YAMAHA

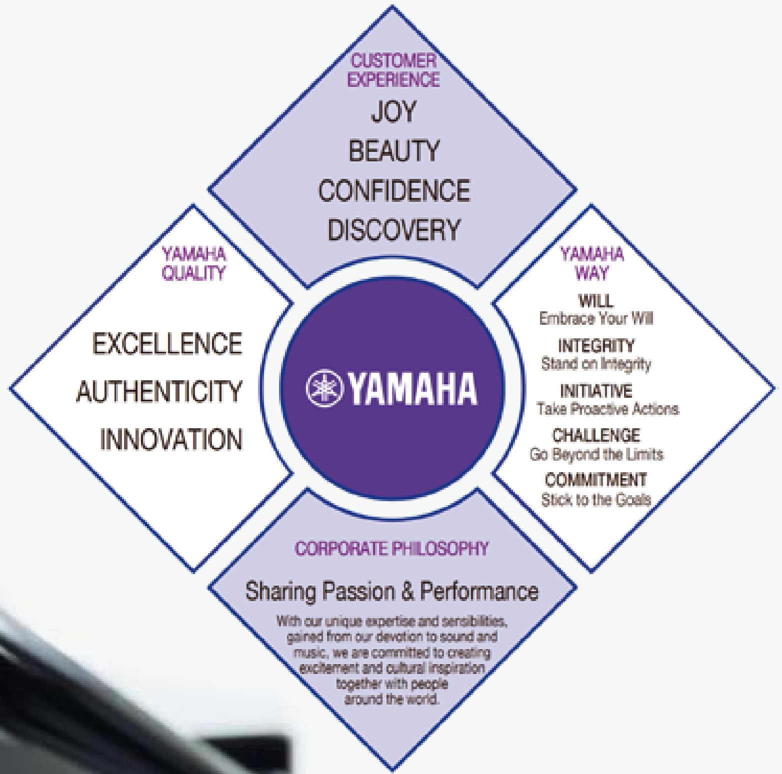
Make Waves

Annual Report 2020

YAMAHA PHILOSOPHY

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

Diagram of the Yamaha Philosophy



BRAND PROMISE

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

YAMAHA

Make Waves

Make Waves

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

PUBLISHING *ANNUAL REPORT 2020*

Since 2018, the Yamaha Group has been integrating its prior annual reports and corporate social responsibility (CSR) reports to publish integrated reports that communicate the Group's medium- to long-term value creation initiatives to shareholders, investors, and all of our other stakeholders. This report is our third such integrated report.

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

October 2020

Takuya Nakata
Director, President and Representative Executive Officer

Key Points of *Annual Report 2020*

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

POINT 1
Creation of New Value through Sound and Music

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

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

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

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

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

POINT 3
Reinforcement of Oversight Function and Highly Transparent Management

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

Corporate Governance (Pages 70–95)

CONTENTS

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

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

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

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

Disclosure Structure

OUR VALUE CREATION

I. Value Creation by Yamaha

YAMAHA'S PATH OF AMBITION

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

1887
Domestic Production of Musical Instruments Beginning with Organ Repair

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

Origin of Yamaha's Competitiveness

Symbolism of the Yamaha Brand

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

Founder Torakusu Yamaha

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

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

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

Origin of Yamaha's Competitiveness

Laying of Groundwork as a Global Company

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

Yamaha de México, S.A. de C.V.

Advancement of Technology

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

DX7 digital synthesizer

SILENT™ Series

Origin of Yamaha's Competitiveness

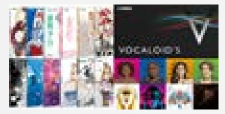
Value-Creating Combination of Acoustic and Digital Technologies

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

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

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

Active field control hall acoustics design system



VOCALOID™

Acquisition of overseas companies

Origin of Yamaha's Competitiveness

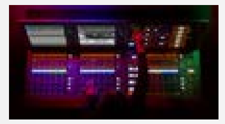
Strengthening of Growth Foundations and M&As in Core Business

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

Strengthening of Profitability and Brand Power to Become an Indispensable, Brilliantly Individual Company

In 2013, Yamaha began transitioning from organizations based on business lines to organizations arranged by function and optimizing prices, while developing products with distinctive individuality and entering into new markets by merging its technologies. These efforts enabled the Company to establish a competitive edge and achieve ongoing improvements in profitability. We also undertook 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, we launched the School Project, which, centered on emerging countries, seeks to promote instrumental music education at schools. Through this project, we are improving corporate value by communicating the joy of music culture to children around the world while simultaneously laying foundations for future growth.

RemoteLive™



RIVAGE PM10 digital mixing system

School Project

Venova™ casual wind instrument

Origin of Yamaha's Competitiveness

Creation of Synergies and Refinement of Strengths through Consolidation of Insight

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

Innovation Center

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

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

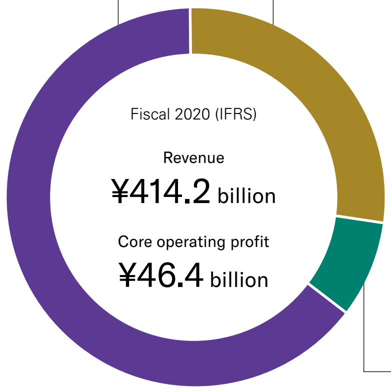
Groupwide Business Overview and Consolidated Revenue and Core Operating Profit

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

Musical Instruments Business

For information on the strategies of the musical instruments business, please refer to page 50.

¥269.4 billion (65.0%)



Audio Equipment Business

For information on the strategies of the audio equipment business, please refer to page 54.

¥114.4 billion (27.6%)

Others (Industrial Machinery and Components Business, etc.)

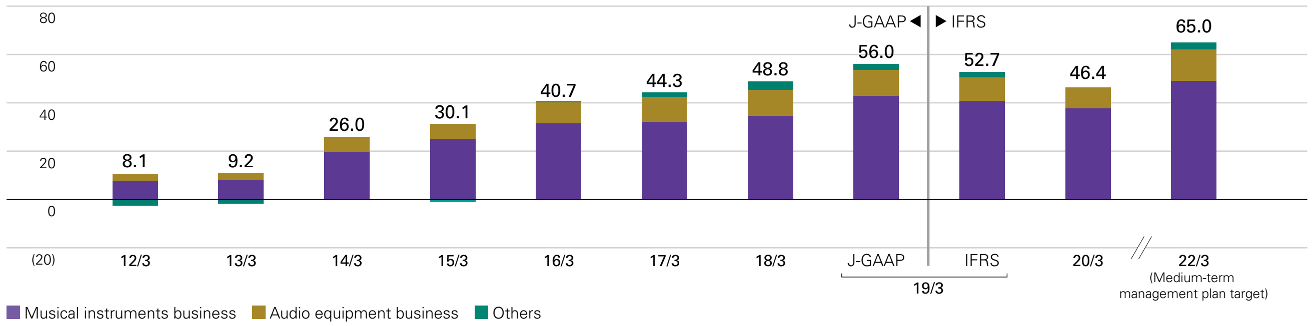
For information on the strategies of the industrial machinery and components business, please refer to page 56.

¥30.5 billion (7.4%)

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

Core Operating Profit (Operating Income) Improvements

(Billions of yen)



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

Revenue Composition and Number of Employees by Region

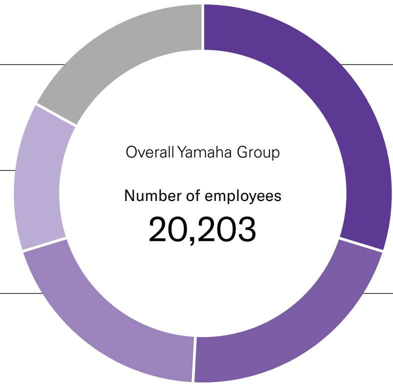
Other regions
¥70.0 billion (16.9%) / 7,444 employees

China
¥53.1 billion (12.8%) / 5,221 employees

Europe
¥80.2 billion (19.4%) / 1,134 employees

Japan
¥123.6 billion (29.8%) / 5,623 employees

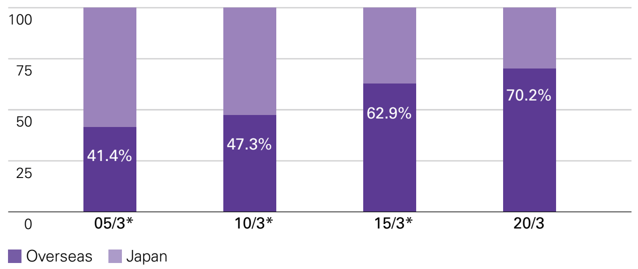
North America
¥87.3 billion (21.1%) / 781 employees



Overseas Revenue Driving Growth

Ratio of Overseas Revenue

(%)



* Ratio of overseas sales (J-GAAP)

Distribution of Musical Instruments and Audio Equipment Sales by Region*

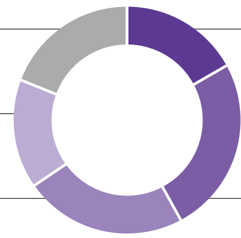
Other regions
18.8%

China
15.4%

Europe
23.8%

Japan
16.9%

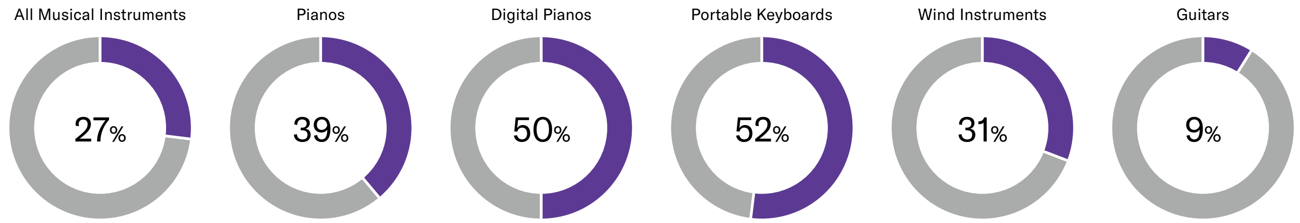
North America
25.1%



* Excludes revenue from music schools and other services

Core Yamaha Products Boasting High Market Shares

Global Market Shares of Major Products (Fiscal 2020, monetary value basis, based on surveys by Yamaha)



MANAGEMENT VISION AND VALUE CREATION STORY

Management Vision

Becoming an Indispensable, Brilliantly Individual Company

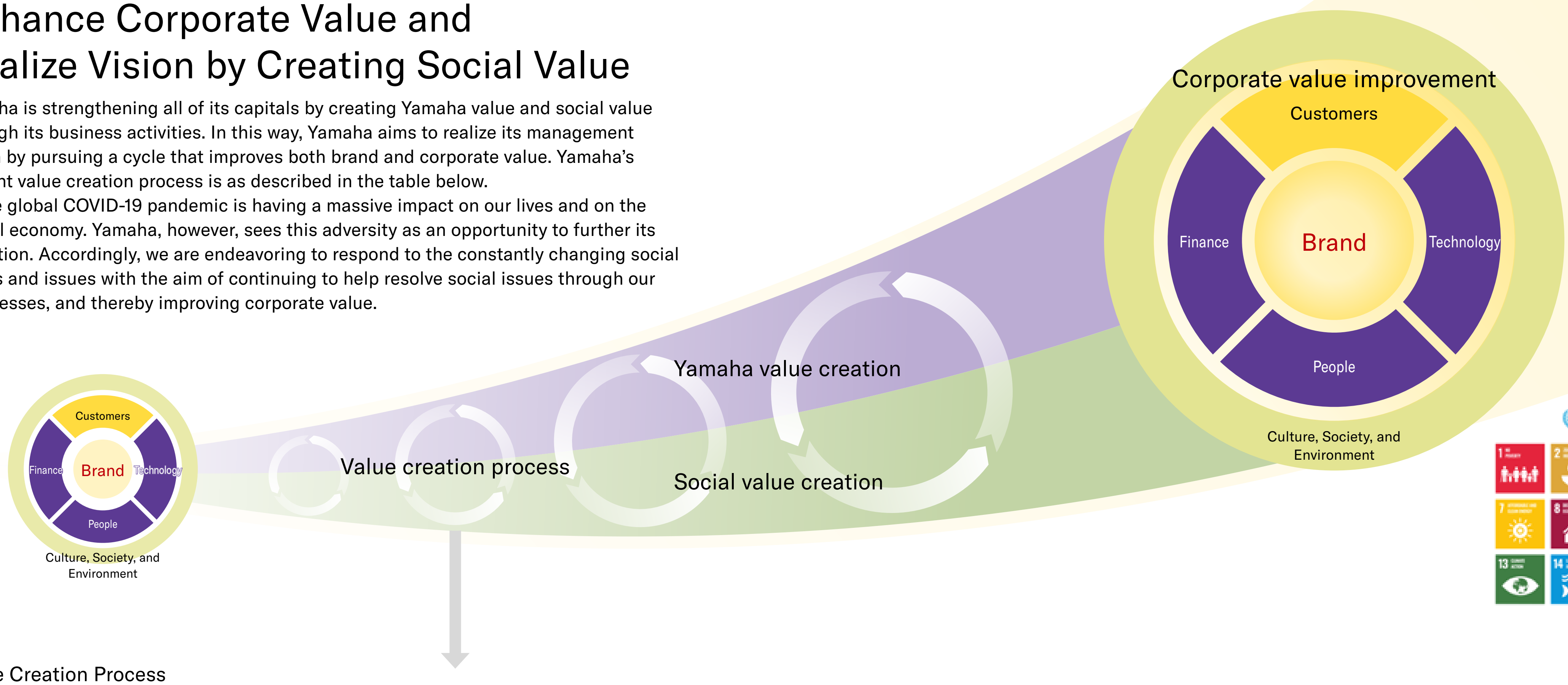
Boosting brand power to become a highly profitable enterprise

Value Creation Story

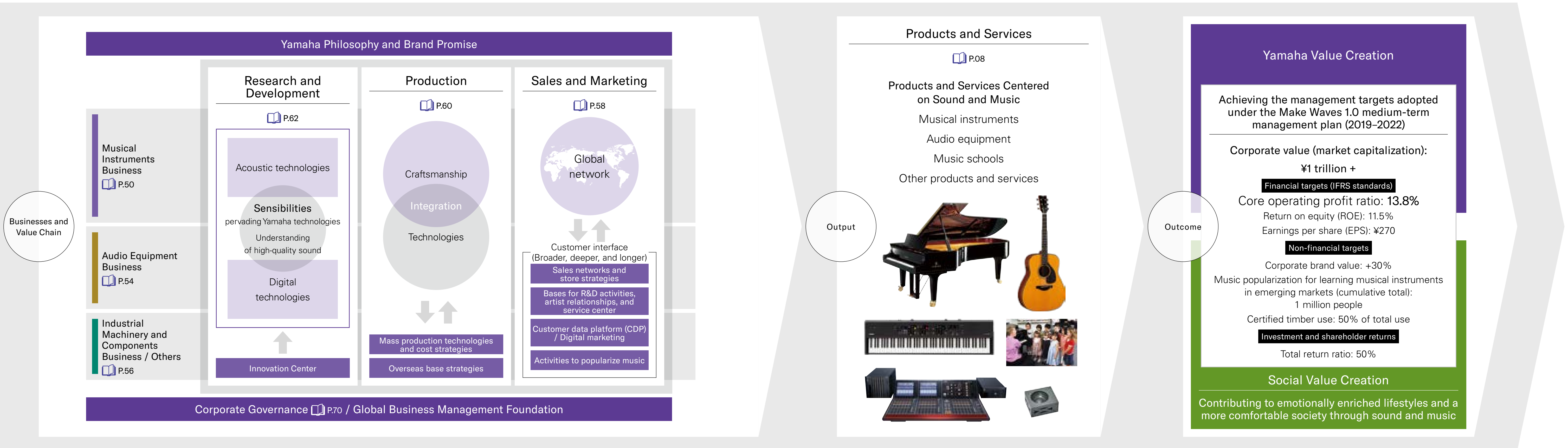
Enhance Corporate Value and Realize Vision by Creating Social Value

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

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



Value Creation Process



Contributing to People's Lives by Creating New Value through Sound and Music

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

SPECIAL FEATURE 01

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

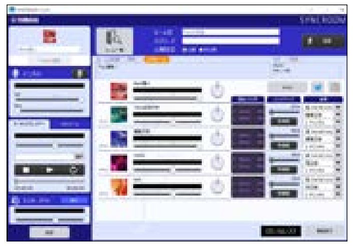
Under the Make Waves 1.0 medium-term management plan, the Yamaha Group aims to improve lifetime value by developing direct ties with customers in both digital and physical spaces. Faced with the massive changes to the business environment as a result of the global COVID-19 pandemic, we aim to explore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

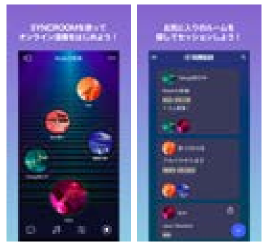
CASE STUDY 01

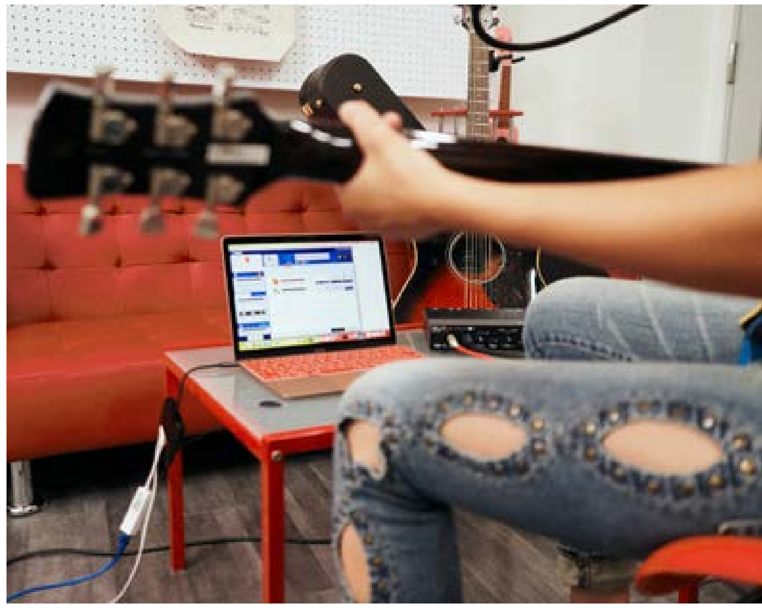
SYNCROOM Online Remote Ensemble Performance Service

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

* By connecting two Rooms, it is possible to link up to 10 locations.


SYNCROOM desktop app


SYNCROOMβ mobile app

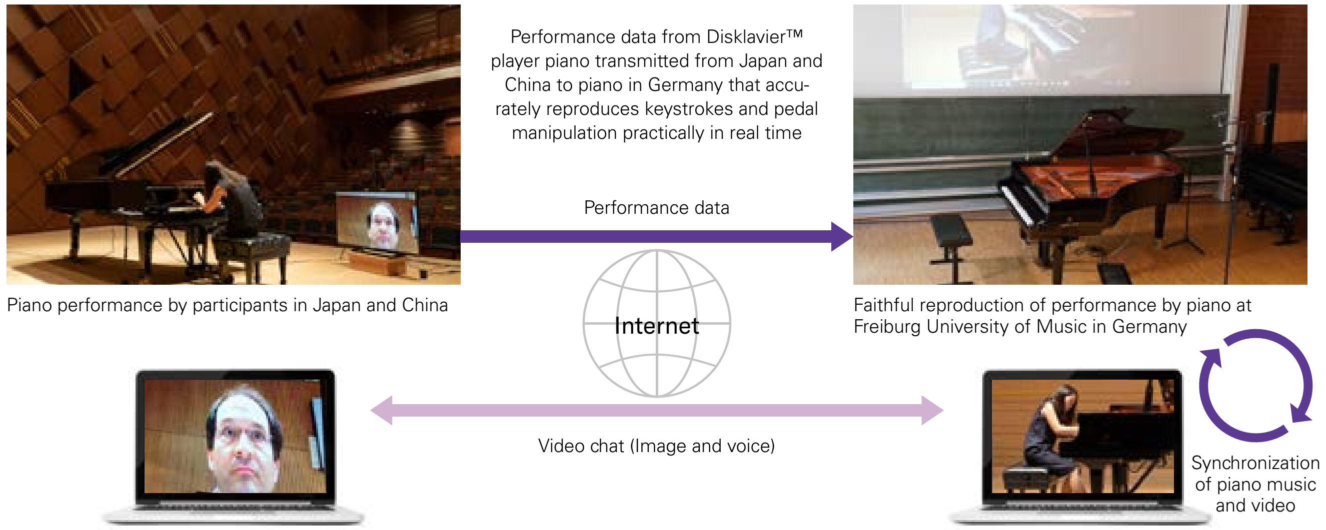


SPECIAL FEATURE: ENACTMENT OF YAMAHA'S VALUE CREATION STORY

CASE STUDY 02

Support for Remote Entrance Exams at Freiburg University of Music

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



CASE STUDY 03

Remote Music School Lessons

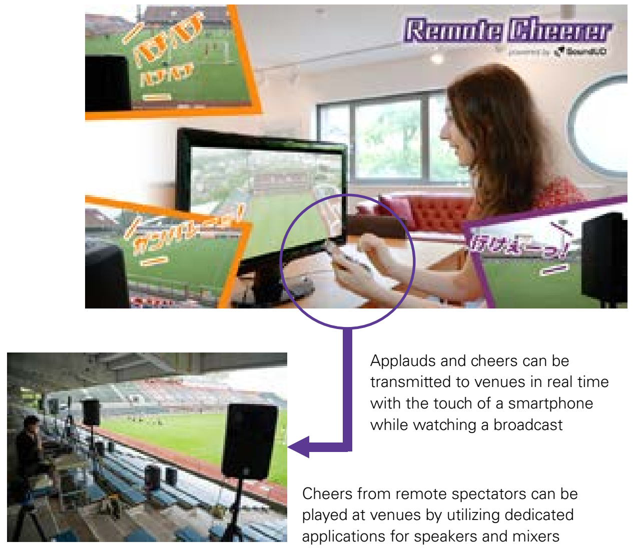
We have been forced to halt lessons at music schools around the world due to the COVID-19 pandemic. However, committed to supporting the uninterrupted learning of students, even during the prolonged closure of music schools, we have begun conducting remote lessons via the internet. In March 2020, a directly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

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

CASE STUDY 04

Remote Cheerer powered by SoundUD™ Remote Cheering System

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



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

The global COVID-19 pandemic greatly impacted Yamaha's business activities while also presenting new business opportunities through the acceleration of the trend toward a remote society.

People are increasingly staying home to prevent the spread of COVID-19, and this behavioral change is driving changes in awareness, subsequently transforming the issues and needs of customers. People now face issues in how they are unable to take part in band performances with their friends, hold concerts or other live performances, or take music lessons. There are also many who desire to transmit their cheers to sports stadiums as sporting events are held without audiences. Yamaha looks to address these new issues by providing various solutions that capitalize on its robust sound-related expertise and network technologies. To this end, Yamaha assembled a cross-divisional project team tasked with analyzing the issues arising from our new lifestyles, investigating and developing effective solutions, and formulating plans for commercializing these solutions. The efforts of this project team might not immediately lead to the creation of new businesses, but they will still be advanced to have a wider range of customers experience our services so that we can develop closer ties with them to be leveraged in the new normal after the pandemic. After this, we will look to develop various solutions for improving lifetime value into new businesses.

SPECIAL FEATURE 02

Growth Strategies and Value Creation Initiatives in India

India is a massive country garnering attention as one of the constituents of the global economy with the greatest growth potential. Yamaha established its first production base in this country in Chennai in June 2019. Together with our existing sales office, this production base was utilized to launch full-fledged business activities in India. In this country, we aim to capitalize on the comprehensive strengths of Yamaha pertaining to development, production, sales, and the promotion of music to improve our corporate value through the creation of social value. In this section, we will explain Yamaha's medium- to long-term strategies for the Indian market.

Unexplored Potential of the Indian Market

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

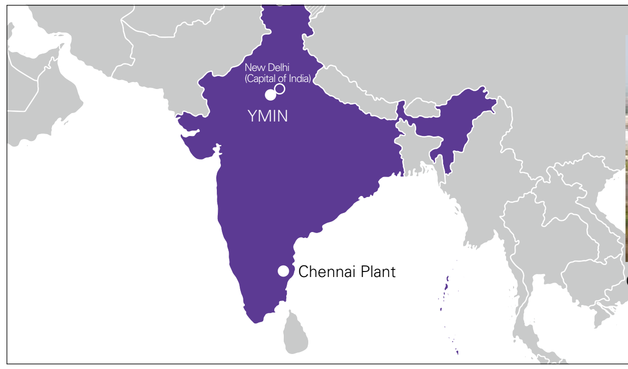
Construction of Growth Foundations

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

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

At the Chennai Plant, we produce entry-level portable keyboards, acoustic guitars, and PA equipment primarily for the Indian and emerging markets. Yamaha offers local portable keyboard models designed specifically for countries such as India and China and regions like the Near and Middle East, where musical content based on local musical traditions is a must. The PSR-I500 and I400 portable keyboards launched in 2019 were designed for the Indian market as part of this series of local models. Produced at the Chennai Plant for local consumption, these made-in-India, made-for-India keyboards are packed with music content based on the musical traditions that are familiar throughout India.

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



Chennai Plant

Employees working at the Chennai Plant

PSR-I500 and I400 Portable Keyboards Produced at the Chennai Plant

The PSR-I500 and I400 portable keyboard models were designed to allow users to enjoy performing the pop and traditional music popular throughout India to an even greater degree. Features of these models include an expanded range of reproducible notes, enhanced automated accompaniment functions, and various other characteristics matched to the predominate music trends of the country. Moreover, the PSR-I500 and I400 propose new ways of enjoying music, such as creating one's own unique melodies using the quick sampling feature or sharing one's favorite performances on social media using USB memory devices. With these features, PSR-I500 and I400 portable keyboards have proven incredibly popular among Indian customers.

PSR-I500 portable keyboard for the Indian market

Medium- to Long-Term Value Creation

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

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

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

School Project lesson

Growth through Community-Rooted Value Creation

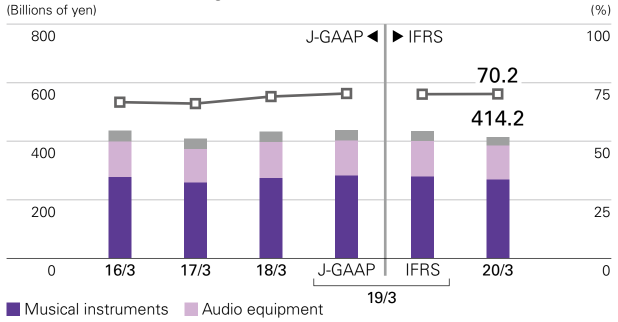
Yamaha was quick to establish production bases overseas, with which it has continued to develop business activities that respect local cultures through local production and sales. The Company is also promoting the spread of music on a global scale. By communicating the joy of musical instrument performances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

For a video on Yamaha's strategies for the Indian market, please visit:
https://www.youtube.com/watch?v=nW936Wm5Urk

PERFORMANCE HIGHLIGHTS

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

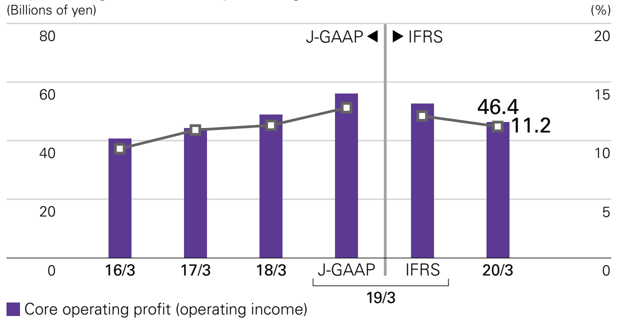
Revenue / Percentage of Revenue Overseas (Net Sales / Percentage of Net Sales Overseas)



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

Revenue decreased ¥20.1 billion year on year, to ¥414.2 billion, due to reductions of ¥13.7 billion as a result of COVID-19 and ¥13.1 billion from foreign exchange influences as well as the impacts of market stagnancy in the industrial machinery and components business.

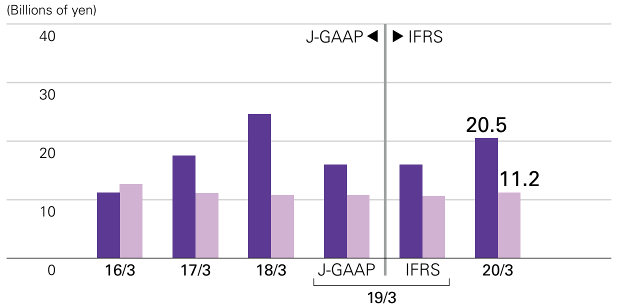
Core Operating Profit / Core Operating Profit Ratio (Operating Income / Operating Income Ratio)



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

Core operating profit decreased ¥6.4 billion, to ¥46.4 billion. The core operating profit ratio was down 0.9 percentage point, to 11.2%.

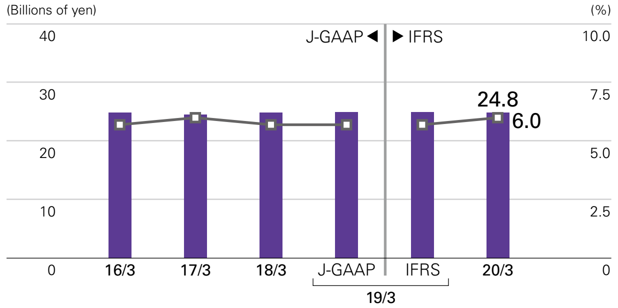
Capital Expenditures / Depreciation Expenses



■ Capital expenditures
■ Depreciation expenses

Capital expenditures totaled ¥20.5 billion, up ¥4.6 billion. The Company's capital expenditures centered on constructing overseas plants and updating existing facilities, and the amount of capital expenditures exceeded depreciation expenses of ¥11.2 billion.

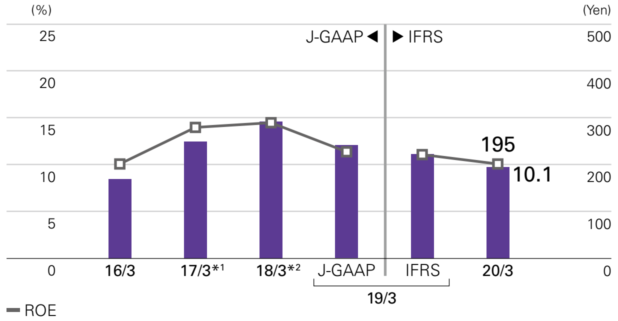
R&D Expenses / Ratio of R&D Expenses to Revenue (Net Sales)



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

R&D expenses were down ¥0.1 billion, to ¥24.8 billion. The ratio of R&D expenses to revenue rose 0.3 percentage point, to 6.0%.

ROE / EPS

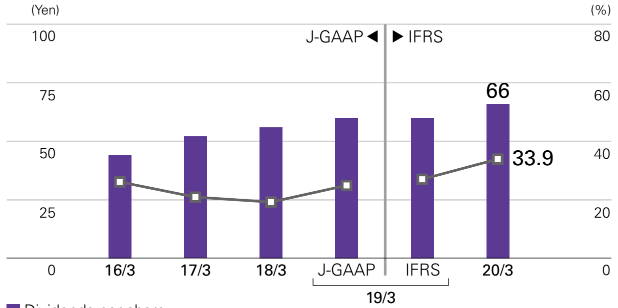


— ROE
■ EPS (right)

Yamaha is targeting return on equity (ROE) of 11.5% and earnings per share (EPS) of ¥270 in fiscal 2022, the final year of the medium-term management plan. ROE was 10.1% and EPS was ¥195 in fiscal 2020.

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

Dividends per Share / Dividend Payout Ratio

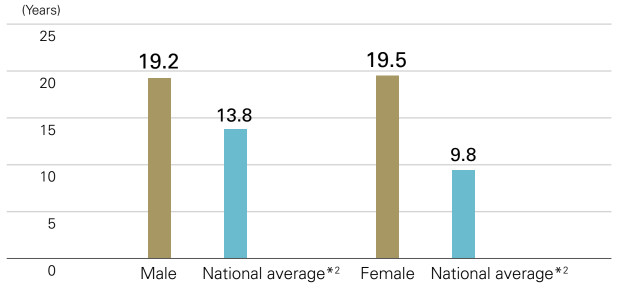


■ Dividends per share
— Dividend payout ratio (right)

The annual dividend was increased by ¥6, to ¥66 per share, marking the seventh consecutive year of dividend increases. The dividend payout ratio rose 6.9 percentage points, to 33.9%.

Non-Financial Highlights (Fiscal 2020)

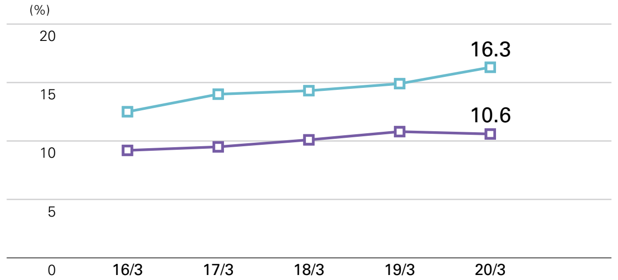
Average Term of Service*1 (As of March 31, 2020)



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

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

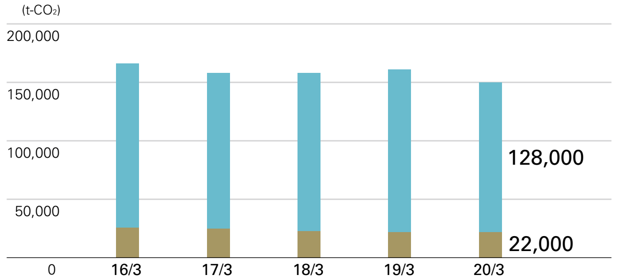
Ratio of Female Managers



— Group companies (Japan)
— Group companies (Worldwide total)

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

GHG Emissions (Scope 1 + 2)

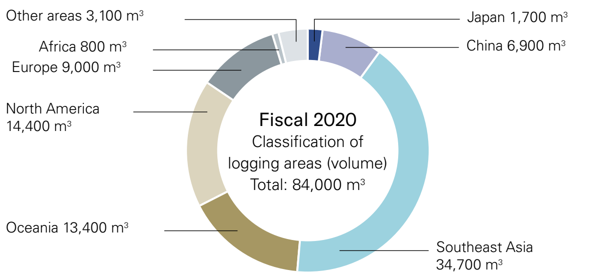


■ Scope 1
■ Scope 2

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

* A standard for calculating and reporting GHG emissions

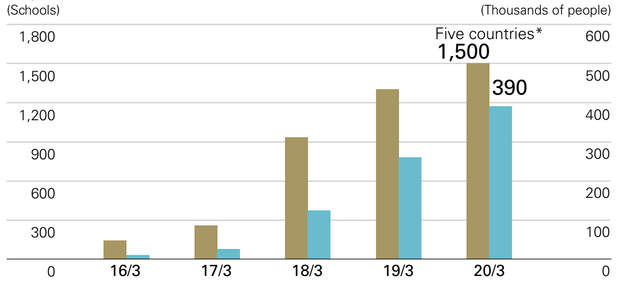
Production Area of Wood Resources*



To realize sustainable timber procurement that takes into account the preservation of forests and biodiversity, we conduct thorough surveys to confirm the production areas, legality, and other matters regarding the wood resources we procure and stringently manage the production areas of those resources.

* Excluding products that are not the Yamaha brand and OEM / ODM products

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



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

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

* Number of countries in which Yamaha offers the program

Brand Ranking

Interbrand's Best Japan Brands 2020*

Ranked 32nd

YAMAHA YAMAHA

Our brand ranking in Japan, which was determined using the combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd., was 32nd, with a brand value of US$1,369 million, representing the fourth highest growth rate of 15%.

* Japan's Best Global Brands Top 40 (2020)—A brand ranking system by Interbrand Japan, Inc. that evaluates Japanese brands. From fiscal 2020, the Company will display a brand value ranking that combines Japan's global brands and domestic brands rankings.

SUSTAINABILITY PRIORITIES AND PROGRESS

The Yamaha Group has established and is promoting efforts to address sustainability priorities for the medium to long term, which are based on the impact of its business activities on the environment and society, as well as on stakeholder expectations and social demands.

For information on the process of identifying the sustainability priorities, please visit the Company's sustainability website.
https://www.yamaha.com/en/csr/management/#03

Sustainability priorities	Major initiatives	Classification under the Make Waves 1.0 medium-term management plan	Fiscal 2020 progress and results	Future issues and targets	Related SDGs
Development of products and services with a focus on social and environmental issues	Response to social issues	Culture / Society	**Music Culture and Education** • Developed musical instruments for performing traditional music, released regional models for Indian market, conducted local market surveys in Indonesia and the Middle East **Universal Design** • Released multilingual simultaneous subtitle service for SoundUD™ • Achieved SoundUD™ Consortium membership of 322 companies and organizations • Received Grand Award of IAUD International Design Awards 2019 for SoundUD™ Consortium, etc. • Conducted verification tests of Remote Cheerer powered by SoundUD™ remote cheering system that transmits vocal cheers and jeers from homes to stadiums • Raised ratio of touch screen-equipped digital musical instruments with voice readout functionality to 75% **Health and Safety Solutions** • Launched five new headphones and earphones equipped with Listening Care function for reducing burden on ears **Workplace** • Communicated telework examples and promoted understanding regarding remote communication and teleworking **Remote Solutions** • Unveiled SYNCROOM online remote ensemble performance service allowing users to enjoy performing in ensembles remotely	**Music Culture and Education** • Expand range of digital musical instruments with functions necessary for performing local music in emerging countries **Universal Design** • Promote SoundUD™ through a government project, distribute development kits for applications for inbound tourists, and begin offering translation services • Expand range of digital musical instruments equipped with voice readout functionality **Health and Safety Solutions** • Equip over 70% of headphones and earphones with functions for reducing burden on ears **Workplace** • Provide approximately 200,000 teleworking opportunities (people / places) over three years to reform workstyles **Remote Solutions** • Propose solutions matched to new lifestyle patterns	3, 4, 8, 9, 10, 11, 13, 17
	Response to environmental issues	Environment	• Certified 46 models of Yamaha Eco-Products (aggregate total of 425 models, 18% of sales) • Commenced joint assessments with automobile manufacturers of thermoelectric power generation module that can utilize waste heat • Promoted development of organic solvent-free coating technology • Promoted development of alternatives for scarce timber resources	• Certify 40 models as Yamaha Eco-Products a year • Introduce waste heat power generation module into the automotive market • Develop organic solvent-free coating technology • Develop sustainable materials surpassing the quality of scarce timber resources	7, 9, 12, 13, 15, 16
Development of regional community-based business and social contribution activities	Spread instrumental music education to schools	Culture / Society	• Delivered musical instrument performance experiences to cumulative total of approximately 390,000 people in 1,500 schools in five countries through School Project • Provided cumulative total of approximately 7,500 students from 77 schools in seven countries in Africa and the Middle East with the opportunity to play musical instruments • Donated musical instruments and provided education support to five migrant worker schools in five cities in China (aggregate total of 60 schools)	• Provide musical instrument performance experiences to cumulative total of one million people in 3,000 schools in seven countries through School Project • Provided cumulative total of approximately 8,300 students from 75 schools in seven countries in Africa and the Middle East with the opportunity to play musical instruments • Donate musical instruments to migrant worker schools in China (support 18 schools in three years)	4, 8, 11, 12, 16, 17
	Support for youth development orchestra / band		• Held musical instrument maintenance seminars for 36 organizations in six countries in Latin America (total of 40 seminars) and held seminars for cultivating repair technicians for 27 individuals in six countries • Commenced trial initiatives in two new candidate countries for support activities	• Continue to provide musical instrument maintenance seminars and repair technician training in Latin America and expand efforts to new countries and organizations • Expand scope of supported countries (two countries in three years) • Support the promotion of wind instrument bands and orchestras best suited to specific countries and regions around the world	
	Community support		• Conducted seven new support initiatives as part of a project to build communities through music (*Oto-Machi* Project)	• 10 new *Oto-Machi* projects in three years	
Lowering of GHG emissions	Reduction of GHG emissions during business activities	Environment	• Acquired certification for medium- to long-term emissions reduction targets from the Science-Based Targets initiative (SBTi) and announced targets* * Scope 1, 2: fiscal 2031 –32% (fiscal 2051 –83%), Scope 3: fiscal 2031 –30% (all figures compared with fiscal 2018) • Began sourcing power from renewable energy (sourced approximately one-third of head office power and 1% of total Group power) • Upgraded to high-efficiency air-conditioning equipment and switched to LED lighting • Promoted logistics efficiency initiatives • Received third-party GHG emission verification	• Advance emissions reduction initiatives to achieve targets certified by Science Based Targets (SBT) • Gradually expand the ratio of renewable energy used (fiscal 2022 target of 3% of total Group power) • Continue to receive third-party GHG emission verification	7, 13
	Response to climate change		• Declared endorsement of Task Force on Climate-related Financial Disclosures (TCFD) recommendations and began disclosing information based on recommendations	• Identify risks and opportunities and ramp up analyses and disclosure pertaining to material items	
Sustainable procurement of timber	Avoid use of illegally lumbered timber; promote use of certified timber	Environment	• Improved timber due diligence (DD) system • Conducted DD on all timber purchased and assessed 98.8% of purchases, judging them to be low risk (excluding OEM / ODM products and non-Yamaha brand products) • Increased forecast for ratio of certified timber in fiscal 2021 to 46% (28% in fiscal 2020) based on surveys and negotiations • Examined possibility of switching to lower-risk timber	• Improve DD (improve inspection accuracy) and accomplish 100% rate of purchases at low risk • Increase ratio of certified timber (fiscal 2022 target 50%) • Develop musical instruments (such as for the cabinet material of pianos) that use timber with a lower risk	12, 13, 15, 17
	Promote the procurement of timber with an awareness of cycle-based forest conservation		• Began procuring African blackwood from supported areas in Tanzania and advanced tree-planting projects in this country (total of 5,500 trees planted over three hectares) • Conducted investigation of link between site environment and tree growth (in collaboration with Kyoto University) • Assessed social impact of initiatives on target areas (Japan International Cooperation Agency base of the pyramid (BOP) cooperative business)	• Provide technical support to produce high-quality timber from African blackwood and promote tree-planting projects • Promote joint research with academic institutions (such as Kyoto University) to develop forest resources and optimize usage efficiency	
Promotion of the "3Rs" in products	Packing and packaging material	Environment	• Downsized packaging and examined possibility of adopting low-environment impact packaging / cushioning materials • Investigated measures for reducing and eliminating use of plastic shopping bags	• Promote streamlining of packaging (introduce packaging / cushioning material with a low environmental impact and advance downsizing efforts) • Implement measures for shopping bags and other single-use packing materials (stop using plastic, etc.)	12, 14, 15
	Products		• Set long-term roadmap for product "3Rs" (reduce, reuse, and recycle) initiatives • Began offering piano retrofitting services (installation of silent functions and upgrades to higher-grade or newer Disklavier™ models)	• Promote the "3Rs" in relation to products based on long-term vision • Enhance services to allow customers to continue to use the musical instruments they cherish (piano retrofitting, etc.)	
Systematic initiatives for the respect of human rights	Develop system / structure	Society	• Completed addition of human rights management items to Yamaha Group Policies and Rules and related guidelines • Published human rights education booklets and conducted human rights meetings on an individual workplace basis • Held power harassment prevention seminars	• Introduce human rights management items into Yamaha Group Policies and Rules and perform monitoring in accordance with Policies and Rules • Entrench internal training and initiatives to promote awareness of human rights	8, 10
	Promotion of supply chain management (SCM)		• Performed assessments of all 3,748 suppliers (98.6% response rate, corrective measures completed at five of 11 applicable companies) • Conducted assessments of 117 new suppliers • Held seminars for suppliers	• Conduct assessments of all suppliers (every three years) • Perform assessments when beginning transactions • Carry out education and awareness-raising activities targeting procurement personnel and suppliers	
Promotion of diversity and human resources development	Global human resources management	Society	• Established core positions and globally uniform grading standards	• Promote human resources management based on the Group-standard grading and development systems	5, 8, 10
	Promotion of the active role of female workers, response to diverse workstyles		• Introduced teleworking systems for childcare or nursing care purposes and established childcare facilities at business sites • Made flexible workhours available to employees working shortened workhours for childcare and nursing care purposes • Increased ratio of female managers within the Yamaha Group to 16.3% (worldwide total)	• Expand work–life balance support systems • Implement programs for supporting development of employees on or returning from childcare leave • Improve ratio of female managers (target of 17% on Groupwide basis for fiscal 2022)	
	LGBT awareness and efforts to promote respect and support		• Established helplines and revised rules pertaining to work regulations, etc. • Conducted Companywide seminars, prepared handbooks, and distributed Yamaha LGBT Ally logo stickers • Awarded with the highest rating of gold in the PRIDE INDEX recognizing initiatives for supporting sexual minorities	• Establish internal systems • Conduct awareness-raising activities to promote understanding inside and outside of the Group	

Note: Information on several initiatives is also provided on "Make Waves 1.0 Medium-Term Management Plan" on pages 42–43.

MANAGEMENT SECTION

II. Management Strategy

Progress in First Year of the Medium-Term Management Plan and Preparations for the New Normal

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

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

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

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

Operating Environment in Fiscal 2020

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

The trade friction between the United States and China caused a slowdown in the global economy. This slowdown became particularly pronounced in China and emerging countries, resulting in the depreciation of the currencies of emerging countries. The impacts of this deprecation along with the exchange rates for the euro seen throughout the fiscal year weighed heavily on our performance. In addition, the United States placed sanctions on Chinese products, temporarily disrupting the market. Japan, meanwhile, suffered from depressed consumption due to a consumption tax rate hike instituted in October 2019 and the impacts of natural disasters. Moreover, the COVID-19 pandemic brought swift and massive impacts as we approached the end of the fiscal year, further compounding the challenges faced throughout the year.

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

Impacts of the COVID-19 Pandemic

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

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

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

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

At the same time, our new lifestyles are limiting the ability of people to play in ensembles, which generally require a number of people to assemble in a single place. Yamaha has long been engaged in the development of technologies for realizing remote ensemble performances powered by IT. We recently began distributing software for such performances for the purpose of running verification tests, and the number

Takuya Nakata
Director, President and Representative Executive Officer

of downloads greatly exceeded our expectations. These efforts will not only help us address the issues placed before us, they also have the potential to lead to significant business opportunities in the future.

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

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

Looking at the themes of Yamaha's medium-term management plans after the 2008 global financial crisis, the theme of YMP125 (April 2010–March 2013) was "rebuild business platforms," the theme of YMP2016 (April 2013–March 2016) was "increase profitability," and the theme of NEXT STAGE 12 (April 2016–March 2019), the previous medium-term management plan, was "increase brand power," a theme aimed at taking the Company to a new growth stage. Based on the results achieved under these prior plans, the Make Waves 1.0 medium-term management plan positions the three-year period leading up to fiscal 2022 as the stage in which we should develop closer ties with customers and society, and boost value creation capabilities. To this end, the plan puts forth four key strategies (see below) for responding to the changes in industry structures and consumer attitudes accompanying progress in digital technologies.

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

Performance in Business Segments

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

Performance in the musical instruments business was generally strong up until the third quarter of fiscal 2020. In the fourth quarter, the performance of pianos suffered in China due to impacts of the pandemic, but was still relatively unchanged year on year.

Performance of digital music instruments, meanwhile, was strong, being driven by digital pianos. We are seeing robust sales of entry-level digital pianos that can easily be purchased via online venues in fiscal 2021. If we are to further capitalize on the opportunity this trend represents, it will be crucial for us to go beyond simply supporting e-commerce to ramp up efforts to solicit our products and propose means of enjoying these products in online environments via digital marketing.

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

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

Basic Medium-Term Strategy

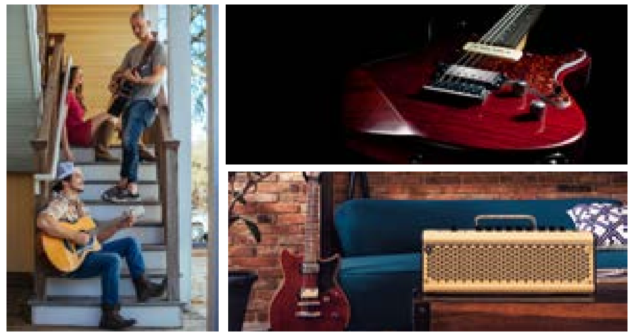
Develop closer ties with customers and society, and boost value creation capabilities

Make Waves 1.0

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

Profitability = Customer value × Productivity

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



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

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

AV products for consumers struggled amid the global contraction of the market for receivers. Yamaha refrained from responding to this contraction by engaging in price competition via discounts, a practice that can damage a company's brand value. Rather, our response has entailed shifting management resources toward new growth fields. Sound bars was one of these growth fields, and the demand arising as people stay at home due to the pandemic is benefiting operations in this field. In addition, our earphones equipped with Listening Care, a proprietary technology for reducing the burden placed on users' ears, have won a strong reputation in Japan, where they were released ahead of other markets, and we therefore have high anticipations for the future of products equipped with this technology.

In regard to commercial PA equipment, sales of music production products have held firm, despite the faltering growth of the concert market and of installation projects as a result of the pandemic. Conversely, the pandemic has contributed to sales growth for online conference systems in the information and communications technology (ICT) domain.

In May 2020, we conducted a verification test of Remote Cheerer powered by SoundUD™ remote cheering system. This system delivers the vocal support from spectators viewing sports broadcasts in their homes to stadiums. The system, which represents a new solution that utilizes Yamaha's proprietary acoustics insight and online conference system, internet, and router technologies, was well received by the audience. Rather than immediately transforming this solution into a business, we feel that it is important to actively propose use of this solution to address the social issues seen at the moment.

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

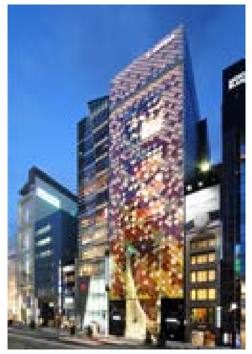
The industrial machinery and components business was heavily impacted by macroeconomic conditions, placing the business as a whole in a difficult position. This is particularly true when it comes to factory automation (FA) equipment, which suffered from a massive slump in capital expenditure demand as the impacts of the dissipation of the special demand trend experienced in fiscal 2019 were compounded by the trade friction between the United States and China and the COVID-19 pandemic. Automobile interior wood components operations were impacted by delays in the launch of new automobiles scheduled to employ Yamaha components.

In electronic devices, smooth progress was made in relation to in-vehicle modules in line with our plans. We have won a fair amount of praise from customers through new initiatives in the in-vehicle audio domain, and are hopeful for the future of these initiatives.

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

Initiatives Based on Four Key Strategies

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



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

We are also expanding our sales networks in China, India, and the ASEAN region, laying the groundwork for developing nearly 3,000 stores in these areas through measures matched to each market.

Bolstering product lineups is another focus of our efforts to develop closer ties with customers, or, in other words, to expand customer contact points.

In digital keyboards, we revived the PSS Series of miniature keyboards in Japan for the first time in 16 years. Reintroducing this series in the domestic market, in addition to emerging markets, has won more praise than had been expected. As for guitars, the new STORIA™ series of stylish guitars helped us approach previously untapped demographics, earning customer support while being priced similarly to mid-range models.

As for the key strategy of develop closer ties with customers, the pandemic has caused this strategy to become even more crucial as the pillar of our efforts to improve lifetime value amid rapid growth in the need for remote solutions. For example, conventional music schools can make new proposals for heightening lifetime value while addressing unmet needs for increased freedom in choosing learning time and location by offering online lessons. Our various technologies for facilitating remote communication, which include providing opportunities for remote ensemble performances, music lessons, concerts, and cheering for sporting events, are incredibly meaningful for maximizing lifetime value.

2. Create New Value—Utilization of AI, Digital Transformation, and Human Resources

One of the greatest driving forces behind our efforts to enhance value by pursuing combination of authenticity and innovation was the utilization of AI. Capable of reproducing the performance of famous singers and pianists, the VOCALOID™ software and automated instruments have sparked a great deal of debate. This debate indicates that these items, which were created by Yamaha, are approaching the level in which they can rival the original performances. We will therefore be moving on to the stage of adapting such technologies to develop concrete businesses going forward.

Meanwhile, manufacturing sites have already embraced AI technologies. By transforming the wealth of experience and knowledge we have gained thus far into AIs, we are now able to instantly perform tasks that once required large amounts of time. AI also has the potential to transform production and development processes. This potential can be seen in how discoveries that previously no one would have imagined are beginning to be made at the R&D stage.

Meanwhile, we are currently at a stage in the development of business foundations for bolstering profitability at which we can begin incorporating Companywide discussions on digital transformation into action plans. In addition to these top-down initiatives, digitization and incorporation of the Internet of Things (IoT) are also advancing in regard to processes at factories. For example, manufacturing divisions are developing smart factories. Propelling our digital transformation strategies forward through the combination of these efforts will be crucial to our future efforts.

Even as we move ahead with digital transformation strategies, one thing that will never change is how human resources serve as the source of innovation. We recently completed our job grading system, which clearly identifies the core positions in each country. We have thus been able to commence implementation of a career development plan that facilitates the development of individual skills based on the skill requirements defined by the grading system. The identification and cultivation of human resources to fill management positions at the Company and its subsidiaries will be conducted through this framework going forward. We are also looking ahead with anticipation to the day that an employee hired overseas comes to serve as a member of a management team of the Company.

3. Enhance Productivity—Cost Reductions and Strategic Budget Execution

We have set the target of achieving cost reductions totaling ¥5.5 billion over the three-year period of the Make Waves 1.0 medium-term management plan. Costs reductions in fiscal 2020, the first year of the plan, came to ¥2.0 billion, representing smooth progress toward this target. This strong progress was accomplished as the rise in procurement prices that impeded cost reductions during the period of the previous plan have come under control. Other factors reflected in this reduction included the benefits of manufacturing process streamlining, selling price optimizations, and strategic incurring of costs.

Selling price optimizations were not limited to raising existing product prices; we also employed a pricing methodology for new products of reflecting the high, differentiated value of these products into selling prices. Strategic incurring of costs, meanwhile, involved shifting costs for set sources to strategic sources and spreading this approach to sales subsidiaries. These efforts lowered the ratio of selling, general and administrative (SG&A) expenses to revenue.

Employees have been instructed to incur strategic expenses in a phased manner in the midst of the COVID-19 pandemic. It is also important to assign expense budgets to uses that will contribute to future business development efforts with an eye to the period after the pandemic as well as to the improvement of brand value. Given the currently adverse environment, I believe that targeted allocation of resources can help accelerate Yamaha's transformation over the medium to long term.

4. Contribute to Society through Our Businesses—Contributions to the Ongoing Development of Musical Culture and Society

At the Yamaha Group, sustainability is positioned at the heart of business strategies based on the belief that the creation of social value will in turn generate corporate value.

Accordingly, we are working to help resolve various social issues while contributing to the accomplishment of the United Nations Sustainable Development Goals (SDGs). Moreover, we firmly believe that music culture is indispensable to humanity. Communicating the appeal of music culture therefore plants seeds for our future development while also helping shape a better society.

One specific example of our efforts to promote music culture is the School Project, a program for offering guidance and support for instrumental music education launched primarily in emerging countries in 2015. Under the current medium-term management plan, we are pursuing the target of providing opportunities to play musical instruments to a cumulative total of one million students in seven countries, and we had offered such opportunities to approximately 390,000 students in five countries as of March 31, 2020. This program may not begin generating profits immediately, but it is something that we will continue with into the future.

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

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


Forest preservation project in Tanzania

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

*1 Environmentally friendly products certified as meeting standards established by Yamaha that boast industry-leading levels of performance

*2 A task force created by the Financial Stability Board, comprised of the central bank heads and financial ministers of various countries, that has released recommendations aimed at facilitating appropriate investment decisions through disclosure of the potential financial impacts of climate change

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Strengthening of Corporate Governance Based on Internal and External Perspectives

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

Moreover, we have achieved our long-pursued goal of having every member of the Audit Committee be an independent outside director. In addition, we have positioned the representatives of the Audit Committee's Office and of the Internal Auditing Division, which provides auditing functions encompassing Group companies, as audit officers ranked at the same level as executive officers to help augment complementary auditing functions. The Audit Committee performs audits of legal compliance as well as of the appropriateness of operations, thereby enabling us to strengthen systems for enhancing audit effectiveness.

With this large number of outside directors and thanks to our initially planning for the need to hold remote meetings, our response to the pandemic has so far been smooth. In such trying times, members of the Board of Directors endeavor to voice opinions from the overarching perspective of what Yamaha can do to serve society. This perspective has led outside directors to offer pinpointed instructions on how to revise business strategies to account for the pandemic. I feel that exposing the executive team to such outside opinions helps members of this team elevate the level of their own perspective.

Importance of Human Resources and Engagement

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

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

Of absolute importance to the fostering of a corporate culture emphasizing open communication is engagement. In fact, engagement is crucial in all processes. We are therefore increasing opportunities for engagement. These opportunities take various forms, and I am personally involved in a number of them. In this manner, we aim to enhance engagement from various perspectives throughout the organization.

Constructive Dialogue with Capital Markets

The current times represent a major turning point, prompting a number of discussions in the market regarding the future of companies and investors. However, no matter how the times may change, the relation between companies and shareholders and other investors will remain the same. Corporate activities are supported by a diverse range of stakeholders, including shareholders, other investors, customers, employees, suppliers, and communities, and these activities could not continue without all of these stakeholders. Developing win–win relationships with all of these stakeholders is imperative to sustainable corporate development. It is therefore crucial to continue to engage in constructive dialogue with capital markets.

Furthermore, corporate management requires a sense of balance. Rather than placing absolute emphasis on a specific indicator, it is important to decide the themes on which a company will focus at a given time based on contemporary trends. From this perspective, Yamaha's medium-term management plans delineate Group management policies for three-year periods that illustrate our commitments to stakeholders. It goes without saying that sustainable growth is the underlying assumption in the background of these plans.

Many of Yamaha's shareholders maintain their shareholdings in the Company over the long term. I am incredibly grateful of this support, and I hope to help Yamaha sustain the long-term support of as many shareholders as possible. I therefore aim to promote understanding with regard to the Yamaha Group at various opportunities, including through our investor relations (IR) activities and daily business activities.

Systematic Reinforcement of Risk Management

The systematic reinforcement of risk management has been a constant focus at Yamaha. The Risk Management Committee, which I chair, takes steps to identify and categorize all risks with the potential to materialize over the course of our corporate activities. This committee also quantitatively evaluates the Company's ability to respond to specific risks. Recognition regarding low-scoring items is shared within the committee, and remediation measures are developed and reflected in annual plans.

Positioned under the Risk Management Committee are currently five working groups based on specific themes. Of these, the Working Group for BCP and Disaster Prevention Management is playing a central role in formulating response measures to the COVID-19 pandemic, and I feel that this working group has been functioning effectively. If I were to raise an issue, it would be that we did not previously have specific guidelines for responding to pandemics; rather, our response guidelines only assumed the simple flow of disasters being followed by recovery efforts. However, pandemics differ from normal disasters, after which recovery will advance with time, as there is no telling when a pandemic will conclude or even if we are moving in a positive direction. Accordingly, effective pandemic response requires plans that assume the response effort will need to be conducted over an extended period of time. In light of this facet, we intend to develop a more effective business continuity plan (BCP) that includes pandemics under its risk factors.

Crucial Nature of Transparency and Information Sharing

Faced with the COVID-19 pandemic, one of the tasks to which I have devoted the most effort as a manager is maintaining the motivation of each and every employee.

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

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

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

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

This undertaking reaffirmed in my mind the crucial nature of transparency and information sharing to raising employee motivation. Fiscal 2021 will also be a challenging year, but I hope to carefully nurture the seeds of future growth as we advance forward during this year. Adversity presents opportunities to transform and act ahead of the times. Looking ahead, the Yamaha Group will unite in its effort to ensure that the challenges we surmount in fiscal 2021 will benefit us in subsequent fiscal years.

I would like to ask our stakeholders, starting with our shareholders and other investors, for their continued support as we pursue these endeavors going forward.

October 2020

Takuya Nakata
Director, President and Representative Executive Officer

Make Waves 1.0

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

Positioning of the Make Waves 1.0 Medium-Term Management Plan

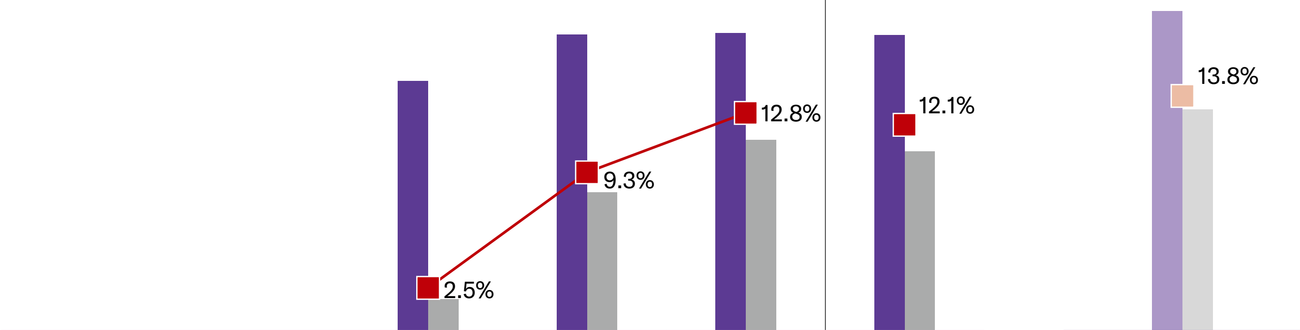
Looking back on our medium-term management plans to date, YMP125 was carried out in a period when our business faced tough conditions due to yen appreciation. The period of YMP125 was positioned as a phase for rebuilding our business platforms through such means as restructuring our core business and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

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

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

Financial Results

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



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

* The Company employed J-GAAP standards until fiscal 2019 and IFRS beginning in fiscal 2020.

Approach to Formulating the Medium-Term Management Plan

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

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

↓

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

↓

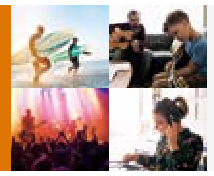
Environmental Changes That Majorly Impact Yamaha and Related Growth Factors and Strengths

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

Transformations caused by accelerated digital technologies

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

Greater diversity in lifestyles and senses of value



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

Heightened awareness of sustainability

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

↓

Directives of the Medium-Term Management Plan

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

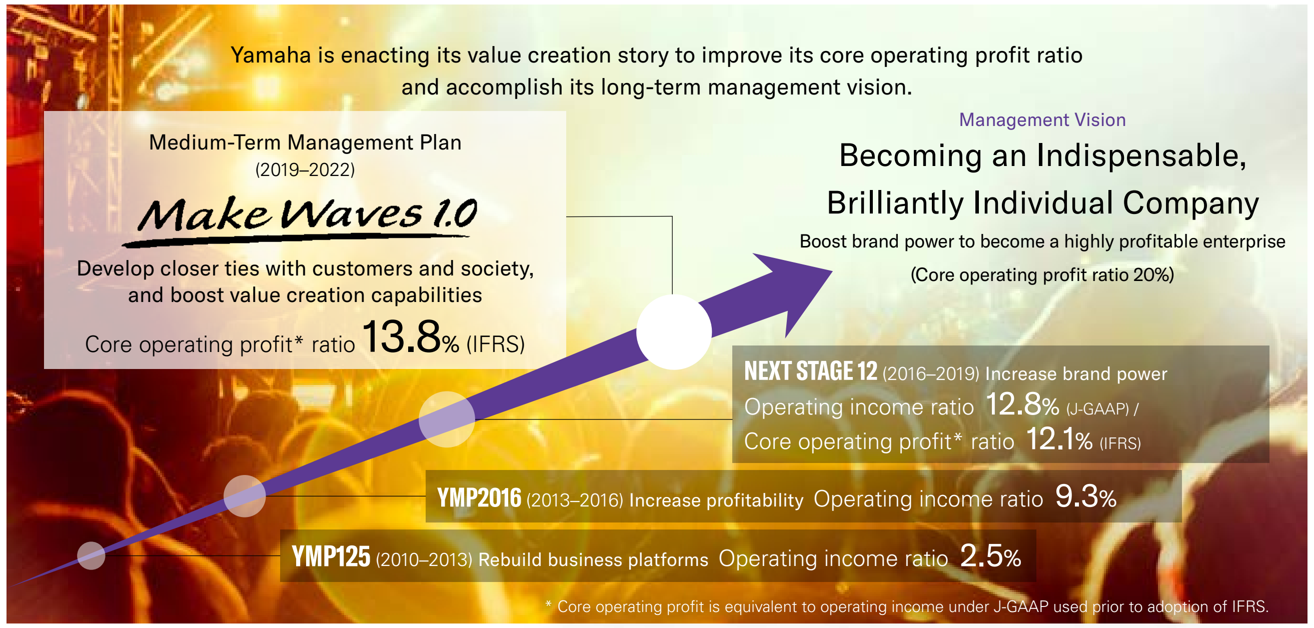
It is therefore imperative that we fully leverage our strengths to capitalize on this growth opportunity by enhancing our ties with customers and society as well as our connection to market growth and growth domains.

↓

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

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

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



Management Vision and Value Creation Story

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

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

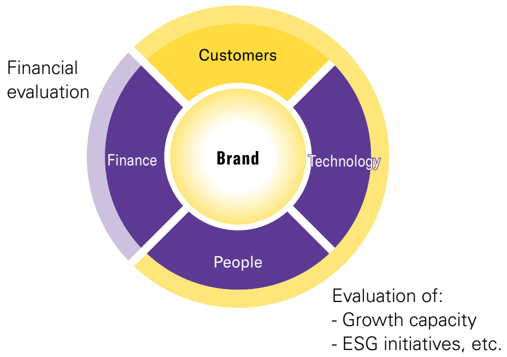
Basic Strategy

In a world undergoing major changes at a rapid pace,

we will develop closer ties with customers and society, and boost value creation capabilities.

Management Objectives

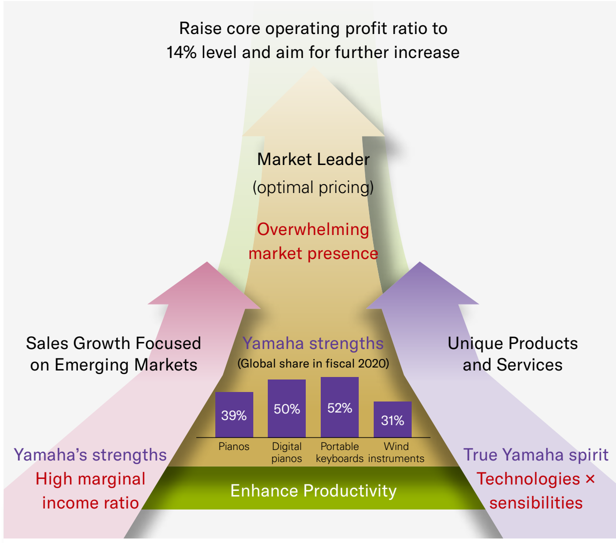
Financial targets (IFRS) Boost profitability while also building stronger business platforms for growth	Core operating profit ratio	13.8%
	ROE	11.5%
	EPS	¥270
Non-financial targets	Corporate brand value*	+30%
	Music popularization for learning musical instruments in emerging markets (cumulative total)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



Corporate value: ¥1 trillion +
(market capitalization)

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

Path to Improving Core Operating Profit Ratio



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

Focusing on reaching a core operating profit ratio of 20%, a target we adopted under our medium- to long-term vision, or management vision, we set a goal of increasing our core operating profit ratio to the 14% level over the three years of Make Waves 1.0. While providing unique products and services that cannot be imitated by our competitors, we will achieve a leading position in the market by leveraging our strengths such as our tremendous market presence and high market share. We will also work to optimize pricing. In these ways, we will enhance profitability.

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

Progress in Fiscal 2020

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

Non-financial performance, however, represented strong performance toward targets. Moreover, steady progress was made with regard to the four key strategies of Make Waves 1.0—develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses—in the plan's first year (see pages 36–43).

The environmental changes and impacts on the Company that were projected when formulating our operating environment outlook are accelerating, creating a need to expedite the implementation of key strategies to keep pace.

Financial Targets (See pages 18 and 44–47 for details)

	Core operating profit ratio	ROE	EPS
Fiscal 2020 results	11.2% (–0.9 pt)	10.1% (–1.0 pt)	¥195 (–¥27)
Fiscal 2022 targets	13.8%	11.5%	¥270

Note: Figures in parentheses represent year-on-year changes.

Non-Financial Targets (See pages 19–21 for details)

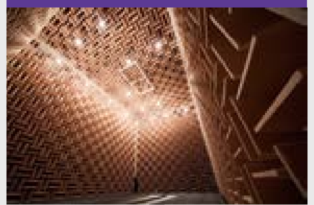
	Corporate brand value	Music popularization for learning musical instruments in emerging markets (cumulative total)	Certified timber use
Fiscal 2020 results	+15%	390,000	28%
Fiscal 2022 targets	+30%	1,000,000	50%

Four Key Strategies Progress Summary
(See pages 36–43 for details)

1. Develop closer ties with customers

Progress in line with plans with regard to efforts to reinforce customer contact points, achieve growth in emerging markets, and expand business domains

2. Create new value



Launch of diverse products combining technology and sensibility, various technological successes achieved in the AI field

3. Enhance productivity

Cost reductions of ¥2.0 billion achieved, discussions regarding digital transformation, progress in automation and IoT initiatives

4. Contribute to society through our businesses

Cultural, social, and environmental initiatives progressing as planned, contributions to resolution of social issues

Four Key Strategies

Basic Medium-Term Strategy

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

Make Waves 1.0

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




Profitability = Customer value × Productivity | Reflect society's values in our own values over the medium to long term

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

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

Key strategy 1

Develop Closer Ties with Customers

Develop Broader, Deeper, and Longer Ties with Customers

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

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

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

Reinforce Customer Interface
Deeper, Longer

Communicating Brand Appeal through Brand Promise

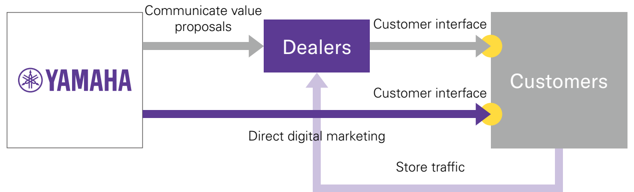
To Make Waves with our customers, we will offer original products and services that exceed their expectations. We will also leverage our brand promise to engage in communication with customers around the world as we work to become a brand that customers admire and cherish. In these ways, we will aim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

➡ Fiscal 2020 Initiatives

- Establishment of Companywide branding system, utilization of awareness-raising tools, and training
- Preparation and distribution of global content for effectively soliciting brand promise
- Development of frameworks for and gradual spread of implementation of branding activity plan–do–check–act (PDCA) cycle

Developing Direct Ties with Customers with a Focus on Digital Marketing

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



➡ Fiscal 2020 Initiatives

- Practical training at 19 sales subsidiaries worldwide to improve digital marketing skills
- Efforts to direct customer traffic to Company websites and stores via social media advertisements, events, campaigns, and other online initiatives

Contributing to Lifetime Value Enhancement

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

➡ Fiscal 2020 Initiatives

- Steady development of customer data platform that analyzes customer information and behavior patterns
- Customer support service through easy product registration applications (certain regions)
- Provision of solutions such as applications that support musical performances

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

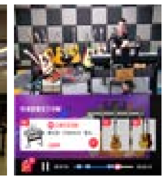
In the Chinese market, Yamaha is known as a brand admired by many, which has helped us attain a high market share and realize a high level of profitability. In addition, the growth rate of the market itself in China has been strong for many years. Going forward, we will achieve a sales growth rate that 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.

➡ Fiscal 2020 Initiatives

- Expansion of sales networks centered on rural cities and increase in exhibitions of high-value-added products
- Strengthening and communication of brand power (300 videos receiving total of more than 12 million views, etc.)
- Information provision via social media to strengthen connections with customers

Left: Yamaha piano specialty shop in rural Chinese city
Right: Live broadcast sales promotion event at specialty shop

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.

Unifying Manufacturing and Sales Systems and Offering 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,

Management Strategy

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.

Promoting Musical Instrument Education and Developing New Markets

As of March 31, 2020, we have provided a cumulative total of approximately 390,000 children with instrumental music education within their school education. Going forward, we will expand this provision to cover a cumulative total of one million children in seven countries. Through these activities, we will seek to understand and analyze the conditions of music-related activities in the markets of Asian and African countries, thereby developing new markets.

➡ Fiscal 2020 Initiatives

- India: Expansion of sales networks, improvement of solicitation capabilities through guitar wall displays in stores, beginning of shipments from factories of acoustic guitars manufactured locally for the India market

Guitar wall displays in store

Factory in India that has begun production and shipments for this market

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

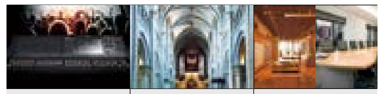
Expand Business Domains
Broader

Expanding Business Domains into Growth Markets and Accelerating Growth

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

Commercial Audio Equipment: Realize 30% growth over three years

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



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

➡ Fiscal 2020 Initiatives

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

AV Products: Transform our business portfolio

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

	Hi-Fi, AV receivers	Sound bars	Wireless speakers	Headphones
Market scale	¥250 billion	¥550 billion	¥1 trillion	¥1.5 trillion
Market growth rate	–8%	+12%	+12%	+40%
Direction	Yamaha's existing strengths		Further expand domain	

➡ Fiscal 2020 Initiatives

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

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

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

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

➡ Fiscal 2020 Initiatives

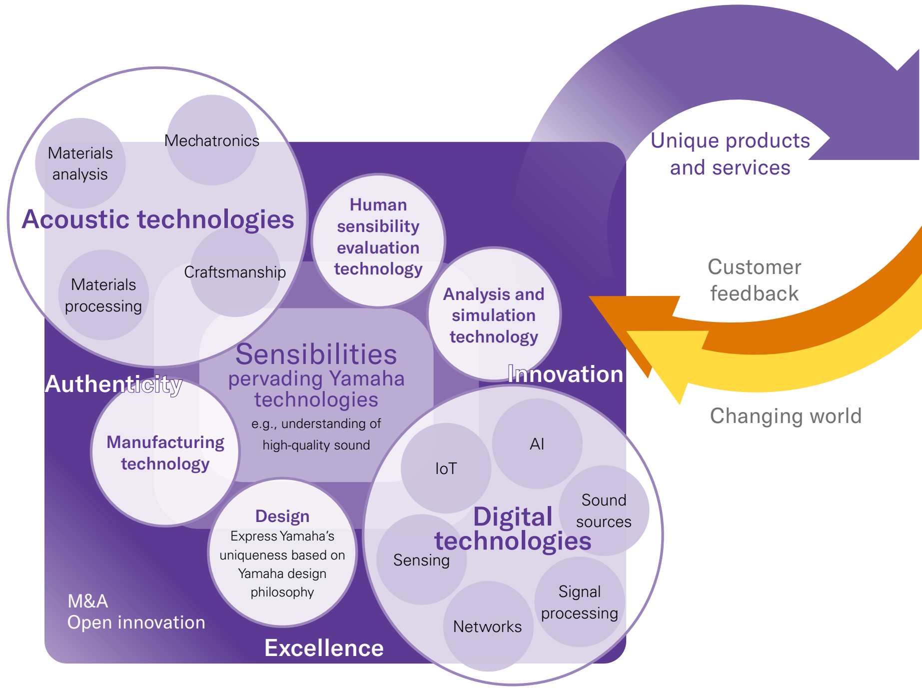
Progress in deliveries of in-vehicle products in line with expectations

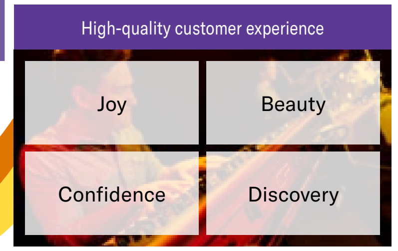
Key strategy 2

Create New Value

Create New Value by Combining Technologies and Sensibilities

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





Innovation Center started operation in June 2018

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

Yamaha Strength of Combining Technologies and Sensibilities

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

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

Pursuing Authenticity

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

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

Pursuing Innovation

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

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

➡ Fiscal 2020 Initiatives

For more information, please refer to "Research and Development" on page 62.

Development of Products with Distinctive Individuality in Fiscal 2020

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


Clavinova™ digital piano

THR-II guitar amplifier


TW-E7A truly wireless Bluetooth earphones

TOPICS: Synergies between Social Change and Unique Products and Services


Deployment of silent musical instruments to address growth in demand related to people staying at home as well as pianos, guitars, wind instruments, and various other instruments


Support for remote piano performances and entrance exams linking Japan and China to Germany (See page 14 for details)

SYNCROOM online remote ensemble performance service (See page 13 for details)

Business Platform to Drive Value Creation

Establish business platform to drive profitability

Profitability = customer value × productivity

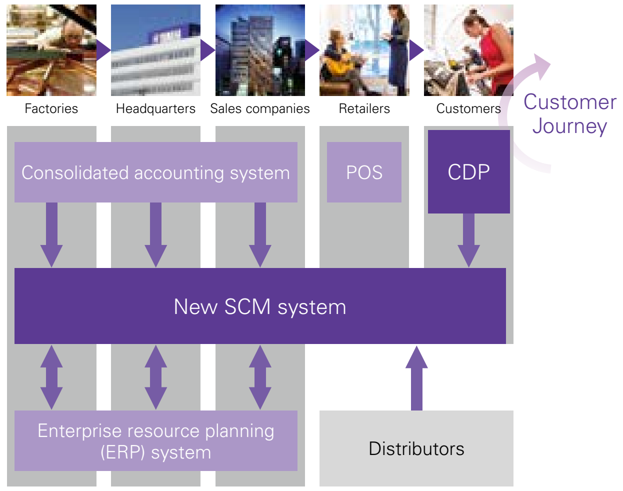
Promoting a Digital Transformation

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

Establishing a Foundation for Global Human Resource Management

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

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



Digital Transformation Initiatives

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

Initiative	Aim	Implementation process (2019/4 → 2022/3) — Digital Transformation Strategy Committee (New)
Establishment of CDP	Build CRM platform to develop closer customer ties	Development and establishment of CDP → Full-scale start of operations and global rollout Progress in the first year of Make Waves 1.0
Operation of next-generation SCM systems	Innovate SCM systems to optimize efficient operation with customer information	System trial → Full-scale start of operations and global rollout Progress in the first year of Make Waves 1.0
Promotion of business process transformation	■ Reform all work processes through digital transformation initiatives ■ Expand introduction of agile methods to development process ■ Seamlessly connect accounting systems to frontline operations ■ Utilize robotic process automation (RPA) to automate routine work	Establishment of systems and frameworks → Advancement of digital transformation activities (optimization and reforms) Progress in the first year of Make Waves 1.0

Key strategy 3

Enhance Productivity

Boosting Profitability by Improving Productivity

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

Optimize pricing

Reduce production costs

Use expenditures strategically

Optimize Pricing, Reduce Production Costs, and Use Expenditures Strategically

Optimizing Pricing

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

Reducing Production Costs

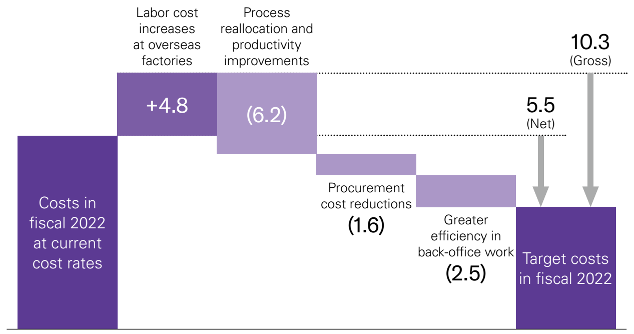
We will reduce production costs by reorganizing production processes on a global scale, including transferring production processes conventionally performed in Japan to our overseas plants. For procurement, we will transition from our conventional component procurement methods, which were previously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

Using Expenditures Strategically

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

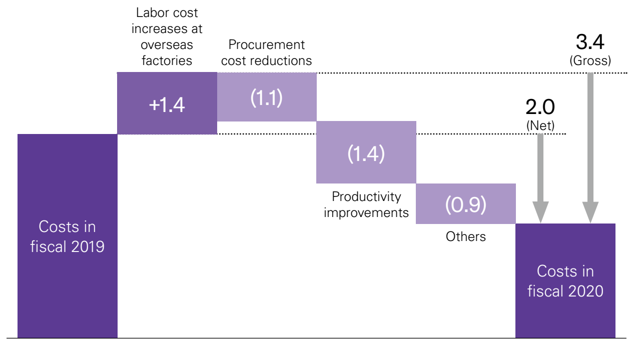
Analysis of Projected Cost Reductions over the Period of Make Waves 1.0 (Fiscal 2020–2022)

(Billions of yen)



Cost Reduction Analysis

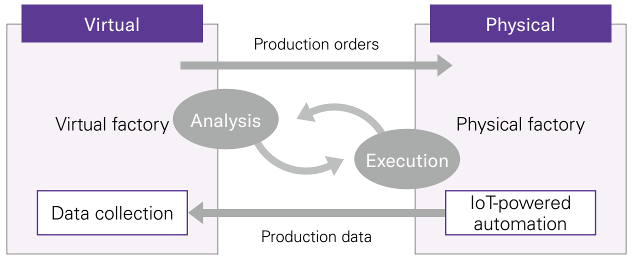
(Billions of yen)



➡ Fiscal 2020 Initiatives

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

Digital Twin Production Management



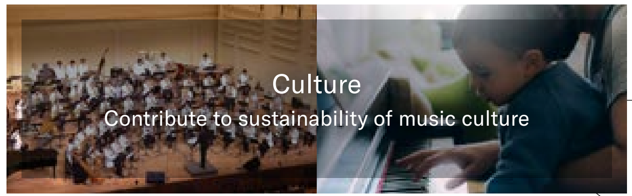
Management Strategy

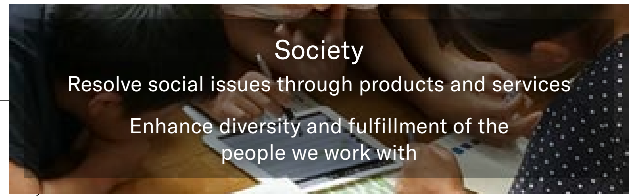
Key strategy 4

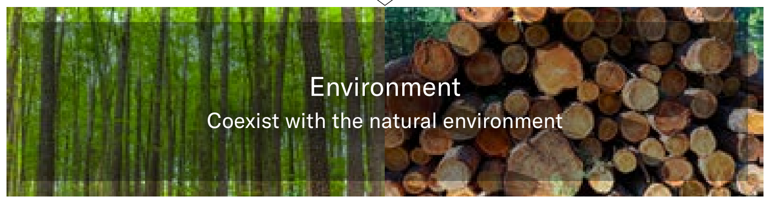
Contribute to Society through Our Businesses

Contributing to the Sustainable Development of Music Culture and Society

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







Culture
Contribute to sustainability of music culture

Contributing to the Sustainability of Music Culture

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


Spreading musical instrument education in emerging markets


Supporting education in the schools for children of migrant workers in China


Overseas music school lesson


Recorder lesson in South Africa

Contribute to global music scene by supplying a diverse range of musical instruments

Launch approximately 800 models (over 3 years)

Spread the joy of music through music school business

30% growth in students at overseas music schools (over 3 years)

Promote musical instrument education in school music lessons in emerging markets

3,000 schools in 7 countries, cumulative total of 1 million students

Support education in schools for children of migrant workers in China by donating musical instruments

Support 18 schools (over 3 years)

➡ Fiscal 2020 Initiatives

- Provision of opportunities for musical instrument performance experiences to an aggregate total of roughly 390,000 children at approximately 1,500 schools in five countries (Malaysia, Indonesia, Russia, Vietnam, and India) as of March 31, 2020
- Decision to conduct the School Project in Egypt starting from fiscal 2021

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

Resolving Social Issues through Our Products and Services

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

Enhancing Diversity and Fulfillment among All Employees

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


I'm a HERO Program in Colombia


Shibuya Zunchaka! *Oto-Machi* Project in Japan


Promoting flexible workstyles such as teleworking


Establishment of an in-house childcare facility (August 2019)

➡ Fiscal 2020 Initiatives

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

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

Environment
Coexist with the natural environment

Utilizing Sustainable Timber

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


Activities to conserve scarce timber resources in Tanzania


Yamaha Eco-Products (environmentally friendly material)

Developing Environmentally Friendly Products

We will create environmentally friendly products through the Yamaha Eco-Products Program*1 (deployment of 120 models over three years) and promote the development of sustainable resources that can be used in place of scarce timber.

Reducing GHG Emissions

We will work to meet our Science Based Target (SBT)*2 through such means as installing highly energy-efficient equipment and shifting toward renewable energy sources. Also, we will work to reduce GHG emissions throughout our entire value chain through the development of energy-saving products and the streamlining of distribution, among other initiatives.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

*2 A Science Based Target to achieve the 2°C GHG emission reduction goal set in the Paris Agreement (32% reduction by fiscal 2031)

➡ Fiscal 2020 Initiatives

- Confirmation that 98.8% (volume ratio) of procured timber was low risk by assessing the place of origin, the legality of harvesting, and the sustainability of relevant resources for all suppliers of timber
- Certified timber projected to constitute 46% (by volume, compared with 28% in fiscal 2020) of timber purchases anticipated in fiscal 2021, representing smooth progress toward goal of achieving a 50% purchasing ratio of certified timber over the period of Make Waves 1.0

Management Strategy

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

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

Review of the First Year of Make Waves 1.0

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

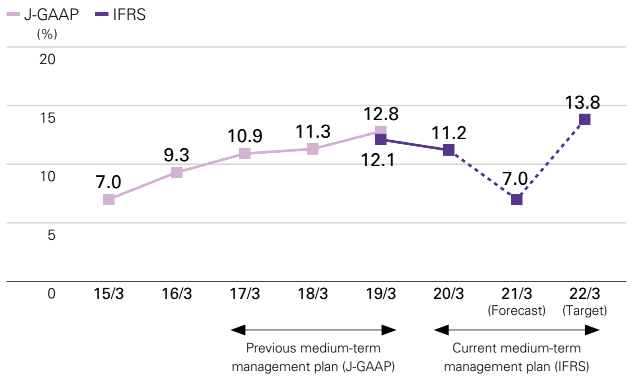
Revenue was down ¥20.1 billion, or 4.6%, year on year, to ¥414.2 billion. Factors behind this decline included reductions of ¥13.7 billion as a result of COVID-19 and ¥13.1 billion from foreign exchange influences as well as the impacts of stagnancy in the industrial machinery and components business.

Core operating profit decreased ¥6.4 billion, or 12.1%, to ¥46.4 billion, following the impact of COVID-19 and a reduction of ¥6.5 billion attributable to the foreign exchange influences as well as to the deterioration in performance of the industrial machinery and components business. Similarly, profit attributable to owners of parent declined ¥5.7 billion, or 14.2%, to ¥34.6 billion. Factors behind this decline included the decrease in core operating profit as well as a ¥1.4 billion loss from suspension of operations attributable to closures of directly operated stores and music schools stemming from the spread of COVID-19 and halts to factory operations and a ¥3.3 billion impairment loss on fixed assets. Both of these losses were recorded under other expenses.*3

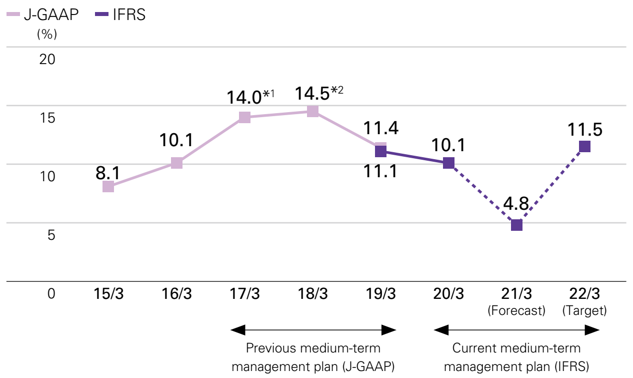
As a result, the core operating profit ratio was 11.2%, ROE was 10.1%, and EPS was ¥195. The figures for all of these key performance indicators (KPIs), for which financial targets were set in the medium-term management plan, were down year on year.

*3 Equivalent to extraordinary loss under J-GAAP standards

Core Operating Profit Ratio (Operating Income Ratio)

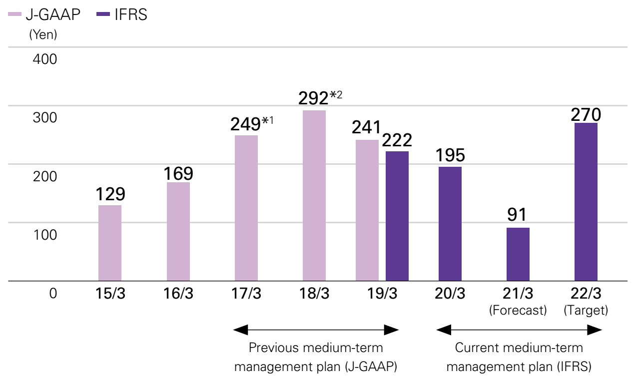


ROE



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

EPS



Forecast for the Second Year of Make Wave 1.0

When announcing first-quarter financial results for fiscal 2021, the Company presented the forecast for revenue of ¥355.0 billion in fiscal 2021, a decrease of ¥59.2 billion, or 14.3%, year on year. Demand remains solid for products that can be sold online and that are supported by the demand created by people staying at home to prevent the spread of COVID-19, such as digital pianos, guitars, and AV products. However, we are facing issues in securing supply to meet this demand due to decreased factory operation as a result of the pandemic. Conversely, market conditions are rough for acoustic pianos and wind instruments, which are primarily sold in stores, and professional audio equipment, which are being impacted as concerts and other live music events are curtailed.

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

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

Balance between Financial Health and Capital Efficiency

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

On June 30, 2020, cash and deposits totaled ¥90.0 billion and the equity ratio*4 climbed above 70%. This level of cash reserves and financial health is no doubt a source of peace of mind with regard to Yamaha's ability to respond to emergency conditions.

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

Financial Strategy

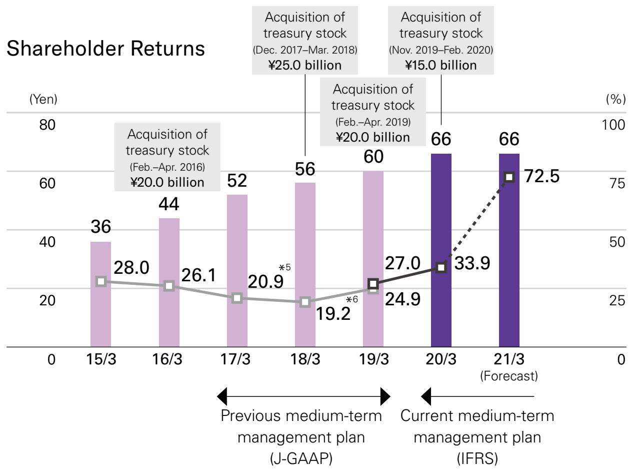
Cash flow creation
Improve cash flow generation capabilities through efforts to enhance asset efficiency via structural reforms and to heighten profitability by increasing competitiveness and reducing costs

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

+

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

Shareholder Returns



Annual per-share dividend — Dividend payout ratio (right)

*5 Including the recording of deferred tax assets

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

¥15.0 billion with the aim of improving capital efficiency. Going forward, we will continue to issue shareholder returns in line with the policies of the medium-term management plan.

I am confident that balanced capital measures entailing proactive shareholder returns emphasizing capital efficiency together with a focus on financial health will contribute to improved shareholder value over the medium to long term.

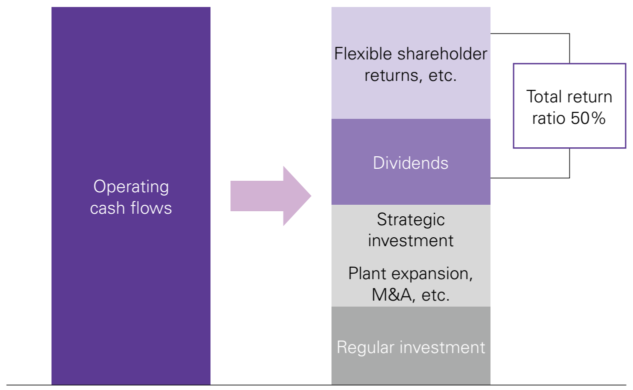
*4 Equity ratio attributable to owners of parent under IFRS

Enhancement of Internal Controls for Financial Reporting

In fiscal 2020, the Company began preparing its financial statements based on International Financial Reporting Standards (IFRS) in order to raise the transparency of financial information disclosed to the global capital market and enhance management of financial information.

We were able to successfully transition to IFRS, but the impacts of the spread of COVID-19 during the period when we were preparing the financial statements for fiscal 2020 made the work of our accounting team quite taxing. In mid-March 2020, lockdowns were instituted in various countries. We responded by shifting to teleworking, but we had to delay the announcement of our financial results for fiscal 2020, originally scheduled for May 7, by about three weeks. Although this situation caused great inconvenience to shareholders and other investors, we were still able to announce financial results on May 26, a timing that prevented any impediments to holding the General Meeting of Shareholders. Prior to the delayed announcement of the financial results, we endeavored to supply shareholders and

Plans for Cash Flows



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

investors with all information possible. The financial results announcement was thus preceded by disclosure on the operating status of Group companies in April 2020 and of business- and region-specific revenue forecasts in early May. This diligent disclosure earned praise from the Tokyo Stock Exchange, among others.

At the same time, this experience brought to light other issues. For example, processes were impeded, at least a little, by the dependence on paper and ink stamps in Japan. Accordingly, Yamaha is accelerating its shift toward paperless operations and electronic approval out of consideration for the projected second and third waves of COVID-19 infections.

Improvement of Profitability and Optimization of Inventories

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

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

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

The third initiative will be the ongoing reduction of costs. We are targeting a net cost reduction of ¥5.5 billion over the three-year period of the medium-term management plan. Cost reductions amounted to ¥2.0 billion in the first year of the plan. In the second year, we will be forced to prioritize efforts for improving the operating ratios of factories in response to the pandemic, which will slow reductions in costs. However, this does not change the fact that reducing costs will be a key strategy going forward.

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

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

Further Improvement of Corporate Value

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

Based on this recognition, the medium-term management plan includes three non-financial targets that stand alongside its financial targets. Performance with regard to these non-financial targets in the first year of the plan met or exceeded our expectations. Corporate brand value*7 was up 15% year on year, compared with the three-year target of achieving a 30% improvement. Efforts to promote music popularization for learning musical instruments in emerging markets saw us offering support to an aggregate total of 390,000 children, making progress toward the target of one million. In addition, we are expecting a ratio of certified timber use of 46% on March 31, 2021, close to the target of 50%.

In addition to pursuing these three non-financial targets, we also carried out environmental, social, and governance (ESG) initiatives. In environmental initiatives, we implemented the Yamaha Eco-Products Program*8 and moved forward with other efforts for reducing CO_2 emissions. As for governance, having transitioned to a Company with Three Committees (Nominating, Audit, and Compensation committees) in 2017 to enhance the Board of Directors' oversight function and expedite execution, we sought to further increase the functionality of this structure. Specifically, we established the new position of audit officer in fiscal 2020 to augment audit functions.

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

*7 Combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd., based on Best Japan Brands 2020, issued by Interbrand Japan, Inc.

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

Adversity as an Opportunity for Evolution

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

STRATEGY SECTION

III. Strategies by Business and Function

MUSICAL INSTRUMENTS BUSINESS

Yamaha is enhancing its developmental capabilities in terms of hard and soft technologies and amassing a wealth of expertise to build lifelong relationships with customers and earn their highest evaluation. At the same time, we are strengthening our brand power to achieve overwhelmingly high levels of profit.

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

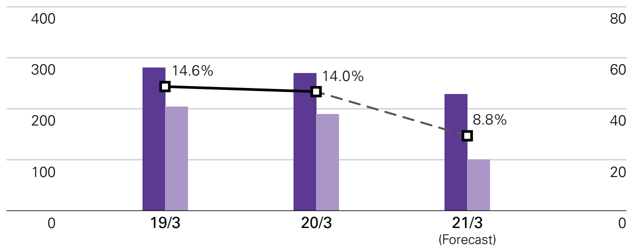
Business Overview

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

Review of Fiscal 2020

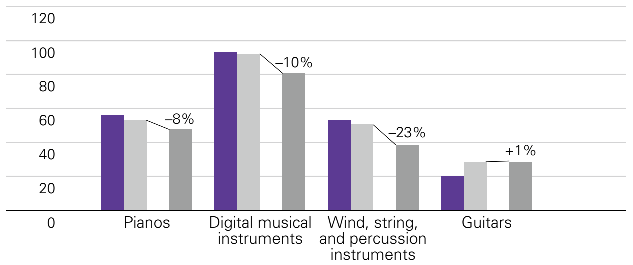
In the musical instruments business, revenue and profit were down year on year due to the impacts of the global COVID-19 pandemic and foreign exchange influences. Nevertheless, we saw a rise in profitability attributable to declines in manufacturing costs and progress in selling price optimization. Measures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

Revenue / Core Operating Profit / Core Operating Profit Ratio



Note: The impacts of the COVID-19 pandemic decreased revenue by ¥9.9 billion in fiscal 2020.

Sales of Major Products



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

	Overview of Markets and Yamaha's Operations	Yamaha's Strengths	Main Competitors
Pianos	■ Continued growth in the piano market in China ■ Expansion of new value proposals (silencing / automated instruments) in maturing markets ■ Diminishing competition centered on local Chinese manufacturers	■ Robust product lineup that enables proposals that meet all kinds of customer demands ■ Product lineups and brand power realized through long-cultivated technologies pertaining to Disklavier™, TransAcoustic™, and other products	Steinway & Sons (Germany and United States) Guangzhou Pearl River Piano Group Co., Ltd. (China) Kawai Musical Instruments Manufacturing Co., Ltd. (Japan)
Digital musical instruments	■ Continuous growth for digital pianos underpinned by growing demand for music education and music hobbies ■ Growth in portable keyboard sales volumes due to launch of models designed specifically for the Indian market and miniature keyboards ■ New stage keyboard products equipped with newly developed organ sound source announced for strong stage keyboard market	■ Extensive product lineup matched to diverse user needs ■ Ability to supply models with functions and content tailored to the local music traditions of Western markets as well as emerging markets ■ Rapid growth in emerging markets and increased customers for high-end products achieved by establishing manufacturing bases and responding to local music traditions	Casio Computer Co., Ltd. (Japan) Roland Corporation (Japan) Kawai Musical Instruments Manufacturing (Japan) KORG Inc. (Japan)
Guitars	■ Ongoing moderate growth in guitar sales driven by the United States, the largest market for guitars, and the Chinese market ■ Advancement in new concept guitars, diversification in ways people enjoy playing ■ Numerous competitors centered on U.S. brands	■ Global leader in number of acoustic guitars sold* ■ Comprehensive solutions encompassing peripheral equipment offered through Yamaha Guitar Group, Inc. (Line 6, AMPEG) ■ TransAcoustic™, wireless, and other new technologies a step ahead of competitors	Fender Musical Instruments Corporation (United States) Gibson Brands, Inc. (United States) Taylor Guitars (United States) C.F. Martin & Co. (United States)
Wind, string, and percussion instruments	■ Stable growth primarily in developed countries supported by demand from schools and bands ■ Trend of expansion in China and emerging markets	■ Strengthening of development and value promotion and expanded sales of mid-range and high-end wind instruments ■ Demand creation and expanded customer base resulting from activities to popularize music in China and emerging countries	Conn-Selmer, Inc (United States) Buffet Crampon (France) Jupiter Band Instruments, Inc. (Taiwan)

* Yamaha estimation, as of March 31, 2020

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

Business Vision

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

Targets for Fiscal 2022 (Based on IFRS)

Revenue: ¥297.0 billion (6.3% growth compared with fiscal 2019)

Core operating profit: ¥49.0 billion (20.1% growth compared with fiscal 2019)

Key Strategies

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

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

Priority Themes for Fiscal 2021

1. Accelerate implementation of key strategies of strengthening ties with customers and society, expanding business portfolio, and creating new value through technological synergies
2. Develop frameworks for continuous business growth (business processes, people, organizations, and management foundations)
3. Address stagnancy in production and sales activities stemming from the COVID-19 pandemic

Business Policies for Fiscal 2021

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

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

Implementation of Strategies for Accomplishing Goals of Medium-Term Management Plan

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

Construction and Reinforcement of Frameworks for Continuous Business Growth

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

Response to the COVID-19 Pandemic

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

PIANO BUSINESS

Global market share for Yamaha's products	Pianos: **39%***
Revenue (Fiscal 2020):	**¥53.0 billion**

Business Overview

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

Targets for Fiscal 2022

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

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2021
Strengthen brand power through the high-end strategy	■ Ramp up approach toward a variety of target demographics ranging from top-level professional pianists to music colleges ■ Strengthen frameworks for communicating brand value (ranging from branding to sales measures)
Expand customer base and raise value	■ Grow share in Chinese market (approach cities in rural areas in particular) ■ Increase ratio of sales of hybrid pianos in mature markets
Propose diverse product value and strengthen customer engagement	■ Develop products and technologies unique to Yamaha ■ Create and propose services for increasing lifetime value

Points of Emphasis in Achieving Targets

In the first year of the medium-term management plan, we focused our efforts on measures for making Yamaha the most-chosen brand by customers ranging from top-level professional pianists to beginners. These efforts generated results, such as gaining exposure for our flagship CFX premium pianos at international competitions, growing sales of our SX Series of high-end pianos, and expanding our sales network in the growth market of China.

In the second year of the plan, we will pursue further improvements to brand power by stepping up coordination between all functions, from branding to sales. We will also continue initiatives for forming ties with music colleges and concert halls in countries worldwide, promoting sales of high-value-added models, developing experience-oriented stores, enhancing solicitation opportunities, and otherwise growing sales.

DIGITAL MUSICAL INSTRUMENTS BUSINESS

Global market share for Yamaha's products	Digital pianos: **50%*** Portable keyboards: **52%***
Revenue (Fiscal 2020):	**¥92.1 billion**

Business Overview

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

Targets for Fiscal 2022

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

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2021
Develop digital pianos leveraging Yamaha's strengths in acoustic products and solicit their value	■ Deepen our understanding of emotional and physical phenomena to further realize expressive power ■ Propose diverse product value that meets a wide range of needs ■ Leverage diverse digital technologies to further improve value
Expand range of keyboards and content suited to local musical traditions	■ Provide solutions and content based on local needs and expand customer base by developing and utilizing local models ■ Accelerate keyboard sales in the Indian market
Expand customer base by developing new products targeting young people who want to express themselves through music	■ Develop products that accommodate the new ways of enjoying music popular among younger demographics ■ Ramp up development of smart device apps that can be linked to musical instruments

Points of Emphasis in Achieving Targets

Progress was made in expanding our business portfolio during the first year of the medium-term management plan through the launch of products such as portable keyboards designed specifically for the Indian market, miniature keyboards, and stage keyboards equipped with newly developed sound sources and keys. We also provided a greater amount of product training opportunities in the markets we serve and distributed digital content as part of an approach toward soliciting the value of the Yamaha brand to customers that capitalized on both physical and digital venues.

Efforts in the second year of the plan will include promoting the fundamental value of pianos we are able to provide through our digital pianos as a piano manufacturer. We will also develop portable keyboards matched to the diverse needs of different regions and produced and provided content for meeting these needs.

Meanwhile, we will respond swiftly to the operating environment changes arising as a result of the COVID-19 pandemic as we bolster e-commerce marketing and sales activities.

WIND, STRING, AND PERCUSSION INSTRUMENTS BUSINESS

(EXCLUDING GUITARS)

Global market share for Yamaha's products	Wind instruments: **31%*** Drums: **12%***
Revenue (Fiscal 2020):	**¥50.7 billion**

Business Overview

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

Targets for Fiscal 2022

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

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2021
Improve brand power and grow market share for mid-range and high-end wind instruments	■ Enhance joint product development through collaboration with major artists ■ Increase market share for mid-range and high-end wind instruments (trumpets, saxophones, and clarinets)
Create markets in China and emerging countries	■ Promote brass and wind instrument bands and create demand in China and emerging countries ■ Stimulate creation of recorder market through School Project
Approach new customers with easier-to-play musical instruments	■ Deploy musical instruments with new value to broaden player horizons

Points of Emphasis in Achieving Targets

Sales growth was achieved in China and emerging countries during the first year of the medium-term management plan. We also made progress in the creation of new markets through the promotion of band activities and the cultivation of technicians. Our efforts during this fiscal year won levels of support from leading artists that exceeded our targets.

In the second year of the plan, we will continue working to develop the Yamaha brand to be chosen by a wider range of customers by bolstering brand power and launching appealing products through joint product development with artists. We will also focus on communicating the value of our mid-range and high-end wind instruments and on conducting related marketing activities to grow sales.

GUITAR BUSINESS

Global market share for Yamaha's products	Guitars: **9%***
Revenue (Fiscal 2020):	**¥28. 6 billion**

Business Overview

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

Targets for Fiscal 2022

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

Key Strategies of Make Waves 1.0	Priority Themes for Fiscal 2021
Promote sales of mid-range and high-end products to achieve rapid growth	■ Plan and develop high-end guitars ■ Develop brand equity for Yamaha guitars
Create new value and deliver inspiration, stimulation, opportunities, and encouragement	■ Promote distinctive brand identity of Yamaha through inspiring experiences and value creation ■ Hold exhibitions and training sessions for communicating value ■ Deploy comprehensive solutions capitalizing on appealing peripheral equipment
Reinforce business platforms	■ Advance marketing strategies and product development based on regional characteristics ■ Manage product manufacturing in a manner oriented toward increases in selling prices

Points of Emphasis in Achieving Targets

In the first year of the medium-term management plan, we advanced product planning and development of high-end models based on extensive interviews of customers in the United States as one facet of our efforts to promote sales of mid-range and high-end products. Although we were impacted by the COVID-19 pandemic, we succeeded in achieving year-on-year growth of 9% in revenue in the guitar business through improvements in sales volumes and selling prices achieved via product training and other initiatives.

The initiatives undertaken in the first year of the plan will be continued in the second. Other focuses will include the acceleration of information provision through physical and digital venues aimed at fostering the brand equity of Yamaha guitars, the planning and development of products boasting appealing new value, and the implementation of region-specific growth strategies.

* Results for fiscal 2020 are based on amounts estimated by Yamaha.

AUDIO EQUIPMENT BUSINESS

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

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

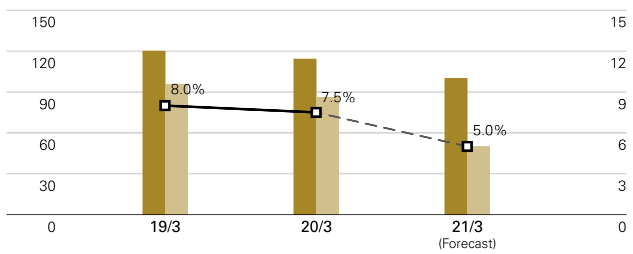
Business Overview

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

Review of Fiscal 2020

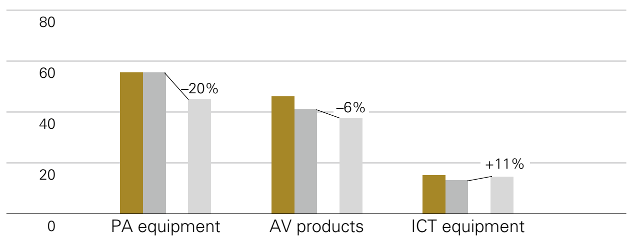
In fiscal 2020, the audio equipment business suffered year-on-year declines in revenue and profit due to the impacts of a challenging macroeconomic environment characterized by negative foreign exchange influences, trade friction between the United States and China, and the COVID-19 pandemic. Nevertheless,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

Revenue / Core Operating Profit / Core Operating Profit Ratio



■ Revenue ■ Core operating profit (right) — Core operating profit ratio
Note: The impacts of the COVID-19 pandemic decreased revenue by ¥3.5 billion in fiscal 2020.

Sales of Major Products



■ 19/3 ■ 20/3 ■ 21/3 (Forecast)

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

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

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Business Vision

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

Targets for Fiscal 2022 (Based on IFRS)

Revenue: ¥135.0 billion (12.4% growth compared with fiscal 2019)

Core operating profit: ¥13.0 billion (35.4% growth compared with fiscal 2019)

Key Strategies

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

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

Priority Themes for Fiscal 2021

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

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

Business Policies for Fiscal 2021

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

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

PA Equipment

Amid the obstacles to holding live events seen on a global scale, Yamaha will focus on sales of personal music production equipment and software. We also aim to broaden our approach to encompass facility owners and audio equipment consultants and enhance our proposal capabilities in upstream areas of the equipment business. In product development, meanwhile, we will utilize multiple overseas bases to increase the number of models that can be developed simultaneously. At the same time, we will move ahead with the development of unique products such as immersive sound systems that offer even greater levels of immersion and feature remote support and automated control functions.

AV Products

Marketing activities will be tailored to customer preferences, pushing headphones for millennials and high-end products for hobbyists, to raise brand recognition in a more effective manner. In addition, we will commence full-fledged advancement into the rapidly growing headphone market overseas, working to develop points of contact with customers through both digital and physical venues. 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

By introducing new products, such as affordable wireless access points and switches, we will raise recognition for Yamaha's LAN products. We also plan to respond to the brisk demand pertaining to new needs for remote solutions by establishing telework-related helpdesks and making proposals for accommodating online classes. In regard to conference systems, we will ramp up production of simple online conference systems that can be used just by placing the system on one's desk and launch new high-end conference systems to deliver solutions that realize hassle-free remote meetings.

Cloud Services

Yamaha is deploying a plethora of cloud services, including its multilanguage information provision services and touchless payment services, based on its SoundUD™ sound-powered telecommunications technology. Going forward, we will continue to create new services by merging the sound, telecommunications, and ICT technologies we have fostered over the years.

INDUSTRIAL MACHINERY AND COMPONENTS BUSINESS

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

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

Business Overview

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

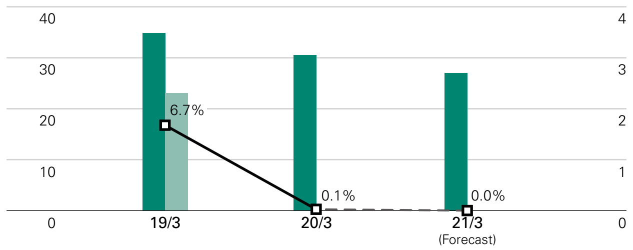
For electronic devices, we are promoting a shift toward component modules related to sound, an area in which the Company excels. We are also transitioning toward the total in-vehicle solutions domain. Furthermore, we are achieving results in terms of in-vehicle communication module products (modules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

Review of Fiscal 2020

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

Revenue / Core Operating Profit / Core Operating Profit Ratio

(Billions of yen) (Billions of yen)



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

Notes: 1. The above graph shows figures for the industrial machinery and components business and other businesses.
2. The impacts of the COVID-19 pandemic decreased revenue by ¥300 million in fiscal 2020.

Revenue Projection in Fiscal 2022

(Billions of yen)

Note: The above graph shows figures for the industrial machinery and components business and other businesses.
* Estimated figures at the time the new medium-term management plan was announced. Actual performance in fiscal 2019: ¥34.8 billion (IFRS)

Major Products / Overview of Markets / Yamaha's Strengths

	Major Products	Overview of Markets	Yamaha's Strengths
Electronic devices	In-vehicle sound modules, in-vehicle image and digital sound field processor semiconductors, graphics LSIs and sound generators for amusement equipment, thermoelectric devices, etc.	■ Contraction in the market for amusement equipment ■ Rising expectations for in-vehicle audio systems stemming from trends toward electrified vehicles and automated driving	■ Product proposals amalgamating core sound-related technologies and sound production expertise
Automobile interior wood components	Interior wood components for luxury cars of both Japanese and overseas automotive manufacturers that leverage the lumber processing and coating technologies used for pianos	■ Deceleration of the Chinese economy, which has driven global sales volumes of automobiles, leading to a trend of erratic growth	■ Lumber processing, coating, and decorating technologies cultivated through traditional piano manufacturing practices
FA equipment	Precision machines for inspecting flexible printed circuit boards, leak detectors, robots, etc.	■ Volatile demand for testing machines for printed circuit boards used in smartphones ■ Trend of expansion in demand for leak detectors for vehicle batteries, etc.	■ Cutting-edge technologies that realize high-speed, high-precision FA equipment

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Business Vision

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

Targets for Fiscal 2022 (Based on IFRS)

Revenue: ¥38.0 billion (9.2% growth compared with fiscal 2019)
Core operating profit: ¥3.0 billion (30.4% growth compared with fiscal 2019)

Key Strategies

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

Opportunities	Risks
■ Business growth in the massive in-vehicle audio market by leveraging Yamaha's core strengths ■ Growing demand for flexible printed circuits following the shift toward IoT and automotive smart technologies	■ Uncertain international relations starting with the trade conflict between the United States and China ■ Particularly long lead times and demand for high quality unique to automobile-related domains

Priority Themes for Fiscal 2021

Electronic devices (in-vehicle audio)	Automobile interior wood components	FA equipment
■ Expand adoption of Yamaha products in the in-vehicle solutions domain ■ Step up collaboration with parts manufacturers with track records of deliveries to completed automobile manufacturers	■ Improve short-term and medium-term profitability ■ Expand sales by securing new orders	■ Promote sales of new precision machine products for high-end printed circuit boards ■ Expand customer base for leak detectors and vehicle battery inspection equipment

Business Policies for Fiscal 2021

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

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

Electronic Devices (In-vehicle audio)

We will accelerate proposals that leverage our core sound technologies in electronic devices operations. For example, we will grow sales of the in-vehicle sound modules launched in fiscal 2019 as a bridgehead for expanding operations catering to the legal requirement for installing emergency alert systems in vehicles. Yamaha will also capitalize on its track record in supplying automotive modules to advance into the in-vehicle audio system field in earnest. By pursuing our passion for sound in the unique sound environment inside automobiles, we will work to achieve differentiation via high sound quality while aiming to acquire a share in the massive market for in-vehicle audio, which exceeds ¥600 billion, by rapidly raising the recognition of the Yamaha brand in this market through means such as soliciting our track record.

Automobile Interior Wood Components

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

FA Equipment

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

SALES

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

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

The Strengths of Yamaha's Sales

Global Sales Activities That Are Deeply Rooted in Local Communities

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

Added Value Promotion and Price Optimization

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

Artist Relations and Service Locations

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

Review of Fiscal 2020

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

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

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

Status of Music Popularization Activities

Music Schools (As of June 2020)

	Number of venues (Schools)	Number of students *1
Japan (total for children and adults)	2,700	280,000
Overseas (total from over 40 countries and regions)	1,400	86,000

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

→ Plan to increase number of overseas students by 30% from fiscal 2019 over the next two years

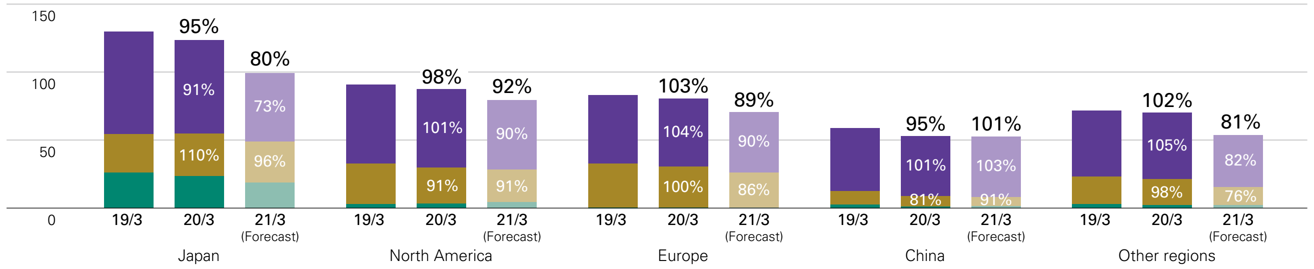
Expansion of School Project*2 (As of March 2020)

Countries offering the program	Total number of students
5 countries	390,000

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

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

Revenue Growth by Region (Year-on-year change excluding the impact of exchange rates, based on IFRS)
(Billions of yen)



Musical instruments business / Audio equipment business / Industrial machinery and components business and other businesses

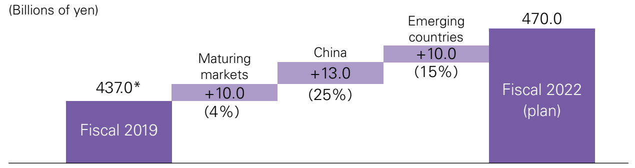
Business Strategies of **Make Waves 1.0** Medium-Term Management Plan

Targets for Fiscal 2022 (Based on IFRS)

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

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

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



Note: Figures in parentheses represent growth rate over three years.
* Estimated figures at the time the new medium-term management plan was announced. Actual fiscal 2019 results: ¥434.4 billion (IFRS)

Progress in Key Strategies of the Medium-Term Management Plan and Priority Themes for Fiscal 2021

	Key Strategies	Progress in Fiscal 2020	Priority Themes for Fiscal 2021
Sales framework reforms	Improve ability to communicate brand and product value	■ Increase in number of direct marketing initiatives and in customer referrals	■ Continue enhancement of ability to communicate value ■ Pursue further sales growth
	Improve service value	■ Rise in number of registered product users achieved through enhancement of services	■ Clarify services to be provided with regard to specific products and regions
	Strengthen contact points with customers	■ Establishment of brand shop plans ■ Expansion of e-commerce networks in various markets	■ Implement domestic brand shop measures ■ Develop experience-oriented stores in various markets ■ Advance e-commerce strategies including BtoB trading
	Expand contact points with customers (achieve growth in emerging countries)	■ School Project progress in line with plans ■ Expansion of sales networks in emerging countries ■ Launch of models designed specifically for the Indian market	■ Expand the School Project ■ Continue expanding sales networks in emerging countries
	Establish global management foundation	■ Examination of introduction of next-generation ERP system ■ Tracking and planned development of global human resources	■ Commence preparations for introduction of next-generation ERP system ■ Start global management of human resources

Business Policies for Fiscal 2021

Continuing efforts from fiscal 2020, the first year of the medium-term management plan, we will move forward with reforms to sales frameworks while also focusing on improving our ability to communicate our value, heightening our service value, and expanding contact points with customers. Meanwhile, we will carefully monitor market trends and appropriately tailor sales company operation measures accordingly based on the conditions pertaining to the COVID-19 pandemic.

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

Improvement of Ability to Communicate Brand and Product Value

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

Improvement of Service Value

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

Expansion of Contact Points with Customers

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

Response to the COVID-19 Pandemic

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

The conditions vary by market, and we are moving forward with sales framework reform initiatives with a focus on digital marketing and e-commerce while accounting for these changes.

PRODUCTION

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

The Strengths of Yamaha's Production

Craftsmanship and Technologies

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

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

Global Production Structure

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

Yamaha Technical Skills Training

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

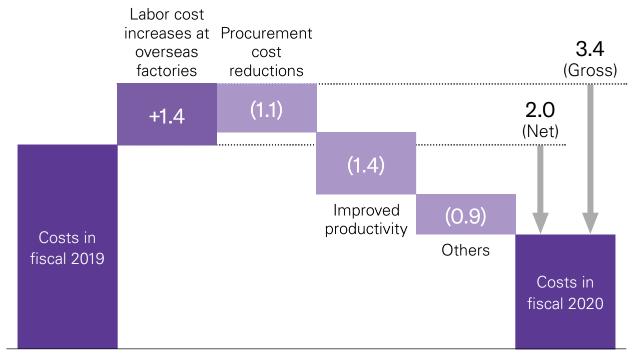
In our efforts to establish a global production structure, the Yamaha Technical Skills Training has been playing a key role in cultivating personnel responsible for production at each production base.

Review of Fiscal 2020

We succeeded in maintaining a consistent supply of products to the market throughout fiscal 2020, despite the fluctuations in production volumes due to the tariffs arising from the trade friction between the United States and China and the halts to production activities in China as a result of the pandemic. In numeric terms, cost reductions exceeded our initial plans, and we also bolstered production volumes through the establishment of new factories in India and Indonesia. Elsewhere, substantial progress was made in the automation, IoT, and global procurement measures that underpin our manufacturing strategies.

Cost Reduction Analysis

(Billions of yen)



Approach under the Medium-Term Management Plan

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

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

Basic Policy

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

Establish foundation for optimal global production services

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

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

Progress in Key Strategies of the Medium-Term Management Plan and Priority Themes for Fiscal 2021

Key Strategies	Specific Initiatives	Progress in Fiscal 2020	Priority Themes for Fiscal 2021
Production engineering (Production hardware) Develop technologies to innovate production processes Establish competitive production processes	Reorganization of production processes, establishment of new factories, promotion of process automation and RPA, development of production methods and material development, enhancement of production processes	■ Development of acoustic guitar production system and commencement of shipments at factory in India ■ Renovations, despite delays, of production facilities at Suzhou Factory in China for full-fledged production of piano frames ■ Commencement of operation of coating robots and measures for environmental regulations	■ Bolster production capacity and develop production methodologies in conjunction with market recovery after the pandemic ■ Promote labor-efficient production and measures for environmental issues
Production information management (Production software) Realize a digital transformation within our production management	Establishment and evolution of SCM systems, utilization of IoT, analysis of production information and improvement in utilization capabilities, establishment of production structure linked to market trends	■ On-schedule progress in developing standardized production management system (target of introducing SCM system within period of the medium-term management plan) ■ Trial introduction of IoT platforms for certain processes at multiple factories	■ Redesign standardized production management system through digital transformation ■ Utilize digital twin approach linking physical factories with virtual counterparts through the IoT
Global production services (Production infrastructure) Strengthen production structure (organization and personnel) Stabilize procurement and reduce costs by establishing a procurement structure	Establishment of regional headquarters, development and optimal allocation of human resources, establishment and enhancement of global procurement structure, promotion of sustainable forest resources	■ Procurement cost reduction of ¥1,120 million ■ Goal of 40% rate of certified timber use within sight ■ On-schedule progress in establishment of area oversight functions ■ Consolidation of suppliers (decreased from 1,720 to 1,653)	■ Establish global procurement system and ensure functionality ■ Enhance human resources for specific positions and optimally position personnel

Major Initiatives Pertaining to Priority Themes for Fiscal 2021

In fiscal 2021, we will promote the digitization of production management by moving forward with the development of a new SCM system with the aim of introducing this system during the period of the medium-term management plan. This system will allow 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, costs, and delivery through means such as analyzing factory equipment operating rates and improving production quality. Meanwhile, we will digitize production management data by coordinating core systems and other cutting-edge IT tools to install the infrastructure for automating work on productions floors. We thereby aim to ensure that we can maintain consistent and appropriate levels of supply in response to market demand, even amid the COVID-19 pandemic.

Sustainability of Forest Resources (Timber Procurement)

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

Strategic Significance of New Factory in India

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

Strategies by Business and Function

RESEARCH AND DEVELOPMENT

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

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

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

Review of Fiscal 2020

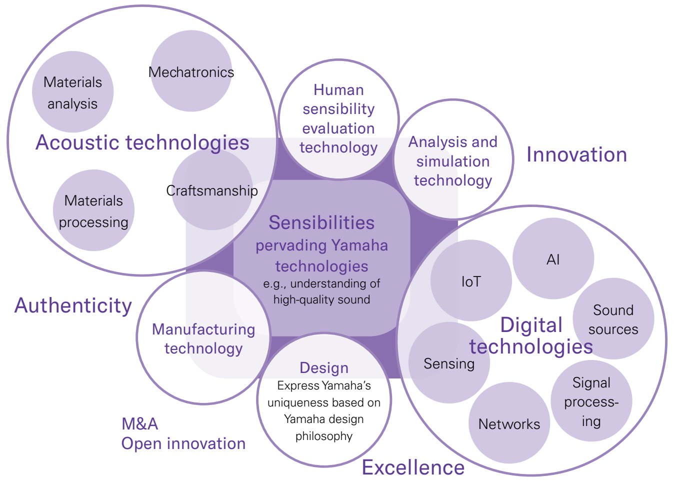
In the first year of the medium-term management plan, steady progress was made in initiatives based on the core themes of the plan, moving us forward in achieving the overarching goal of creating new value through the combination of technologies and sensibilities. Progress was particularly strong in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

What Does the Combination of Technologies and Sensibilities Entail?

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

Various Technologies That Serve as a Source of Competitiveness

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



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

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

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

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

Priority Themes for Fiscal 2021

- Enhancement of design and development methodologies through refinement of analytical and measurement technologies
- Creation of new value by developing essential technologies in the fields of materials, elemental components, and AI

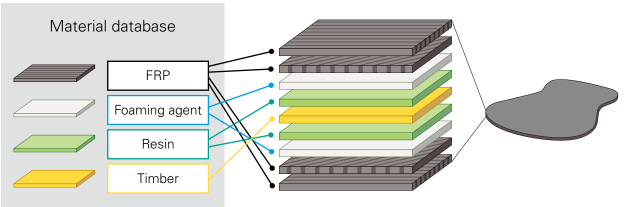
Reaching New Heights of Competitiveness by Enhancing Our Strengths in the Fields of Materials, Elemental Components, and AI

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

Fields of Materials and Elemental Components

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

Material Development That Leverages Our Databases as Platforms



Field of AI

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

Receipt of Minister of Internal Affairs and Communications' Award in 25th AMD Award Program

An AI reproduction of singer Hibari Misora using Yamaha's VOCALOID: AI™ singing voice synthesis technology won with the Minister of Internal Affairs and Communications' Award, the grand prize in the 25th AMD Award, Digital Content of the Year 2019 program sponsored by Association of Media in Digital (AMD). This project was selected from among 110 candidates for this award.

25th AMD Award ceremony

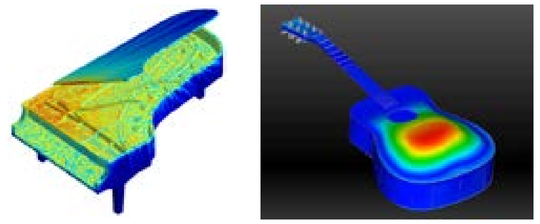
Receipt of award from Minister of Internal Affairs and Communications (right)

Establishing and Innovating Design and Development Methods

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

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

Rendering of Audio Analysis

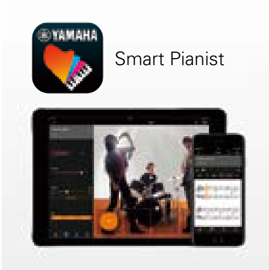


Developing Elemental Technologies That Extensively Provide New Value to Customers on a Continuous Basis

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

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

Examples of Apps That Support Performing Artists



Efforts to Promote Sustainability within Our R&D Activities

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

Approach to Sustainable Materials from Two Perspectives

Yamaha's Vision for Sustainable Materials

Replace exhaustible and endangered resources with renewable ones

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

Expand material sources scientifically toward new renewable resources

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

Roles of R&D

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

TOPICS: R&D Innovations Creating New Value

Online Remote Ensemble Performance Service

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

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

Unified Communication Speakerphone

YVC-330 (Applied Technology: SoundCap)

The YVC-330 unified communication speakerphone is equipped with SoundCap, a technology for limiting the range of sounds picked up by the speaker. YVC-330 will only pick up sound from its direct vicinity, even when used in open spaces with no walls to isolate sound. This product thus allows for remote meetings to be held without unwanted noise, contributing to remote communication with true freedom of location.

Truly Wireless Bluetooth Earphones

TW-E7A (Applied Technology: Listening Care)

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

Intellectual Property

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

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

Patents

To differentiate itself from its competitors, gain a business advantage, ensure greater business flexibility, and enable licensing to third parties, Yamaha has formulated patent strategies tailored to its operations in specific business segments. Every year, we conduct evaluations pertaining to such factors as our current patent utilization status and the future potential of patent utilization with the aim of rigorously distinguishing and organizing intellectual properties that contribute to our product development and enhance our competitiveness. By optimizing the number of patents we hold and the content of these patents, we are working to leverage our intellectual properties in a logical manner.

As of March 31, 2020, the Group possessed approximately 2,500 patents in Japan and roughly 3,500 patents overseas, centered on the United States, Europe, and China.

Trademark Rights

In 1986, Yamaha formulated management regulations for the Yamaha brand, and we have established Companywide management committees. We are working to sustain and enhance brand value by taking steps to realize the proper use of trademarks. As one part of those efforts, Yamaha has widely trademarked its brand in almost every part of the world. Furthermore, for product and service brands, which are positioned as sub-brands, the Company works to appropriately conduct preliminary investigations into product and service names and to acquire trademarks.

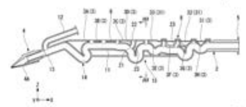
Design Rights

Yamaha views design as a critical element in setting its products apart from other offerings in the market, and consequently the Company makes every effort to properly safeguard and utilize these assets. As one part of those initiatives, Yamaha has strengthened its efforts to acquire design rights in countries and regions where there are frequent issues with counterfeit products. As of March 31, 2020, the Yamaha Group held a total of approximately 1,280 design rights, roughly 440 in Japan and 840 overseas.

Copyrights

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

Patents
Inventions related to structures, functions, methods, etc.

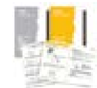


Trademark Rights
Marks such as characters, figures, etc., used in products and services

Intellectual Property Related to Products

Design Rights
Designs of items; shapes, patterns, etc.

Copyrights
Sheet music, etc., that is included with products (including internal software, etc., for electronic devices)



Anti-Counterfeiting Measures

In recent years, the number of cases of unauthorized third parties manufacturing and selling products under the Yamaha brand or reproducing counterfeit Yamaha product designs has been increasing. In response, we are taking steps to eliminate economic disadvantages and secure safety for consumers, and in turn to maintain trust in the Yamaha brand. To that end, we continue to monitor the use of intellectual property rights and implement aggressive countermeasures through administrative and legal routes. At the same time, we are also focusing on countermeasures to prevent counterfeit product sales through the internet and social media. Going forward, Yamaha will implement aggressive legal measures, including lawsuits, to protect the Company's brands, consumer trust in the Yamaha brand, and the Company's businesses.

DESIGN

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

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

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

Yamaha's Design Philosophy—Development Emphasizing Design

For four months beginning with October 2019, a special exhibit on Yamaha's design philosophy, and how it aims to give form to the future, was held at the Innovation Road corporate museum. This exhibit looked back on the approach toward development emphasizing design that Yamaha has embraced since the 2000s and featured around 30 works from 12 different exhibitions. Guidance panels and videos provided information on the themes of each exhibition and how they evolved. These panels and videos also featured comments on the items from customers and design critics from the respective time periods. The exhibit included items that had previously only been displayed overseas or only shown to product-related staff. With so many rare items assembled under a single roof, the exhibit drew a wide range of visitors, including members of the design industry and the general public and even employees. Visitors left with a deeper understanding of the design philosophy Yamaha has forged through its ongoing design activities. Specific examples of the items exhibited included a line of furniture designed with musical instruments in mind commercialized by a furniture manufacturer based on design proposals and the YEV electric violin that graduated from a design competition to become an actual product. These items helped visitors see how the Company values innovation and the essence that is transmitted from Yamaha's approach toward development emphasizing design on to its products.

Left and top: Exhibit displaying around 30 items announced at past exhibitions
Bottom: Bench designed to store a guitar (left) and work exhibited at French design event together with Yamaha Motor Co., Ltd. (right)

STORIA™ Acoustic Guitar

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

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

CP88 and CP73 Stage Pianos

The CP88 and CP73 stage pianos continue a rich tradition as the newest in the CP Series of keyboards designed for live performances. In addition to complementing our prior line of 88-key models with a new 73-key model, we completely revised even the most minute details of these pianos, right down to the button feel. With an illustrious metallic body and a design that exhibits the elegance of a piano, despite being compact, these pianos will have strong presence alongside other instruments on stages.

— Red Dot Award: Product Design 2020
Silver Award, DFA Designs for Asia Award 2019
Product category design award, 2020 iF Product Design Award
GOOD DESIGN AWARD 2019
German Design Award 2021

YAMAHA'S DESIGN

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

Sonogenic SHS-500 Keytars

The Sonogenic SHS-500 is a "keytar," a compact digital keyboard that can be held like a guitar, designed to allow anyone to experience the fun of musical performance immediately, even if they have never played a keyboard before. Sonogenic keytars feature a body shape that allows for a wider range of performances. We offer two sporty colors—red and black—to entice even first-time keyboard players to take these keytars in hand as they can also function as a fashion accessory in a similar manner as a skateboard. These considerations have made for a design that is conducive to active performances, whether at home or on stage.

— Red Dot Award: Product Design 2020
Product category design award, 2020 iF Product Design Award
German Design Award 2021

TW-E5A Truly Wireless Bluetooth Earphones

The TW-E5A is a set of truly wireless Bluetooth earphones designed based on the theme of delivering sound that reverberates through the body and soul of listeners, with its main target being people who have discerning tastes for both sound quality and style. These earphones boast an elegant body design that uses curves to portray a motif of musical instruments while featuring a simple yet exquisite feel that invites extended use. The earphone portion is designed with a streamlined shape to fit comfortably in user ears for discomfort-free listening while delivering high sound quality.

THR-II Series Guitar Amplifiers

There are guitarists who want to be able to play their instrument at any time. The THR-II Series of desktop guitar amplifiers helps realize this desire and has thus come to be loved by guitarists around the world. Seeking to make the manipulation of switches and knobs a tactile experience, we used metal in the bodies and handles of these amplifiers to endow them with a sense of strength and brashness while taking other steps to create a design that was suited to the various places and situations in which guitarists play.

HUMAN RESOURCES

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

Basic Policy

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

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

Vision Targeted under the Medium-Term Management Plan

- Optimally 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

Review of Fiscal 2020

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

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

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

Yamaha Human Rights Guidebook

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

As a reflection of the evaluations of these initiatives, in October 2019 Yamaha was awarded with the highest rating of gold in the PRIDE INDEX, an index compiled by work with Pride to recognize the initiatives of companies and other organizations for supporting members of the LGBT community and other sexual minorities.

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

Strategies for Fiscal 2021

Global Human Resources Management, Development, and Utilization

Yamaha seeks to enable its employees to feel empowered in their work as they exercise their individuality and autonomy while also implementing business strategies in an increasingly complicated operating environment. To accomplish these aims, we are accelerating human resources management practices that emphasize independence and diversity. For example, we are creating career development frameworks that allow for a constant link between employees' desires for skill development and the improvement of corporate value, more extensively implementing career development programs based on global grading standards, and refining human resources development systems. Furthermore, regular monitoring based on the previously established Group Human Resources Management Policies & Rules is carried out in order to better utilize human resources across the Group.

Diversity and Inclusion and Work–Life Balance

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

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

Response to the COVID-19 Pandemic and Workstyle Reforms

After Japan instituted its state of emergency declaration in response to the COVID-19 pandemic, a large number of employees working in offices switched over to teleworking (no limits were imposed on the scope of employees given access to this option). We have since made significant progress in promoting communication using tools such as online conference chat systems and in reforming processes that had previously been built on the assumption of coming into the office and engaging in face-to-face interactions. Meanwhile, we are acting with the safety of customers and employees as our top priority at domestic and overseas sales offices and production bases, seeking out means of fostering mutual understanding and sharing information, even as we face restrictions in our business activities. These initiatives have taught us means of improving engagement and maintaining business continuity under circumstances that impede the sharing of information among workplaces. Going forward, we will overhaul our teleworking system to facilitate contributions from our diverse human resources via equally diverse workstyles and thereby create new value.

GOVERNANCE SECTION

IV. Corporate Governance

DIRECTORS

(As of June 24, 2020)

Takuya Nakata

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

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

Satoshi Yamahata

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

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

Yoshimi Nakajima

Independent Outside Director
Number of shares owned: 0

1980 Joined The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
1982 Joined AVON Products Co., Ltd.
1997 Joined Citibank N.A. as Vice President
2000 Joined Societe Generale Securities Japan Limited as Senior General Manager
2002 Joined American Express International, Inc. as Vice President and Head of Global Travelers Cheques and Prepaid Services, Japan
2011 Country Manager, Singapore (President), American Express International, Inc.
2014 President and Representative Director of American Express Japan Co., Ltd.
2017 Outside Director of Yamaha Corporation (to the present)
Outside Director of AEON Financial Service Co., Ltd. (to the present)
2018 Outside Director of Japan Freight Railway Company (to the present)
Outside Director of ULVAC, Inc. (to the present)

Taku Fukui

Independent Outside Director
Number of shares owned: 0

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

Yoshihiro Hidaka

Independent Outside Director
Number of shares owned: 1,500

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

Mikio Fujitsuka

Independent Outside Director
Number of shares owned: 0

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

Paul Candland

Independent Outside Director
Number of shares owned: 100

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

Corporate Governance

REASONS FOR DIRECTOR APPOINTMENT

Name	Appointed Committee	Reasons for Appointment / Independence of Outside Directors
Takuya Nakata Director, President and Representative Executive Officer	Nominating Committee Compensation Committee	Having served in positions such as General Manager of our Pro Audio & Digital Musical Instruments Division and President and Director of Yamaha Corporation of America, Mr. Takuya Nakata has a wealth of experience and achievements alongside broad insight in business. He has led the Group as President and Representative Director since June 2013, and as Director, President and Representative Executive Officer since June 2017 after our transition to a Company with Three Committees (Nominating, Audit, and Compensation). Additionally, he has been a leader in corporate governance reform via initiatives such as the transition to a Company with Three Committees (Nominating, Audit, and Compensation) corporate structure, and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on the expectation that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights.
Satoshi Yamahata Director and Managing Executive Officer	—	In addition to work experience at an overseas subsidiary, Mr. Satoshi Yamahata has served as General Manager of the Accounting and Finance Division, General Manager of the Corporate Planning Division, Executive General Manager of the Operations Unit, and Executive General Manager of the Corporate Management Unit, and has a wealth of experience and achievements alongside broad insight. He has promoted corporate governance reform as Director and Senior Executive Officer since June 2015 and as Director and Managing Executive Officer since June 2017, and has worked to strengthen the oversight function of the Board of Directors. He has been appointed as a director on the expectation that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights.
Yoshimi Nakajima Independent Outside Director	Nominating Committee Audit Committee Compensation Committee	Having been involved in management as the person responsible for the Asian region and the Japanese firm of a global financial institution, Ms. Yoshimi Nakajima has a wealth of experience and achievements alongside broad insight as a corporate manager. Since assuming the position of Outside Director of the Company in June 2017, she has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on her wealth of achievements and insights, etc., as a corporate manager. She has been appointed as a director on the expectation that she will help further strengthen the oversight function of the Board of Directors through these achievements and insights. The Company files documentation with the Tokyo Stock Exchange to establish that Ms. Nakajima is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Taku Fukui Independent Outside Director	Audit Committee	With a mastery of corporate law and corporate governance in Japan and overseas as an attorney, Mr. Taku Fukui has a high degree of expertise, wealth of experience, and achievements alongside broad insight. Since assuming the position of Outside Director of the Company in June 2017, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his high degree of expertise, wealth of achievements and insights, etc. He has been appointed as a director on the expectation that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights. There are no transaction relationships between the Company and Kashiwagi Sogo Law Offices, where Mr. Fukui serves as Managing Partner. The Company files documentation with the Tokyo Stock Exchange to establish that Mr. Fukui is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Yoshihiro Hidaka Independent Outside Director	Nominating Committee Compensation Committee	Having been involved in management at one of the largest global transportation equipment manufacturers in Japan, Mr. Yoshihiro Hidaka has a wealth of experience and achievements alongside broad insight as a corporate manager. Additionally, as President and Representative Director of Yamaha Motor Co., Ltd., a company that shares a common brand with the Company, he is a person with one of the deepest understandings of the Yamaha brand. Since assuming the position of Outside Director of the Company in June 2018, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate manager. He has been appointed as a director on the expectation 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. Hidaka serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value via the Company's sustainable growth also provides a positive effect on said company's corporate value, while damage to the brand due to violations of laws and regulations or deficient governance, etc., by the Company will have a negative effect on said company's corporate value. Mr. Hidaka is a person with one of the deepest understandings of the Yamaha brand, which is the source of the Company's brand value, and he shares an interest with ordinary shareholders regarding improvement of the Company's brand value. Furthermore, not only there are no significant transaction relationships* between the Company and Yamaha Motor Co., Ltd., but as the Company is no longer a major shareholder of said company since 2017, there are no concerns that Mr. Hidaka will have conflicts of interest with ordinary shareholders, and the Company believes that he can fulfill his duty for supervision, etc., of management from an independent standpoint in order to maximize profits for shareholders of the Company. The Company filed documentation with the Tokyo Stock Exchange to register Mr. Hidaka as an independent director under the provisions set forth by the Tokyo Stock Exchange. * The amount of transactions between the Company and Yamaha Motor Co., Ltd. is less than 0.1% of the consolidated revenue of both companies.
Mikio Fujitsuka Independent Outside Director	Audit Committee	Having been involved in management as CFO at one of the largest global construction machinery manufacturers in Japan, Mr. Mikio Fujitsuka has a wealth of experience and achievements alongside broad insight as a corporate manager, as well as adequate knowledge of finance and accounting. Since assuming the position of Outside Director of the Company in June 2019, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate manager. He has been appointed as a director on the expectation that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights. There are no transaction relationships between the Company and Komatsu Ltd., where Mr. Fujitsuka served as Director until June 2019, and neither party is classified as a major shareholder of the other. The Company filed documentation with the Tokyo Stock Exchange to establish that Mr. Fujitsuka is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Paul Candland Independent Outside Director	Nominating Committee Compensation Committee	Having been involved in management as the person responsible for the Asian region and the Japanese firms of global entertainment companies, Mr. Paul Candland has a wealth of experience and achievements alongside broad insight as a manager. 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 manager. He has been appointed as a director on the expectation that he will help further strengthen the oversight function of the Board of Directors through these achievements and insights. There are no transaction relationships between the Company and PMC Partners Co., Ltd. and Age of Learning, Inc., where Mr. Candland serves as a Managing Director, and neither party is classified as a major shareholder of the other. Furthermore, there are no significant transaction relationships* between the Company and The Walt Disney Company (Japan) Ltd., where Mr. Candland served until December 2017, and neither party is classified as a major shareholder of the other. The Company filed documentation with the Tokyo Stock Exchange to establish that Mr. Candland is an independent director under the provisions set forth by the Tokyo Stock Exchange. * The amount of transactions between the Company and The Walt Disney Company and The Walt Disney Company (Japan) Ltd. is less than 0.1% of the consolidated revenue of any of the companies.

EXECUTIVE OFFICERS, OPERATING OFFICERS, AND AUDIT OFFICERS

(As of June 24, 2020)

President and Representative Executive Officer

Takuya Nakata
Executive General Manager of Brand Development Unit

Please refer to page 72 for career summary.

Managing Executive Officers

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

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

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

Please refer to page 72 for career summary.

Executive Officers

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

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

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

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

Teruhiko Tsurumi
Executive General Manager of Musical Instruments Business Unit

1981 Joined the Company
2007 General Manager of AV Products Business Unit
2008 Representative Director and President of Yamaha Electronics Marketing Co., Ltd.
2010 Director and President of PT. Yamaha Musik Indonesia (Distributor)
2014 Chairman and President of Yamaha Music & Electronics (China) Co., Ltd.
Executive Officer of Yamaha Corporation
2019 Executive Officer (to the present)
Executive General Manager of Musical Instruments Business Unit (to the present)

Operating Officers

Shinichi Takenaga
Deputy Executive General Manager of Audio Products Business Unit

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

Thomas Sumner
President of Yamaha Corporation of America

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

Taro Tokuhiro
Executive General Manager of Operations Unit

Hiroko Ohmura
Deputy Executive General Manager of Brand Development Unit

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

Audit Officers

Hirofumi Mukaino
Senior General Manager of Internal Auditing Division

Yasushi Nishiyama
Senior General Manager of Audit Committee's Office

MESSAGES FROM THE OUTSIDE DIRECTORS

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

Impressions of Yamaha from an Outside Expert's Perspective

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

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

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

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

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

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

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

Taku Fukui

Independent Outside Director

Career Summary

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

Major Concurrent Positions

- Managing Partner of Kashiwagi Sogo Law Offices
- Professor of Keio University Law School
- Outside Audit & Supervisory Board Member of Shin-Etsu Chemical Co., Ltd.

Paul Candland

Independent Outside Director

Career Summary

Mr. Paul Candland has been involved for many years in management as the person responsible for the Asia region and the Japanese firms of global entertainment companies such as The Walt Disney Company. Drawing on his abundant experience and track record as a manager, Mr. Candland has been serving as an Outside Director with the Company since June 2019.

Major Concurrent Positions

- Managing Director of PMC Partners Co., Ltd.
- CEO of Age of Learning, Inc.

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

Impressions of Yamaha from an Outside Expert's Perspective

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

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

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

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

Necessary Steps for Further Enhancing the Yamaha Brand

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

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

CORPORATE GOVERNANCE

Basic Policies for Corporate Governance

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

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

Basic Policies for Corporate Governance

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

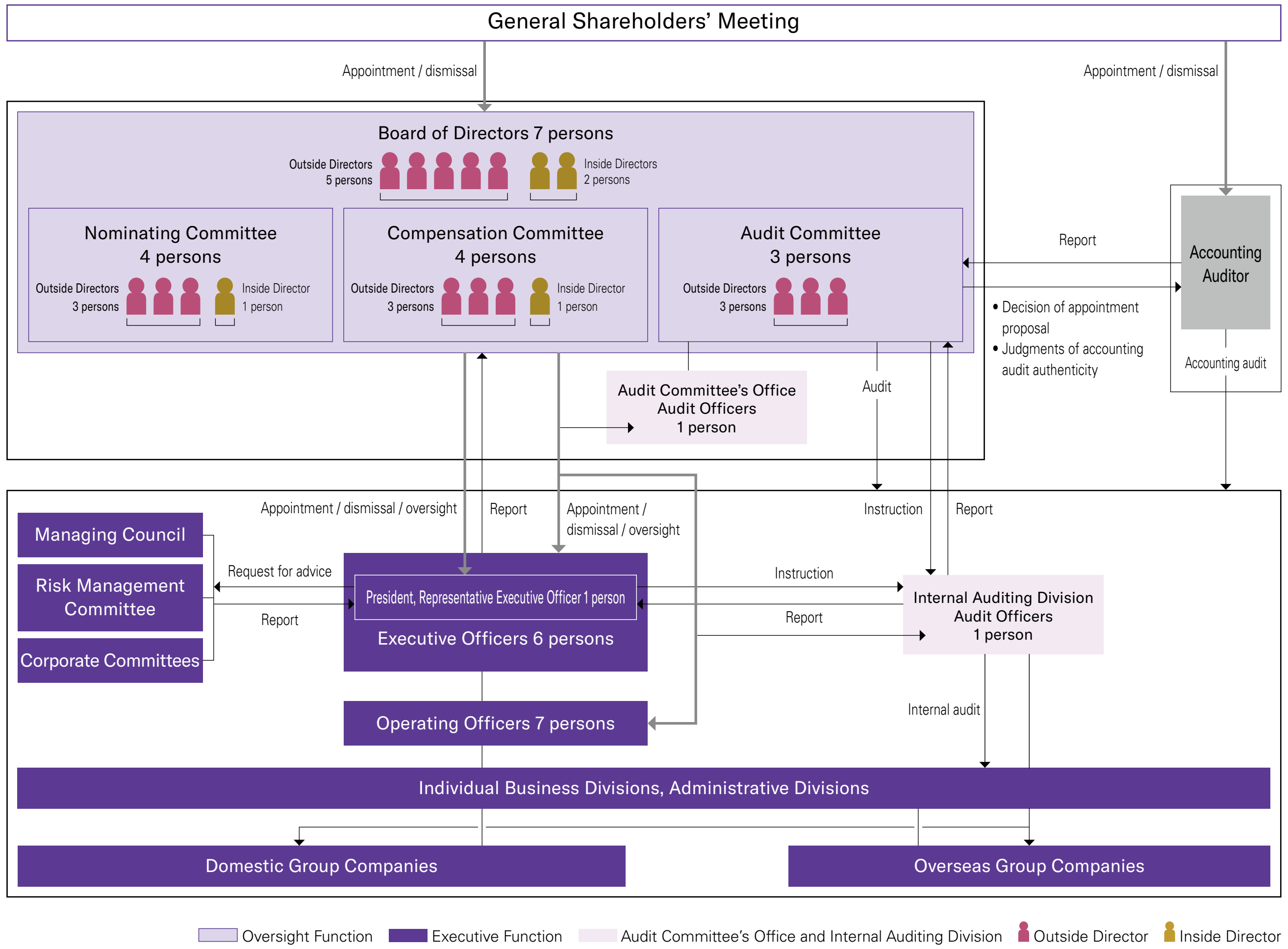
Corporate Governance Structure

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

Regarding the composition of the Board of Directors, Yamaha enhances the transparency and objectivity of oversight functions by having independent outside directors, including managers from other industries who come from various professional backgrounds, comprise five-sevenths of the total. Yamaha has also established the Nominating Committee, on which independent outside directors must form a majority, as well as the Audit Committee and the Compensation Committee. The Audit Committee conducts suitability audits and compliance audits while collaborating with the Internal Auditing Division with the objective of enhancing oversight functions through audits.

Yamaha has established the executive officer role as an official function under the Companies Act to bear the direct responsibility for shareholders. Executive officers have been delegated broad authorities by the Board of Directors to make important decisions pertaining to business execution, with the aim of accelerating business execution.

Corporate Governance Structure (As of June 24, 2020)



Specializations Held by Directors

Name	Corporate management	Legal and risk management	Finance and accounting	IT and digital technology	Manufacturing, technology and R&D	Marketing and sales	Global experience
Takuya Nakata	●			●	●	●	●
Satoshi Yamahata		●	●				●
Yoshimi Nakajima (Outside)	●	●				●	●
Taku Fukui (Outside)		●					●
Yoshihiro Hidaka (Outside)	●		●				●
Mikio Fujitsuka (Outside)	●	●	●				●
Paul Candland (Outside)	●					●	●

Oversight Function

Directors and Board of Directors

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

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

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

Yamaha's Standards for Independence

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

For further information about the independence standards, please refer to the Corporate Governance Report.
https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Director Training Policies

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

In addition, directors take part in management meetings to deepen their understanding regarding management issues.

Support Systems for Outside Directors

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

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

Major Proposals in Fiscal 2020
- Budgets, financial results
- Establishment of new position of audit officer (corporate governance, organizational structure)
- New executive team
- Status of operational execution (reported items)
- Business and function strategies (examination items), etc.

Nominating Committee

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

Process and Standards for Selecting Officers, etc.

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

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

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

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

Succession Plans for Representative Executive Officer and Other Officers

After 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 (CDPs) for core personnel and sets ups venues for candidates to present their ideas to the Board of Directors and other entities.

Major Activities in Fiscal 2020
- Implementation of succession plans for the representative executive officer and other officers
- Decision of new executive team, etc.

Key Activities of Outside Directors (Fiscal 2020)

Name		Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
	No. of meetings held	12 times	3 times	14 times	3 times
Masatoshi Ito*1	Number of attendances	12 times	3 times	—	3 times
	Attendance rate*2	100%	100%	—	100%
Yoshimi Nakajima	Number of attendances	12 times	—	13 times	—
	Attendance rate*2	100%	—	92.85%	—
Taku Fukui	Number of attendances	12 times	—	14 times	—
	Attendance rate*2	100%	—	100%	—
Yoshihiro Hidaka	Number of attendances	11 times	3 times	—	3 times
	Attendance rate*2	91.66%	100%	—	100%
Mikio Fujitsuka	Number of attendances	10 times	—	11 times	—
	Attendance rate*2	100%	—	100%	—
Paul Candland	Number of attendances	10 times	3 times	—	2 times
	Attendance rate*2	100%	100%	—	100%

*1 Retired at the end of his term as of the conclusion of the 196th Ordinary General Shareholders' Meeting held on June 23, 2020
*2 The denominator for the attendance rate is the total number of meetings held during the period in which each person was in office.

Compensation Committee

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

Compensation System

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

Outside directors only receive fixed compensation.

Performance-Linked Bonuses

Consolidated profit attributable to owners of parent and ROE, two metrics used for setting performance-linked bonuses, were ¥34,621 million and 10.1%, respectively.

Compensation in Restricted Stock

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

Major Activities in Fiscal 2020
- Determination of officer compensation amounts
- Decision of officer bonus amounts, etc.

Audit Committee

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

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

Securing the Effectiveness of the Audit Committee

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

Breakdown of Compensation (Fiscal 2020)

Classification	Total Compensation (Millions of yen)	Compensation by Type (Millions of yen)			Number of People
		Fixed compensation	Performance-linked bonuses	Compensation in the form of restricted stock	
Directors	68	68	—	—	9
(Including outside directors)	(60)	(60)	(—)	(—)	(8)
Executive Officers	579	279	141	158	8

Notes: 1. The above numbers include three directors who retired at the conclusion of the 195th Ordinary General Shareholders' Meeting held on June 24, 2019.
2. The total amount of compensation, etc., paid to the executive officers concurrently serving as directors is described in the section for executive officers.

Company. To ensure the Audit Committee's Office's independence from the executive officers and other people responsible for business execution, the approval of the Audit Committee is required for personnel evaluations, personnel reassignments, and disciplinary actions for the Audit Committee's Office's personnel.

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

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

Collaboration between the Accounting Auditor and the Internal Auditing Division

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

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

Major Activities in Fiscal 2020

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

Audit Officers

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

Executive Function

Representative Executive Officer

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

Executive Officers

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

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

Managing Council

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

Corporate Committees

The Company has established corporate committees that act as advisory bodies to the president and representative executive officer. These committees deliberate policies regarding essential topics related to examinations and initiatives that are continuously carried out on a cross-organizational and management-level basis. The committees report the results of these deliberations to the president and representative executive officer.

Risk Management Committee

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

Operating Officers

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

Internal Control System, Internal Audits, and Accounting Audits

Internal Control System

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

For further information about the internal control system, please refer to the Corporate Governance Report.
https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf

Internal Audits

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

The Company selects an operating officer to be in overall charge of internal audits, with the objective of improving internal 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 12 certified public accountants and 37 other staff assist with the audit work.

Policy and Reasoning Behind Selection of Accounting Auditor

The Company's Audit Committee has appointed Ernst & Young ShinNihon as its accounting auditor, in continuation from fiscal 2019, as a result of its examination based on the following policy for deciding whether to dismiss or not reappoint the accounting auditor.

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

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

Evaluation of Accounting Auditor by the Audit Committee

The Company's Audit Committee assesses the accounting auditor.

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

Group Internal Control System

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

Subsidiaries are required to receive prior approval from the Company for decisions on management conditions and other important matters with the potential to impact Group management and to report to the Company with regard to certain matters.

All Group companies are required to submit regular reports with regard to items required by law as well as items requested by the Audit Committee. Items requiring reporting include the results of internal audits by the Internal Auditing Division, reports on the status of compliance operation by legal affairs divisions, helpline operation and reports, compliance by other staff divisions, and internal control activities.

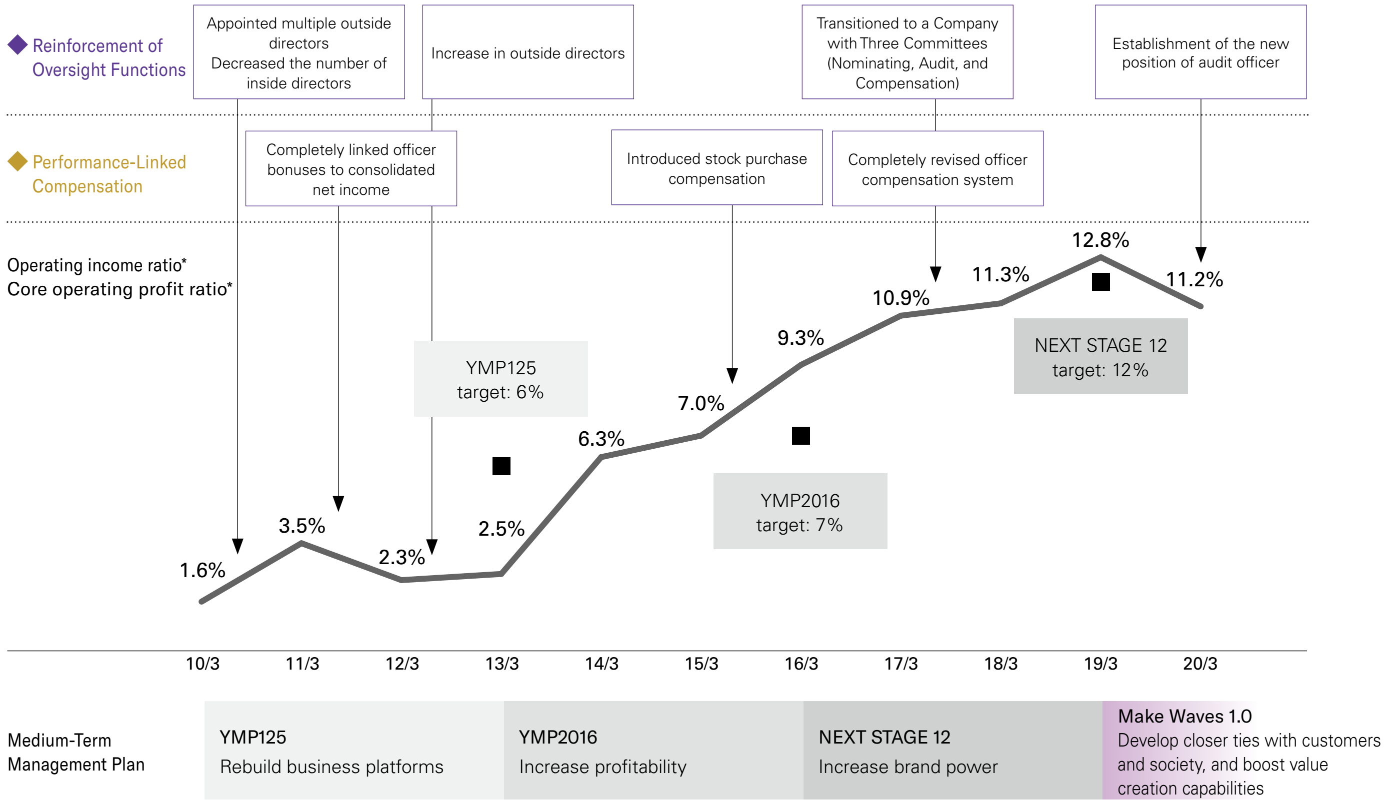
Changes in Corporate Governance

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

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

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

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



* Calculated based on J-GAAP standards up until fiscal 2019; calculated based on IFRS from fiscal 2020 forward

◆ Reinforcement of Oversight Functions

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

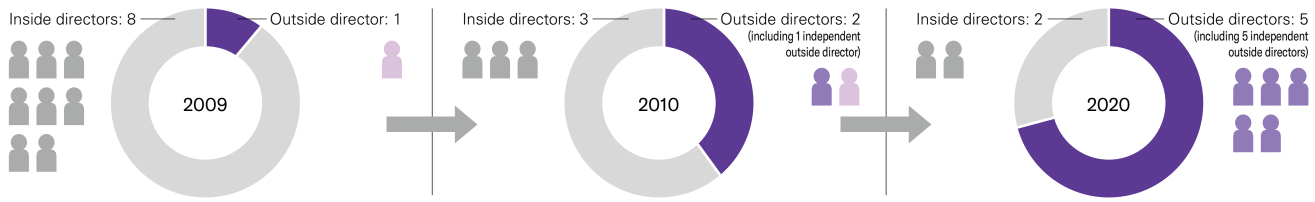
Initiatives for Separating the Oversight and Executive Functions

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

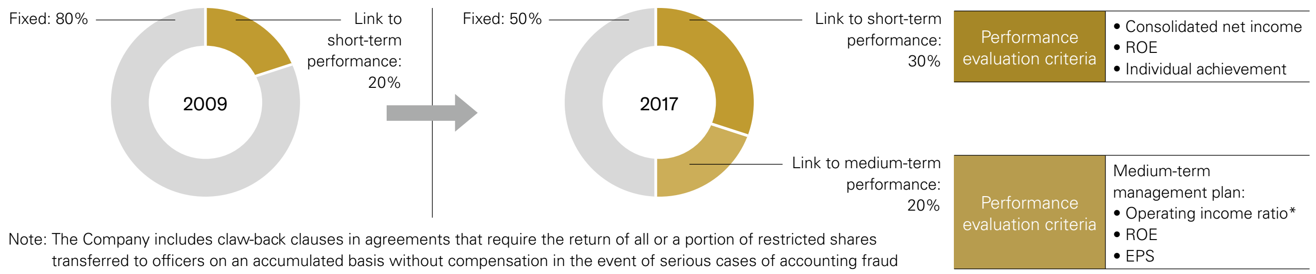
◆ Performance-Linked Compensation

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

Ratio of Outside Directors



Example of Compensation for an Officer



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

* Core operating profit ratio as of fiscal 2020

Reason for Establishment of New Position of Audit Officer

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

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

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

The aforementioned initiatives were advanced with an internal director serving as a full-time Audit Committee member up until June 2019 and with an executive officer responsible for internal audits positioned in the Internal Auditing Division until March 2020 (please see pages 81 and 82 for information on Audit Committee members).

Message from Senior General Manager of the Audit Committee's Office

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

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

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

Yasushi Nishiyama
Audit Officer, Senior General Manager of Audit Committee's Office

Effectiveness of the Board of Directors

Analyzing and Evaluating the Effectiveness of the Board of Directors

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

Evaluation Process

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

Summary of the Evaluation

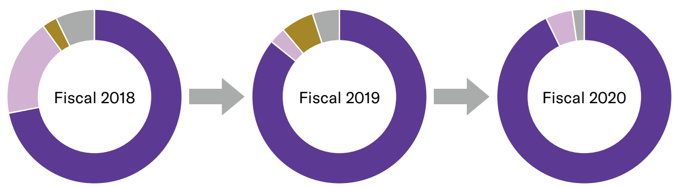
- The reformed corporate governance system has become entrenched in the Company, and the system is functioning under the Company with Three Committees (Nominating, Audit, and Compensation) structure.
- Oversight of the management team from an independent and objective standpoint is conducted in a highly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

Issues Identified in Evaluation of Effectiveness and Improvement Initiatives

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

Area	Fiscal 2020		Fiscal 2021	
	Issue	Response	Issue	Direction for future initiatives
Discussions	Discussions regarding long-term management strategies	Discussions regarding initiatives for addressing financial and other medium- to long-term issues	Discussions regarding long-term management strategies (ongoing)	Discussions regarding medium- to long-term goals and strategic directives pertaining to areas such as management vision and sustainability
Succession	Oversight of succession plans for representative executive officer and other officers by the Board of Directors	Reports by the Nominating Committee with regard to succession plan for representative executive officer	Oversight of succession plans for representative executive officer and other officers by the Board of Directors (ongoing)	• Succession process progress monitoring and regular reports by the Nominating Committee • Provision of forums for exchanges between outside directors and heads of core divisions
Proceedings	Stimulation of brisk discussion among directors	• Agenda management oriented toward increasing opportunities for input from directors and executive officers • Provision of materials related to Board of Directors' meetings three days in advance, in principle	Stimulation of brisk discussion among directors (ongoing)	Agenda management emphasizing brisk discussion and improvement of awareness among meeting attendees
Structure	• Separation of role of chairman of the Board of Directors and president • Reexamination of audits by the Audit Committee	• Agenda management recognizing difference in role of chairman of the Board of Directors and president (execution) • Development of audit system utilizing internal audits • Improvement of the Audit Committee's Office functionality and establishment of new position of audit officer	Separation of role of chairman of the Board of Directors and president (ongoing)	Examination of possible improvement measures in conjunction with progress of succession plans for representative executive officer and other officers
Risks			• Improvement of awareness regarding compliance helplines • Enhancement of internal audits at overseas subsidiaries	• Enhancement of compliance helpline systems and structures and bolstering of Groupwide information provision • Promotion of improvements in line with Group Internal Audit Policies & Rules and execution plans

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



	Fiscal 2018	Fiscal 2019	Fiscal 2020
Items receiving positive evaluation in more than 75% of responses	43	55	62
Items receiving positive evaluation in between 51% and 74% of responses	11	2	3
Items receiving positive evaluation in 50% of responses	2	4	0
Items receiving positive evaluation in less than 50% of responses	4	3	1

Applying Functions as Asset Owner of Corporate Pensions

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

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

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

Initiatives to Engage in Dialogue with Shareholders and Investors

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

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

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

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

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

Major IR Activities

Major IR activities in fiscal 2020 were as follows.

Major IR Activities (Fiscal 2020)

Target	Activity	Frequency	Content
For analysts and institutional investors	Financial results briefings	4	Quarterly briefings
	Medium-term management plan briefing	1	Briefing on medium-term management plan
	Conferences held by securities companies	1	Interviews with officer in charge
	Interview	270	IR interviews with IR team
	Facility tours	5	Corporate museum, factory, and other tours
For domestic and international institutional investors	Management plan / IR briefings	7	Visits by president and representative executive officer, officers in charge (Japan, North America, Europe, Asia)
For private investors	Company briefings	7	Sapporo, Nagoya, Tokyo (4 times), and Yokohama
Other IR activities	Promotional activities targeting investors	Monthly	Website information updates, content enhancement, and registration campaigns (three months)
	Information provision activities	7	Articles and advertisements in specialized magazines and online

Results briefing for six-month period ended September 30, 2019

President and Representative Executive Officer Takuya Nakata giving a presentation at a Company briefing for private investors

General Shareholders' Meetings

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

Items Voted On at the Ordinary General Shareholders' Meeting

The following items were voted on at the 196th Ordinary General Shareholders' Meeting on June 23, 2020.

Cross-Holdings

Basic Policy

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

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

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

Status of Shareholdings

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

Investments in Equity Securities Held for Purposes Other than Pure Investment

	Stock in unlisted companies	Stock in firms other than unlisted companies
Number of companies and amount shown on balance sheet	36 companies ¥886 million	12 companies ¥57,690 million
Total amount of stock sold in fiscal 2020, pertaining to decreases in the number of companies / shares in which shareholdings were reduced	—	6 companies ¥1 million
Total amount of stock acquired in fiscal 2020, pertaining to increases in the number of companies / shares in which shareholdings were increased	—	3 companies ¥1 million

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

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

Proposal	Number of votes for	Number of votes against	Number of abstained votes	Approval percentage	Results
Proposal 1. Appropriation of surplus	1,540,880	267	100	100.0	Approved
Proposal 2. Appointment of seven directors					
Takuya Nakata	1,375,062	166,320	100	89.2	Approved
Satoshi Yamahata	1,450,660	90,728	100	94.1	Approved
Yoshimi Nakajima	1,455,031	86,358	100	94.4	Approved
Taku Fukui	1,455,119	86,270	100	94.4	Approved
Yoshihiro Hidaka	1,320,645	220,738	100	85.7	Approved
Mikio Fujitsuka	1,458,847	82,542	100	94.6	Approved
Paul Candland	1,455,294	86,095	100	94.4	Approved

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

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

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

Security name	No. of shares as of March 31, 2019 Amount on balance sheet (Millions of yen)	No. of shares as of March 31, 2020 Amount on balance sheet (Millions of yen)	Yamaha ownership of shares
Yamaha Motor Co., Ltd.*1	34,642,790	34,642,790	Yes
	75,209	45,278	
MS&AD Insurance Group Holdings, Inc.*2	1,218,623	1,218,623	Yes
	4,106	3,686	
TOYOTA MOTOR CORPORATION*2	501,300	501,300	No
	3,251	3,258	
The Shizuoka Bank, Ltd.*3	2,808,564	2,808,564	Yes
	2,367	1,845	
Audinate Group Limited*2	6,289,308	6,289,308	No
	2,967	1,575	
Sumitomo Mitsui Financial Group, Inc.*3	356,402	356,402	Yes
	1,381	934	
Mizuho Financial Group, Inc.*3	7,086,757	7,086,757	Yes
	1,213	875	
DAIICHIKOSHO CO., LTD.*2	50,000	50,000	No
	283	144	
Mitsubishi UFJ Financial Group, Inc.*3	226,480	226,480	Yes
	124	91	
HORIBA, Ltd.*4	—	100	No
	—	0	
MonotaRO Co., Ltd.*4	—	100	No
	—	0	
J. FRONT RETAILING Co., Ltd.*4	—	100	No
	—	0	
Canon Inc.*4	100	—	No
	0	—	
Shimadzu Corporation*4	100	—	No
	0	—	
Ebara Corporation*4	100	—	No
	0	—	
Japan Tobacco Inc.*4	100	—	No
	0	—	
Showa Shell Sekiyu K.K.*4, 5	100	—	No
	0	—	
Panasonic Corporation*4	100	—	No
	0	—	

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

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

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

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

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

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

Risk Management

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

Basic Policy

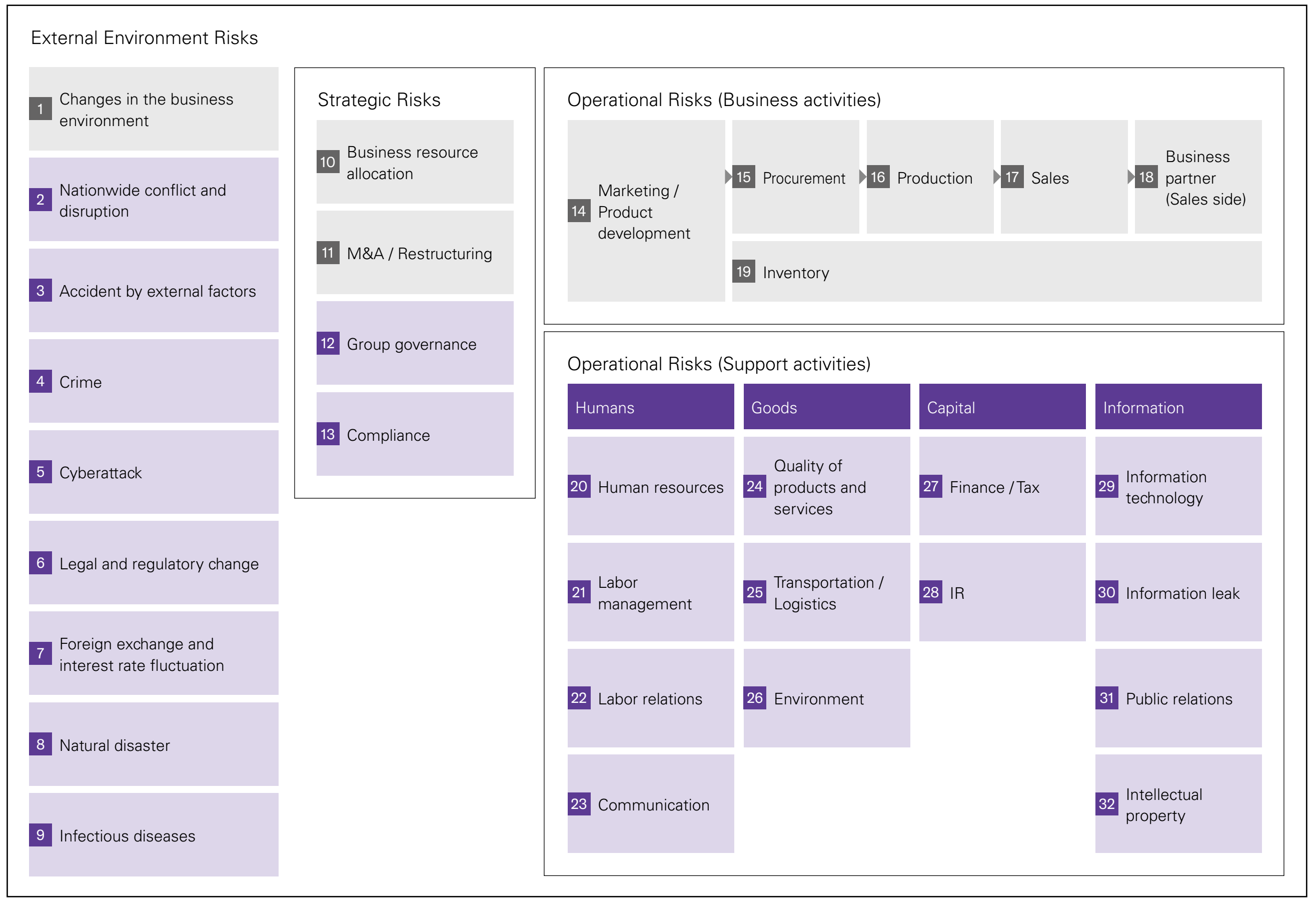
Yamaha has established the Risk Management Committee as an advisory body to the president and representative executive officer. The committee discusses risk management-related matters from a Companywide perspective and reports the results of these discussions to the president and representative executive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

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

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

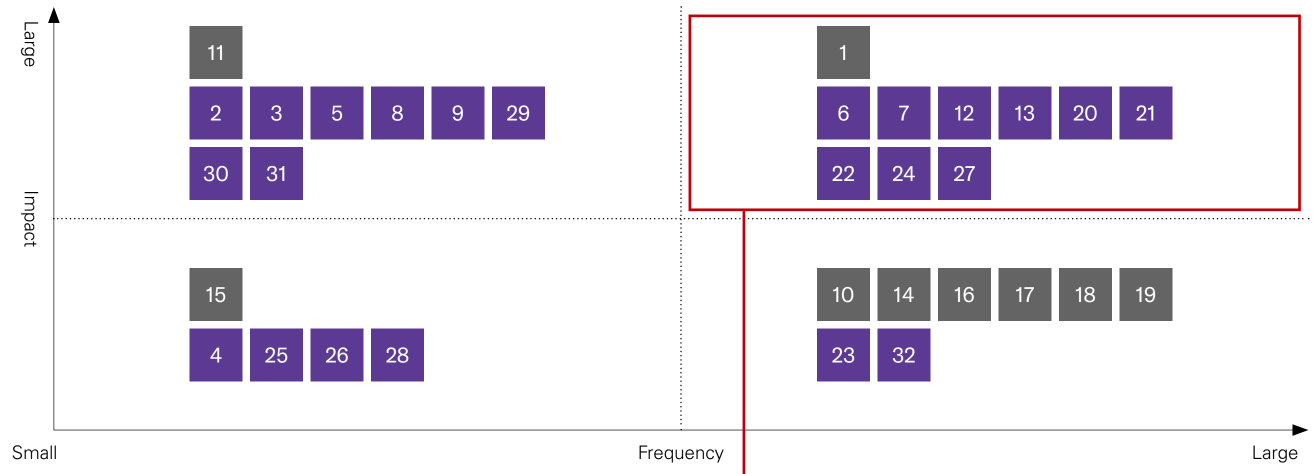
Categorization of Business Risks

Business strategy risk / Fundamental risk



Risk Map

Business strategy risk / Fundamental risk



Material Risks Countermeasures

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

Risk category	Risk item	Risk countermeasures	Relevant key strategies*
External Environment Risks	1 Changes in the business environment (regional / market trends)	Production systems are being developed to ensure that major products can be supplied from at least two locations. Sales measures include flexible supply from inventories in response to unfavorable economic conditions in specific countries. In addition, customer data platforms are being constructed as digital marketing initiatives are accelerated in order to bolster service offerings for customers of a wide range of ages by supplying value matched to customer life stages.	①②③④
	6 Legal and regulatory change	The Group Legal Affairs Policies & Rules define our basic policies for legal affairs based on which we are developing and implementing information platforms that comprehensively compile the latest information on legal trends in order to ensure timely compliance with new laws in all countries of operation. Meanwhile, the Working Group for Export Control takes steps to reduce the risk of legal violations in import and export activities by strengthening management of technologies applicable under list regulations and developing export control systems for exports from China and India.	①②③④
	7 Foreign exchange and interest rate fluctuation	The potential impacts of foreign exchange risks are mitigated by repositioning processes on a global scale through means such as transferring production processes performed in Japan to overseas. We respond to fluctuations in the euro to yen exchange rate by flexibly settings prices from the perspective of globally standardizing wholesale prices in order to maximize sales volumes and selling prices. In addition, forward foreign exchange contracts are used to fix short-term earnings from foreign currency-denominated transactions prior to execution.	①②③
Strategic Risks	12 Group governance	The Company has developed organizations dedicated to specific functions and Group companies are positioned under these organizations. To facilitate the oversight of these Group companies, the Group Management Charter and the Group Company Management Policies & Rules, which define basic policies for Group companies, designate the items for which Group companies are required to receive prior approval from the Company. To ensure that such prior approval is received, individuals responsible for specific prior approval items and specific Group companies are positioned in the organizations tasked with overseeing Group companies in order to provide instruction to these companies. The Internal Auditing Division, which functions as our third line of defense against risks, conducts audits on all areas of governance, risk management, internal control, and business activities at Group companies based on the Group Internal Audit Policies & Rules.	①②③④
	13 Compliance	Group compliance regulations have been established and the Company regularly monitors activities across the Group to ensure total compliance with laws and regulations. In addition, the Compliance Code of Conduct has been established to foster compliance awareness among all organizations and employees. Training and other activities are conducted to heighten Groupwide compliance awareness and compliance helplines have been set up on a global basis to serve as a deterrence for violations and to facilitate swift response should a violation occur.	①②③④

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

Corporate Governance

Risk category	Risk item	Risk countermeasures	Relevant key strategies*
Operational Risks (Support activities)	20 Human resources	Human resource systems have previously been operated on an individual Group company basis. Having established the Group Human Resources Management Policies & Rules, core positions are now managed on a global basis, and workplaces are being developed to enable employees with diverse personalities and backgrounds to fully exercise their sensibilities and creativity. Focused on cultivating human resources that can compete on a global scale, the Yamaha Group is implementing education and training systems for promoting skill and career development and instituting human resources development programs tailored to specific goals and targets. In addition, we have revised our rehiring program for retirees as part of our initiatives to cultivate, motivate, and retain talented human resources.	①②③④
	21 Labor management	The Group Human Resources Management Policies & Rules define basic policies for human resources management, the Group Safety and Health Management Policies & Rules put forth basic health and safety policies, and the Training Guidelines for Labor and Labor–Management Relations describe the labor management training activities that should be conducted by Group companies. As one facet of its efforts to promote diversity, the Group is implementing work–life balance support systems and developing workplace environments that are conducive to contributions by female employees. We have also published the Workplace LGBT Handbook and are promoting understanding with regard to employee diversity in the workplace. In regard to harassment, the Compliance Code of Conduct has been established to foster compliance awareness among all organizations and employees, training and other activities are conducted to raise Groupwide compliance awareness, and compliance helplines are established on a global basis. In addition, the Guidelines for Labor and Human Rights have been formulated to direct efforts to develop workplace environments that place emphasis on respect for the human rights of everyone working at the Yamaha Group.	①②③④
	22 Labor relations	Basic policies for human resources management are defined by the Group Human Resources Management Policies & Rules. Meanwhile, we describe the training activities that Group companies are expected to conducted in relation to labor management in the Training Guidelines for Labor and Labor–Management Relations. Awareness with this regard is promoted and the implementation status of this training monitored.	①②③④
	24 Quality of products and services	Yamaha Quality (criteria for quality) is one of the four elements of the Yamaha Philosophy. Guided by this principle, we have defined basic quality management policies in the Group Quality Management Policies & Rules. In addition, the Quality Committee, an advisory body to the president and representative executive officer, is tasked with developing product-related legal compliance systems and frameworks for preventing serious product issues and implementing related improvement activities as well as with conducting systematic education on regulatory systems for quality management personnel. Furthermore, efforts are taken to improve product and service quality including safety education for employees and regular safety inspections of facility and equipment at resorts and music schools.	①③
	27 Finance / Tax	The Working Group for Financial Management regularly measures the level of internal control pertaining to finances and identifies high-risk areas in order to set targets for improving internal control levels at Group companies and support such improvements. To hedge against market price and interest rate fluctuations pertaining to assets and liabilities, the impacts of interest rate fluctuations on retirement obligations are evaluated on an annual basis as is the validity of the holding purposes for cross-holdings. Meanwhile, the Group Tax Policies & Rules are in place to promote efforts to reduce risks through periodic confirmation of tax risks at Group companies and risk assessments based on confirmation results.	①②③

Response to the Global COVID-19 Pandemic

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

9 Global Pandemic Response Measures

Risk explanation	Risk countermeasures	Relevant key strategies*
It is possible that business activities could be delayed or halted at manufacturing and sales sites should the number of infections reach a level that triggers national alert systems, which could impact the Group's performance or finances.	To prepare for pandemics and other emergency situations, the Working Group for BCP and Disaster Prevention Management establishes BCPs and conducts other business continuity management activities. The Group BCP Policies & Rules stipulate the basic policies for furnishing a swift and appropriate response and minimizing the impacts on management should a risk materialize. In addition, BCPs are established for individual bases and the effectiveness of these plans is increased through drills and other verification and improvement activities. Recognizing that the global COVID-19 pandemic represents an emergency situation, a BCP and disaster response headquarters has been set up. This headquarters is overseeing efforts to collect information on the status of bases, production, sales, distribution, and funding; expand teleworking and other initiatives for preventing the spread of COVID-19; and minimize the impacts of the pandemic on our business.	①②③

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

Endorsement of the TCFD Recommendations

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

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

Category	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 least once a year at meetings of the Managing Council, which is headed by the president, and the results of these discussions are reported to the Board of Directors to make for a system of appropriate supervision by the Board of Directors.
Strategy	The risks and opportunities that may result from rapid climate change or the accompanying phenomena are incorporated into the important elements of business strategies. For example, the current medium-term management plan includes among its core measures efforts to reduce GHG emissions, develop environmentally friendly products, and realize sustainable timber use. We recognize that the impacts of rapid climate change will likely be felt over the medium to long term. Accordingly, we have defined the associated risks and opportunities from a medium- to long-term perspective looking to 2030 and beyond rather than based on the short-term time frame of the three-year medium-term management plan. The identified risks will be periodically examined and revised based on internal and external trends going forward. Risks and Opportunities The Group employed various scenarios described by the International Energy Agency to determine the risks and opportunities that could occur as a result of the transformation of the operating environment in response to rapid climate change and the accompanying phenomena. The specific scenarios utilized were RCP*[1] 2.6 (2°C scenario) and RCP 8.5 (4°C scenario). Based on these scenarios, we are evaluating the degree of materiality of risks and opportunities based on their potential financial impact and likelihood of materialization. Major Climate Change-Related Risks and Opportunities Transition Risks and Opportunities • Regulatory risks: Increased operating and equipment costs due to expanded carbon pricing (carbon taxes, etc.) and regulation • Technological risks: Reduced sales and diminished corporate reputation due to delays in adopting next-generation product or manufacturing technologies, lowered resource volumes, and increased costs through changes in the environments in which wood resources are grown • Market opportunities: Increased sales of energy-efficient products (musical instruments, audio equipment, etc.), voice communication equipment (for remote meetings), thermoelectric devices, and other products that contribute to the realization of a low-carbon or carbon-free society Physical Risks • Abnormal weather risks: Increased damages to the Company or its supply chain from typhoons, floods, droughts, etc.
Risk Management	The Risk Management Committee has been established as an advisory body to the president and representative executive officer, 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 BCPs and implement other business continuity management initiatives to address the physical risks associated with natural disasters. In fiscal 2020, we completed establishment of BCPs for all Yamaha business sites around the world. We have also taken precautionary measures such as installing drainage equipment to safeguard against damages from typhoons, floods, and other natural disasters projected on an individual business site basis. We have also implemented measures such as revising the locations and structure of Company business sites and even external warehouses. Countermeasures have been put in place for all material risks that have been identified at this point in time, and we are committed to further enhancing risk management initiatives going forward to ensure that there are no significant impacts to our business over the medium to long term.
Metrics and Targets	The Company has set the medium-term targets of reducing total Scope 1 and Scope 2 GHG emissions by 32% and total Scope 3 GHG emissions by 30% from fiscal 2018 levels by fiscal 2031. These targets were certified by international environmental organization SBT*[2] in June 2019. In addition, we have set a long-term target of cutting total Scope 1 and Scope 2 GHG emissions by 83% from fiscal 2018 levels by fiscal 2051. On a short-term basis, we have established the target of reducing CO_2 emissions per unit of production by 1% or more each year at major Japanese business sites. We manage GHG emissions volumes in accordance with the Greenhouse Gas Protocol*[3], 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 GHG emissions data using emissions coefficients. Third-party verification is received for this data. One example of CO_2 emissions reduction activities was the fiscal 2020 switch to renewable energy for one-third of the electricity purchased at the Yamaha Corporation headquarters. Looking ahead, we are planning a phased increase in the portion of electricity purchased from renewable sources.

*1 Representative Concentration Pathways (RCP) scenarios are named based on the hypothetical radiative forcing level (the portion of energy transmitted to the earth that is trapped within its atmosphere) of the earth at the end of the century. For example, RCP 2.6 refers to a scenario in which this radiative forcing level is 2.6 w/m^2.

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

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

Compliance

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

Basic Policy and Compliance Code of Conduct

The Yamaha Group has positioned compliance among its most important management themes for fulfilling its responsibility to stakeholders and society and for achieving sustainable growth.

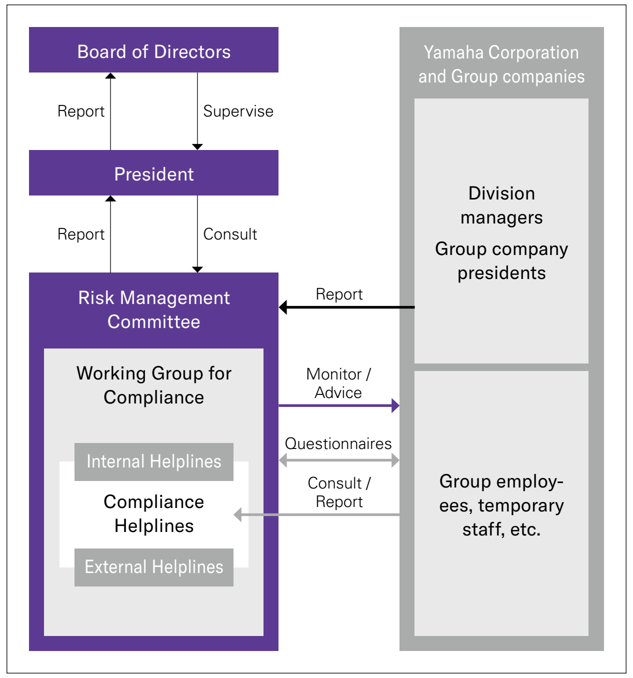
The Compliance Code of Conduct puts forth a code for guiding the actions of all members of the Yamaha Group as the foundation for compliance management. Since the establishment of the code in 2003, ongoing revisions have been implemented in reflection of changes in environmental and social conditions,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

Compliance Management Frameworks and Promotion System

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

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

Compliance Promotion System



Global Conformity in Compliance Initiatives

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

The Yamaha Group signed the United Nations Global Compact in June 2011 and is working to adhere to the Ten Principles in the four areas of human rights, labour, environment, and anti-corruption in its business activities. In addition, we participate in managing subcommittees of Global Compact Network Japan.

Meanwhile, our basic policy for legal compliance is to focus on the reinforcement of global legal violation prevention measures. On a Groupwide basis, we develop and implement rules based on the Compliance Code of Conduct while advancing measures and education and awareness-raising activities for purposes such as preventing corruption and ensuring fair trade. The Legal Division monitors the status of these initiatives within the Group.

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

Monitoring

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

Education and Awareness-Raising Activities

The Working Group for Compliance distributes educational and training content via the Company intranet and also holds compliance seminars as needed to foster compliance awareness within the Company.

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

Harassment Prevention Initiatives

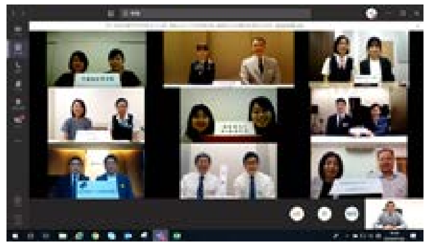
The Yamaha Group stipulates the prohibition of harassment, an act that violates human rights, in the Compliance Code of Conduct. This is elaborated on in the Compliance Code of Conduct booklets distributed to all Group employees.

At the Company, work regulations clearly state that harassment will be addressed with disciplinary actions and that the action taken will be made public, indicating our stern stance toward violations of human rights.

Recently, messages from the president on the prohibition of harassment have been issued to employees on an ongoing basis. We have also been increasing the number of opportunities for various forms of engagement, including with senior management. In this manner, we are bolstering efforts to make the Company an emotional safe space. In April 2020, the president declared his commitment to fostering a corporate culture emphasizing openness and mutual respect for colleagues at the Group Managers' Meeting, which assembles the heads of core divisions from throughout the Group. This declaration highlighted the importance of responsibility toward work and emotional security in developing a strong team and organization.

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

President and Representative Executive Officer Takuya Nakata describing his commitment to a corporate culture emphasizing openness



Remote discussion forum between employees and the president and representative executive officer Takuya Nakata

Compliance Helplines

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

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

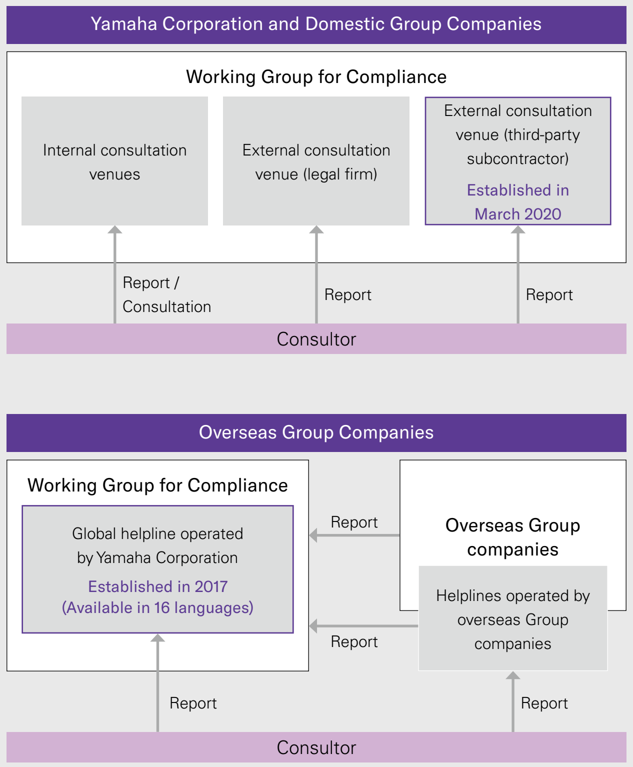
For overseas Group companies, in addition to the helplines operated by these Group companies, global helplines operated by the Company offering support via the internet have been available in 16 language since 2017.

Numbers of Reports Received through Compliance Helplines

	Name provided	Anonymous	Total*
Fiscal 2016	19	7	26
Fiscal 2017	26	13	39
Fiscal 2018	34	13	47
Fiscal 2019	25	9	34
Fiscal 2020	55	11	66

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

Compliance Helpline System



DATA SECTION

V. Financial and Corporate Information

11-YEAR SUMMARY

Yamaha Corporation and consolidated subsidiaries
Years ended March 31

Millions of yen

						J-GAAP					IFRS	
	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2019/3	2020/3
For the year:												
Revenue (Net sales)	¥414,811	¥373,866	¥356,616	¥366,941	¥410,304	¥432,177	¥435,477	¥408,248	¥432,967	¥437,416	¥434,373	**¥414,227**
Cost of sales	268,380	237,313	231,659	238,261	262,310	270,357	262,406	242,451	258,465	255,291	255,367	**245,967**
Gross profit	146,431	136,553	124,957	128,680	147,994	161,820	173,070	165,796	174,501	182,124	179,005	**168,259**
Selling, general and administrative expenses	139,602	123,387	116,846	119,465	121,999	131,684	132,407	121,493	125,668	126,094	126,259	**121,907**
Core operating profit (Operating income)	6,828	13,165	8,110	9,215	25,994	30,135	40,663	44,302	48,833	56,030	52,745	**46,352**
Profit (loss) before income taxes (Income (loss) before income taxes and minority interests)	(201)	6,802	6,971	7,795	25,818	28,526	41,578	42,898	74,471	60,485	56,471	**47,225**
Profit (loss) for the period (Net income (loss))*1	(4,921)	5,078	(29,381)	4,122	22,898	24,929	32,633	46,719	54,378	43,753	40,337	**34,621**
Capital expenditures	14,480	10,439	11,337	13,844	10,799	13,846	11,220	17,542	24,600	15,956	15,956	**20,545**
Depreciation expenses	14,139	12,814	11,973	11,613	12,759	12,597	12,681	11,145	10,777	10,835	10,614	**11,156**
R&D expenses	21,736	22,416	22,819	22,149	22,561	25,439	24,793	24,415	24,797	24,926	24,926	**24,814**
Cash flows from operating activities	39,870	22,646	10,880	7,755	33,213	31,729	42,399	39,142	47,498	30,234	35,520	**57,162**
Cash flows from investing activities	(12,711)	(9,740)	(9,004)	(12,617)	(22,950)	(11,700)	591	(9,663)	4,766	(23,092)	(23,101)	**(21,067)**
Free cash flow	27,159	12,906	1,875	(4,862)	10,263	20,029	42,991	29,478	52,264	7,142	12,419	**36,095**
Cash flows from financing activities	(9,867)	(10,080)	(3,247)	(5,536)	(4,745)	(5,909)	(30,349)	(12,588)	(35,584)	(28,479)	(33,993)	**(36,422)**
At year-end:												
Total assets (Total assets)	¥402,152	¥390,852	¥366,610	¥390,610	¥438,932	¥530,034	¥469,745	¥522,362	¥552,309	¥514,762	¥515,924	**¥474,034**
Total current assets	193,260	194,717	188,952	197,902	214,487	247,632	255,135	272,720	289,493	281,608	282,819	**270,189**
Total current liabilities	75,182	74,836	72,829	71,550	73,145	80,976	75,459	82,565	101,919	80,495	100,443	**99,149**
Interest-bearing debt	15,017	11,838	11,295	10,013	8,755	11,868	8,510	11,241	11,173	8,936	8,936	**10,830**
Total equity (Net assets)	254,591	245,002	206,832	229,636	274,843	348,752	303,889	367,437	388,345	382,771	359,007	**326,450**

Yen

Per share:												
Profit (loss) for the period (Net income (loss))	¥ (24.95)	¥ 25.90	¥ (151.73)	¥ 21.29	¥ 118.26	¥ 128.75	¥ 168.90	¥ 249.17	¥ 291.81	¥ 240.94	¥ 222.12	**¥ 194.71**
Equity attributable to owners of the parent (Net assets)	1,276.35	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**
Dividends*2	27.50	10.00	10.00	10.00	27.00	36.00	44.00	52.00	56.00	60.00	60.00	**66.00**

%

Key indicators:												
Core operating profit ratio (Operating income ratio)	1.6%	3.5%	2.3%	2.5%	6.3%	7.0%	9.3%	10.9%	11.3%	12.8%	12.1%	**11.2%**
Return on equity (ROE)	(2.0)	2.1	(13.2)	1.9	9.2	8.1	10.1	14.0	14.5	11.4	11.1	**10.1**
Return on assets (ROA)	(1.2)	1.3	(7.8)	1.1	5.5	5.1	6.5	9.4	10.2	8.2	7.5	**7.0**
Equity ratio attributable to owners of the parent	62.6	61.9	55.6	58.1	61.9	65.3	64.2	69.9	70.0	74.1	69.4	**68.6**
Debt to equity ratio (Times)	0.06	0.05	0.05	0.04	0.03	0.03	0.03	0.03	0.03	0.02	0.02	**0.03**
Interest coverage (Times)	16.88	40.38	31.84	40.64	130.19	130.51	129.41	165.40	149.08	138.90	66.83	**63.46**
Current ratio	257.1	260.2	259.4	276.6	293.2	305.8	338.1	330.3	284.0	349.8	281.6	**272.5**
Dividend payout ratio	—	38.6	—	47.0	22.8	28.0	26.1	20.9	19.2	24.9	27.0	**33.9**

Note: Figures prior to fiscal 2019 are based on J-GAAP standards. From fiscal 2019, the presentation method has been changed as a result of the adoption of partial revisions to accounting standards for tax benefit accounting. Accordingly, figures for fiscal 2018 have been retroactively changed to conform with this presentation method.

*1 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.

*2 A special dividend of ¥20 is included in dividends per share in fiscal 2010.

Financial and Corporate Information

Fiscal 2020 Performance (IFRS)

Analysis of Overall Performance in Fiscal 2020

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

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

Covering the three-year period beginning with fiscal 2020, Make Waves 1.0 puts forth the financial targets of achieving a core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270 in fiscal 2022. In fiscal 2020, the Company posted a core operating profit ratio of 11.2%, ROE of 10.1%, and EPS of ¥194.71.

To develop closer ties with customers, we took our first steps toward transforming our shops and music schools in Japan and overseas from bases for sales and lessons into "brand value communication bases," where our customers can experience Yamaha value. We are also developing our e-commerce operations. The musical instruments business introduced new products aimed at meeting various needs, including the PSR-I500 portable keyboard, which was designed to blend with the rich musical culture in India. The audio equipment business broadened its business domain by offering new products including wireless headphones and earphones to attract a wider range of customers.

To create new value, we combined technology and sensibilities in a way that only Yamaha can, in products like the YC61 stage keyboard that delivers organ tones using Virtual Circuitry Modeling technology and the YVC-330 unified communication speakerphone enabling remote conferencing even in noisy open locations. We are seeking to create new value by encouraging the insatiable power of expression. These efforts led to Matvey Demin to win First Prize in the Woodwinds Category at the International Tchaikovsky Competition while playing a Yamaha flute. Our efforts using AI technology also advanced and attracted much media attention.

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

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

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

Revenue decreased 4.6%, year on year, to ¥414.2 billion. This decline was attributable to factors including reductions of ¥13.7 billion as a result of COVID-19 and ¥13.1 billion from foreign exchange influences as well as the impacts of stagnancy in the industrial machinery and components business (GRAPH 1).

By region, revenue was down in all regions, particularly China, which was the first to be impacted by COVID-19 (GRAPH 2).

Core operating profit was down 12.1%, to ¥46.4 billion, as year-on-year declines in profit were seen in the musical instruments segment, the audio equipment segment, and the others segment (GRAPH 3). Overall profit was down year on year due to the impacts of the COVID-19 pandemic, unfavorable foreign exchange influences, deteriorations in the performance of the industrial machinery and components business and the others business, and higher manufacturing expenses due in part to increases in labor costs at overseas production bases. These detractors outweighed the boost to profit from reductions in SG&A expenses and other costs (GRAPH 4).

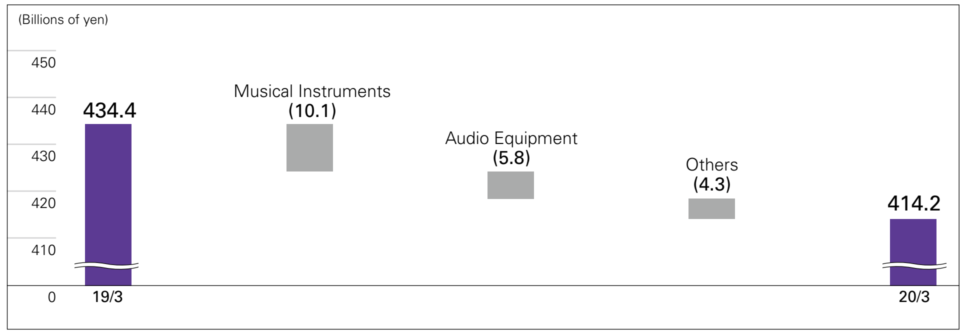
Profit for the period attributable to owners of parent declined 14.2%, to ¥34.6 billion. Factors behind this decline included a ¥1.4 billion loss from suspension of operations attributable to the spread of COVID-19 and a ¥3.3 billion impairment loss on fixed assets.

GRAPH 1

Revenue (Change by Business Segment)

(Billions of yen)

	2019/3	2020/3
Revenue	434.4	414.2
Musical Instruments	279.5	269.4
Audio Equipment	120.1	114.4
Others	34.8	30.5

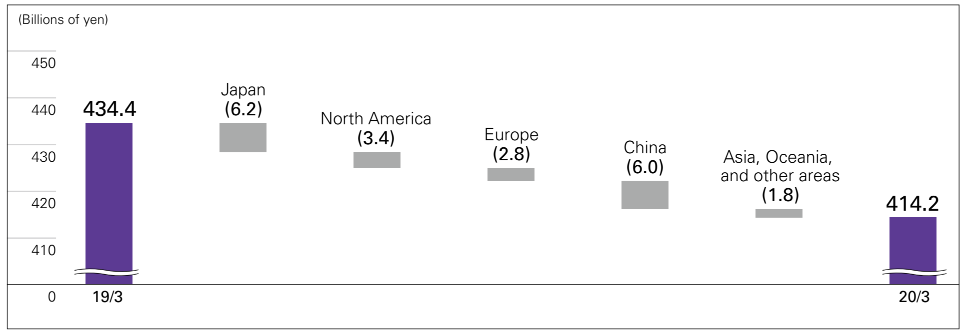


GRAPH 2

Revenue (Change by Region)

(Billions of yen)

	2019/3	2020/3
Revenue	434.4	414.2
Japan	129.8	123.6
North America	90.7	87.3
Europe	83.0	80.2
China	59.0	53.1
Asia, Oceania, and other areas	71.8	70.0

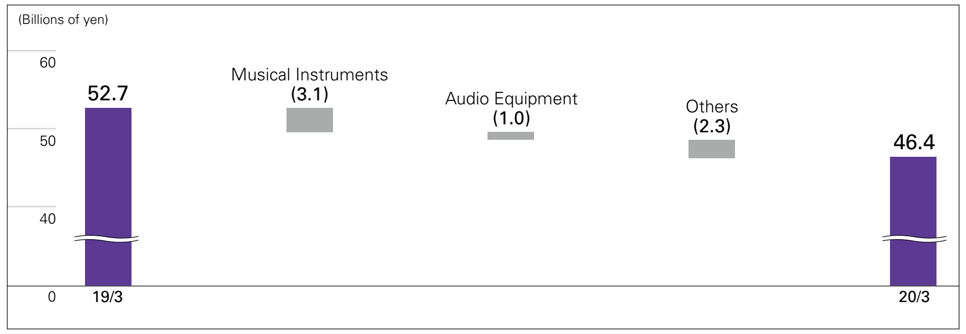


GRAPH 3

Core Operating Profit (Change by Business Segment)

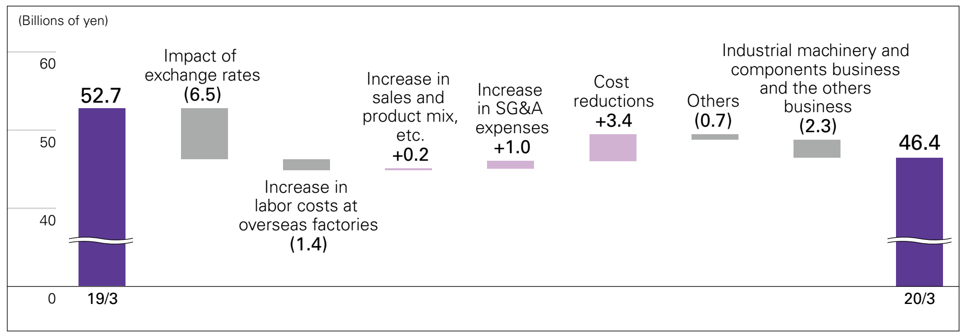
(Billions of yen)

	2019/3	2020/3
Core operating profit	52.7	46.4
Musical Instruments	40.8	37.8
Audio Equipment	9.6	8.6
Others	2.3	0



GRAPH 4

Core Operating Profit (Change by Factor)



Results by Segment

Musical Instruments

Revenue in the musical instruments segment declined 3.6%, to ¥269.4 billion, with core operating profit decreasing 7.5%, to ¥37.8 billion.

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

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

Audio Equipment

Revenue in the audio equipment segment decreased 4.8%, to ¥114.4 billion, and core operating profit declined 10.9%, to ¥8.6 billion.

By product, sales of PA equipment were up while sales declined for AV products and ICT equipment. Audio equipment sales were down as a result of the contraction of the market for AV receivers, a mainstay product, as well as the impacts of the COVID-19 pandemic, which were most significantly felt in North America. The rise in PA equipment sales can be attributed to on-schedule deliveries in domestic audio equipment installation projects, which helped offset the impacts of the deterioration of the live performance market and delivery delays stemming from the pandemic.

Others (Industrial Machinery and Components Business, etc.)

Revenue in the others segment decreased 12.4%, to ¥30.5 billion, with core operating profit down 98.7%, to ¥30 million.

In the industrial machinery and components business, electronic devices saw sales of in-vehicle modules grow as planned while sales of products for amusement equipment remained firm. For FA equipment, sales decreased following the U.S.–China trade friction and declines in capital expenditures resulted from the COVID-19 pandemic.

Analysis of Financial Position

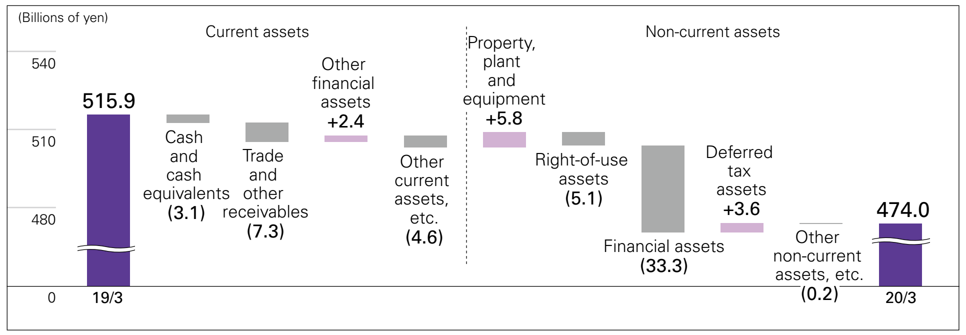
Total assets as of March 31, 2020, stood at ¥474.0 billion, a decrease of ¥41.9 billion, or 8.1%, from ¥515.9 billion at the end of the previous fiscal year. Increases in assets came in the form of higher property, plant and equipment, net of accumulated depreciation, exceeding capital expenditures centered on construction of overseas factories and upgrades and renovations of equipment. These increases were outweighed by decreases from a decline in financial assets associated with a drop in the market prices of securities held by the Company as well as the impacts of unfavorable foreign exchange influences (GRAPH 5).

Total liabilities were ¥147.6 billion, down ¥9.3 billion, or 5.9%, from the previous fiscal year-end figure of ¥156.9 billion, owing to decreases in deferred tax liabilities and lease liabilities.

Total equity amounted to ¥326.5 billion, a decrease of ¥32.6 billion, or 9.1%, from ¥359.0 billion at the end of the previous fiscal year. Other components of equity decreased following a drop in the market prices of securities held by the Company and unfavorable foreign exchange influences. In addition, treasury shares acquisitions totaling ¥23.1 billion were conducted as part of shareholder returns based on a resolution by the Board of Directors (GRAPH 6).

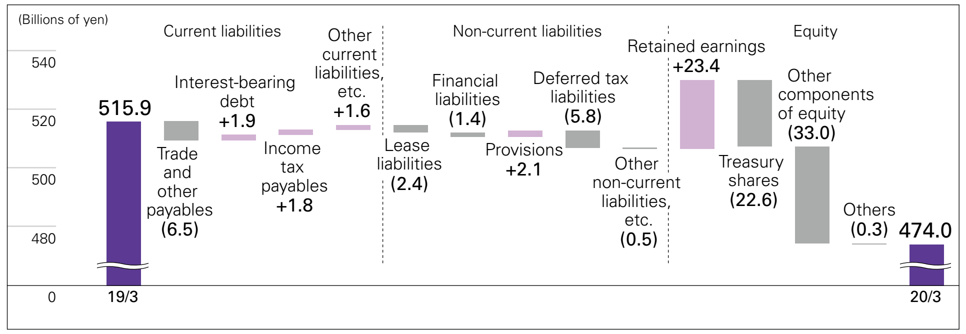
GRAPH 5

Total Assets



GRAPH 6

Total Liabilities and Equity



Analysis of Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of fiscal 2020 stood at ¥92.7 billion, a decrease of ¥3.1 billion compared with the end of the previous fiscal year (cash was down ¥21.6 billion at the end of previous fiscal year).

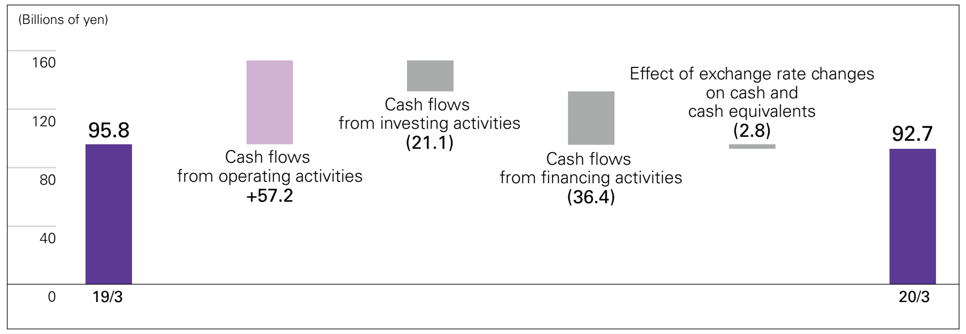
Net cash provided by operating activities in fiscal 2020 was ¥57.2 billion, compared with ¥35.5 billion provided in the previous fiscal year, owing mainly to the contribution of profit before income taxes.

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

Net cash used in financing activities was ¥36.4 billion, compared with ¥34.0 billion used in the previous fiscal year, owing in part to expenditures for the purchase of treasury shares and cash dividends paid (GRAPH 7).

GRAPH 7

Cash Flows



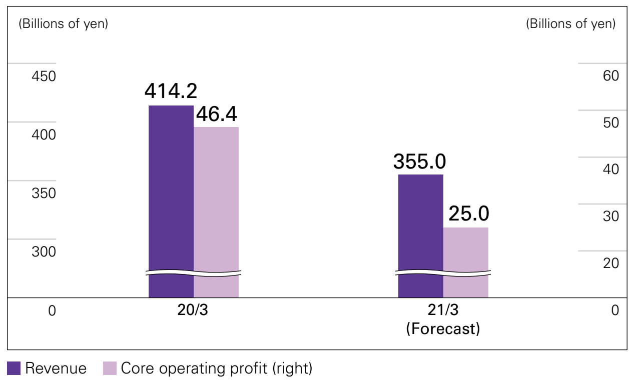
Forecast for Fiscal 2021

In fiscal 2021, the Company projects revenue of ¥355.0 billion, down 14.3% year on year, and core operating profit of ¥25.0 billion, down 46.1%. The COVID-19 pandemic is expected to continue to create highly opaque conditions for Yamaha's business, but a gradual recovery in business conditions is anticipated beginning in the third quarter.

Yamaha will continue to advance the four key strategies of the Make Waves 1.0 medium-term management plan in fiscal 2021. However, the impacts of the pandemic are expected to weigh heavily on performance, resulting in year-on-year decreases in revenue in all segments. Core operating profit will likewise be down in all segments, with the exception of the others segment (industrial machinery and components business, etc.) as the Company will be unable to compensate for the negative impacts felt in the first half of 2020 through price optimization and SG&A expense reduction efforts (GRAPH 8).

GRAPH 8

Fiscal 2021 Revenue and Core Operating Profit Forecasts (Announced August 4, 2020)



Financial and Corporate Information

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Yamaha Corporation and its consolidated subsidiaries As of March 31, 2020 and 2019	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Assets				
Current assets				
Cash and cash equivalents (Notes 6 and 33)	¥ 92,671	¥ 95,815	¥117,403	$ 851,521
Trade and other receivables (Notes 7, 23 and 33)	58,067	65,346	65,984	533,557
Other financial assets (Notes 13 and 33)	12,939	10,508	5,559	118,892
Inventories (Note 8)	100,054	101,003	95,062	919,360
Other current assets (Note 9)	6,455	10,144	6,687	59,313
Total current assets	270,189	282,819	290,697	2,482,670
Non-current assets				
Property, plant and equipment (Note 10)	97,106	91,326	87,133	892,272
Right-of-use assets (Note 11)	24,480	29,579	31,110	224,938
Goodwill (Note 12)	158	161	–	1,452
Intangible assets (Note 12)	1,736	1,321	689	15,951
Financial assets (Notes 13 and 33)	67,817	101,093	138,713	623,146
Deferred tax assets (Note 14)	10,795	7,237	7,969	99,191
Other non-current assets (Note 20)	1,749	2,387	2,221	16,071
Total non-current assets	203,844	233,105	267,837	1,873,050
Total assets	¥474,034	¥515,924	¥558,535	$4,355,729

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

As of March 31, 2020 and 2019	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables (Notes 15 and 33)	¥ 52,982	¥ 59,525	¥ 65,094	$ 486,833
Interest-bearing debt (Notes 16 and 33)	10,830	8,936	11,173	99,513
Lease liabilities (Note 33)	5,365	5,730	5,535	49,297
Other financial liabilities (Notes 17 and 33)	9,620	9,650	9,754	88,395
Income tax payables	4,236	2,474	16,325	38,923
Provisions (Note 18)	1,700	1,898	1,858	15,621
Other current liabilities (Notes 19 and 23)	14,412	12,228	12,063	132,427
Total current liabilities	99,149	100,443	121,805	911,045
Non-current liabilities				
Lease liabilities (Note 33)	15,864	18,258	20,086	145,769
Financial liabilities (Notes 17 and 33)	1,568	3,014	4,553	14,408
Retirement benefit liabilities (Note 20)	23,704	24,268	23,666	217,808
Provisions (Note 18)	2,574	455	442	23,652
Deferred tax liabilities (Note 14)	2,825	8,650	18,592	25,958
Other non-current liabilities	1,897	1,824	1,065	17,431
Total non-current liabilities	48,434	56,473	68,406	445,043
Total liabilities	147,584	156,917	190,211	1,356,097
Equity				
Capital stock (Note 21)	28,534	28,534	28,534	262,189
Capital surplus (Note 21)	21,277	21,568	39,978	195,507
Retained earnings (Note 21)	316,899	293,547	263,627	2,911,872
Treasury shares (Note 21)	(65,093)	(42,533)	(48,556)	(598,116)
Other components of equity	23,789	56,820	82,903	218,589
Equity attributable to owners of parent	325,409	357,936	366,488	2,990,067
Non-controlling interests	1,040	1,070	1,834	9,556
Total equity	326,450	359,007	368,323	2,999,632
Total liabilities and equity	¥474,034	¥515,924	¥558,535	$4,355,729

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

CONSOLIDATED STATEMENT OF INCOME

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2020 and 2019	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 2) 2020
Revenue (Notes 5 and 23)	¥ 414,227	¥ 434,373	$ 3,806,184
Cost of sales (Notes 20 and 25)	(245,967)	(255,367)	(2,260,103)
Gross profit	168,259	179,005	1,546,072
Selling, general and administrative expenses (Notes 20, 24, 25 and 32)	(121,907)	(126,259)	(1,120,160)
Core operating profit (Note 5)	46,352	52,745	425,912
Other income (Note 26)	2,806	1,558	25,783
Other expenses (Notes 20 and 26)	(5,826)	(1,488)	(53,533)
Operating profit	43,333	52,815	398,171
Finance income (Note 27)	4,968	4,652	45,649
Finance expenses (Note 27)	(1,083)	(1,008)	(9,951)
Share of profit of associates accounted for using the equity method	6	12	55
Profit before income taxes	47,225	56,471	433,934
Income taxes (Note 14)	(12,521)	(16,085)	(115,051)
Profit for the period	¥ 34,703	¥ 40,386	$ 318,873
Profit for the period attributable to:			
Owners of parent	¥ 34,621	¥ 40,337	$ 318,120
Non-controlling interests	81	48	744

	Yen 2020	2019	U.S. dollars (Note 2) 2020
Earnings per share			
Basic (Note 29)	¥194.71	¥222.12	$1.79
Diluted (Note 29)	–	–	–

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2020 and 2019	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 2) 2020
Profit for the period	¥ 34,703	¥ 40,386	$ 318,873
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans (Note 28)	7	(444)	64
Financial assets measured at fair value through other comprehensive income (Note 28)	(23,431)	(24,588)	(215,299)
Share of other comprehensive income of associates accounted for using the equity method (Note 28)	1	(14)	9
Total items that will not be reclassified to profit or loss	(23,421)	(25,048)	(215,207)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 28)	(9,629)	(916)	(88,477)
Cash flow hedges (Note 28)	(35)	(12)	(322)
Total items that may be subsequently reclassified to profit or loss	(9,664)	(928)	(88,799)
Total other comprehensive income (Note 28)	(33,086)	(25,976)	(304,015)
Comprehensive income for the period	¥ 1,616	¥ 14,409	$ 14,849
Comprehensive income for the period attributable to:			
Owners of parent	¥ 1,597	¥ 14,383	$ 14,674
Non-controlling interests	19	25	175

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2020 and 2019	Millions of yen											
	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity					Total		
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at April 1, 2018	¥28,534	¥ 39,978	¥263,627	¥(48,556)	¥ –	¥ 82,788	¥ –	¥115	¥ 82,903	¥366,488	¥1,834	¥368,323
Profit for the period	–	–	40,337	–	–	–	–	–	–	40,337	48	40,386
Other comprehensive income	–	–	–	–	(444)	(24,603)	(893)	(12)	(25,954)	(25,954)	(22)	(25,976)
Total comprehensive income for the period	–	–	40,337	–	(444)	(24,603)	(893)	(12)	(25,954)	14,383	25	14,409
Purchase of treasury shares	–	–	–	(11,948)	–	–	–	–	–	(11,948)	–	(11,948)
Cancellation of treasury shares	–	(17,964)	–	17,964	–	–	–	–	–	–	–	–
Dividends (Note 22)	–	–	(10,547)	–	–	–	–	–	–	(10,547)	(90)	(10,637)
Share-based compensation (Note 32)	–	184	–	6	–	–	–	–	–	190	–	190
Changes in the ownership interest of a subsidiary without a loss of control	–	(630)	–	–	–	–	–	–	–	(630)	(698)	(1,329)
Reclassified to retained earnings	–	–	129	–	444	(574)	–	–	(129)	–	–	–
Total transactions with owners	–	(18,410)	(10,417)	6,022	444	(574)	–	–	(129)	(22,935)	(789)	(23,725)
Balance at March 31, 2019	¥28,534	¥ 21,568	¥293,547	¥(42,533)	¥ –	¥ 57,610	¥ (893)	¥102	¥ 56,820	¥357,936	¥1,070	¥359,007
Profit for the period	–	–	34,621	–	–	–	–	–	–	34,621	81	34,703
Other comprehensive income	–	–	–	–	7	(23,429)	(9,567)	(35)	(33,024)	(33,024)	(61)	(33,086)
Total comprehensive income for the period	–	–	34,621	–	7	(23,429)	(9,567)	(35)	(33,024)	1,597	19	1,616
Purchase of treasury shares	–	–	–	(23,078)	–	–	–	–	–	(23,078)	–	(23,078)
Cancellation of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–
Dividends (Note 22)	–	–	(11,274)	–	–	–	–	–	–	(11,274)	(49)	(11,324)
Share-based compensation (Note 32)	–	(290)	–	519	–	–	–	–	–	228	–	228
Changes in the ownership interest of a subsidiary without a loss of control	–	–	–	–	–	–	–	–	–	–	–	–
Reclassified to retained earnings	–	–	5	–	(7)	2	–	–	(5)	–	–	–
Total transactions with owners	–	(290)	(11,269)	(22,559)	(7)	2	–	–	(5)	(34,124)	(49)	(34,173)
Balance at March 31, 2020	**¥28,534**	**¥ 21,277**	**¥316,899**	**¥(65,093)**	**¥ –**	**¥ 34,183**	**¥(10,461)**	**¥ 67**	**¥ 23,789**	**¥325,409**	**¥1,040**	**¥326,450**

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

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2020	Thousands of U.S. dollar (Note 2)											
	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity					Total		
					Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at March 31, 2019	$262,189	$198,181	$2,697,299	$(390,821)	$ –	$ 529,358	$ (8,205)	$ 937	$ 522,099	$3,288,946	$9,832	$3,298,787
Profit for the period	–	–	318,120	–	–	–	–	–	–	318,120	744	318,873
Other comprehensive income	–	–	–	–	64	(215,281)	(87,908)	(322)	(303,446)	(303,446)	(561)	(304,015)
Total comprehensive income for the period	–	–	318,120	–	64	(215,281)	(87,908)	(322)	(303,446)	14,674	175	14,849
Purchase of treasury shares	–	–	–	(212,055)	–	–	–	–	–	(212,055)	–	(212,055)
Cancellation of treasury shares	–	–	–	–	–	–	–	–	–	–	–	–
Dividends (Note 22)	–	–	(103,593)	–	–	–	–	–	–	(103,593)	(450)	(104,052)
Share-based compensation (Note 32)	–	(2,665)	–	4,769	–	–	–	–	–	2,095	–	2,095
Changes in the ownership interest of a subsidiary without a loss of control	–	–	–	–	–	–	–	–	–	–	–	–
Reclassified to retained earnings	–	–	46	–	(64)	18	–	–	(46)	–	–	–
Total transactions with owners	–	(2,665)	(103,547)	(207,287)	(64)	18	–	–	(46)	(313,553)	(450)	(314,003)
Balance at March 31, 2020	**$262,189**	**$195,507**	**$2,911,872**	**$(598,116)**	**$ –**	**$ 314,095**	**$(96,122)**	**$ 616**	**$ 218,589**	**$2,990,067**	**$9,556**	**$2,999,632**

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

Financial and Corporate Information

CONSOLIDATED STATEMENT OF CASH FLOWS

Yamaha Corporation and its consolidated subsidiaries For the fiscal years ended March 31, 2020 and 2019	Millions of yen 2020	 2019	Thousands of U.S. dollars (Note 2) 2020
Cash flows from operating activities			
Profit before income taxes	¥ 47,225	¥ 56,471	$ 433,934
Depreciation and amortization	17,322	16,553	159,166
Impairment losses (reversal of impairment losses)	2,921	295	26,840
Finance income and finance expenses	(4,260)	(4,120)	(39,144)
Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets	(260)	264	(2,389)
(Increase) decrease in inventories	(2,841)	(6,244)	(26,105)
(Increase) decrease in trade and other receivables	3,282	987	30,157
Increase (decrease) in trade and other payables	(4,887)	(1,392)	(44,905)
Increase/decrease in net defined benefit liabilities	(391)	(150)	(3,593)
Increase (decrease) in provisions	1,942	(34)	17,844
Increase (decrease) in accounts payable due to transition to defined contribution plans	(1,416)	(1,558)	(13,011)
Other, net	2,999	(25)	27,557
Subtotal	61,635	61,045	566,342
Interest and dividend income received	4,535	4,654	41,670
Interest expenses paid	(802)	(859)	(7,369)
Income taxes refund (paid)	(8,206)	(29,319)	(75,402)
Net cash provided by (used in) operating activities	57,162	35,520	525,241
Cash flows from investing activities			
Net (increase) decrease in time deposits	(3,244)	(4,955)	(29,808)
Purchase of property, plant and equipment, and intangible assets	(20,473)	(20,192)	(188,119)
Proceeds from sale of property, plant and equipment, and intangible assets	1,012	597	9,299
Purchase of investment securities	(1)	(1)	(9)
Proceeds from sale and redemption of investment securities	449	2,380	4,126
Payments for acquisition of businesses	–	(981)	–
Proceeds from government grant	706	–	6,487
Other, net	483	51	4,438
Net cash provided by (used in) investing activities	(21,067)	(23,101)	(193,577)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings (Note 31)	2,120	(2,525)	19,480
Repayments of long-term borrowings (Note 31)	–	(41)	–
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,329)	–
Repayments of lease liabilities (Note 31)	(5,871)	(5,606)	(53,947)
Purchase of treasury shares	(21,312)	(11,948)	(195,828)
(Increase) decrease in cash segregated as deposits for acquisition of treasury shares	–	(1,765)	–
Cash dividends paid (Note 22)	(11,274)	(10,547)	(103,593)
Cash dividends paid to non-controlling interests	(49)	(90)	(450)
Other, net (Note 31)	(33)	(137)	(303)
Net cash provided by (used in) financing activities	(36,422)	(33,993)	(334,669)
Effect of exchange rate changes on cash and cash equivalents	(2,816)	(13)	(25,875)
Net increase (decrease) in cash and cash equivalents	(3,143)	(21,588)	(28,880)
Cash and cash equivalents - beginning of the period (Note 6)	95,815	117,403	880,410
Cash and cash equivalents - end of the period (Note 6)	¥ 92,671	¥ 95,815	$ 851,521

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Reporting Entity

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

2 Basis for Preparation

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

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

The Group applied IFRS for the first time effective from the fiscal year ended March 31, 2020 and the date of transition to IFRS was April 1, 2018. The Group previously applied Japanese generally accepted accounting principles ("Japanese GAAP"), and the most recent consolidated financial statements the Group prepared in accordance with Japanese GAAP were for the fiscal year ended March 31, 2019. Upon the transition to IFRS, IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter, "IFRS 1") is applied and disclosures of the impact of the adoption on the Group's financial position, operating performance, and cash flows are stated in "37. First-time adoption."

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥108.83 to U.S.$1, the approximate exchange rate at March 31, 2020. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

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

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

3 Significant Accounting Policies

(1) Basis of consolidation

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

A) Subsidiaries

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

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

The balance of receivables and payables and transactions among Group companies, and unrealized profit or loss from transactions between Group companies, are eliminated upon preparation of the consolidated financial statements.

Comprehensive income of subsidiaries shall be attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the accounting period of a subsidiary differs from that of the Company, the subsidiary's financial statements shall be adjusted based on the Company's accounting period.

B) Associated companies

An associated company is an entity that is not controlled by the Group but for which the Group is able to exert significant influence over its financial and operating policies. The equity method is applied

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

to investments in associated companies based on the acquisition cost at the time of acquisition. The Group's share of profit or loss and other comprehensive income is recognized from the date on which significant influence commences until the date on which significant influence ceases as changes in the carrying amount of the investments in the associated companies.

C) Business combinations

Business combinations are accounted for using the acquisition method.

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

The excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets acquired and liabilities assumed on the date of acquisition is recognized as goodwill. Conversely, if the difference is negative, a gain is recognized in profit or loss.

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

(2) Foreign currencies

A) Transactions denominated in foreign currencies

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

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

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

B) Foreign operations

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

The Group has applied the exemption provided under IFRS 1 allowing it to reclassify cumulative exchange differences on translation of foreign operations at the date of transition to IFRS from other components of equity to retained earnings.

(3) Financial instruments

A) Financial assets

(a) Initial recognition and measurement

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

Financial assets at initial recognition, 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. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(b) Classification and subsequent measurement

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

(i) Financial assets measured at amortized cost

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

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

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

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

Among financial assets, debt instruments meeting both of the following conditions are categorized as financial assets measured at fair value through other comprehensive income.

- They are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of these instruments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Changes in the fair value of equity instruments measured at fair value through other comprehensive income after initial recognition is recognized as other comprehensive income. When financial assets are derecognized or the fair value decreases materially, the cumulative gain or loss recognized in other comprehensive income is reclassified to retained earnings. Dividends from such financial assets are recognized in profit or loss as finance income.

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

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

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

(c) Impairment of financial assets

For trade and other receivables, the Group recognizes an allowance for doubtful accounts equivalent to the expected credit loss over the full period.

For trade and other receivables for which repayment is doubtful or potentially doubtful, the impairment loss on such assets is assessed individually or as a group for assets of similar types of risk and accounted for in the allowance for doubtful accounts.

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

For trade and other receivables for which impairment loss was previously recognized and the impairment amount decreased due to a subsequent event, the previously recognized impairment loss is reversed and recognized in profit or loss.

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

(d) Derecognition

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or when such rights are transferred by the Group and all the risks and economic benefits of ownership of the financial asset are substantially transferred.

B) Financial liabilities

(a) Initial recognition and measurement

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

Financial liabilities measured at amortized cost at initial recognition are measured at fair value less the associated direct transaction costs.

(b) Categorization and subsequent measurement

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

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 profit or loss, in cases where a financial liability is derecognized, 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.

C) Presentation of financial instruments

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

D) Hedge accounting and derivatives

The Group uses, within the scope of actual demand, forward exchange contracts (comprehensive contracts) and currency options to reduce potential foreign exchange risk from foreign-currency denominated receivables and payables arising from import and export transactions. Derivative transactions are initially recognized at fair value upon the execution of a contract and subsequently remeasured at fair value.

With regard to derivative transactions, the Group Financial Management Policies and Rules and each company's management policies and rules based on those of the Group have been established, and transactions and management are conducted 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, transactions are assessed on an ongoing basis whether the derivative used for the hedge at its inception and during the hedge period is effective in offsetting the changes in cash flows of the hedged item.

(4) Cash and cash equivalents

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

(5) Inventories

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

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

(6) Property, plant and equipment

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

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

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

Buildings: 31 to 50 years
(Mainly 15 years for equipment attached to buildings)
Structures: 10 to 30 years
Machinery and equipment: 4 to 12 years
Tools, furniture and fixtures: 5 to 6 years

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

(7) Right-of-use assets

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

The initial measurement of a right-of-use asset is calculated based on cost using the present value of the lease payments during a non-cancelable period plus reasonably certain extension option period (hereafter "lease period"), and any lease prepayments prior to the

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commencement date, initial direct costs and the amount of the initial estimate for disassembly, removal, or other restoration costs and less any lease incentives received. Lease liabilities are set at the initial measurement of the present value of the lease payments during the lease period. When there are changes in the lease period or lease payments subsequent to the initial measurement, the lease liability is remeasured, and the cost of a right-of-use asset and corresponding lease liability are adjusted.

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

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

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

The Group applies the exemption prescribed under IFRS 1 in which leases classified as operating leases prior to the transition date to IFRS, are recognized at the amount equivalent to the lease liability on the date of the transition to IFRS.

(8) Goodwill and intangible assets

A) Goodwill

The measurement method at the date of initial recognition of goodwill is stated in "(1) Basis of consolidation, C) Business combinations." Goodwill is presented based on acquisition cost less accumulated impairment losses.

B) Intangible assets

Intangible assets are accounted for using the cost model and stated 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 at the end of each reporting period for indications of impairment and tested for impairment when indications exist. Impairment tests are conducted every period and each time indications of impairment are identified for goodwill, intangible assets with indefinite useful lives, and intangible assets which are unusable on the end of the reporting period.

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

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

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

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

(10) Provisions

When the Group has a present legal or constructive obligation arising from past circumstances, and this is likely to require the Group to forego resources with economic benefits to settle a liability a provision is recognized if a reliable estimate can be determined.

In instances where the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a discount rate reflecting the time value of money and risks specific to the liability.

(11) Employee benefits

A) Post-employment benefits

The Group maintains defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

Defined benefit obligation is determined using the projected unit credit method based on the present value of the defined benefit obligation and related current and past service costs. The discount rate used to discount to the present value of defined benefit obligations is determined by referring to the market yields of high-quality corporate bonds matching the currency and the maturity date with the retirement benefit obligation. Assets or liabilities related to the defined benefit plans are calculated as the net sum of the present value of the defined benefit obligation and the fair value of plan assets for each plan. Differences arising in remeasurement of defined benefit plans are recognized in a lump sum in other comprehensive income in the period they are incurred and immediately reclassified to retained earnings. Past service costs are recognized as profit or loss in the period they occur.

Contributions to defined contribution plans are recognized as expenses at the time the relevant service is provided.

B) Short-term employee benefits

Short-term employee benefits are not discounted and are recognized as an expense at the time service is provided.

Bonuses and paid leave costs are recognized as a liability in the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(12) Government grants

Government grants are recognized at their fair value when the conditions attached to the grants are fulfilled and there is reasonable assurance that the grant will be received.

A grant related to an asset is treated as deferred revenue and recorded in revenue on a systematic basis during the period the associated asset incurs expenses. A grant related revenue is regularly recognized in profit or loss in the period in which such costs corresponding to grants are incurred.

(13) Equity

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

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

(14) Share-based compensation

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

Equity-settled share-based compensation is considered a restricted stock compensation system. Among the granted Company's shares, the value of a certain number of shares that the lifting of the transfer restrictions is expected is measured by the fair value of the stocks referred at the time they are granted and are recognized under profit or loss as an expense for the corresponding service, and an equivalent amount is recognized as an addition to equity.

Cash-settled share-based compensation is calculated under the same conditions as the equity-settled stock-based compensation, and the estimated future payment amount at the end of each reporting period is measured at fair value and recognized under profit or loss as an expense for the corresponding service.

(15) Revenue recognition

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

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

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

Revenue is measured as the amount set at the time of the contract is entered into with customers less any discounts, rebates, or sales returns.

(16) Income taxes

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

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

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

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

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

- Future taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising on the initial recognition of an asset or liability arising in a transaction other than a business combination and that affects neither accounting profit nor taxable income;
- Future taxable temporary differences associated with investments in subsidiaries and associated companies to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that they will not reverse in the foreseeable future;
- Future deductible temporary differences associated with investments in subsidiaries and associated companies to the extent it is not probable that sufficient taxable income will be available to use the benefits from the taxable temporary difference or that it is not probable that the taxable temporary difference will be eliminated in the foreseeable future.

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

Deferred tax assets and liabilities are netted 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.

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 common shareholders for the period divided by the weighted-average number of common shares outstanding during the period adjusted for treasury shares. Diluted profit per share is not calculated because there are no latent shares with a dilutive effect.

4 Significant Accounting Estimates and Judgments

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

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

• Scope of subsidiaries (“3. Significant Accounting Policies (1) Basis of consolidation”)

Whether a subsidiary is eligible for inclusion in consolidation is determined by whether the Group has control over the company.

• Impairment of non-financial assets (“3. Significant Accounting Policies (9) Impairment of non-financial assets,” “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 value 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 revisions 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,” “18. Provisions”)

Provisions are measured based on best estimates of payments to settle future liabilities on the reporting date with the amounts of the payments calculated in consideration of all possible future outcomes. The estimates used to calculate such provisions can be affected by changes in uncertain future economic conditions and therefore contain the risk that the reported amounts for the provisions may require significant revision in the future.

• Measurement of retirement benefit obligation (“3. Significant Accounting Policies (11) Employee benefits,” “20. Employee Benefits”)

Under the defined benefit corporate pension plan, the net amount of the defined benefit obligation and fair value of plan assets as assets or liabilities is recognized. The defined benefit obligation is calculated using actuarial calculations, which include estimates for the discount rate, retirement rate, mortality rate, and rate of salary increase. These assumptions are determined based on a comprehensive judgment using available information, such as market trends in interest rate fluctuations. The assumptions for the actuarial calculations can be affected by the uncertain future economic environment and social changes and therefore contain the risk that the reported amounts for the retirement benefit obligation may require significant revision in the future.

• Recoverability of deferred tax assets (“3. Significant Accounting Policies (16) Income taxes,” “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 to set the estimates; however, uncertain future economic conditions can change to the extent that they affect the actual results.

The above includes judgments based on estimates and assumptions concerning the Group’s future performance; however, as of the end of the current fiscal year, there are concerns that the spread of COVID-19 will cause a significant slowdown in the global economy. The global economy is expected to gradually recover from fiscal year ending March 31, 2021 through fiscal year ending March 31, 2022 as the spread of COVID-19 in various regions converges and economic activities resume. However, the Group’s future performance could be significantly affected if the impact of the pandemic on the global economy is longer than expected.

The estimates and assumptions used in the preparation of the consolidated financial statements are based on the management’s best estimates as of the end of the fiscal year. However, the future economic conditions are uncertain, and the Group performance may also be impacted by unanticipated developments in economic conditions other than those mentioned above. If such changes require management to revise its outlook, the impact on the consolidated financial statements could be substantial.

5 Segment Information

(1) Summary of reportable segments

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

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

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

(2) Reportable segment information

The Group’s reportable segment information is as follows:

The accounting methods of the reported business segments are the same as those presented in “3. Significant Accounting Policies.”

In addition, the Group reports core operating profit as segment profit. Core operating profit corresponds to operating profit under Japanese GAAP calculated by subtracting selling, general and administrative expenses from gross profit.

Millions of yen

	Reportable segment						
For the fiscal year ended March 31, 2020	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
Revenue							
Revenue from external customers	¥269,371	¥114,392	¥383,764	¥30,462	¥414,227	¥ –	¥414,227
Intersegment revenue	–	–	–	341	341	(341)	–
Total	269,371	114,392	383,764	30,804	414,569	(341)	414,227
Core operating profit (Segment profit)	37,750	8,571	46,322	30	46,352	–	46,352
Other income							2,806
Other expenses							(5,826)
Operating profit							43,333
Finance income							4,968
Finance expenses							(1,083)
Share of profit of associates accounted for using the equity method							6
Profit before income taxes							47,225
Other items*							
Depreciation and amortization	(7,435)	(2,915)	(10,351)	(880)	(11,231)	–	(11,231)
Impairment losses	(3,330)	–	(3,330)	–	(3,330)	–	(3,330)
Reversal of impairment losses	408	–	408	–	408	–	408
Capital expenditures	15,129	4,418	19,547	1,681	21,229	–	21,229

Thousands of U.S. dollars (Note 2)

	Reportable segment						
For the fiscal year ended March 31, 2020	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
Revenue							
Revenue from external customers	$2,475,154	$1,051,107	$3,526,270	$279,904	$3,806,184	$ –	$3,806,184
Intersegment revenue	–	–	–	3,133	3,133	(3,133)	–
Total	2,475,154	1,051,107	3,526,270	283,047	3,809,326	(3,133)	3,806,184
Core operating profit (Segment profit)	346,871	78,756	425,636	276	425,912	–	425,912
Other income							25,783
Other expenses							(53,533)
Operating profit							398,171
Finance income							45,649
Finance expenses							(9,951)
Share of profit of associates accounted for using the equity method							55
Profit before income taxes							433,934
Other items*							
Depreciation and amortization	(68,318)	(26,785)	(95,112)	(8,086)	(103,198)	–	(103,198)
Impairment losses	(30,598)	–	(30,598)	–	(30,598)	–	(30,598)
Reversal of impairment losses	3,749	–	3,749	–	3,749	–	3,749
Capital expenditures	139,015	40,595	179,610	15,446	195,066	–	195,066

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

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

For the fiscal year ended March 31, 2019	Millions of yen						
	Reportable segment						
	Musical instruments	Audio equipment	Total	Others	Total	Adjustments	Consolidated
Revenue							
Revenue from external customers	¥279,471	¥120,144	¥399,616	¥34,757	¥434,373	¥ –	¥434,373
Intersegment revenue	–	–	–	334	334	(334)	–
Total	279,471	120,144	399,616	35,091	434,708	(334)	434,373
Core operating profit (Segment profit)	40,815	9,615	50,430	2,315	52,745	–	52,745
Other income							1,558
Other expenses							(1,488)
Operating profit							52,815
Finance income							4,652
Finance expenses							(1,008)
Share of profit of associates accounted for using the equity method							12
Profit before income taxes							56,471
Other items*							
Depreciation and amortization	(6,866)	(2,973)	(9,839)	(849)	(10,688)	–	(10,688)
Impairment losses	(264)	(66)	(331)	(8)	(339)	–	(339)
Reversal of impairment losses	–	–	–	–	–	–	–
Capital expenditures	12,635	2,984	15,620	1,387	17,008	–	17,008

Note: Intersegment revenue is based on the prevailing market price.
* Capital expenditures represent increases in expenditures for property, plant and equipment, intangible assets and right-of-use assets. Depreciation and amortization represent amounts corresponding to capital expenditures.

(3) Information about products and services

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

(4) Information about geographical areas

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

A) Revenue

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Japan	¥123,615	¥129,778	$1,135,854
North America	87,347	90,746	802,600
[Of which, U.S.A.]	(76,051)	(79,319)	(698,805)
Europe	80,191	83,003	736,846
China	53,082	59,040	487,752
Asia, Oceania and other areas	69,990	71,804	643,113
Total	¥414,227	¥434,373	$3,806,184

Notes: 1. Revenue is classified by countries or areas based on the location of customers.
2. Major countries or areas included in each geographical category
North America — U.S.A., Canada
Europe — Germany, France, U.K.
Asia, Oceania and other areas — Republic of Korea, Australia

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Japan	¥ 70,701	¥ 72,062	¥ 73,840	$ 649,646
North America	4,372	5,109	4,057	40,173
Europe	5,851	6,177	6,597	53,763
China	15,762	14,737	13,782	144,831
Asia, Oceania and other areas	28,132	26,292	22,459	258,495
[Of which, Indonesia]	(16,942)	(14,659)	(13,075)	(155,674)
Total	¥124,820	¥124,379	¥120,738	$1,146,926

Note: Major countries or areas included in each geographical category
North America — U.S.A., Canada
Europe — Germany, France, U.K.
Asia, Oceania and other areas — Indonesia, India, Malaysia

(5) Information about major customers

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

6 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Cash and deposits	¥92,671	¥95,815	¥117,403	$851,521
Total	¥92,671	¥95,815	¥117,403	$851,521

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" on the consolidated statement of cash flows.

7 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Notes and trade receivables	¥51,537	¥55,254	¥56,237	$473,555
Other	8,289	11,067	10,855	76,165
Allowance for doubtful accounts	(1,760)	(975)	(1,108)	(16,172)
Total	¥58,067	¥65,346	¥65,984	$533,557

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

8 Inventories

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Finished goods and merchandise	¥ 68,236	¥ 68,651	¥66,000	$626,996
Work in process	12,938	13,771	13,339	118,883
Raw materials and supplies	18,878	18,580	15,721	173,463
Total	¥100,054	¥101,003	¥95,062	$919,360

Note: The amounts of write-downs (reversal of write-downs) of inventories recognized in "Cost of sales" for the fiscal years ended March 31, 2020 and 2019 were ¥391 million ($3,593 thousand) and ¥(132) million, respectively. The reversal refers to reversal of write-downs recognized at the previous fiscal year-end due to revaluation, etc.

9 Other current assets

The breakdown of other current assets is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Income taxes receivable	¥1,663	¥ 3,881	¥ 577	$15,281
Trust deposits for purchase of treasury shares	–	1,765	–	–
Other	4,791	4,497	6,110	44,023
Total	¥6,455	¥10,144	¥6,687	$59,313

10 Property, Plant and Equipment

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

(1) Changes in book value

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2018	¥32,001	¥14,405	¥10,345	¥15,979	¥14,400	¥87,133
Acquisition	2,021	2,343	3,348	22	7,869	15,605
Depreciation*1	(3,138)	(3,197)	(4,055)	–	–	(10,391)
Impairment losses or reversal of impairment losses*2	(274)	(0)	(2)	(62)	–	(339)
Sales or disposals	(191)	(72)	(172)	(0)	(126)	(562)
Reclassification	12,437	2,455	1,940	–	(16,833)	–
Exchange differences on translation	9	48	77	(31)	(166)	(61)
Other	(124)	–	2	(2,429)	2,496	(55)
Balance as of March 31, 2019	¥42,740	¥15,982	¥11,483	¥13,477	¥ 7,641	¥91,326
Acquisitions	1,968	2,985	3,157	61	11,678	19,851
Depreciation*1	(3,205)	(3,474)	(4,276)	–	–	(10,956)
Impairment losses or reversal of impairment losses*2	(732)	–	(2)	408	(20)	(346)
Sales or disposals	(103)	(216)	(230)	(128)	(81)	(759)
Reclassification	1,463	3,206	1,706	3,126	(9,502)	–
Exchange differences on translation	(680)	(613)	(370)	(59)	(274)	(1,998)
Other	–	–	–	–	(10)	(10)
Balance as of March 31, 2020	¥41,452	¥17,870	¥11,467	¥16,885	¥ 9,430	¥97,106

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2019	$392,723	$146,853	$105,513	$123,835	$ 70,210	$839,162
Acquisition	18,083	27,428	29,009	561	107,305	182,404
Depreciation*1	(29,450)	(31,921)	(39,291)	–	–	(100,671)
Impairment losses or reversal of impairment losses*2	(6,726)	–	(18)	3,749	(184)	(3,179)
Sales or disposals	(946)	(1,985)	(2,113)	(1,176)	(744)	(6,974)
Reclassification	13,443	29,459	15,676	28,724	(87,310)	–
Exchange differences on translation	(6,248)	(5,633)	(3,400)	(542)	(2,518)	(18,359)
Other	–	–	–	–	(92)	(92)
Balance as of March 31, 2020	$380,888	$164,201	$105,366	$155,150	$ 86,649	$892,272

*1. Depreciation of property, plant and equipment is included in "Cost of sales," "Selling, general and administrative expenses" and "Other expenses" in the consolidated statement of income.

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

(2) Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2018	¥103,685	¥73,597	¥67,636	¥26,132	¥14,400	¥285,453
Balance as of March 31, 2019	116,017	76,880	68,855	23,690	7,641	293,085
Balance as of March 31, 2020	115,494	78,682	67,848	26,640	9,451	298,117

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020	$1,061,233	$722,981	$623,431	$244,785	$86,842	$2,739,291

(3) Accumulated depreciation and impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2018	¥(71,684)	¥(59,192)	¥(57,290)	¥(10,153)	¥ –	¥(198,319)
Balance as of March 31, 2019	(73,277)	(60,897)	(57,372)	(10,212)	–	(201,759)
Balance as of March 31, 2020	(74,042)	(60,811)	(56,381)	(9,754)	(20)	(201,011)

	Thousands of U.S. dollars (Note 2)					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of March 31, 2020	$(680,345)	$(558,771)	$(518,065)	$(89,626)	$(184)	$(1,847,018)

11 Leases

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Depreciation of right-of-use assets				
Land as underlying asset	¥ (238)	¥ (228)	¥ –	$ (2,187)
Buildings and structures as underlying assets	(5,715)	(5,562)	–	(52,513)
Machinery and vehicles as underlying assets	(182)	(123)	–	(1,672)
Tools, furniture and fixtures as underlying assets	(29)	(24)	–	(266)
Total depreciation	(6,166)	(5,939)	–	(56,657)
Impairment losses on right-of-use assets				
Land as underlying asset	(158)	–	–	(1,452)
Buildings and structures as underlying assets	(2,416)	–	–	(22,200)
Total impairment losses	(2,575)	–	–	(23,661)
Interest expenses on lease liabilities	(354)	(404)	–	(3,253)
Lease expense where the recognition exemption is applied for short-term leases and leases of low-value assets	(2,817)	(3,276)	–	(25,884)
Total amount of cash outflows for leases	(8,689)	(8,883)	–	(79,840)
Increase in right-of-use assets	5,244	4,680	–	48,185
Breakdown of the balance of right-of-use assets:				
Land as underlying asset	6,948	6,832	6,610	63,843
Buildings and structures as underlying assets	17,007	22,210	24,210	156,271
Machinery and vehicles as underlying assets	469	482	251	4,309
Tools, furniture and fixtures as underlying assets	56	53	38	515
Total balance of right-of-use assets	¥24,480	¥29,579	¥31,110	$224,938

12 Goodwill and Intangible Assets

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

(1) Changes in book value

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2018	¥ –	¥ –	¥ 689	¥ 689
Acquisition	–	–	253	253
Acquisition due to business combination	161	–	651	813
Increase due to internal development	–	–	–	–
Amortization*	–	–	(257)	(257)
Sales or disposal	–	–	(0)	(0)
Exchange differences on translation	0	–	(18)	(18)
Other	–	–	2	2
Balance as of March 31, 2019	¥161	¥ –	¥1,321	¥1,482
Acquisition	–	–	204	204
Acquisition due to business combination	–	–	–	–
Increase due to internal development	–	453	–	453
Amortization*	–	–	(210)	(210)
Sales or disposal	–	–	–	–
Exchange differences on translation	(3)	–	(39)	(42)
Other	–	–	8	8
Balance as of March 31, 2020	¥158	¥453	¥1,283	¥1,895

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2019	$1,479	$ –	$12,138	$13,618
Acquisition	–	–	1,874	1,874
Acquisition due to business combination	–	–	–	–
Increase due to internal development	–	4,162	–	4,162
Amortization*	–	–	(1,930)	(1,930)
Sales or disposal	–	–	–	–
Exchange differences on translation	(28)	–	(358)	(386)
Other	–	–	74	74
Balance as of March 31, 2020	$1,452	$4,162	$11,789	$17,412

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

(2) Acquisition cost

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2018	¥ –	¥ –	¥3,077	¥3,077
Balance as of March 31, 2019	161	–	3,920	4,081
Balance as of March 31, 2020	158	453	3,992	4,604

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2020	$1,452	$4,162	$36,681	$42,305

(3) Accumulated amortization and impairment losses

	Millions of yen			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of April 1, 2018	¥–	¥–	¥(2,388)	¥(2,388)
Balance as of March 31, 2019	–	–	(2,599)	(2,599)
Balance as of March 31, 2020	–	–	(2,709)	(2,709)

	Thousands of U.S. dollars (Note 2)			
		Intangible assets		
	Goodwill	Capitalized development costs	Other	Total
Balance as of March 31, 2020	$–	$–	$(24,892)	$(24,892)

13 Other Financial Assets

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

(1) Breakdown of other financial assets

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Financial assets measured at amortized cost				
Time deposits with a maturity of more than three months	¥12,757	¥ 10,246	¥ 5,327	$117,220
Other	4,188	4,450	4,732	38,482
Subtotal	¥16,945	¥ 14,696	¥ 10,060	$155,702
Financial assets measured at fair value through profit or loss				
Debt instruments	497	–	–	4,567
Derivative assets	128	207	178	1,176
Subtotal	¥ 625	¥ 207	¥ 178	$ 5,743
Financial assets measured at fair value through other comprehensive income				
Equity instruments	63,185	96,698	134,034	580,584
Other	–	–	–	–
Subtotal	¥63,185	¥ 96,698	¥134,034	$580,584
Total	¥80,756	¥111,601	¥144,272	$742,038

Note: The Group applies hedge accounting for derivative assets.

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

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

A) Major stockholdings and their fair value

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

As of March 31, 2020	Millions of yen	Thousands of U.S. dollars (Note 2)
Listed companies:		
Yamaha Motor Co., Ltd.	¥45,278	$416,043
MS&AD Insurance Group Holdings, Inc.	3,686	33,869
TOYOTA MOTOR CORPORATION	3,258	29,937
The Shizuoka Bank, Ltd.	1,845	16,953
Audinate Group Limited	1,575	14,472
Other	2,047	18,809
Unlisted companies	5,494	50,482
Total	¥63,185	$580,584

As of March 31, 2019	Millions of yen
Listed companies:	
Yamaha Motor Co., Ltd.	¥75,209
MS&AD Insurance Group Holdings, Inc.	4,106
TOYOTA MOTOR CORPORATION	3,251
Audinate Group Limited	2,967
The Shizuoka Bank, Ltd.	2,367
Other	3,004
Unlisted companies	5,790
Total	¥96,698

As of April 1, 2018 (Date of transition to IFRS)	Millions of yen
Listed companies:	
Yamaha Motor Co., Ltd.	¥110,164
MS&AD Insurance Group Holdings, Inc.	4,373
The Shizuoka Bank, Ltd.	3,507
TOYOTA MOTOR CORPORATION	3,421
Sumitomo Mitsui Financial Group, Inc.	1,985
Other	4,205
Unlisted companies	6,376
Total	¥134,034

B) Equity instruments measured at fair value through other comprehensive income, derecognized during the period

The Board of Directors of the Company regularly and continuously reviews the status of equity instruments held by the Group whether the holding purpose is reasonably appropriate in terms of business relationship with each issuer or the capital costs are worth the benefits or risks involved. Based on such reviews, the Group proceeds with the reduction of its cross-holdings.

The fair value at the time of derecognition (e.g., sale) and cumulative gain or loss upon sale, before tax, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Fair value	¥ 2	¥2,145	$18
Cumulative gain or loss, before tax	(0)	820	(0)

Note: Cumulative gain or loss in other comprehensive income is reclassified to retained earnings upon derecognition after tax adjustment.

14 Income Taxes

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

The breakdown of deferred tax assets and deferred tax liabilities by major cause is as follows:

	Millions of yen			
For the fiscal year ended March 31, 2020	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	¥ 1,779	¥ 25	¥ –	¥ 1,804
Unrealized gain on inventory, property, plant and equipment	3,155	(213)	–	2,941
Excess of depreciation and amortization	6,543	(348)	–	6,195
Impairment losses on non-financial assets	569	693	–	1,262
Accrued employees' bonuses	2,261	(32)	–	2,228
Provision for product warranty	266	311	–	578
Retirement benefit liabilities	6,885	(490)	71	6,466
Tax loss carryforwards	245	(49)	–	196
Other	6,593	613	(14)	7,191
Deferred tax assets, subtotal	¥ 28,300	¥ 509	¥ 56	¥ 28,866
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(2,869)	101	–	(2,767)
Retained earnings of overseas subsidiaries	(2,706)	(10)	–	(2,717)
Change in fair value of financial assets	(23,838)	–	9,592	(14,245)
Other	(299)	(866)	–	(1,165)
Deferred tax liabilities, subtotal	¥(29,713)	¥(775)	¥9,592	¥(20,896)
Deferred tax assets or liabilities, net	¥ (1,413)	¥(265)	¥9,648	¥ 7,969

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

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	Thousands of U.S. dollars (Note 2)			
For the fiscal year ended March 31, 2020	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	$ 16,347	$ 230	$ –	$ 16,576
Unrealized gain on inventory, property, plant and equipment	28,990	(1,957)	–	27,024
Excess of depreciation and amortization	60,121	(3,198)	–	56,924
Impairment losses on non-financial assets	5,228	6,368	–	11,596
Accrued employees' bonuses	20,776	(294)	–	20,472
Provision for product warranty	2,444	2,858	–	5,311
Retirement benefit liabilities	63,264	(4,502)	652	59,414
Tax loss carryforwards	2,251	(450)	–	1,801
Other	60,581	5,633	(129)	66,076
Deferred tax assets, subtotal	$ 260,039	$ 4,677	$ 515	$ 265,239
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(26,362)	928	–	(25,425)
Retained earnings of overseas subsidiaries	(24,864)	(92)	–	(24,966)
Change in fair value of financial assets	(219,039)	–	88,137	(130,892)
Other	(2,747)	(7,957)	–	(10,705)
Deferred tax liabilities, subtotal	$(273,022)	$(7,121)	$88,137	$(192,006)
Deferred tax assets or liabilities, net	$ (12,984)	$(2,435)	$88,652	$ 73,224

	Millions of yen			
For the fiscal year ended March 31, 2019	Beginning of the period	Recognized through profit or loss	Recognized through other comprehensive income	End of the period
(Deferred tax assets)				
Loss on write-downs of inventories	¥ 1,609	¥ 169	¥ –	¥ 1,779
Unrealized gain on inventory, property, plant and equipment	3,294	(139)	–	3,155
Excess of depreciation and amortization	6,872	(328)	–	6,543
Impairment losses on non-financial assets	556	13	–	569
Accrued employees' bonuses	2,247	13	–	2,261
Provision for product warranty	240	25	–	266
Retirement benefit liabilities	6,645	427	(187)	6,885
Tax loss carried forwards	969	(723)	–	245
Other	7,356	(757)	(5)	6,593
Deferred tax assets, subtotal	¥ 29,792	¥(1,298)	¥ (193)	¥ 28,300
(Deferred tax liabilities)				
Reserve for deferred gain on property, plant and equipment	(2,998)	129	–	(2,869)
Retained earnings of overseas subsidiaries	(2,594)	(111)	–	(2,706)
Change in fair value of financial assets	(34,560)	–	10,722	(23,838)
Other	(261)	(38)	–	(299)
Deferred tax liabilities, subtotal	¥(40,415)	¥ (20)	¥10,722	¥(29,713)
Deferred tax assets or liabilities, net	¥(10,623)	¥(1,319)	¥10,529	¥ (1,413)

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

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

Future deductible temporary differences and tax loss carryforwards (tax base) for which no deferred tax assets were recognized are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Future deductible temporary differences	¥20,917	¥19,163	¥19,159	$192,199
Tax loss carryforwards	3,233	3,919	4,989	29,707
Total	¥24,151	¥23,082	¥24,149	$221,915

Note: The amounts of tax loss carryforwards include amounts of tax credit carryforwards.

The above tax loss carryforwards (tax base) expire as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Within one year	¥ 181	¥ 884	¥1,064	$ 1,663
Between one and two years	124	177	964	1,139
Between two and three years	230	107	251	2,113
Between three and four years	40	130	73	368
Over four years	2,656	2,619	2,636	24,405
Total	¥3,233	¥3,919	¥4,989	$29,707

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

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

Future taxable temporary differences associated with investments in subsidiaries are not recognized since the Group can control the timing of reversal of those temporary differences and it is probable that such temporary differences will not reverse in the foreseeable period.

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Total amount of future taxable temporary differences associated with investments in subsidiaries	¥79,387	¥76,989	¥70,964	$729,459

(4) Breakdown of income tax expense

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Current:			
Current year	¥(12,487)	¥(13,456)	$(114,739)
Amendment of past year	16	(859)	147
Deferred:			
Temporary differences originated or reversed	(334)	(2,625)	(3,069)
Change in unrecognized deferred tax assets	283	855	2,600
Total	¥(12,521)	¥(16,085)	$(115,051)

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

The Company is subject to corporation tax, inhabitant tax and enterprise tax. The statutory effective tax rates calculated based on these taxes were 29.9% and 30.0% for the fiscal years ended March 31, 2020 and 2019, respectively. The Company's subsidiaries are subject to corporation 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:

	2020	2019
Statutory effective tax rate	29.9%	30.0%
Tax adjustments other than temporary differences	(0.1)	(0.2)
Difference in tax rates applied for foreign operations	(3.0)	(2.1)
Change in deferred tax assets not recognized	(0.6)	(1.5)
Special deduction for research and development expenses	(2.7)	(2.3)
Foreign withholding taxes	0.9	1.8
Indonesian subsidary's past corporation tax	–	2.2
Influence by sale of investments in associated company	0.3	–
Other	1.8	0.6
Average effective tax rate	26.5	28.5

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15 Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Notes and trade payables	¥15,895	¥17,558	¥19,946	$146,053
Other	37,087	41,967	45,148	340,779
Total	¥52,982	¥59,525	¥65,094	$486,833

Note: "Trade and other payables" are classified as financial liabilities measured at amortized cost.

16 Interest-bearing Debt

The breakdown of interest-bearing debt is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)		
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020	Average interest rate	Repayment date
Short-term borrowings	¥10,830	¥8,936	¥11,131	$99,513	1.99%	–
Current portion of long-term borrowings	–	–	41	–	–	–
Long-term borrowings (excluding current portion)	–	–	–	–	–	–
Total	¥10,830	¥8,936	¥11,173	$99,513		

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

17 Other Financial Liabilities

The breakdown of other financial liabilities under current liabilities and financial liabilities under non-current liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Financial liabilities measured at amortized cost				
Resort membership deposits	¥ 8,980	¥ 8,997	¥ 9,090	$ 82,514
Other	2,209	3,667	5,216	20,298
Subtotal	¥11,189	¥12,665	¥14,307	$102,812
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Subtotal	–	–	–	–
Total	¥11,189	¥12,665	¥14,307	$102,812

Note: The Group applies hedge accounting for derivative liabilities.

Financial and Corporate Information

18 Provisions

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

	Millions of yen			
	Provision for product warranty	Asset retirement obligations	Other	Total
Balance as of April 1, 2018	¥1,773	¥ 522	¥ 4	¥2,300
Increase	813	89	3	906
Decrease (utilized as intended)	(706)	(108)	–	(815)
Decrease (reversal)	(27)	–	–	(27)
Unwinding of discount	–	–	–	–
Exchange differences on translation	(12)	1	–	(10)
Balance as of March 31, 2019	¥1,840	¥ 505	¥ 8	¥2,354
Increase	1,745	978	39	2,764
Decrease (utilized as intended)	(548)	(37)	(48)	(634)
Decrease (reversal)	(120)	–	–	(120)
Unwinding of discount	–	4	–	4
Exchange differences on translation	(76)	(17)	(0)	(93)
Balance as of March 31, 2020	¥2,840	¥1,433	¥ 0	¥4,274

	Thousand of U.S. dollars (Note 2)			
	Provision for product warranty	Asset retirement obligations	Other	Total
Balance as of March 31, 2019	$16,907	$ 4,640	$ 74	$21,630
Increase	16,034	8,986	358	25,397
Decrease (utilized as intended)	(5,035)	(340)	(441)	(5,826)
Decrease (reversal)	(1,103)	–	–	(1,103)
Unwinding of discount	–	37	–	37
Exchange differences on translation	(698)	(156)	(0)	(855)
Balance as of March 31, 2020	$26,096	$13,167	$ 0	$39,272

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

19 Other current liabilities

The breakdown of Other current liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Accrued paid leave	¥ 4,636	¥ 4,465	¥ 4,399	$ 42,599
Advances received	5,426	2,850	3,256	49,858
Other	4,349	4,911	4,407	39,961
Subtotal	¥14,412	¥12,228	¥12,063	$132,427

20 Employee Benefits

(1) Post-employment benefits

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

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

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

In addition, there are certain cases that the Group may pay extra retirement allowances to employees, which are not subject to actuarial calculations.

Please see "3. Significant Accounting Policies (11) Employee benefits, A) Post-employment benefits" for the accounting policies for post-employment benefits.

A) Defined benefit plans (funded and unfunded)

(a) Reconciliation for defined benefit obligation and plan assets

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Present value of defined benefit obligation of funded plan	¥ 82,970	¥ 87,160	¥ 89,779	$ 762,382
Fair value of plan assets	(79,669)	(83,520)	(86,451)	(732,050)
Funded status	3,300	3,639	3,328	30,323
Present value of defined benefit obligation of unfunded plan	19,992	20,233	19,921	183,699
Defined benefit obligation and assets, net	23,293	23,873	23,249	214,031
Amounts on the consolidated statement of financial position				
Retirement benefit liabilities	23,704	24,268	23,666	217,808
Retirement benefit assets	(411)	(395)	(416)	(3,777)
Net defined benefit liabilities (assets) on the statement of financial position	¥23,293	¥23,873	¥23,249	$214,031

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

(b) Changes in present value of defined benefit obligations

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Present value of defined benefit obligations at the beginning of the period	¥107,394	¥109,701	$986,805
Service cost	4,087	4,111	37,554
Interest cost	841	928	7,728
Payments from the plan	(7,297)	(8,593)	(67,050)
Remeasurements:			
Actuarial differences arising from changes in demographic assumptions	12	(44)	110
Actuarial differences arising from changes in financial assumptions	(1,114)	1,089	(10,236)
Other	(158)	135	(1,452)
Exchange differences on translation of foreign operations	(551)	65	(5,063)
Other	(251)	–	(2,306)
Present value of defined benefit obligations at the end of the period*	¥102,962	¥107,394	$946,081

* Weighted average durations of defined benefit obligations were 11.6 years as of March 31, 2020, 11.4 years as of March 31, 2019, and 11.4 years at the date of transition to IFRS.

(c) Changes in fair value of plan assets

Changes in fair value of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Present value of plan assets at the beginning of the period	¥83,520	¥86,451	$767,435
Interest income	433	544	3,979
Remeasurements			
Income on plan assets other than interest income	(1,181)	548	(10,852)
Employer's contributions	2,657	2,602	24,414
Payments from the plan	(5,683)	(6,613)	(52,219)
Exchange differences on translation of foreign operations	(78)	(13)	(717)
Present value of plan assets at the end of the period	¥79,669	¥83,520	$732,050

The Group plans to contribute ¥2,586 million ($23,762 thousand) for the fiscal year ending March 31, 2021.

(d) Breakdown of plan assets and their fair value

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

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

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

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

	Millions of yen									Thousands of U.S. dollars (Note 2)		
	2020			2019			Date of transition to IFRS (April 1, 2018)			2020		
Quoted price in active market	Available	Not available	Total	Available	Not available	Total	Available	Not available	Total	Available	Not available	Total
Cash and deposits	¥ 1,144	¥ –	¥ 1,144	¥ 921	¥ –	¥ 921	¥ 979	¥ –	¥ 979	$ 10,512	$ –	$ 10,512
Equity securities	17,516	–	17,516	20,238	–	20,238	20,746	–	20,746	160,948	–	160,948
Debt securities	10,190	–	10,190	10,659	–	10,659	11,385	–	11,385	93,632	–	93,632
Life insurance general accounts	–	45,334	45,334	–	46,780	46,780	–	48,558	48,558	–	416,558	416,558
Other	–	5,484	5,484	–	4,920	4,920	–	4,780	4,780	–	50,391	50,391
Total	¥28,850	¥50,818	¥79,669	¥31,819	¥51,700	¥83,520	¥33,111	¥53,339	¥86,451	$265,092	$466,948	$732,050

(e) Actuarial assumptions

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

	2020	2019	Date of transition to IFRS (April 1, 2018)
Discount rate	0.61%	0.51%	0.62%

(f) Sensitivity analysis

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

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Increase of 0.5% in discount rate	¥(5,906)	¥(5,988)	¥(6,149)	$(54,268)
Decrease of 0.5% in discount rate	5,944	5,948	6,066	54,617

B) Defined contribution plans

The amounts recognized as expenses for defined contribution plans were ¥7,703 million ($70,780 thousand) and ¥7,847 million for the fiscal years ended March 31, 2020 and 2019, respectively. In addition to the above, additional retirement benefits of ¥42 million ($386 thousand) and ¥205 million were recognized for the fiscal year ended March 31, 2020 and 2019, respectively.

(2) Employee benefit expenses

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

21 Equity

(1) Policy on equity

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

(2) Share capital and treasury shares

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

All of the Company's shares are no-par value common stock without restriction on rights and all of outstanding shares are fully paid in.

	Shares		
	2020	2019	Date of transition to IFRS (April 1, 2018)
Number of authorized shares	700,000,000	700,000,000	700,000,000
Number of outstanding shares:			
Beginning of the period	191,555,025	197,255,025	–
Increase	–	–	–
Decrease *1	–	5,700,000	–
End of the period	191,555,025	191,555,025	197,255,025
Number of treasury shares:			
Beginning of the period	11,919,368	15,406,885	–
Increase*2	3,952,516	2,214,483	–
Decrease*3	136,800	5,702,000	–
End of the period	15,735,084	11,919,368	15,406,885

*1. The decrease for the fiscal year ended March 31, 2019 is due to cancellation of treasury shares.

*2. The increase for the fiscal year ended March 31, 2020 is due to the following:
Increase due to purchase of treasury shares pursuant to a resolution of the Board of Directors – 3,950,500 shares
Increase due to purchase of fractional shares of less than one trading unit – 2,016 shares
The increase for the fiscal year ended March 31, 2019 is due to the following:
Increase due to purchase of treasury shares pursuant to a resolution of the Board of Directors - 2,209,500 shares
Increase due to return of restricted stock compensation without payment before completion of the restricted period – 2,000 shares
Increase due to purchase of fractional shares of less than one trading unit – 2,983 shares

*3. The decrease for the fiscal year ended March 31, 2020 is due to disposal of treasury shares as restricted stock compensation.
The decease for the fiscal year ended March 31, 2019 is due to the following:
Decrease due to cancellation of treasury shares pursuant to a resolution of the Board of Directors - 5,700,000 shares
Decrease due to disposal of treasury shares as restricted stock compensation – 2,000 shares.

(3) Capital surplus and retained earnings

Capital surplus consists of the legal capital reserve and other capital surplus and represents the amount not included in share capital upon the issuance of shares.

The Companies Act in Japan requires that 50% or more of paid-in capital for the issuance of shares shall be accounted for as share capital and the remaining amount shall be accounted for as the legal capital reserve. Other capital surplus includes an amount of surplus arising from reversal of the legal capital reserve, gain or loss on disposal of treasury shares, and a decrease due to cancellation of treasury shares.

Retained earnings consist of legal retained earnings and other retained earnings that include unappropriated retained earnings.

The Company determines the amount available for dividends under the Companies Act in Japan, based on the amount of retained earnings on the Company's unconsolidated financial statements which are prepared in accordance with Japanese GAAP. The Company distributes retained earnings to its shareholders within certain limitations as stipulated by the Companies Act in Japan on the amount available for dividends.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

22 Dividends

The dividends paid are as follows:

For the fiscal year ended March 31, 2020

Resolution	Class of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 2)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 2)	Record date	Effective date
Annual shareholders' meeting held on June 24, 2019	Common stock	¥5,389	$49,518	¥30.00	$0.28	31-Mar-19	25-Jun-19
Board of Directors' meeting held on November 1, 2019	Common stock	5,885	54,075	33.00	0.30	30-Sep-19	5-Dec-19

For the fiscal year ended March 31, 2019

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 25, 2018	Common stock	¥5,091	¥28.00	31-Mar-18	26-Jun-18
Board of Directors' meeting held on November 1, 2018	Common stock	5,455	30.00	30-Sep-18	6-Dec-18

The dividends with a record date in the current fiscal year and effective date in the next fiscal year are as follows:

For the fiscal year ended March 31, 2020

Resolution	Class of shares	Source	Total dividends		Dividends per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars (Note 2)	Yen	U.S. dollars (Note 2)		
Annual shareholders' meeting held on June 23, 2020	Common stock	Retained earnings	¥5,802	$53,313	¥33.00	$0.30	31-Mar-20	24-Jun-20

23 Revenue

The breakdown of revenue is as follows:

(1) Breakdown of revenue

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

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

Millions of yen

For the fiscal year ended March 31, 2020	Reportable segment: Musical instruments	Reportable segment: Audio equipment	Others	Total
Japan	¥ 68,943	¥ 31,311	¥23,361	¥123,615
North America	57,526	26,515	3,306	87,347
Europe	49,657	30,269	264	80,191
China	44,330	7,504	1,246	53,082
Asia, Oceania and other areas	48,913	18,792	2,284	69,990
Total	¥269,371	¥114,392	¥30,462	¥414,227
Revenue recognized from contracts with customers	¥267,841	¥114,014	¥30,303	¥412,159
Revenue recognized from other sources	1,530	378	159	2,067

Thousands of U.S. dollars (Note 2)

For the fiscal year ended March 31, 2020	Reportable segment: Musical instruments	Reportable segment: Audio equipment	Others	Total
Japan	$ 633,493	$ 287,706	$214,656	$1,135,854
North America	528,586	243,637	30,378	802,600
Europe	456,280	278,131	2,426	736,846
China	407,333	68,952	11,449	487,752
Asia, Oceania and other areas	449,444	172,673	20,987	643,113
Total	$2,475,154	$1,051,107	$279,904	$3,806,184
Revenue recognized from contracts with customers	$2,461,095	$1,047,634	$278,443	$3,787,182
Revenue recognized from other sources	14,059	3,473	1,461	18,993

Main countries and regional divisions:

North America	U.S.A., Canada
Europe	Germany, France, U.K.
Asia, Oceania and other areas	Republic of Korea, Australia

Millions of yen

For the fiscal year ended March 31, 2019	Reportable segment: Musical instruments	Reportable segment: Audio equipment	Others	Total
Japan	¥ 75,415	¥ 28,362	¥26,000	¥129,778
North America	58,144	29,801	2,800	90,746
Europe	50,510	32,085	407	83,003
China	46,615	9,813	2,611	59,040
Asia, Oceania and other areas	48,786	20,081	2,936	71,804
Total	¥279,471	¥120,144	¥34,757	¥434,373
Revenue recognized from contracts with customers	¥277,695	¥119,890	¥34,607	¥432,193
Revenue recognized from other sources	1,776	253	150	2,180

Main countries and regional divisions:

North America	U.S.A., Canada
Europe	Germany, France, U.K.
Asia, Oceania and other areas	Republic of Korea, Australia

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

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

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

(2) Balances of contracts

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

	Millions of yen: 2020	Millions of yen: 2019	Millions of yen: Date of transition to IFRS (April 1, 2018)	Thousands of U.S. dollars (Note 2): 2020
Receivables arising from customer contracts				
Notes and trade receivables	¥51,537	¥55,254	¥56,237	$473,555
Contract liabilities				
Advances received	5,426	2,850	3,256	49,858

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

There is no significant contract whose expected period of performance obligation exceeds one year. A significant amount of the consideration arising from a contract with a customer is all included in the transaction amount.

24 Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Freight and transportation expenses	¥ (12,922)	¥ (13,073)	$ (118,736)
Advertising and sales promotion expenses	(17,226)	(19,241)	(158,284)
Employee benefit expenses	(55,001)	(55,728)	(505,385)
Depreciation and amortization	(4,902)	(4,724)	(45,043)
Other	(31,854)	(33,492)	(292,695)
Total	¥(121,907)	¥(126,259)	$(1,120,160)

25 Research and Development Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Research and development expenses	¥(24,814)	¥(24,926)	$(228,007)

26 Other Income and Other Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Other income and other expenses:			
Gain on sale of fixed assets	¥ 372	¥ 192	$ 3,418
Government grants	1,063	592	9,768
Reversal of impairment losses	408	–	3,749
Loss on sale and retirement of fixed assets	(111)	(457)	(1,020)
Loss from suspension of operations*1	(1,386)	–	(12,735)
Impairment losses*2	(3,330)	(295)	(30,598)
Loss on sale of investments in associates	(231)	–	(2,123)
Restructuring expenses	–	(214)	0
Other	196	251	1,801

*1. Loss from suspension of operations
For the fiscal year ended March 31, 2020, the spread of COVID-19 and its serious worldwide impact have led the Group to temporarily close its directly managed shops and music schools, suspend factory operations, and cancel events.
Expenses incurred during the period of business suspensions and factory shutdowns and from event cancellations are recognized as loss from suspension of operations.
*2. Impairment losses
For the fiscal year ended March 31, 2020, the breakdown of the impairment losses is as follows:

Segment	Location	Type	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2020
Musical instruments	Tokyo and other regions	Property, plant and equipment		
		Buildings	¥ (732)	$ (6,726)
		Other	(23)	(211)
		Right-of-use assets	(2,575)	(23,661)
		Total	¥(3,330)	$(30,598)

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

Reason for recognition of impairment losses
Due to the spread of COVID-19, directly managed shops and schools in Japan remained closed from April through May. New student recruitment activities for music schools were also reduced, and this is expected to lead to a prolonged period of decreased profitability for the music schools. We have recognized an impairment loss on an asset group that is expected to be unable to recover its book value through future cash flow due to the prospect of the deteriorating earnings.

Calculation of the recoverable amount
The recoverable amount is ¥7,623 million ($70,045 thousand) which is measured based on value in use. The value in use is calculated by discounted future cash flows by 4.5% assuming that directly managed shops and schools will operate as usual from fiscal year ending March 31, 2022.

27 Finance Income and Finance Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Interest income			
Financial assets measured at amortized cost	¥ 811	¥ 860	$ 7,452
Dividend income			
Financial assets measured at fair value through other comprehensive income	3,724	3,791	34,219
Gain on revaluation of investment securities			
Financial assets measured at fair value through profit or losses	432	–	3,969
Interest expenses			
Financial liabilities measured at amortized cost	(381)	(449)	(3,501)
Lease liabilities	(354)	(404)	(3,253)
Foreign exchange gain or loss	(347)	(154)	(3,188)
Total	¥3,885	¥3,643	$35,698

The breakdown of dividend income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Financial assets derecognized during the period	¥ 0	¥ 54	$ 0
Financial assets held at the end of the period	3,723	3,736	34,209
Total	¥3,724	¥3,791	$34,219

28 Other Comprehensive Income

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

	Millions of yen				
For the fiscal year ended March 31, 2020	Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	¥ 79	¥ –	¥ 79	¥ (71)	¥ 7
Financial assets measured at fair value through other comprehensive income	(33,023)	–	(33,023)	9,592	(23,431)
Share of other comprehensive income of associates accounted for using equity method	1	–	1	–	1
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	(9,629)	–	(9,629)	–	(9,629)
Cash flow hedges	166	(216)	(49)	14	(35)
Total other comprehensive income	¥(42,405)	¥(216)	¥(42,622)	¥9,536	¥(33,086)

For the fiscal year ended March 31, 2020	Thousands of U.S. dollars (Note 2) Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	$ 726	$ –	$ 726	$ (652)	$ 64
Financial assets measured at fair value through other comprehensive income	(303,437)	–	(303,437)	88,137	(215,299)
Share of other comprehensive income of associates accounted for using equity method	9	–	9	–	9
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	(88,477)	–	(88,477)	–	(88,477)
Cash flow hedges	1,525	(1,985)	(450)	129	(322)
Total other comprehensive income	$(389,644)	$(1,985)	$(391,638)	$87,623	$(304,015)

For the fiscal year ended March 31, 2019	Millions of yen Amount arising during the period	Reclassification adjustment	Before income tax adjustment	Income tax adjustment	After income tax adjustment
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	¥ (632)	¥ –	¥ (632)	¥ 187	¥ (444)
Financial assets measured at fair value through other comprehensive income	(35,065)	–	(35,065)	10,476	(24,588)
Share of other comprehensive income of investments accounted for using equity method	(14)	–	(14)	–	(14)
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	(916)	–	(916)	–	(916)
Cash flow hedges	669	(688)	(18)	5	(12)
Total other comprehensive income	¥(35,958)	¥(688)	¥(36,646)	¥10,669	¥(25,976)

29 Earnings Per Share

Basic earnings per share and the basis for its calculation are as follows:

	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 2) 2020
Profit attributable to owners of parent	¥ 34,621	¥ 40,337	$318,120
Weighted average number of common shares (Thousand shares)	177,811	181,598	

	Yen 2020	2019	U.S. dollars (Note 2) 2020
Basic earnings per share	¥194.71	¥222.12	$1.79

Note : Diluted earnings per share is not stated since there are no potential share that would have a dilutive effect.

30 Non-Cash Transactions

The breakdown of major non-cash transactions is as follows:

	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 2) 2020
Increase in right-of-use assets in connection with recognition of lease liabilities	¥4,550	¥4,354	$41,808

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, 2020	Millions of yen Balance at beginning of the period	Changes due to cash flows from financing activities	Non-cash changes: Acquisition of right-of-use assets	Non-cash changes: Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	¥23,988	¥(5,871)	¥3,689	¥(577)	¥21,229
Interest-bearing debt	8,936	2,120	–	(225)	10,830
Resort membership deposits	8,997	(17)	–	–	8,980

For the fiscal year ended March 31, 2020	Thousands of U.S. dollars (Note 2) Balance at beginning of the period	Changes due to cash flows from financing activities	Non-cash changes: Acquisition of right-of-use assets	Non-cash changes: Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	$220,417	$(53,947)	$33,897	$(5,302)	$195,066
Interest-bearing debt	82,110	19,480	–	(2,067)	99,513
Resort membership deposits	82,670	(156)	–	–	82,514

For the fiscal year ended March 31, 2019	Millions of yen Balance at beginning of the period	Changes due to cash flows from financing activities	Non-cash changes: Acquisition of right-of-use assets	Non-cash changes: Effect of changes in foreign exchange rates	Balance at end of the period
Lease liabilities	¥25,622	¥(5,606)	¥4,087	¥(114)	¥23,988
Interest-bearing debt	11,173	(2,567)	–	330	8,936
Resort membership deposits	9,090	(93)	–	–	8,997

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 (excluding the executive officers in charge of internal audit) and certain operating officers to further promote sustainable increases in corporate value and shared value with shareholders.

As the equity-settled share-based compensation plan, the Group adopts a restricted stock compensation plan. Under the plan, the Group grants monetary compensation receivables to eligible executive officers (excluding the executive officer in charge of the internal auditing) 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.

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

The cash-settled share-based compensation plan is a cash-settled share-based payment whose conditions are the same as the restricted stock compensation plan.

(2) Number of shares granted during the period and their fair value

	Date of grant	Number of shares granted (Shares)	Fair value at the date of grant (Yen)
Restricted stock compensation	2019/6/20	136,800	686,736,000

(3) Share-based compensation expenses

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Equity-settled	¥(228)	¥(190)	$(2,095)
Cash-settled	(0)	(61)	(0)
Total	¥(229)	¥(251)	$(2,104)

(4) Liabilities for share-based compensation

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Book value of liabilities	¥69	¥89	¥28	$634
[Of which, amount vested]	–	–	–	–

33 Financial Instruments

(1) Policy on capital management

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

(2) Financial risk management

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

A) Credit risk

(a) Credit risk management

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

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

Regarding excess funds, the Group, in principle, limits the investments to principal guaranteed deposits with fixed interest rates, thereby emphasizing safety and security.

Derivative transactions are executed based on the Group's policy and rules. Limiting derivative transactions to actual exposure, the Group does not enter into derivative transactions for speculative purposes. In addition, in order to mitigate counterparty credit risk, the Group only enters into derivative transactions with financial institutions with high-credit ratings.

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

(b) Credit risk exposures

Credit risk exposures to the receivables held by the Group are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
Overdue period	2020	2019	Date of transition to IFRS (April 1, 2018)	2020
Not yet overdue	¥57,453	¥66,649	¥67,095	¥527,915
Within 90 days	4,542	2,937	3,375	41,735
Over 90 days	259	209	245	2,380
Total	¥62,256	¥69,796	¥70,716	¥572,048

(c) Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Balance at beginning of the period	¥1,122	¥1,229	$10,310
Increase	939	143	8,628
Decrease (charge-off)	(69)	(225)	(634)
Decrease (reversal)	(48)	(17)	(441)
Other	(51)	(8)	(469)
Balance at end of the period	¥1,892	¥1,122	$17,385

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

Balances of major financial liabilities and lease liabilities by due date are as follows:

	Millions of yen							
As of March 31, 2020	Book value	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	¥52,982	¥52,982	¥52,982	¥ –	¥ –	¥ –	¥ –	¥ –
Interest-bearing debt	10,830	10,830	10,830	–	–	–	–	–
Derivative liabilities	21,229	22,494	5,457	4,486	3,506	2,544	1,919	4,580
Currency-related	–	–	–	–	–	–	–	–

	Thousands of U.S. dollars (Note 2)							
As of March 31, 2020	Book value	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	$486,833	$486,833	$486,833	$ –	$ –	$ –	$ –	$ –
Interest-bearing debt	99,513	99,513	99,513	–	–	–	–	–
Derivative liabilities	195,066	206,689	50,142	41,220	32,215	23,376	17,633	42,084
Currency-related	–	–	–	–	–	–	–	–

	Millions of yen							
As of March 31, 2019	Book value	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	¥59,525	¥59,525	¥59,525	¥ –	¥ –	¥ –	¥ –	¥ –
Interest-bearing debt	8,936	8,936	8,936	–	–	–	–	–
Derivative liabilities	23,988	25,731	5,875	4,372	3,489	2,929	2,445	6,619
Currency-related	–	–	–	–	–	–	–	–

	Millions of yen							
As of date of transition to IFRS (April 1, 2018)	Book value	Contractual amount	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years
Non-derivative liabilities								
Trade and other payables	¥65,094	¥65,094	¥65,094	¥ –	¥ –	¥ –	¥ –	¥ –
Interest-bearing debt	11,173	11,173	11,173	–	–	–	–	–
Derivative liabilities	25,622	27,442	5,587	5,090	3,639	2,963	2,467	7,695
Currency-related	–	–	–	–	–	–	–	–

C) Market risk

(a) Foreign exchange risk

Receivables and payables denominated in foreign currencies are exposed to foreign currency fluctuation risk.

In order to mitigate a risk arising from foreign currency fluctuation in connection with regular export and import transactions, the Group uses foreign exchange forward contracts and currency option contracts to hedge actual exposures of net positions of trade receivables and payables denominated in foreign currencies.

The details of derivative transactions are as follows:

	Millions of yen								
	2020			2019			Date of transition to IFRS (April 1, 2018)		
	Contractual amount			Contractual amount			Contractual amount		
		Over one year	Fair value		Over one year	Fair value		Over one year	Fair value
Foreign exchange forward contracts									
Sell	¥14,745	¥–	¥128	¥12,496	¥–	¥207	¥14,858	¥–	¥178

	Thousands of U.S. dollars (Note 2)		
	2020		
	Contractual amount		
		Over one year	Fair value
Foreign exchange forward contracts			
Sell	$135,487	$–	$1,176

Note: The Group applies cash flow hedge accounting to the derivative transactions shown above. Derivative assets and derivative liabilities are included in "Other financial assets" or "Other financial liabilities," respectively, in the consolidated statement of financial position.

(b) Sensitivity analysis

As to financial instruments denominated in foreign currencies held by the Group for the fiscal years ended March 31, 2020 and 2019, the table below shows the potential impact on profit before income taxes in the consolidated statement of income if the Japanese yen appreciated against related foreign currencies by 1.0%. This analysis does not include the effects of foreign currency translation into Japanese yen with regard to financial instruments denominated in functional currencies and assets, liabilities, revenue and expenses of foreign operations. In addition, it excludes the amount for which foreign exchange fluctuation risk is hedged by derivative transactions.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
U.S. dollars	¥(115)	¥(112)	$(1,057)
Euro	1	7	9

(c) Price fluctuation risk of equity instruments

The Company holds equity instruments including stocks of companies with which it has business relationships, and therefore, is exposed to a market price fluctuation risk. The Company continuously monitors the status of changes in fair value of these equity instruments. The Group does not hold equity instruments for short-term trading purposes and does not actively trade them.

As to equity instruments held by the Group during the fiscal years ended March 31, 2020 and 2019, the table below shows the potential impact on profit before income taxes in the consolidated statement of comprehensive income if the market prices of listed stocks declined by 10% as at year-end. This analysis assumes other variables remain constant.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Potential impact on other comprehensive income	¥(5,769)	¥(9,090)	$(53,009)

(3) Fair value of financial instruments

A) Fair value hierarchy

The fair value hierarchy is as follows:

Level 1: Fair value measured using unadjusted quoted prices in active markets

Level 2: Fair value measured using inputs other than Level 1 inputs that are observable either directly or indirectly

Level 3: Fair value measured using valuation techniques that rely on unobservable inputs

The Group recognizes transfers between levels by deeming that they have occurred at the end of each reporting period. For the fiscal years ended March 31, 2020 and 2019, no significant financial assets were transferred between levels.

B) Fair value measurement method

Fair value measurement method of major financial instruments is as follows:

(a) Cash and cash equivalents, financial assets and liabilities (excluding borrowings and lease liabilities) measured at amortized cost

Cash and cash equivalents, short-term investments, receivables and payables (excluding borrowings and lease liabilities) measured at amortized cost are settled in a short period of time or are financial instruments which are payable on demand. Since their fair value approximates book value, their book value is used as fair value.

(b) Equity instruments and debt instruments measured at fair value through profit or loss

Listed stocks are measured at market price as at the end of each reporting period, and classified as Level 1. Unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies, and are classified as Level 3.

(c) Borrowings

Short-term borrowings are settled in a short period of time and their fair value approximates their book value. Thus, the book value is used as fair value.

Fair value of long-term borrowings is calculated by discounted future cash flows by interest rates assumed for new similar borrowings, and classified as Level 2.

(d) Derivatives transactions

Fair value of derivative transactions is measured at prices obtained from counterparty financial institutions, and classified as Level 2.

C) Financial instruments measured at amortized cost

The fair value of financial instruments measured at amortized cost approximates their book value. Thus, the disclosure of a comparison between the fair value and book value of these financial instruments is omitted.

D) Financial instruments measured at fair value

The breakdown of financial instruments measured at fair value is as follows:

	Millions of yen			
As of March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	¥ –	¥ –	¥ 497	¥ 497
Derivative assets	–	128	–	128
Financial assets measured at fair value through other comprehensive income				
Equity instruments	57,690	–	5,494	63,185
Total	¥57,690	¥128	¥5,991	¥63,811
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ –

	Thousands of U.S. dollars (Note 2)			
As of March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ –	$ –	$ 4,567	$ 4,567
Derivative assets	–	1,176	–	1,176
Financial assets measured at fair value through other comprehensive income				
Equity instruments	530,093	–	50,482	580,584
Total	$530,093	$1,176	$55,049	$586,336
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	$ –	$ –	$ –	$ –

As of March 31, 2019	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	¥ –	¥ –	¥ –	¥ –
Derivative assets	–	207	–	207
Financial assets measured at fair value through other comprehensive income				
Equity instruments	90,907	–	5,790	96,698
Total	¥90,907	¥207	¥5,790	¥96,905
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ –

As of date of transition to IFRS (April 1, 2018)	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	¥ –	¥ –	¥ –	¥ –
Derivative assets	–	178	–	178
Financial assets measured at fair value through other comprehensive income				
Equity instruments	127,658	–	6,376	134,034
Total	¥127,658	¥178	¥6,376	¥134,212
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ –

The breakdown of financial instruments measured at fair value on a recurring basis and classified as Level 3 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Balance at beginning of the period	¥5,790	¥6,376	$53,202
Gain or loss*1	432	–	3,969
Other comprehensive income*2	217	(226)	1,994
Purchase	0	0	0
Sale/ redemption	(449)	(358)	(4,126)
Balance at end of the period	¥5,991	¥5,790	$55,049

*1. Gain or loss relates to financial assets measured at fair value through profit or loss and is included in "Finance income" or "Finance expenses" in the consolidated statement of income.
*2. Other comprehensive income relates to "financial assets measured at fair value through other comprehensive income" and included in financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

The corresponding financial instruments are mainly unlisted stocks, investments in associates and debt instruments measured at fair value through profit or loss. They are measured using the financial statements of portfolio companies and applying appropriate valuation techniques such as valuation based on market values of similar companies.

(4) Offset of financial assets and financial liabilities

The following summarizes the amounts of financial assets and financial liabilities off-set to present in the consolidated statement of financial position as of March 31, 2020, March 31, 2019 and April 1, 2018.

As of March 31, 2020	Millions of yen		
	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	¥144	¥(15)	¥128
Financial liabilities			
Derivatives	15	(15)	–

As of March 31, 2020	Thousands of U.S. dollars (Note 2)		
	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	$1,323	$(138)	$1,176
Financial liabilities			
Derivatives	138	(138)	–

As of March 31, 2019	Millions of yen		
	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities offset for presentation in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	¥209	¥(2)	¥207
Financial liabilities			
Derivatives	2	(2)	–

As of date of transition to IFRS (April 1, 2018)	Millions of yen		
	Gross amount of financial assets and financial liabilities	Amounts of financial assets and financial liabilities off-set to present in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position
Financial assets			
Derivatives	¥191	¥(13)	¥178
Financial liabilities			
Derivatives	13	(13)	–

Financial and Corporate Information

34 Related Party Transactions

(1) Transactions with related parties

There are no significant related party transactions to be disclosed.

(2) Remuneration to key management personnel

The remuneration to key management personnel of the Group, which includes the Company's directors and executive officers, for each fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2019	2020
Fixed compensation	¥348	¥339	$3,198
Performance-based bonuses	141	184	1,296
Restricted share-based compensation	158	138	1,452
Total	¥648	¥663	$5,954

35 Major Subsidiaries

Major subsidiaries are as follows:
There is no subsidiary with significant non-controlling interests.

Company name	Capital		The Company's holding ratio	Major business
Yamaha Corporation of America	50,000	Thousands of U.S. dollars	100.00%	Import and sales of musical instruments and audio equipment
Yamaha Music Europe GmbH	70,000	Thousands of Euros	100.00%	Import and sales of musical instruments and audio equipment
Yamaha Music & Electronics (China) Co., Ltd.	782,023	Thousands of Yuan Renminbi	100.00%	Holding company for subsidiaries in China; sales of musical instruments and audio equipment
Yamaha Electronics Manufacturing (M) Sdn. Bhd.	31,000	Thousands of Malaysian Ringgit	100.00%	Manufacturing of audio equipment
Xiaoshan Yamaha Musical Instruments Co., Ltd.	274,888	Thousands of Yuan Renminbi	100.00%	Manufacturing of musical instruments
PT. Yamaha Music Manufacturing Asia	82,450	Millions of Indonesia Rupiah	100.00%	Manufacturing of musical instruments and audio equipment
Yamaha Electronics (Suzhou) Co., Ltd.	328,754	Thousands of Yuan Renminbi	100.00%	Manufacturing of musical instruments and audio equipment
PT. Yamaha Musical Products Asia	568,540	Millions of Indonesia Rupiah	100.00%	Manufacturing of musical instruments
Hangzhou Yamaha Musical Instruments Co., Ltd.	396,121	Thousands of Yuan Renminbi	100.00%	Manufacturing of musical instruments
Yamaha Music India Pvt. Ltd.	3,700	Millions of Indian Rupee	100.00%	Import and sales of musical instruments and audio equipment and manufacturing of musical instruments
Yamaha Music Japan Co., Ltd.	100	Millions of Yen	100.00%	Sales of musical instruments and audio equipment
Yamaha Music Retailing Co., Ltd.	100	Millions of Yen	100.00%	Sales of musical instruments
Yamaha Music Manufacturing Japan Corporation	100	Millions of Yen	100.00%	Manufacturing of musical instruments and audio equipment

36 Subsequent Events

There are no subsequent events to be disclosed.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

37 First-time Adoption

The Group presents its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2020. The Group previously applied Japanese GAAP, and the most recent consolidated financial statements the Group prepared in accordance with Japanese GAAP were for the fiscal year ended March 31, 2019. The date of transition to IFRS was April 1, 2018.

(1) IFRS 1 exemptions

Companies adopting IFRS for the first time are, in principle, required to apply IFRS retrospectively to previous-year financial statements. However, IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1) allows certain exemptions in the preparation of financial statements applying IFRS retrospectively.

The Group has applied the following exemptions in the transition from Japanese GAAP to IFRS.

A) Business combinations

The Group has not retrospectively applied IFRS 3 "Business Combinations" for business combinations that occurred before the date of transition to IFRS.

B) Exchange differences on translation of foreign operations

The Group has transferred cumulative exchange differences on translation of all foreign operations as of the date of transition to IFRS from other components of equity to retained earnings.

C) Deemed cost

The Group has reported the fair value of a portion of property, plant and equipment as of the date of transition to IFRS as deemed cost in accordance with IFRS.

D) Recognizing previously designated financial instruments

The Group has designated holdings of equity instruments measured at fair value through other comprehensive income based on certain conditions on the date of transition to IFRS.

E) Leases

The Group has assessed whether contracts contain leases based on events and conditions existing at the date of transition to IFRS.

Lease liabilities other than assets that were categorized to finance leases prior to the date of transition to IFRS have been measured on the date of transition to IFRS and an equivalent amount has been recorded as right-of-use assets. Decisions whether to exempt recognition of underlying assets with low value or short-term leases were made based on conditions on the date of transition to IFRS.

(2) IFRS 1 mandatory exceptions

IFRS 1 prohibits retroactive application of IFRS to "estimates," "derecognition of financial assets and liabilities," "hedge accounting," "non-controlling interests" and "classification and measurement of financial assets." The Group applies IFRS to such items occurring after the date of transition to IFRS.

(3) Reconciliation from Japanese GAAP to IFRS

The changes in the Group's financial position, operating results and cash flows due to the transition from Japanese GAAP to IFRS are as follows:

The "Reclassification" column presents items that do not affect retained earnings and comprehensive income, and the "Difference in recognition and measurement" column presents items that affect retained earnings or comprehensive income.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

A) Reconciliation of equity as of the date of transition to IFRS (April 1, 2018)

	Millions of yen					
JGAAP line item	JGAAP	Reclassifica-tion	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Assets					Assets	
Current assets					Current assets	
Cash and deposits	¥122,731	¥ (5,327)	¥ –	¥117,403	Cash and cash equivalents	c
Notes and accounts receivable—trade	56,499	9,474	10	65,984	Trade and other receivables	e
	–	5,537	22	5,559	Other financial assets	c
Merchandise and finished goods	65,064	29,061	936	95,062	Inventories	g
Work in process	13,339	(13,339)	–	–		
Raw materials and supplies	15,721	(15,721)	–	–		
Other	17,352	(11,064)	399	6,687	Other current assets	e
Allowance for doubtful accounts	(1,216)	1,216	–	–		
Total current assets	289,493	(164)	1,368	290,697	Total current assets	
Non-current assets					Non-current assets	
Property, plant and equipment	115,817	(240)	(28,443)	87,133	Property, plant and equipment	h, i
	–	5,718	25,392	31,110	Right-of-use assets	f, j
Intangible assets	6,167	(5,478)	–	689	Intangible assets	f
Investment securities	130,341	4,001	4,370	138,713	Financial assets	k
Long-term loans receivable	93	(93)	–	–		
Net defined benefit assets	276	(276)	–	–		
Deferred tax assets	4,699	–	3,270	7,969	Deferred tax assets	m
Lease and guarantee deposits	4,087	(4,087)	–	–		
Other	1,452	615	154	2,221	Other non-current assets	l
Allowance for doubtful accounts	(120)	120	–	–		
Total non-current assets	262,816	278	4,742	267,837	Total non-current assets	
Total assets	¥552,309	¥ 114	¥ 6,110	¥558,535	Total assets	

	Millions of yen					
JGAAP line item	JGAAP	Reclassifica-tion	Difference in recognition and measurement	IFRS	IFRS line item	Notes
Liabilities					Liabilities	
Current liabilities					Current liabilities	
Notes and accounts payable—trade	¥ 19,946	¥ 44,370	¥ 778	¥ 65,094	Trade and other payables	e, n
Short-term loans payable	11,131	41	–	11,173	Interest-bearing debt	
Current portion of long-term loans payable	41	(41)	–	–		
	–	54	5,481	5,535	Lease liabilities	j
Accounts payable—other and accrued expenses	45,527	(45,527)	–	–		e
	–	9,754	–	9,754	Other financial liabilities	d
Income taxes payable	16,325	–	–	16,325	Income tax payables	
	–	1,955	(97)	1,858	Provisions	
Provision for product warranties	1,774	(1,774)	–	–		
Provision for sales returns	97	(97)	–	–		
Provision for loss on construction contracts	4	(4)	–	–		
Other	7,069	1,088	3,905	12,063	Other current liabilities	o
Total current liabilities	101,919	9,818	10,067	121,805	Total current liabilities	
Non-current liabilities					Non-current liabilities	
	–	190	19,895	20,086	Lease liabilities	j
	–	4,553	–	4,553	Financial liabilities	
Long-term accounts payable	5,406	(5,406)	–	–		
Net defined benefit liabilities	21,098	–	2,567	23,666	Retirement benefit liabilities	l
	–	442	–	442	Provisions	
Deferred tax liabilities	15,402	–	3,190	18,592	Deferred tax liabilities	m
Deferred tax liabilities for land revaluation	9,587	(9,587)	–	–		
Long-term deposits received	9,090	(9,090)	–	–		
Other	1,457	9,195	(9,587)	1,065	Other non-current liabilities	d, m
Total non-current liabilities	62,043	(9,703)	16,065	68,406	Total non-current liabilities	
Total liabilities	163,963	114	26,133	190,211	Total liabilities	
Net assets					Equity	
Capital stock	28,534	–	–	28,534	Capital stock	
Capital surplus	40,165	–	(186)	39,978	Capital surplus	q
Retained earnings	294,904	–	(31,276)	263,627	Retained earnings	
Treasury stock	(48,556)	–	–	(48,556)	Treasury shares	
Valuation difference on available-for-sale securities	79,729	(79,729)	–	–		
Deferred gains or losses on hedges	109	(109)	–	–		
Revaluation reserve for land	16,095	(16,095)	–	–		
Foreign currency translation adjustment	(23,862)	23,862	–	–		
Remeasurements of defined benefit plans	(600)	600	–	–		
	–	71,470	11,432	82,903	Other components of equity	h, k, l, r
Non-controlling interests	1,826	–	8	1,834	Non-controlling interests	
Total net assets	388,345	–	(20,022)	368,323	Total equity	
Total liabilities and net assets	¥552,309	¥ 114	¥ 6,110	¥558,535	Total liabilities and equity	

B) Reconciliation to equity as of March 31, 2019

JGAAP line item	JGAAP (Millions of yen)	Reclassification (Millions of yen)	Difference in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	IFRS line item	Notes
Assets					Assets	
Current assets					Current assets	
Cash and deposits	¥106,061	¥(10,246)	¥ –	¥ 95,815	Cash and cash equivalents	c
Notes and accounts receivable—trade	55,527	9,835	(16)	65,346	Trade and other receivables	e
	–	10,423	85	10,508	Other financial assets	c
Merchandise and finished goods	67,983	32,351	668	101,003	Inventories	g
Work in process	13,771	(13,771)	–	–		
Raw materials and supplies	18,580	(18,580)	–	–		
Other	20,770	(11,245)	619	10,144	Other current assets	e
Allowance for doubtful accounts	(1,085)	1,085	–	–		
Total current assets	281,608	(146)	1,357	282,819	Total current assets	
Non-current assets					Non-current assets	
Property, plant and equipment	121,934	(225)	(30,382)	91,326	Property, plant and equipment	h, i
	–	6,068	23,510	29,579	Right-of-use assets	f, j
	–	136	24	161	Goodwill	
Intangible assets	7,301	(5,979)	–	1,321	Intangible assets	f
Investment securities	93,354	3,726	4,012	101,093	Financial assets	k
Long-term loans receivable	96	(96)	–	–		
Net defined benefit assets	394	(394)	–	–		
Deferred tax assets	4,708	–	2,528	7,237	Deferred tax assets	m
Lease and guarantee deposits	3,970	(3,970)	–	–		
Other	1,541	844	1	2,387	Other non-current assets	l
Allowance for doubtful accounts	(147)	147	–	–		
Total non-current assets	233,153	256	(304)	233,105	Total non-current assets	
Total assets	¥514,762	¥ 109	¥ 1,052	¥515,924	Total assets	

JGAAP line item	JGAAP (Millions of yen)	Reclassification (Millions of yen)	Difference in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	IFRS line item	Notes
Liabilities					Liabilities	
Current liabilities					Current liabilities	
Notes and accounts payable—trade	¥ 17,548	¥41,347	¥ 630	¥ 59,525	Trade and other payables	e, n
Short-term loans payable	8,936	–	–	8,936	Interest-bearing debt	
	–	69	5,661	5,730	Lease liabilities	j
Accounts payable—other and accrued expenses	42,481	(42,481)	–	–		e
	–	9,650	–	9,650	Other financial liabilities	d
Income taxes payable	2,474	–	–	2,474	Income tax payables	
	–	2,009	(111)	1,898	Provisions	
Provision for product warranties	1,840	(1,840)	–	–		
Provision for sales returns	111	(111)	–	–		
Provision for construction loss	8	(8)	–	–		
Other	7,094	1,071	4,061	12,228	Other current liabilities	o
Total current liabilities	80,495	9,705	10,242	100,443	Total current liabilities	
Non-current liabilities					Non-current liabilities	
	–	149	18,108	18,258	Lease liabilities	j
	–	3,014	–	3,014	Financial liabilities	
Long-term accounts payable	3,902	(3,902)	–	–		
Net defined benefit liabilities	22,460	–	1,808	24,268	Retirement benefit liabilities	l
	–	455	–	455	Provisions	
Deferred tax liabilities	5,152	–	3,497	8,650	Deferred tax liabilities	m
Deferred tax liabilities for land revaluation	9,544	(9,544)	–	–		
Long-term deposits received	8,997	(8,997)	–	–		
Other	1,437	9,227	(8,840)	1,824	Other non-current liabilities	d, m, p
Total non-current liabilities	51,494	(9,596)	14,575	56,473	Total non-current liabilities	
Total liabilities	131,990	109	24,817	156,917	Total liabilities	
Net assets					Equity	
Capital stock	28,534	–	–	28,534	Capital stock	
Capital surplus	21,565	–	2	21,568	Capital surplus	q
Retained earnings	325,141	–	(31,594)	293,547	Retained earnings	
Treasury stock	(42,533)	–	–	(42,533)	Treasury shares	
Valuation difference on available-for-sale securities	54,796	(54,796)	–	–		
Deferred gains or losses on hedges	85	(85)	–	–		
Revaluation reserve for land	20,379	(20,379)	–	–		
Foreign currency translation adjustments	(24,691)	24,691	–	–		
Remeasurements of defined benefit plans	(1,582)	1,582	–	–		
	–	48,987	7,832	56,820	Other components of equity	h, k, l, r
Non-controlling interests	1,076	–	(5)	1,070	Non-controlling interests	
Total net assets	382,771	–	(23,764)	359,007	Total equity	
Total liabilities and net assets	¥514,762	¥ 109	¥ 1,052	¥515,924	Total liabilities and equity	

C) Reconciliation to profit or loss for the fiscal year ended March 31, 2019

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
	Millions of yen					
Net sales	¥ 437,416	¥(3,240)	¥ 197	¥ 434,373	Revenue	a
Cost of sales	(255,291)	9	(86)	(255,367)	Cost of sales	a, g, j, l, n, o
Gross profit	182,124	(3,230)	111	179,005	Gross profit	
Selling, general and administrative expenses	(126,094)	–	(164)	(126,259)	Selling, general and administrative expenses	j, l, n, o
	–	–	–	52,745	Core operating profit	
	–	5,110	(3,551)	1,558	Other income	b, h, k, p
	–	(1,510)	21	(1,488)	Other expenses	b
Operating income	56,030	369	(3,583)	52,815	Operating profit	
Non-operating income	6,742	(6,742)	–	–		a, b
Non-operating expenses	(4,349)	4,349	–	–		a, b
Extraordinary income	3,042	(3,042)	–	–		b
Extraordinary loss	(980)	980	–	–		b
	–	4,652	–	4,652	Finance income	b
	–	(579)	(429)	(1,008)	Finance expenses	b
	–	12	–	12	Share of profit of associates accounted for using the equity method	b
Income before income taxes	60,485	–	(4,013)	56,471	Profit before income taxes	
Income taxes	(16,667)	–	581	(16,085)	Income taxes	m
Net income for the period	¥ 43,817	¥ –	¥(3,431)	¥ 40,386	Profit for the period	

D) Reconciliation to comprehensive income for the fiscal year ended March 31, 2019

JGAAP line item	JGAAP	Reclassification	Difference in recognition and measurement	IFRS	IFRS line item	Notes
	Millions of yen					
Net income for the period	¥ 43,817	¥–	¥(3,431)	¥ 40,386	Profit for the period	
Other comprehensive income					Other comprehensive income	
					Items that will not be reclassified to profit or loss	
Remeasurements of defined benefit plans	(982)	–	538	(444)	Remeasurements of defined benefit plans	l
Valuation difference on available-for-sale securities	(24,917)	–	329	(24,588)	Financial assets measured at fair value through other comprehensive income	k
Share of other comprehensive income of affiliates accounted for using equity method	(14)	–	–	(14)	Share of other comprehensive income of associates accounted for using the equity method	
Revaluation reserve for land	1,315	–	(1,315)	–		h
					Items that may be subsequently reclassified to profit or loss	
Foreign currency translation adjustments	(863)	–	(52)	(916)	Exchange differences on translation of foreign operations	
Deferred gains or losses on hedges	(24)	–	11	(12)	Cash flow hedges	
Total other comprehensive income	(25,487)	–	(489)	(25,976)	Total other comprehensive income	
Comprehensive income	¥ 18,330	¥–	¥(3,921)	¥ 14,409	Comprehensive income for the period	

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

E) Notes to adjustments

(i) Reclassification

a Items such as sales and purchase discounts presented as non-operating income and non-operating expenses under Japanese GAAP are deducted from revenue and cost of sales, respectively, under IFRS.

b Items (excluding sales and purchase discounts) presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP are presented as finance income and finance expenses for financial-related items and as other income, other expenses, or share of profit of associates accounted for using the equity method for other items under IFRS.

c Time deposits with deposit periods longer than three months presented as "cash and deposits" under Japanese GAAP are presented as "other financial assets" under current assets under IFRS.

d Long-term deposits presented as "other" under non-current liabilities under Japanese GAAP are presented as "other financial liabilities" in current liabilities under IFRS.

e Other accounts receivable presented as "other" under current assets under Japanese GAAP are included in "trade and other receivables" under IFRS. Also, "accounts payable—other and accrued expenses" under Japanese GAAP are presented as "trade and other payables" under IFRS.

f Land use rights included in "intangible assets" under Japanese GAAP are included in "right-of-use assets" assets under IFRS.

(ii) Differences in recognition and measurement

The Group made the following adjustments related to tax effect accounting and allocations to non-controlling interests.

g Inventory valuation and unrealized gains or losses on consolidated internal transactions
The calculation method of unrealized gains or losses on inventories has been changed with the revaluation of inventories based on manufacturing costs under IFRS.

h Valuation of property, plant and equipment
The cost model was used for valuation of property, plant and equipment on the date of transition to IFRS. As a result, the land revaluation under Japanese GAAP was reversed and it was valued at acquisition cost. Also, the Group applied the exemption provision for the first-time adoption of IFRS regarding certain property, plant and equipment and has valued the landholdings at deemed cost.
The book value of property, plant and equipment valued at deemed cost is ¥528 million under Japanese GAAP and their fair value is ¥2,558 million on the date of transition to IFRS.

i Application of impairment accounting
Impairment losses were recorded on some items of property, plant and equipment as a result of evaluating the recoverability of non-current assets in accordance with IFRS on the date of transition to IFRS.

j Lease transactions
Under Japanese GAAP, lease payments other than those associated with finance lease transactions are recorded as expenses at the time of occurrence. Under IFRS, the present value is measured based on the future lease payments at the commencement date of the lease transaction and accounted for as a right-of-use assets and lease liabilities. For a right-of-use asset, depreciation is applied to the leased item using the straight-line method over the projected lease period, and the lease liability is then adjusted for interest and recognized as a liability.

k Measurement of financial instruments
Unlisted shares valued at acquisition cost under Japanese GAAP are valued at fair value through other comprehensive income under IFRS. Also, gain or loss on sales or impairment losses on equity instruments were recognized in net income under Japanese GAAP are classified as financial assets measured at fair value through other comprehensive income under IFRS and therefore gain or loss on sales or impairment losses are not recognized in profit or loss. When financial instruments are sold and are no longer recognized or when the fair value has declined substantially, the amount recognized in other comprehensive income is immediately reclassified to retained earnings.

l Retirement benefit liabilities
There are differences in actuarial assumptions such as discount rates between Japanese GAAP and IFRS. Under Japanese GAAP, actuarial differences and past service costs are accounted for through other comprehensive income at the time of occurrence and accounted as an expense over a fixed number of years within the average remaining service period of employees at the time of occurrence. Under IFRS, actuarial differences are recognized as other comprehensive income at the time of occurrence and immediately reclassified to retained earnings; past service costs are recognized in profit or loss at the time of occurrence. Under IFRS, for interest cost, the amount calculated by multiplying net defined benefit assets or liabilities by a discount rate is recognized in profit or loss.

m Accounting for deferred tax assets

Under Japanese GAAP, the judgment of recoverability of deferred tax assets takes into account future temporary differences; under IFRS, the method of judgment of recoverability does not take into account future temporary differences. In addition, regarding the accounting for deferred tax assets associated with unrealized gains from internal transactions within the consolidated group, under Japanese GAAP, recoverability is judged based on taxable income of the selling company and the amount is recorded based on the effective tax rate of the selling company. Under IFRS, recoverability is determined based on taxable income in the future at the purchasing company and recorded using the effective tax rate at the purchasing company. This both increases and decreases the amounts of deferred tax assets and liabilities, but it also reduces the amount of assets and liabilities that be offset and ultimately leads to higher amounts recognized as deferred tax assets and liabilities.

n Accounting for levies

Under Japanese GAAP, tax levies were accounted for as liabilities when they were levied; under IFRS, tax levies are accounted for as liabilities at the time of assessment and determination.

o Unutilized paid leave

Unutilized paid leave that is not recognized under Japanese GAAP is recognized as a liability under IFRS.

p Government grants

Under Japanese GAAP, a grant related to an asset is collectively recognized as revenue when it was determined that it would be received; under IFRS, it is treated as deferred revenue and is regularly recognized as revenue over the period in which the corresponding cost for which the grant was provided is recognized as an expense.

q Restricted stock compensation

Under Japanese GAAP, restricted stock compensation is recognized as an increase in equity at the time the stock is granted; under IFRS, an increase in equity is recognized corresponding to the provision of services for which the stock is granted.

r Exchange differences on translation of foreign operations

The Group has adopted the exemption provision for the first-time adoption of IFRS, and cumulative exchange differences of foreign operations as of the date of transition to IFRS are reclassified from other components of equity to retained earnings.

F) Adjustment to retained earnings

	Millions of yen	
	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019
g Inventory valuation and unrealized gains or losses on consolidated internal transactions	¥ 936	¥ 668
h Valuation of property, plant and equipment	(2,217)	–
i Application of impairment accounting	(615)	(528)
l Retirement benefit liabilities	(3,027)	(3,389)
m Accounting for deferred tax assets*	1,390	229
n Accounting for levies	(772)	(872)
o Unutilized paid leave	(3,187)	(3,240)
p Government grants	–	(704)
r Exchange differences on translation of foreign operations	(23,862)	(23,862)
Other	79	105
Total	¥(31,276)	¥(31,594)

* "m Accounting for deferred tax assets" includes accounting for tax effects related to other categories.

G) Reconciliation to cash flows for the fiscal year ended March 31, 2019

Under Japanese GAAP, other than for finance leases, lease payments are classified as cash flows from operating activities; on the other hand, they are classified as cash flows from financing activities under IFRS since they are deemed as repayments of lease liabilities. As a result, net cash provided by operating activities increased by ¥5,577 million and net cash used in financing activities increased by the same amount.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

The Board of Directors
YAMAHA CORPORATION

Opinion

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Audit Committee are responsible for overseeing the Group's financial reporting process.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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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.

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We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Hamamatsu, Japan
June 30, 2020

Toshikatsu Sekiguchi
Designated Engagement Partner
Certified Public Accountant

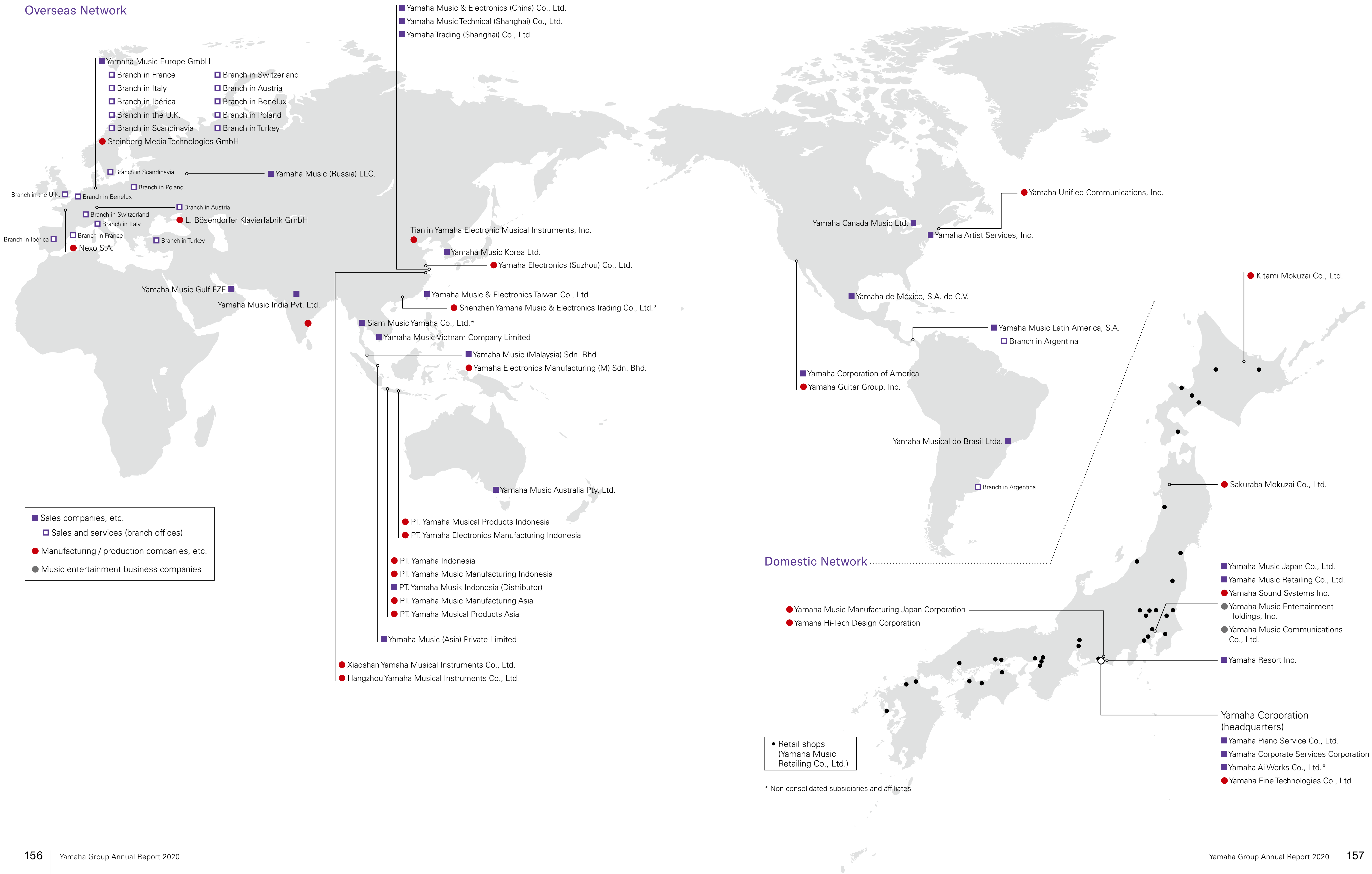
Toshiyuki Matsuura
Designated Engagement Partner
Certified Public Accountant

Shuji Okamoto
Designated Engagement Partner
Certified Public Accountant

MAIN NETWORKS

(As of October 1, 2020)

The Yamaha Group is currently expanding its business on a global basis, with locations in over 30 countries and regions across the world.



STOCK INFORMATION

(As of March 31, 2020)

Dividends	Year-end: To the shareholders of record on March 31 Interim: To the shareholders of record on September 30
Number of Shares of Common Stock	Issued: 191,555,025 (includes treasury stock of 15,735,084)
Stock Exchange Listing	Tokyo First Section, Code No. 7951
Administrator of Shareholders' Registry	The Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan
Public Notices	Shall be issued electronically at the following URL, except when an accident or other unavoidable occurrence prevents this, in which case they shall be released in the *Nihon Keizai Shimbun* business daily in Tokyo. https://www.yamaha.com/ja/about/public_notices/ (only in Japanese)
Ordinary General Shareholders' Meeting	June
Number of Shareholders	18,290

Shareholder Composition

	Number of shareholders	Ratio of number of shares to total (%)
Individuals	17,345	14.8%
Financial institutions	59	51.8%
Japanese corporations	182	6.2%
Foreign investors	666	25.6%
Securities companies	38	1.6%
Total	18,290	100%

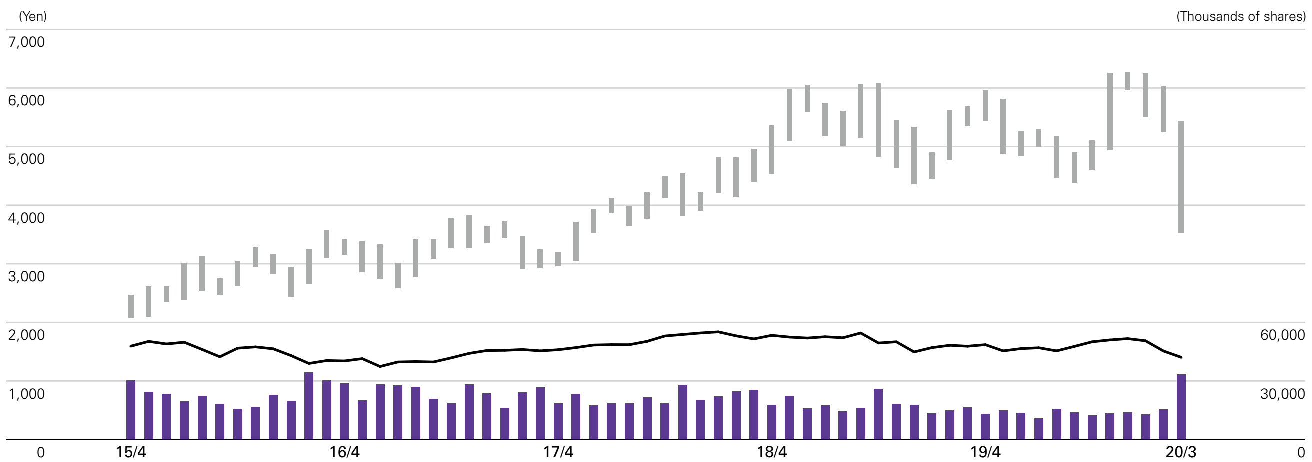
Note: The figure for individuals includes treasury stock.

Major Shareholders

Number of shareholders	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	16.2%
Japan Trustee Services Bank, Ltd. (Trust account)	6.9%
Yamaha Motor Co., Ltd.	5.9%
The Shizuoka Bank, Ltd.	4.3%
Sumitomo Life Insurance Company	4.2%
Mitsui Sumitomo Insurance Co., Ltd.	4.0%
Nippon Life Insurance Company	2.9%
Mizuho Bank, Ltd.	2.8%
Japan Trustee Services Bank, Ltd. (Trust account No. 7)	2.1%
JPMorgan Chase Bank 385151	1.6%

Note: Yamaha Corporation holds 15,735,084 shares of treasury stocks which have been excluded from the above Major Shareholders. The shareholding ratio is calculated by excluding treasury stock from total outstanding shares.

Common Stock Price Range and Trading Volume



Yen

	J-GAAP				IFRS	
Fiscal year ended	2016/3	2017/3	2018/3	2019/3	2019/3	2020/3
Share price at the end of fiscal year (Yen)	3,390	3,065	4,675	5,530	5,530	**4,215**
Share price—high (Yen)	3,575	3,820	4,960	6,080	6,080	**6,270**
Share price—low (Yen)	2,083	2,588	2,955	4,355	4,355	**3,520**
Trading volume (Million shares)	276	288	255	209	209	**182**

Fiscal year ended	2016/3	2017/3	2018/3	2019/3	2019/3	2020/3
Dividend yield (%)	1.30	1.70	1.20	1.08	1.08	**1.57**
Price to earnings ratio (Times)	20.1	12.3	16.0	23.0	24.9	**21.6**
Price to book value ratio (Times)	2.12	1.57	2.20	2.60	2.78	**2.28**
Number of shares issued (Thousand shares)	197,255	197,255	197,255	191,555	191,555	**191,555**
Market capitalization at the end of fiscal year (Millions of yen)	668,695	604,587	922,167	1,059,299	1,059,299	**807,404**
Percentage of shares owned by foreign investors (%)	25.2	24.4	24.3	22.8	22.8	**25.6**

COMPANY INFORMATION

(As of March 31, 2020)

Corporate Profile

Company Name	Yamaha Corporation
Headquarters	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan
Phone	053 (460) 1111 (receptionist)
Year of Foundation	1887
Date of Incorporation	October 12, 1897
Paid-in Capital	¥28,534 million
Number of Employees (Consolidated)	20,203 (Excluding average number of temporary employees: 8,064)
Number of Subsidiaries	61 (of which, 57 are consolidated subsidiaries)
Account Settlement Date	March 31
Accounting Auditor	Ernst & Young ShinNihon LLC

Major External Evaluations and Incorporation in Indices

Yamaha Corporation is included in ESG indexes and socially responsible investment (SRI) funds, which give consideration to environmental and social factors, both in Japan and overseas. Yamaha is also included in the four ESG indices in Japan that are selected by the GPIF*1.

- Nikkei Stock Average (Nikkei 225)
- JPX-Nikkei Index 400
- TOPIX Mid 400 / TOPIX 500 / TOPIX 1000
- MSCI ESG Leaders Indexes*2
- MSCI Japan ESG Select Leaders Index*2, 4
- MSCI Japan Empowering Women Index (WIN)*2, 4
- FTSE4Good
- FTSE Blossom Japan*3, 4
- S&P / JPX Carbon Efficient Index*4
- S&P Japan 500 ESG
- ECPI Global Developed ESG Best-in-Class Equity Index
- ECPI World ESG Equity Index

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

- 2019 Internet IR Award

In addition, as an indicator of long-term financial soundness, Yamaha asks credit rating agencies to provide a long-term debt rating every year and has received the following evaluations.

Credit Ratings

Rating and Investment Information, Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA–

*1 GPIF: Government Pension Investment Fund
*2 The inclusion of Yamaha Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Yamaha Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.
*3 FTSE Russell (the trading name of International Limited and Frank Company) confirms that Yamaha Corporation has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
*4 Four indices selected by GPIF

Yamaha Recognized with Award for Corporate Governance of the Year™ 2018 (Grand Prize Company)

In February 2019, the Japan Association of Corporate Directors recognized Yamaha as the winner of its Grand Prize Company award for Corporate Governance of the Year™ 2018*. This award, which began in 2015, recognizes companies that are pursuing healthy medium- and long-term growth through corporate governance, and the award was conceived to encourage improvement in the profitability of Japanese companies, which is one of the aims of the government's growth strategy.

* Corporate Governance of the Year™ is a registered trademark of the Japan Association of Corporate Directors.

Left: Yoshihiko Miyauchi, Chairman of the Japan Association of Corporate Directors
Right: Takuya Nakata, President and Representative Executive Officer of Yamaha Corporation

Participation in Initiatives

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

Make Waves

YAMAHA CORPORATION

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

Printed in Japan