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

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

Annual Report 2021 was prepared while referencing the Integrated Reporting Framework of the Value Reporting Foundation (formerly the International Integrated Reporting Council) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry. Summarizing the policies we adopt on a Groupwide basis, this report was created thanks to the cooperation of each division of the Company. As such, I believe the creation process and the content of this report to be appropriate. Going forward, we will utilize our integrated reports as engagement tools as we pursue constructive dialogue with our stakeholders. It is our hope that these reports help our stakeholders feel confident about our efforts to realize a sustainable society and elicit their understanding and support of our long-term corporate value creation.

September 2021

Takuya Nakata
Director, President and Representative Executive Officer

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.
Key Points of Annual Report 2021

- Creation of New Value Through Sound and Music
- Progress in the Second Year of Make Waves 1.0 and Initiatives in the Final Year
- Enhancement of Sustainability Management

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

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

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

Disclosure Structure

- Overall Corporate Activities
- Annual Report 2021
  - Value Creation by Yamaha
  - Management Strategy
  - Strategies by Business and Function
  - Corporate Governance
  - Financial and Corporate Information
- About Us
- Information for Investors
- Sustainability Information

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- Yamaha’s Business
- Management Vision and Value Creation Story

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- Message from the President
- Make Waves 1.0 Medium-Term Management Plan
- Review and Progress of the Medium-Term Management Plan
- Approach to Formulating the Medium-Term Management Plan
- Major Medium-Term Management Plan Measures for Accomplishing Our Management Vision
- Corporate Strategies
- Financial Strategies and Enhancement of Management Foundations
- Sustainability Management
- Environment
- Human Rights
- Digital Transformation
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- Design

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- Audio Equipment Business
- Industrial Machinery and Components Business
- Strategies by Function
- Research and Development
- Production
- Sales

IV. Corporate Governance

V. Financial and Corporate Information

Scope of This Report

Information in this report covers 85 companies (as of March 31, 2021): Yamaha Corporation, its 60 consolidated subsidiaries, and its 4 affiliates. In cases where it is necessary to specify the scope of reporting, this report lists the applicable institution individually.

Reporting Period

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

Disclaimer on Forward-Looking Statements

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

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.
I. Value Creation by Yamaha

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The origins of the Yamaha Group date back to 1887, when company founder Torakusu Yamaha repaired an imported reed organ. Since then, Yamaha has aimed to create excitement and cultural inspiration together with people around the world. “With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world.”

Yamaha’s Path of Ambition

1887

Domestic Production of Musical Instruments Beginning with Organ Repair

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

Yamaha Group Annual Report 2021

Yamaha proceeded to develop foundations in its core business while conducting M&As. For example, Germany-based Steinberg Media Technologies GmbH, Austrian-based L. Bläsvorder Klavierservice GmbH, and French-based NUX Guitars were acquired in 2020. These business combinations had a ripple effect that strengthened our foundations and expanded the group’s business. The benefits included the ability to integrate our hardware and software in the music production field, the enhancement of our presence in the premium piano market, and the provision of comprehensive solutions in the audio equipment business.

Yamaha Ginza Building opened in May 2021 as a one-stop brand shop with the aim of providing Yamaha Group products and services to a wide range of customers. Yamaha has been engaged in an ongoing effort to establish a competitive edge and achieve improvements in profitability. Steps to this end have included transforming from organizations based on business lines to organizations arranged by function. In addition, we have also been optimizing prices while developing products with distinctive individuality and competitiveness in the world market by merging our business technologies. We have also been advancing global branding strategies, establishing the management vision of “Becoming an Indispensable, Brilliantly Individual Company” in 2016 and the brand promise of “Make Waves” in 2019. Furthermore, Yamaha is supplying new solutions that respond to recent changes in the social climate through sound and music. Examples of these solutions include the SYNQROOM online remote ensemble performance service, the Remote Chaser powered by SoundOi remote teaching 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.

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

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

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

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

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

Groupwide Business Overview and Consolidated Revenue and Core Operating Profit

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

Musical Instruments Business

For information on the strategies of the musical instruments business, please refer to page 50.
¥239.0 billion (64.1%)

Audio Equipment Business

For information on the strategies of the audio equipment business, please refer to page 64.
¥103.8 billion (27.9%)

Others (Industrial Machinery and Components Business, etc.)

For information on the strategies of the industrial machinery and components business, please refer to page 66.
¥29.8 billion (8.0%)

Fiscal 2021 (IFRS)
Revenue
¥372.6 billion
Core operating profit
¥40.7 billion

Musical Instruments Business

For information on the strategies of the musical instruments business, please refer to page 50.
¥239.0 billion (64.1%)

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¥29.8 billion (8.0%)

Fiscal 2021 (IFRS)
Revenue
¥372.6 billion
Core operating profit
¥40.7 billion

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

Core Operating Profit (Operating Income)

Musical instruments business
¥160.1 billion (42.9%)
Audio equipment business
¥121.2 billion (32.4%)
Others
¥71.3 billion (18.7%)

Core Operating Profit Ratio (Operating Income Ratio)

Musical instruments business
11.9% (J-GAAP)
Audio equipment business
16.7% (J-GAAP)
Others
10.6% (J-GAAP)

Core Yamaha Products Boasting High Market Shares

All Musical Instruments
39%
Pianos
47%
Digital/Pianos
52%
Portable Keyboards
31%
Wind Instruments
9%
Guitars
26%

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

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

Revenue Composition and Number of Employees by Region

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

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

Yamaha Group Annual Report 2021

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

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

Please refer to the following website for more information on Yamaha's value creation story.


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**Value Creation Story**

**Enhance Corporate Value and Realize Vision by Creating Social Value**

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

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**Management Vision**

Becoming an Indispensable, Brilliantly Individual Company

Boost brand power to become a highly profitable enterprise
Remote Meeting System Responding to Rising Social Needs

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

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

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

New Form of Remote Communication Proposed through Sound and Network Technologies

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

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

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

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

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

Verification Tests for Resolving Office Sound Environment Issues

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

Seeking to address office web conference sound environment issues, Yamaha partnered with NEC Networks & System Integration Corporation and Inaba International Inc. to conduct a verification test in December 2020, with customers asked to participate. At the moment, the only way to fully address these sound environment issues is to redesign office layouts, an undertaking that is costly and time-consuming. For this reason, many customers are looking for more accessible options. This test was designed to allow for these needs to be met through the swift supply of optimal web conference environments to customers and thereby contribute to increased ease of work and productivity for customers.

We continue to advance cross-industry verification tests of solutions merging new office layouts that combine Inaba International’s high sound-absorbing movable partitions with Yamaha’s acoustic technologies and the technologies of NEC Networks & System Integration, which boasts a robust track record for proposing office environments and web conference systems using Zoom and other venues.

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

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

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

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

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

For this reason, many customers are looking for more
PERFORMANCE HIGHLIGHTS

**Financial Highlights (Fiscal 2021)**

* (All explanations are included in figures calculated under IFRS. Graphs for fiscal 2019 also include J-GAAP conversion.)*

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

<table>
<thead>
<tr>
<th>Year</th>
<th>J-GAAP</th>
<th>IFRS</th>
<th>¥ (Billions)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>400</td>
<td>400</td>
<td>372.6</td>
<td>32.0</td>
</tr>
<tr>
<td>2020</td>
<td>372.6</td>
<td>372.6</td>
<td>340.0</td>
<td>31.0</td>
</tr>
<tr>
<td>2021</td>
<td>340.0</td>
<td>340</td>
<td>318.3</td>
<td>29.0</td>
</tr>
</tbody>
</table>

Capital expenditures totaled ¥11.3 billion, down ¥9.3 billion, and depreciation expenses decreased ¥2.3 billion, to ¥11.4 billion, due to a reduction in ¥2 billion from foreign-exchange influences attributable to the impacts of the COVID-19 pandemic.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>J-GAAP</th>
<th>IFRS</th>
<th>¥ (Billions)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>10.9</td>
<td>10.9</td>
<td>40.7</td>
<td>10.5</td>
</tr>
<tr>
<td>2020</td>
<td>40.7</td>
<td>40.7</td>
<td>26.3</td>
<td>6.5</td>
</tr>
<tr>
<td>2021</td>
<td>26.3</td>
<td>26.3</td>
<td>25.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Core operating profit decreased ¥0.6 billion, to ¥10.7 billion, due in part to a ¥0.6 billion reduction stemming from negative foreign-exchange influences and declines in revenue and production as a result of the COVID-19 pandemic.

### ROE / EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>J-GAAP</th>
<th>IFRS</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>71.0</td>
<td>71</td>
<td>100</td>
</tr>
<tr>
<td>2020</td>
<td>71.0</td>
<td>71</td>
<td>100</td>
</tr>
<tr>
<td>2021</td>
<td>71.0</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Return on equity (ROE) was down 2.7 percentage points, to 7.4%, and earnings per share (EPS) decreased ¥3, to ¥101.

### Capital Expenditures / Depreciation Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ (Billions)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>20.0</td>
<td>6.5</td>
</tr>
<tr>
<td>2020</td>
<td>24.2</td>
<td>6.3</td>
</tr>
<tr>
<td>2021</td>
<td>25.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Capital expenditures totaled ¥21.3 billion, down ¥3.3 billion, and depreciation expenses increased ¥2.2 billion, to ¥11.4 billion.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ (Billions)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6.3</td>
<td>1.6</td>
</tr>
<tr>
<td>2020</td>
<td>6.3</td>
<td>1.6</td>
</tr>
<tr>
<td>2021</td>
<td>6.3</td>
<td>1.6</td>
</tr>
</tbody>
</table>

R&D expenses were down ¥2.4 billion, to ¥13.7 billion. The ratio of R&D expenses to revenue rose 0.5 percentage point, to 5.5%.

### Dividends per Share / Dividend Payout Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ (Billions)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>71.0</td>
<td>100</td>
</tr>
<tr>
<td>2020</td>
<td>71.0</td>
<td>100</td>
</tr>
<tr>
<td>2021</td>
<td>71.0</td>
<td>100</td>
</tr>
</tbody>
</table>

The annual dividend was ¥50 per share, the same as in the previous fiscal year. The dividend payout ratio rose 0.7 percentage points, to 45.6%.

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**Non-Financial Highlights (Fiscal 2021)**

### Average Term of Service (As of March 31, 2021)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male Average*</th>
<th>Female Average*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>30.8</td>
<td>28.9</td>
</tr>
<tr>
<td>2020</td>
<td>30.8</td>
<td>28.9</td>
</tr>
<tr>
<td>2021</td>
<td>31.3</td>
<td>29.2</td>
</tr>
</tbody>
</table>

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

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

### Greenhouse Gas Emissions (Scope 1 + Scope 2)

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>173.0</td>
</tr>
<tr>
<td>2020</td>
<td>176.0</td>
</tr>
<tr>
<td>2021</td>
<td>179.0</td>
</tr>
</tbody>
</table>

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

* A standard for calculating and reporting greenhouse gas emissions.

### Certified Timber Use

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ (Thousand people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>900</td>
</tr>
<tr>
<td>2020</td>
<td>880</td>
</tr>
<tr>
<td>2021</td>
<td>820</td>
</tr>
</tbody>
</table>

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

* Group companies (Worldwide total).

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**Brand Ranking**

Yamaha was ranked 30th among the Interbrand Best Japan Brands 2021.*

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

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

* Number of countries in which Yamaha offers the program.
II. Management Strategy

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MESSAGE FROM THE PRESIDENT

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

Operating Environment amid the COVID-19 Pandemic in Fiscal 2021

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

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

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

Yamaha is currently in the process of advancing its medium-term management plan that covers the three years spanning from fiscal 2020 to fiscal 2022. Looking back at past plans, the theme of YMP125 (April 2010–March 2013) was “rebuild business platforms,” the theme of YMP2016 (April 2013–March 2016) was “increase profitability,” and the theme of NEXT STAGE 12 (April 2016–March 2019) was “increase brand power,” which aimed at taking the Company to a new growth stage. These plans were followed by Make Waves 10, the current medium-term management plan. Launched in April 2019 with the goal of furthering us toward the accomplishment of our management vision of “Becoming an Indispensable, Brilliantly Individual Company,” this plan positions its period as the stage in which we should develop closer ties with customers and society and boost value creation capabilities. As this plan has completed its second year, I would like to take this opportunity to discuss the progress of this plan in relation to Yamaha’s principal businesses and the plan’s four key strategies.
with the development of technologies aimed at delivering new value by synchronizing sound and music across the physical limitations of distance through the union of PA and ICT equipment technologies. These efforts have led to successes in the form of the SYNCRONiON online remote ensemble performance service and the Remote Cheerer powered by SoundID remote cheering system. These offerings have garnered attention as services matched to the social needs emerging amid the current restrictions on movement of people. Both are at a stage in which we can begin to pursue commercialization. We expect that, even in the new normal that will emerge after the pandemic has subsided, people will retain their desire to connect with others even when physically separated. Accordingly, Yamaha believes these products will be able to continue contributing to society on into the future.

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

The industrial machinery and components business achieved higher profit due to favorable performance for automobile interior wood components and factory automation (FA) equipment. In addition, we commenced mass production of automotive audio systems in November 2020 following the decision by multiple Chinese automobile manufacturers to use these systems in their products. We were able to receive these orders due to our focus on the growth market of automotive audio systems for the purpose of expanding our business-to-business (B2B) operations in the area of audio, which it should go without saying is an area of expertise for Yamaha. The orders will entail more than the supply of speakers to be installed in vehicles; we will also provide equipment such as amps as well as a variety of solutions related to in-vehicle audio. Furthermore, the launch of vehicles, cutting-edge electric vehicles (EVs) nonetheless, that bear the Yamaha logo on their audio systems is anticipated to help heighten our brand image. In addition, let me say that we have made strides in penetrating the Chinese market, as indicated by sales growth at physical venues surpassing the targets of our medium-term management plan. Elsewhere, we set up a proprietary e-commerce website India, which has gotten off to a strong start and is currently enjoying rising access numbers. Our progress in developing customer data platforms (CDPs) varies by country, but we were still successful in accumulating a certain degree of data, and we have begun using this data for certain applications. Accordingly, we believe we are at a stage in which we can commence more full-fledged utilization of customer data. We also implemented internal measures aimed at creating the foundations for growing lifetime value from customers. Examples of these measures included setting up the Yamaha Marketing University program and arranging skill-enhancing lectures for business divisions. It is common for customers to be awakened to the quality of Yamaha’s musical instruments after actually taking them in hand and playing them. For this reason, physical sales venues will definitely continue to be important going forward. This is also the reason why we have been enhancing our stores and increasing store numbers even amid the pandemic. We also believe that a balanced hybrid marketing approach combining online and offline measures will be crucial in the new normal that will emerge after the pandemic has subsided. Meanwhile, there can be no doubt that we will see a rise in purchases made completely through e-commerce, with the buyer never actually taking an instrument in hand before the purchase. For many customers making such purchases, the reliability of the Yamaha brand will certainly be a source of reassurance. Fortunately, the Yamaha brand has grown into a significant source of strength for us today. I also recognize that we must continue to refine this brand going forward. Ongoing effort will be imperative for this purpose, and we therefore intend to advance our current strategies in a continuous and accelerated manner.

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

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

Yamaha Group Annual Report 2021
Yamaha has accumulated significant insight through its ongoing involvement in basic research from the material level. We are thus poised to combine our diverse technologies and sensibilities to create new value for the digital society in the post-COVID-19 era and to improve lifetime value for customers. Going forward, we will continue proactive R&D investments aimed at creating new value by combining the strengths of our technologies and sensibilities.

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

We are targeting a net cost reduction of ¥9.5 billion over the three-year period of the medium-term management plan. We made smooth progress in fiscal 2020, the first year of the plan, with cost reductions totaling ¥2.0 billion. In fiscal 2021, however, we prioritized the maintenance of production functions in response to supply shortages, and cost reduction efforts did not proceed as planned as a result. Nonetheless, the fact that we did not experience a significant rise in costs, despite this situation, should be seen as a positive development. In this manner, rather than rigidly adhering to a policy of cost reduction going forward, we intend to emphasize the resilience of our supply chain. As one facet of these efforts, we are working to cut fixed costs by tightening our belts while remaining cognizant of the need to incur levels of cost that are appropriate for each application. Our initiatives amid the COVID-19 pandemic will no doubt prove to be beneficial after the end of the pandemic. We therefore expect that profitability improvements will accelerate over the medium to long term.

In regard to price optimization, we are past the phase of uniformly raising selling prices to more appropriate levels. Now, we are in a phase in which we need to supply products that offer new forms of value and to receive levels of compensation matched to said value. The THR30DA Wireless amplifier for guitars mentioned earlier is one example of such a product. This product costs roughly three to five times more than preceding products with similar applications. However, it has been incredibly popular among customers regardless of this price tag. Increases in costs, such as those for parts, are of course one factor behind the higher price tag. More significant, however, is that these products provide new value based on unprecedented concepts, and that customers have recognized this value. We will continue to build upon this approach going forward with the aim of making Yamaha an even more profitable company.

Contribute to Society through Our Businesses
Establishment of the Sustainability Committee

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

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

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

Never-Ending Pursuit of New Pinnacles for Corporate Governance

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

In 2020, we established the new position of audit officer. Audit Committee members have had a positive opinion of these new officers, and their benefits are already appearing. Our Audit Committee is comprised exclusively of outside directors designated as independent directors in order to improve its objectivity and strengthen its oversight function. This arrangement and the resulting lack of full-time members of the Audit Committee, however, has created issues with members facing difficulty in collecting information. The position of audit officer was created to rectify these issues.
positions, like strong leadership skills and a global mindset. At the same time, we place emphasis on finding candidates who understand the essence of Yamaha.

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

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

Rising Importance of Employee Engagement

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

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

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

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

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

In Closing

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

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

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

September 2021

Takuya Nakata

Director, President and Representative Executive Officer
Financial Results

<table>
<thead>
<tr>
<th>Category</th>
<th>YMP125 Final year</th>
<th>YMP2016 Final year</th>
<th>NEXT STAGE 12 Final year</th>
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<tr>
<td>Net sales*2 / Revenue (Billions of yen)</td>
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<tr>
<td>Operating income*2 / Core operating profit (Billions of yen)</td>
<td>9.2</td>
<td>40.7</td>
<td>56.0</td>
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<tr>
<td>Operating income ratio*2 / Core operating profit ratio (%)</td>
<td>2.5%</td>
<td>9.3%</td>
<td>12.8%</td>
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<tr>
<td>ROE (%)</td>
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<td>10.1%</td>
<td>11.4%</td>
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<tr>
<td>EPS / ¥21</td>
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<td>¥241</td>
<td>¥222</td>
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<tr>
<td>Core operating profit (Billions of yen)</td>
<td>9.2</td>
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</tr>
</tbody>
</table>

*2 Endorsement was announced in May 2021.

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

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

Greater diversity in lifestyles and senses of value
• Long-cultivated, cutting-edge digital technologies
• Scientific insight on sensibilities
• Provision of emotional satisfaction through the unique strength of combining technologies and sensibilities
• Progression of direct digital marketing

Heightened awareness of sustainability
• Utilization of advanced materials technologies
• Initiatives toward sustainable timber procurement
• Initiatives to help resolve social issues through sound and music

Directives of the Medium-Term Management Plan

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

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

Approach to Formulating the Medium-Term Management Plan

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

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

• Initiatives to help resolve social issues through sound and music
• Initiatives toward sustainable timber procurement
• Initiatives to help resolve social issues through sound and music

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

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

Combining technologies and sensibilities presents growth opportunities for Yamaha
We will leverage our unique strengths to increase our core operating profit ratio to the 14% level over the three years of the plan, with the overall goal of becoming the highly profitable enterprise described in our management vision.

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

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

* Based on the impacts on the operating environment from the COVID-19 pandemic, the consolidated performance forecasts for fiscal 2022 announced at the financial results briefing for fiscal 2021 held on May 10, 2021, call for a core operating profit ratio of 11.8%, ROE of 10.0%, and EPS of ¥233. These forecasts assume foreign exchange rates of U.S.$1 = ¥105 and €1 = ¥125.
To develop broader, deeper, and longer ties with our customers, we will promote our brand through our new brand promise and develop digital and physical customer interfaces with a focus on digital marketing. We will also take steps to contribute to lifetime value enhancement. Additionally, in emerging countries centered on China and ASEAN, we will engage with middle-income earners and accelerate growth. For the audio equipment business and the industrial machinery and components business, we will achieve growth by expanding our business domains in growth markets.

**Achieve Growth in Emerging Markets** (Broader)

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

**Growth in China**

**Aiming for 25% Growth over the Next Three Years**

Through Sales Network Expansion and Brand Promotion

**Achieve Market Growth and Share Expansion**

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

**Boost Product Power**

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

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

**Aiming for 50% Growth over the Next Three Years in the Indian Market**

By engaging with Middle-Income Earners through the Expansion of Sales Networks and Introduction of Local Models

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

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

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

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

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

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

**Developing Local Models Catered to Local Music Cultures**

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

**Promotion of Musical Instrument Education and Developing New Markets**

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

**Expand Business Domains** (Broader)

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

**Commercial Audio Equipment: Realize 30% growth over three years**

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

**Review of Fiscal 2021**

In fiscal 2021, we advanced physical and digital initiatives to develop customer experience frameworks and customer data platforms (CDPs) that will create opportunities for customers to forge a connection with Yamaha. To communicate our brand value, we renovated our Girus and Nagoya locations to make them into experience-oriented brand stores that provide a diverse range of music experiences for creating connections with new customers. In addition, we sought to communicate Yamaha’s value via the internet through increased use of social media to respond to the growth in digital customer contact points that use the internet as a medium. These efforts were also linked to increased business through our physical locations. At the same time, we accelerated the expansion of e-commerce sales, the utilization of the new sales approach of commercial audio equipment, and various other initiatives. Meanwhile, steps were taken to develop customer data platforms to improve lifetime value. Specifically, we commenced data collection and partial use of this data and made progress toward the full-fledged utilization of said data.

In emerging countries, Yamaha expanded its e-commerce sales channels in India and advanced the School Project centered on Egypt, thereby moving forward with the development of foundations for growing musical instrument demand in the future. Progress was also made in broadening Yamaha’s business domain through the expansion of our operations in the personal audio field following rises in our brand recognition in the headphone and earphone market. Another factor driving the broadening of our business domain was the shift toward comprehensive in-vehicle solutions achieved by winning contracts to have Yamaha brand in-vehicle audio systems installed in the vehicles of Chinese automobile manufacturers.

(For more information, please refer to Branding on page 64, Industrial Machinery and Components Business on page 66, and Sales on page 74.)
Yamaha Strength of Combining Technologies and Sensibilities

Evaluating sensibilities regarding what determines a good sound or a good sound environment is not something that can be done simply by analyzing quantitative data. The source of our competitiveness lies in our deep understanding and insight toward sensibility value cultivated through our long history, which started with the creation of musical instruments. Leveraging our core competency pertaining to this sensibility evaluation as our foundation, we are able to combine a wide variety of technologies, including acoustic technologies, human sensitivity evaluation technologies, and analysis and simulation technologies. This in turn enables us to provide unique products and services that cannot be imitated by competitors.

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

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

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### Yamaha Strength of Combining Technologies and Sensibilities

Evaluating sensibilities regarding what determines a good sound or a good sound environment is not something that can be done simply by analyzing quantitative data. The source of our competitiveness lies in our deep understanding and insight toward sensibility value cultivated through our long history, which started with the creation of musical instruments. Leveraging our core competency pertaining to this sensibility evaluation as our foundation, we are able to combine a wide variety of technologies, including acoustic technologies, human sensitivity evaluation technologies, and analysis and simulation technologies. This in turn enables us to provide unique products and services that cannot be imitated by competitors.

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Contribute to Society through Our Businesses
Contributing to the Sustainable Development of Music Culture and Society

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

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

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

Reduction of Greenhouse Gas Emissions
In fiscal 2021, following the receipt of certification for our greenhouse gas emissions reductions target from Science Based Targets,*1 we began the full-fledged introduction of renewable energy, which included the transition to renewable energy for 100% of the electricity purchased at our Company headquarters in April 2021. We have also set concrete reduction targets for individual overseas bases, and initiatives are being advanced to accomplish these targets.

*1 Certification indicates that targets based on scientific rationality and thus viable for achieving the greenhouse gas emissions reduction goal set in the Paris Agreement. Yamaha’s target revised from reduction of 32% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031 to certified as a target for limiting global warming to 2ºC above pre-industrial levels to reduction of 55% in Scope 1 and Scope 2 emissions from fiscal 2018 to be achieved by fiscal 2031 certified as a target for limiting global warming to 1.5ºC above pre-industrial levels in September 2021.

*2 Program for certifying eco-friendly products as meeting standards established by Yamaha.

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

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

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For more information, please refer to Sustainability Management on page 42, Environment on page 48, and Human Rights on page 48.
We will seek to link our efforts in the final year of the medium-term management plan to robust growth over the following three years.

**Review of Fiscal 2021**

In fiscal 2021, the second year of the Make Waves 1.0 medium-term management plan, we got off to a difficult start as the global impacts of the COVID-19 pandemic caused temporary closures of stores and factories at the beginning of the fiscal year. However, the market recovered leading up to the second quarter resulting in a rise in demand that manifested centered on sales through e-commerce channels. Unfortunately, in the third and fourth quarters, shipments were delayed because of a lack of shipping containers and we faced difficulties in procuring electronic components as the result of a fire at a supplier’s factory. Due to these factors, revenue was down ¥41.6 billion, or 10.0%, year on year, to ¥372.6 billion. Factors behind this decline included a reduction of ¥2.3 billion from foreign exchange influences. Core operating profit decreased ¥5.6 billion, or 12.2%, to ¥40.7 billion, due in part to a ¥6.8 billion reduction attributable to the foreign exchange influences. Similarly, profit attributable to owners of parent declined ¥8.9 billion, or 23.1%, to ¥26.6 billion, in part as a result of the decline in core operating profit. Other factors included reductions of ¥2.3 billion due to halted operations and ¥3.6 billion because of impairment losses, both factors that stemmed from the impacts of the COVID-19 pandemic. As a result, the core operating profit ratio was 10.9%, return on equity (ROE) was 7.4%, and earnings per share (EPS) was ¥151. The figures for all of these indicators, for which financial targets were set in the medium-term management plan, were down year on year.

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

**Financial Health, Investments, and Shareholder Returns**

Yamaha has proceeded to strengthen its financial base since the 2008 financial crisis. The fact that we had secured a sufficient level of liquidity through this process is what enabled us to focus on our business activities, even in the current challenging operating environment. As a result of this, and by generating steady cash flows through efficient operations, we can maintain a noteworthly degree of balance sheet health. A point of focus going forward will be efficiently and effectively allocating the cash flows we generated to drive future growth.

As we refrained from nonessential and nonurgent investments in fiscal 2021, total capital expenditures were down ¥9.3 billion, or 45.2%, year on year, to ¥11.3 billion. This was not a sufficient level of strategic investment. The medium-term management plan sets a three-year target for strategic investment of ¥50.0 billion. Going forward, we will continue to seek out ways these funds can be used to drive growth through M&A activities or other investments. In addition, the medium-term management plan describes our policy of allocating cash flows to shareholder returns in a balanced manner. We plan to issue steady and continuous
Due in part to this focus, all Yamaha employees have a plan is to contribute to society through our businesses. With an eye to the changes seen in the operating environment with the potential to have a major impact on Yamaha. These are (1) transformations caused by accelerated digital technologies, (2) greater diversity in life-styles and senses of value, and (3) heightened awareness of sustainability. The COVID-19 pandemic has accelerated the pace of these changes to a degree that is exceeding our prior expectations. This situation creates opportunities for Yamaha, which boasts strengths in digital technologies as well as in the sensibilities it has fostered in the fields of sound and music. With an eye to the changes seen in society, we are moving ahead with the development of products and services that are matched to customer needs while fostering new businesses and otherwise reforming our business portfolio.

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

Dividends in accordance with this policy while also imple-menting flexible shareholder return measures for the purpose of improving capital efficiency. Despite the unfortunate per-formance in fiscal 2021, we once again issued dividend pay-ments of ¥66 per share, making for a dividend payout ratio of 43.6%. Meanwhile, we acquired ¥15.0 billion worth of treas-ury stock in fiscal 2020, the first year of the medium-term management plan, and the acquisition of an additional ¥28.0 billion worth of treasury stock in fiscal 2022 has been approved based on policies for selling cross-shareholdings. These measures will result in a total return ratio that greatly exceeds the target of 51% on an aggregate basis over the three-year period of the medium-term management plan.

In January 2021, we took a step toward further evolving our sustainability-minded management approach with the establishment of the Sustainability Committee as an advi-sory body to the president. Under this committee, we set up five working groups—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, D&I, and Working Group for Cultural Contributions. Activities by these organizations have been quite brisk. Personally, I chair the Working Group for Climate Change and the Working Group for Human Rights, D&I. Climate change is an incredibly important area of concern when it comes to impacts on humanity and on society, and we therefore intend to ramp up initiatives in this area. Up until now, human resource management is something that relates to human rights as well as to diversity and inclusion. There are currently two major topics being discussed with this regard within Yamaha. The first is human resource management emphasizing autonomy. We adopted remote work systems in response to the COVID-19 pandemic. Maintaining these systems while continuing to achieve sufficient results with require us to install a greater emphasis on autonomy into our human resource management practices. It is important for all employees to go about their work with a focus on autonomously generating results. At the same time, we must adopt frameworks for employee career development, something that was previously spearheaded primarily by the Company, that entail each employee pursuing career develop-ment of their own volition, with the Company supporting these efforts. This is particularly true for younger genera-tions. Rather than focusing purely on contributing to their company, younger generations are coming to view their company more as a vessel for contributing to society.

In Closing

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

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

Human Resource Management Initiatives

Yamaha aims to develop a global organization in which we have set our greenhouse gas emissions reduction tar-get for 2050 based on the goal of limiting global warming to 2°C above pre-industrial levels. However, in September 2021 we revised our targets based on the goal of limiting global warming to 1.5°C above pre-industrial levels andulti-mately achieving a state of carbon neutrality. We are also conducting detailed scenario analyses based on the recom-mendations of the Task Force on Climate-related Financial Disclosures (TCFD). A recent accomplishment on this front was the April 2021 switch to renewable energy for all of the electricity purchased at the Yamaha Corporation headquar-ters. Looking ahead, we intend to expand the scope of bases at which we purchase renewable energy and to even-tually advance these activities on a global scale.

Recognizing this shift, we are examining how best to incor-porate an emphasis on autonomy into human resource management at Yamaha in order to ensure that we can continue to recruit talented human resources.

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

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

Initiatives in the Final Year of the Medium-Term Management Plan

Unfortunately, the accomplishment of the financial targets defined for the final year of the medium-term management plan is no longer realistic. Conversely, there have been almost no delays in the advancement of the four key strategies of the plan. The medium-term management defines three changes to the operating environment with the potential to have a major impact on Yamaha. These are (1) transformations caused by accelerated digital technologies, (2) greater diversity in life-styles and senses of value, and (3) heightened awareness of sustainability. The COVID-19 pandemic has accelerated the pace of these changes to a degree that is exceeding our prior expectations. This situation creates opportunities for Yamaha, which boasts strengths in digital technologies as well as in the sensibilities it has fostered in the fields of sound and music. With an eye to the changes seen in
SUSTAINABILITY MANAGEMENT

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

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

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

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

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

Sustainability Priorities
Five key strategies
1. Develop closer ties with customers
2. Create new value
3. Enhance productivity
4. Contribute to society through our businesses
5. Manage the environment

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

For more information on the Yamaha Group Sustainability Policy, please refer to the following websites.

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

**Initiatives for Addressing Sustainability Priorities**

**Reduction of Greenhouse Gas Emissions**

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

In April 2021, Yamaha began using renewable energy for 100% of the electricity purchased at its Company headquarters. We began adopting renewable energy in fiscal 2020, and the shift to renewable energy for all of the headquarters 11,000 MWh worth of annual electricity consumption is anticipated to contribute to a reduction of 4,700 tons of CO₂ a year beginning in fiscal 2022.

Going forward, we will transition to renewable energy on a Groupwide basis, including overseas bases, and take other proactive measures. In addition, we conduct surveys each year with the cooperation of suppliers and aim to achieve a 100% rate of low-risk timber procurement. We are actively utilizing certified timber, and the Group set the goal of achieving a 50% ratio of certified timber use by fiscal 2023. Smooth progress is being made toward accomplishing this target (48% ratio of certified timber use in fiscal 2021).

**Development of Eco-Friendly Products**

The Group has established the Yamaha Eco-Products Program through which products that meet our environmental standards are adorned with the Yamaha Eco-Label to certify them as Yamaha Eco-Products. In this way, we aim to provide customers with easy-to-understand environment-related information to aid them in their choices of products. A total of 25 new product models were certified under the Yamaha Eco-Products Program in fiscal 2021. As of March 31, 2021, the number of certified products, including prior products, was 454, of which 70 were newly developed products bearing the Eco-Label. Sales of certified products represented 16% of total net sales in fiscal 2021.

**Sustainable Timber Procurement**

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

The Group conducts surveys targeting all business partners from which timber was purchased to assess the place of origin, the legality of harvesting, and the sustainability of relevant resources. Based on the results, we perform stricter verification of legality for timber deemed to represent a high risk by undertaking further investigations including local site visits and assessments by a committee comprised of members of the Timber Procurement Division and the Sustainability Division. We confirmed that 99.4% volume ratio of procured timber was low risk in fiscal 2021. The Group conducts such surveys every year with the cooperation of suppliers and is aiming to achieve a 100% rate of low-risk timber procurement. We are actively utilizing certified timber, and the Group set the goal of achieving a 50% ratio of certified timber use by fiscal 2023. Smooth progress is being made toward accomplishing this target (48% ratio of certified timber use in fiscal 2021).

**Endorsement of TCFD Recommendations**

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

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

**Yamaha’s Initiatives**

**Governance**

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

**Measures for responding to climate change-related risks and opportunities**

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**Yamaha’s Initiatives**

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**Measures for responding to climate change-related risks and opportunities**

Minor Climate Change-Related Risks and Opportunities

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

**Transition Risks**

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

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

Other transition risks include the risks of companies withdrawing from the timber business due to the decarbonization trends, resulting in difficulties procuring timber. The Group has proceeded to raise the rate at which it uses certified timber, which can be procured reliably, from the perspective of the sustainability of forest resources, and our ratio of certified timber use was 48% in fiscal 2021. In fiscal 2022, indicating it as being viable for limiting global warming to 1.5ºC above pre-industrial levels, we will attempt to achieve a higher energy price and additional costs resulting from carbon pricing systems.

The Yamaha Group is engaged in initiatives to promote the procurement of timber from sustainable sources.

**Major Climate Change-Related Risks and Opportunities**

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

Other transition risks include the risks of companies withdrawing from the timber business due to the decarbonization trends, resulting in difficulties procuring timber. The Group has proceeded to raise the rate at which it uses certified timber, which can be procured reliably, from the perspective of the sustainability of forest resources, and our ratio of certified timber use was 48% in fiscal 2021. In fiscal 2022, indicating it as being viable for limiting global warming to 1.5ºC above pre-industrial levels, we will attempt to achieve a higher energy price and additional costs resulting from carbon pricing systems.

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

With regard to floods and other risks, we completed establishment of business continuity plans for all Yamaha business sites around the world. We have also taken precautionary measures such as installing drainage equipment to safeguard against damages from typhoons, floods, and other natural disasters projected on an individual business site basis. In addition, we have implemented measures such as revising the locations and structure of Company business sites and even external warehouses. Based on the results of scenario analyses (assumptions, particularly that of RCP 6.5 global warming of 4°C above pre-industrial levels and projected once-in-a-century flooding in 2050), the risk of major Yamaha Group bases becoming submerged has been determined to be low (there are no bases in river or coastal flood zones with the potential to experience flooding more than one meter above floor level).

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

Results of Scenario Analyses

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

<table>
<thead>
<tr>
<th>Tree Species</th>
<th>Region</th>
<th>RCP 8.5 (4°C scenario) Today</th>
<th>RCP 8.5 (4°C scenario) 2040s</th>
<th>RCP 8.5 (4°C scenario) 2060s</th>
<th>RCP 8.5 (4°C scenario) 2080s</th>
<th>RCP 8.5 (4°C scenario) 2090s</th>
<th>RCP 8.5 (4°C scenario) 2090s</th>
<th>RCP 8.5 (4°C scenario) 2090s</th>
</tr>
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<td>96</td>
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<tr>
<td>Broadleaf tree species B</td>
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<td>101</td>
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<td>104</td>
<td>106</td>
<td>109</td>
<td>111</td>
</tr>
<tr>
<td>Broadleaf tree species B</td>
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<td>101</td>
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<td>106</td>
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<td>114</td>
</tr>
</tbody>
</table>

### Risk Management

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

For more information on risk management, please refer to page 54.

### Metrics and Targets

The Company has set the medium-term targets of reducing total Scope 1 and Scope 2 greenhouse gas emissions by 55% and total Scope 3 greenhouse gas emissions by 30% from fiscal 2018 levels by fiscal 2031. In addition, we have set a long-term target of achieving carbon neutrality by fiscal 2051. These targets have been set based on the results of Science Based Targets as targets for limiting global warming to 1.5°C above pre-industrial levels. On a short-term basis, we have established the target of reducing CO2 emissions per unit of product by 1% or more each year at major domestic business sites.

We manage greenhouse gas emission volumes in accordance with the Greenhouse Gas Protocol, and third-party verification has been received for Scope 1 and Scope 2 and certain Scope 3 emissions since fiscal 2017. Energy consumption amounts pertaining to Scope 1 and Scope 2 emissions are calculated on a by-source basis, which is translated into greenhouse gas emission data using emission coefficients. Third-party verification is received for this data. One example of CO2 emission reduction activities was the fiscal 2020 switch to renewable energy for a portion of the electricity purchased at the Yamaha Corporation headquarters. In April 2021, we transitioned completely to renewable energy at our headquarters, and we are planning a phased increase in the portion of electricity purchased from renewable sources at other bases going forward. In addition, we are actively promoting the use of certified timber, and the ratio of certified timber use (volume ratio) was 28% in fiscal 2020 and 48% in fiscal 2021. In addition, the medium-term management plan announced in April 2019 set the goal of achieving a 50% ratio of certified timber use by fiscal 2022, and smooth progress is being made toward achieving this target.

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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

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

Basic Policy

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

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

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

Promotion of Human Rights Due Diligence

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

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

Human Rights Education

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

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

Supply Chain Human Rights Initiatives

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

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

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

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

Efforts to Combat Conflict Mineral Issues

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

Prevention of Harassment

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

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

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

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

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

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

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

Vision Targeted under the Medium-Term Management Plan

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

Support for Women’s Careers

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

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

Work-Life Balance Support Systems and Workstyle Reforms

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

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

Respect for Diversity

Yamaha seeks to foster a corporate culture of respect for diversity and inclusion. An online seminar based on the theme of enriching such a culture was held in fiscal 2021. More than 400 employees from around the world participated in this seminar, through which they gained a deeper understanding of the importance of diversity and the fundamental nature of workplace inclusion. We also hold unconscious bias trainings designed to help participants become aware of the differences brought about by diversity and to encourage them to change their behavior accordingly. With the goal of applying these lessons in a wider range of areas, these trainings were conducted targeting supervisors of employees using childrearing leave systems in fiscal 2021. We are also taking steps to make our workplace environment more comfortable for minorities. To this end, we have prepared handbooks for raising understanding and awareness regarding the LGBTQ community within the organization. A dedicated hotline has also been established to field consultation by members of the LGBTQ community. These proactive efforts have resulted in Yamaha being awarded for two consecutive years, with the highest rating of gold in the PRIDE INDEX, an index compiled by work with Pride to recognize the initiatives of companies and other organizations for supporting members of the LGBTQ community and other sexual minorities.

Human Resources Development

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

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

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

Occupational Health and Safety and Health and Productivity Management

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

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

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

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

Employee Motivation and Workplace Comfort Surveys

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

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

For more information, please refer to the following website.

Basic Policy
In response to the rapid operating environment changes driven by the recent acceleration in the digitalization 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 Company-wide 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 Company-wide basis.

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

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

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

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

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

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

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

Creation of New Customer Experiences with Digital Technologies
A new remote society is becoming evident amid changes in the operating environment. To create value in this new society, Yamaha will propose venues for appealing experiences to a wide range of music lovers through digital services that capitalize on its strengths.

SYNCRROOM Online Remote Ensemble Performance Service
The SYNCRROOM online remote ensemble performance service enables several individuals to enjoy ensemble performances together from their respective homes. The service can be used for everything from school band performances to music production. SYNCRROOM utilizes proprietary technology to allow for satisfying ensemble performances to be performed without any sense of inequality despite members being in remote locations.

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

Digital Transformation Strategies of Make Waves 1.0 Medium-Term Management Plan
Establish business platform to drive improvements in profitability as represented by the combination of customer value and productivity
• Data: Build CDP platform to develop closer customer ties
• Systems: Innovate SCM systems to optimize efficient operation with customer information
• Business processes: Reform all work processes through digital transformation initiatives

Overview and Progress of Fiscal 2021 Digital Transformation Initiatives
Yamaha is steadily advancing digital transformation in an integrated manner from the three perspectives of data, systems, and business processes. We have also defined digital transformation levels to track progress in each process area in order to facilitate more effective management.

Digital Transformation Certification
In April 2021, Yamaha became recognized as a digital transformation certified business operator under the Digital Transformation Certification system advocated by the Ministry of Economy, Trade and Industry. This system is used to certify business operators that are prepared to promote digital transformation. Yamaha received this certification in recognition of its highly regarded security measures and CDP.
Basic Policy
Over the roughly 130 years since its founding, Yamaha has continued to develop a multifaceted business centered around musical instruments and audio equipment. As part of this process, we have continued to expand the breadth of Yamaha’s 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, Brillantly Individual Company” that moves customers to their core, a sensation we express with the words “Make Waves.” In our quest to fulfill these promises, we will create distinctive new value and practice consistent communication in order to inspire customers to feel passionate about owning Yamaha products or to hold a feeling of admiration toward these products. At the same time, we will work to form strong connections with the customers who we have inspired in this way.

In addition, we have established the Brand Strategy Committee, which is chaired by the president and comprised of unit heads and other members. This committee is a forum for regular discussion among management with regard to the current state of the Yamaha brand and the branding strategies 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.

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

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

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

Initiatives in Fiscal 2021
Make Waves Advertisements
Advertising campaigns with an increased sense of consistency are being deployed on a global scale to further reinforce the image of the Yamaha brand. As one facet of these advertisements, we have launched the Make Waves brand promise as an opportunity to form new connections with upcoming artists, as opposed to just well-known artists, and to support and connect with a wider range of music lovers. The use of such artists in these advertisements has drawn a highly positive response from our target demographics: early adopters and opinion leaders in the music industry. We were thus able to reach the segment of the market that displays a strong interest in music, thereby communicating the fact that Yamaha is a trustworthy brand meeting needs that are not limited to specific types of instruments or music genres.

Yamaha’s Nagoya store

Branding Strategies of Make Waves 1.0 Medium-Term Management Plan

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

- Protection of brand value through implementation of brand governance system based on defined guidelines
- Enhancement of connections with customers through more proficient social media utilization in accordance with global social media strategies
- Creation of relationships with new customers through brand experience bases (Yamaha Ginza Building, Yamaha Hall, Innovation Road, etc.)
The Five Elements of Our Design Philosophy (Formulated in 1987)

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

Designs Delivering Brand Experiences —Rebirth of the Yamaha Ginza Building

The Design Laboratory, which was established within the Brand Development Unit in 2018, is taking steps to give form to the customer experiences that the Yamaha brand aspires to deliver and to communicate the appeal of our brand.

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

Yamaha’s Design

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

THR-II Series Guitar Amplifiers

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

YDS-150 Digital Saxophone

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

Charlie™ Communication Robot

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

TW-E3B Truly Wireless Bluetooth® Earphones

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

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

Yamaha’s Design

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

YDS-150 Digital Saxophone

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

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III. Strategies by Business and Function

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In the musical instruments business, revenue and profit were down year on year as a result of the activity restrictions imposed in response to the COVID-19 pandemic as well as the procurement issues that arose from a fire at a factory of a parts supplier. We responded to these issues through measures including the swift development of designs using alternative parts and the review of expenses related to our business activities. Measures implemented in fiscal 2021 included strengthening our connections with customers and society under the new normal by promoting digital marketing, e-commerce, and commerce initiatives. Meanwhile, we launched a number of distinctive products, including the CLP-770 series of digital pianos that offer a high level of expressiveness to match the sensitivity of the player and the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with noise-reduction features. Another new product introduced was Charlie™, the world’s first communication robot to communicate via singing.

### Business Policies for Fiscal 2022

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

### Priority Themes for Fiscal 2022

1. **Implement key strategies of the medium-term management plan and rebuild foundations for sales and profit growth**
   - Rise in new ways of enjoying musical instruments online that incorporate digitalization, diversifying product usage and the needs of customers, and using technology to create value through personalization.
   - Strengthening management of production, sales, and distribution activities to meet the needs of customers, and taking steps to improve brand power and high earnings.
   - Improving resilience through initiatives to enhance corporate resilience, and promoting digital-centered initiatives.

2. **Enhance and accelerate sustainability initiatives**
   - Strive to create new value by forming broader, deeper, and longer ties with users.
   - Create value through the combination of essential value enhancement and elemental technologies.
   - Promote the essence of musical instruments and creativity and connect to our businesses.
   - Improve resilience through initiatives to enhance corporate resilience, and promoting digital-centered initiatives.

3. **Improve resilience**
   - Make Waves 1.0
     - Development of designs using alternative parts and the review of expenses related to our business activities.
     - Strengthening our connections with customers and society under the new normal by promoting digital marketing, e-commerce, and commerce initiatives.

### Priorities

- **Strategic Focuses**: Key Strategies, Realize high levels of profit by expanding our business portfolio, Create value through the combination of essential value enhancement and elemental technologies.
- **Opportunities**: Promote the essence of musical instruments and creativity and connect to our businesses.
- **Strategic Focuses**: Opportunities, Promote the essence of musical instruments and creativity and connect to our businesses.

### Priority Themes for Fiscal 2022

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

---

**Revenue / Core Operating Profit / Core Operating Profit Ratio**

<table>
<thead>
<tr>
<th>Revenue (Billion yen)</th>
<th>Core operating profit (Billion yen)</th>
<th>Core operating profit ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/3</td>
<td>21/3</td>
<td>22/3 (Forecast)</td>
</tr>
<tr>
<td>13.6%</td>
<td>14.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Sales of Major Products**

<table>
<thead>
<tr>
<th>Sales (Billion yen)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/3</td>
<td>21/3 (Forecast)</td>
</tr>
<tr>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

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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 evaluation. At the same time, we are strengthening our brand power to achieve overwhelmingly high levels of profit.

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

### Business Overview

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

In recent years, we have been utilizing AI, machine learning, and simulation technologies to take on challenges in the digital world. In the musical instruments business, we possess numerous core technologies related to sound and music that have been cultivated over our long history. In addition to the development of designs using alternative parts and the review of expenses related to our business activities. Measures implemented in fiscal 2021 included strengthening our connections with customers and society under the new normal by promoting digital marketing, e-commerce, and commerce initiatives. Meanwhile, we launched a number of distinctive products, including the CLP-770 series of digital pianos that offer a high level of expressiveness to match the sensitivity of the player and the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with noise-reduction features. Another new product introduced was Charlie™, the world’s first communication robot to communicate via singing.

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**Overview of Financial Results and Key Strategies**

**Business Visits**

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

**Key Strategies**

- "Improve the essence of musical instruments and creativity and connect to our businesses.
- Promote efforts to form direct ties with customers.

**Realize high levels of profit by expanding our business portfolio**

- Enhance product lineup and launch products that cater to local characteristics.
- Strengthen response capabilities to address diversifying product usage and the needs of customers in each age group.
- Promote the essence of musical instruments and creativity and connect to our businesses.
- Stimulate new values by forming broader, deeper, and longer ties with users.

**Impacts of the COVID-19 pandemic**

- "Enhancement of sales and profit growth, and improvement of resilience through initiatives built on top of the foundations furnished by the key strategies of the medium-term management plan.
- Opportunities: Promote the essence of musical instruments and creativity and connect to our businesses.
- Potential for saturation of e-commerce brands utilizing OEMs.
- Effect on the trend of growth in the sharing-economy and secondhand market to accelerate.

**Review of Fiscal 2021**

In the musical instruments business, revenue and profit were down year on year as a result of the activity restrictions imposed in response to the COVID-19 pandemic as well as the procurement issues that arose from a fire at a factory of a parts supplier. We responded to these issues through measures including the swift development of designs using alternative parts and the review of expenses related to our business activities. Measures implemented in fiscal 2021 included strengthening our connections with customers and society under the new normal by promoting digital marketing, e-commerce, and commerce initiatives. Meanwhile, we launched a number of distinctive products, including the CLP-770 series of digital pianos that offer a high level of expressiveness to match the sensitivity of the player and the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with noise-reduction features. Another new product introduced was Charlie™, the world’s first communication robot to communicate via singing.

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**Other Initiatives and Projects for Fiscal 2022**

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

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

---

**Enhancement and Acceleration of Sustainability Initiatives**

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

**Improvement of Resilience**

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

**Revised 2021:** ¥51.9 billion

**Revenue (Fiscal 2021):** ¥40.7 billion

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### Business Overview

The piano business is a business we have cultivated for over a century and can be considered a core part of the Yamaha Group’s operations. In this business, we create Yamaha pianos that meld acoustic and digital technologies to cater to the emotions of all customers—no matter their age or skill levels. Rather than remaining satisfied with the current conditions in the piano business, we will aim to propose products with diverse value so that Yamaha pianos will be the preferred choice of customers around the world.

### Targets for Fiscal 2022

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

**Key Strategies of Business:**

- Reinforce business transformation prefaced on IT and digital technologies.
- Propose diverse product value that meets customers’ expectations.
- Promote proud product and technology-related activities.

**Priority Themes for Fiscal 2022:**

- Reinforce business platforms
- Strengthen brand power through the highest advantage
- Strengthen customer base and sales value
- Promote diverse product and technology-related activities
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Points of Emphasis in Achieving Targets:**

In the second year of the medium-term management plan, the COVID-19 pandemic caused store closures in countries around the world and supply difficulties. However, sales recovered to the pre-COVID-19 level in China, as the market for music education solutions and social distance experiences grew. As we proceeded to expand our business portfolio with the announcement of new keyboard products and communication robots in the second year of the medium-term management plan, we saw a rise in demand related to people increasingly staying at home coupled with sales of easily affordable digital pianos and portable keyboards through e-commerce venues. Meanwhile, the COVID-19 pandemic restricted factory operation, impeding sales of mid-range and high-end products. We will see growth in mid-range and high-end product operations, capitalizing on the demand associated with people staying at home, and acquire new customers with affordable products in the final year of the plan. At the same time, we will focus on increasing sales of mid-range and high-end products to ensure that our brand is chosen by people in various demographics.

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### Digital Musical Instruments Business

Global market share for Yamaha’s products

**Digital pianos: 47%**

**Portable keyboards: 52%**

**Revenue (Fiscal 2021):** ¥25.8 billion

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### Business Overview

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

### Targets for Fiscal 2022

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

**Key Strategies of Business:**

- Deepen understanding of emotional and physical phenomena to further realize expressive power.
- Propose diverse product value that meets a wide range of needs
- Utilize digital technologies for further improvement

**Priority Themes for Fiscal 2022:**

- Create markets in China and emerging countries
- Strengthen customer focus
- Create new value for Yamaha customers
- Deepen our understanding of emotional and physical phenomena
- Provide solutions and content based on local needs and expertise
- Accelerate market development for products with easy-to-play value
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Points of Emphasis in Achieving Targets:**

As we proceed to expand our business portfolio with the announcement of new keyboard products and communication robots in the second year of the medium-term management plan, we saw a rise in demand related to people increasingly staying at home coupled with sales of easily affordable digital pianos and portable keyboards through e-commerce venues. Meanwhile, the COVID-19 pandemic restricted factory operation, impeding sales of mid-range and high-end products. We will see growth in mid-range and high-end product operations, capitalizing on the demand associated with people staying at home, and acquire new customers with affordable products in the final year of the plan. At the same time, we will focus on increasing sales of mid-range and high-end products to ensure that our brand is chosen by people in various demographics.

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

Global market share for Yamaha’s products

**Wind instruments: 37%**

**Drums: 11%**

**Revenue (Fiscal 2021):** ¥25.8 billion

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### Business Overview

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

### Targets for Fiscal 2022

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

**Key Strategies of Business:**

- Enhance joint product development through collaboration with major artists
- Improve brand power and gain market share by better communicating value of mid-range and high-end instruments
- Create markets in China and emerging countries
- Strengthen customer focus
- Create new value for Yamaha customers
- Deepen our understanding of emotional and physical phenomena
- Provide solutions and content based on local needs and expertise
- Accelerate market development for products with easy-to-play value
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Priority Themes for Fiscal 2022:**

- Provide solutions and content based on local needs and expertise
- Accelerate market development for products with easy-to-play value
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Points of Emphasis in Achieving Targets:**

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

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### Guitars Business

Global market share for Yamaha’s products

**Guitars: 9%**

**Revenue (Fiscal 2021):** ¥13.9 billion

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### Business Overview

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

### Targets for Fiscal 2022

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

**Key Strategies of Business:**

- Improve selling prices and reinforce existing business foundation with a focus on strengthening mid-range and high-end products
- Improve brand power and gain market share by better communicating value of mid-range and high-end instruments
- Create new value for Yamaha customers
- Improve brand power and gain market share by better communicating value of mid-range and high-end instruments
- Create markets in China and emerging countries
- Strengthen customer focus
- Create new value for Yamaha customers
- Deepen our understanding of emotional and physical phenomena
- Provide solutions and content based on local needs and expertise
- Accelerate market development for products with easy-to-play value
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Priority Themes for Fiscal 2022:**

- Promote sales of mid-range and high-end products for artists
- Improve brand power and gain market share by better communicating value of mid-range and high-end instruments
- Create new value for Yamaha customers
- Deepen our understanding of emotional and physical phenomena
- Provide solutions and content based on local needs and expertise
- Accelerate market development for products with easy-to-play value
- Expand customer base by developing new products for young people who want to express themselves through music
- Guarantee-related supplies

**Points of Emphasis in Achieving Targets:**

We moved ahead with the deployment of new products and the planning and development of high-end models in the second year of the medium-term management plan. In the final year of the medium-term management plan, we will continue to move forward with the plan’s key strategies while also striving to develop brand equity for Yamaha guitars. Focused with this regard will be the enhancement of information provision through both physical and digital venues; planning and development of next-generation guitars that create new, appealing value; and region-specific growth strategies.
Overview of Markets and Yamaha’s Operations

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

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

Strategies by Business

Business Vision

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

Key Strategies

PA equipment

- Become supplier of choice for upstream clients such as facility owners and consultants
- Strengthen product competitiveness through automation technologies and immersive sound technology development
- Improve system performance through remote monitoring and control

Opportunities:

- Increase in potential projects by proposing new solutions in upstream sales channels
- Growth of demand for audio equipment focused on remote solutions to respond to impacts of the COVID-19 pandemic

AV products

- Expand business portfolio to include personal audio fields centered on earphones
- Strengthen the appeal of the Yamaha brand among millennials
- Create new value in the home entertainment field

ICT equipment

- Expand product categories and services
- Achieve differentiation from competitors through the integration of technology

Priority Themes for Fiscal 2022

Air products

- Achieve growth through full-fledged advancements into the headphone field
- Expand sound bar operations
- Advance AV branding strategies (connect with millennials and other generations)

ICT equipment

- Promote sales of UHD products and develop network of customer contact points (network products)
- Explore new sales channels in Europe and the United States, expand sales of existing products, and launch new products (unified communication products)

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

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

Cloud Services Yamaha is deploying a plethora of cloud services, including its multilingual information provision services and touchless payment services, based on its SoundID® sound-powered telecommunications technology. Going forward, we will continue to create new technologies such as the Remote Cheerer powered by SoundID® remote cheering system that can be used to communicate support from remote locations to sports and other events held without audiences amid the COVID-19 pandemic.
In the industrial machinery and components business, we are targeting growth in the in-vehicle solutions domain and the FA field. The focus for electronic devices will be to transform into a comprehensive in-vehicle solutions vendor that emphasizes automotive modules more than in previous semiconductor offerings. With this focus, we will expand our customer base for automobile interior wood components to solidify our foundations in the in-vehicle solutions domain. Meanwhile, business growth will be pursued in regard to FA equipment by further honing our strengths in terms of high-precision, high-speed inspection technologies to respond to market needs.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

**Electronic Devices (In-vehicle audio)**

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

**Automobile Interior Wood Components**

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

**FA Equipment**

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

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

What Does the Combination of Technologies and Sensibilities Entail?

Yamaha’s strength of combining technologies and sensibilities essentially boils down to gaining a scientific understanding on the value of sensibility centered on sound, and leveraging this understanding to commercialize products. The value of human sensibilities for determining what constitutes a good sound and a good sound environment is not something that can be represented by simple quantitative data. In addition, scientifically analyzing the appeal and value of music and incorporating these elements into products and services is also something that requires a deep understanding on the value of sensibility centered on sound. At Yamaha, we have cultivated such a scientific understanding and insight through our long history, which began with the creation of musical instruments. Drawing on this sensibility value as our core competence, we are able to provide truly unique products and services through the development of functional materials and in proposing eco-friendly materials technologies. We also accelerated open innovation activities, through means such as joint research with domestic and overseas universities, as we advanced research aimed at creating new value for the future.

RESEARCH AND DEVELOPMENT

By further refining and enhancing the combination of technologies and sensibilities, which represents our long-cultivated core competence, we will develop products and services that are overwhelmingly competitive and responsive to the changing times and thereby contribute to profit growth and business expansion. For example, by providing performance support through AI to allow even beginners to enjoy playing a musical instrument in a simplified manner, we are able to lower the hurdle for people to begin learning a musical instrument. In addition, through musical notation technologies, we can make it possible for people to enjoy the music they like at a level suited to individual playing skills. Going forward, we will refine our unique, cutting-edge sensibility evaluation technologies so that we can form close ties with all customers in a manner that caters to their age, experience, nationality, culture, and other characteristics.

Various Technologies That Serve as a Source of Competitiveness

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

Review of Fiscal 2021

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

Material Development That Leverages Our Databases as Platforms

Yamaha AI Technology Allowing for Characters to Sing Along with Performances

Yamaha has developed an AI technology that allows for virtual characters to perform a song along with existing music, designed to protect SISAKU Pass. The technology takes advantage of the streamlight feature that comes standard on Yamaha's CSP Series of Chord TrackerTM. Applications to make it easier for anyone to enjoy, even people who are not that musically inclined, to play by pressing keys in time with the streaming lights above the keyboard.

Please visit our corporate website for more information on our AI-related initiatives.

https://www.yamaha.com/en/about/ai

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

R&D Strategies under the New Medium-Term Management Plan Creating New Value through the Combination of Technologies and Sensibilities—Enhancing Added Value with the Pursuit of Authenticity and Innovation

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

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

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

Fields of Materials and Elemental Technologies

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

Material database

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

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

Chord Tracker

Smart Parrot
Efforts to Promote Sustainability within Our R&D Activities

In tandem with the aforementioned strategies pertaining to cutting-edge technologies, we are also actively engaging in efforts to promote sustainability. Timber is essentially a sustainable resource. In the future, rather than refraining from and moving beyond the use of timber, it is essential that we use timber in an appropriate manner toward new renewable resources. We are also actively engaging in efforts to promote sustainability through the proactive acquisition of intellectual property rights. The Group has also proceeded to foster a culture of respecting others’ intellectual property rights and an organization that is built on this respect. The Group is proactive in its efforts to acquire, protect, and utilize intellectual property rights created during the course of its business activities, such as those pertaining to new technological concepts, designs, products, or service names. At the same time, we view respect for the intellectual property rights of others as a basic principle.

Intellectual Property

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

Basic Policy

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

Intellectual Property Protection Initiatives

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

Trademarks

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

Copyrights

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

Roles of R&D

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

Topics: R&D Innovations Creating New Value

YCS8, YC73, and YC61 Stage Keyboards
(Appled Technology: VCM Organ Sound Source)

YC88, YC73, and YC61 stage keyboards feature Yamaha’s VCM organ sound source, which was developed using an advanced modeling VCM technology. These keyboards reinterpret the sound quality of the Yamaha’s signature organ sound. The pads have been included to change the sound easily and the pedal board can be used as a mixer. With these features, these keyboards provide the same sound quality as expected by keyboardists with commitment to authentic sound and performances whether producing, performing, or distributing music.

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

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

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

Charlie™ is the world’s first communication robot that communicates by singing. Utilizing Yamaha’s VOCALOID™ technologies and automated composition technologies, this robot translates words and emotions to melodies for heart-warming communication while coloting people’s lives with music.
The Strengths of Yamaha’s Production

Craftsmanship and Technologies

Amid our long history of being involved in the production of musical instruments, we have refined the craftsmanship capabilities that have helped us put the finishing touches on even better musical instru-

struments. Craftsmanship involves creating products through the vision and handwork of people, and our craftsmanship is a significant ele-

ment 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 technologies, we have accumulated a foundation of industry-leading manufacturing technologies. The fact that we are able to maintain and integrate our refined craftsmanship capabilities and advanced technologies at a high level is what sets our production processes apart from other companies. It also serves as a source of our competitiveness.

Global Production Structure

From early on in our history, we have established overseas production bases. Currently, we have key production bases in Japan, China, Indonesia, Malaysia, and India. Resilience strengthening and other efforts to enhance competitiveness are being implemented at various bases as we develop frameworks through which production of a given category can be produced at multiple bases. The establishment of a global production structure optimizes each of our business domains in another factor that contributes to our over-

whelmingly high level of competitiveness.

Review of Fiscal 2021

The COVID-19 pandemic had a massive impact on our supply chain as we were forced to temporarily halt the operation of factories around the world and as government-imposed restrictions on operations caused additional disruptions to our distribution network. These

disruptions created an ongoing situation in which we were unable to produce a sufficient supply to match the recovering market demand. Nevertheless, we took steps to improve production lines while imple-

menting exhaustive measures for preventing the spread of COVID-19. We were thereby able to recover production to the level seen in fiscal 2020 by the second half of fiscal 2021, minimizing the overall impact on performance.

Under these conditions, we moved forward with measures based on the key strategies of the medium-term management plan while advancing digital transformation in our production operations. For example, we introduced IoT technologies into model factories in Japan, and we have begun using digital twin methodologies for production. Meanwhile, we worked to establish standardized produc-

tion management systems for Chinese model factories. Conversely, the cost reduction benefits of these activities did not appear as intended as we were forced to delay many process realizations and automation-related production line installation procedures until fiscal 2022.

Approach under the Medium-Term Management Plan

Our production strategy under the medium-term management plan is built upon the three pillars of production engineering, production information management, and global production services. For produc-

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

Location of Yamaha Production Bases and Major Products Manufactured

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Subsidiaries</th>
<th>Instruments</th>
<th>AV Products</th>
<th>PA Equipment</th>
<th>IT Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3</td>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>4</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Indonesia</td>
<td>6</td>
<td></td>
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<tr>
<td>India</td>
<td>1</td>
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<tr>
<td>Malaysia</td>
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</tr>
</tbody>
</table>

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

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

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

Sustainability of Forest Resources (Timber Procurement)

Taking into account the fact that we use a diverse range of timber in our business activities, we are actively promoting efforts to maintain valuable timber resources and utilize these resources sustainably with a focus on 50 to 100 years in the future. In addition to giving consideration to the preservation of forests and the volume of timber resources, it is impor-

tive that we ensure our supply chain is economically sustainable as well. We are therefore contributing to the development of local communities in timber-producing areas through the creation of employment opportuni-

ties and the establishment of infrastructure.

Strategic Significance of New Factory in India

Yamaha’s factory in India was constructed to respond to the projected increase in demand for musical instruments and audio equipment to result from the expansion of the middle class in emerging countries. This factory serves as a base for producing and supplying entry-level keyboard instruments, acoustic guitars, and PA equipment and has the potential to become an important base for exports to the Near and Middle East and Europe. India is a growth market that ranks right after China in impor-

tance. 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 competi-

tiveness. Furthermore, we utilize the sales warehouse attached to the factory to grow sales in the Indian market. This factory is oriented both toward local production and consumption and to establishing a production base outside of China for manufacturing products for the U.S. market.
Rise in number of registered product users achieved through enhancement

Revenue Growth by Region

As a result, performance was lackluster in fiscal 2021. However, effects of the restrictions on production and sales activities seen in strengths.

Artists around the world. Our extensive network with the world's top and attach prices that appropriately reflect this added value.

Added Value Promotion and Price Optimization

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

Artist Relations and Service Locations

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

Review of Fiscal 2021

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

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

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

Status of Music Popularization Activities (As of March 2021)

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

The conditions vary by market, and we are moving forward with strategies by business and function, and the enhancement of customer contact points while carefully monitoring the pandemic trends in a bid to ascertain when it will end.

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

Improvement of Service Value

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

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

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

Improvement of Ability to Communicate Brand and Product Value

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

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

Business Policies for Fiscal 2022

Improvement of Ability to Communicate Brand and Product Value

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Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Promoting new sales frameworks on a global basis

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

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

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

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

<table>
<thead>
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<td>Reliable approach toward multinational operations</td>
</tr>
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<td>Integrated e-commerce strategy including digital marketing</td>
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</tr>
<tr>
<td>Establish global management foundation</td>
<td>Establish foundation for introduction of next-generation ERP system</td>
</tr>
<tr>
<td>Make Waves 1.0</td>
<td>Start global management of human resources</td>
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Strategies by Business and Function

Medium-Term Management Plan

Establish global management foundation

Examination of introduction of next-generation ERP system

Testing and planned development of global human resources

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Promoting new sales frameworks on a global basis

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

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IV. Corporate Governance

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

- 1987: Joined the Company  
- 2000: General Manager of Pro Audio & Digital Musical Instruments Division  
- 2006: Executive Officer  
- 2009: Director and Executive Officer  
- 2010: President and Director of Yamaha Corporation of America  
- Senior Executive Officer of the Company  
- 2015: President and Representative Director  
- 2016: 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)

Satoko Yamahata  
Director and Senior Executive Officer  
Number of shares owned: 2,880

- 1988: Joined the Company  
- 2009: General Manager of Accounting and Finance Division  
- 2013: Executive General Manager of Operations Unit  
- 2015: Executive General Manager of Corporate Planning Division  
- 2016: Executive General Manager of Corporate Management Unit (to the present)  
- 2017: Director and Managing Executive Officer (to the present)  
- 2020: Executive General Manager of Human Resources and General Administration Unit (to the present)  
- 2021: Outside Director of Nitori Holdings Co., Ltd. (to the present)

Yoshihiro Hidaka  
Independent Outside Director  
Number of shares owned: 2,900

- 1987: Joined Yamaha Motor Co., Ltd.  
- 2010: Vice President of Yamaha Motor Corporation, U.S.A.  
- 2013: Executive General Manager of 3rd Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.  
- 2014: Executive Officer of Yamaha Motor Co., Ltd.  
- 2016: Executive General Manager of 1st Business Unit, MC Business Operations, and General Manager of ASEAN Sales Division, 1st Business Unit, MC Business Operations of Yamaha Motor Co., Ltd.  
- 2017: Executive General Manager of Corporate Planning & Finance Center of Yamaha Motor Co., Ltd.  
- 2018: President, Chief Executive Officer, and Representative Director of Yamaha Motor Co., Ltd.  
- 2021: Outside Director of Yamaha Corporation (to the present)

Mikio Fujitsu  
Independent Outside Director  
Number of shares owned: 0

- 1977: Joined Komatsu Ltd.  
- 2001: Senior Manager, Corporate Controlling Department, Komatsu Ltd.  
- 2005: Executive Officer  
- 2006: President of Global Retail Finance Business Division  
- 2009: General Manager, Corporate Planning Division and President of Global Retail Finance Business Division  
- 2010: Senior Executive Officer  
- 2011: CFO, Director and Senior Executive Officer  
- 2013: Director and Senior Executive Officer  
- 2016: Executive Vice President and Representative Director  
- 2019: Outside Director of Yamaha Corporation (to the present)  
- Outside Corporate Auditor of Mitsui Chemicals, Inc. (to the present)

Paul Candiard  
Independent Outside Director  
Number of shares owned: 300

- 1985: Joined Dow Corning  
- 1987: Joined Rayco, Inc.  
- 1984: President of Okinawa Pepsi-Cola, Inc.  
- 1988: Representative of Japan Branch, PepsiCo International Ltd.  
- 1992: Partner at Kashiwagi Sogo Law Offices  
- 2004: Professor of Keio University Law School (to the present)  
- 2009: Managing Partner of Kashiwagi Sogo Law Offices (to the present)  
- 2014: President of The Walt Disney Company Asia  
- 2019: Outside Director of PMC Partners Co., Ltd. (to the present)  
- 2019: Outside Director of Yamaha Corporation (to the present)  
- 2021: CEO of Age of Learning, Inc. (to the present)

Hiromichi Shinohara  
Independent Outside Director  
Number of shares owned: 0

- 1976: Entered Nippon Telegraph and Telephone Public Corporation  
- 2003: Head of Access Service System Laboratory of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)  
- 2007: Representative Director and President, The Walt Disney Company Limited  
- 2010: Corporate Executive Officer, EVP and Evangelist of Digital Software & Solutions Business Group of Fujitsu Limited  
- 2019: Outside Director of Yamaha Corporation (to the present)

Naoko Yoshizawa  
Independent Outside Director  
Number of shares owned: 0

- 1986: Entered Fujitsu Limited  
- 2009: Vice President of Mobile Phones Unit of Fujitsu Limited  
- 2011: Head of Global Research & Development Center of Fujitsu Laboratories of Americas, Inc.  
- 2016: Deputy Head of Advanced System Research & Development Unit and Head of All Promotions Office of Fujitsu Limited  
- 2017: Corporate Executive Officer and Head of All-Platform Business Unit of Fujitsu Limited  
- 2018: Corporate Executive Officer, EVP and Vice Head of Digital Services Business Group of Fujitsu Limited  
- 2019: Outside Corporate Auditor of Mitsui Chemicals, Inc. (to the present)  
- 2020: Outside Director of Alive Holdings Co., Ltd. (to the present)  
- 2021: Outside Director of Yamaha Corporation (to the present)
### COMPOSITION OF THE BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointed Committee</th>
<th>Reasons for Appointment, Experienced Role, and Independence of Outside Directors</th>
<th>Attendance of Meetings of the Board of Directors and Committees in fiscal 2021</th>
</tr>
</thead>
</table>
| Takuya Nakata        | Nominating Committee, Audit Committee | Having served in positions such as General Manager of our Pre-Audio & Digital Musical Instruments Division, President and Director of Yamaha Corporation of America, Mr. Takuya Nakata has a wealth of experience and achievements alongside broad insight in business.  He joined the Group as President and Representative Director since June 2019, and as Director, President and Representative Executive Officer since June 2007 after our joint venture with the Company with Three Committees (Nominating, Audit, and Compensation). As a technology-oriented company, he has served as president and representative director of a technological committee. He has a wealth of experience and achievements alongside broad insight. He has worked alongside experienced individuals, focusing on strategic management and working to strengthen the oversight function of the Board of Directors. He has been appointed on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |
| Satoshi Yamaha        | Nominating Committee, Audit Committee | In addition to work experience at an overseas subsidiary, Mr. SATOSHI YAMAHA has served as General Manager of the Accounting and Finance Division, General Manager of the Corporate Planning Division, Executive General Manager of the Operations Unit, Executive General Manager of the Corporate Management Unit, and Executive General Manager of the Human Resources and General Administration Division, 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 2011, and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |
| Taku Fukui            | Audit Committee                      | With a mastery of corporate law and corporate governance in Japan and overseas as an attorney, Mr. Taku Fukui has a high degree of expertise, wealth of experience, and achievements alongside broad insight. Since assuming the position of Outside Director of the Company in June 2017, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and Kashiwagi Sogo Law Office, where Mr. Taku Fukui serves as Managing Partner. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |
| Yoshihiro Hidaka      | Nominating Committee, Audit Committee | Having been involved in management at one of the largest global transportation equipment manufacturers in Japan, Mr. YOSHIHIRO HIDAKA has a wealth of experience and achievements alongside broad insight as a corporate officer. Additionally, as President and Representative Director of Yamaha Motor Co., Ltd., a company that shares a common board 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. Yoshihiro Hidaka serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value to the Company’s sustainable growth also provides a positive effect on said company’s corporate value, while damage to the brand due to violation of laws and regulations or deficiencies in governance, etc., by the Company will have a negative effect on said company’s corporate value. Mr. Yoshihiro Hidaka is a person with one of the deepest understandings of the Yamaha brand, which is the source of the Company’s brand value, and he shares an interest with ordinary shareholders regarding improvement of the Company’s brand value. Furthermore, not only are there no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but as the Company is a major shareholder of said company since 2011, there is no concern that Mr. Yoshihiro Hidaka will have conflicts of interest with shareholders, and the Company believes that he can fulfill his duty for supervision, etc., of management from an independent standpoint in order to maximize profits for shareholders of the Company. | Board of Directors: 12/12 (100%)  
Nominating Committee: 3/3 (100%)  
Audit Committee: 4/4 (100%) |
| Mikio Fujitsuka       | Audit Committee                      | Having been involved in management as CFO at one of the largest global construction machinery manufacturers in Japan, Mr. MIKIO FUJITSUKA has a wealth of experience and achievements alongside broad insight as a corporate officer as well as adequate knowledge and accounting. Since assuming the position of Outside Director of the Company in June 2019, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and KPMG, where Mr. Mikio Fujitsuka serves as an independent auditor, nor is there any effective supervision on said company’s corporate value. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |
| Paul Candland         | Nominating Committee, Audit Committee | Having been involved in management as the person responsible for the Asia region and the Japanese firms of a global entertainment company, Mr. PAUL CANDLAND has a wealth of experience and achievements alongside broad insight as a corporate officer as well as broad knowledge of brand and marketing. Since assuming the position of Outside Director of the Company in June 2019, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate officer. He has been appointed as a director on expectations that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and PWC, where Mr. Paul Candland serves as representative, and neither party is classified as a major shareholder of the other. | Board of Directors: 12/12 (100%)  
Nominating Committee: 3/3 (100%)  
Audit Committee: 4/4 (100%) |
| Hiromichi Shinhara    | Independent Outside Director         | Having been involved in management as a Representative Director of one of the largest communications and ICT companies in Japan, Mr. HIROMICHI SHINOHARA has a wealth of experience and achievements alongside broad insight as a corporate officer. He also has wide-ranging and in-depth knowledge of communications systems and electronics. He has been appointed as a director on expectations that he will help 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. Hiromichi Shinhara serves as a director, and neither party is classified as a major shareholder of the other. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |
| Naoko Yoshizawa       | Independent Outside Director         | Having been involved in management as an executive officer of one of the largest electronics and ICT companies in Japan and the CEO of its overseas group company, Mr. Nakao YOSHIZAWA has a wealth of experience and achievements alongside broad insight as a corporate officer. She also has a high degree of expertise in digital and AI technologies. She has been appointed as a director on expectations that she will help further strengthen the oversight function of the Board of Directors through these achievements and insights, etc. There are no transaction relationships between the Company and Knowledgeip, Inc., where Ms. Naoko Yoshizawa serves as an independent director, and neither party is classified as a major shareholder of the other. | Board of Directors: 12/12 (100%)  
Audit Committee: 4/4 (100%) |

* The amount of transactions between the Company and NTT is less than 0.1% of consolidated sales on a net basis of the two companies.

Note: The Company has submitted notifications to the Tokyo Stock Exchange to designate Taku Fukui, Yoshihiro Hidaka, Mikio Fujitsuka, Paul Candland, Hiromichi Shinhara, and Naoko Yoshizawa as Independent Directors as described in the provisions set forth by the Tokyo Stock Exchange.
EXECUTIVE OFFICERS, OPERATING OFFICERS, AND AUDIT OFFICERS
(As of June 25, 2021)

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

Please refer to page 76 for career summary.

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

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

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

Please refer to page 76 for career summary.

Executive Officers
Shigeki Fujii
Executive General Manager of M&C Business Unit and Technology Unit

1983 Joined the Company
2006 General Manager of Advanced System Division Center
2009 General Manager of Semiconductor Division
2013 Executive Officer
2015 Senior Executive Officer
2017 Executive Officer (to the present)
2018 Executive General Manager of Technology Unit (to the present)

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

1985 Joined the Company
2002 Director and President of Yamaha Scandinavia AB
2010 Chairman and President of Yamaha Music & Electronics (China) Co., Ltd.
2013 Executive Officer
2014 General Manager of Business Planning Division, Musical Instruments & Audio Products Sales & Marketing Unit
2015 Managing Executive Officer of Corporate Planning Business Unit
2016 Senior Executive Officer
2017 Executive General Manager of Musical Instruments & Audio Products Sales Unit (to the present)

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

Hiroko Ohmura
Executive General Manager of Brand Development Unit

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

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

Yasushi Nishiyama
Senior General Manager of Audit Committee’s Office

Managing Executive Officers

President

Chairman

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Reinforcement of Oversight Functions

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

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

Corporate Governance Structure (As of June 25, 2021)

Corporate Governance

Example of Compensation for an Officer

Performance-Linked Compensation

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

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

For information on compensation systems, please refer to page 88.
Basic Policies for Corporate Governance
The Yamaha Group has adopted the Yamaha Philosophy and the Promises to Stakeholders, which apply to shareholders and all other related parties. We are working to secure a high level of profitability based on global competitiveness and increased management efficiency, and we are also striving to fulfill our social responsibilities in such areas as compliance, the environment, safety, and social contributions. In these ways, we are working to realize sustainable growth and to improve corporate value over the medium to long term. To that end, in accordance with our Basic Policies for Corporate Governance, we have established institutional designs for management—in addition to an organizational structure and systems—and we are implementing a range of initiatives and appropriate disclosure of information. In these ways, we are working to realize transparent, high-quality business management.

Basic Policies for Corporate Governance
• From a shareholder’s perspective, ensure the rights and equal treatment of shareholders.
• Taking into consideration 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 exercising decisions appropriately and with a sense of urgency.
• Proactively engage in dialogue with shareholders.

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

Evaluation Process

<table>
<thead>
<tr>
<th>Area</th>
<th>Issue</th>
<th>Future Direction for Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussions regarding long-term management strategies</td>
<td>• Discussions regarding medium- to long-term goals, policies, and action plans pertaining to such areas as management restructuring and revitalization, management policies and strategies</td>
<td>Discussion management emphasizing brisk exchange between outside directors and heads of core divisions</td>
</tr>
<tr>
<td>Oversight of succession plans for representative executive officer and other officers</td>
<td>• Oversight of the management team from an independent and objective standpoint is conducted in a highly effective manner</td>
<td>Oversight succession plans for representative executive officer and other officers by the Board of Directors</td>
</tr>
<tr>
<td>Improvement of disclosure among directors</td>
<td>• Improvement of awareness regarding discussion and enforcement of awareness among meeting attendees</td>
<td>Improvement of disclosure among directors by the Board of Directors</td>
</tr>
<tr>
<td>Examinations of the role of the chairman of the Board of Directors and president</td>
<td>• Examination of the chairmanship of the Board of Directors and president</td>
<td>Examination of the role of the chairman of the Board of Directors and the president executive function</td>
</tr>
<tr>
<td>Structure</td>
<td>• Improvement of awareness regarding the implementation and disclosure of compliance guidelines and internal audit compliance guidelines</td>
<td>Improvement of awareness regarding the implementation and disclosure of compliance guidelines and internal audit compliance guidelines</td>
</tr>
<tr>
<td>Roles</td>
<td>• Improvement of awareness regarding the implementation and disclosure of compliance guidelines and internal audit compliance guidelines</td>
<td>Improvement of awareness regarding the implementation and disclosure of compliance guidelines and internal audit compliance guidelines</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fiscal 2019</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items receiving positive evaluation in more than 75% of responses</td>
<td>55</td>
<td>62</td>
</tr>
<tr>
<td>Items receiving positive evaluation in less than 50% of responses</td>
<td>3</td>
<td>1</td>
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</table>

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

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

Process and Standards for Selecting Officers, etc.
Regarding the selection of candidates for director positions, the Nominating Committee screens candidates for director positions based on the basic qualifications desirable for the roles, in addition to personal requirements, taking into account their competences, 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 considers the nomination proposal submitted to the General Shareholders’ Meeting.

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

The Nominating Committee screens candidates for executive officer positions based on the basic qualifications desirable for the role, in addition to personal requirements, taking into account their competences, experiences, and achievements. The Nominating Committee also compiles the nomination proposals submitted to the Board of Directors. The Nominating Committee screens candidates for operating officer and audit officer positions based on personnel requirements defined by the role they are expected to perform. The Nominating Committee also 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 officers and candidates for executive officer positions. Meanwhile, at a preliminary stage, the Human Resources Development Committee maintains career development programs for core personnel and sets up venues for candidates to present their ideas to the Board of Directors and other entities.

Major Initiatives in Fiscal 2021
• Implementation of succession plans for the representative executive officer and other officers
• Decision of new executive team, etc.
• Revision of officer personnel requirements, etc.
Compensation Committee
The Compensation Committee has formulated the policy for determining executive officer, operating officer, and audit officer compensation and decides on individual compensa-
tion amounts based on this policy.

Compensation System
The compensation of directors, excluding outside directors, and of 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 accord-
ing to job titles and is paid monthly.

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

(3) Restricted stock compensation is share-based compensa-
tion according to job titles that is provided at the launch of each medium-term management plan with the intent of moti-
vating directors and executive officers to enhance corporate value sustainability and having them share a common interest with shareholders. In order to motivate directors and execu-
tive officers to achieve the Company's medium-term perfor-
mance targets, one-third of restricted stock compensation is paid under the condition that an individual remains in the ser-
vice of the Company for a certain period and two-thirds of restricted stock compensation is linked to the Company's performance. Performance criteria gives equal weight to the core operating profit ratio, ROE, and EPS, which are contained in performance-linked compensation.

In fiscal 2021, core operating profit ratio was 10.9%, ROE was 74.1%, and EPS was ¥151.39.

Major Initiatives in Fiscal 2021
- Decision of individual compensation amounts, etc.

Audit Committee
The Audit Committee, either working in collaboration with the Internal Auditing Division or directly on its own, audits the structure and operation of the internal control systems of the Company and other Group companies. Based on the results of these audits, the Audit Committee conducts audits to determine the legality and appropriateness of the conduct of duties by the executive officers and directors. When deemed necessary, members of the Audit Committee report or express their opinions to the Board of Directors, or may issue cease and desist orders to executive officers and/or directors. In addition, the Audit Committee may decide on proposals to be considered in the General Shareholders' Meeting, including the selection / dismissal of the accounting auditor.

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

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

The president and representative executive officer pro-
motes 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, which will decide on issuing periodic and timely reports on the outcomes of their audits to the Audit Committee.

Major Initiatives in Fiscal 2021
- Interviews of and exchanges of opinions with the president
- Interviews of executive officers and operating officers in the Audit Committee’s Office
- Receipt of reports from the Internal Auditing Division and the Audit Committee’s Office
- Audit planning and review report meetings with accounting auditor, etc.

Key Activities of Outside Directors (Fiscal 2021)

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance rate*1</td>
<td>No. of meetings held</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td>Director</td>
<td>Nominating Committee</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Compensation Committe</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Compensation Committe</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Compensation Committe</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Compensation Committe</td>
<td>12 times</td>
<td>3 times</td>
<td>15 times</td>
</tr>
</tbody>
</table>

*1 The above numbers include a director who retired at the conclusion of the 190th Ordinary General Shareholders’ Meeting held on June 23, 2020.

*2 The director is chosen by the Audit Committee and is set by the Board of Directors.

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

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

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

To develop frameworks for ensuring the efficient execution of business by executive officers, the Company establishes regulations on organizations, divisions of authority, and other business-execution-related matters and clarifies the authority and responsibilities of executive officers, the appropriate delegation of authority, the missions of Company divisions and subsidiaries, and chains of command. These administrations are meant to expedite business execution and improve mana-
gerial efficiency. In addition, the Company has established the Managing Council as an advisory body to the president and representative executive officer. Reports on discussions at council meetings pertaining to matters such as important business execution decisions are submitted to the president and representative executive officer. Furthermore, Groupwide targets, performance is evaluated, and an administratively managed 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 themes requiring ongoing action and examination from a Companywide and management-level perspective and report to the president on these matters. The following are some of the Company’s major committees.

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

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

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

Human Resources Development Committee
The Human Resources Development Committee is an advisory body to the president and representative executive officer. The committee discusses development of managerial and other evaluation criteria. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives. If necessary, due to a request for dialogue from a shareholder or investor, the director in charge, other evaluation criteria, with due consideration paid to the state of these initiatives.

Internal Audits
Yamaha established the Internal Auditing Division (staffed by 19 people as of June 25, 2021) under the direct control of the president. The division’s role is to closely examine and evaluate management and operations systems, as well as operational execution, for all management activities undertaken by the Company and Group companies, from the standpoint of legality, effectiveness, and efficiency. Based on the results of these examinations and evaluations, the division provides information and offers advice and proposals for improvement. The Company appoints audit officers to oversee internal audits with the objective of improving internal auditing functions. In addition, based on policies aimed at assuring the effectiveness of the audits of the Audit Committee, which are decided on by vote of the Board of Directors, the Internal Auditing Division has in place a structure for close collaboration with the Audit Committee. At the same time, the division keeps in close contact and conducts precise adjustments with the accounting auditor. In these ways, the Company works to increase audit efficiency.

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

Policy and Reasoning Behind Selection of Accounting Auditor
The Company’s Audit Committee has appointed Ernst & Young Shinnihon as its accounting auditor, in continuation from fiscal 2020, as a result of its examination based on the following policy for deciding whether to dismiss or not reappoint the accounting auditor.

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

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

Evaluation of Accounting Auditor by the Audit Committee
The Company’s Audit Committee assesses the accounting auditor.

The Audit Committee deliberates and conducts a comprehensive evaluation based on committee members’ assessments of the accounting auditor’s qualifications, specializations, independence from the Company and other evaluation criteria, and 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.

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

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

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

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

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

In fiscal 2022, important areas for initiatives will include the systematic digital transformation of Companywide risk management verification and audit activities, development of global internal audit systems, and improvement in efficiency of activities based on Japanese auditing laws. I also plan to advance preparations for audits that will support Yamaha in contributing to the accomplishment of the SDGs, which will be an important element of the next medium-term management plan.
The Legal Division, IR Department, and Corporate Finance Division cooperate and assist the director in charge to ensure that dialogue with shareholders and investors is conducted in a reasonable and orderly manner.

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

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

**Major IR Activities**

**Major IR activities in fiscal 2021 were as follows.**

**General Shareholders’ Meetings**

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

**Items Voted On at the Ordinary General Shareholders’ Meeting**

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

**Basic Cross-Holdings Policy**

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

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

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

**Status of Shareholdings**

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

**Investments in Equity Securities Held for Pures Other than Pure Investment**

<table>
<thead>
<tr>
<th>Number of companies and amount shown on balance sheet</th>
<th>34 companies</th>
<th>12 companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock in foreign other than pure investment companies</td>
<td>¥885 million</td>
<td>¥110,000 million</td>
</tr>
<tr>
<td>Total amount of stock sold in fiscal 2021, pertaining to decreases in the number of companies / shares in which shareholdings were reduced</td>
<td>2 companies</td>
<td>7 companies</td>
</tr>
<tr>
<td>Total amount of stock acquired in fiscal 2021, pertaining to increases in the number of companies / shares in which shareholdings were increased</td>
<td>—</td>
<td>3 companies</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Security name</th>
<th>No. of Shares as of March 31, 2021</th>
<th>No. of Shares as of March 31, 2021</th>
<th>Amount on Balance Sheet (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yamaha Motor Co., Ltd.*1</td>
<td>40,278</td>
<td>85,916</td>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td>TOYOTA MOTOR CORPORATION*1</td>
<td>150,382</td>
<td>151,216</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>Audine Group Limited*3</td>
<td>6,285,302</td>
<td>6,285,302</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>MS&amp;AD Insurance Group Holdings, Inc. *1</td>
<td>7,776,252</td>
<td>7,776,252</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.*2</td>
<td>2,046,054</td>
<td>2,046,054</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>Sumitomo Mitsui Financial Group, Inc. *1</td>
<td>239,922</td>
<td>239,922</td>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td>Mitsui Financial Group, Inc.*1</td>
<td>209,019</td>
<td>209,019</td>
<td><strong>Yes</strong></td>
</tr>
<tr>
<td>DAIICHI KIKENCO LTD.*1</td>
<td>55,000</td>
<td>55,000</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>Mitsubishi UFJ Financial Group, Inc.*2</td>
<td>274,960</td>
<td>274,960</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>FUJIFILM CORPORATION*2</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>YASKAWA Electric Corporation*2</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>Cytobio, Inc.*2</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>HOPIRA, Ltd.*2</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>MonotaRO Co., Ltd.*3</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>J FRONT RETAILING Co., Ltd.*2</td>
<td>—</td>
<td>—</td>
<td><strong>No</strong></td>
</tr>
</tbody>
</table>

Notes: **—** means no shares in the company are held.
*1 Yamaha Motor Co., Ltd. uses the same Yamaha brand as the Company. Yamaha Motor Co., Ltd. and the Company have established the Joint Brand Committee, Yamaha Brand Management Committee, which is in charge of the joint brand activities. The Company holds the shares for the purpose of maintaining and continuing a smooth relationship with financial institutions.

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

*3 The Company holds the shares for the purpose of monitoring and controlling a circumstantial relationship with wireless instructions.

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

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

**Proposal 1. Appropriation of Surplus**

Proposal 1. Appropriation of Surplus

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Number of Votes For</th>
<th>Number of Votes Against</th>
<th>Number of Abstentions/Votes</th>
<th>Approval Percentage</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal 1. Appropriation of surplus</td>
<td>1,419,035</td>
<td>150,456</td>
<td>23</td>
<td>90.4</td>
<td>Approved</td>
</tr>
</tbody>
</table>

**Proposal 2. Appointment of Eight Directors**

Proposal 2. Appointment of eight directors

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Number of Votes For</th>
<th>Number of Votes Against</th>
<th>Number of Abstentions/Votes</th>
<th>Approval Percentage</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal 2. Appointment of eight directors</td>
<td>1,479,287</td>
<td>90,735</td>
<td>23</td>
<td>94.2</td>
<td>Approved</td>
</tr>
<tr>
<td>Satoji Yamahata</td>
<td>1,561,406</td>
<td>6,626</td>
<td>23</td>
<td>95.4</td>
<td>Approved</td>
</tr>
<tr>
<td>Mituo Fujisaka</td>
<td>1,568,053</td>
<td>131,969</td>
<td>23</td>
<td>91.6</td>
<td>Approved</td>
</tr>
<tr>
<td>Miki Fujita</td>
<td>1,586,092</td>
<td>1,980</td>
<td>23</td>
<td>99.4</td>
<td>Approved</td>
</tr>
<tr>
<td>Fun Paul</td>
<td>1,535,084</td>
<td>12,448</td>
<td>23</td>
<td>99.2</td>
<td>Approved</td>
</tr>
<tr>
<td>Naito Hisahide</td>
<td>1,504,458</td>
<td>5,367</td>
<td>23</td>
<td>99.0</td>
<td>Approved</td>
</tr>
<tr>
<td>Naito Hisahide</td>
<td>1,504,458</td>
<td>15,574</td>
<td>23</td>
<td>99.0</td>
<td>Approved</td>
</tr>
</tbody>
</table>

**Notes:**

**—** means no shares in the company are held.

*1 Yamaha Motor Co., Ltd. uses the same Yamaha brand as the Company. Yamaha Motor Co., Ltd. and the Company have established the Joint Brand Committee, Yamaha Brand Management Committee, which is in charge of the joint brand activities. The Company holds the shares for the purpose of maintaining and continuing a smooth relationship with financial institutions.

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## 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 implement sound, highly transparent management.

### Basic Policies

- **Operational Risk (Business activities)**
- **Strategic Risk**
- **Operational Risk (Support activities)**
- **External Environment Risk**
- **Compliance**

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![Risk Map](image)

**Revision of Business Risk Categories**

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

**Changes in the Business Environment (Pandemic, etc.)**

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

**Sustainability**

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

**Measures for Preventing Spread of Infectious Diseases**

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

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

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

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

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

Compliance Promotion System

Global Conformity in Compliance Initiatives
As the Yamaha Group’s business grows even more global, resulting in business activities being advanced in manners that blur the boundaries between countries and regions with differing political and economic frameworks, business customs, and values, increasing the conformity of compliance initiatives with global standards is becoming a pressing issue. The Yamaha Group signed the UN Global Compact in 2011. As a member of Global Compact Network Japan, we are working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption in our business activities.

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

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

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

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

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

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

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

Compliance Helpline System

Numbers of Reports Received through Compliance Helplines

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Domestic</th>
<th>Global</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2022</td>
<td>94</td>
<td>33</td>
<td>127</td>
</tr>
<tr>
<td>Fiscal 2021</td>
<td>90</td>
<td>30</td>
<td>120</td>
</tr>
<tr>
<td>Fiscal 2020</td>
<td>105</td>
<td>30</td>
<td>135</td>
</tr>
<tr>
<td>Fiscal 2019</td>
<td>94</td>
<td>27</td>
<td>121</td>
</tr>
</tbody>
</table>

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

Breakdown of Reports Received in Fiscal 2021

- Abuse of power: 38%
- Labor issues: 35%
- Sexual harassment, pregnancy/childbirth discrimination: 6%
- Dishonest behavior: 3%
- Misappropriation of Company assets: 2%
- Others: 16%

In fiscal 2021, training and awareness-raising activities conducted amid the COVID-19 pandemic included rank-based as well as other online training programs and e-learning programs on preventing abuses of power. Three training sessions were held in fiscal 2021, and these sessions were attended by approximately 1000 individuals.

Yamaha Corporation and Domestic Group Companies

Working Group for Compliance

- Internal consultation venues
- External consultation venue (legal firm)
- External consultation venue (whistleblower protection)

Established in March 2020

Consultation

- Report / Consultation

- Report

- Consultation

Yamaha Corporation

- Compliance News: four-panel comic strips
- Compliance News: four-panel comic strips

Working Group for Compliance

- Global helpline operated by Yamaha Corporation

Established in 2007 (available in 10 languages)

Consultant

- Intranet content for employees in domestic Group companies

Overseas Group Companies

- Helpdesk operated by overseas Group companies

Consultant

- Report

- Consultation

Overseas Group companies

- Consultation

- Intranet content for employees in overseas Group companies

(Compliance News four-panel comic strips)
V. Financial and Corporate Information

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<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>Revenue (Net sales)</td>
<td>¥373,866</td>
<td>¥356,616</td>
<td>¥366,941</td>
<td>¥410,304</td>
<td>¥432,177</td>
<td>¥435,477</td>
<td>¥408,248</td>
<td>¥432,967</td>
<td>¥437,416</td>
<td>¥434,873</td>
<td>¥414,227</td>
<td>¥372,630</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>136,553</td>
<td>124,957</td>
<td>128,680</td>
<td>147,994</td>
<td>161,820</td>
<td>173,070</td>
<td>165,796</td>
<td>174,501</td>
<td>182,124</td>
<td>182,043</td>
<td>168,259</td>
<td>142,909</td>
<td></td>
</tr>
<tr>
<td>Selling, general and admin.</td>
<td>123,387</td>
<td>116,846</td>
<td>119,465</td>
<td>121,999</td>
<td>131,684</td>
<td>132,407</td>
<td>121,493</td>
<td>125,668</td>
<td>126,094</td>
<td>126,259</td>
<td>121,907</td>
<td>102,198</td>
<td></td>
</tr>
<tr>
<td>Operating profit (Operating income)</td>
<td>13,165</td>
<td>8,110</td>
<td>9,215</td>
<td>25,994</td>
<td>30,135</td>
<td>40,663</td>
<td>44,302</td>
<td>48,833</td>
<td>56,030</td>
<td>52,745</td>
<td>46,352</td>
<td>37,102</td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes (Income before income taxes and minority interests)</td>
<td>6,802</td>
<td>6,971</td>
<td>7,795</td>
<td>41,578</td>
<td>42,898</td>
<td>42,115</td>
<td>47,471</td>
<td>54,735</td>
<td>60,485</td>
<td>56,471</td>
<td>47,225</td>
<td>37,102</td>
<td></td>
</tr>
<tr>
<td>Profit (loss) for the period (Net income (loss))</td>
<td>5,078</td>
<td>(29,381)</td>
<td>4,122</td>
<td>22,898</td>
<td>24,929</td>
<td>24,226</td>
<td>24,915</td>
<td>24,730</td>
<td>24,603</td>
<td>16,916</td>
<td>14,013</td>
<td>11,525</td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>22,646</td>
<td>10,880</td>
<td>7,755</td>
<td>33,213</td>
<td>31,729</td>
<td>42,399</td>
<td>39,142</td>
<td>47,471</td>
<td>54,735</td>
<td>35,620</td>
<td>25,625</td>
<td>24,189</td>
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<tr>
<td>Cash flows from investing activities</td>
<td>(9,740)</td>
<td>(9,004)</td>
<td>(12,617)</td>
<td>(22,950)</td>
<td>(11,700)</td>
<td>(9,663)</td>
<td>(23,092)</td>
<td>(25,625)</td>
<td>(23,101)</td>
<td>(11,898)</td>
<td>(14,013)</td>
<td>(9,004)</td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(10,080)</td>
<td>(3,247)</td>
<td>(5,536)</td>
<td>(4,745)</td>
<td>(5,909)</td>
<td>(3,049)</td>
<td>(12,588)</td>
<td>(3,049)</td>
<td>(12,588)</td>
<td>(3,049)</td>
<td>(12,588)</td>
<td>(3,049)</td>
<td></td>
</tr>
<tr>
<td>At year-end:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥390,852</td>
<td>¥366,610</td>
<td>¥390,610</td>
<td>¥438,932</td>
<td>¥530,034</td>
<td>¥469,745</td>
<td>¥522,360</td>
<td>¥552,309</td>
<td>¥514,762</td>
<td>¥515,924</td>
<td>¥474,034</td>
<td>¥557,616</td>
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<tr>
<td>Total current assets</td>
<td>194,717</td>
<td>188,952</td>
<td>197,902</td>
<td>214,487</td>
<td>247,632</td>
<td>255,135</td>
<td>272,720</td>
<td>289,493</td>
<td>281,608</td>
<td>282,819</td>
<td>270,103</td>
<td>210,833</td>
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<tr>
<td>Total current liabilities</td>
<td>74,836</td>
<td>72,829</td>
<td>71,550</td>
<td>73,145</td>
<td>80,976</td>
<td>75,949</td>
<td>82,565</td>
<td>101,919</td>
<td>80,495</td>
<td>104,433</td>
<td>99,149</td>
<td>100,852</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>11,838</td>
<td>11,295</td>
<td>10,013</td>
<td>8,755</td>
<td>11,868</td>
<td>8,510</td>
<td>11,241</td>
<td>11,173</td>
<td>8,936</td>
<td>8,936</td>
<td>10,830</td>
<td>10,830</td>
<td></td>
</tr>
<tr>
<td>Total equity (Net assets)</td>
<td>245,002</td>
<td>206,832</td>
<td>229,636</td>
<td>274,843</td>
<td>348,752</td>
<td>303,888</td>
<td>367,437</td>
<td>388,345</td>
<td>382,771</td>
<td>395,027</td>
<td>326,460</td>
<td>396,949</td>
<td></td>
</tr>
</tbody>
</table>

### Per share:
- **Profit (loss) for the period (Net income (loss))**
  - ¥29.50 (151.73) ¥21.29 ¥118.26 ¥128.75 ¥189.00 ¥249.17 ¥291.81 ¥240.94 ¥222.12 ¥194.71 ¥151.39 ¥1.37
- **Equity attributable to owners of the parent (Net assets)**
  - ¥1,250.06 ¥1,052.01 ¥1,171.67 ¥1,403.12 ¥1,787.42 ¥1,601.55 ¥1,948.01 ¥2,125.51 ¥2,124.83 ¥1,992.57 ¥1,850.81 ¥2,252.34 ¥20.34
- **Dividends**
  - ¥10.00 ¥10.00 ¥10.00 ¥7.00 ¥36.00 ¥44.00 ¥52.00 ¥56.00 ¥60.00 ¥60.00 ¥66.00 ¥66.00 ¥0.60

### Key Indicators:
- **Core operating profit ratio** (Operating income ratio): 3.5% 2.3% 2.5% 6.3% 7.0%
- **Return on equity (ROE):** 2.1 (13.2) 1.9 9.2 8.1
- **Return on assets (ROA):** 1.3 (7.8) 1.1 5.5 5.1
- **Equity ratio attributable to owners of the parent**
  - 61.9 55.6 58.1 61.9 65.3
- **Debt to equity ratio:** 0.05 0.05 0.04 0.03 0.03
- **Interest coverage (Times):** 40.38 31.84 40.64 130.19 130.51
- **Current ratio:** 260.2 259.4 276.6 293.2 305.8
- **Dividend payout ratio:** 38.6 38.6 47.0 22.8 28.0

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 2019 have been restated to conform with this presentation method.

*U.S. dollar amounts are translated from yen at the rate of ¥110.71 = U.S.$1, the approximate rate prevailing on March 31, 2021.

*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.
Analysis of Overall Performance in Fiscal 2021

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

This year, the Yamaha Group continued to implement measures in the second year of the Make Waves 1.0 medium-term management plan by advancing the four key strategies of develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses. In fiscal 2022, the medium-term management plan targets a core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥151.39.

Efforts to develop closer ties with customers included developing a CDP system and establishing a structure for creating customer experiences that will create new connections with Yamaha. In addition, Yamaha stepped up initiatives including increasing messaging on social media and other online media in response to the growth in digital customer contact points via the internet to communicate the Yamaha brand value and to connect business at our physical stores. We are also expanding our e-commerce presence and promoting live commerce, a new type of sales promotion, and accelerating various initiatives. Furthermore, we broadened our business domains by raising recognition of our businesses, the aggregate total of students offered instrument and music education experience in emerging countries reached 710,000, representing smooth progress toward the target of one million students set for the third year of the medium-term management plan. We also made steady progress in achieving the goal of a 50% ratio of certified timber use, reaching 48% in the second year of the plan.

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

Revenue decreased 10.1% year on year, to ¥372.6 billion. This decrease was a result of the impacts of the COVID-19 pandemic and a reduction of ¥2.3 billion from foreign exchange influences (¥30.4 billion).

By region, revenue was down in all regions, with the exception of China, where recovery in economic activities led to increased revenue (¥4.6 billion). Core operating profit was down 12.2% year on year, to ¥40.7 billion, as decreases in profit in the musical instruments and audio equipment segments counteracted higher profit in the others segment (¥1.2 billion). Factors increasing profit included reductions in selling, general and administrative expenses and other costs as well as higher profit in the industrial machinery and components business and the others business. However, these factors were outweighed by reductions in sales and production associated with the pandemic as well as rising labor costs at overseas production bases, resulting in an overall decrease in profit (¥7.0 billion).

Profit for the period attributable to owners of parent declined 23.1% year on year, to ¥26.6 billion. Factors behind this decline included lower core operating profit, a ¥4.3 billion loss from suspension of operations attributable to the pandemic, and ¥3.6 billion in impairment losses.
Results by Segment

Musical Instruments
Revenue in the musical instruments segment declined 11.3% year on year, to ¥239.0 billion, and core operating profit decreased 14.1%, to ¥22.4 billion. By product, sales of pianos decreased as in-store sales dropped as a result of the COVID-19 pandemic, which offset the benefits of our ability to return to a growth track with regard to sales in China and of recovery in the markets of certain countries. Sales of digital musical instruments were down, despite the strong demand for entry-level products stimulated by people increasingly staying home due to supply shortfalls. Sales decreased for wind instruments as a result of delays in market recovery following a low level of band activities. Conversely, sales of guitars rose because the increase in people staying at home drove market growth as new users picked up the instrument, leading to higher sales primarily in Japan and China. By region, sales in Japan were down. Although domestic guitar sales were up as a result of demand associated with people increasingly staying at home, overall sales suffered from store and music school closures as well as a low level of band activities associated with the pandemic. Sales were also down in North America and Europe. Demand associated with people increasingly staying home in response to the pandemic held firm in these regions as consumption activities shifted toward e-commerce, but overall sales were impacted by product supply shortages and reductions in demand associated with activity restrictions. In China, sales were up in all product categories, except wind instruments, for which market recovery is lagging, as this country returned to a growth track faster than other countries. In other regions, sales decreased in all regions as a result of the impacts of the pandemic.

Audio Equipment
Revenue in the audio equipment segment decreased 9.2% year on year, to ¥103.8 billion, and core operating profit declined 17.5%, to ¥7.1 billion. By product, overall sales of audio equipment were down as the increased sales of sound bars and other products driven by demand associated with people staying at home could not compensate for the first-half reductions in sales attributable to supply shortfalls. PA equipment sales also decreased as the COVID-19 pandemic caused stagnation in the concert and equipment markets. Sales of ICT equipment, meanwhile, were up due to higher sales of meeting systems supported by robust demand stimulated by the rapid normalization of teleworking and remote meetings.

Analysis of Financial Position
Total assets on March 31, 2021, amounted to ¥557.6 billion, an increase of ¥33.6 billion, or 6.3%, from ¥524.0 billion a year earlier. Factors behind this outcome included an increase in cash and cash equivalents as well as higher financial assets attributable to a rise in the market value of securities held.

Deferred tax liabilities decreased in all regions as a result of the market value of securities held. Total equity on March 31, 2021, amounted to ¥396.9 billion, an increase of ¥13.1 billion, or 8.9%, from ¥383.8 billion at the end of the previous fiscal year as a result of an increase in deferred tax liabilities due to the rise in the market value of securities held.

Total equity on March 31, 2021, was ¥396.9 billion, an increase of ¥13.1 billion, or 8.9%, from ¥383.8 billion at the end of the previous fiscal year as a result of an increase in deferred tax liabilities due to the rise in the market value of securities held.

Deferred tax liabilities decreased in all regions as a result of the market value of securities held. Total equity on March 31, 2021, amounted to ¥396.9 billion, an increase of ¥13.1 billion, or 8.9%, from ¥383.8 billion at the end of the previous fiscal year as a result of an increase in deferred tax liabilities due to the rise in the market value of securities held.

Forecasts for Fiscal 2022
In fiscal 2022, the Company projects revenue of ¥400.0 billion, up 73.1% year on year, and core operating profit of ¥47.0 billion, up 15.4%, a level of performance on par with fiscal 2020, prior to the COVID-19 pandemic. We forecast a strong recovery in market conditions, despite the continuation of opaque conditions related to performance such as factory operation restrictions, difficulties in procuring semiconductors and other components, and logistics disruptions caused by the COVID-19 pandemic.
## Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>2021 (Millions of yen)</th>
<th>2020 (Millions of yen)</th>
<th>2021 (Thousand of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>1,168,323</td>
<td>517,830</td>
<td>1,168,323</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>517,830</td>
<td>517,830</td>
<td>517,830</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>874,384</td>
<td>874,384</td>
<td>874,384</td>
</tr>
<tr>
<td>Inventories</td>
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<td>10,469</td>
<td>10,469</td>
</tr>
<tr>
<td>Total current assets</td>
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<td>2,719,745</td>
<td>2,719,745</td>
</tr>
<tr>
<td>Non-current assets</td>
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<td>2,316,981</td>
<td>2,316,981</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
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<td>868,413</td>
<td>868,413</td>
</tr>
<tr>
<td>Right-of-use assets</td>
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<td>200,804</td>
<td>200,804</td>
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<tr>
<td>Goodwill</td>
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<td>1,445</td>
<td>1,445</td>
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<tr>
<td>Intangible assets</td>
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<tr>
<td>Financial assets</td>
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<td>Deferred tax assets</td>
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<tr>
<td>Other non-current assets</td>
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<tr>
<td>Total non-current assets</td>
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<td>2,316,981</td>
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<tr>
<td>Total assets</td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th>2021 (Millions of yen)</th>
<th>2020 (Millions of yen)</th>
<th>2021 (Thousand of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>910,957</td>
<td>910,957</td>
<td>910,957</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>910,957</td>
<td>910,957</td>
<td>910,957</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>130,657</td>
<td>130,657</td>
<td>130,657</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>164,791</td>
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<tr>
<td>Other current liabilities</td>
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<tr>
<td>Total current liabilities</td>
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<td>1,451,242</td>
<td>1,451,242</td>
</tr>
<tr>
<td>Non-current liabilities</td>
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<tr>
<td>Interest-bearing debt</td>
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<tr>
<td>Lease liabilities</td>
<td>164,791</td>
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</tr>
<tr>
<td>Other non-current liabilities</td>
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<tr>
<td>Total non-current liabilities</td>
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<td>540,276</td>
</tr>
<tr>
<td>Total liabilities</td>
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<tr>
<td>Equity</td>
<td>3,585,485</td>
<td>3,585,485</td>
<td>3,585,485</td>
</tr>
<tr>
<td>Capital stock</td>
<td>257,736</td>
<td>257,736</td>
<td>257,736</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>193,569</td>
<td>193,569</td>
<td>193,569</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,052,326</td>
<td>3,052,326</td>
<td>3,052,326</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,585,485</td>
<td>3,585,485</td>
<td>3,585,485</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>5,036,727</td>
<td>5,036,727</td>
<td>5,036,727</td>
</tr>
</tbody>
</table>

This above consolidated statement of financial position should be read in conjunction with the accompanying notes.
### CONSOLIDATED STATEMENT OF INCOME

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2021</strong></td>
<td><strong>2020</strong></td>
<td><strong>2021</strong></td>
</tr>
<tr>
<td>Revenue (Notes 5 and 23)</td>
<td>¥ 372,630</td>
<td>¥ 414,227</td>
</tr>
<tr>
<td>Cost of sales (Notes 20 and 25)</td>
<td>(229,720)</td>
<td>(245,967)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>142,909</td>
<td>168,259</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (Notes 20, 24, 25 and 32)</td>
<td>(102,198)</td>
<td>(121,907)</td>
</tr>
<tr>
<td>Core operating profit (Note 5)</td>
<td>40,711</td>
<td>46,352</td>
</tr>
<tr>
<td>Other income (Note 29)</td>
<td>1,909</td>
<td>2,608</td>
</tr>
<tr>
<td>Other expenses (Notes 20 and 26)</td>
<td>(7,580)</td>
<td>(5,826)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>35,039</td>
<td>43,333</td>
</tr>
<tr>
<td>Finance income (Note 27)</td>
<td>3,366</td>
<td>4,968</td>
</tr>
<tr>
<td>Finance expenses (Note 27)</td>
<td>(1,303)</td>
<td>(1,083)</td>
</tr>
<tr>
<td>Share of profit of associates accounted for using the equity method</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>37,102</td>
<td>47,225</td>
</tr>
<tr>
<td>Income taxes (Note 14)</td>
<td>(10,393)</td>
<td>(12,521)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>¥ 26,708</td>
<td>¥ 34,703</td>
</tr>
</tbody>
</table>

Profit for the period attributable to:

| Owners of parent               | ¥ 26,615        | ¥ 34,621                          | $ 240,403   |
| Non-controlling interests      | 93              | 81                                | 840         |

Earnings per share

| Basic (Note 26) | ¥151.39 | ¥194.71 |
| Diluted (Note 26) | – | – |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2021</strong></td>
<td><strong>2020</strong></td>
<td><strong>2021</strong></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>¥26,708</td>
<td>¥34,703</td>
</tr>
</tbody>
</table>

Other comprehensive income:

- Items that will not be reclassified to profit or loss
  - Remeasurements of defined benefit plans (Note 28) 5,687 7 51,368
  - Financial assets measured at fair value through other comprehensive income (Note 28) 37,927 (23,431) 342,580
  - Share of other comprehensive income of associates accounted for using the equity method (Note 26) – 1 –
- Total items that will not be reclassified to profit or loss 43,614 (23,421) 393,948
- Items that may be subsequently reclassified to profit or loss
  - Exchange differences on translation of foreign operations (Note 28) 12,037 (9,629) 108,725
  - Gain or loss on cash flow hedges (Note 28) (191) (35) (1,725)
- Total items that may be subsequently reclassified to profit or loss 11,846 (9,664) 107,000
- Total other comprehensive income (Note 28) 55,460 (33,086) 500,948

Comprehensive income for the period ¥92,169 1,581 $742,200

Comprehensive income for the period attributable to:

| Owners of parent               | ¥81,993         | ¥1,597                            | $740,611    |
| Non-controlling interests      | 175             | 19                                | 1,581       |

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yamaha Corporation and its consolidated subsidiaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the fiscal years ended March 31, 2021 and 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at April 1, 2019</strong></td>
<td>¥28,534</td>
<td>$257,736</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Purchase of treasury shares</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Dividends (Note 22)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Share-based compensation (Note 32)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Changes in the ownership interest of a subsidiary without a loss of control</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Redistributed to retained earnings</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total transactions with owners</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2020</strong></td>
<td>¥28,534</td>
<td>$257,736</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Purchase of treasury shares</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Dividends (Note 22)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Share-based compensation (Note 32)</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Changes in the ownership interest of a subsidiary without a loss of control</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Redistributed to retained earnings</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total transactions with owners</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2021</strong></td>
<td>¥28,534</td>
<td>$257,736</td>
</tr>
</tbody>
</table>

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

---

**Notes:**
- **Note 22:** Dividends
- **Note 32:** Share-based compensation
### CONSOLIDATED STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>¥37,102</td>
<td>¥47,225</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>17,056</td>
<td>17,322</td>
</tr>
<tr>
<td>Impairment losses (reversal of impairment losses)</td>
<td>3,553</td>
<td>2,921</td>
</tr>
<tr>
<td><strong>Finance income and expenses</strong></td>
<td>(2,854)</td>
<td>(4,260)</td>
</tr>
<tr>
<td>Loss (gain) on disposal of property, plant and equipment and intangible assets</td>
<td>39</td>
<td>(260)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in inventories</strong></td>
<td>7,666</td>
<td>(2,841)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in trade and other receivables</strong></td>
<td>3,077</td>
<td>3,292</td>
</tr>
<tr>
<td><strong>Increase (decrease) in assets and liabilities associated with the defined benefit plans</strong></td>
<td>(1,313)</td>
<td>1,942</td>
</tr>
<tr>
<td><strong>Increase (decrease) in accounts payable due to transition to defined contribution plans</strong></td>
<td>(1,447)</td>
<td>(1,418)</td>
</tr>
<tr>
<td><strong>Other, net</strong></td>
<td>(1,436)</td>
<td>2,999</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>58,225</td>
<td>57,162</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net (increase) decrease in time deposits</strong></td>
<td>5,007</td>
<td>(3,244)</td>
</tr>
<tr>
<td><strong>Purchase of property, plant and equipment and intangible assets</strong></td>
<td>(12,572)</td>
<td>(20,473)</td>
</tr>
<tr>
<td><strong>Proceeds from sales of property, plant and equipment and intangible assets</strong></td>
<td>382</td>
<td>1,012</td>
</tr>
<tr>
<td><strong>Purchase of investment securities</strong></td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Proceeds from sales and redemption of investment securities</strong></td>
<td>1,405</td>
<td>449</td>
</tr>
<tr>
<td><strong>Proceeds from government grants</strong></td>
<td>–</td>
<td>706</td>
</tr>
<tr>
<td><strong>Other, net</strong></td>
<td>(7)</td>
<td>483</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(6,785)</td>
<td>(21,067)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net (increase) decrease in short-term borrowings (Note 31)</strong></td>
<td>(3,398)</td>
<td>2,120</td>
</tr>
<tr>
<td><strong>Proceeds from long-term borrowings (Note 31)</strong></td>
<td>795</td>
<td>–</td>
</tr>
<tr>
<td><strong>Repayment of lease liabilities (Note 31)</strong></td>
<td>(6,069)</td>
<td>(5,871)</td>
</tr>
<tr>
<td><strong>Purchase of treasury shares</strong></td>
<td>(9)</td>
<td>(21,312)</td>
</tr>
<tr>
<td><strong>Payment for acquisition of interests in subsidiaries that do not result in change in scope of consolidation</strong></td>
<td>(165)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Cash dividends paid (Note 22)</strong></td>
<td>(11,603)</td>
<td>(11,274)</td>
</tr>
<tr>
<td><strong>Cash dividends paid to non-controlling interests</strong></td>
<td>(58)</td>
<td>(48)</td>
</tr>
<tr>
<td><strong>Other, net (Note 31)</strong></td>
<td>(97)</td>
<td>(33)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(20,602)</td>
<td>(36,422)</td>
</tr>
<tr>
<td><strong>Gain (loss) on exchange change on cash and cash equivalents</strong></td>
<td>(3,143)</td>
<td>4,436</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>33,673</td>
<td>(5,143)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period (Note 6)</strong></td>
<td>39,671</td>
<td>55,815</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period (Note 6)</strong></td>
<td>¥125,345</td>
<td>¥92,671</td>
</tr>
</tbody>
</table>

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### For the fiscal years ended March 31, 2021 and 2020

**1 Reporting Entity**

Yamaha Corporation (hereinafter, the "Company") is a company located in Japan and listed on the Tokyo Stock Exchange. The registered address of the Company's headquarters is 15-1, Naka-sawa-chi, Naka-ku, Hamamatsu, Shizuoka, Japan. The consolidated financial statements and notes for the fiscal year ended March 31, 2021 comprise the financial statements of the Company and its subsidiaries (the "Group"). The Group's operations include the musical instruments business, audio equipment business, and other businesses.

**2 Basis for Preparation**

(1) Compliance with IFRS

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

The consolidated financial statements are approved by Takuya Nakata, President and Representative Executive Officer, on June 25, 2021.

(2) Basis of measurement

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

**3 Significant Accounting Policies**

(1) Basis of consolidation

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

(2) Basis ofmeasurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, in units of million yen with figures less than one million yen omitted.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 to U.S.$1, the approximate exchange rate at March 31, 2021. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

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

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

(5) Accounting standards and interpretations issued but not yet applied

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

(6)  Accounting standards and interpretations issued but not yet applied

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Transaction costs incurred in association with a business combination are expensed when incurred.

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

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

(2) Foreign currencies

A) Transactions denominated in foreign currencies

The financial statements of each of Group entity are prepared using each company’s functional currency. Transactions conducted in currencies other than the functional currency are translated into the functional currency using the exchange rate on the transaction date or an exchange rate that approximates that rate on that date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency using the exchange rate at the fiscal year-end. Non-monetary assets and liabilities measured at fair value are translated at the exchange rate on the date of calculation of fair value. Any exchange differences arising from translation or settlement are recognized in profit or loss.

However, exchange differences arising from financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

B) Foreign operations

Assets and liabilities of the Group’s foreign operations are translated using the exchange rates at the fiscal year-end. Income and expense items are translated at the average exchange rates for the reporting period, unless any specific exchange rate is applicable. Exchange differences arising from these translations are recognized in other comprehensive income. If a foreign operation is disposed of, the accumulated amount of the exchange differences on translation related to the foreign operation is reclassified to profit or loss at the time the foreign operation was disposed of.

(3) Financial instruments

A) Financial assets

Financial instruments are recognized on the trade date when the Group becomes a party to the transaction. Financial assets other than financial assets measured at fair value through profit or loss, are measured at an amount of fair value plus transaction costs directly attributable to the acquisition of the financial asset at initial recognition. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

b) Classification and subsequent measurement

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

C) Derecognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset are transferred by the Group and all the risks and rewards of ownership of the financial asset are substantially transferred.

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

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

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

A financial asset is derecognized when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

A) Presentation of financial instruments

Financial assets and liabilities are offset and presented as a net amount in the consolidated statement of financial position when the Group has a legally enforceable right to offset the financial asset and liability balances and it intends either to settle on a net basis or to realize financial assets and settle financial liabilities simultaneously.

B) Hedge accounting and derivatives

The Group uses, within the scope of actual demand, foreign exchange forward contracts (comprehensive contracts) and currency options to hedge anticipated foreign currency exposure from foreign operations.

Changes in the fair value of financial instruments measured at fair value through profit or loss are recognized as other comprehensive income if both of the following conditions are met:

• They are held based on a business model whose objective is to hold the related cash flows to the maturity date.
• The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, such as shares of Yamaha Motor Co., Ltd., which uses a common brand as the Group, and shares of companies related to other businesses, are categorized upon initial recognition as financial assets measured at fair value through other comprehensive income.

After initial recognition, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized as other comprehensive income.

When financial assets are derecognized or the fair value decreases materially, the cumulative gain or loss recognized in other comprehensive income is reclassified to retained earnings. Dividends from such financial assets are recognized in profit or loss as finance income.

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

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

Financial assets measured at fair value through profit or loss at initial recognition are recognized in profit or loss.

Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in other comprehensive income.

(c) Impairment of financial assets

For trade and other receivables, the Group recognizes an allowance for doubtful accounts equivalent to the present value of credit losses over the full period.

For trade and other receivables that do not fall into the above category, impairment loss is assessed primarily based on the historical actual default rate and accounted for in the allowance for doubtful accounts.

For trade and other receivables for which impairment loss was previously recognized and the impairment amount decreased due to a subsequent event, the previously recognized impairment loss is reversed and no longer recognized as an impairment loss.

For trade and other receivables that are clearly not recoverable, the unrecoverable amount is written off directly.

(d) Derecognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset are transferred by the Group and all the risks and rewards of ownership of the financial asset are substantially transferred.

(ii) Financial liabilities

Financial liabilities are recognized at fair value at initial recognition.

A) Initial recognition and measurement

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

Initial financial liabilities are measured at fair value less the associated direct transaction costs at initial recognition.

(b) Categorization and subsequent measurement

Financial liabilities are classified as financial liabilities measured at amortized cost or at initial recognition.

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method. The amortized amount using the effective interest rate method and gains and losses on derecognition are recognized in profit or loss.

(c) Derecognition

A financial liability is derecognized when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

With regard to derivative transactions, the Group Financial Management Policies and Rules have been established, and transactions are conducted and managed in compliance with policies and rules.

Hedge accounting is applied to cash flow hedges that meet specific criteria with the effective portion of profit or loss arising from the hedging instrument recognized in other comprehensive income and the remaining ineffective portion recognized in profit or loss.

The amount of a hedging instrument recorded in other comprehensive income is reclassified to profit or loss at the time the corresponding hedged transaction affects profit or loss.

When applying hedge accounting, the Company assesses whether the derivative used for the hedge transaction is effective or not in offsetting the changes in cash flows of the hedged item at inception of hedge and on an ongoing basis.

(4) Cash and cash equivalents

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

(5) Inventories

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

The cost of inventories is measured by the weighted-average method and includes the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition. Net realizable value is estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale salable.

(6) Property, plant and equipment

The Company applied the cost model for the property, plant and equipment subsequent to initial acquisition. Cost less accumulated depreciation and accumulated impairment.

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

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

• Buildings: 31 to 50 years
• Machinery and equipment: 4 to 12 years
Tools, furniture and fixtures: 5 to 6 years

Estimated useful lives, residual values, and depreciation methods are reviewed at the end of each fiscal year and, if there is a change, the depreciation charge is adjusted prospectively as changes in accounting estimates.

(7) Right-of-use assets

The Group leases a portion of its property, plant, and equipment.

The initial measurement of a right-of-use asset is calculated based on cost using the present value of the lease payments during a non-cancellable period plus reasonably certain extension option periods (hereafter, “lease period”), and any lease incentives received.

Lease liabilities are set at the initial measurement of the present value of the lease payments during the lease period. When there are changes in the lease period or lease payments subsequent to the initial measurement, the lease liability is remeasured, and the cost of a right-of-use asset and corresponding lease liability are adjusted.

Right-of-use assets are accounted for using the cost model and measured at cost less accumulated depreciation and the accumulated impairment losses. Lease liabilities are stated at the initial measurement and adjusted for any remeasurement less lease payments and adjusted for interest.

Depreciation cost of right-of-use assets is accounted for using the straight-line method over the lease period. Interest expenses associated with lease liabilities are classified separately from depreciation costs on right-of-use assets and included in finance expenses.

However, short-term leases for periods of 12 months or less and underlying assets with low value are not recognized as right-of-use assets or lease liabilities and lease payments are recognized in profit or loss either by applying the straight-line method or other established standards to the lease amount.
ments are accounted for as variable lease payments by applying the practical expedient.

(8) Goodwill and intangible assets
A) Goodwill
The measurement method at the date of initial recognition of goodwill is stated in "11) Basis of consolidation, C Business combinations." Goodwill is measured based on acquisition cost less accumulated impairment losses.

B) Intangible assets
Intangible assets are accounted for using the cost model and measured at acquisition cost less accumulated amortization and accumulated impairment losses.

(9) Impairment of non-financial assets
Non-financial assets (excluding inventories, deferred tax assets, and assets associated with employee benefits) are assessed whether indications of impairment exist at the end of each reporting period and tested for impairment if such indications exist. Impairment tests are conducted annually and each time indications of impairment are identified for goodwill, intangible assets with indefinite useful lives, and intangible assets which are not available for use at the end of the reporting period.

Impairment loss is recognized if an impairment test indicates that the recoverable amount of the asset or a cash-generating unit exceeds the recoverable amount of the asset.

For assets not tested individually under impairment tests, assets are grouped into the smallest cash-generating unit that generates cash inflows that are largely independent of the cash inflows of other assets or asset groups. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less the cost of disposal. In determining the value in use, estimated future cash flows arising from assets and cash-generating units are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The measurement of impairment loss of cash-generating units, including goodwill, is conducted by first reducing the book value of the goodwill that was allocated to the cash-generating unit, and then proportionately allocating the impairment loss based on the book value of each asset of the cash-generating unit.

If there are indications that an impairment loss recognized in a previous period no longer exists or has decreased and the recoverable amount of the asset or cash-generating unit exceeds the book value, the impairment loss is reversed. The impairment loss is reversed up to the lower of the calculated recoverable amount or book value less the recoverable amount of the asset or cash-generating unit exceeds the book value, the impairment loss is reversed. Impairment loss on goodwill is not reversed.

(10) Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a consequence of past events and it is probable that an outflow of resources embodying economic benefits will settle the obligation and a reliable estimate can be determined.

When the timing material, the provision amount is measured based on estimated future cash flows dis- counted to their present value using a discount rate reflecting the time value of money and risks specific to the liability.

(11) Employee benefits
A) Post-employment benefits
The Group applies the defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

Defined benefit obligation is determined by applying the projected unit credit method based on the present value of the defined benefit obligation and related current and past service costs. The discount rate used to discount to the present value of defined benefit obligations is determined by referring to the market yields of high-quality corporate bonds matching the currency and the maturity date with the retire- ment benefit obligation.

If there are indications that an impairment test indicates that the recoverable amount of the asset or a cash-generating unit exceeds the recoverable amount of the asset, the impairment loss is recognized proportionately based on the book value less the necessary depreciation and amortization had the impairment loss not been recognized previously. Impairment loss on goodwill is not reversed.

(15) Revenue recognition
Revenue is recognized through the following steps in accordance with IFRS 15 "Revenue from Contracts with Customers."

Step 1. Identify the contract with a customer.
Step 2. Identify the performance obligations in the contract.
Step 3. Determine the transaction price.
Step 4. Allocate the transaction price to each performance obligation.
Step 5. Recognize revenue when a performance obligation is satisfied.

The Group’s main business is the manufacture and sale of musical instruments, audio equipment, and other products. In principle, the customer takes possession of an item at the time of transfer and this is deemed as fulfilling the performance obligation.

The Group recognizes revenue when a performance obligation is satisfied.

A) Cash-settled share-based compensation
Cash-settled share-based compensation is a stock compensation plan similar to equity-settled share-based compensation, the estimated future tax payment amount of which is measured at the end of each reporting period at fair value and recognized as an expense under profit or loss over the corresponding service.

(16) Income taxes
Income taxes comprise current and deferred tax and are recognized in profit or loss with the exception of items related to business combinations or recognized directly in equity in other comprehensive income.

Current tax is measured at the amount expected to be paid or refunded to the tax authority. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantially enacted at the end of the reporting period. In the event of uncertainty concerning the tax position for treatment under income tax, if there is a high probability that the tax position to occur based on the tax laws, then a reasonable estimated amount is recognized as an asset or liability.

Deferred tax is recognized on the temporary difference between the carrying amount of the assets and liabilities at the end of the reporting period and their tax basis, less any income tax depreciation and amortization that has not reversed previously. Impairment loss on goodwill is not reversed.

This amendment allows lessors granted rent concessions as a direct result of the COVID-19 pandemic to apply simplified accounting treatment.

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

Deferred tax assets and liabilities are netted: (i) when the entity has a legally enforceable right to offset current tax assets and liabilities, and the tax balances are associated to the same entity and same taxation authority, (ii) when the current tax liabilities and assets are settled in net although the tax balances are associated to separate entities, or (iii) when the entity has the intention to recover the tax assets and settle the tax liabilities at the same time.

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

(17) Earnings per share
Basic earnings per share is calculated by the profit or loss attributable to the parent company’s ordinary shareholders and the diluted earnings per share is calculated by the profit or loss attributable to the parent company’s ordinary shareholders and the share capital and capital surplus, with costs associated with the issuance of treasury shares.

Proceeds from the issuance of common shares are recorded as capi- tal stock and capital surplus, with costs associated with the issuance deducted from capital surplus.

Shareholders are satisfied at the acquisition cost and treated as a deduction from equity. In the event that treasury shares are sold, the difference between the book value at the time of sale and the actual amount received is recognized in capital surplus.

(18) Changes in accounting policy
Effective from the fiscal year ended March 31, 2021, the Group early adopted the following standard:

IFRS 17 Lease Amendment to the accounting treatment for lessee and lessor leases

This amendment allows lessors granted rent concessions as a direct result of the COVID-19 pandemic to apply simplified accounting treatment.

Deferred tax assets and liabilities are netted: (i) when the entity has a legally enforceable right to offset current tax assets and liabilities, and the tax balances are associated to the same entity and same taxation authority, (ii) when the current tax liabilities and assets are settled in net although the tax balances are associated to separate entities, or (iii) when the entity has the intention to recover the tax assets and settle the tax liabilities at the same time.
The estimates used to calculate such provisions can be affected by payments calculated in consideration of all possible future outcomes. Settle future liabilities on the reporting date with the amounts of the provisions. Provisions are measured based on the best estimates of payments to settle the assumptions; however, the cash flows, discount rates, and other items. Management uses their best estimates and judgment to set the assumptions; however, actual results could differ from those estimates and assumptions due to their inherent uncertainty. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods that are affected by the changes. Judgments, estimates, and assumptions that may have significant effects on the amounts recognized in the consolidated financial statements of the Group are as follows:

- Scope of subsidiaries ("3. Significant Accounting Policies (1) Basis of consolidation") Whether a subsidiary is eligible for inclusion in consolidation is determined by whether the Group has control over the company.
- Impairment of non-financial assets ("3. Significant Accounting Policies (9) Impairment of non-financial assets" and "26. Other Income and Other Expenses") The Group conducts impairment tests in accordance with "3. Significant Accounting Policies on property, plant and equipment, right-of-use assets, goodwill, and intangible assets. The impairment tests to calculate recoverable amount include assumptions for future cash flows, discount rates, and other items. Management uses their best estimates and judgment to set the assumptions; however, the test results can be affected by changes in uncertain future economic conditions. When estimates are necessary, the changes can have a material effect on the consolidated financial statements.
- Recognition and measurement of provisions ("3. Significant Accounting Policies (10) Provisions," and "18. Provisions") Provisions are measured based on the best estimates of payments to settle future liabilities on the reporting date with the amounts of the payments calculated in consideration of all possible future outcomes. The estimates used to calculate such provisions can be affected by changes in uncertain future economic conditions and therefore contain the risk that the measurement of the provisions may require significant revision in the future.
- Measurement of retirement benefit obligation ("3. Significant Accounting Policies (11) Employee benefits," and "20. Employee Retirement Plans") Under the defined benefit corporate pension plan, the net amount of the defined benefit obligation and fair value of plan assets as assets or liabilities is recognized. The defined benefit obligation is calculated using actuarial calculations, which include estimates for the discount rate, retirement rate, mortality rate, and rate of salary increase. These assumptions are determined based on a comprehensive judgment using available information, such as market trends in interest rates and fluctuations. The assumptions for the actuarial calculations can be affected by changes in uncertain future economic conditions as well as social circumstances and therefore contain the risk that the measurement of the retirement benefit obligation may require significant revision in the future.
- Recovery of deferred tax assets ("3. Significant Accounting Policies (16) Income taxes," and "14. Income Taxes") Deferred tax assets are recognized based on the assumption that it is highly probable the Company will generate taxable income that can be applied to future deductible temporary differences. The judgment of whether sufficient taxable income will be generated is based on projections in the business plan of when and how much income is expected. Management uses their best estimates and judgment to set the assumptions; however, actual results can be affected by uncertain changes in future economic conditions.

The above estimates include judgments based on the prospective performance of the Group and assumptions, whose basis are the business plan developed based on the future sales forecast and outlook of the foreign exchange rates. Although there remains a high degree of uncertainty regarding the impact of the COVID-19 pandemic on the Group's business, the future operating performance is estimated based on assumptions that the gradual recovery continues. If the impact of the pandemic is longer than expected, the Group's future performance could be significantly affected, and there could be a significant impact on the Company's consolidated financial statements.

In addition, the estimates and assumptions used in the preparation of the consolidated financial statements are based on management's best estimates as of the end of the fiscal year. However, due to the uncertainty of future economic conditions, the Group performance may also be impacted by unanticipated developments in economic conditions. If such changes require management to revise its outlook, there could be a significant impact on the Company's consolidated financial statements.

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### 5 Segment Information

#### (1) Summary of reportable segments

The Group's reportable segments are comprised of business units for which discrete financial information is available and which are regularly reviewed by the Board of Directors of the Company for the purposes of evaluating business performance and management decision-making about resource allocation. The Group's reportable segments, based on the economic features and similarity of products and services, comprise its two principal reportable segments, which are "musical instruments" and "audio equipment." Other businesses are included in the "other" segment. The musical instruments segment includes the manufacture and sales of pianos, digital musical instruments, wind, string, and percussion instruments, and other music-related activities. The audio equipment segment includes the manufacture and sales of audio products, professional audio equipment, information and telecommunication equipment, and certain other products. The other segment includes electronic devices business, automobile interior wood components, factory automation (FA) equipment, golf products, resorts, and certain other lines of business.

#### (2) Reportable segment information

The Group's reportable segment information is as follows:

The accounting methods of the reported business segments are the same as those presented in "3. Significant Accounting Policies."
(4) Information about geographical areas
Information on revenue and non-current assets by geographical areas is as follows:

A) Revenue

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥108,193</td>
<td>¥123,615</td>
<td>$97,285</td>
</tr>
<tr>
<td>North America</td>
<td>¥76,051</td>
<td>¥87,347</td>
<td>686,144</td>
</tr>
<tr>
<td>[Of which, U.S.A.]</td>
<td>(64,541)</td>
<td>(76,051)</td>
<td>(582,974)</td>
</tr>
<tr>
<td>Europe</td>
<td>¥73,212</td>
<td>80,191</td>
<td>661,295</td>
</tr>
<tr>
<td>China</td>
<td>¥57,930</td>
<td>52,492</td>
<td>411,972</td>
</tr>
<tr>
<td>Other</td>
<td>¥57,930</td>
<td>69,990</td>
<td>519,646</td>
</tr>
<tr>
<td>Total</td>
<td>¥275,520</td>
<td>241,327</td>
<td>2,095,512</td>
</tr>
</tbody>
</table>

(5) Information about major customers
Disclosure is omitted since no single external customer accounts for 10% or more of the Group’s revenue.

B) Non-current assets (excluding financial assets, deferred tax assets, and retirement benefit assets)

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥66,492</td>
<td>¥70,765</td>
<td>$51,564</td>
</tr>
<tr>
<td>North America</td>
<td>4,871</td>
<td>4,372</td>
<td>43,998</td>
</tr>
<tr>
<td>Europe</td>
<td>5,895</td>
<td>5,851</td>
<td>53,247</td>
</tr>
<tr>
<td>China</td>
<td>17,594</td>
<td>15,762</td>
<td>158,320</td>
</tr>
<tr>
<td>Other</td>
<td>28,765</td>
<td>26,132</td>
<td>259,823</td>
</tr>
<tr>
<td>[Of which, Indonesia]</td>
<td>(17,755)</td>
<td>(16,942)</td>
<td>(160,374)</td>
</tr>
<tr>
<td>Total</td>
<td>¥122,619</td>
<td>¥124,820</td>
<td>$1,107,569</td>
</tr>
</tbody>
</table>

Note: Major countries or areas included in geographical category other than Japan and China

6 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>¥125,345</td>
<td>¥92,811</td>
<td>$1,118,323</td>
</tr>
<tr>
<td>Total</td>
<td>¥125,345</td>
<td>¥92,811</td>
<td>$1,118,323</td>
</tr>
</tbody>
</table>

Note: The balance of “cash and cash equivalents” on the consolidated statement of financial position is the same as the balance of “cash and cash equivalents at end of period” on the consolidated statement of cash flows.

7 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and trade receivables</td>
<td>¥42,233</td>
<td>¥51,537</td>
<td>$444,767</td>
</tr>
<tr>
<td>Other</td>
<td>9,453</td>
<td>8,289</td>
<td>85,385</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(1,963)</td>
<td>(1,760)</td>
<td>(12,211)</td>
</tr>
<tr>
<td>Total</td>
<td>¥57,729</td>
<td>¥58,067</td>
<td>$517,830</td>
</tr>
</tbody>
</table>

Note: “Trade and other receivables” are classified as financial assets measured at amortized cost.

8 Inventories

The breakdown of inventories is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods and merchandise</td>
<td>¥64,327</td>
<td>68,236</td>
<td>$581,041</td>
</tr>
<tr>
<td>Work in progress</td>
<td>12,033</td>
<td>12,938</td>
<td>108,689</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>20,442</td>
<td>18,878</td>
<td>184,545</td>
</tr>
<tr>
<td>Total</td>
<td>¥96,803</td>
<td>99,010</td>
<td>$847,284</td>
</tr>
</tbody>
</table>

Note: The amounts of write-downs (reversal of write-downs) of inventories recognized in "Cost of sales" for the fiscal years ended March 31, 2021 and 2020 were ¥656 million ($5,925 thousand) and $91 million, respectively.
### Other Current Assets

The breakdown of other current assets is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥1,853</td>
<td>¥1,853</td>
</tr>
<tr>
<td>Other</td>
<td>¥617</td>
<td>¥739</td>
</tr>
<tr>
<td></td>
<td>¥2,470</td>
<td>¥2,592</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥9,071</td>
<td>¥9,056</td>
</tr>
</tbody>
</table>

### Property, Plant and Equipment

Changes in carrying amount, cost, accumulated depreciation, and impairment losses of property, plant and equipment are as follows:

1. Carrying amount

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>¥373,372</td>
<td>¥165,026</td>
</tr>
<tr>
<td>Acquisition</td>
<td>¥1,372</td>
<td>¥1,343</td>
</tr>
<tr>
<td>Depreciation*</td>
<td>(3,205)</td>
<td>(3,474)</td>
</tr>
<tr>
<td>Impairment losses or reversal of impairment losses*</td>
<td>(732)</td>
<td>(408)</td>
</tr>
<tr>
<td>Sales or disposals</td>
<td>(103)</td>
<td>(216)</td>
</tr>
<tr>
<td>Reclassification to assets held for sale</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification</td>
<td>1,463</td>
<td>3,306</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(89)</td>
<td>(127)</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>(31)</td>
</tr>
<tr>
<td>Total</td>
<td>¥374,420</td>
<td>¥161,413</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>¥98,248</td>
<td>¥103,577</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>(184)</td>
<td>(158)</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>(2,213)</td>
<td>(2,416)</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>(25)</td>
<td>(29)</td>
</tr>
<tr>
<td>Total</td>
<td>¥76,880</td>
<td>¥80,168</td>
</tr>
</tbody>
</table>

3. Accumulated depreciation and impairment losses

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>¥73,277</td>
<td>¥70,460</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(273)</td>
<td>(277)</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>(5,206)</td>
<td>(5,206)</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>(218)</td>
<td>(182)</td>
</tr>
<tr>
<td>Total</td>
<td>¥70,046</td>
<td>¥68,987</td>
</tr>
</tbody>
</table>

### 10 Leases

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>(217)</td>
<td>(238)</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>(5,096)</td>
<td>(5,187)</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>(25)</td>
<td>(28)</td>
</tr>
<tr>
<td>Total</td>
<td>(5,339)</td>
<td>(5,339)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment losses on right-of-use assets</td>
<td>(184)</td>
<td>(158)</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>(2,213)</td>
<td>(2,416)</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>(25)</td>
<td>(29)</td>
</tr>
<tr>
<td>Total</td>
<td>(2,402)</td>
<td>(2,479)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses on lease liabilities</td>
<td>(136)</td>
<td>(136)</td>
</tr>
<tr>
<td>Lease expense where the recognition exemption is applied for short-term leases and leases of low-value assets</td>
<td>(2,586)</td>
<td>(2,817)</td>
</tr>
<tr>
<td>Total</td>
<td>(2,722)</td>
<td>(2,953)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in right-of-use assets</td>
<td>5,244</td>
<td>7,046</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakdown of the balance of right-of-use assets</td>
<td>7,796</td>
<td>6,914</td>
</tr>
<tr>
<td>Machinery and vehicles as underlying assets</td>
<td>14,419</td>
<td>17,077</td>
</tr>
<tr>
<td>Tools, furniture and fixtures as underlying assets</td>
<td>563</td>
<td>469</td>
</tr>
<tr>
<td>Total</td>
<td>22,213</td>
<td>22,404</td>
</tr>
</tbody>
</table>

(Note) For the fiscal year ended March 31, 2021, the total amount of cash outflows for leases includes ¥300 million (U.S.$2,056 thousand) of variable lease payments related to rent concessions granted due to the COVID-19 pandemic.
Goodwill and Intangible Assets

Changes in carrying amount, cost, accumulated amortization, and impairment losses of goodwill and intangible assets are as follows:

(1) Carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated amortization costs</td>
<td>Other</td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of April 1, 2019</td>
<td>¥161</td>
<td>¥–</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>453</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>(3)</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>¥158</td>
<td>¥463</td>
</tr>
<tr>
<td>Acquisition</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Increase due to internal development</td>
<td>–</td>
<td>250</td>
</tr>
<tr>
<td>Amortization*</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sales or disposal</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance as of March 31, 2021</td>
<td>¥160</td>
<td>¥703</td>
</tr>
</tbody>
</table>

(2) Cost

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated amortization costs</td>
<td>Other</td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of April 1, 2019</td>
<td>¥161</td>
<td>¥–</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>158</td>
<td>453</td>
</tr>
<tr>
<td>Balance as of March 31, 2021</td>
<td>160</td>
<td>703</td>
</tr>
</tbody>
</table>

(3) Accumulated amortization and impairment losses

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated amortization costs</td>
<td>Other</td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of April 1, 2019</td>
<td>¥–</td>
<td>–</td>
</tr>
<tr>
<td>Balance as of March 31, 2020</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance as of March 31, 2021</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Other Financial Assets

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

(1) Breakdown of other financial assets

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Financial assets measured at amortized cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time deposits with a maturity of more than three months</td>
<td>¥8,519</td>
<td>¥12,757</td>
<td>$76,949</td>
</tr>
<tr>
<td>Other</td>
<td>4,092</td>
<td>4,188</td>
<td>36,961</td>
</tr>
<tr>
<td>Subtotal</td>
<td>12,611</td>
<td>16,945</td>
<td>113,910</td>
</tr>
<tr>
<td>Financial assets measured at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments</td>
<td>252</td>
<td>497</td>
<td>2,276</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>128</td>
<td>–</td>
</tr>
<tr>
<td>Subtotal</td>
<td>252</td>
<td>625</td>
<td>2,276</td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1,157,768</td>
<td>63,185</td>
<td>1,045,687</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥1,157,768</td>
<td>¥63,185</td>
<td>$1,045,687</td>
</tr>
<tr>
<td>Total</td>
<td>¥128,831</td>
<td>¥80,756</td>
<td>$1,161,873</td>
</tr>
</tbody>
</table>

Note: The Group applies hedge accounting for derivative assets.

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

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Listed companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yamaha Motor Co., Ltd.</td>
<td>¥93,916</td>
<td>$848,306</td>
<td></td>
</tr>
<tr>
<td>TOYOTA MOTOR CORPORATION</td>
<td>4,319</td>
<td>39,012</td>
<td></td>
</tr>
<tr>
<td>Audinate Group Limited</td>
<td>3,729</td>
<td>30,765</td>
<td></td>
</tr>
<tr>
<td>MS&amp;AD Insurance Group Holdings, Inc.</td>
<td>3,406</td>
<td>30,765</td>
<td></td>
</tr>
<tr>
<td>The Shizuoka Bank, Ltd.</td>
<td>2,336</td>
<td>21,100</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,352</td>
<td>21,245</td>
<td></td>
</tr>
<tr>
<td>Unlisted companies</td>
<td>5,707</td>
<td>51,549</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥115,768</td>
<td>$1,045,687</td>
<td></td>
</tr>
</tbody>
</table>

Note: The Group applies hedge accounting for derivative assets.
B) Equity instruments measured at fair value through other comprehensive income, derecognized during the period

The breakdown and reconciliation of deferred tax assets and deferred tax liabilities by major components are as follows:

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

For the fiscal year ended March 31, 2021

<table>
<thead>
<tr>
<th>Beginning of the period</th>
<th>Recognized through profit or loss</th>
<th>Recognized through other comprehensive income</th>
<th>End of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on write-downs of inventories</td>
<td>¥ 1,168</td>
<td>¥ (1,168)</td>
<td></td>
</tr>
<tr>
<td>Unrealized gain on inventory, property, plant and equipment</td>
<td>26,565</td>
<td>(26,565)</td>
<td></td>
</tr>
<tr>
<td>Excess of depreciation and amortization</td>
<td>55,957</td>
<td>(55,957)</td>
<td></td>
</tr>
<tr>
<td>Impairment losses on non-financial assets</td>
<td>11,399</td>
<td>(11,399)</td>
<td></td>
</tr>
<tr>
<td>Accrued employees' bonuses</td>
<td>20,125</td>
<td>(20,125)</td>
<td></td>
</tr>
<tr>
<td>Provision for product warranty</td>
<td>5,221</td>
<td>(5,221)</td>
<td></td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>58,405</td>
<td>58,405</td>
<td></td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>1,770</td>
<td>(1,770)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>64,953</td>
<td>64,953</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets, subtotal</td>
<td>¥ 260,735</td>
<td>(260,735)</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for deferred gain on property, plant and equipment</td>
<td>2,767</td>
<td>(2,767)</td>
<td></td>
</tr>
<tr>
<td>Retained earnings of overseas subsidiaries</td>
<td>(2,767)</td>
<td>(2,767)</td>
<td></td>
</tr>
<tr>
<td>Change in fair value of financial assets</td>
<td>28,300</td>
<td>(28,300)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,770</td>
<td>(1,770)</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities, subtotal</td>
<td>¥ (24,090)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets or liabilities, net</td>
<td>¥ 216,645</td>
<td>(216,645)</td>
<td></td>
</tr>
</tbody>
</table>

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

(2) Future deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognized

Future deductible temporary differences and tax loss carryforwards (tax base) for which deferred tax assets were not recognized are as follows:

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future deductible temporary differences</td>
<td>¥23,003</td>
<td>¥30,917</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>2,364</td>
<td>3,023</td>
</tr>
<tr>
<td>Total</td>
<td>¥25,367</td>
<td>¥34,131</td>
</tr>
</tbody>
</table>

Note: The amounts of tax loss carryforwards include the amounts of tax credit carryforwards.
The reconciliation between the statutory effective tax rate and the average effective tax rate is as follows:

<table>
<thead>
<tr>
<th>Within one year</th>
<th>Between one and two years</th>
<th>Between two and three years</th>
<th>Between three and four years</th>
<th>Over four years</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥ 131</td>
<td>¥ 126</td>
<td>¥ 67</td>
<td>¥ 50</td>
<td>¥ 23</td>
</tr>
</tbody>
</table>

Total: ¥2,354

(3) Future taxable temporary differences for which deferred tax liabilities were not recognized

Future taxable temporary differences (temporary difference base) for which deferred tax liabilities were not recognized as follows:

- Future taxable temporary differences associated with investments in subsidiaries are not recognized since the Group can control the timing of reversal of those temporary differences and it is probable that such temporary differences will not reverse in the foreseeable period.
- Future taxable temporary differences (temporary difference base) for which deferred tax liabilities were not recognized are as follows:

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥89,146</td>
<td>¥79,387</td>
<td>¥805,221</td>
</tr>
</tbody>
</table>

(4) Breakdown of income tax expense

The breakdown of income tax expense is as follows:

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥(9,213)</td>
<td>¥12,487</td>
<td>¥83,217</td>
</tr>
</tbody>
</table>

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

The Company is subject to corporate tax, inhabitant tax and enterprise tax. The statutory effective tax rate calculated based on these taxes was 29.9% for the fiscal years ended March 31, 2021 and 2020. The Company’s subsidiaries are subject to corporate and other taxes in their country of domicile.

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

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥29.9%</td>
<td>¥29.9%</td>
<td>¥28.0%</td>
</tr>
</tbody>
</table>

(6) Interest-Bearing Debt

The breakdown of interest-bearing debt is as follows:

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥7,537</td>
<td>¥10,830</td>
<td>¥86,079</td>
</tr>
</tbody>
</table>

Notes: 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. The average interest rate represents the weighted-average interest rate applied to the balance of the borrowings as of the end of the current fiscal year.
18 Provisions

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2020</td>
<td>$25,653</td>
<td>¥ 2,841</td>
</tr>
<tr>
<td>Increase</td>
<td>¥ 4,868</td>
<td>$ 4,505</td>
</tr>
<tr>
<td>Decrease (utilized as intended)</td>
<td>¥ 978</td>
<td>$ 80</td>
</tr>
<tr>
<td>Decrease (reversal)</td>
<td>¥ 39</td>
<td>$ 4</td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>¥ 2,764</td>
<td>$ 2,764</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>¥ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Balance as of March 31, 2021</td>
<td>¥ 30,664</td>
<td>$ 31,421</td>
</tr>
</tbody>
</table>

Increase 1,745 978 39 2,764
Decrease (utilized as intended) (549) (57) (48) (834)
Decrease (reversal) (120) – – (120)
Unwinding of discount – 4 – – 4
Exchange differences on translation (76) (17) (8) (92)

Provision for product warranty is accounted for post-sales repair expenses based on historical experience considering revenue, sales volumes, and other factors. The amount of the provision is generally determined based on the employee’s length of service, salary, and other requirements. The provision for product warranty is exposed to general risks such as investment risk, interest rate risk, and inflation risk.

19 Other Current Liabilities

The breakdown of other current liabilities is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of April 1, 2019</td>
<td>$1,840</td>
<td>¥ 505</td>
</tr>
<tr>
<td>Increase</td>
<td>¥ 1,745</td>
<td>$ 757</td>
</tr>
<tr>
<td>Decrease (utilized as intended)</td>
<td>¥ 39</td>
<td>$ 48</td>
</tr>
<tr>
<td>Decrease (reversal)</td>
<td>¥ 2,264</td>
<td>$ 834</td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences on translation</td>
<td>¥ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>Balance as of April 1, 2019</td>
<td>$ 2,264</td>
<td>¥ 4,133</td>
</tr>
</tbody>
</table>

Increase 807 93 27 929
Decrease (utilized as intended) (695) (75) (80) (872)
Decrease (reversal) (1,027) – – (1,027)
Unwinding of discount – 2 – – 2
Exchange differences on translation 102 20 0 123

Balance as of April 30, 2021 | ¥ 2,129 | $ 4,174 |

Provision for product warranty is accounted for post-sales repair expenses based on historical experience considering revenue, sales volumes, or on individual estimates. Although payments for repairs are mainly made within one year after a claim, certain payments are made over one year. Asset retirement obligations are accounted for future payments for dismantling and removing assets and restoring the site. It is assumed that payments to settle these obligations will be required mainly after one year or more, and the amounts of the obligations may be affected by future business strategy.

20 Employee Benefits

(1) Post-employment benefits

The Company and certain subsidiaries provide funded or unfunded defined benefit plans and defined contribution plans as retirement benefits for employees. The amount of benefits is generally determined based on each employee’s length of service, salary, and other requirements. The defined benefit plans are exposed to general risks such as investment risk, interest rate risk, and inflation risk.

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annuity based on the employee compensation point system. The funded defined benefit plan is operated by the Yamaha Corporate Pension Fund (“the Fund”) and other administrators that are legally independent from the Group in accordance with the Defined-Benefit Corporate Pension Act (the “Act”). As stipulated in the Act, the Board of Directors of the pension fund and the pension management trustee should act in the best interest of the plan participants and have responsibilities to manage the fund assets based on the prescribed policies.

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

A) Defined benefit plans (funded and unfunded)

(a) Reconciliation for defined benefit obligation and plan assets

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation of funded plan</td>
<td>$ 80,430</td>
<td>¥ 80,430</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(86,441)</td>
<td>(86,441)</td>
</tr>
<tr>
<td>Amounts on the consolidated statement of financial position</td>
<td>16,148</td>
<td>¥ 16,148</td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>22,576</td>
<td>22,576</td>
</tr>
<tr>
<td>Retirement benefit assets</td>
<td>(6,427)</td>
<td>(6,427)</td>
</tr>
<tr>
<td>Net defined benefit liabilities on the consolidated statement of financial position</td>
<td>16,148</td>
<td>16,148</td>
</tr>
</tbody>
</table>

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

(b) Changes in present value of defined benefit obligations

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligations at the beginning of the period</td>
<td>$102,423</td>
<td>¥102,423</td>
</tr>
<tr>
<td>Service cost</td>
<td>3,992</td>
<td>4,087</td>
</tr>
<tr>
<td>Interest cost</td>
<td>962</td>
<td>841</td>
</tr>
<tr>
<td>Actuarial remeasurements</td>
<td>(7,032)</td>
<td>(7,257)</td>
</tr>
<tr>
<td>Actuarial gains (losses)</td>
<td>552</td>
<td>12</td>
</tr>
<tr>
<td>Actuarial gains (losses)</td>
<td>130</td>
<td>1,114</td>
</tr>
<tr>
<td>Other</td>
<td>213</td>
<td>1,924</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>789</td>
<td>951</td>
</tr>
<tr>
<td>Other</td>
<td>(147)</td>
<td>(1,328)</td>
</tr>
<tr>
<td>Present value of defined benefit obligations at the end of the period</td>
<td>$100,982</td>
<td>¥100,982</td>
</tr>
</tbody>
</table>

Note: The weighted-average duration of defined benefit obligations was 11.6 years as of March 31, 2021 and 2020.
This analysis assumes all other variables are consistent. In reality, however, a change of any other variable may affect the results of this sensitivity analysis.

<table>
<thead>
<tr>
<th>Change</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 0.5% in discount rate</td>
<td>¥8,001</td>
<td>$55,906</td>
</tr>
<tr>
<td>Decrease of 0.5% in discount rate</td>
<td>5,840</td>
<td>5,944</td>
</tr>
</tbody>
</table>

8) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥7,368 million ($65,461 thousand) and ¥7,703 million for the fiscal years ended March 31, 2021 and 2020, respectively. In addition to the above, additional retirement benefits of ¥175 million ($1164 thousand) and ¥42 million were recognized for the fiscal years ended March 31, 2021 and 2020, respectively.

9) Employee benefit expenses

Total amounts of employee benefit expenses included in “Cost of sales,” “Selling, general and administrative expenses,” and “Other expenses” in the consolidated statement of income were ¥109,566 million ($989,661 thousand) and ¥114,725 million for the fiscal years ended March 31, 2021 and 2020, respectively.

21 equity

(1) Policy on equity

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

(2) Share capital and treasury shares

Changes in the numbers of authorized shares, outstanding shares, and treasury shares are as follows:

The breakdown of the plan assets by major category is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>¥28,850</td>
<td>¥50,818</td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥17,516</td>
<td>¥17,516</td>
</tr>
<tr>
<td>Life insurance</td>
<td>¥5,944</td>
<td>¥5,944</td>
</tr>
</tbody>
</table>

The breakdown of plan assets and their fair value

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

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

For management of the plan assets, the board of representatives will make decisions based on discussions by the asset management committee. The board of representatives and the asset management committee consist of personnel with appropriate qualifications including directors of the Company's finance division and human resources division. The labor union leaders are also included as the representative of the beneficiaries.

(b) Breakdown of plan assets and their fair value

The Group plans to contribute ¥2,552 million ($23,051 thousand) for the fiscal year ending March 31, 2022.

(c) Changes in fair value of plan assets

Changes in fair value of plan assets are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of plan assets at the beginning of the period</td>
<td>¥70,669</td>
<td>¥83,520</td>
</tr>
<tr>
<td>Present value of plan assets at the end of the period</td>
<td>¥96,274</td>
<td>¥70,669</td>
</tr>
</tbody>
</table>

(f) Sensitivity analysis

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

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of 0.5% in discount rate</td>
<td>¥8,001</td>
<td>$55,906</td>
</tr>
<tr>
<td>Decrease of 0.5% in discount rate</td>
<td>5,840</td>
<td>5,944</td>
</tr>
</tbody>
</table>

(e) Actuarial assumptions

The major actuarial assumption used to determine the present value of defined benefit obligations is as follows:

<table>
<thead>
<tr>
<th>Assumption</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.65%</td>
<td>0.61%</td>
</tr>
</tbody>
</table>

(d) Changes in fair value of plan assets

Changes in fair value of plan assets are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of plan assets at the beginning of the period</td>
<td>¥70,669</td>
<td>¥83,520</td>
</tr>
<tr>
<td>Present value of plan assets at the end of the period</td>
<td>¥96,274</td>
<td>¥70,669</td>
</tr>
</tbody>
</table>

This analysis assumes all other variables are consistent. In reality, however, a change of any other variable may affect the results of this sensitivity analysis.
## Dividends

The dividends paid are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended March 31</th>
<th>Total Dividends</th>
<th>Cash Dividends</th>
<th>Retained Earnings</th>
<th>Source</th>
<th>Total Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>¥58,415</td>
<td>¥30,000</td>
<td>¥28,415</td>
<td>Common stock</td>
<td>¥58,415</td>
</tr>
<tr>
<td>2019</td>
<td>¥57,936</td>
<td>¥30,000</td>
<td>¥27,936</td>
<td>Common stock</td>
<td>¥57,936</td>
</tr>
</tbody>
</table>

**Breakdown of revenue**

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue Recognized from Contracts with Customers</th>
<th>Revenue Recognized from Other Sources</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥2,174,430</td>
<td>¥393,981</td>
<td>¥2,568,411</td>
</tr>
<tr>
<td>North America</td>
<td>¥453,155</td>
<td>63,301</td>
<td>¥516,456</td>
</tr>
<tr>
<td>Europe</td>
<td>435,939</td>
<td>121,172</td>
<td>557,111</td>
</tr>
<tr>
<td>China</td>
<td>435,939</td>
<td>121,172</td>
<td>557,111</td>
</tr>
<tr>
<td>Other</td>
<td>435,939</td>
<td>121,172</td>
<td>557,111</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,174,430</td>
<td>¥393,981</td>
<td>¥2,568,411</td>
</tr>
</tbody>
</table>

**Main countries or areas included in geographical category other than Japan and China:**

- North America: U.S.A., Canada
- Europe: Germany, France, U.K.
- Other: Republic of Korea, Australia

### Revenue

The breakdown of revenue is as follows:

1. **Breakdown of revenue by region**

   - **Japan**
     - Total: ¥238,981
     - Dividends: ¥103,813
     - Retained earnings: ¥29,836
     - Total: ¥372,630

   - **North America**
     - Total: ¥46,053
     - Dividends: ¥22,701
     - Retained earnings: ¥4,524
     - Total: ¥73,212

   - **Europe**
     - Total: ¥46,053
     - Dividends: ¥22,701
     - Retained earnings: ¥4,524
     - Total: ¥73,212

   - **China**
     - Total: ¥48,176
     - Dividends: ¥7,008
     - Retained earnings: ¥2,545
     - Total: ¥57,730

   - **Other**
     - Total: ¥40,956
     - Dividends: ¥13,415
     - Retained earnings: ¥3,158
     - Total: ¥57,530

   - **Total**
     - Total: ¥238,981
     - Dividends: ¥103,813
     - Retained earnings: ¥29,836
     - Total: ¥372,630

2. **Breakdown of revenue by segment**

   - **Musical instruments**
     - Total: ¥237,742
     - Dividends: ¥103,401
     - Retained earnings: ¥25,859
     - Total: ¥366,002

   - **Audio equipment**
     - Total: ¥11,238
     - Dividends: ¥412
     - Retained earnings: ¥136
     - Total: ¥1,666

   - **Total**
     - Total: ¥238,981
     - Dividends: ¥103,813
     - Retained earnings: ¥29,836
     - Total: ¥372,630

3. **Revenue recognized from contracts with customers**

   - **Japan**
     - Total: ¥2,174,430
     - Dividends: ¥393,981
     - Retained earnings: ¥22,843
     - Total: ¥2,590,254

   - **North America**
     - Total: ¥453,155
     - Dividends: 63,301
     - Retained earnings: 22,988
     - Total: 539,444

   - **Europe**
     - Total: 435,939
     - Dividends: 121,172
     - Retained earnings: 28,525
     - Total: 585,636

   - **China**
     - Total: 435,939
     - Dividends: 121,172
     - Retained earnings: 28,525
     - Total: 585,636

   - **Other**
     - Total: 435,939
     - Dividends: 121,172
     - Retained earnings: 28,525
     - Total: 585,636

   - **Total**
     - Total: ¥2,174,430
     - Dividends: ¥393,981
     - Retained earnings: ¥22,843
     - Total: ¥2,590,254
24 Selling, General and Administrative Expenses

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Freight and transportation expenses</td>
<td>¥(11,817)</td>
<td>¥12,322</td>
</tr>
<tr>
<td>Advertising and sales promotion expenses</td>
<td>¥(10,910)</td>
<td>¥17,226</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>¥(52,458)</td>
<td>¥(55,001)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>¥(4,910)</td>
<td>¥4,902</td>
</tr>
<tr>
<td>Other</td>
<td>¥(22,100)</td>
<td>¥31,654</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥(102,986)</td>
<td>¥121,307</td>
</tr>
</tbody>
</table>

25 Research and Development Expenses

The amount of research and development expenses included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>¥24,189</td>
<td>¥24,814</td>
</tr>
</tbody>
</table>

26 Other Income and Other Expenses

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>¥106</td>
<td>¥372</td>
</tr>
<tr>
<td>Government grants*</td>
<td>956</td>
<td>1,063</td>
</tr>
<tr>
<td>Reversal of impairment losses</td>
<td>–</td>
<td>408</td>
</tr>
<tr>
<td>Loss on sale and retirement of fixed assets</td>
<td>¥(200)</td>
<td>¥(111)</td>
</tr>
<tr>
<td>Loss from suspension of operations*</td>
<td>¥(2,318)</td>
<td>¥(1,398)</td>
</tr>
<tr>
<td>Impairment losses*</td>
<td>¥(5,553)</td>
<td>¥(5,530)</td>
</tr>
<tr>
<td>FINs for composition law infringements</td>
<td>¥(527)</td>
<td>–</td>
</tr>
<tr>
<td>Loss on sale of investments in associates</td>
<td>–</td>
<td>¥(231)</td>
</tr>
<tr>
<td>Other</td>
<td>¥(134)</td>
<td>¥156</td>
</tr>
</tbody>
</table>

* Government grants

For the fiscal year ended March 31, 2021, the Company recognized ¥680 million ($6,043 thousand) of government grants due to the COVID-19 pandemic.

Method of grouping assets

The Group's assets are grouped based on the minimum cash-generating units that generate primarily independent cash inflows.

27 Finance Income and Finance Expenses

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Interest income</td>
<td>¥ 72</td>
<td>¥ 811</td>
</tr>
<tr>
<td>Dividend income</td>
<td>2,693</td>
<td>3,724</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,765</td>
<td>¥4,535</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td>¥(180)</td>
<td>¥(381)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>¥(336)</td>
<td>¥(364)</td>
</tr>
<tr>
<td>Loss on revaluation of investment securities</td>
<td>¥(8)</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange gain or loss</td>
<td>¥(20)</td>
<td>¥(347)</td>
</tr>
<tr>
<td>Total</td>
<td>¥(2,062)</td>
<td>¥1,885</td>
</tr>
</tbody>
</table>

The breakdown of dividend income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Financial assets derecognized during the period</td>
<td>¥86</td>
<td>¥0</td>
</tr>
<tr>
<td>Financial assets held at the end of the period</td>
<td>2,607</td>
<td>3,723</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,693</td>
<td>¥3,724</td>
</tr>
</tbody>
</table>
### 28 Other Comprehensive Income

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

#### For the fiscal year ended March 31, 2021

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount arising during the period</th>
<th>Reclassification adjustment</th>
<th>Before income tax adjustment</th>
<th>Income tax adjustment</th>
<th>After income tax adjustment</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>¥ 8,179</td>
<td>¥ –</td>
<td>¥ 8,179</td>
<td>¥ (2,493)</td>
<td>¥ 5,687</td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>¥ 53,748</td>
<td>¥ –</td>
<td>¥ 53,748</td>
<td>¥ (15,820)</td>
<td>¥ 37,927</td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income in associates accounted for using the equity method</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td></td>
</tr>
<tr>
<td>Items that may be subsequently reclassified to profit or loss</td>
<td>¥ 12,037</td>
<td>¥ –</td>
<td>¥ 12,037</td>
<td>¥ –</td>
<td>¥ 12,037</td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>¥ (847)</td>
<td>¥ 574</td>
<td>¥ (272)</td>
<td>¥ 81</td>
<td>¥ 191</td>
<td></td>
</tr>
<tr>
<td>Gain or loss on cash flow hedges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>¥ 973,118</td>
<td>¥ 9574</td>
<td>¥ 73,692</td>
<td>¥ (18,232)</td>
<td>¥ 55,460</td>
<td></td>
</tr>
</tbody>
</table>

#### For the fiscal year ended March 31, 2020

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount arising during the period</th>
<th>Reclassification adjustment</th>
<th>Before income tax adjustment</th>
<th>Income tax adjustment</th>
<th>After income tax adjustment</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>¥ 73,878</td>
<td>¥ –</td>
<td>¥ 73,878</td>
<td>¥ (22,509)</td>
<td>¥ 51,368</td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>¥ 485,485</td>
<td>¥ –</td>
<td>¥ 485,485</td>
<td>¥ (142,896)</td>
<td>¥ 342,580</td>
<td></td>
</tr>
<tr>
<td>Share of other comprehensive income in associates accounted for using the equity method</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ –</td>
<td></td>
</tr>
<tr>
<td>Items that may be subsequently reclassified to profit or loss</td>
<td>¥ 108,725</td>
<td>¥ –</td>
<td>¥ 108,725</td>
<td>¥ –</td>
<td>¥ 108,725</td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>¥ (7,651)</td>
<td>¥ 5,185</td>
<td>¥ (2,457)</td>
<td>¥ 732</td>
<td>¥ 1,226</td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>¥ 665,446</td>
<td>¥ 6,185</td>
<td>¥ 665,631</td>
<td>¥ (164,683)</td>
<td>¥ 500,948</td>
<td></td>
</tr>
</tbody>
</table>

### 29 Earnings per Share

Basic earnings per share and the basis for its calculation are as follows:

#### For the fiscal year ended March 31, 2021

<table>
<thead>
<tr>
<th>Item</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>¥151.39</td>
<td>$1.37</td>
</tr>
</tbody>
</table>

Note: Diluted earnings per share is not stated since there are no potential shares that would have a dilutive effect.

### 30 Non-Cash Transactions

The breakdown of major non-cash transactions is as follows:

#### For the fiscal year ended March 31, 2021

| Item                                                                 | Balance at beginning of the period | Changes due to cash flows from financing activities | Acquisition of right-of-use assets | Effect of changes in foreign exchange rate | Balance at end of the period | Millions of yen | Thousands of U.S. dollars (Note 2) |
|----------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------|---------------------------------|----------------------------|-----------------|----------------|----------------|
| Lease liabilities                                                    | ¥212,219                         | ¥166,063                                        | ¥4,241                           | ¥654                            | ¥20,161                    |                 |                 |                 |
| Interest-bearing debt                                               | 10,630                           | (2,602)                                         | –                                | –                               | 139                        | 8,367           |                 |                 |
| Resort membership deposits                                           | 8,060                            | (86)                                            | –                                | –                               | 8,094                      |                 |                 |                 |

#### For the fiscal year ended March 31, 2020

| Item                                                                 | Balance at beginning of the period | Changes due to cash flows from financing activities | Acquisition of right-of-use assets | Effect of changes in foreign exchange rate | Balance at end of the period | Millions of yen | Thousands of U.S. dollars (Note 2) |
|----------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------|---------------------------------|----------------------------|-----------------|----------------|----------------|
| Lease liabilities                                                    | ¥191,753                         | ¥154,765                                        | ¥13,211                          | ¥9,907                          | ¥192,126                    |                 |                 |                 |
| Interest-bearing debt                                               | 97,823                           | (23,503)                                        | –                                | 1,256                           | 75,576                      |                 |                 |                 |
| Resort membership deposits                                           | 81,113                           | (777)                                           | –                                | –                               | 80,336                      |                 |                 |                 |

### 31 Reconciliation of Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities are as follows:

#### For the fiscal year ended March 31, 2021

| Item                                                                 | Balance at beginning of the period | Changes due to cash flows from financing activities | Acquisition of right-of-use assets | Effect of changes in foreign exchange rate | Balance at end of the period | Millions of yen | Thousands of U.S. dollars (Note 2) |
|----------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------|---------------------------------|----------------------------|-----------------|----------------|----------------|
| Interest-bearing debt                                               | 10,630                           | (2,602)                                         | –                                | –                               | 8,094                      |                 |                 |                 |
| Resort membership deposits                                           | 8,060                            | (86)                                            | –                                | –                               | 8,094                      |                 |                 |                 |

#### For the fiscal year ended March 31, 2020

| Item                                                                 | Balance at beginning of the period | Changes due to cash flows from financing activities | Acquisition of right-of-use assets | Effect of changes in foreign exchange rate | Balance at end of the period | Millions of yen | Thousands of U.S. dollars (Note 2) |
|----------------------------------------------------------------------|-----------------------------------|--------------------------------------------------|----------------------------------|---------------------------------|----------------------------|-----------------|----------------|----------------|
| Interest-bearing debt                                               | 97,823                           | (23,503)                                        | –                                | 1,256                           | 75,576                      |                 |                 |                 |
| Resort membership deposits                                           | 81,113                           | (777)                                           | –                                | –                               | 80,336                      |                 |                 |                 |
32 Share-Based Compensation Payments

(1) Overview of share-based compensation plans

The Group has introduced equity-settled and cash-settled share-based compensation plans for executive officers and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders. As the equity-settled share-based compensation plan, the Group has a compensation plan with a restriction on share transfer. Under the plan, the Group grants monetary compensation receivables to eligible executive officers and certain operating officers and has them pay in all these receivables as contributed assets to issue or dispose of shares of the Company’s common stock. With the aim of sustainably enhancing its corporate value and sharing value with shareholders, the Company grants the shares-compensation plan with a restriction on share transfer depending on the level of the position and responsibilities at the commencement of the Medium-term Business Plan. For the purpose of giving incentive to achieve performance targets in the medium term, the Group grants one-third of entire compensation on the condition that the officer remains in the position and two-thirds are corresponding to operating performance, while equally considering performance indicators such as “Core operating profit ratio,” “Return on equity (ROE)” and “Earning per share (EPS)” as presented in the Medium-term Business Plan. With the aim of sharing value with shareholders over a long term after the Medium-term Business Plan, the transfer restrictions shall not be released until the retirement as officers or 30 years have passed after granting. In addition, a clawback provision shall be applied if any significant fraudulent accounting or significant losses were revealed, so that all or a part of the accumulated number of restricted shares shall be returned free of charge, depending on the responsibilities of each officer. The payment terms of the cash-settled share-based compensation plan are the same as the compensation plan with a restriction on share transfer.

(2) Number of shares granted during the period and their fair value

<table>
<thead>
<tr>
<th>Restriction on transfer of stock compensation</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of grant</td>
<td>July 22, 2020</td>
<td>June 20, 2019</td>
</tr>
<tr>
<td>Number of shares granted (Shares)</td>
<td>4,000</td>
<td>136,800</td>
</tr>
<tr>
<td>Fair value at the date of grant (¥)</td>
<td>20,840,036</td>
<td>606,186,002</td>
</tr>
</tbody>
</table>

Fair value was measured using the price of company shares at the time they are granted, and no adjustment was made in consideration of prospective dividend.

(3) Share-based compensation expenses

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Equity-settled</td>
<td>¥1,168</td>
</tr>
<tr>
<td>Cash-settled</td>
<td>(31)</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,200</td>
</tr>
</tbody>
</table>

(4) Liabilities for share-based compensation

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Book value of liabilities</td>
<td>¥74</td>
</tr>
<tr>
<td>(Of which, amount vested)</td>
<td>–</td>
</tr>
</tbody>
</table>

33 Financial Instruments

(1) Policy on capital management

The Group, in principle, limits its cash management to deposits for which the principal is guaranteed and interest rates are fixed. The Company, its domestic subsidiaries, and certain overseas subsidiaries execute the group finance for the effective use of the funds among the Group companies. In addition, certain subsidiaries borrow funds from financial institutions after comprehensively considering borrowing conditions such as amounts, terms, and interest rates. The Group uses derivatives for the purpose of hedging risks mentioned below and limits derivative transactions to actual exposure. The Group does not enter into derivative transactions for speculative purposes.

(2) Financial risk management

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

A) Credit risk

(a) Credit risk management

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

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

Regarding assets funds, the Group, in principle, limits investments to principal guaranteed deposits with fixed interest rates, thereby emphasizing safety and security. Derivative transactions are executed based on the Group’s Policy and Rules. Limiting derivative transactions to actual exposure, the Group does not enter into derivative transactions for speculative purposes. In addition, in order to mitigate counterparty credit risk, the Group only enters into derivative transactions with financial institutions with high credit ratings.

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

(b) Credit risk exposures

Credit risk exposures to the receivables held by the Group are as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Not yet overdue</td>
<td>¥58,745</td>
<td>¥57,463</td>
</tr>
<tr>
<td>Within 90 days</td>
<td>2,409</td>
<td>4,542</td>
</tr>
<tr>
<td>Over 90 days</td>
<td>266</td>
<td>259</td>
</tr>
<tr>
<td>Total</td>
<td>¥61,201</td>
<td>¥64,208</td>
</tr>
</tbody>
</table>

(c) Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the period</td>
<td>¥1,195</td>
<td>¥1,212</td>
</tr>
<tr>
<td>Increase</td>
<td>744</td>
<td>939</td>
</tr>
<tr>
<td>Decrease (charge-off)</td>
<td>(153)</td>
<td>(65)</td>
</tr>
<tr>
<td>Decrease (reversal)</td>
<td>(1,055)</td>
<td>(48)</td>
</tr>
<tr>
<td>Other</td>
<td>63</td>
<td>51</td>
</tr>
<tr>
<td>Balance at end of the period</td>
<td>¥1,490</td>
<td>¥1,892</td>
</tr>
</tbody>
</table>

B) Liquidity risk

Liquidity risk is the risk that the Group may not perform its obligations to repay financial liabilities on their due dates.

The Group establishes a cash management plan based on the annual business plan, prepares and updates a cash flow budget to control cash flows, and monitors the budget and actual cash flows on a continuous basis. In addition, the Company, its domestic subsidiaries, and certain overseas subsidiaries manage the liquidity risk by execution of group finance. Balances of major financial liabilities and lease liabilities by due date are as follows. The amounts of assets or liabilities arising from derivative transactions are shown in net.

<table>
<thead>
<tr>
<th>Due date</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td></td>
</tr>
<tr>
<td>Between one and two years</td>
<td>¥56,915</td>
</tr>
<tr>
<td>Between three and four years</td>
<td>¥1,250</td>
</tr>
<tr>
<td>Between five and seven years</td>
<td>–</td>
</tr>
<tr>
<td>Over seven years</td>
<td>–</td>
</tr>
<tr>
<td>Non-derivative liabilities</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>¥56,915</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>¥1,250</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>–</td>
</tr>
<tr>
<td>Currency-related</td>
<td>–</td>
</tr>
</tbody>
</table>
excludes the amount for which foreign exchange fluctuation risk is hedged by derivative transactions.

Related foreign currencies by 1.0%. This analysis does not include the effects of foreign currency translation into Japanese yen with regard to financial instruments denominated in foreign currencies.

The potential impact on profit before income taxes in the consolidated statement of comprehensive income if the market prices of listed stocks declined by 10% as at year-end. This analysis assumes other variables remain constant.

The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2021 and 2020, no significant financial assets were transferred between levels.

Fair value measurement method of major financial instruments is as follows:

(a) Cash and cash equivalents, financial assets and liabilities (excluding borrowings and lease liabilities) measured at amortized cost at fair value.

The carrying amount of cash and cash equivalents, short-term investments, and receivables and payables (excluding borrowings and lease liabilities) measured at amortized cost in the consolidated statement of financial position approximate fair value due to these being settled in a short period of time or if financial instruments which are payable on demand.

(b) Equity instruments and debt instruments measured at fair value through profit or loss.

Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and, debt instruments measured at fair value through profit or loss are measured by the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

The carrying amount of short-term borrowings in the consolidated statement of financial position approximates fair value due to these being settled in a short period of time.

Fair value of long-term borrowings is calculated by discounting future cash flows by interest rates assumed for new similar borrowings, and classified as Level 2.

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

Financial instruments measured at amortized cost:

The carrying amount and fair value of financial instruments measured at amortized cost are as follows. The financial instruments whose fair value approximates their carrying amount are not included in the following table.

Note: The Group applies cash flow hedge accounting to the derivative transactions shown above. Derivative assets and derivative liabilities are included in “Other financial assets” or “Other financial liabilities”, respectively, in the consolidated statement of financial position.

The fair value hierarchy is as follows:

Level 1: Fair value measured by unadjusted quoted prices in active markets.

Level 2: Fair value measured by inputs other than Level 1 inputs that are observable either directly or indirectly.

Level 3: Fair value measured by valuation techniques that rely on unobservable inputs.

(c) Price fluctuation risk of equity instruments

The Company holds equity instruments including stocks of companies with which it has business relationships, and therefore, is exposed to a market price fluctuation risk. The Company continuously monitors the status of changes in fair value of these equity instruments. The Company does not hold equity instruments for short-term trading purposes and does not actively trade them.

As to equity instruments held by the Group during the fiscal years ended March 31, 2021 and 2020, the table below shows the potential impact on profit before income taxes in the consolidated statement of comprehensive income if the market prices of listed stocks declined by 10% as at year-end. This analysis assumes other variables remain constant.

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>As of March 31, 2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value (Note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>11,006</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Euro</td>
<td>830</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>11,836</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>As of March 31, 2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value (Note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>1,265</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Euro</td>
<td>26,506</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>27,771</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>As of March 31, 2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value (Note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>7,497</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Euro</td>
<td>5,060</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>12,557</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>As of March 31, 2021</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value (Note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>7,497</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Euro</td>
<td>5,060</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>12,557</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
The breakdown of financial instruments measured at fair value is as follows:

### As of March 31, 2021

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instruments</td>
<td>¥ –</td>
<td>¥ –</td>
<td>¥ 252</td>
<td>¥ 252</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets</td>
<td>110,060</td>
<td>–</td>
<td>5,707</td>
<td>115,768</td>
</tr>
<tr>
<td>Total</td>
<td>¥110,060</td>
<td>¥ –</td>
<td>¥5,707</td>
<td>¥115,768</td>
</tr>
</tbody>
</table>

### Financial liabilities measured at fair value through profit or loss

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative liabilities</td>
<td>–</td>
<td>238</td>
<td>–</td>
<td>238</td>
</tr>
<tr>
<td>Total</td>
<td>¥ –</td>
<td>¥238</td>
<td>¥ –</td>
<td>¥238</td>
</tr>
</tbody>
</table>

### As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instruments</td>
<td>$ –</td>
<td>$ –</td>
<td>$ 2,276</td>
<td>$ 2,276</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets</td>
<td>994,129</td>
<td>–</td>
<td>51,549</td>
<td>1,045,687</td>
</tr>
<tr>
<td>Total</td>
<td>$994,129</td>
<td>$ –</td>
<td>$51,549</td>
<td>$1,045,687</td>
</tr>
</tbody>
</table>

### Financial liabilities measured at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative liabilities</td>
<td>–</td>
<td>2,150</td>
<td>–</td>
<td>2,150</td>
</tr>
<tr>
<td>Total</td>
<td>$ –</td>
<td>$2,150</td>
<td>$ –</td>
<td>$2,150</td>
</tr>
</tbody>
</table>

### Derivatives

- Financial assets measured at fair value through profit or loss:
  - Debt instruments: ¥ –
  - Derivative assets: ¥ –
  - Financial assets: ¥110,060
  - Total: ¥110,060

- Financial liabilities measured at fair value through profit or loss:
  - Derivative liabilities: ¥ –
  - Total: ¥ –

The corresponding financial instruments are mainly unlisted stocks, investments in associates, and debt instruments measured at fair value through profit or loss. They are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies.

(4) Offset of financial assets and financial liabilities

The following summarizes the amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position as of March 31, 2021 and 2020:

### As of March 31, 2021

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥8</td>
<td>¥ –</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>¥246 (8)</td>
<td>238</td>
</tr>
</tbody>
</table>

### As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥72 (72)</td>
<td>$ –</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>2,222 (72)</td>
<td>2,150</td>
</tr>
</tbody>
</table>

### As of March 31, 2021

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥144 (15)</td>
<td>¥128</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>15 (15)</td>
<td>–</td>
</tr>
</tbody>
</table>

The breakdown of financial instruments measured at fair value on a recurring basis and classified as Level 3 is as follows:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥144 (15)</td>
<td>¥128</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>15 (15)</td>
<td>–</td>
</tr>
</tbody>
</table>

### Financial assets measured at fair value through profit or loss

- Debt instruments: ¥ –
- Derivative assets: ¥ –
- Financial assets: ¥ 8
- Total: ¥ 8

### Financial liabilities measured at fair value through other comprehensive income

- Derivative liabilities: ¥ –
- Total: ¥ –

### Derivatives

- Financial assets measured at fair value through profit or loss:
  - Debt instruments: ¥ –
  - Derivative assets: ¥ –
  - Financial assets: ¥ 8
  - Total: ¥ 8

- Financial liabilities measured at fair value through profit or loss:
  - Derivative liabilities: ¥ –
  - Total: ¥ –

The corresponding financial instruments are mainly unlisted stocks, investments in associates, and debt instruments measured at fair value through profit or loss. They are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies.

(4) Offset of financial assets and financial liabilities

The following summarizes the amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position as of March 31, 2021 and 2020:

### As of March 31, 2021

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥8</td>
<td>¥ –</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>¥246 (8)</td>
<td>238</td>
</tr>
</tbody>
</table>

### As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥72 (72)</td>
<td>$ –</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>2,222 (72)</td>
<td>2,150</td>
</tr>
</tbody>
</table>

The breakdown of financial instruments measured at fair value on a recurring basis and classified as Level 3 is as follows:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Gross amount of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position</th>
<th>Net amounts presented in the consolidated statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td>¥144 (15)</td>
<td>¥128</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>15 (15)</td>
<td>–</td>
</tr>
</tbody>
</table>
34 Related-Party Transactions

(1) Transactions with related parties
There are no significant related-party transactions to be disclosed.

(2) Remuneration to key management personnel
The remuneration to key management personnel of the Group, which includes the Company’s directors and executive officers, for the fiscal years ended March 31, 2021 and 2020 is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed compensation</th>
<th>Performance-based bonuses</th>
<th>Restricted share-based compensation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>¥2(392)</td>
<td>(85)</td>
<td>(141)</td>
<td>¥(519)</td>
</tr>
<tr>
<td>2020</td>
<td>¥3(486)</td>
<td>(141)</td>
<td>(156)</td>
<td>¥(648)</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td>$(4,688)</td>
</tr>
</tbody>
</table>

35 Major Subsidiaries

Major subsidiaries are as follows:

36 Subsequent Events

(Sale of assets held for sale)
On April 30, 2021, the Company sold land (Chuo-ku, Sapporo, Hokkaido), which was accounted for as “Assets held for sale” on the consolidated statement of financial position as of March 31, 2021, to ALJ Sapporo RE2 TMK (Chiyoda-ku, Tokyo). As a result, the Company will recognize a gain on sale of fixed assets of ¥4,700 million ($42,453 thousand) under other income for the fiscal year ending March 31, 2022.
Recoverability of deferred tax assets of the parent company

<table>
<thead>
<tr>
<th>Description of Key Audit Matter</th>
<th>Auditor’s Response</th>
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<tr>
<td>As described in Note 4 “Significant Accounting Estimates and Judgments” and Note 14 “Income Taxes” to Consolidated Financial Statements, as of March 31, 2021, the Company recognized deferred tax assets of ¥27,010 million (before being offset against deferred tax liabilities), the majority of which comprised deferred tax assets of the parent company. The Company determines the recoverability of deferred tax assets in consideration of estimated future taxable income based on future profitability. Estimated future taxable income on the basis of future profitability is based on future business plans, and the significant assumptions underlying such plans are the sales volume and selling prices of products as well as foreign exchange rates. The Company operates globally, and has manufacturing and sales sites in various regions throughout the world. Accordingly, there are uncertainties in determining the recoverability of deferred tax assets because the significant assumptions and factors such as the economic conditions and market environment in various countries around the world. Given that assessment of these uncertainties require management's judgment, we have determined that this is a key audit matter.</td>
<td></td>
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</tbody>
</table>
| We performed the following audit procedures in examining the recoverability of deferred tax assets, among others:  
  - We assessed the balance of deductible temporary differences by involving tax specialists to verify whether such balance is appropriate, and considered the scheduling of the reversal of this balance.  
  - We assessed future business plans that is the basis for the estimate of future taxable income to evaluate the reasonableness of the estimate. We also assessed whether such future business plans are consistent with the most recent budget approved by management.  
  - We compared prior year business plans with actual results to evaluate the effectiveness of the estimation process in formulating business plans by management.  
  - Regarding the sales volume and selling prices of products as well as foreign exchange rates, which are significant assumptions included in future business plans, we discussed with management, performed trend analysis based on historical data, and compared the assumptions to the latest available external data in order to evaluate the reasonableness of such significant assumptions.  
  - We performed sensitivity analysis for significant assumptions to evaluate the appropriateness of management’s assessment of uncertainty of estimates included in future business plans. |
Responsibilities of Management, Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Hamamatsu, Japan
June 25, 2021

Toshikatsu Sekiguchi
Designated Engagement Partner
Certified Public Accountant

Toshiyuki Matsumura
Designated Engagement Partner
Certified Public Accountant

Shuji Okamoto
Designated Engagement Partner
Certified Public Accountant
The Yamaha Group is currently expanding its business on a global basis, with locations in over 30 countries and regions across the world.

Overseas Network

Domestic Network

Sales companies, etc.
Manufacturing/production companies, etc.
Retail shops
Music entertainment business companies

Sales and services (branch offices)

Branch in Brazil
Branch in Turkey
Branch in the U.K.
Branch in Poland
Branch in Spain
Branch in Austria
Branch in Switzerland
Branch in France
Branch in Benelux
Branch in the Netherlands
Branch in Italy
Branch in Argentina
Branch in Russia
Branch in the U.S.
Branch in Mexico
Branch in Malaysia
Branch in Singapore
Branch in Malaysia
Branch in Mexico
Branch in Argentina
Branch in the U.K.
Branch in France
Branch in Italy
Branch in Saxony
Branch in Austria
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Branch in Italy
