroactively changed to conform with this presentation method.
- *1 U.S. dollar amounts are translated from yen at the rate of ¥122.39 = U.S.$1, the approximate rate prevailing on March 31, 2022.
- *2 Net income (loss) has been presented as net income attributable to owners of parent on the consolidated financial statements since fiscal 2016. Under IFRS, net income is displayed as profit for the period attributable to owners of parent.
Fiscal 2022 Performance (IFRS)

Analysis of Overall Performance in Fiscal 2022

The business environment in fiscal 2022 was characterized by the recovery trend after the sharp slowdown in the global economy in 2020 caused by the COVID-19 pandemic, due to progress with vaccination programs and the benefits of support from fiscal and monetary policies in various countries. At the same time, the outlook for business conditions remains uncertain as economic growth has been hampered by the shortage of semiconductors, disrupted supply chains, and soaring natural resource prices. Another factor contributing to this uncertain outlook was Russia’s invasion of Ukraine, which occurred around the end of the fiscal year. The business outlook is similar for the Japanese economy as it is facing the resurgence of infections of the COVID-19 Omicron variant that make it still difficult to forecast when the pandemic will come to an end. To support the continuation of corporate activities under various restrictions, the major issue was to balance efforts to control the spread of infection with socioeconomic activities.

Amid these economic conditions, the Yamaha Group has been pursuing the four key strategies of its Make Waves 1.0 mid-term management plan under the basic policy of “develop closer ties with customers and society, and boost value creation capabilities.” Financial targets were not met due to the restrictions on social activities imposed by the COVID-19 pandemic and the extensive impact on business activities caused by supply chain disruptions. Despite these setbacks, we have made steady progress in the key strategies of developing closer ties with customers, creating new value, enhancing productivity, and contributing to society through our businesses. Consequently, we achieved all of the non-financial targets that were first set in the aforementioned mid-term management plan pertaining to corporate brand value, the promotion of instrumental music education in emerging countries, and certified timber use.

Regarding our efforts to develop closer ties with customers, while consumer purchasing behavior has been changing substantially, we reinforced customer contact points and strengthened the framework for communicating our product using digitalization of various procedures to improve work efficiency. In addition, the COVID-19 pandemic provided an opportunity for us to accelerate the promotion of new workstyles and the digitization of various procedures to improve work efficiency. For our key strategy of contributing to society through our businesses, the aggregate total of students offered instrumental music education experience in emerging countries reached 1.3 million, surpassing the target of one million students. As a result of our efforts to promote the spread of music, we were able to open the Yamaha Music School Ryadh in November 2021 as the first authorized music education facility operated by a private company in Saudi Arabia. We also exceeded the target of 50% for the certified timber use rate with a rate of 52%.

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

Revenue increased 9.5% year on year, to ¥408.2 billion. Despite continued shortages in the product supply caused by difficulties in procuring semiconductors and disruptions in logistics, this increase was achieved due to the recovery from the impact of the COVID-19 pandemic.

By region, revenue was up in all regions, with the exception of Japan, where delays in recovery in demand led to decreased revenue. Core operating profit was up 5.7% year on year, to ¥43.0 billion, as the higher profit from the musical instruments and other segments offset the decline in profit from the audio equipment segment. Factors behind the overall increase included higher sales and production and beneficial foreign exchange influences, which outweighed detractors such as higher selling, general and administrative (SG&A) expenses and increased ocean freight charges. Profit for the period attributable to owners of parent increased 40.0% year on year, to ¥213.9 billion.
Results by Segment

Musical Instruments
Revenue in the musical instruments segment rose 15.6% year on year, to ¥76.2 billion, and core operating profit increased 15.1%, to ¥37.3 billion.

By product, sales of pianos increased, despite the impacts of the resumed rise in COVID-19 infections, due to recovered market conditions and supply capabilities. Sales of digital musical instruments rose because robust demand continued in music events once again started to be held following the alleviation of activity restrictions. The benefits of these trends outweighed the impacts of supply shortages due to difficulties in procuring semiconductors. Sales increased for wind instruments as a result of the resumption of band activities around the world. Sales of guitars rose, regardless of the signs of reductions in demand associated with people staying at home, thanks to generally firm market conditions.

By region, sales in Japan were up. Sales were down for wind instruments, as a result of the slow recovery of demand stemming from restrictions on school band activities, and guitars, which were impacted by the tapering of demand associated with people staying at home. However, the growth of sales for pianos due to recovered supply capabilities and digital musical instruments on the back of continuing robust demand drove up overall sales. Sales were also up in North America and Europe. All product categories saw higher sales in these regions as markets recovered amid the dissipating impacts of the pandemic. In China, overall sales were up, despite the supply shortages and consequently reduced sales for digital musical instruments that stemmed from difficulties in procuring semiconductors, as this country was quick to return to a growth track when compared to other countries.

In other regions, sales increased, regardless of the resumed uptick in COVID-19 infections, due to ongoing market recovery.

Audio Equipment
Revenue in the audio equipment segment decreased 6.6% year on year, to ¥496.9 billion, and core operating profit declined 78.3%, to ¥1.5 billion.

By product, overall sales of AV products were down as the impacts that product supply shortages caused as a result of difficulties in procuring semiconductors counteracted the benefits of continued strong demand. PA equipment sales, meanwhile, were up following recovery in the live performance and commercial audio equipment markets. Sales of ICT equipment, conversely, fell as the difficulties in procuring semiconductors caused supply shortages and the robust growth of meeting systems began to slow.

Others (Industrial Machinery and Components Business, etc.)
Revenue in the others segment increased 177.6% year on year, to ¥35.1 billion, and core operating profit rose ¥2.9 billion, from ¥1.2 billion in the previous fiscal year to ¥4.2 billion.

In the industrial machinery and components business, sales of electronic devices rose following smooth growth in sales of Yamaha brand in-vehicle audio systems for Chinese automobile manufacturers and other in-vehicle products. Sales of automobile interior wood components were up due to firm demand. Meanwhile, FA equipment sales decreased due to postponements and reductions in investment projects as a result of difficulties in procuring semiconductors.

Analysis of Financial Position

Total assets on March 31, 2022, amounted to ¥580.9 billion, an increase of ¥4.3 billion, or 2.7%, from ¥160.7 billion at the end of the previous fiscal year as a result of an increase in income taxes payables that was due to sales of investment securities, which offset a decrease in deferred tax liabilities. Total equity on March 31, 2022, amounted to ¥415.9 billion, an increase of ¥18.0 billion, or 4.8%, from ¥296.9 billion on March 31, 2021. Despite the impacts of purchase of treasury shares and cash dividends paid, equity rose as retained earnings were up due to the recording of profit for the period and other components of equity increased owing to the impact of exchange rate fluctuations.

Forecasts for Fiscal 2023

In fiscal 2023, performance will continue to be impacted by supply shortages stemming from difficulties in procuring semiconductors. Nevertheless, we forecast improvements in revenue and profit due to the projected improvements in musical instrument and other markets, the recovery of our product supply capabilities, and beneficial foreign exchange influences.

Analysis of Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year increased ¥43.7 billion, compared to an increase of ¥38.7 billion in the previous fiscal year, and stood at ¥172.5 billion.

Net cash provided by operating activities in fiscal 2022 amounted to ¥36.0 billion, compared with ¥58.2 billion in the previous fiscal year, due mainly to the contribution of profit before income taxes.

Net cash provided by investing activities in fiscal 2022 amounted to ¥43.7 billion, compared to net cash used in investing activities of ¥6.8 billion in the previous fiscal year, primarily due to proceeds from sales and redemption of investment securities.

Net cash used in financing activities was ¥44.4 billion, compared with ¥20.6 billion in the previous fiscal year, as a result of purchase of treasury shares and cash dividends paid.
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**

**Domestic Network**

*Non-consolidated subsidiaries and affiliated companies*
### COMPANY INFORMATION

**As of March 31, 2022**

#### Corporate Profile

- **Company Name**: Yamaha Corporation
- **Headquarters**: 10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
- **Phone**: +81 53 (460) 1111 (Receptionist)
- **Year of Foundation**: 1887
- **Date of Incorporation**: October 12, 1887
- **Paid-in Capital**: ¥28,534 million

#### 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.

- **MSCI**:
  - MSCI ESG Leaders Indexes*1
  - MSCI ESG rating
- **TOPIX Mid 400 / TOPIX 500 / TOPIX 1000**:
- **JPX-Nikkei Index 400**:
- **MSCI Japan ESG Leaders Index**:
- **MSCI Japan ESG Select Leaders Index**:
- **MSCI Japan ESG Leaders Index**:
- **MSCI Japan Empowering Women Index (WIN)**
- **ECPI Global Developed ESG Best-in-Class Equity Index**:
- **ECPI World ESG Best Equity Index**:
- **S&P Japan 500 ESG**:
- **S&P / JPX Carbon Efficient Index**:
- **FTSE Blossom Japan Sector Relative Index**:
- **FTSE Blossom Japan Sector Relative Index**:
- **FTSE Blossom Japan Sector Relative Index**:
- **S&P / FTSE Japan Carbon Efficient Index**:
- **FTSE Japan Carbon Efficient Index**:
- **FTSE Japan Carbon Efficient Index**:
- **FTSE Japan Sector Relative Index**:
- **FTSE Japan Sector Relative Index**:

#### Participation in Initiatives

With a commitment to cooperating and forming ties with global society as we work toward realizing a sustainable society, Yamaha signed the UN Global Compact in June 2011 and is working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption. As a member of Global Compact Network Japan, we also actively participate in subcommittees.

#### Financial and Corporate Information

- **Number of Employees**: 19,695 (Consolidated) (Excluding average number of temporary employees: 8,863)
- **Number of Subscribers**: 59 (of which, 55 are consolidated subsidiaries)
- **Account Settlement Date**: March 31
- **Accounting Auditor**: Ernst & Young ShinNihon LLC

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* Gomez ESG Web Awards 2021

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* Gomez IR Site Ranking 2022 Silver Award

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* 2021 Internet IR Commendation Award (Daica Investor Relations Co. Ltd.)

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* 2021 Internet IR Commendation Award in the Sustainability Field Category (Daica Investor Relations Co. Ltd.)