

# Annual Report 2019

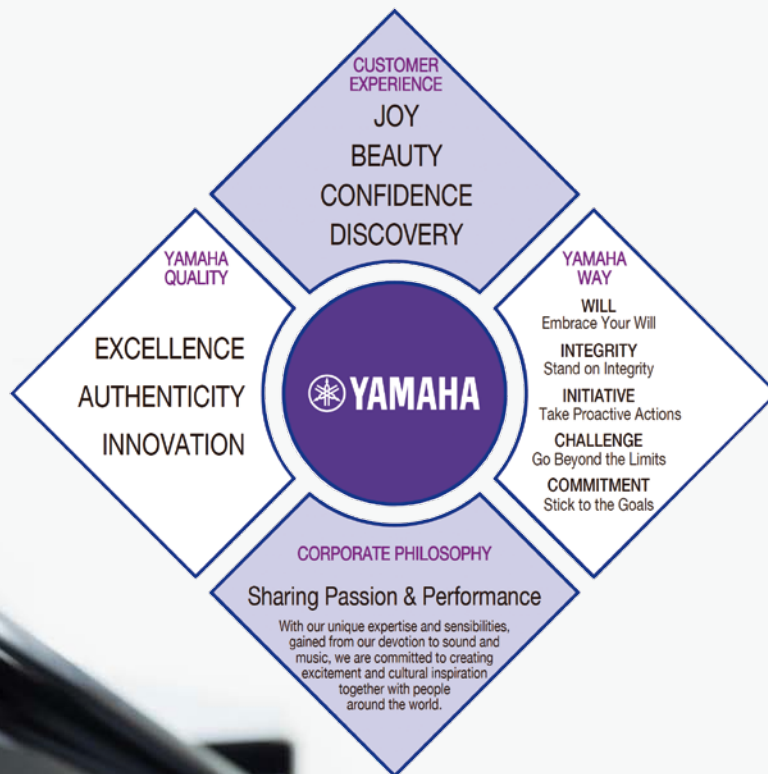


# YAMAHA PHILOSOPHY

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.



### 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.



**Takuya Nakata**  
President and Representative Executive Officer

In April 2019, the Yamaha Group commenced its new medium-term management plan, Make Waves 1.0. Prior to commencing this plan, the Group established the new brand promise Make Waves, and has been promoting a variety of efforts to further enhance its brand with the aim of realizing its management vision of becoming an indispensable, brilliantly individual company.

We have an unchanging desire to create an affluent society where an even greater number of people enjoy music and understand the joy that music brings. This desire has been unchanging since Yamaha's inception as a company. I believe that the numerous innovations we have achieved with our products and services centered on our sound and music expertise, which we have cultivated in our over 130 years of history, symbolize this desire. I also believe this desire is reflected in our music education businesses, which we operate in Japan and overseas.

Starting in 2018, we reorganized our conventional annual report to also include information commonly found in our CSR report, thereby transforming the report into a medium for communicating the Group's medium- to long-term value creation vision to our stakeholders, starting with our shareholders and other investors. *Annual Report 2019* represents the second time we have issued such a report.

When creating *Annual Report 2019*, 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 in sincerity with the cooperation of each division of the Company. I therefore declare the creation process and the content of this report to be appropriate.

Going forward, we will utilize our annual 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.

November 2019

**Scope of This Report**

Information in this report covers 62 companies (as of March 31, 2019): Yamaha Corporation, its 59 consolidated subsidiaries, and its 2 equity-method 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 2019 (April 1, 2018 to March 31, 2019). However, certain sections of this report include information from April 1, 2019, 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.





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# OUR VISION VALUE

## I. Our Vision and Value Creation

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# AND CREATION











# OUR VISION

## Becoming an Indispensable, Brilliantly Individual Company

Boosting brand power to become a highly profitable enterprise

In April 2019, we commenced the new medium-term management plan Make Waves 1.0.





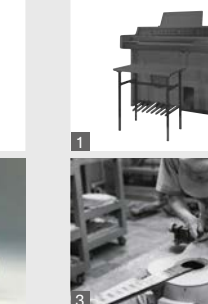
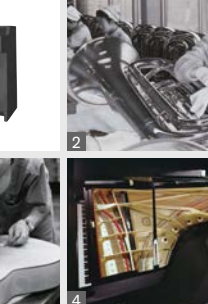


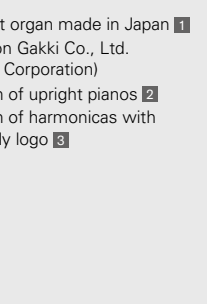
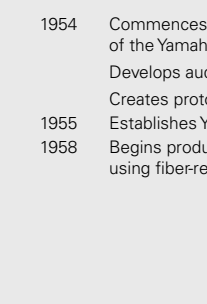
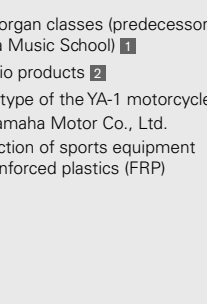
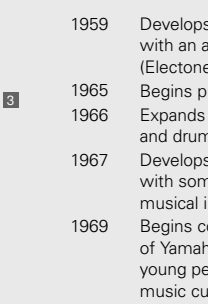
In light of the accomplishments we have made thus far, our new plan aims to realize our vision and further improve corporate value through the creation of social value.



# HISTORY OF GROWTH

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 contribute to the enriched lifestyles of people while centering its business on sound and music. Guided by this aim, Yamaha has continued to move forward with a history that spans over 130 years and three centuries.

1887	1900	1950	1960	1970
<h3>Founding Period and the Realization of Domestic Production</h3> <ul style="list-style-type: none"> <li>Ventures into the domestic production of organs</li> <li>Commences the production of pianos and builds the foundation for the musical instruments business, the Company's core business to this day</li> </ul>		<h3>Spread of Music Culture and Venture into New Businesses</h3> <ul style="list-style-type: none"> <li>Starts efforts to popularize music education with the desire to communicate the joy of music to an even greater number of people</li> <li>Leverages the technologies and sensibilities cultivated through the development of musical instruments to pursue product development in new fields, thereby expanding Yamaha's business domains</li> </ul>		<h3>Major Leap as a Comprehensive Musical Instrument Manufacturer</h3> <ul style="list-style-type: none"> <li>Expands product domains to include acoustic musical instruments and digital musical instruments. In addition, extends lineup of musical instruments to include various instrument types, from wind instruments to string instruments and drums</li> <li>Becomes involved in the production of a diverse range of musical instruments, thereby becoming a globally unique and comprehensive musical instruments manufacturer</li> </ul>

 <p>1</p>	 <p>2</p>	 <p>1</p>	 <p>3</p>	 <p>1</p>	 <p>2</p>	 <p>3</p>	 <p>1</p>	 <p>2</p>	 <p>3</p>	 <p>4</p>	 <p>4</p>
<p>1887 Manufactures first organ made in Japan <b>1</b></p> <p>1897 Establishes Nippon Gakki Co., Ltd. (currently Yamaha Corporation)</p> <p>1900 Begins production of upright pianos <b>2</b></p> <p>1914 Begins production of harmonicas with trademark butterfly logo <b>3</b></p>		<p>1954 Commences organ classes (predecessor of the Yamaha Music School) <b>1</b></p> <p>Develops audio products <b>2</b></p> <p>Creates prototype of the YA-1 motorcycle <b>3</b></p> <p>1955 Establishes Yamaha Motor Co., Ltd.</p> <p>1958 Begins production of sports equipment using fiber-reinforced plastics (FRP)</p>		<p>1959 Develops the world's first electronic organ with an all-transistor design (Electone™ D-1) <b>1</b></p> <p>1965 Begins production of wind instruments <b>2</b></p> <p>1966 Expands product domain to include guitars and drums <b>3</b></p> <p>1967 Develops concert grand piano to compete with some of the world's most renowned musical instruments <b>4</b></p> <p>1969 Begins composition contest (predecessor of Yamaha Popular Song Contest), led by young people, that helped popularize a new music culture</p>							

## Major Shifts in Global Expansion

Establishment of Overseas Sales Offices	1958 Mexico ➔ First overseas subsidiary	1960 U.S.A. 1966 Germany / Singapore	1970 Canada 1971 The United Kingdom 1973 France / Brazil 1974 Malaysia 1975 Sweden / Panama
		1969 Taiwan ➔ First overseas production base	1975 Indonesia (pianos)
Establishment of Overseas Production Bases			
Acceleration of Growth through M&A, etc.			





# YAMAHA'S BUSINESS

Yamaha develops businesses on a global scale in the three domains of musical instruments, audio equipment, and others.

## Sales Composition

(Fiscal 2019, J-GAAP)

Others (Industrial Machinery and Components Business, etc.)

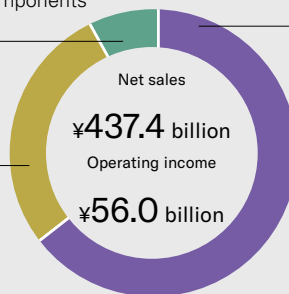
¥34.7 billion (7.9%)

Audio Equipment Business

¥120.7 billion (27.6%)

Musical Instruments Business

¥282.0 billion (64.5%)



## Musical Instruments Business

In the musical instruments business, our main focus is the manufacture and sale of musical instruments. In addition, we are involved in a diverse range of other activities, including the management of music schools and the production and sale of music and video software.

Please see page 42 for details on our strategies in the musical instruments business

Sales Composition by Region	
Japan	26.7%
North America	21.0%
Europe	18.1%
China	16.6%
Other regions	17.6%

### Pianos



Grand pianos



Upright pianos

### Digital Musical Instruments



Digital pianos



Electone™ electronic organ



Digital audio workstations

### Wind, String, and Percussion Instruments



Trumpets



Saxophones



Acoustic violins



Acoustic drums



Venova™

### Guitars



Electric acoustic guitars



Electric guitars

### Music Schools



Yamaha Music Schools

### Music-Related Software and Content

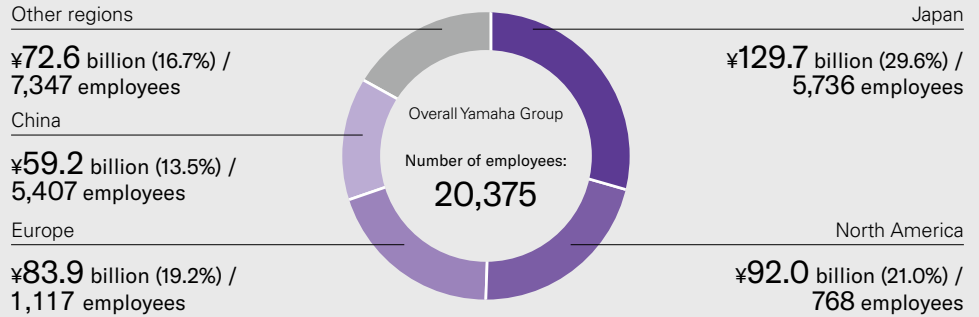


Music software



## Sales Composition and Number of Employees by Region

(Fiscal 2019, J-GAAP)



## Audio Equipment Business

In the audio equipment business, we offer a wide range of products in both commercial and consumer domains.

Please see page 46 for details on our strategies in the audio equipment business

Sales Composition by Region	
Japan	23.7%
North America	24.8%
Europe	26.8%
China	8.1%
Other regions	16.6%

### Commercial Audio Equipment



Digital mixing systems

### Music Production Equipment and Software



Digital audio workstation and software

### AV Products



Sound bars

### Voice Communication Equipment



Unified communication speakerphones

### Network Devices



Giga access VPN router

## Others (Industrial Machinery and Components Business, etc.)

For our other businesses, we offer various products and services such as electronic components, centered on semiconductors, as well as FA equipment and automobile interior wood components.

Please see page 48 for details on our strategies in the industrial machinery and components business

### Automobile Interior Wood Components



Wood panels

### FA Equipment



Helium leak detectors



Printed circuit board testing machine

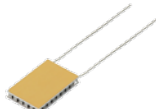
### Electronic Devices



Audio and graphics LSI for amusement equipment



Modules for in-vehicle, hands-free telephone calls



Peltier modules



High resolution audio PC speakers

### Golf Products

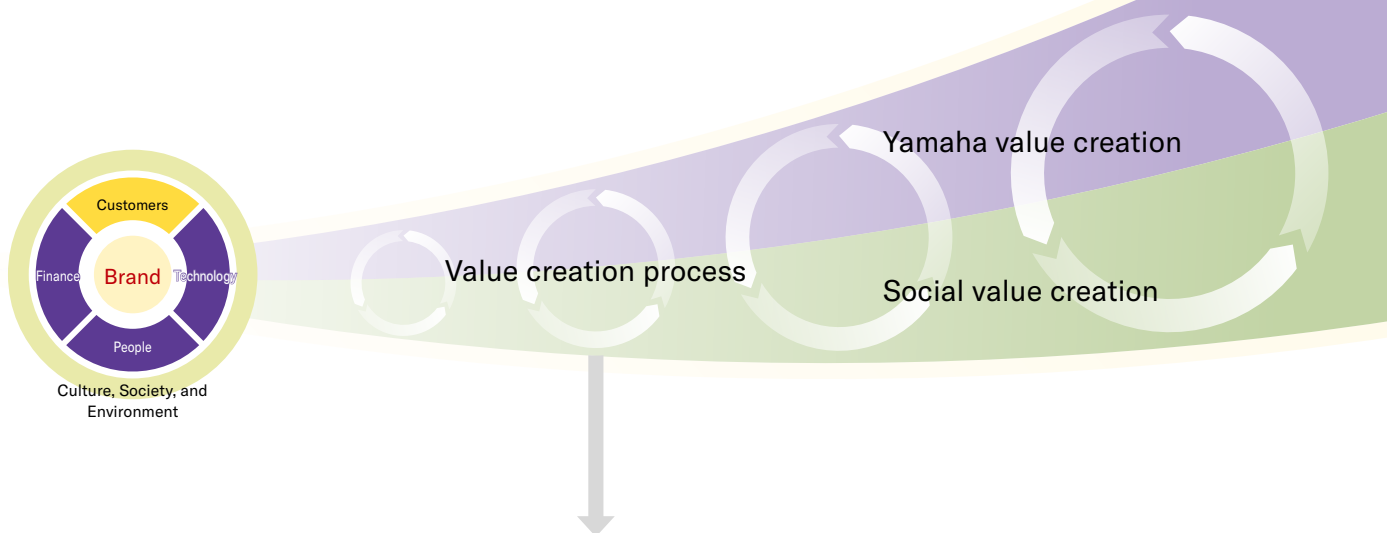
### Resort Facilities

# MANAGEMENT VISION AND VALUE CREATION STORY

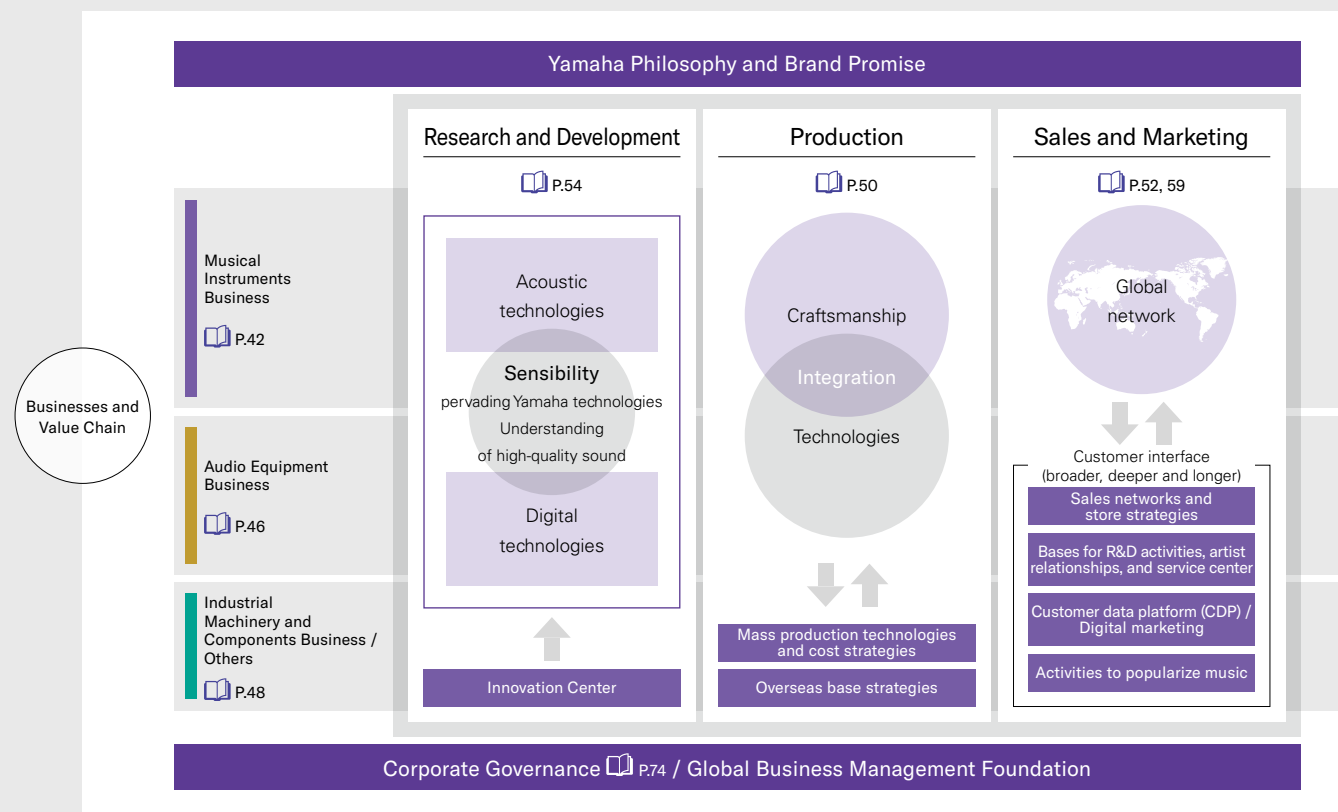
## Value Creation Story

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

Yamaha is strengthening all of its capitals by creating Yamaha corporate 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.

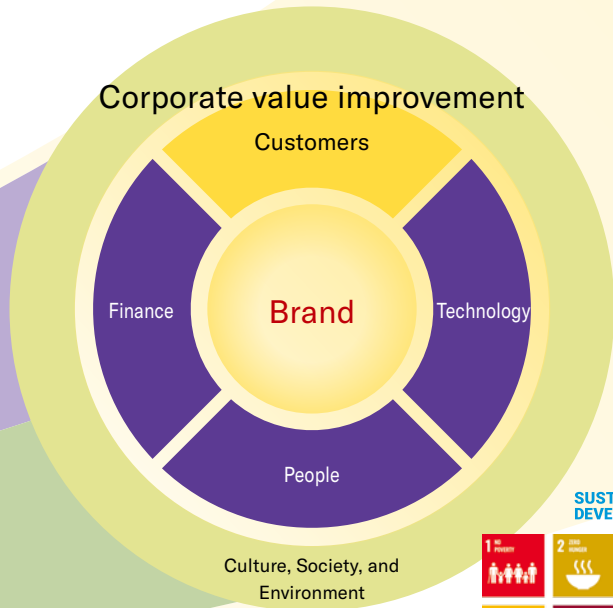


## Value Creation Process



# Management Vision Becoming an Indispensable, Brilliantly Individual Company

Boosting brand power to become  
a highly profitable enterprise



### SUSTAINABLE DEVELOPMENT GOALS



#### Products and Services

P.10

#### Products and Services Centered on Sound and Music

- Musical instruments
- Audio equipment
- Music schools

Other products and services

Output



Outcome

#### Yamaha Value Creation

Achieving the management targets adopted  
under the medium-term management plan  
Make Waves 1.0 (2019–2022)

Corporate value (market capitalization): ¥1 trillion +

#### Financial targets (IFRS standards)

Core operating profit ratio: **13.8%**

ROE: 11.5%

EPS (Earnings per share): ¥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

Total return ratio: 50%

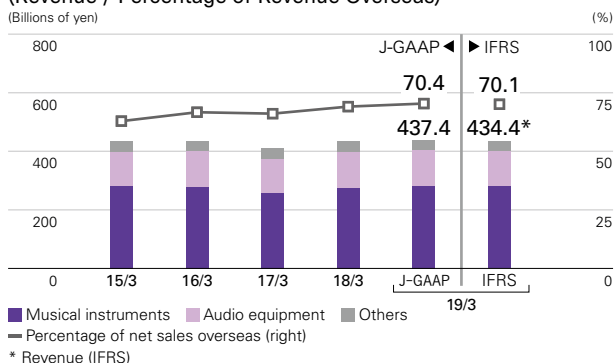
#### Social Value Creation

Contributing to emotionally enriched lifestyles and a more  
comfortable society through sound and music

# PERFORMANCE HIGHLIGHTS

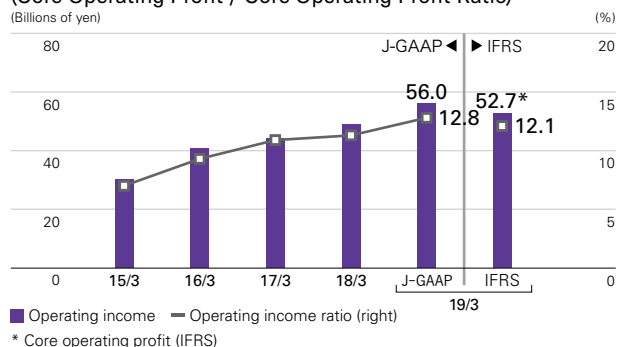
## Financial Highlights (Fiscal 2019) \* All explanations are based on figures calculated under J-GAAP. Graphs for fiscal 2019 also include IFRS conversions.

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



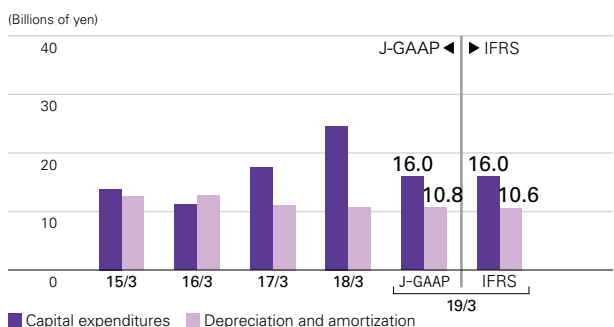
Net sales increased ¥4.4 billion year on year, to ¥437.4 billion, thanks to the solid performance of the musical instruments business. The percentage of overseas sales rose 1.3 percentage points, to 70.4%.

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



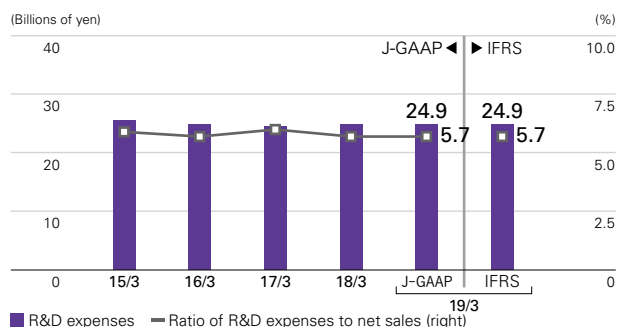
Operating income was up ¥7.2 billion, reaching a record-high ¥56.0 billion. Operating income ratio edged up 1.5 percentage points, to 12.8%.

### Capital Expenditures / Depreciation and Amortization



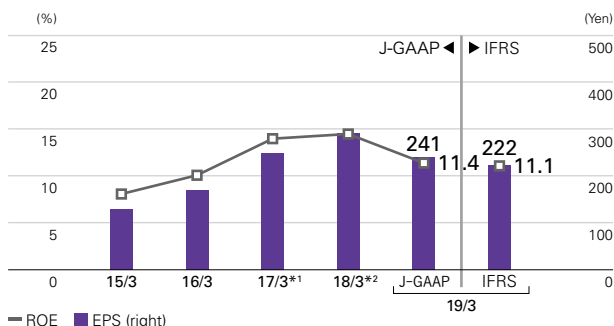
Capital expenditures came to ¥16.0 billion, down ¥8.6 billion. The Company's capital expenditures centered on constructing overseas plants (India and Indonesia), producing new products, and updating existing facilities, and the amount of capital expenditures exceeded depreciation and amortization of ¥10.8 billion.

### R&D Expenses / Ratio of R&D Expenses to Net Sales



R&D expenses were up ¥0.1 billion, to ¥24.9 billion. The ratio of R&D expenses to net sales remained unchanged from the previous fiscal year, at 5.7%.

### ROE / EPS

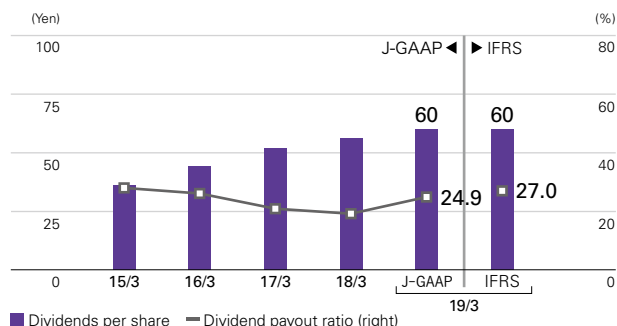


Return on equity (ROE) came to 11.4%, which exceeded the 10% level that we adopted as a management target under the previous medium-term management plan. Earnings per share (EPS) came to ¥241, which also surpassed the ¥200 level that we adopted as a management target under the previous plan.

\*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

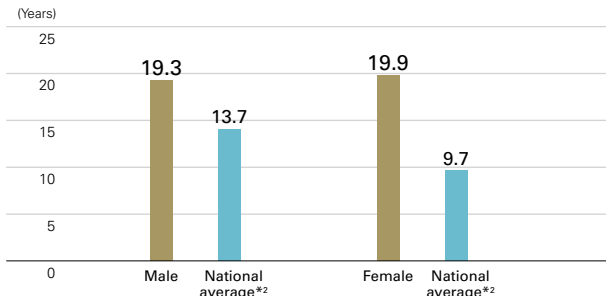


The annual dividend rose ¥4, to ¥60 per share, marking the sixth consecutive year of dividend increases. The dividend payout ratio increased 5.7 percentage points, to 24.9%. The total return ratio, including the acquisition of treasury stock, stood at 52.1%.



## Non-Financial Highlights (Fiscal 2019)

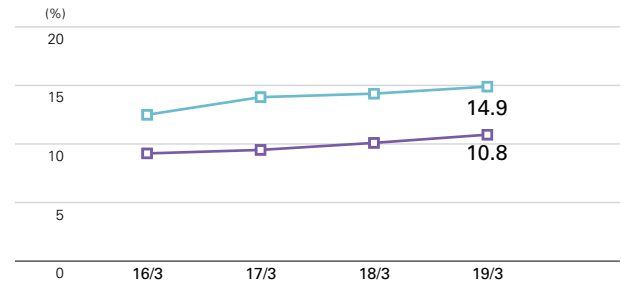
### Average Term of Service\*1 (As of March 31, 2019)



\*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.

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 women can play an 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.

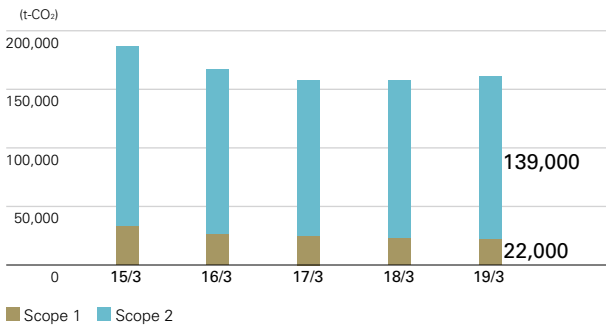
### Ratio of Female Managers



■ Group (Japan) ■ Group (Japan and overseas total)

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

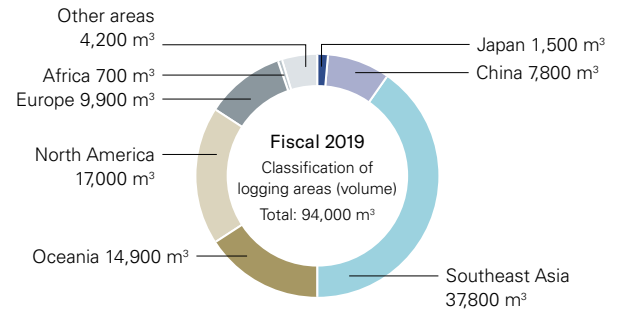
### GHG Emissions (Scope 1 + 2)



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

\* A standard for calculating and reporting GHG emissions

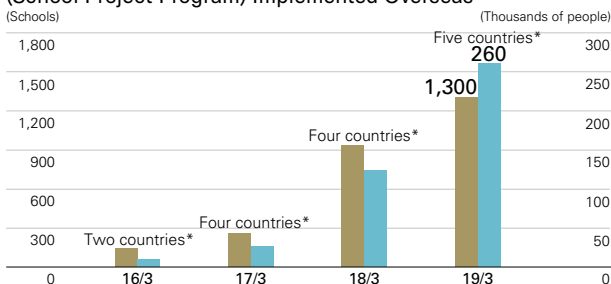
### Production Area of Wood Resources\*



To realize sustainable timber procurement that takes into account the preservation of forests and biodiversity, we conduct thorough surveys to confirm the 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)  
 \* Number of countries in which Yamaha offers the program

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 (see page 71).

### Brand Ranking

Interbrand's Best Japan Brands 2019\*

Ranked **25th**



Our brand ranking in Japan, which was determined using combined brand value of Yamaha Corporation and Yamaha Motor Co., Ltd., was 25th (27th in 2018), with a brand value of US\$1,195 million (US\$998 million in 2018).

\* Japan's Best Global Brands Top 40 (2019)—A brand ranking system by Interbrand Japan, Inc. that evaluates Japanese brands

# II. Management Strategy

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# MANAGEMENT





# STRATEGY



# Launching the New Medium-Term Management Plan Make Waves 1.0

Before I discuss the new medium-term management plan Make Waves 1.0 (hereinafter, the new plan), I will first reflect on the Group's management over the past 10 years. Directly after the global financial crisis that occurred in 2008, we faced extremely difficult conditions such as declining demand and the rapid appreciation of the yen. However, I believe that those difficulties helped strengthen the Group overall and allowed us to refine our individuality. I also believe that when looking at the accomplishments

we made under the medium-term management plans we have promoted to date, it is clear that we are steadily making progress toward realizing our management vision of becoming an indispensable, brilliantly individual company. Under these plans, we have revised our business structure, rearranged our business organizations, and improved profitability. I therefore can say with confidence that we have steadily overcome the challenges we have faced, one step at a time.

### Reflecting on the Previous Medium-Term Management Plan NEXT STAGE 12

Over the three-year period of the previous medium-term management plan NEXT STAGE 12 (hereinafter, the previous plan), we took steps to enhance our brand value with the aim of realizing our medium- to long-term management vision of becoming an indispensable, brilliantly individual company, which in turn helped us improve our operating income ratio. As a result, we made solid accomplishments over the past three years from both a financial and non-financial perspective, achieving our management target for an operating income ratio of 12%. Additionally, we were able to reach our targets for ROE at the 10% level and EPS (earnings per share) at the ¥200 level.

While we still face several issues, including the lower-than-expected growth levels in emerging countries and the slow progress of AV products, we were able to achieve all of the quantitative targets we adopted. In particular, for the musical instruments business, we realized sales growth in both advanced and emerging countries, which helped drive profits. In addition, the professional audio equipment business, which we positioned as a growth driver under the previous plan, made significant contributions to our business results, despite the performance fluctuations of certain products and services. We still have some work to do in terms of cost reductions, but our efforts have been greatly impacted by external

factors such as the cost of raw materials rising to a level that exceeded our expectations.

Regarding our transition from a business-unit structure to a function-specific structure, we pursued various efforts to enhance efficiency by streamlining production and development functions. One of these efforts included the establishment of the Yamaha Innovation Center, a new research and development base constructed on the grounds of our headquarters in 2018. By increasing the amount of interaction between our engineers, the Innovation Center is helping to create new kinds of value through the combination of our various technologies. I also feel that the Innovation Center has provided us the ability to provide cutting-edge value that cannot be imitated by our competitors through the combination of the diverse elemental technologies we have cultivated over the years. These types of organizational and structural changes have undoubtedly enhanced our roles and functions.

Now the question is the next step we need to take to further realize our medium- to long-term management vision. As represented by our choice to incorporate our brand promise of Make Waves into the title of our new plan, the key to realizing further growth is enhancing our brand value to the greatest extent possible.





 **YAMAHA**

  
**INNOVATION  
ROAD**

**Takuya Nakata**  
President and  
Representative Executive Officer

## Commencing the Brand Promise “Make Waves” and the New Medium-Term Management Plan Make Waves 1.0

Yamaha aims to take a proactive step forward to Make Waves and deliver exciting experiences to its customers. In January 2019, the Yamaha Group unveiled its new brand promise, Make Waves. The expression Make Waves captures the moment when customers feel enthusiastic excitement. Yamaha wants to be a company that encourages its customers’ passions and helps them take a step forward to express their individuality, emotion, and creativity. Through Make Waves, we promise our customers we will become an indispensable, brilliantly individual company that can make customers feel enthusiastic excitement. We position the new plan as a management plan that can first put the words Make Waves into action, which is why we chose to call it Make Waves 1.0. For our customers, we want Make Waves to be the first thing that comes to mind when they hear the name Yamaha. For our employees, we hope that Make Waves encourages them to take on new challenges without fear while always keeping the Yamaha Philosophy in mind, which acts as the cornerstone of the Group’s management. In this way, I am certain that Make Waves will afford both our customers and the Group with the opportunity to take the next step forward.

With the aim of becoming an indispensable, brilliantly individual company, and in light of our performance under the previous plan, under the new plan, we have set a core operating profit ratio of 13.8%, a ROE of 11.5%, and EPS of ¥270 as our financial targets. For non-financial targets, we aim to achieve a 30% increase in the value of our corporate brand (which is shared between Yamaha Corporation and Yamaha Motor Company). We also aim

to popularize music education to a cumulative total of one million people in emerging countries and ensure that certified timber accounts for 50% of the total timber we use. Our financial targets are achieved through the results of our various business initiatives, which means they represent the strength of our management at a given point in time. Our non-financial targets, however, serve as indicators that measure the extent to which we have cultivated competitiveness as a company from a long-term perspective. As well, corporate value is generally calculated using the formula of market capitalization plus debt. However, as the Group has very little debt, we measure corporate value improvement by multiplying our EPS with PER (price-to-earnings ratio). While EPS represents one of our financial targets, PER is greatly impacted by our non-financial targets. We believe that if we achieve our management targets, we should be able to realize corporate value (roughly similar to market capitalization) of over ¥1 trillion.

To elaborate on our core operating profit ratio, we improved this ratio from the 9% level by one point each year under the previous plan, achieving a core operating profit ratio of over 12% in fiscal 2019. With the new plan, we aim to continue to increase this ratio by one point each year. However, doing so would mean that after the three-year period of the new plan, our core operating profit ratio would exceed 15%, which is one point higher than our target of approximately 14%. We therefore intend to allocate this extra point to growth investments. These growth investments, which do not include ordinary investments such as capital expenditures, include



Announcement of the brand promise “Make Waves” at the 2019 NAMM Show (music products trade show) in the United States



investments in brand-related efforts to improve the emotional value we offer as well as R&D efforts related to new technologies and products.

In terms of improving profitability going forward, we will maintain our basic approach of increasing revenue and decreasing expenditures. From the perspective of revenue, achieving growth in emerging countries will be crucial. To that end, without missing out on the opportunities afforded to us due to rising income levels in emerging countries, we will strive to increase our customers while elevating our brand image. As our marginal income ratio is high, profits will naturally increase if we are able to boost sales. In addition, we will continue to engage in efforts to optimize our selling prices, which we have thus far promoted. Our selling price optimization for existing products is nearing its completion, and it may seem as if there is limited space to further optimize these prices as many of our products possess the top market share. However, we will work to add new value to such products and optimize prices in amounts that correspond to this added value, thereby improving profitability.

For the use of cash, our conventional approach has been to allocate the majority of cash into improving functional value and profitability, including efforts to develop technologies, reduce costs, improve quality, and enhance

production processes. Going forward, we intend to allocate a greater amount of cash to new efforts aimed at enhancing the emotional value we offer. Of course, with our product development, we will be able to actively incorporate new development methods, starting with AI, to an extent greater than ever before.

Meanwhile, we will naturally continue our pursuit of thorough cost reductions. Under the previous plan, we set a target of reducing costs by ¥8.0 billion on a cumulative three-year basis. However, we were only able to reduce costs by ¥5.3 billion due to such factors as the rise in procurement prices. Over the three-year period of the new plan, we will strive to reduce costs by a total of ¥5.5 billion. The reason why this target is close to the results we achieved with the previous plan is that, in the first year of the new plan, we still have to make up for a certain portion of cost reductions that we were unable to achieve in the previous plan. There are still many things we can accomplish when it comes to cost reductions. These include streamlining our purchasing functions, which are currently dispersed across the globe, and further reorganizing the roles of our production plants to improve their operating ratios. These also include promoting a shift to robotic process automation (RPA) in our workplace.

### New Medium-Term Management Plan—Four Key Strategies

When formulating the policies within the new plan, we incorporated not only the macroeconomic environment and market forecasts in each region but also future estimations and integrated thinking. This helped us discuss the kinds of changes that will occur around the world as

well as the risks and opportunities that the Group will be faced with. Going forward, the structure of industries will rapidly change due to the acceleration of digitalization. As lifestyles and value systems diversify amid this change, we believe we will see the dawning of an era where there

#### Basic Medium-Term Strategy

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

### *Make Waves 1.0*





will be a greater demand for emotional satisfaction and authenticity, not simply affluence in terms of material things. Additionally, with the heightened social awareness of sustainability around the globe, corporations will be expected to fulfill their responsibilities to an even larger degree, which in turn will make corporations more aware of the link between social contributions and medium- to long-term corporate value improvement. These circumstances will bring about tremendous business opportunities for Yamaha, as we boast strengths in combining technology and sensibility.

In light of the accomplishments we have made to date, under the new plan, we have adopted the four key strategies of “develop closer ties with customers,” “create new value,” “enhance productivity,” and “contribute to society through our businesses,” which will all pivot around the basic strategy of “develop closer ties with customers and society, and boost value creation capabilities.” One area of focus with this new plan that differs from previous plans in particular is our approach to linking social value creation with Yamaha value creation. While we pursued sustainability as a key initiative under previous plans, these initiatives were always positioned separately from our business strategies. With the new plan, we will no longer consider these two aspects as separate things, and will adopt an approach that focuses on how we can create social value centered on our business strategies.

There are actually still few companies which create strategies that combine the directions of business growth and social value creation. However, we are a corporate group that has the ability to form such strategies as we have long engaged in efforts to naturally spread and develop music culture as well as sustainability activities such as the procurement of sustainable timber. I am confident that we can create new value from the perspective of social value creation even in our existing fields such as the musical instruments and audio equipment businesses. In addition, leveraging our long-cultivated core technologies, I believe we can contribute to society within completely new fields. While this will be no easy task, we will aim to accomplish both.

#### Key Strategy 1

#### Develop Closer Ties with Customers

First, in order to “develop closer ties with customers,” we will accelerate various initiatives aimed at promoting our brand through our newly formulated brand promise, strengthening both digital and physical contact points with customers, and enhancing lifetime value (LTV). Although the products and services we offer cover all age groups, we actually have yet to consider the perspective of how we can utilize these products and services to maintain a bond with our customers over their lifetimes. In the previous plan, our approach focused on expanding and deepening our customer base, and our new plan incorporates the notion of extending the length of our relationship with our customer base. An approach that considers what we can

do to maintain long-lasting relationships with our customers will lead to the creation of new value. In addition, the experience and information that we gain through such an approach can be leveraged in the development of new products. To that end, during the course of the new plan, we will rebuild our customer database and establish frameworks that enable us to make integrated proposals for products and services to our customers.

During the period of the previous plan, we were able to improve our performance in China to a level that exceeded our expectations. The middle class in China and emerging countries is expected to continue to grow, giving rise to new demand. This means that we must deepen our ties with the customers in these markets. We made a direct entrance into the Chinese market in the 1980s, ahead of other foreign companies, and have worked to establish local production plants in the region. During the 1980s, major reforms implemented by the Chinese government gave rise to a trend of loosening restrictions on western music while valuing traditional Chinese music. This in turn led to a variety of music entering China. As we expanded our business into China during this time period, our presence in China coincided with the progress of music in the nation. As a result, I can say with confidence that the Yamaha brand in China has obtained a premium status that places it above the brands of other companies. Leveraging this status to our advantage, we have continued to pursue efforts to enhance our brand power through our pianos and digital musical instruments. These efforts have helped strengthen the brand image of our other musical instruments. Going forward, we will utilize our strong brand power to promote other businesses in China.

Of course, being able to respond thoroughly to local needs is an essential part of improving our brand power. For example, in China, we sell keyboards that have been manufactured specifically for the Chinese market and operate music schools that make use of these keyboards. In India, where we are working diligently to popularize music education, we are offering western musical instrument products in a manner that caters to the local culture and needs. Furthermore, thinking from a different perspective, we can give new life to ethnic musical instruments and ethnic music that are on the verge of fading away through the utilization of the Group’s technologies. The act of passing on culture itself encapsulates the kind of social value creation we are pursuing under the new plan, and we are actively promoting efforts to do so. Additionally, in India, we expect that the high popularity of the film industry will provide major opportunities for our audio equipment business. Not limiting ourselves to just China and India, we are also focusing on the markets in ASEAN countries, which are currently in a growth phase. To improve our brand value in these markets, it is important that we build our own local production plants and capitalize on the trend of an emerging music culture. Overseas, there is a risk of counterfeit products circulating widely in the

market. However, if we are able to instill a music culture, then we can refine people's sensibilities to a level where counterfeit products will lose all appeal. We know firsthand that genuine products offering expressive power that goes above and beyond their price are the preferred choice of customers, no matter the region.

As there is still a great deal of room for spreading music culture around the world, we recognize that there is still room for us to expand our operations. It will therefore be important to develop closer ties with our customers going forward.

#### Key Strategy 2 Create New Value

It is imperative that we combine our unique technologies and sensibilities to create new value and offer products and services that deliver this value to our customers. To that end, to promote the key strategy of "create new value," we will meld the various technologies and sensibilities we possess to deliver one-of-a-kind products and services to our customers, taking into account the changes occurring around the world and the feedback we have received from customers. The value our products offer can be divided into two categories: functional value and emotional value. Through efforts to enhance our products' emotional value, we can form even deeper connections with our customers and society as a whole, thereby further enhancing our brand power. The utilization of AI and IoT has led to dramatic improvements in terms of convenience. At the same time, consumer value systems are shifting away from the possession of material things and placing greater importance on the sharing economy and services, leading to a greater demand for emotional satisfaction and authenticity. In such an age, the need for emotional value will without a doubt surpass the need for functional value. Musical instruments have also been something that customers purchase based on sensibilities and emotional impression. We view sound and musical instruments as a culture, and have continued to enhance our sensibilities alongside our technologies. As such a corporate group, the shift toward prioritizing emotional value provides us with a significant boost. Furthermore, throughout our history, we have been taking on the challenge of scientifically analyzing sensibilities, which is something that is extremely difficult to quantify. Our ability to quantify the aspects of emotional value improvement in numerical terms provides us with a tremendous competitive edge.

#### Key Strategy 3 Enhance Productivity

An important factor in boosting our profitability is enhancing our productivity. By improving added value and strengthening efforts to promote the value our products offer, we will further pursue sales price optimization. In addition, in order to lower manufacturing costs, there are various improvements we need to make, including

reorganizing our production processes, enhancing productivity, and reducing procurement costs through global bulk purchasing and the promotion of value analysis / value engineering. We will therefore continue efforts to reduce costs going forward. Also, to improve our use of expenses not only at our production plants but also on a Groupwide basis, rather than simply curtailing expenses, we will perform zero-based analysis of our expenses to promote a shift toward strategic spending aimed at enhancing customer value in the future. We will leverage expenses as an investment of resources in an effort to bolster our profitability.

#### Key Strategy 4 Contribute to Society through Our Businesses

I say this often, but music has the amazing power to warm people's hearts and can transcend language barriers to inspire people around the world. Music therefore has the potential to resolve various social issues. No one would argue with the idea that music is an important part of all cultures, and our unshaken faith in the power of music acts as the core of the Group's management. When we tirelessly pursue our work based on the mission of playing an important role in spreading and developing music that we can make into culture, we will be able to make countless achievements. To me, giving consideration to the sustainability of music culture is the same as giving consideration to the sustainability of the Yamaha Group.

While it is possible to consider the 17 sustainable development goals (SDGs) as a risk, I believe we can leverage the SDGs to improve our competitiveness if we approach each goal through efforts that are unique to Yamaha. For example, rare timber is often used as materials for musical instruments. If we are truly committed to ensuring the sustainability of the Group, then we need to realize the sustainable procurement of rare timber on our own accord, rather than leaving that task up to a third party. Timber is not a resource that can be grown in the span of one to two years. Accordingly, if we wish to ensure the sustainable procurement of timber in the next 50 years, then it is imperative that we commence efforts now with that aim. In light of this, we will pursue efforts



toward sustainable procurement with an awareness of the fact that threats to the global environment are threats to the existence of the Group.

The development and fostering of music culture is also something that cannot be done in a short amount of time. In fact, there is no real way we can set a time period

for such efforts. However, if culture becomes obsolete, then so do we as a company. On the other hand, if we can popularize the Yamaha brand alongside efforts to foster music culture, then we can establish a competitive edge that cannot be easily rivaled. In these ways, we understand how risks can be changed into opportunities.

### Simultaneously Reforming the Structure and Substance of Our Governance

The Yamaha Group has continued to make consistent efforts to strengthen its governance, steadily promoting governance reforms such as transitioning to a Company with Three Committees (Nominating, Audit, and Compensation committees), introducing a restricted stock compensation system, and adopting claw-back clauses. Rather than viewing governance as a formality, these reforms represent the results of our efforts to constantly consider how we as a company can achieve the best possible output and change our frameworks and systems to enable us to do so while setting in motion a PDCA cycle.

Based on the belief that we can strengthen our oversight functions and accelerate our business execution by separating the roles of oversight and execution and delegating major authority to the executive officers, we transitioned to a Company with Three Committees in June 2017. In addition, we decided to introduce a restricted stock compensation system with the aim of reinforcing our management's responsibility to improve shareholder value as well as thoroughly committing management to the future of the Company.

At the moment, six of the eight directors on the Board are outside directors. For personnel on the business execution side, this composition provides a sense of tension that makes it feel as if we hold a General Meeting of Shareholders every month. Our outside directors possess various work careers and expertise, starting with corporate management, and the accuracy and quality of our management has improved thanks to these outside directors. Focusing on the future growth of the Group, we believe it is ideal to incorporate even more diverse perspectives on the Board of Directors. This is why two new outside directors were appointed. Mr. Mikio Fujitsuka is well-versed in the finance activities of global corporations, and Mr. Paul Candland has experience handling the Disney brand, which is one of the most prominent brands in the world. These two new directors are a perfect fit for the Group as we are working to enhance our brand power on a global basis. At every opportunity, I hope that these two new outside directors offer us their candid opinions and instructions based on their long-cultivated insight and expertise.



## Approach to Cost of Capital and Shareholder Returns

Alongside improving profitability, we recognize the enhancement of shareholder value as an important management issue. Under the new plan, we have adopted the financial targets of achieving a core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270. With our target for ROE of 11.5%, we have thoroughly clarified our aim of reinforcing our ability to generate profits while at the same time steadily surpassing the cost of capital and further enhancing our capital efficiency.

In terms of shareholder returns, under the new plan, we set a new target for a total return ratio of 50% over

the three-year period of the plan. This marks the first time we have set such a high target for total shareholder returns. We have thus far worked to flexibly implement shareholder returns with the aim of enhancing capital efficiency, giving consideration to achieving a balance between investments and returns to our shareholders. However, in order to communicate our commitment to our investors more clearly, we decided to establish a specific, quantitative target for shareholder returns.

## Approach to Risk and Human Resources

I have provided explanations on our various strategies and policies, centered on those under the new plan. Lastly, I would like to briefly explain our approach to risk and human resources.

As uncertainty grows in the macro environment around the globe, there are a great number of risks that are presenting themselves. Aside from sales-related risks, the procurement cost of raw materials and the stability of materials and components supplied to us are two risk factors that have the potential to impact our business operations. In fiscal 2019, despite making progress with initiatives to reduce costs, the actual amount of cost reductions we achieved was lower than we planned due to the soaring prices of electronic components and other materials. While the situation in terms of prices and supply have stabilized at the moment, we are further promoting efforts geared toward strategic procurement, such as global bulk purchasing, in order to address these risks.

Additionally, for timber procurement during the new plan, we will carry out due diligence to prevent the use of timber from illegal sources. Musical instruments in particular use a large amount of unique timber. However, even under this severe circumstance, we have set a target for raising the percentage of certified timber we use from the 20% range to 50% over the three years of the plan.

Turning to our current business activities, we are making use of information systems to a larger extent than ever before and the importance of doing so has become even greater. It is therefore crucial to pursue efforts to respond to risks such as cyberattacks and computer virus infections. Accordingly, in addition to enhancing the expertise of our Information Systems Division, we are stepping up efforts to address these kinds of risks on a Groupwide level.

Amid these circumstances, as our businesses expand globally, I believe that the enhancement of human resources, who support the Company, is an extremely significant issue. The key focus of this issue is fostering a value system that is shared and respected among all

employees, from management down. We have created new value by reorganizing into a function-specific organization. Going forward, we will need to pursue optimal organizational integration on a global Groupwide basis that transcends regional boundaries and helps each employee visualize their work. Although we are currently proceeding with efforts to build a talent management system that can support such an integration, a major aspect to achieving this integration is creating a value system that is shared across regions and roles. What I am looking for most when it comes to human resources is passion. I believe that passion is supported by a strong will, which is what enables people to achieve growth as professionals. People with passion underpinned by will are able to act on their own accord. We will therefore put forth the utmost effort to increase the recruitment of such employees and establish a shared value system as we move ahead with efforts to realize robust business growth.

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.

November 2019



Takuya Nakata  
President and Representative Executive Officer



# NEW MEDIUM-TERM MANAGEMENT PLAN

## *Make Waves 1.0*

Yamaha formulated its new medium-term management plan, Make Waves 1.0, which targets the three-year period starting from April 2019, to follow after its previous medium-term management plan, NEXT STAGE 12, which concluded on March 31, 2019. For the new plan, we analyzed the rapid changes in the business environment and determined our future outlook. In addition to establishing a management vision that will act as our future image for the medium to long term, we also unveiled a value creation story that will serve as our approach to realizing this management vision. At the same time, taking into account the results we have achieved thus far, we formulated not only a basic strategy but also management targets that comprise the three pillars of financial targets, non-financial targets, and shareholder returns.

Ahead of the implementation of strategy and targets, in January 2019, we established the new brand promise of Make Waves to serve as the message we wish to convey to our customers. The expression Make Waves captures the moment when customers feel enthusiastic excitement. Through Make Waves, we promise our customers we will become an indispensable, brilliantly individual company that can make customers feel such excitement. We position the new plan as a management plan that can first put the words Make Waves into action, which is why the title of the plan was determined to be Make Waves 1.0.

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## Review of NEXT STAGE 12 (April 2016 to March 2019)

### Our key strategies generally progressed as planned, allowing us to achieve the targets adopted under NEXT STAGE 12

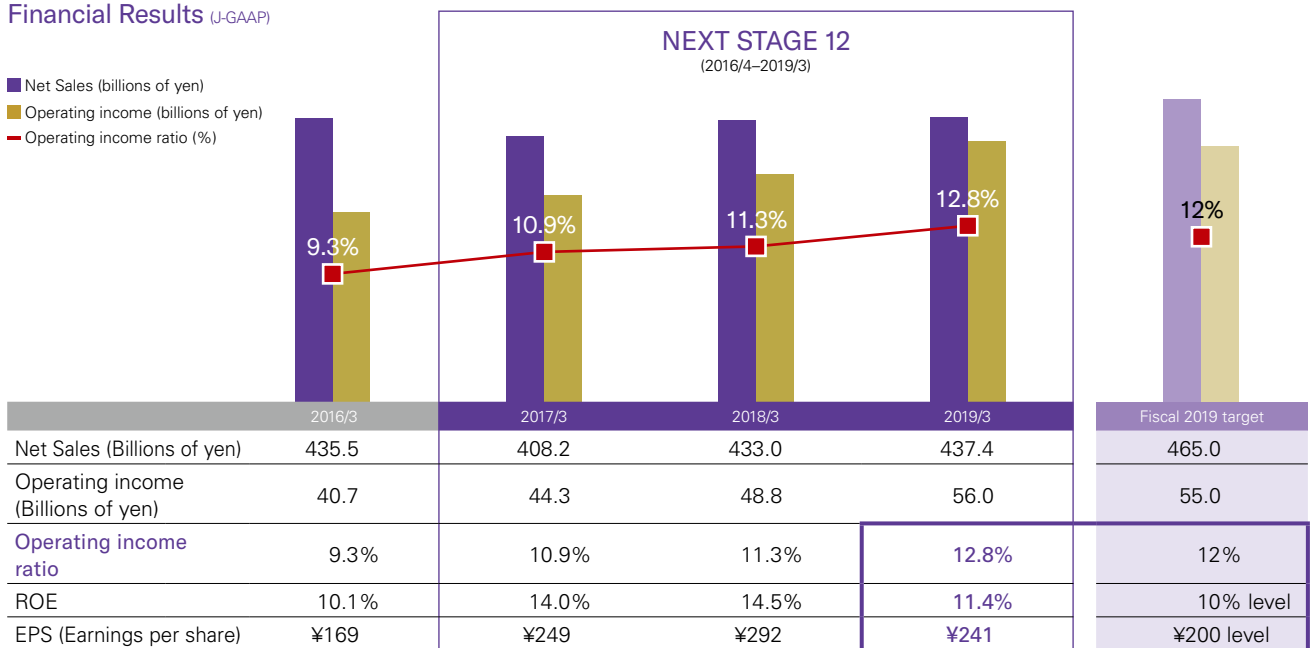
Our medium- to long-term management vision under NEXT STAGE 12 was “Becoming an Indispensable, Brilliantly Individual Company—Boosting brand power to become a highly profitable enterprise.” Guided by this vision, we worked to reinforce our brand power and were able to improve our operating income ratio as a result. NEXT STAGE 12 also entailed the four key strategies of develop products with distinctive individuality, enhance customer interaction, continually reduce costs, and strengthen global business platforms. As the result of steadily promoting efforts in accordance with these strategies, we were able to reach our financial targets of an operating income ratio of 12%, ROE at the 10% level, and EPS at the ¥200 level. We also realized a total shareholder return ratio of 168% over the three years of the plan.

#### Accomplishments of Key Strategies

Key strategy	Progress	Level of accomplishment
Develop products with distinctive individuality	<ul style="list-style-type: none"> <li>Launched many unique products by merging technologies</li> <li>Won numerous design awards globally (Good Design Grand Award, etc.)</li> </ul>	○
Enhance customer interaction	<ul style="list-style-type: none"> <li>Expanded number of accounts (as planned) (10% increase in contract dealers, 50% increase in audio contractors)</li> <li>Promoted music popularization for learning musical instruments in emerging countries (cumulative total of 260,000 people, 260% above target)</li> </ul>	○
Continually reduce costs	<ul style="list-style-type: none"> <li>Progress in reducing costs did not fully compensate for rising procurement prices, and net cost reductions amounted to ¥5.3 billion (vs. target of ¥8.0 billion)</li> </ul>	△
Strengthen global business platforms	<ul style="list-style-type: none"> <li>Promoted global human resources management, established three global IT headquarters, and introduced IFRS (in April 2019)</li> </ul>	○

○: Successful accomplishment    △: Partial accomplishment

#### Financial Results (J-GAAP)



Total shareholder return ratio: 168% over three years

Exchange rates (Yen)	USD	120	108	111	111	115
	Euro	133	119	130	128	125

## Approach to Formulating the New Medium-Term Management Plan

Amid the rapid changes occurring in the external 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 new 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 external environment would impact our businesses. 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

The external environment that surrounds Yamaha is experiencing dramatic changes that are happening at an unprecedented speed. These changes include global population increases, aging populations, a growing middle class, expanding urbanization, and increasingly more severe environmental issues such as global warming. They also include changes to social, political, and industrial structures, as well as people's lifestyles, which have been brought about by the accelerated evolution of IoT, AI, and other cutting-edge technologies.



### Environmental Changes That Majorly Impact Yamaha

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 IoT, we find ourselves entering into 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. Furthermore, we anticipate that there will be a continued trend of expansion in the regional macroeconomic environment, as the middle class in emerging countries is expected to grow.

#### Transformations caused by accelerated digital technologies

- The industrial structure and the world in general are undergoing major changes due to advances in digital technologies.
- Customer interaction has become closer and more direct.



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

- AI and IoT technologies are taking automation and convenience to new levels.
- In addition to material wealth, people are seeking greater emotional satisfaction and authenticity.



#### Heightened awareness of sustainability

- There has been a greater requirement of corporate social responsibility.
- Awareness that social contribution is linked to corporate value creation over the medium to long term has become more widespread.



#### Regional macroeconomic environment

- Although mature economies remain steady, a sense of uncertainty has been growing stronger.
- The pace of growth is slowing in China.
- The general trend in emerging markets is expansion, but there are disparities among countries and regions.

#### Market outlook

- Musical instruments: A gradual expansion will be driven by the growing middle class in emerging markets (+6%)
  - Audio equipment: Expansion will be driven by technological innovation and commercial equipment demand (+8%)
- Note: Figures in parentheses indicate market growth over three years.



## Key to Growth / Yamaha's Strengths

### 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 resolve social issues through sound and music

### Regional macroeconomic environment and market outlook

- Musical instruments: Continuous growth and acceleration in the markets of China and emerging countries
- Audio equipment: Business domain expansion by investing management resources in growth domains (commercial audio equipment and personal audio domains) where we can leverage company strengths

The value our products offer can be divided into two categories: functional value and emotional value. 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. Accordingly, these kinds of needs will without

a 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



## Positioning of the New Medium-Term Management Plan

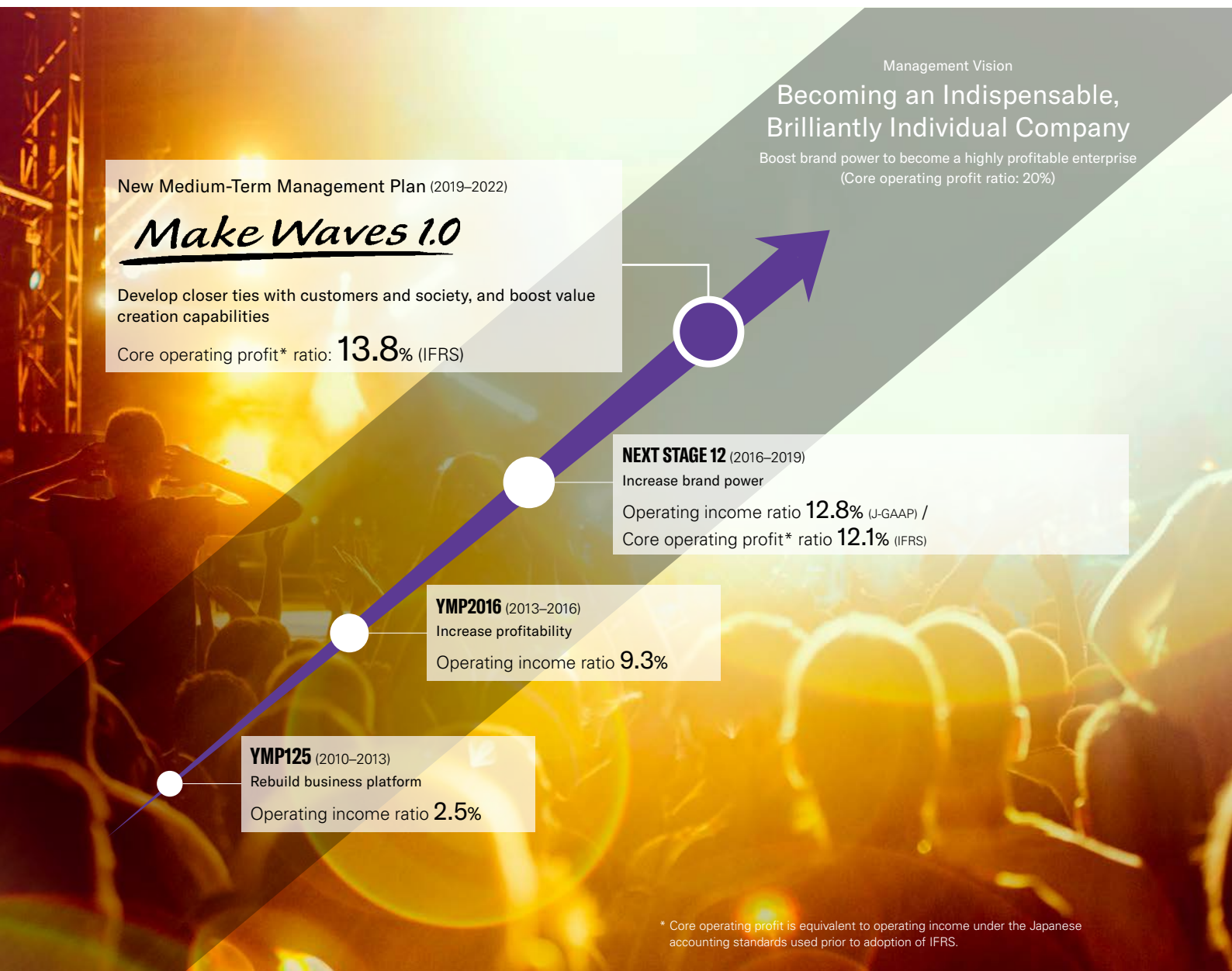
Looking back on our medium-term management plans to date, YMP125 was carried out in a period when our businesses faced tough conditions due to yen appreciation. The period of YMP125 was positioned as a phase for rebuilding our business platforms through such means as restructuring our core businesses 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 businesses. 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 raised 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 the new medium-term management plan, 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 plan, we plan 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.



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.

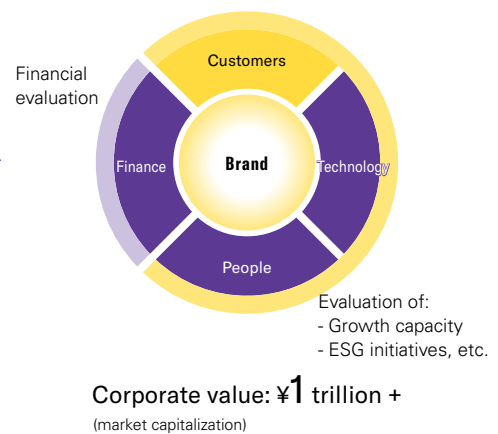
Management Vision (Our future image in the medium to long term)	Becoming an Indispensable, Brilliantly Individual Company Boost brand power to become a highly profitable enterprise (Core operating profit ratio of 20%)
Value Creation Story	Enhance corporate value and realize vision by creating social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

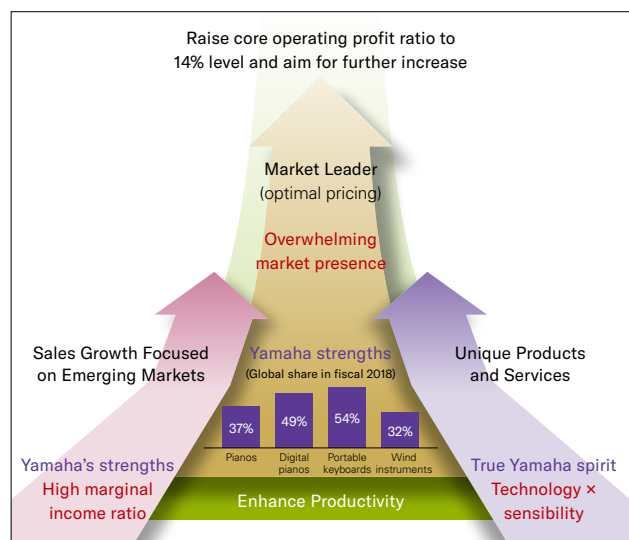


\*Brand value added with Yamaha and Yamaha Motor Company: US\$1.2 billion (Best Japan Brands 2019 issued by Interbrand)

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 reaching our long-term target of 20%, which was adopted under 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 core operating profit ratio to the 14% level over the three years of the new medium-term management plan. 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.



## Four Key Strategies

### Basic Medium-Term Strategy

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

### *Make Waves 1.0*



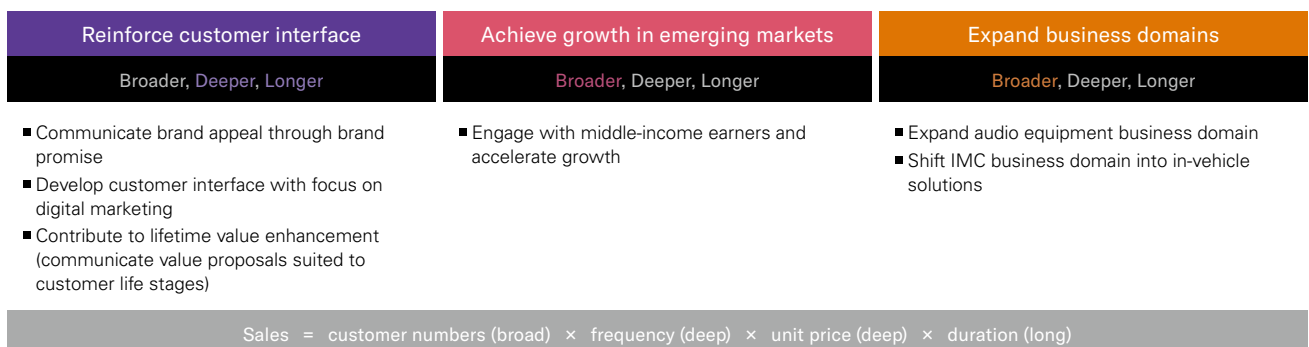
To promote our basic strategy of “develop closer ties with customers and society, and boost value creation capabilities,” we established four key strategies. By steadily executing these key strategies, we will realize Yamaha value creation and social value creation.

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

## 1 Develop Closer Ties with Customers

### Develop Broader, Deeper, 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**  
Deeper, Longer

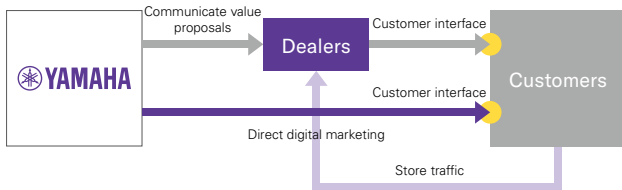
**Communicating Brand Appeal through Brand Promise**  
To Make Waves with our customers, we will offer original products and services that exceed their expectations. We will also leverage our brand promise to engage in communication with customers around the world as we work to become a brand that customers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



Rendered image of Make Waves in action

**Developing Direct Ties with Customers with a Focus on Digital Marketing**

In addition to engaging in conventional customer communication at stores, we will leverage digital marketing to directly promote value that caters to our customers. At the same time, we will use digital marketing to encourage customers to visit our stores, where they can experience our products and services firsthand. Through these efforts, we will further develop contact points with our customers.



**Contributing to Lifetime Value Enhancement**

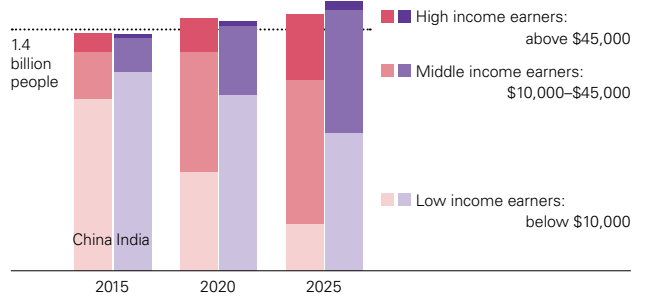
We will work to build customer data platforms and establish structures that allow us to promote our brand in manner that best fits each and every one of our customers and enables us to continue to maintain ties with them.



**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.

**Expected Expansion of Middle Class in China and India**



Source: Ministry of Economy, Trade and Industry of Japan

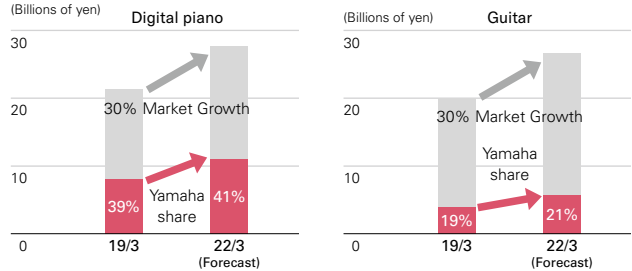
**Growth in China**

**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.

**Market Growth and Share Expansion in China**



Note: Yamaha estimation

**Boost Product Power**

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

**Realizing Growth in India, ASEAN, and Other Markets**  
**Aiming for 50% Growth over the Next Three Years in the Indian Market by Engaging with Middle-Income Earners through the Expansion of Sales Networks and Introduction of Local Models**

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

The market in India is expected to continue to grow in the future. In this market, we will expand our sales networks primarily in cities with over 1 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, we will promote the production and sale of products that incorporate the local needs of customers in the Indian market.



Chennai Plant



Local portable keyboard model for 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.



Directly owned store in Singapore

**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**

To date, we have provided a cumulative total of approximately 260,000 children with musical instrument education within their school education. Going forward, we will expand this provision to cover a cumulative total of 1 million children in seven countries. Through these activities, we will seek to understand and analyze the conditions of music-related activities in the markets of Asian and African countries, thereby developing new markets.

**Expand Business Domains**  
**Broader**

**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.

Market scale	¥200 billion	¥350 billion	¥500 billion
Market growth rate	+8%	+5%	+10%
Direction			

**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.

Market scale	¥250 billion	¥550 billion	¥1 trillion	¥1.5 trillion
Market growth rate	-8%	+12%	+12%	+40%
Direction				

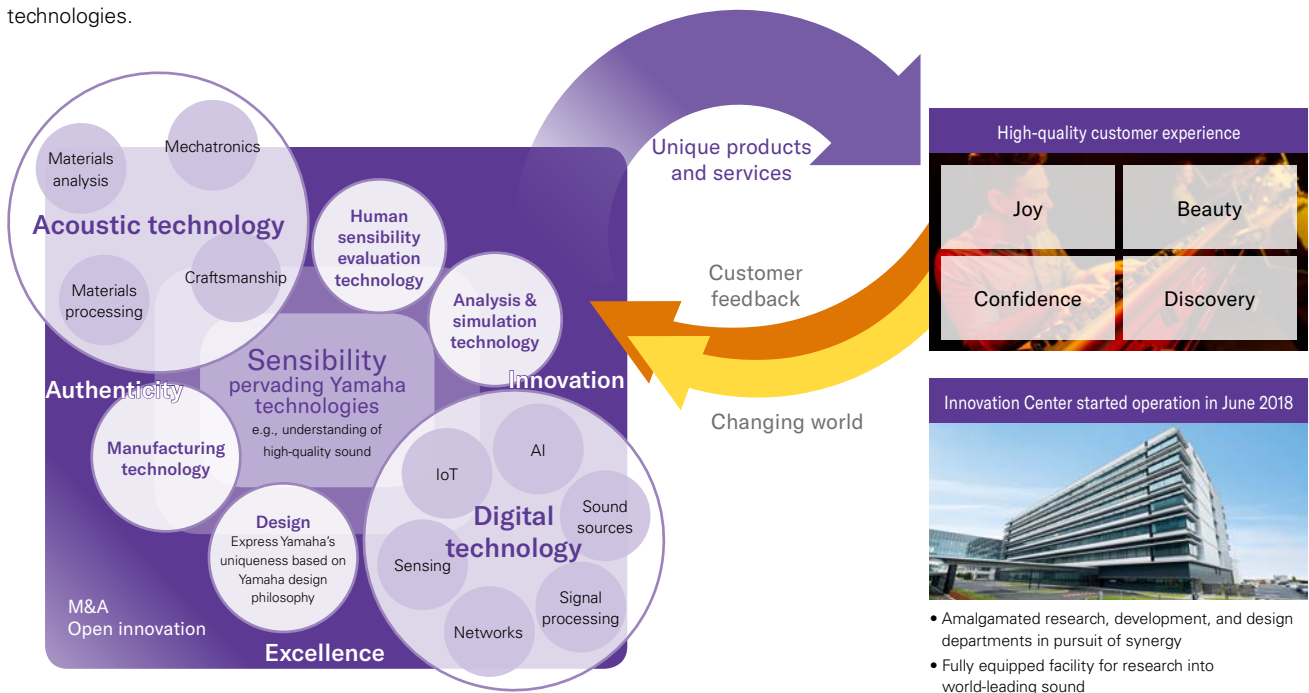
**In-vehicle components: Realize 30% growth over three years**

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.

Market scale	¥100 billion	¥100 billion	¥600 billion
Market growth rate	+5%	+40%	+10%
Direction			

## 2 Create New Value by Combining Technology and Sensibility

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.



### 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 research and development 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.

**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 SCM systems. In addition, through the promotion of a digital transformation (DX), 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.

**Digital Transformation Initiatives**

Initiative	Aim	Implementation process
Establishment of CDP	Build CRM platform to develop closer customer ties	Development and establishment of CDP → Full-scale start of operations and global rollout
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
Promotion of business process transformation	<ul style="list-style-type: none"> <li>Reform all work processes through DX</li> <li>Expand introduction of agile methods to development process</li> <li>Seamlessly connect accounting systems to business</li> <li>Utilize robotic process automation to automate routine work</li> </ul>	Establishment of systems and frameworks → Advancement of DX activities (optimization and reforms)

2019/4 → 2022/3

### 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, 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 product 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

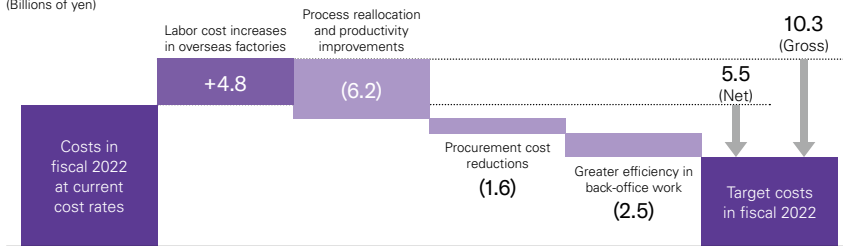
by each plant, to regional-specific procurement as well as comprehensive purchasing by our headquarters. In this way, we will work to lower procurement costs. Additionally, we will significantly reduce costs by expanding automated production lines used in Japan to overseas locations and promoting labor-saving 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 the new medium-term management plan.

**Using Expenditures Strategically**

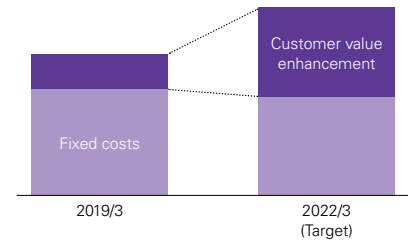
We will perform a zero-based analysis of expenditures and promote a shift toward strategic spending aimed at improving future customer value, rather than simply pursuing cost reductions. This shift will be realized in such ways as transforming our business processes through a digital transformation.



**Cost Reduction Analysis**  
(Billions of yen)



**Projected shift in expenditure**



# 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



**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 71), 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

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

**Launch approximately 800 models (over 3 years)**

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Spread the joy of music through music school business

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

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Promote musical instrument education in school music lessons in emerging markets (see page 71)

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

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

**Support 18 schools (over 3 years)**

## Society



### Resolving Social Issues through Our Products and Services

We will support the healthy development of youth through music popularization activities in Latin America (see page 72). 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 (see page 64). 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 telecommuting



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

## Environment Coexistence 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 (see page 67).



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 Greenhouse Gas 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 (see page 67).



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

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



Drawing from our new medium-term management plan, which incorporates integrated thinking, we will pursue even greater corporate growth from a financial perspective.

## Satoshi Yamahata

Director and Managing Executive Officer  
Executive General Manager of Corporate Management Unit and  
Executive General Manager of Operations Unit

### Steady Achievement of Management Targets under the Previous Medium-Term Management Plan

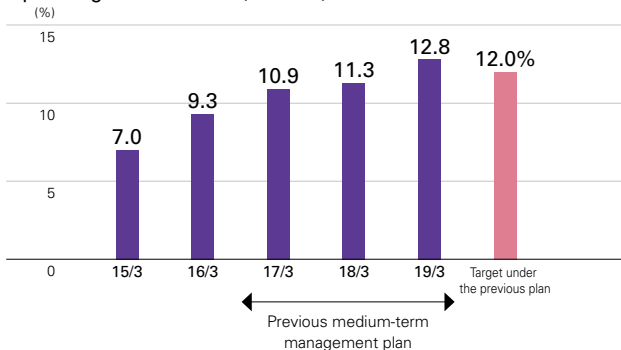
Consolidated results for fiscal 2019, the final fiscal year of medium-term management plan NEXT STAGE 12 (hereinafter, the previous plan), were net sales of ¥437.4 billion, operating income of ¥56.0 billion, and net income attributable to owners of parent of ¥43.8 billion, with operating income increasing for the seventh consecutive fiscal year and reaching its highest total to date.

Driving these strong results was topline growth in the musical instruments business. Despite somewhat sluggish sales growth in Europe due to the impact of changing the terms and conditions for selling instruments and the macro-economic situation, in addition to higher purchasing costs due to the weakness of currencies in emerging countries, the Company experienced strong development overall, with double-digit growth in China for the fourth consecutive year, and 9% growth in North America compared with the previous fiscal year. As a result, operating income landed above initial forecasts and the previous plan's target of ¥55.0 billion.

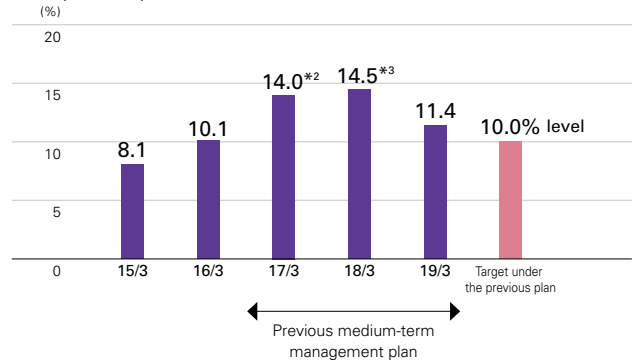
In addition, the Company attained an operating income ratio of 12.8%, ROE of 11.4%, and EPS of ¥241, all of which exceeded the management targets put forth in the previous plan.\*1

\*1. Operating income ratio of 12%, ROE at 10% level, and EPS at ¥200 level

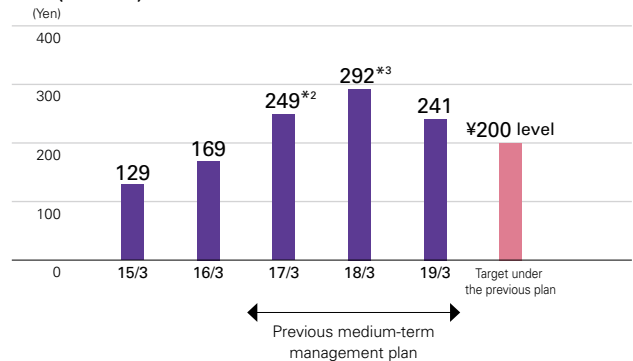
#### Operating Income Ratio (J-GAAP)



#### ROE (J-GAAP)



#### EPS (J-GAAP)



\*2. Including the recording of deferred tax assets

\*3. Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

### Make Waves 1.0—A New Medium-Term Management Plan with Integrated Thinking

In April 2019, we launched our new Medium-Term Management Plan, Make Waves 1.0 (hereinafter, the new plan). Formulating this plan was a process spanning 1.5 years, beginning with internal SDG study groups and forecasts of future business environments, with considerable time given toward reaffirming Yamaha's ideal vision for the future and sharing the policies needed to achieve that vision. After this step, we applied major Companywide policies to

specific plans for each business. The result of this process is a new plan that hinges on integrated thinking to encompass financial and non-financial perspectives.

The special features of the plan in terms of depicting our story for improving corporate value creation are its approach toward enhancing our value as a company by improving our social value and the adoption of both financial and non-financial targets.

Market capitalization, an indicator of corporate value, can be calculated using the following formula: EPS (earnings per share) × PER (price-to-earnings ratio) × the total number of issued shares. While EPS is a financial figure, PER is a way to evaluate long-term efforts related to future growth, branding, and the SDGs. In this regard, setting up non-financial targets in addition to financial targets to improve corporate value is a natural process.

### Strengthening Profitability Together with Our Foundation for Growth

We are moving forward with efforts to both strengthen profitability and build a stronger foundation for growth as financial policies in the new plan. To increase our core operating profit ratio, we are promoting four efforts: 1) sales growth focused on emerging markets; 2) increased added value through unique products and services; 3) further enhancing productivity; and 4) establishing an overwhelming market presence with optimal pricing. Reaching our target core operating profit ratio of 13.8% is ultimately a step toward our long-term vision that not only pursues immediate results, but also incorporates strategic investments that will build a stronger growth foundation. In terms of each business unit, we will promote strategies to strengthen profitability in the musical instruments business unit while focusing on further growth in the audio equipment business unit and the IMC business unit.

### Approach to Capital Efficiency and Shareholder Returns

Equity ratio at the end of March 2019 was at 74.1%, which reflects the success of our efforts to promote structural reforms starting from around the time of the global financial crisis. This result also shows that we have established an extremely robust financial base. Going forward, we will optimize Groupwide fund and asset efficiency, including promoting thorough inventory management and enhancing the efficiency of subsidiary financing.

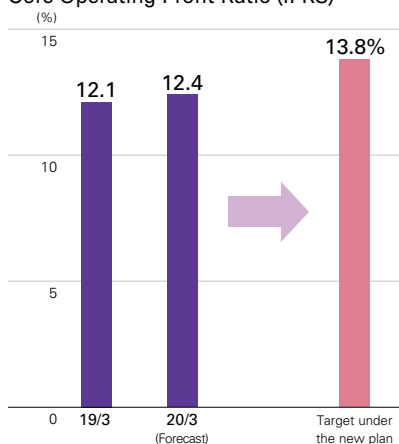
We have also set a goal for ROE of 11.5% for fiscal 2022. This is indicative of our goal to improve capital efficiency and further exceed the cost of capital.

When looking at investments and shareholder returns, we maintain a careful balance between our growth investments and returns to shareholders. In fiscal 2019, we increased dividends by ¥4.0 compared to the previous year—our sixth consecutive year-on-year increase—for a total payout of ¥60.0 per share, and a dividend payout ratio of 24.9%. Our total return ratio was 52.1% as a result of acquiring treasury stock totaling ¥20.0 billion. In fiscal 2020, we plan to increase dividends by ¥6.0 for a total dividend of ¥66.0 yen per share, with a payout ratio of 27.7%.

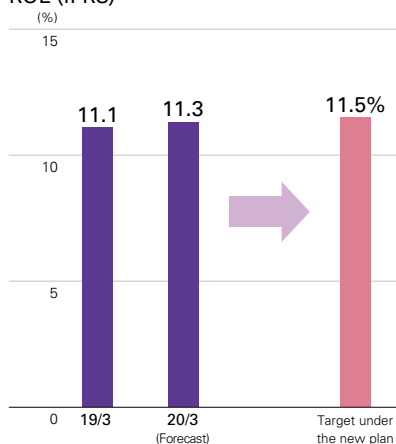
Our previous approach to shareholder returns was to put forth goals in terms of our dividend payout ratio. However, the new plan marks the first time we are setting a target in terms of a total return ratio, with a target of 50% over a three-year period. Drawing from a principal amount of ¥160.0 billion of operating cash flow over three years, we plan to commit ¥40.0 billion to regular investment and ¥50.0 billion to strategic investment, with the remainder put toward dividends, flexible shareholder returns, and other purposes.

While continual and stable dividends remain the basis of our shareholder return policy, the policy will be

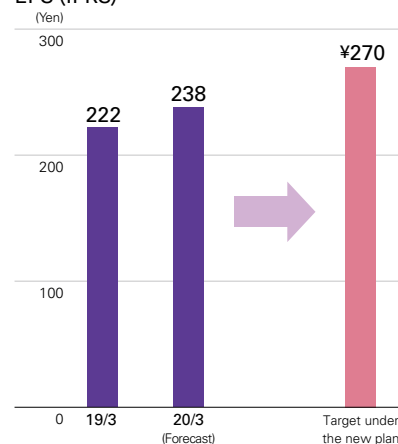
Core Operating Profit Ratio (IFRS)



ROE (IFRS)



EPS (IFRS)





Financial Strategy



implemented in a flexible manner so as to enhance capital efficiency while considering a proper balance with retained earnings needed for investment in future growth.

Aiming to Further Increase Corporate Value

In order to increase the transparency of financial information for the global capital market, and to further increase our level of management, we have adopted the International Financial Reporting Standards (IFRS) from fiscal 2020. Accordingly, financial targets for the new plan\*4 (core operating profit ratio of 13.8%, ROE of 11.5%, and EPS of ¥270) have been set based on IFRS standards.

We will pursue further increases in corporate value by aiming to achieve these financial targets alongside our non-financial targets. We are proud to be in a unique position that is unlike any other, as a Company with an overwhelming market presence that is contributing to the fundamentally human culture of music. We will remain committed to this unique position, while engaging with the capital market in good faith and fulfilling our responsibilities to shareholders and investors.

\*4. Performance in fiscal 2019: core operating profit of 12.1%, ROE of 11.1%, and EPS of ¥222 (based on IFRS standards)

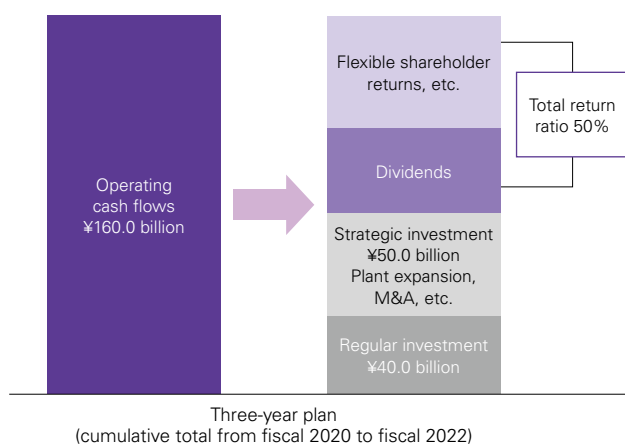
Conducting Constructive Dialogues with the Market (see page 85)

Engagement, comprising constructive dialogues and discussions with institutional investors, is a top priority to achieve the sustainable growth and medium- to long-term increases in corporate value required by the Japan Stewardship Code and Corporate Governance Code. To that end, we hold business briefings and facility tours throughout the year as needed, in addition to regular events such as financial results briefings.

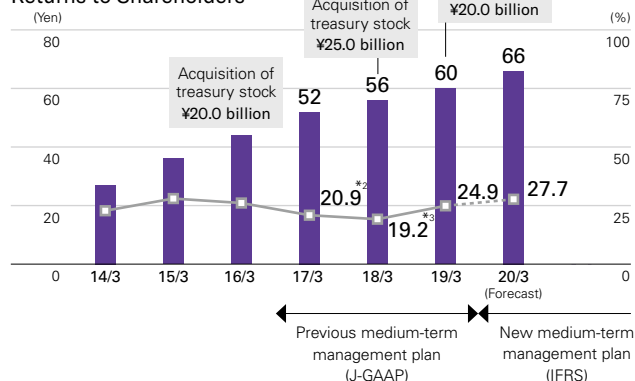


Business briefings for securities analysts and institutional investors

Plans for Cash Flows



Returns to Shareholders



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

\*2. Including the recording of deferred tax assets

\*3. Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

# STRATEGIES BY BUSINESS

## MUSICAL INSTRUMENTS BUSINESS



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

By enhancing our developmental capabilities in terms of hard and soft technologies and strengthening our brand power, we will achieve overwhelmingly high levels of profit.

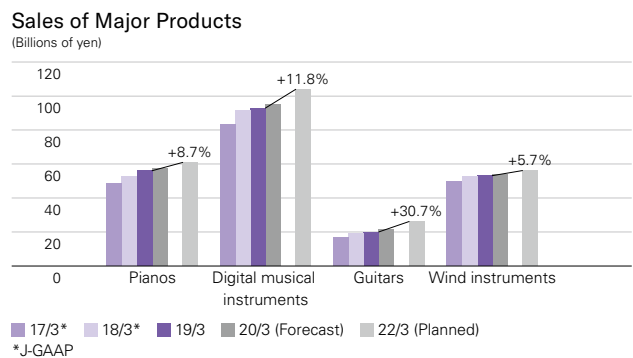
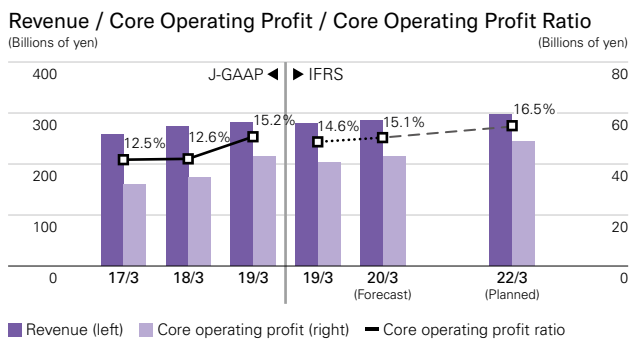


### Business Overview

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 NEXT STAGE 12

Over the course of the previous medium-term management plan, NEXT STAGE 12, we achieved our target of improving our operating income ratio from 11% in fiscal 2016 to over 15% by the end of the plan. Moving forward with the development and sale of 176 product models with distinctive individuality, such as Venova™ and TransAcoustic™ products, we accelerated efforts to strengthen the competitiveness of our products and enhanced our market presence. At the same time, to further deepen and expand the ties we have with our customers, we promoted marketing initiatives optimized for each region and improved customer access through the enhancement of our sales network, thereby expanding our customer base. Additionally, we expanded sales of highly profitable digital musical instruments and mid-range and high-end products while working to optimize our selling prices, thereby improving our operating income. In addition, we contributed to society in such ways as popularizing music education in emerging countries and promoting activities to support technicians.



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

Overview of Markets and Yamaha's Operations	Yamaha's Strengths	Main Competitors
<b>Pianos</b> <ul style="list-style-type: none"> <li>Continued high level of growth in the piano market in China</li> <li>Expansion of new value proposals (silencing / automated instruments) in maturing markets</li> <li>Diminishing competition centered on local Chinese manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Product lineup that enables proposals that meet all kinds of customer demands</li> <li>Development capabilities and brand power realized through our long-cultivated technologies</li> </ul>	Steinway & Sons (Germany and the U.S.) Guangzhou Pearl River Piano Group Co., Ltd. (China) Kawai Musical Instruments Manufacturing Co., Ltd. (Japan)
<b>Digital musical instruments</b> <ul style="list-style-type: none"> <li>Continuous growth for digital pianos underpinned by growing demand for music education and music hobbies</li> <li>High level of growth in the portable keyboard market in India</li> </ul>	<ul style="list-style-type: none"> <li>Product lineup that can meet diverse user needs</li> <li>Acceleration of growth in emerging markets and increase in customers through the expanding sales of high-end products</li> </ul>	Casio Computer Co., Ltd. (Japan) Roland Corporation (Japan) Kawai Musical Instruments Manufacturing (Japan)
<b>Guitars</b> <ul style="list-style-type: none"> <li>Growing demand in China and emerging countries</li> <li>Advancement in new concept guitars, diversification in ways people enjoy music</li> <li>Increased number of competitors</li> </ul>	<ul style="list-style-type: none"> <li>Global leader in number of acoustic guitars sold*</li> </ul>	Fender Musical Instruments Corporation (the U.S.) Gibson Brands, Inc. (the U.S.) C.F. Martin & Co. (the U.S.)
<b>Wind, string, and percussion instruments</b> <ul style="list-style-type: none"> <li>Stable growth primarily in developed countries supported by demand from schools and bands</li> <li>Trend of expansion in China and emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of development and value promotion and expanded sales of mid-range and high-end musical instruments</li> <li>Demand creation and expanded customer base resulting from activities to popularize music in China and emerging countries</li> </ul>	Conn-Selmer, Inc. (the U.S.) Buffet Crampon (France) Jupiter Band Instruments, Inc. (Taiwan)

\* Yamaha estimation, as of March 31, 2019

# MAKE WAVES 1.0

## Business Strategies of the New 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)

Business Environment	<ul style="list-style-type: none"> <li>Shift toward making direct connections with our customers on a global basis due to the acceleration of digitalization, dramatic changes in approach to brand recognition and consumer behavior, etc.</li> <li>Dramatic improvement in analysis, evaluation, simulation, and other technologies for product development due to the progression of IT and digital technologies</li> <li>Further economic growth in the middle class in China and emerging countries</li> </ul>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Improvement in the promotion of value that fits the life stage of each customer through digital marketing</li> <li>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</li> <li>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</li> </ul>
		<b>Risks</b> <ul style="list-style-type: none"> <li>Entrance of manufacturers from IT and other industries, potential for saturation of e-commerce brands utilizing OEMs</li> <li>Potential for the trend of growth in the sharing economy and secondhand market to accelerate</li> </ul>

### Key Strategies

Develop global connections and ties with customers	Specific Initiatives	Promote the Yamaha brand and contribute to society through our businesses
		Promote efforts to form direct ties with customers
Realize high levels of profit by expanding our business portfolio		Enhance product lineup and launch products that cater to local characteristics
		Strengthen response capabilities to address diversifying product usage and the needs of customers in each age group
Create value through the combination of essential value enhancement and elemental technologies		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

### Business Policy under the New Medium-Term Management Plan

We will promote three key strategies in the musical instruments business to enhance our brand power and realize a high level of profit. At the same time, we will continue to promote efforts aimed at revising our selling prices and reducing costs. Additionally, we will advance measures to create new value through technological innovation and expand sales of product models with high added value.

#### Main Points of Key Strategies

The first strategy is to develop closer ties with customers. This involves building relationships with customers and society that are broader, deeper, and longer in nature. Under this strategy, we will promote ways to enjoy musical instruments at each stage in life and maximize lifetime value (LTV). We will also enhance stores where customers can experiment with musical instruments from a qualitative and quantitative perspective as well as establish and strengthen digital marketing platforms. By doing so, we create frameworks for forming direct connections with customers both digitally and in real life. Additionally, we will move forward with activities to popularize music that will also help us contribute to society through our businesses.

The second strategy is to grow our business portfolio and realize business expansion across the entire musical instruments business. In China, we will focus on expanding sales of mid-range and high-end models in the piano business, which has continued to perform favorably. At the same time, in India and other emerging

countries, we will incorporate local needs within our product development, including local music culture and education, as we work to create demand and expand our operations in these regions. Also, we will reinforce our response capabilities to meet the broad range of needs in all customer age groups, from young to old.

The third strategy is to promote new value creation that forms deep connections with users by melding the sensibilities and intuitive nature of our musical instruments with the latest digital technologies. Some examples of products that encapsulate our aim with this strategy are our TransAcoustic™ pianos and guitars and the NU1 hybrid piano. Going forward, we will provide value that is uniquely Yamaha while working to integrate 5G networks—which will progress rapidly in the future—wireless technologies, and AI technologies.

#### Efforts to Accomplish Our Business Vision

As we promote the initiatives explained above, we, as a manufacturer, are thoroughly promoting a 6P approach, which adds on popularization and PSI\*1 to the so-called 4Ps\*2 of Marketing, within our daily business processes. By linking these kinds of earnest efforts to the creation and promotion of brand value in accordance with our three key strategies, we will realize top-line growth and overwhelmingly high levels of profit going forward.

\*1. PSI: Production, sales, and inventory

\*2. 4Ps of Marketing: Product, price, place, and promotion

MUSICAL INSTRUMENTS BUSINESS

PIANO BUSINESS

Global market share for Yamaha's products Pianos: 38%\* Revenue: ¥56.0 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

Expand premium offerings through the high-end strategy	Specific Initiatives	Achieve 25% growth in premium piano sales over three years
Expand sales of high-value-added models		Enhance presence in music colleges and concert halls
Meet growing demand in China with global production		Expand percentage of hybrid (integration of acoustic and digital technologies) piano sales
		Establish global production structure to support growth

Points of Emphasis in Achieving Targets

We are focusing our attention on a wide range of efforts with the aim of becoming the brand that continues to be the No. 1 choice of all customers, from professional pianists to beginners. In order to enhance our brand power, we are establishing relationships with various music colleges and concert halls. We are also working to expand sales of CFX premium pianos, which represent our highest-grade model. In addition to moderately priced models, we are taking steps to expand the sales of high-value-added models, including hybrid models that integrate Yamaha's unique technologies and sensibilities. We are also striving to increase the opportunities for customers to experience our pianos at stores and improving efforts to promote our brand. Through these means, we will significantly increase sales in the piano business.

DIGITAL MUSICAL INSTRUMENTS BUSINESS

Global market share for Yamaha's products Digital pianos: 49%\* Portable keyboards: 54%\* Revenue: ¥92.9 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 cultivate future customers by pursuing challenges in new domains

Key Strategies

Develop digital pianos leveraging Yamaha's strengths in acoustic products	Specific Initiatives	Deepen our understanding of emotional and physical phenomena to further realize expressive power
Create new value through technological innovation		Propose diverse product value that meets a wide range of needs
Expand range of keyboards equipped with specialized sound sources suited to local musical styles		Bring superior expressive power to Yamaha products
Expand customer base by developing new products targeting young people who want to express themselves through music		Provide solutions and content based on local needs
		Expand customer base by developing and utilizing local models
		Develop models that can readily provide musical and creative experiences
		Increase the number of new customers by strengthening branding activities aimed at young customers

Points of Emphasis in Achieving Targets

For digital pianos, without taking our current success for granted, we will promote product development that allows us to offer even more emotional experiences to our customers. In terms of portable keyboards, we will deepen our understanding of local music and needs in emerging markets as we work to achieve business expansion. In the market of India, which boasts tremendous potential, we will leverage models produced at local plants in an efforts to expand our customer base. Furthermore, to cultivate customers in the future, we will develop new products that readily offer musical and creative experiences to young customers. We will also reinforce our branding and marketing activities.



## GUITAR BUSINESS

Global market share for Yamaha's products Guitars: 8%\* Revenue: ¥27.3 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 guitar sales globally, centered on entry-level products. 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

Reinforce marketing functions from our U.S. locations	Specific Initiatives	Expand use of local employees' skills and ideas to strengthen our ability to showcase product value
		Make effective use of influencers including professional guitar players and social media users
		Reinforce artist relations and shorten the product development prototype cycle
Expand sales of mid-range and high-end products	Specific Initiatives	Use scientific approach to aggressively expand mid-range and high-end products
		Set up custom stores in four key global cities
Create new value	Specific Initiatives	Communicate appeal of true Yamaha spirit through exciting experiences and value creation

### Points of Emphasis in Achieving Targets

In 2018, we established global marketing functions in the United States, which is the epicenter of the guitar market. We also began efforts to strengthen the capabilities of local employees and enhance our relationships with local artists. By doing so, we have been working to develop attractive products, promote the effective communication of information, and accelerate marketing activities. To further expand sales of mid-range and high-end products, we will strategically set up custom shops in major global cities and promote attractive product value that is unique to Yamaha. In these ways, we will aim to be the brand chosen by guitar players around the globe.

## WIND, STRING, AND PERCUSSION INSTRUMENTS BUSINESS (EXCLUDING GUITARS)

Global market share for Yamaha's products Wind instruments: 32%\* Drums: 11%\* Revenue: ¥53.1 billion



### Business Overview

The wind, string, and percussion instruments business spans a wide range of products, from over 15 different kinds of musical 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

Expand sales of mid-range and high-end products	Specific Initiatives	Enhance joint product development through collaboration with major artists
		Launch high-end models and enhance brand appeal
		Increase market share for mid-range and high-end wind instruments (trumpets, saxophones, and clarinets)
Expand market by promoting brass and wind instrument bands	Specific Initiatives	Promote brass and wind instrument bands and create demand in China and emerging countries
		Develop musical instruments with new value to broaden player horizons
		Improve product lifecycle with low-maintenance musical instruments

### Points of Emphasis in Achieving Targets

To ensure that the Yamaha brand is chosen by an even greater number of customers, we will strengthen our brand power and introduce attractive products into the market through joint development with major artists. We will also focus on promoting the value of our mid-range and high-end products and creating engaging marketing activities under the aim of expanding sales. In the markets of China and emerging countries, where there is high potential, we will promote activities to popularize music and newly introduce new products catered to each market. In this manner, we will work to create demand and expand our customer base.

\* Results for fiscal 2019 are based on amounts estimated by Yamaha (IFRS)

# AUDIO EQUIPMENT BUSINESS



**Akira Iizuka**  
Executive Officer  
Executive General Manager of Audio Products Business Unit

Drawing on our passion for sound cultivated in the musical instruments business, we will create products and services that resonate in people's hearts.

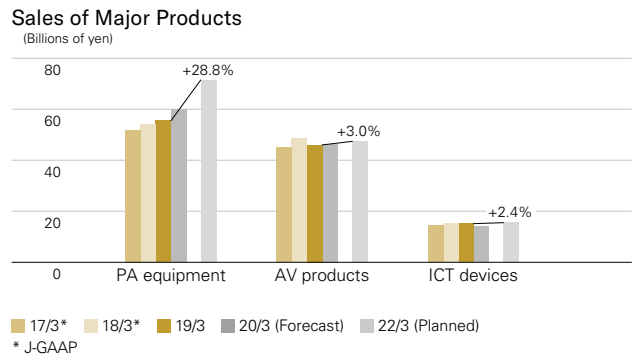
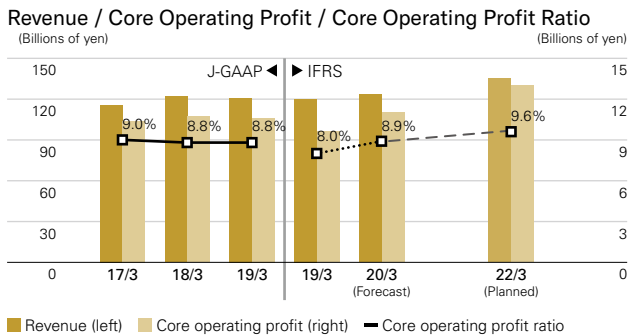


## Business Overview

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 devices such as network devices and voice communication equipment. By leveraging not only our strengths in terms of audio networks but also our ICT technologies, we position the audio equipment business as a growth domain, centered on professional audio equipment.

## Review of NEXT STAGE 12

At the conclusion of NEXT STAGE 12, the operating income ratio in the audio equipment business landed at 8.8%, just barely below our management target of the 9% level. In PA equipment, we maintained growth in each fiscal year under the plan and were able to strengthen the sales network at our local subsidiaries and expand our sales channels. For AV products, although sound bars performed favorably, growth was stagnant as our efforts to expand our portfolio in the personal audio domain are still ongoing. Growth of ICT devices was limited owing to the impact of lower OEM product sales, despite brisk growth in network equipment. As a result, while we made steady progress with the key strategies of NEXT STAGE 12, this progress did not lead to sales growth.



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

	Overview of Markets and Yamaha's Operations	Yamaha's Strengths	Main Competitors
PA equipment	<ul style="list-style-type: none"> <li>Progression in the integrated management, remote operations, and automation of networks and facilities</li> <li>Strong demand for high reliability and support structures</li> </ul>	<ul style="list-style-type: none"> <li>Ability to propose comprehensive solutions in accordance with customer needs, covering everything from microphones and speakers to mixers and music production equipment</li> </ul>	Harman International Industries (the U.S.) Music Group (the Philippines) Robert Bosch GmbH (Germany), etc.
AV products	<ul style="list-style-type: none"> <li>High level of growth maintained in the headphones market, with continuous growth in the sound bar and wireless speaker markets as well</li> <li>Further advancement in personalization free of time and space restrictions following popularization of streaming content</li> </ul>	<ul style="list-style-type: none"> <li>Pursuit of the true essence of sound to provide True Sound experiences</li> <li>Strengthened the proposal of value from development focused on home theaters to network audio products</li> <li>Introduction of new surround sound amplifiers that leverage AI technologies</li> </ul>	Sonos (the U.S.) Bose Corporation (the U.S.) Sony Corporation (Japan), etc.
ICT devices	<ul style="list-style-type: none"> <li>Continuous market growth following the further shift to IT, progression in quality-based competition</li> <li>Expansion of remote communication environments and changes in the office environment due to the diversification of working styles and the promotion of productivity initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Expanded mainstay commercial-use routers as well as LAN products</li> <li>Reinforcement of equipment proposal capabilities as well as service capabilities</li> </ul>	Cisco Systems, Inc. (the U.S.) Allied Telesis (Japan) Polycom Inc. (the U.S.), etc.

## MAKE WAVES 1.0

## Business Strategies of the New 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)

Business Environment	<ul style="list-style-type: none"> <li>Adverse impact on capital investment projects due to the instability in international relations. Meanwhile, creation of intermediate domains for PA equipment (BtoB) and AV products (BtoC) and further integration of online conference systems in the ICT domain</li> </ul>	Opportunities	<ul style="list-style-type: none"> <li>Increase in potential products by strengthening proposals in upstream sales channels</li> <li>Further expansion of market share in the PA equipment field centered on the superiority of our networks and AI technologies</li> </ul>
		Risks	<ul style="list-style-type: none"> <li>Potential for the adverse impact of unstable international relations spreading to capital investment projects in the BtoB domain</li> </ul>

## Key Strategies

PA 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
AV products	Expand business portfolio in the personal audio domain
	Strengthen the appeal of the Yamaha brand among millennials
	Create new value in audio-visual domain
ICT devices	Expand product categories and services
	Achieve differentiation from competitors through the integration of technologies

## Business Policy under the New Medium-Term Management Plan

To achieve growth that rivals the musical instruments business, we are pushing forward with efforts to strengthen technological innovation and support systems in the audio businesses of PA equipment and AV products as well as communications businesses related to ICT devices. We are also aiming to expand our business domains in growth markets. Going forward, we will introduce new products that meet today's needs and pursue efforts to strengthen our sales structure and value promotion capabilities. By doing so, we will steadily realize growth for the audio equipment business overall.

## Main Points of Key Strategies

For PA equipment, we will further enhance our ability to propose system solutions. During the period of the previous medium-term management plan, we took steady steps to gradually reinforce the sales structures of our local sales subsidiaries. We also improved the precision of collecting information pertaining to capital investment projects. Through these means, we increased our connections with upstream clients such as facility owners and audio consultants, thereby gaining the ability to promote sales activities aimed at more upstream-oriented proposals. In addition to concert halls, we have received orders for a wide variety of projects in commercial facilities, cultural centers, government offices, and other locations. Additionally, from the perspective of products, we will promote efforts for comprehensively strengthening everything from the input of sound (microphones) to the output (speakers) and for simplifying and enhancing our operations through the use of AI and network technologies. In this manner, we will aim to expand our market share.

In terms of AV products, we will continue to promote the sales of sound bars, which are achieving a strong performance. We will also accelerate the expansion of our business portfolio in the personal audio domain, which includes headphones and wireless speakers and where we anticipate high-level growth going forward. Furthermore, to raise our level of recognition as an audio brand, we will promote direct marketing that communicates the appeal of Yamaha's unique worldview to primarily millennials, in addition to enhancing sales displays specializing in the Yamaha brand at stores. Through these efforts, we will systematically establish contact points with customers.

Meanwhile, in the field of ICT devices, we will not only expand our lineup of LAN products but also steadily promote efforts to respond to cloud technologies and shift toward virtualization and other software technologies. Also, for conference systems, we will improve usability and performance while pursuing differentiation from competitors through our commitment to sound technologies that can convey emotions.

## Efforts to Accomplish Our Business Vision

Throughout our long history, we have cultivated various sound technologies and a passion for sound itself. Leveraging these strengths, we will develop audio products that resonate in people's hearts. We will also provide the world with communication products that facilitate not only digital exchanges but also the exchange of human emotion. Over the three-year period of the new medium-term management plan, we will steadily execute our key strategies with a view to transforming our business framework and realizing dramatic growth far above the market average.

# INDUSTRIAL MACHINERY AND COMPONENTS BUSINESS



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

Promoting a shift in the domains of our business portfolio through comprehensive solutions centered on sound



## 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; factory automation (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.

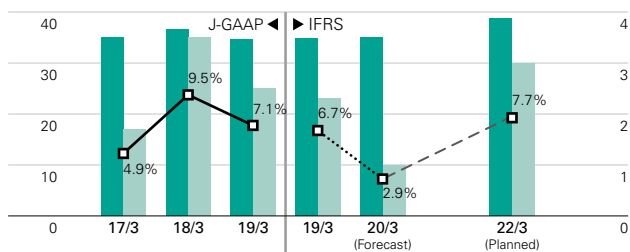
For electronic devices, we are promoting a shift toward component modules related to sound, an area in which the Company excels. We are also transitioning toward the total in-vehicle solutions domain. Furthermore, we are achieving results in terms of in-vehicle communication module products (modules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

## Review of NEXT STAGE 12

For the in-vehicle solutions domain, an important theme under NEXT STAGE 12, we commenced the mass production and sales of in-vehicle modules for emergency alert systems, which are required to be installed in vehicles in Europe. These modules have been adopted by a large number of automobile manufacturers. We have also been making steady progress with the development of thermoelectric devices, which convert heat and electricity. With this progress, we have made a genuine entrance into the phase for constructing a new growth foundation. In terms of FA equipment, sales of printed circuit board testing machines for major smartphone manufacturers and processing equipment grew at a rate that was higher than expected.

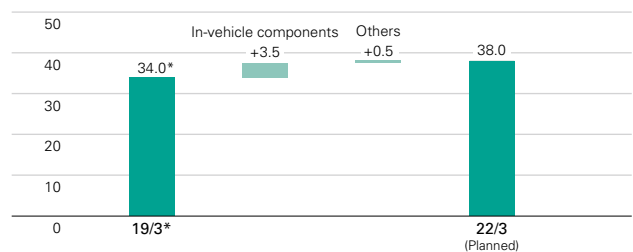
Meanwhile, sales of electronic components for amusement equipment declined as the market continued to contract. In addition, we faced delays in launching business in new domains. Owing to the impact of these factors, growth in the industrial machinery and components business over the three years of the plan was restrained at 3%.

Revenue / Core Operating Profit / Core Operating Profit Ratio (Billions of yen)



Note: The above graph shows figures for the industrial machinery and components business and other businesses

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	<ul style="list-style-type: none"> <li>Contraction in the market for amusement equipment, revitalization of the infrastructure, mobile, and in-vehicle communication domains</li> </ul>	<ul style="list-style-type: none"> <li>Product strengths that leverage our core sound technologies, design capabilities that can meet customer needs</li> </ul>
FA equipment	<ul style="list-style-type: none"> <li>Sluggish demand for printed circuit board testing machines used in smartphones, trend of expansion in demand for leak detectors for in-vehicle batteries, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Cutting-edge technologies that realize high-speed, high-precision FA equipment</li> </ul>
Automobile interior wood components	<ul style="list-style-type: none"> <li>Deceleration of the Chinese economy, which has driven global sales volumes of automobiles, leading to a trend of stagnating growth</li> </ul>	<ul style="list-style-type: none"> <li>Lumber processing and coating technologies cultivated through the manufacture of traditional pianos</li> </ul>



## MAKE WAVES 1.0

## Business Strategies of the New 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)

Business Environment	<ul style="list-style-type: none"> <li>Genuine entrance into the in-vehicle solutions domain, including audio. Despite concerns over the impact of unstable international relations, the in-vehicle solutions domain is seen as one in which Yamaha can leverage its unique strengths. Recognition of the domain's significant growth potential</li> </ul>	Opportunities	<ul style="list-style-type: none"> <li>Business growth in the massive in-vehicle audio market by leveraging Yamaha's core strengths</li> <li>Growing demand for flexible printed circuits following the shift toward IoT and automotive smart technologies</li> </ul>
		Risks	<ul style="list-style-type: none"> <li>Uncertain international relations starting with the trade conflict between the U.S. and China</li> <li>Particularly long lead times and demand for high quality unique to automobile-related domains</li> </ul>

## Key Strategies

Electronic devices (in-vehicle audio)	Specific Initiatives	Strengthen appeal of proposals for comprehensive solutions centered on sound
Expand adoption of in-vehicle sound modules and in-vehicle thermoelectric devices		Promote optimal value that appeals to each target segment
Enhance level of market recognition and propose value that meets the needs of customers		Establish a development and production structure that can handle the increase in development projects
FA equipment		Leverage core technologies to develop solutions for other fields
Develop new detection solutions and expand customer base		Expand customer base for printed circuit board testing machines and ultrasound inspection equipment
Automobile interior wood components		Improve short-term and medium-term profitability
Expand customer base for vehicle interior panels	Expand sales by securing new orders	

## Business Policy under the New Medium-Term Management Plan

In the industrial machinery and components business, we moved beyond our conventional business structure that relied too heavily on semiconductors. Now, we are promoting operations centered on the three fields of in-vehicle modules, automobile interior wood components, and FA equipment. Under the new medium-term management plan, we will approach the first two fields in an integrated fashion as comprehensive in-vehicle solutions as we shift our emphasis toward automobile-related domains. We will also enhance our product and support foundation to accelerate growth aimed at establishing the industrial machinery and components business as our third business pillar.

## Main Points of Key Strategies

For the in-vehicle solutions domain, we will accelerate proposals that leverage our core sound technologies. Vehicle interiors are brimming with a broad array of sounds, including the sound of the engine, the sound of tires in motion, music, and people's voices. Accordingly, we will provide various types of models that can provide optimal solutions for these types of sounds. Recently, following the widespread adoption of electric vehicles and hybrid vehicles, there is now a need to keep in-vehicle noise to reasonable volumes and install exterior warning devices from the perspective of safety and comfort. Our signal processing technologies are being utilized to address these types of needs. In light of our track record in this area, we will make a genuine entrance into the in-vehicle audio domain. By pursuing our passion for sound in the unique sound environment inside automobiles, we will work to

achieve differentiation as we aim to promptly acquire a share in the massive market for in-vehicle audio, which exceeds ¥600.0 billion.

Additionally, we will work to realize the world's first practical application of waste heat power generation for automobiles and develop interior panels using new materials. In these ways, we will expand the scope of our operations through collaboration with other companies.

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. By swiftly responding to customer demands for high quality, which are growing year by year, we will reinforce the trust-based relationships we have with customers as we aim for the further adoption of our FA equipment. Furthermore, we will make proposals for leak tests that use hydrogen and develop nondestructive inspection devices that leverage ultrasound technologies. Through these means, we will create new uses for our equipment and actively cultivate new markets.

## Efforts to Accomplish Our Business Vision

We recognize that the most important theme of the new medium-term management plan is maintaining a sense of speed. Many of the initiatives we plan to carry out are expected to turn a profit in the final year of the plan, so it is extremely important that we secure new projects during the plan's first year to achieve our quantitative targets. While keeping a sharp focus on quality control, we will steadily expand the scale of the industrial machinery and components business through strategies that strike a balance between offensive and defensive approaches.

# STRATEGIES BY FUNCTION

## 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).

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



### 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 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 NEXT STAGE 12

We made progress with the major initiatives of the previous medium-term management plan and results were generally in line with our expectations.

In terms of our strategy for production bases, we established a new factory in India, which commenced operations in April 2019.

We also worked to establish a new factory in Indonesia, which is slated to start production during fiscal 2020. As for our strategy to reduce costs, we were unable to achieve the amount of cost reductions we aimed for due to soaring procurement prices for electronic components. However, we did make such accomplishments as reorganizing our production processes and establishing a global procurement structure. For our supply chain management (SCM) strategy, we standardized business processes by improving our current systems and made progress with collaboration between business units. We also enhanced the precision of our production plans. Additionally, we have been gradually moving forward with preparations to introduce new SCM systems under the new medium-term management plan.



#### New India Factory (Chennai)

Start of product shipping in April 2019

This factory aims to realize integrated production and sales operations while providing affordable products with high levels of cost competitiveness through planning, procurement, production, and distribution that is optimized for India.

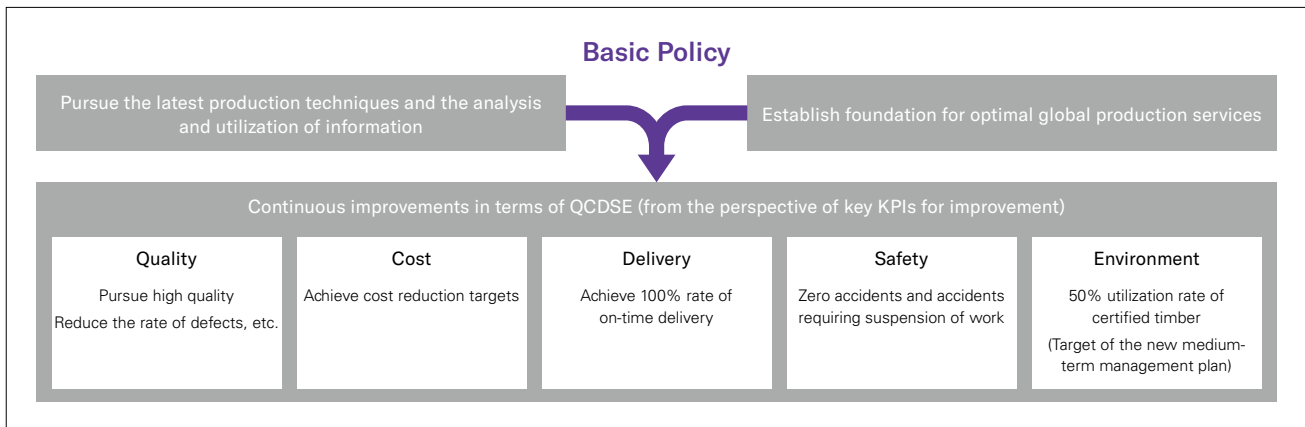
### Approach under the New Medium-Term Management Plan

Our production strategy under the new medium-term management plan is built upon the three pillars of production engineering, production information management, and global production services. For production engineering, we will create value by innovating our production methods. In terms of production information management, we will consider 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 quality, cost, delivery, safety, and the environment (QCDSE).

In regard to the continuous reduction of production costs, a major theme of the new medium-term management plan, we aim for a gross cost reduction of ¥10.3 billion and a net cost reduction of ¥5.5 billion over the plan's three-year period. To reach this target, we will promote the following three efforts: Reorganize our global production processes, reduce procurement costs by promoting bulk purchasing and value analysis/value engineering, and automate production processes at overseas factories.

# MAKE WAVES 1.0

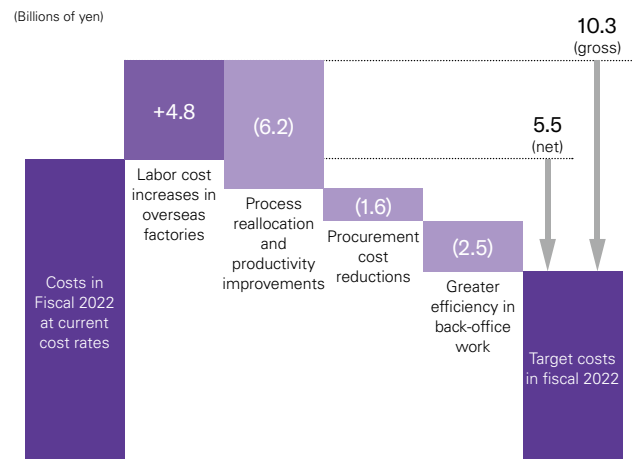
## Production Strategy under the New Medium-Term Management Plan



### Three Pillars of Our Production Strategy

<p><b>Production engineering (Production hardware)</b> Develop technologies to innovate production processes Establish competitive production processes</p>	Major Initiatives	<p>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</p>
<p><b>Production information management (Production software)</b> Realize a digital transformation (DX) within our production management</p>		<p>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</p>
<p><b>Global production services (Production infrastructure)</b> Strengthen production structure (organization and personnel) Stabilize procurement and reduce costs by establishing a procurement structure (see graph on right)</p>		<p>Establishment of regional headquarters, development and optimal allocation of human resources, establishment and enhancement of global procurement structure, promotion of sustainable forest resources</p>

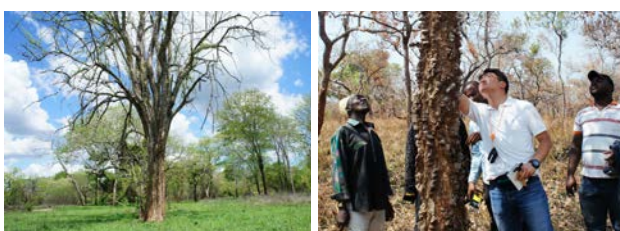
### Cost Reduction Analysis



### Efforts toward Sustainable Timber

A large number of instruments are made from primarily timber, including pianos, string and percussion instruments, and woodwind instruments. 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. It is also important to contribute to the development of local communities in timber-producing areas through the creation of employment opportunities and the establishment of infrastructure. Under the new medium-term management plan, one of our management targets is the non-financial target of achieving a 50% utilization rate of certified timber for the first time.



Efforts related to timber resources in Tanzania

A project to create a business model that enables the sustainable use of materials for woodwind instruments. This project aims to realize sustainable timber procurement and forest management that encourage coexistence with local communities.



Collaborative Research with academia (Kyoto University, etc.)  
Concluded a comprehensive research agreement with Kyoto University aimed at the sustainable cultivation and use of forest resources in October 2018. Through this agreement, we intend to conduct research on scarce

timber in Africa and Asia that is essential in creating quality sounds. We also plan on engaging in research on forest conservation ecosystems that will lead to new employment opportunities as well as research on new materials.

## 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 sales price of existing products, we work to enhance added 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 NEXT STAGE 12

We promoted "enhance customer interaction," a key strategy adopted under NEXT STAGE 12, in each country and region of

operation, helping to grow sales by 8% over the three-year period of the plan.

We steadily promoted sales activities with a particular focus on expanding our sales networks, promoting activities to popularize music education based on local needs, improving our personnel structure to strengthen customer support, and expanding our products and services to meet customer needs. In the musical instruments business, we took steps to establish sales networks and music schools centered on emerging countries, thereby expanding our customer contact points. For the audio equipment business, in addition to strengthening our internal personnel structure, we significantly increased the number of audio contractors who partner with us. This enabled us to cultivate new customers and establish a foundation and structure for the next stage of growth.

### Status of Music Popularization Activities

#### Music Schools (As of June 2019)

	Number of venues (classrooms)	Number of students
Japan (total for children and adults)	2,900	357,000
Overseas (total from over 40 countries and regions)	1,500	230,000

→ Plan to increase number of overseas students by 30% over the next three years

#### Expansion of School Project\* (As of March 2019)

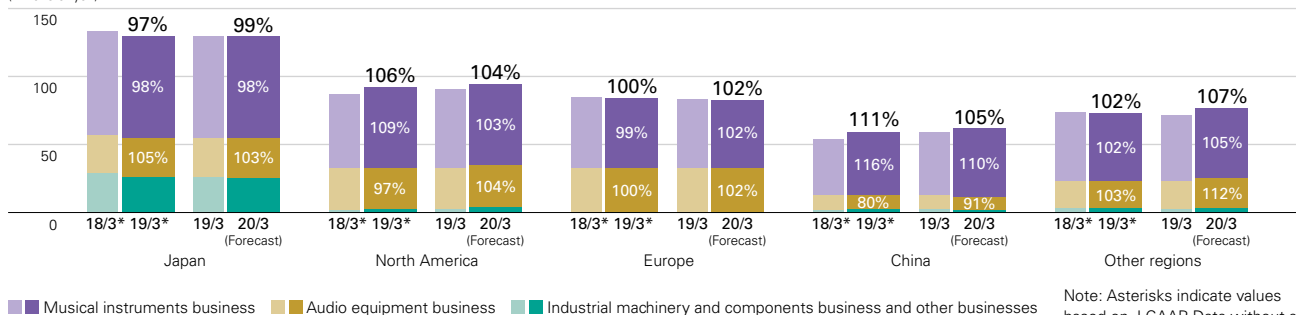
Countries offering the program	Total number of students
5 countries	260,000

→ Plan to achieve a cumulative total of 1 million students in seven countries over the next three years

\* Project that provides opportunities for children to play musical instruments in schools with the aim of spreading musical instrument education and increasing the music-playing population (see page 71)

### Sales Growth by Region (Year-on-year change on an actual basis that excludes the impact of exchange rates)

(Billions of yen)





# MAKE WAVES 1.0

## Strategy under the New Medium-Term Management Plan

Targets for Fiscal 2022 (Based on IFRS)

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

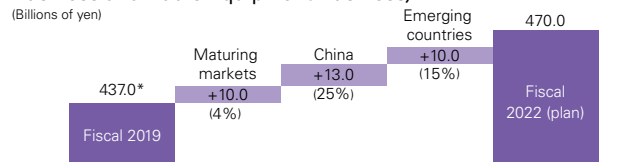
- Encouraging customers to seek out the Yamaha brand by promoting customer value
- Promoting new sales frameworks on a global basis

### Direct Digital Marketing

In addition to our conventional approach of promoting the value of our brand at stores, we will promote direct marketing via digital platforms. Over the three-year period of the new medium-term management plan, we will set up a structure for establishing direct ties with customers on a global basis.

As a manufacturer, efforts to communicate the value of our products and brand to customers will help us strengthen customer value. These efforts will also encourage customers to visit our stores and experience the value we offer firsthand. To ensure

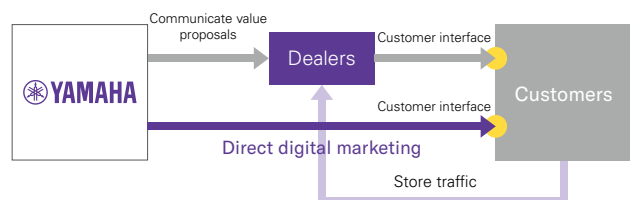
### Analysis for Revenue Growth by Region (Musical Instruments Business and Audio Equipment Business)



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)

that customers seek out the Yamaha brand, we will reestablish frameworks for our communication strategy and sales structure and improve the value of our services. In these ways, we will enhance our contact points with customers.



### Key Strategies

Improve ability to communicate brand and product value	Communicate value to customers through direct marketing Promote reforms to sales frameworks
Improve service value	Develop broader, deeper, longer ties with customers through the introduction of lifetime value (LTV) and the enhancement of product support services, etc.
Expand contact points with customers	Accelerate growth in emerging countries such as India and ASEAN by incorporating demand from the middle class, promoting e-commerce and store-based initiatives, introducing models catered to each region, and expanding the music-playing population.
Establish global management foundation	Promote global human resource management systems Build next-generation enterprise resource planning (ERP) systems

### Improving Ability to Communicate Brand and Product Value

Thus far, our contact point with customers has been through our authorized retail shops, and expanding that contact point has led to the expansion of our businesses overall. Going forward, we will establish frameworks that allow us to form direct relationships with customers and promote the value of the Yamaha brand via digital platforms.

### Improving Service Value

As more value is gradually being placed on the experience of using a product rather than owning one, there has been a growing number of customers who are not overly concerned with ownership. To place more emphasis on the value of lifestyles enriched by musical instruments and to form broader, deeper, and longer ties with our customers, we will continue to make proposals that cater to the life stages of each customer and strive to maximize our LTV.

### Expanding Contact Points with Customers

To incorporate the new demand generated by the growing middle class in emerging countries such as India and ASEAN, we will

establish an omnichannel approach that integrates e-commerce and physical stores. We will also promote the adoption of new business models at stores to place more emphasis on experiences, in conjunction with efforts to expand our sales networks.

#### Initiatives in Key Emerging Markets (figures in parentheses represent the changes from fiscal 2019)

- China: Increase number of outlet stores to 2,300 (15% increase)  
Increase number of piano specialty stores to 470 (two-fold increase)
- India: Increase store numbers to 500 (35% increase)  
Commence in-house e-commerce initiatives and direct delivery from factories to cover the entire country

For the School Project in emerging countries, we will contribute to education-related social issues by creating opportunities for children to play musical instruments as a part of their school education. By doing so, we will create future demand.

## 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 contribute to profit generation and business growth.

**Koichi Morita**  
Operating Officer, Senior General Manager of Research & Development Division, Technology Unit



### 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 NEXT STAGE 12

One of the four key strategies adopted under the previous medium-term management plan was to develop products with distinctive individuality. By combining the numerous unique technologies we possess, we developed and launched products with distinctive individuality and competitive products that our competitors cannot imitate. These included Venova™, a casual wind instrument that realizes a rich tone with a compact size, as well as the TransAcoustic™ Guitar, which enables brand-new musical performance experiences. The development and launch of such products contributed to our business performance growth.

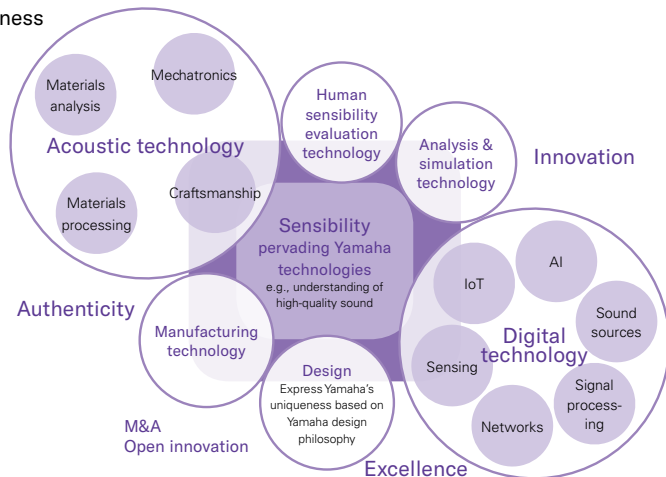
Reflecting on NEXT STAGE 12 with an emphasis on technologies, we made gradual progress with research on sensibility evaluation technologies, analysis and measurement technologies, materials technologies, and sensing technologies, all of which we focused on as major themes. In addition, we saw positive results from our product design and development activities, which contributed to our solid performance.

### 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, material processing, mechatronics, etc.
- Digital technologies  
Electronic technologies, best represented by our digital signal processing technologies  
Sound source, 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



# MAKE WAVES 1.0

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

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

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

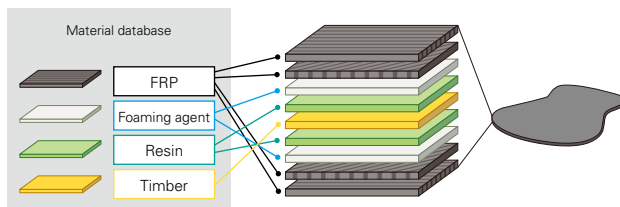
### Reaching New Heights of Competitiveness by Enhancing Our Strengths in the Fields of Materials, Elemental Components, and AI

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

#### Fields of Materials and Elemental 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

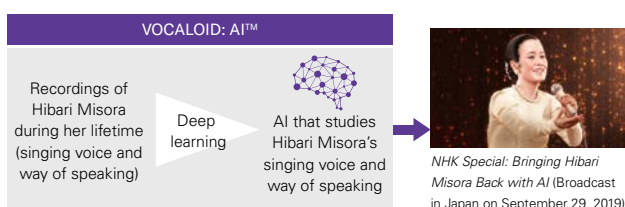
By integrating our long-cultivated technologies and sensibilities with AI technologies, we will pursue the development of products and services that are uniquely Yamaha.

For example, we are working to apply the following improvement functions to a wide range of products and services:

- Personalization of musical accompaniment and lessons
- Automated / assisted PA operation
- Synthesized singing voice technologies, production of musical instrument sounds

#### Examples of Leveraging AI Technologies

VOCALOID: AI™ faithfully reproduces the singing of legendary Japanese vocalist Hibari Misora to live perform a new song

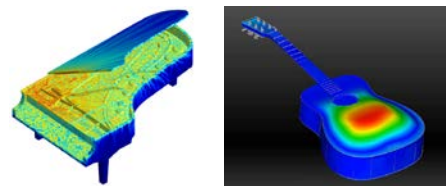


### Establishing and Innovating Design and Development Methods

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.

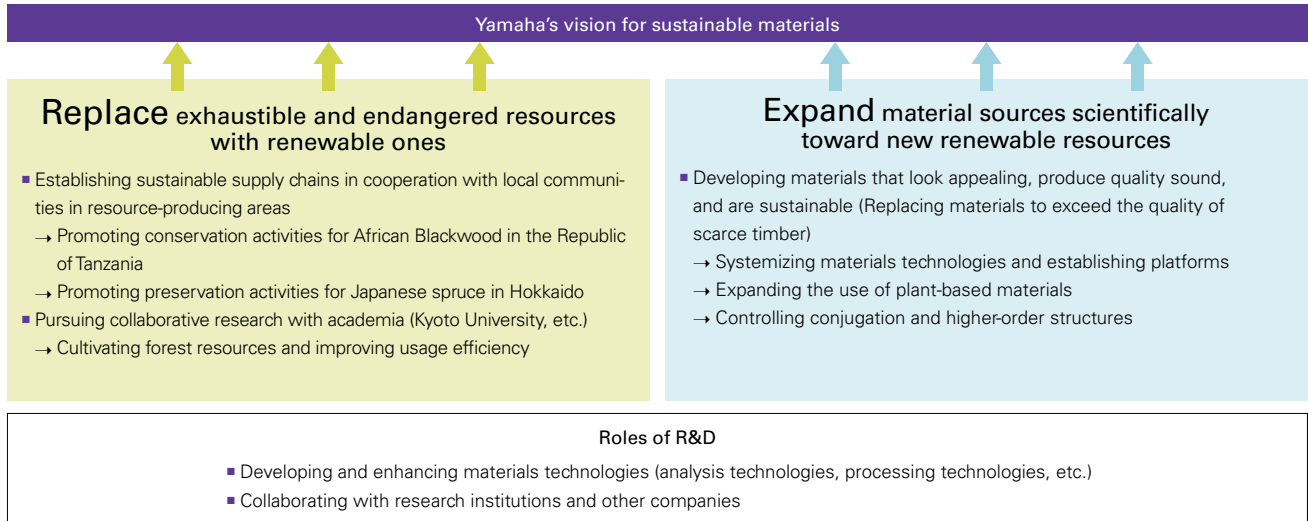
For example, by providing performance support through AI to allow even beginners to enjoy playing a musical instrument in a simplified manner, we are able to lower the hurdle for people to begin learning a musical instrument. In addition, through musical notation technologies, we can make it possible 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



RESEARCH AND DEVELOPMENT

Approach to Sustainable Materials from Two Perspectives



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. Cultural value is something that is encapsulated in human nature. We therefore believe it is our job to ensure the sustainability of music culture. Music culture is a valuable asset of humankind, and it is our hope that future generations are able to enjoy music culture in the form of musical instruments and audio equipment. We believe that R&D will play a significant role amid our earnest quest to determine how we can make music culture sustainable.

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 already concluded a comprehensive research agreement with Kyoto University, and we 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.

TOPICS

Yamaha's Innovation Center—A Base for Creating New Innovations

To further refine our core technologies and spur new innovations, we established the Innovation Center, an R&D base with state-of-the-art research and testing equipment, at our headquarters. The Innovation Center gathers together the approximately 2,500 engineers and engineers of our Research & Development Division, thereby accelerating the development of products and technologies in a manner that goes beyond the boundaries of our business domains.



Corporate Museum Innovation Road

On the ground floor of the new R&D building, we established the corporate museum Innovation Road, which displays the history of Yamaha's product creation. In addition to audio and visual guides explaining products and services that embody Yamaha's unique nature, Innovation Road enables visitors to experience—through sight, sound, and touch—the path Yamaha has followed in pursuing challenges from the past to the present as well as into the future.

Laboratories

The laboratories in the Innovation Center have been installed with the latest equipment for performing technological evaluations of prototypes as well as sensory evaluations. These laboratories also include a variety of studios, rooms for testing out musical instruments, an anechoic chamber, a reverberation chamber, and a vibration laboratory.

(Left) Anechoic chamber: A special measurement room in which sound absorption wedges have been installed on the surface of walls and echoes within the room have been reduced as much as possible.

(Right) Reverberation chamber: A room used to measure the absorption coefficient of building interior finishing materials as well as sound source audio power levels.





## Developing Products and Technologies with Distinctive Individuality

### Musical Instruments

#### TransAcoustic™ Piano



By having a transducer convert digital sounds into vibrations and transmit those vibrations to the soundboard, the TransAcoustic™ Piano's soundboard takes on the role of a speaker to produce distinctly rich sounds.

Picture: TransAcoustic™ Piano C3X-TA2

#### TransAcoustic™ Guitar



An actuator installed in the TransAcoustic™ Guitar makes it possible to generate authentic reverb and chorus sounds from inside the guitar body without having to connect to an external amp or speaker.

Picture: TransAcoustic™ Guitar CG-TA

#### Casual Wind Instrument Venova™



The casual wind instrument Venova™ is a brand-new kind of wind instrument in a compact size that leverages innovative technologies to produce the colorful tones of a saxophone.

Picture: Alto Venova™ YVS-120 and Venova™ YVS-100

### Audio Equipment

#### RIVAGE™ Digital Mixing System



RIVAGE™ is a next-generation flagship digital mixing console with thoroughly enhanced features such as state-of-the-art sound quality, operability, functionality, reliability, and configurability.

#### Virtual Circuitry Modeling Technology



In order to reproduce the deep sounds of analog devices using our DSP (digital sound field processor) technology, we developed virtual circuitry modeling (VCM) technology that accurately models element levels in analog circuits at a world-class level. This VCM technology has been installed in such products as our PA equipment, digital musical instruments, and guitar amps.

#### Hi-Fi Speaker Diaphragms Realizing Consistent Tones at All Bandwidths



NS-5000 speaker that makes use of newly conceived technologies and materials

We have gathered together next-generation speaker technologies. With a passion for recreating pleasant audio sensations and precise sounds, we have installed newly developed diaphragm materials, which realize sound speeds that rival beryllium, in all of our speaker units, thereby realizing consistent tones at all bandwidths.

#### TOPICS

### Yamaha Instruments Registered as Japan's Leading Historical Technologies by the National Museum of Nature and Science

In September 2019, the National Museum of Nature and Science, an independent administrative institution, registered Yamaha's D-1 electronic organ, DX-7 digital synthesizer, and YM3526 and YMU757 FM sound generator LSIs as Japan's Leading Historical Technologies (nickname: Technological Heritage). In addition to being the first time Yamaha's technologies were registered as Technological Heritage, this also marked the first time that musical instruments and LSIs achieved registration.



D-1



DX7



YM3526



YMU757

#### D-1 Electronic Organ (Electone™)

An electronic organ that became the starting point for digital musical instrument technology and music education in Japan

First appearance: 1959  
Year of production: 1959

#### DX-7 Digital Synthesizer

A digital synthesizer installed with FM sound generators that produced rich, expressive sounds that changed the music scene at the time

First appearance: 1983  
Year of production: 1983

#### YM3526 and YMU757 FM Sound Generator LSIs

FM sound generator chips that brought high-quality melodic sounds to multimedia devices and cellular phones

(YM3526)  
First appearance: 1984  
Year of production: 1986  
(YMU757)  
First appearance: 1999  
Year of production: 2000

RESEARCH AND DEVELOPMENT

# 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, 2019, the Group possessed approximately 2,600 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.

## Designs

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, 2019, the Yamaha Group held a total of approximately 1,260 design rights, roughly 460 in Japan and 800 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.



### 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.

## BRANDING

In January 2019, we established the brand promise of Make Waves, and have since been communicating this promise on a global basis. With the new medium-term management plan, we will promote the value of the Yamaha brand through our brand promise and develop customer interfaces with a focus on digital marketing. In these ways, we will move forward with efforts aimed at improving our brand value.

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



### Vision of the Brand Development Unit

To realize our management vision of “becoming an indispensable, brilliantly individual company,” we will create higher quality customer experiences and establish an ideal brand image that can be communicated consistently on a global scale.

### Promoting the Value of Our Brand through Our Brand Promise

#### Promise to Customers to Make Yamaha an Indispensable Company

The starting point of our full-scale brand strategy was the previous medium-term management plan, under which we adopted the goal of increasing our brand power. With the establishment of our new brand promise Make Waves in January 2019, we made a promise to encourage our customers’ passions and help them take a step forward to express their individuality, emotion, and creativity. Going forward, we will work to strengthen our proposal-making capabilities so that we can create experiences for customers to feel enthusiastic excitement.

#### Fostering a Brand Image by Strengthening Contact Points

Despite being a brand that is widely well-known and has received a certain level of praise from existing customers, we have not been able to sufficiently promote the value our brand offers to potential customers. To address this brand-related issue, we will increase the number of opportunities for more customers to come in contact with our brand from both a digital and physical perspective. We will offer our customers an easy-to-understand brand story that communicates how our products and services can enrich and invigorate people’s lifestyles. Through these efforts, we will take steps to foster a consistent brand image.

#### Internal Branding

To create a robust brand, the active participation of our employees is essential. To that end, we are holding global workshops to discuss how we can convey the value of our brand to customers, centered on our brand promise. We are also hosting international conferences where we present the accomplishments of brand-related activities in each country. Through these means, we are creating opportunities for our employees to consider the ideal image for our brand on their own and act accordingly. This process has helped to significantly improve employee awareness and morale.

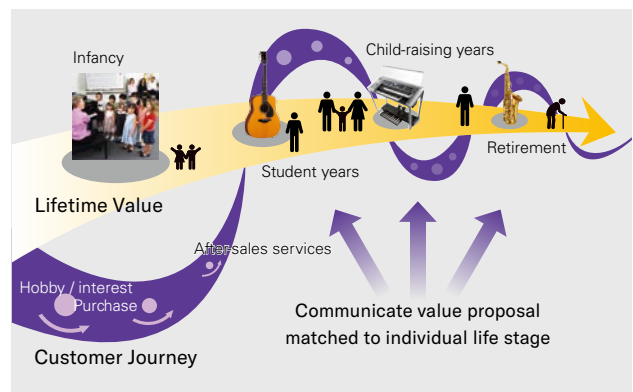


“I’m a HERO Program”—An initiative to support the resolution of social issues through music in Colombia

### Creating Frameworks to Form Ties with Customers Improving Lifetime Value (LTV)

Today, with the overabundance of information available to customers, it is becoming more difficult to communicate a brand message. At the same time, there is a greater demand for high-quality services that suit customer needs. In light of this situation, we are working to build a customer data platform to analyze the important information and behavioral history of registered members in our database. This in turn will allow us to offer proposals optimized for each customer. Going forward, we will aim to realize even more effective communication with a view to improving our LTV. At the same time, we will promote the value that our brand offers in a manner that caters to the individual life stages of our customers.

#### Contribute to Enhanced Lifetime Value



## DESIGN

Yamaha has always placed emphasis on design. In 1963, we established an in-house organization dedicated to design, which has since helped us build the Yamaha brand. In recent years, we have expanded the area of operation for this in-house organization, working to design various contact points with customers with the aim of enhancing our brand value.

Manabu Kawada  
General Manager of Design Laboratory,  
Brand Development Unit



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

<p><b>INTEGRITY</b> Design that respects the essence of the object</p>	<p><b>INNOVATIVE</b> Creative design</p>	<p><b>AESTHETIC</b> Beautiful design</p>	<p><b>UNOBTRUSIVE</b> Restrained design</p>	<p><b>SOCIAL RESPONSIBILITY</b> Design that meets the needs of today's society</p>
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### Taking on Challenges at Milan Design Week 2019

#### A Training Ground Where Brilliantly Individual Designers Voice Their Opinions and Deepen Their Thought Processes

Yamaha held an exhibition at Milan Design Week 2019, one of the world's largest design-related events, which was held in Milan, Italy from April 9 to April 14, 2019. We have participated in the event four times in the past from 2005 to 2008, presenting pieces created through our unique design ideas. Our most recent exhibition marked the first time we have participated in Milan Design Week in 11 years. Titled "pulse," our exhibit featured four sound-related pieces and also included presentations by our designers regarding their investigations on how design can make waves in people's hearts.

By taking on challenges that differ from our day-to-day product design activities, the purpose behind holding this exhibition was to have our designers communicate Yamaha's unique worldview as well as the value systems that they themselves cherish. We also held this exhibit so that our designers could witness firsthand reactions from industry specialists and visitors from around the world when viewing Yamaha's designs. In these ways, the exhibit helped our designers deepen their personal understanding on design philosophy and better define their own identity.



Above: Entrance to the Yamaha exhibit hall  
Below and left: Yamaha's exhibition pieces.  
The piece on the left is titled "Pianissimo Fortissimo," a wall-mounted piece that can be touched and played and uses grand pianos as its motif.



### CSP Series Clavinova™ Digital Piano

By eliminating electronic buttons from the instrument, the CSP Series Clavinova™ digital piano achieves the appearance and playability of an upright piano. The music stand of the CSP Series Clavinova™ has been placed at the player's fingertips for improved visibility during performance and ease of set-up so to be better used with a connected tablet or other smart device. The music stand's height, angle, and distance have been designed in a way that minimizes interference during performance.

Red Dot Award: Product Design 2019 (Germany)



### VKB-100 VOCALOID™ Keyboard

The VKB-100 VOCALOID™ keyboard is a lightweight, slim, over-the-shoulder keyboard that was designed so that people can play the instrument while standing and moving with it close to their bodies. This design was chosen in consideration of the various scenarios in which people could use this instrument, such as when singing Karaoke. The grip section has purposely been set at an angle to the playing surface so that the player's fingers are guided naturally to the home position, and the area that the fingers strike when sliding has been flattened for improved playability. The elimination of any unnecessary decorations and functionalities has produced a pure shape that acts as a canvas upon which VOCALOID characters can be projected, a perfect match for the product concept.

2018 Good Design Award's GOOD DESIGN BEST 100

## YAMAHA'S DESIGN

# Supporting Yamaha's Growth by Working to Enhance Our Brand Value from the Perspective of Design

### WXC-50 Wireless Streaming Amplifiers

The WXC-50 wireless streaming amplifiers utilize a prominent physical volume knob to represent both a new take on network audio and the ubiquitous identity of an audio products. Based on the product concept of simple and flexible, the WXC-50 pursues a retro-modern appearance, with the brushed surfaces of everything but the knob giving it a form that is familiar, yet subtle.

German Design Award 2019 Winner (Germany)



### 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

### YVC-200 Portable Speakerphone

From the initial stage of making sketches for the design of the YVC-200 unified communication speakerphone, Yamaha designers made proposals for a detailed design that achieves a balance between a compact size and high sound quality. Paying particular attention to such aspects as the way the buttons light up and the quality of sounds produced when operating the device, Yamaha placed emphasis on creating a charming shape that expresses the loveliness of sound. By doing so, the YVC-200 realizes a subtle design that enables it to naturally blend in to the atmosphere of a room.





# FOUNDATION FOR

## III. Foundation for Growth

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# G R O W T H



# HUMAN RESOURCES

We are working to create an environment that enables employees with unique personalities and diverse backgrounds to fully demonstrate their sensibilities and creativity. At the same time, by building and promoting a global human resources management structure, which includes cultivating and developing personnel, we are contributing to sustainable corporate value improvement.

## Masato Takai

Operating Officer, Executive General Manager of Human Resources and General Administration Unit



## Basic Policy

Yamaha's human resources are the source of corporate value creation and the driving force behind sustainable growth.

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, to ensure that life events such as giving birth, raising children, or providing nursing care do not impede on the career development of our employees, we are providing support to help our employees achieve a work-life balance. In these ways, we are creating an environment where employees can work with a high level of enthusiasm.

Human resources are the most important resource for a company. Accordingly, we in the Human Resources Division recognize our responsibility and duty to create a corporate culture that boosts the motivation of our employees and allows them to demonstrate their talents to the greatest extent possible.

## Our Vision

■ Allocate the right personnel in the right location 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 consideration to sustainability globally in the human resources domain, including respect for human rights, communication between employees and management, and workplace safety. Ensure that all employees dedicate themselves to creating value while working with peace of mind

## Results under the Previous Medium-Term Management Plan NEXT STAGE 12 and Initiatives Going Forward

### Global Human Resources Management and Development

Up until now, we have been operating human resource systems, including human resources management and development, on an individual Group company basis. However, for core personnel positions, we plan on developing managers and key human resources for the next generation through global human resources management and the promotion of succession plans.

We also aim to leverage the potential of each employee to the greatest extent possible by allocating and developing personnel based on information pertaining to global human resources.





Under the concept of supporting highly motivated employees who wish to fulfill their responsibilities and aim to make constant progress, we are working to create an education and training system that is equally focused on skill improvement and career development as the basis for nurturing human resources that can succeed globally. At the same time, each training program implemented is tailored to a specific objective and group of employees.

**Promotion of Diversity and Inclusion**

We believe that the diversity of people who differ in age, gender, sexual orientation, gender identity, disability, nationality, race, culture, values, lifestyle, and career background is the source of new value creation. Yamaha also seeks to further strengthen, grow, and develop its corporate competitiveness by respecting and utilizing each individuality.

In particular, we are striving to create an environment in which women can excel and establish various systems that helps support a work-life balance. As of the end of fiscal 2019, the average number of years of continuous employment for both male and female employees was nearly equal, at approximately 20 years (19.3 years for male employees and 19.9 years for female employees) (see page 15). Furthermore, in 2017, we appointed our first female director (outside), and in 2019, we appointed our first female operating officer. Going forward, by increasing the number of opportunities for skills development, including through the female managerial candidate selection and development program, we will actively promote efforts to expand the career scope for our female employees.

**Promotion of a Work-Life Balance**

We are pursuing work-life balance initiatives through such means as establishing the Work-Life Balance Promotion Committee, which is jointly run by labor and management, shortening overall working hours, and creating and enhancing work-life balance support systems. As part of our efforts to reduce overall working hours, we established guidelines for overtime in order to prevent long working hours and excessive work. In addition to annual paid leave days, we developed a system for assorted types of leave, including special holidays given every time an employee has worked for five consecutive years, with the aim of

supporting major life events of our employees and respecting their private lives.

Additionally, to establish win-win relationships between the Company and its employees, or in other words, to improve employee fulfillment and mutual productivity, we are moving forward with workstyle reforms. For example, we have implemented teleworking aimed at increasing employee fulfillment in their work and ensuring that employees with work-hour restrictions are able to maximize their abilities. We have also adopted a flextime system that allows employees to work shorter hours. Furthermore, we are conducting leadership skills training with a view to improving communication between employees and their supervisors. In this manner, we are making earnest efforts to reform our work styles.



Platinum Kurumin certification mark based on Act on Advancement of Measures to Support Raising Next-Generation Children



Yamaha Corporation included in the Certified Health & Productivity Management Outstanding Organizations Recognition Program for the third consecutive year

**Establishment of In-House Childcare Facility**

In August 2019, Yamaha Corporation established an in-house childcare facility (*Otono Ie*, which literally translates to House of Sound). At Yamaha, nearly all female employees



who have given birth have taken childcare leave, with a total of 95 male employees making use of this leave as well (as of March 31, 2019). By establishing this in-house childcare facility, we have made it easier for our employees on childcare leave to return to work and are providing these employees with peace of mind knowing that their children are nearby. In these ways, this facility helps realize a work environment that allows employees to better focus on their job.

**Basic Approach to Diversity and Inclusion**





The Yamaha Group is guided by its 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.” To put this philosophy into practice, Yamaha is working to understand the impact of its business activities on the environment and society and to pursue dialogue with stakeholders, while solving challenges to help create a sustainable society.

## Yamaha Group Sustainability Policy

Our aim is “Sharing Passion & Performance”

Based on the Corporate Philosophy, Yamaha conducts its sustainability activities according to the following guidelines, seeking to contribute to the sustainable development of society and to further strengthen the bond of trust with its stakeholders through sound, transparent management methods, and corporate activities that balance social and environmental concerns.

1. By creating new values through products and services focused on social and environmental issues, Yamaha contributes to the sustainable development of society.
2. Through business development and social contributions based in each region of the globe, Yamaha contributes to the promotion and popularization of music, and to the development of communities.
3. By understanding the significance of protecting the natural environment and maintaining biodiversity, and by promoting the reduction of environmental burden through measures such as sustainable procurement of timber and lowering greenhouse gas emissions, Yamaha works to maintain a healthy global environment.
4. Yamaha observes laws, ordinances, and social norms, and moreover, conducts business in a fair and impartial manner throughout the entire value chain, including activities such as socially responsible procurement carried out in cooperation with business partners.
5. Yamaha endeavors to prevent abuses of human rights, responding appropriately to the effect of its business activities as well as to any attendant risks to human rights, with the goal of achieving a society that safeguards the dignity of all.
6. Yamaha works to create an atmosphere that holds in high regard the employee diversity that is a source of the new values created within the company, and which allows each person to fully demonstrate their sensibilities and creativity through training and use, without regard to race, nationality, gender, or age.

Formulated in February 2010 and revised in July 2018

## Promotion of Sustainability Priorities

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 (see page 68). When determining these sustainability priorities, we took into consideration the feedback and requests we have received from each stakeholder as well as advice from outside experts. In addition, the importance of issues identified through this feedback and advice were evaluated based on our management vision and medium- to long-term policies, and the sustainability priorities were determined after discussion by our upper management. Under the medium-term management plan, each relevant division and the Sustainability Division have determined KPIs and action plans that evaluate targets and levels of progress toward the sustainability priorities we identified, and these KPIs and action plans have been approved by our upper management. Through progress monitoring by the Sustainability Division and annual reviews by the Managing Council, which is chaired by the president, we are promoting efforts to address our sustainability priorities.

## Efforts toward the Sustainable Development Goals

The Yamaha Group intends to contribute to the attainment of the Sustainable Development Goals (SDGs), which were adopted as a set of shared goals for global society, through its business.

In addition to our efforts to contribute to Goal 4 through our initiatives to spread music, we are also working on Goal



12 and Goal 15 through efforts to procure sustainable sources for timber. We are currently developing products and services with an awareness of the goals and targets of each SDG, and endeavoring to improve our business processes.

### Participation in Initiatives

With a commitment to cooperating and forming ties with global society as we work toward building a sustainable society, Yamaha signed the UN Global Compact in June 2011, and is working to adhere to the 10 Principles in the four areas of human rights, labor, environment, and anti-corruption. As a member of the Global Compact Network Japan, we also actively participate in subcommittees.



### Examples of Specific Initiatives

#### Efforts to Combat Climate Change

We have been pursuing a broad range of efforts to reduce our greenhouse gas (GHG) emissions. These have included optimizing production methods and equipment configuration, thoroughly controlling energy use, building energy-efficient equipment and co-generation systems, and introducing fuel-changing initiatives and renewable energy.

In addition, we have established medium- to long-term targets for fiscal 2031 of reducing scope 1 + 2\*<sup>1</sup> emissions by 32% and reducing scope 3\*<sup>2</sup> emissions by 30% compared with fiscal 2018 levels. In June 2019, these targets were verified and approved by the Science Based Targets (SBT) Initiative,\*<sup>3</sup> an international environmental organization. Furthermore, we have created an additional target for fiscal 2051 of reducing scope 1 + 2 emissions by 83%.

Also in June 2019, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD).\*<sup>4</sup>

We control emission volumes in accordance with the GHG Protocol, a standard for the calculation and reporting of GHG. Additionally, scope 1, 2, and 3 emissions have been receiving third-party verification since fiscal 2017.



- \*1. Direct emissions from fuel use, etc., at Company facilities; Scope 2: Indirect emissions from the generation of purchased energy, such as electric, steam, etc.
- \*2. All indirect emissions that occur in the value chain of the Company (not included in scope 1 and scope 2), including both upstream and downstream emissions (e.g. raw materials, parts procurement, transportation, product usage, etc.)
- \*3. The SBT Initiative promotes the setting of science-based targets for reducing greenhouse gas emissions in order to achieve the targets of the Paris Agreement, and also assesses and approves such targets.
- \*4. The TCFD was established by the Financial Stability Board (FSB), whose members consist of central bank governors and finance ministers of major countries. By assessing and disclosing information about the financial impact of risks and opportunities related to climate change, the TCFD provides advice with the aim of encouraging appropriate investment decision-making by investors.

### Efforts toward Sustainable Timber Procurement

The Yamaha Group has established a due diligence system to prevent procuring timber from illegal sources and is promoting a strict confirmation process for timber procurement legality through site visits and surveys of documents for procurement sources. We conducted a documentary investigation targeting all business partners from which timber was purchased in fiscal 2018, assessing the place of origin, the legality of harvesting, and the sustainability of relevant resources. Based on these results, we conducted stricter verification of legality for timber deemed to present a high risk. We also confirmed that 94% (volume ratio) of procured timber was low risk. We conduct this survey annually with the cooperation of suppliers under the aim of realizing a 100% rate of low-risk timber procurement.

Furthermore, we are increasing our use of certified timber produced from sustainable forests. Under the new medium-term management plan, we have set the objective of achieving 50% certified timber use through the three years leading up to fiscal 2022, and we are actively proceeding with the procurement of such timber. Additionally, if we convert our forecast for timber purchases during fiscal 2020, we expect that certified timber will account for at least 29% (volume ratio) of timber purchases for the year.

In fiscal 2016, we began efforts to conserve seeds and realize sustainable procurement of African Blackwood, a type of wood for which the resource volume has been decreasing. These efforts are being promoted in collaboration with the United Republic of Tanzania, which is where we procure African Blackwood from. With the aim of constructing a business model that can sustainably use this wood variety as a material for musical instruments, we are promoting on-the-ground surveys as a BOP (Base of Pyramid) cooperation business with the Japan International Cooperation Agency (JICA), an independent administrative institution. Also, from fiscal 2018, we have been cooperating with local NGOs and local community members to begin tree planting activities for African Blackwood with the goal of securing a resource volume for the future.






On-site investigation of supplier

Sustainability Priorities and Progress

Sustainability priorities	Major initiatives	Classification under the new medium-term management plan, Make Waves 1.0	Fiscal 2019 progress and results
Development of products and services with a focus on social / environmental issues	Response to societal issues	Culture / Society	<b>Music Culture and Education</b> <ul style="list-style-type: none"> <li>Released new digital materials to support music education (chorus and recorder lessons)</li> </ul> <b>Universal Design</b> <ul style="list-style-type: none"> <li>Released new multilingual simultaneous interpretation guide feature for SoundUD™, and launched a subtitle support project for those with visual or hearing impairment</li> </ul> <b>Health / Safety Solutions</b> <ul style="list-style-type: none"> <li>Began supplying market with in-vehicle communication modules for emergency call systems</li> </ul> <b>Workplace</b> <ul style="list-style-type: none"> <li>Launched trial shared office project utilizing soundproof rooms and conference systems</li> </ul>
	Response to environmental issues	Environment	<ul style="list-style-type: none"> <li>Certified 53 models of Yamaha Eco-Products (379 models total, 18% of sales)</li> <li>Developed a thermoelectric power generation module which can utilize waste heat, and built a production system for it</li> </ul>
Development of regional community-based business and social contribution activities	Spread instrumental music education to schools	Culture / Society	<ul style="list-style-type: none"> <li>Provided a total of 260,000 students from 1,300 schools in five countries in Southeast Asia and elsewhere with the opportunity to play musical instruments</li> <li>Provided approximately 5,100 students from 63 schools in six countries in Africa and the Middle East with the opportunity to play musical instruments</li> <li>Donated musical instruments and provided education support to five migrant worker schools in five cities in China (total of 55 schools)</li> </ul>
	Support for youth development orchestra / band		<ul style="list-style-type: none"> <li>Held musical instrument maintenance seminars for seven organizations in three countries in Latin America (total of 29 organizations in five countries)</li> <li>Established training program for repair technicians and held seminars in three countries in Latin America; produced a total of 19 certified repair technicians</li> </ul>
	Community support		<ul style="list-style-type: none"> <li>Worked with the Reconstruction Agency as part of a project to build communities through music (<i>Oto-Machi</i>)</li> </ul>
Lowering of greenhouse gas emissions	Reduction of greenhouse gas emissions during business activities	Environment	<ul style="list-style-type: none"> <li>Established reduction targets (SBTs) based on scientific knowledge</li> <li>Implemented energy reduction measures, such as actively introducing energy-saving equipment and improving facility operations</li> <li>Conducted third-party greenhouse gas emission verification</li> </ul>
	Response to climate change		<ul style="list-style-type: none"> <li>Formulated BCP in preparation for natural disasters, etc.</li> </ul>
Sustainable procurement of timber	Avoid use of illegally lumbered timber; promote use of certified timber	Environment	<ul style="list-style-type: none"> <li>Improved timber due diligence (DD) system</li> <li>Conducted DD (including on-site inspections) on all timber purchased and judged 94% of purchases as low risk</li> <li>Improved ratio of certified timber (29% of all purchased timber)</li> </ul>
	Promote the procurement of timber with an awareness of cycle-based forest conservation		<ul style="list-style-type: none"> <li>Conducted surveys to produce high-quality timber from African blackwood in Tanzania, and launched a tree-planting pilot project</li> <li>Entered into an agreement to conduct comprehensive joint research with academia (Kyoto University)</li> </ul>
Promotion of 3R in products	Packing and packaging material	Environment	<ul style="list-style-type: none"> <li>Implemented returnable packaging materials and reduced size of materials</li> </ul>
	Products		<ul style="list-style-type: none"> <li>Promoted the reuse of products (piano renewal business)</li> <li>Introduced system for replacing electric organ units (to upgrade to more advanced / newer models)</li> <li>Implemented recycling of electric organs that were traded in (some models)</li> </ul>
Systematic initiatives for the respect of human rights	Develop system / structure	Society	<ul style="list-style-type: none"> <li>Added human rights management items to Yamaha Group Policies and Rules and related guidelines</li> <li>Held compliance seminars themed on preventing harassment</li> </ul>
	Promotion of supply chain management		<ul style="list-style-type: none"> <li>Enhanced supplier CSR assessment system</li> <li>Conducted assessments when beginning transactions (104 companies)</li> <li>Held seminars for procurement personnel and suppliers</li> </ul>
Promotion of diversity and human resources development	Global human resources management	Society	<ul style="list-style-type: none"> <li>Established Yamaha Group standards on grading and development, and conducted trials</li> </ul>
	Promotion of the active role of female workers, response to diverse workstyles		<ul style="list-style-type: none"> <li>Expanded work-life balance support system (established measures to provide more flexible working conditions, etc.)</li> <li>Promoted the female manager development program</li> <li>Increased ratio of female managers within Yamaha Group to 14.9% (worldwide total)</li> </ul>
	LGBT awareness and efforts to promote respect and support		<ul style="list-style-type: none"> <li>Implemented internal study sessions for HR personnel, etc. (two sessions with a total of 90 participants)</li> </ul>



Future issues and targets	Related SDGs
<p><b>Music Culture and Education</b></p> <ul style="list-style-type: none"> <li>Propose comprehensive music education solutions</li> <li>Expand range of electronic musical instruments equipped with functions required by local music cultures</li> </ul> <p><b>Universal Design</b></p> <ul style="list-style-type: none"> <li>Expand range of electronic musical instruments equipped with voice readout functionality</li> </ul> <p><b>Health and Safety Solutions</b></p> <ul style="list-style-type: none"> <li>Expand sales and use of in-vehicle communication modules</li> </ul> <p><b>Workplace</b></p> <ul style="list-style-type: none"> <li>Propose acoustic environment solutions for workplaces (make use of speech privacy systems to keep information private during conversations)</li> </ul>	
<ul style="list-style-type: none"> <li>Yamaha Eco-Products certification: 40 models / year</li> <li>Introduce waste heat power generation module into the automotive market</li> <li>Develop non-organic solvent coating technology</li> <li>Develop sustainable materials capable of replacing rare timber</li> </ul>	
<ul style="list-style-type: none"> <li>Provide opportunities to play musical instruments to a total of 1 million students from 3,000 schools in seven countries in Southeast Asia and other locations</li> <li>Provide opportunities to study musical instruments to approximately 8,300 students from 75 schools in seven countries in Africa and the Middle East</li> <li>Donate musical instruments to migrant worker schools in China (support 18 schools in three years)</li> </ul>	
<ul style="list-style-type: none"> <li>Continue to provide musical instrument maintenance seminars and repair technician training in five countries in Latin America, and expand efforts to new areas and organizations</li> <li>Provide support to additional countries in Latin America (two countries in three years)</li> <li>Support the spread of wind instrument bands and orchestras best suited to each country and region around the world</li> <li>Provide additional types of support within the <i>Oto-Machi</i> project (ten new projects in three years)</li> </ul>	
<ul style="list-style-type: none"> <li>Promote reduction efforts toward achieving targets* certified by SBT</li> <li>*Scope 1, 2: fiscal 2031 –32% (fiscal 2051 –83%)</li> <li>Scope 3: fiscal 2031 –30% (all figures compared with fiscal 2018)</li> <li>Gradually expand the ratio of renewable energy used (fiscal 2022 target 3%)</li> <li>Continue to conduct third-party greenhouse gas emission verification</li> <li>Analyze and disclose financial effect of climate change according to proposal by TCFD</li> </ul>	
<ul style="list-style-type: none"> <li>Improve DD (improve inspection accuracy) and accomplish 100% of purchases as low risk</li> <li>Expand ratio of certified timber (fiscal 2022 target 50%)</li> <li>Develop musical instruments that use timber with a lower risk (such as for the cabinet material of pianos)</li> </ul>	
<ul style="list-style-type: none"> <li>Provide technical support to produce high-quality timber from African blackwood, promote the tree-planting project, and begin procurement</li> <li>Promote joint research with academia (such as Kyoto University) to develop forest resources and optimize usage efficiency</li> </ul>	
<ul style="list-style-type: none"> <li>Promote streamlining of packaging (introduce packaging / cushioning material with a low environmental burden, and step up efforts to reduce size)</li> <li>Implement measures for shopping bags and other single-use packing materials (stop using plastic, etc.)</li> </ul>	
<ul style="list-style-type: none"> <li>Formulate long-term vision and promotion plan for product 3R</li> <li>Enhance services to allow customers to continue to use the musical instruments they cherish (piano retrofitting, etc.)</li> </ul>	
<ul style="list-style-type: none"> <li>Establish human rights monitoring systems</li> <li>Conduct internal training and promote awareness of human rights</li> </ul>	
<ul style="list-style-type: none"> <li>Conduct simultaneous surveys on supplier CSR assessments (every three years)</li> <li>Conduct assessments when beginning transactions</li> <li>Hold seminars for procurement personnel and suppliers</li> </ul>	
<ul style="list-style-type: none"> <li>Promote HR management based on the Yamaha Group standards grading and development system</li> <li>Expand work-life balance support system (open on-site childcare facility, establish measures such as telecommuting to provide more flexible working conditions, etc.)</li> <li>Consider measures to develop female employees for the Yamaha Group, and implement program to support staff taking temporary childcare leave</li> <li>Improve ratio of female managers, target of 17% throughout Yamaha Group at fiscal 2022</li> </ul>	
<ul style="list-style-type: none"> <li>Establish internal systems (establish help desk, improve systems, etc.)</li> <li>Hold internal lectures to promote understanding / hold study sessions in industry organizations</li> <li>Promote understanding in workplaces through such means as distributing Yamaha LGBT Ally logo stickers and creating an LGBT handbook</li> </ul>	

## SPECIAL FEATURE



### School Project



Spreading the joy of playing musical instruments to children around the world



### AMIGO Project



Pictures provided by SINEM

Supporting the activities of orchestras and bands to encourage youth development



## Contributing to Societies through Our Business Activities

Under its new medium-term management plan, the Yamaha Group has established the basic strategy of “develop closer ties with customers and society, and boost value creation capabilities.” In addition, the Group has adopted “contribute to society through our businesses” as one of the new medium-term management plan’s key strategies. In each of our businesses and with each of our corporate functions, we are implementing initiatives that lead to social value creation. Through these initiatives, we are working to improve corporate value over the medium to long term.

In this special feature, we introduce specific examples of activities that contribute to the sustainable development of music culture and society as a whole.

**01** Contribute to Sustainability of Music Culture

**02** Resolve Social Issues through Products and Services

# 01 Contribute to Sustainability of Music Culture

School Project

## Spreading the Joy of Playing Musical Instruments to Children around the World

Relevant SDGs



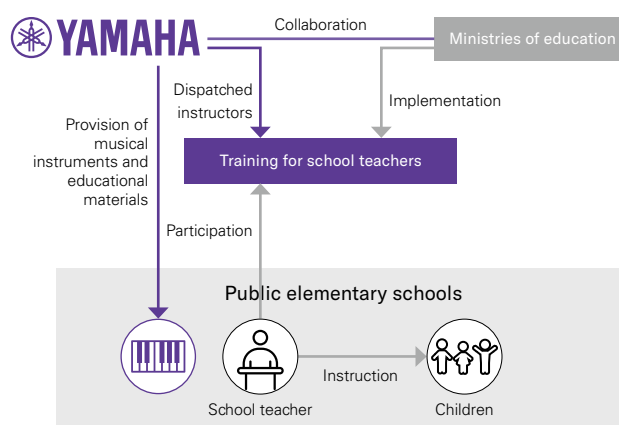
### Support for Music Education at Schools

Since 2015, we have been promoting the School Project, which aims to introduce and support music education within school activities, based on our desire to allow as many children as possible to experience the joy of musical instruments.

Music education programs teaching children how to play instruments have been adopted on a large scale in schools worldwide in light of their educational effectiveness. However, due to a lack of equipment and instructors, as well as curriculum issues, musical instrument education is not provided, or is of insufficient quality, in music classes in some countries. To address this situation, we are conducting activities to spread musical instrument education in schools primarily in emerging countries with the aim of providing the opportunity to play musical instruments to an even greater number of children and communicating to them the joy of music and musical instruments.

The School Project centers on the MusicTime Program, which provides musical instruments, educational materials, and instructional know-how to primary schools in a packaged format. The MusicTime Program helps support the creation of environments where children can experience musical

### Structure of the Music Time Program



instrument education. School teachers who have gone through Yamaha training teach classes using instruments and class materials specially developed for the MusicTime Program. Through this program, we provide opportunities for children to gain firsthand experiences with musical instruments, such as portable keyboards, guitars, and recorders among others, in their music classes at school.



Recorder lesson at a Vietnamese school



Keyboard lesson at a Malaysian school



### Aiming to Contribute to the Spread of Musical Instrument Lessons and the Development of Music Education

Currently, we are promoting the School Project in Indonesia, Malaysia, Vietnam, India, and Russia, providing opportunities to experience musical instrument education to approximately 260,000 children (as of March 31, 2019).

In addition, in developing the School Project and its Music Time Program, we engaged in joint collaboration with the Faculty of Education at Yokohama National University, academically verifying the educational value of musical instrument education and the impact it has on children. Through this research, we have been working to promote even higher quality music education programs in countries around the world.

In these ways, we are promoting the joy of music to children around the world through musical instrument education. Not only does this effort help support the growth of children, it also contributes to the development of music education and music culture in each country. We believe that such an effort represents our mission as a musical instruments manufacturer.

Track Record in Promoting the School Project (As of March 31, 2019)



## 02 Resolve Social Issues through Products and Services

### AMIGO Project

### Supporting the Activities of Orchestras and Bands to Encourage Youth Development

Relevant SDGs



#### Providing Support through Music in a Way That Is Unique to Yamaha

In the countries of Latin America, crime, poverty, and social inequality have become serious social problems. Children raised in these environments are often dragged into the world of crime, delinquency, and violence. In order to prevent this from happening and foster a healthy mental attitude among youth, the governments of these countries are promoting free music education activities, with public and private institutions forming orchestras and bands in various regions. The Yamaha Group endorses these kinds of activities and has been providing support for them over many years. In fiscal 2015, we commenced the AMIGO\* Project in an effort to continue to provide unique support through music education that helps a greater number of children lead healthy lives.

\* AMIGO is an acronym for Apoyo (support), Music, Institute/Government, and Orchestra

Following the development in orchestra and band activities that encourage youth development, there has been an influx of musical instruments from manufacturers around the world, leading to rapid growth in musical instrument markets. However, daily maintenance is often not performed on these instruments due to lack of proper maintenance knowledge and a shortage of repair technicians. This has brought about a situation where instruments cannot be repaired when they break, resulting in an increase of instruments in poor condition within youth orchestras and bands. In some instances, the activities of these organizations have come to a halt because of the dwindling number of usable instruments.

To ensure that musical instruments can be used in good condition for many years, there is a need to train technicians that perform daily maintenance on musical instruments and repair them when they break. By holding maintenance workshops and seminars for training technicians, we are focusing our efforts on spreading proper maintenance knowledge and cultivating technicians who can perform repairs.





Youth orchestra and band organization



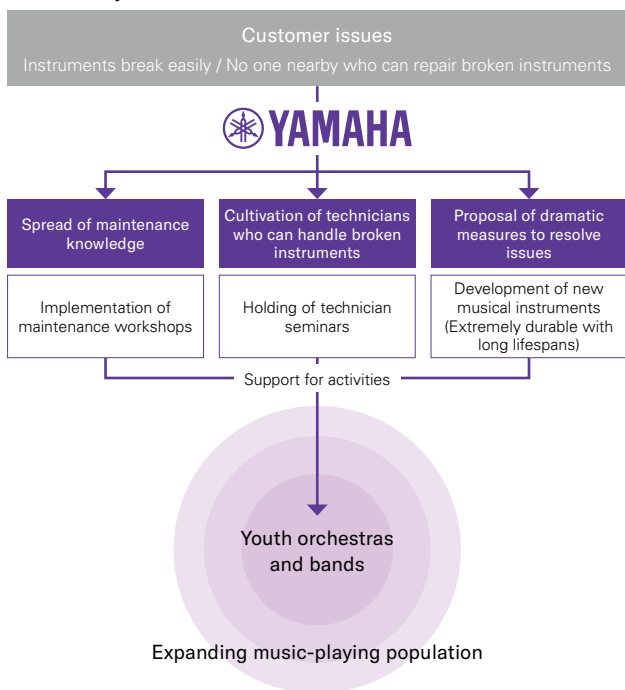
Technician cultivation seminar



Maintenance workshop

Pictures provided by SINEM

### AMIGO Project



### Countries where Support is Offered (As of March 31, 2019)



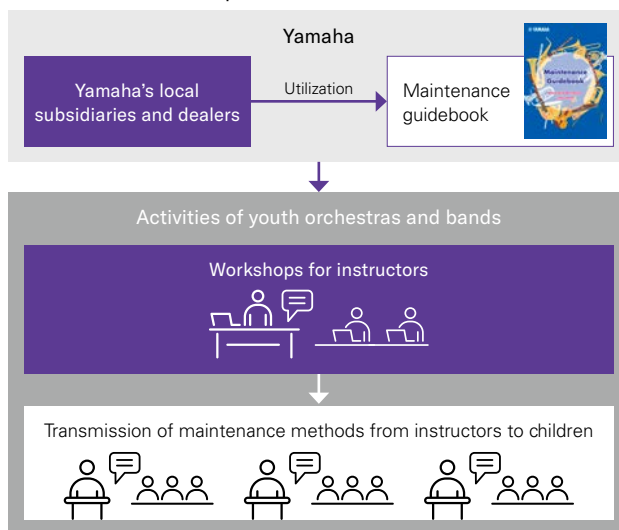
Targets of the New Medium-Term Management Plan (For March 31, 2022)

Expand the scale of the program in countries where it is already offered and increase the number of countries where we provide support to **seven** countries

### Holding Maintenance Workshops

Our staff members from local subsidiaries and dealers hold workshops for instructors of youth orchestra and band organizations. At the workshops, these staff members use maintenance guidebooks created by Yamaha to teach local instructors methods for instrument maintenance. These instructors then pass on these methods to the children they teach. Having instructors teach these methods enables us to efficiently pass on instrument maintenance know-how to an even larger number of children. For children, learning how to handle and maintain musical instruments on a daily

### Maintenance Workshops



basis helps extend the lifespan of their instruments and fosters a mindset of treating these instruments with care.

### Supporting the Cultivation of Repair Technicians

In Latin American countries, there is a shortage of technicians who have proper knowledge on musical instrument maintenance and can perform repairs. We therefore have been working to establish a system in Latin America for the cultivation of technicians to ensure that children can enjoy music in an even better environment and to improve music culture in the region.

For the training of repair technicians, we gather together employees selected from our local subsidiaries and dealers who will become key repair technicians in their respective countries. These future technicians then participate in seminars where they gain repair know-how and learn repair techniques. These key technicians then use manuals explaining the knowledge, techniques, and repair methods that they have learned through these seminars in order to train other local technician candidates in their respective countries. Through this cultivation system, not only do we train highly skilled repair technicians, we also create local employment opportunities.

Meanwhile, as a more dramatic measure to address the issue of technician shortages, we are actively pursuing the development of musical instruments that are extremely durable and easy to maintain.

Going forward, we will continue to support youth development, thereby conveying the joy of music to an even greater number of people and contributing to the development of music culture in the region.

# CORPORATE GOVERNANCE

## Directors (As of June 25, 2019)

### Takuya Nakata

Director, President and Representative Executive Officer

No. of shares owned: 45,500

- 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

No. of shares owned: 16,400

- 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 (to the present) 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)

### Masatoshi Ito

Independent Outside Director

No. of shares owned: 0

- 1971 Joined Ajinomoto Co., Inc.
- 1999 Member of the Board, Ajinomoto Co., Inc.
- 2003 Representative Director, President, Ajinomoto Frozen Foods Co., Inc.
- 2006 Representative Director, Member of the Board & Corporate Senior Vice President President, Food Products Company, Ajinomoto Co., Inc.
- 2009 Representative Director, President & Chief Executive Officer, Ajinomoto Co., Inc.
- 2015 Representative Director & Chairman of the Board, Ajinomoto Co., Inc.
- 2016 Outside Director of Yamaha Corporation (to the present) Outside Director of Japan Airlines Co., Ltd. (to the present)
- 2019 Outside Director of NEC Corporation (to the present) Chairman of the Board of Ajinomoto Co., Inc. (to the present)

### Yoshimi Nakajima

Independent Outside Director

No. 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. (retired in December 2016)
- 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

No. 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

No. of shares owned: 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

No. 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 (retired in June 2019) Outside Director of Yamaha Corporation (to the present) Outside Corporate Auditor of Mitsui Chemicals, Inc. (to the present)

### Paul Candland

Independent Outside Director

No. of shares owned: 0

- 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. (retired in December 2017)
- 2014 President of The Walt Disney Company, Asia (retired in December 2017)
- 2018 Managing Director of PMC Partners Co., Ltd. (to the present)
- 2019 Outside Director of Yamaha Corporation (to the present)



From the left: Mikio Fujitsuka, Yoshihiro Hidaka, Satoshi Yamahata, Taku Fukui, Yoshimi Nakajima, Paul Candland, Takuya Nakata, Masatoshi Ito



## Reasons for Director Appointment

Name	Appointed Committee	Reasons for Appointment / Independence of Outside Directors
Director, President and Representative Executive Officer <b>Takuya Nakata</b>	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.
Director and Managing Executive Officer <b>Satoshi Yamahata</b>	—	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.
Independent Outside Director <b>Masatoshi Ito</b>	Nominating Committee Compensation Committee	Having been involved in management as Chief Executive Officer at one of the largest global food manufacturers in Japan, Mr. Masatoshi Ito 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 2016, he has provided highly effective supervision while supporting the determination of major corporate actions and quick and decisive execution on decision-making, based on his wealth of achievements and insights, etc., as a corporate 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 Ajinomoto Co., Inc., where Mr. Masatoshi Ito serves as Chairman of the Board, and neither party is classified as a major shareholder of the other. The Company files documentation with the Tokyo Stock Exchange to establish that Mr. Masatoshi Ito is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Independent Outside Director <b>Yoshimi Nakajima</b>	Audit Committee	Having been involved in management as the person responsible for the Asian region and 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. Yoshimi Nakajima is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Independent Outside Director <b>Taku Fukui</b>	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. Taku Fukui serves as Managing Partner. The Company files documentation with the Tokyo Stock Exchange to establish that Mr. Taku Fukui is an independent director under the provisions set forth by the Tokyo Stock Exchange.
Independent Outside Director <b>Yoshihiro Hidaka</b>	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. Yoshihiro Hidaka serves as President and Representative Director, share the Yamaha brand, the two companies are in a relationship such that enhancements to the brand value 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. Yoshihiro Hidaka is a person with one of the deepest understandings of the Yamaha brand, which is the source of the Company's brand value, and he shares an interest with ordinary shareholders regarding improvement of the Company's brand value. Furthermore, not only 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. Yoshihiro 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 him 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 consolidated net sales of both companies.
Independent Outside Director <b>Mikio Fujitsuka</b>	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. He has been appointed as a director on the expectation that he will help 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. Mikio 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 register him as an independent director under the provisions set forth by the Tokyo Stock Exchange.
Independent Outside Director <b>Paul Candland</b>	Nominating Committee Compensation Committee	Having been involved in management as the person responsible for the Asian region and Japanese firm of a global entertainment company, Mr. Paul Candland has a wealth of experience and achievements alongside broad insight as a manager. He has been appointed as a director on the expectation that he will help 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., where Mr. Paul Candland serves as 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. Paul 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 register him as 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 consolidated net sales of any of the companies.



## Executive Officers and Operating Officers (As of June 25, 2019)

### President and Representative Executive Officer

#### Takuya Nakata

Executive General Manager of Brand Development Unit

Please refer to page 74 for career summary

### Managing Executive Officers

#### Shinobu Kawase

Executive General Manager of Musical Instruments & Audio Products Production 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)

#### Satoshi Yamahata

Executive General Manager of Corporate Management Unit and Operations Unit

Please refer to page 74 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)

#### Akira Iizuka

Executive General Manager of Audio Products Business Unit

1980	Joined the Company
2005	General Manager of Pro Audio & Digital Musical Instruments Division
2007	General Manager of INFO-Sound Division
2009	Executive Officer
2013	General Manager of Research & Development Division, Musical Instruments & Audio Products Development Unit
2015	Executive General Manager of Technology Unit
2016	Senior Executive Officer
2017	Executive Officer* (to the present)
2018	Executive General Manager of Audio Products Business 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)

#### Takashi Dairokuno

In charge of internal audits

1982	Joined the Company
2002	Director and President of Yamaha Electronique Alsace S.A.
2005	General Manager of Planning and Management Department of the Pro Audio & Digital Musical Instruments Division
2011	General Manager of Human Resources Division
2012	General Manager of Human Resources & General Administration Division
2014	General Manager of Internal Auditing Division
2015	Full-Time Corporate Auditor
2017	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

#### Kimiyasu Ito

Deputy Executive General Manager of Musical Instruments Business Unit

#### Masato Takai

Executive General Manager of Human Resources and General Administration Unit

#### Shinichi Takenaga

President and Director of PT. Yamaha Musik Indonesia (Distributor)

#### Masato Oshiki

President of Yamaha Music Japan Co., Ltd.

#### Takashi Haga

President of Yamaha Music India Pvt. Ltd.

#### Koichi Morita

Senior General Manager of Research and Development Division, Technology Unit

#### Thomas Sumner

President of Yamaha Corporation of America

#### Naoya Tetsumura

Senior General Manager of Manufacturing Process Division, Musical Instruments & Audio Products Production Unit

#### Taro Tokuhira

Senior General Manager of Corporate Planning Division of Corporate Management Unit & Senior General Manager of Information Systems Division, Operations Unit

#### Hiroko Ohmura

Senior General Manager of Marketing Division, Brand Development Unit

\* The role of Executive Officer has changed from June 2017 following the transition to a Company with Three Committees (Nominating, Audit, and Compensation)

## 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

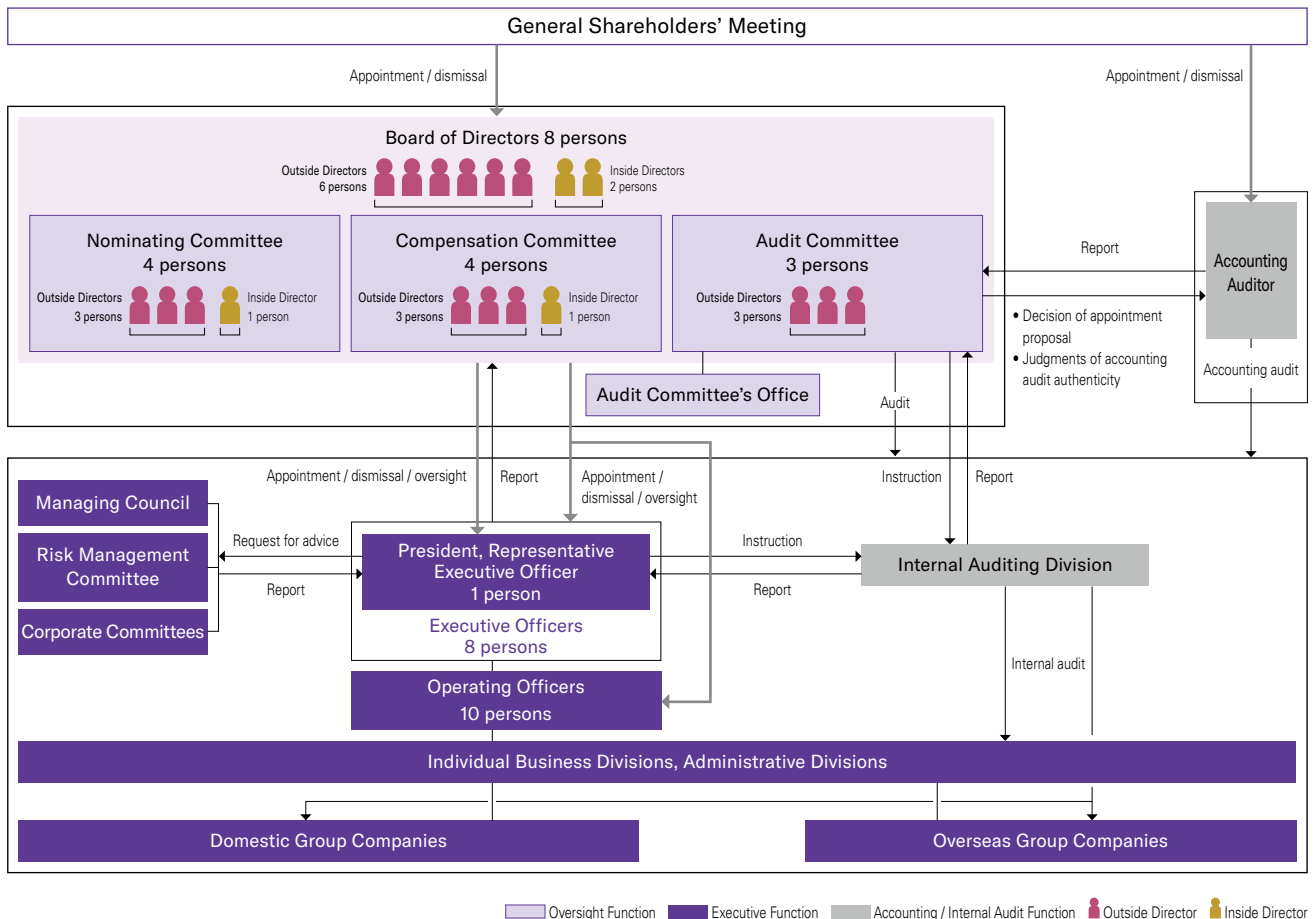
- Ensure that information is disclosed appropriately and that management is transparent
- By separating the oversight and executive functions and strengthening the oversight function, ensure that the Board of Directors is highly effective while at the same time executing decisions appropriately and with 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 three-fourths of the total (six of eight board members). 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

Corporate Governance Structure (as of June 25, 2019)



## 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		●	●				●
Masatoshi Ito (Outside)	●					●	●
Yoshimi Nakajima (Outside)	●	●				●	●
Taku Fukui (Outside)		●					●
Yoshihiro Hidaka (Outside)	●		●				●
Mikio Fujitsuka (Outside)	●	●	●				●
Paul Candland (Outside)	●					●	●

suitability audits and compliance audits while collaborating with the Internal Auditing Division with the objective of enhancing oversight functions through audits.

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

### Oversight Function

#### Directors and Board of Directors

As a general rule, the Board meeting is held monthly. Based on its fiduciary responsibilities, the Board of Directors promotes the Group's sustainable growth and corporate value improvement over the medium to long term. The Board of Directors also oversees the performance of the executive officers and directors. At the same time, the Board determines important matters—such as basic management policies—required by laws and ordinances, the articles of incorporation, and the rules of the Board of Directors. In addition, the Board of Directors supervises the overall management of the Company by overseeing the succession plan 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 and operating 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](https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf)

### 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 and operating officers, which are submitted to the Board of Directors. The Nominating Committee also implements the succession plan for the representative executive officer and other officers through the development of human resources to serve as directors, executive officers, and operating 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.

## Key Activities of Outside Directors (Fiscal 2019)

Name		Board of Directors	Nominating Committee	Audit Committee	Compensation Committee
	No. of meetings held	12 times	5 times	16 times	4 times
Shigeru Nosaka* <sup>1</sup>	Number of attendances	12 times	5 times	—	4 times
	Attendance rate* <sup>2</sup>	100%	100%	—	100%
Masatoshi Ito	Number of attendances	10 times	5 times	—	4 times
	Attendance rate* <sup>2</sup>	83.33%	100%	—	100%
Junya Hakoda* <sup>1</sup>	Number of attendances	12 times	—	16 times	—
	Attendance rate* <sup>2</sup>	100%	—	100%	—
Yoshimi Nakajima	Number of attendances	12 times	—	16 times	—
	Attendance rate* <sup>2</sup>	100%	—	100%	—
Taku Fukui	Number of attendances	12 times	—	16 times	—
	Attendance rate* <sup>2</sup>	100%	—	100%	—
Yoshihiro Hidaka	Number of attendances	10 times	4 times	—	3 times
	Attendance rate* <sup>2</sup>	100%	100%	—	100%

\*1. Retired at the end of their term as of the conclusion of the 195th Ordinary General Shareholders' Meeting held on June 24, 2019

\*2. The denominator for the attendance rate is the total number of meetings held during the period in which each person was in office

The Nominating Committee screens candidates for operating 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.

#### 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 up venues for candidates to present their ideas to the Board of Directors and other entities.

#### **Audit Committee**

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

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

#### Securing the Effectiveness of the Audit Committee

To assist the committee with its work, the Audit Committee's

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



### Compensation Committee

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

### Compensation System

The compensation of directors, excluding outside directors and members of the Audit Committee, and compensation of executive officers, excluding the executive officer in charge of the internal audit, 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. (2) Performance-linked bonuses vary according to the Company's consolidated profit and return on equity (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, earnings per share (EPS), and return on equity (ROE), 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 and directors who are members of the Audit Committee as well as the executive officer in charge of the internal audit receive only the fixed compensation.

### Performance-Linked Bonuses

In fiscal 2019, consolidated net income and return on equity (ROE), two metrics used for setting performance-linked

bonuses, were ¥43,753 million and 11.4%, respectively.

### Compensation in Restricted Stock

Yamaha achieved its targets for operating income ratio of 12%, ROE at the 10% level, and EPS at the ¥200 level, which are also indicators for performance-linked compensation, under the medium-term business plan NEXT STAGE 12.

### 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.

#### 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.

### Breakdown of Compensation (Fiscal 2019)

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	86	86	—	—	8
(Including outside directors)	(52)	(52)	(—)	(—)	(7)
Executive Officers	576	253	184	138	7

Notes: 1. The above numbers include one director who retired at the conclusion of the 194th Ordinary General Shareholders' Meeting held on June 25, 2018.

2. The total amount of compensation, etc., paid to the executive officers concurrently serving as directors is described in the section for executive officers.

### 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, 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](https://www.yamaha.com/en/ir/governance/pdf/governance_report.pdf)

#### Internal Auditors

Yamaha established the Internal Auditing Division (staffed by 15 people as of June 25, 2019) 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 executive 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, Tomoaki Ito, and Toshiyuki Matsuura 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 13 certified public accountants and 33 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 the previous fiscal year, 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 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.

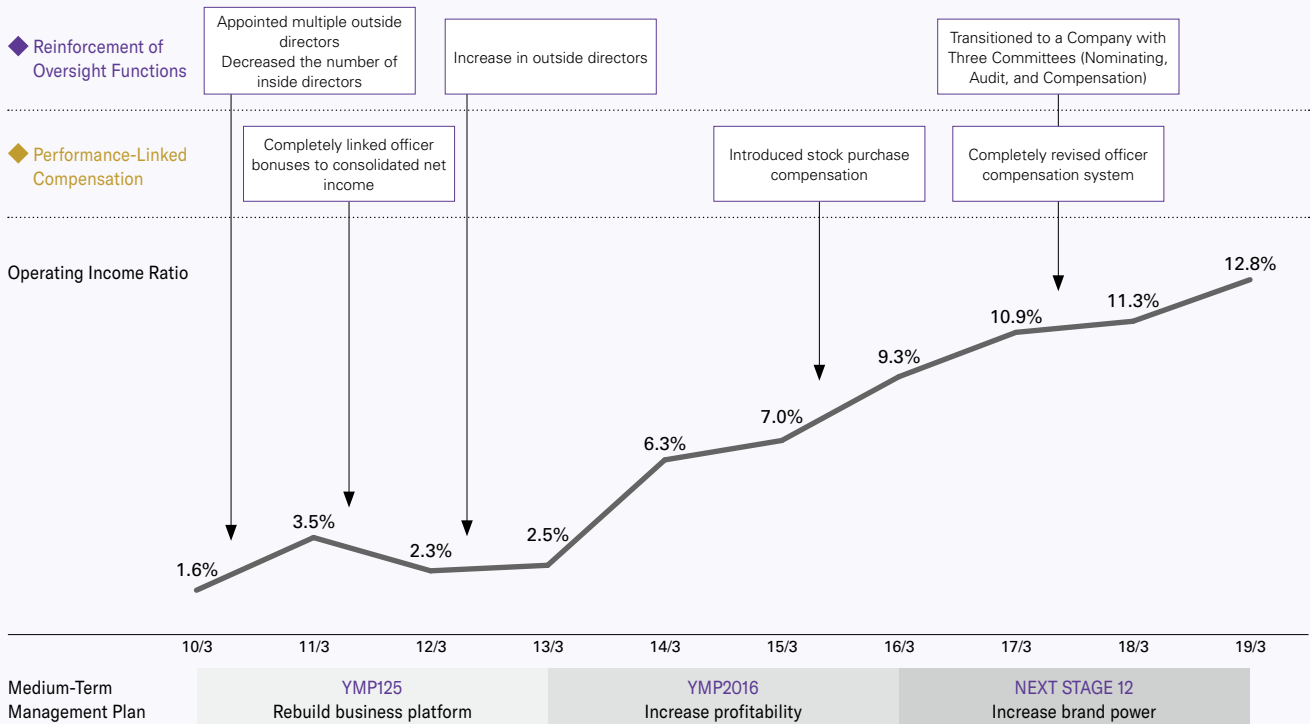
#### Changes in Corporate Governance

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, and in 2019, the Company appointed its first foreign national as an independent outside director.

**Consolidated Operating Income Ratio and Reinforcement of Governance**

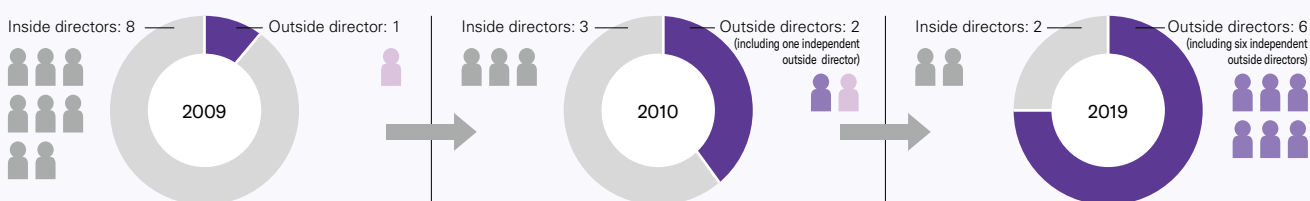
Yamaha continues to strengthen and improve the effectiveness of its governance system. Backed by strong oversight functions and incentives, the Company intends to increase profitability by executing its medium-term management plans with a sense of urgency.



**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 25, 2019, independent outside directors comprised 75% of members on the Board of Directors.

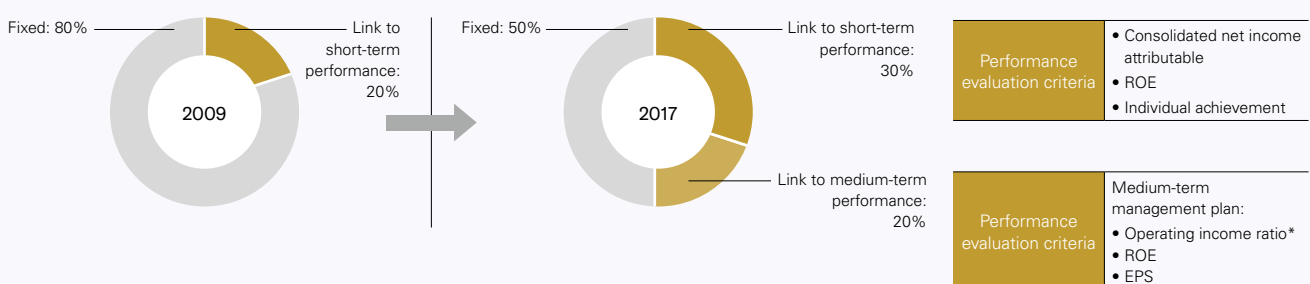
**Ratio of Outside Directors**



**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.

**Example of Compensation for an Officer**



\* Core operating profit ratio as of 2019

## Yamaha Recognized with Award for Corporate Governance of the Year™ 2018 (Grand Prize Company)

In February 2019, the Japan Association of Corporate Directors (JACD) 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 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

### Judgment Criteria for the Award

1. Of all the 2,000 or so companies listed on the First Section of the Tokyo Stock Exchange, 625 companies passed the screen for having appointed at least three outside directors between 2016 and 2018.
2. For profitability indicators, 106 companies with market capitalizations of at least ¥100 billion (as an indicator of ability to contribute to society) fulfilled the criteria for having average ROE and ROA of at least 10% and 5%, respectively (non-financial firms), or average ROE and ROA of at least 10% and 2%, respectively (financial firms), over the past three fiscal years.
3. As indicators for corporate governance systems, a comprehensive evaluation is conducted based on additional criteria that include whether a company has special major shareholders, open shareholder ratios (less than 30%), separation from execution of chairman of Board of Directors (outside directors, non-executives = existence of representation rights), independent director ratios, organizational forms, and the establishment of nomination and compensation committees (including voluntarily), in addition to a performance evaluation based on an analysis of management indicators by Misaki Capital Inc., as well as other criteria including market capitalization and operating income stability. Three companies are selected as winners.
4. A single Grand Prize Company is selected after CEOs are interviewed by the award committee.

### Prepared Critique by Mr. Kunio Ito, Member of Award Committee

Yamaha has simultaneously transformed the form and practice of corporate governance, creating a unique governance system, having transitioned to a Company with Three Committees (Nominating, Audit, and Compensation) structure, increasing the appointment of outside directors to two-thirds of the total number, and introducing a progressive compensation system with a portion based on performance evaluations. As a result, Yamaha has carved out a presence as a powerful player in the global consumer business (B2C business).

Since Mr. Takuya Nakata became president, Yamaha's market capitalization has expanded from around ¥200 billion to roughly ¥1 trillion, and ROE has improved from the 2% range to above the 10% range. Yamaha presents a good example of initiatives to increase corporate profitability through corporate governance systems.



### Mr. Kunio Ito

Head of Hitotsubashi University's Hitotsubashi Financial Leadership Program, Specially Appointed Professor of Hitotsubashi University's Graduate School of Business Administration (Title at the time of photograph)

## Effectiveness of the Board of Directors

### Analyzing and Evaluating the Effectiveness of the Board of Directors for Fiscal 2019

#### Evaluation Process

Yamaha carried out evaluations, including evaluations by outside specialists, using the following processes.

- Implementation of a survey of directors regarding the roles and responsibilities of the Board of Directors, the structure of the Board of Directors, the roles and qualities of directors, the management of the Board of Directors, and the management of each committee
- Evaluation and analyses, including by outside specialists, based on survey answers and individual interviews
- Based on the results of these analyses, evaluation of the effectiveness of the Board of Directors, deliberation on issues, and realization of improvements

#### Summary of the Evaluation

- The Board of Directors comprises directors with diverse viewpoints and experience. Both the scale of the Board of Directors and the ratio of outside directors are evaluated as appropriate.

- 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 regarding major management issues.
- Regarding awareness of those issues related to effectiveness in the previous evaluation, steps are being taken toward improvement. In particular, improvements were noteworthy in the maintenance and reporting of internal control and risk management systems, as well as in the operational methodology and deliberations of the Board of Directors.

On the other hand, regarding the further strengthening of the oversight functions of the Board of Directors and the management of each committee, constructive opinions were expressed. In view of these results, the Company will continue to take initiatives toward further improvement to increase the effectiveness of the Board of Directors.



### 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 Representative Delegates with consideration paid to the deliberations of the Asset Management Committee. The Asset Management Committee and the Board of Representative Delegates 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 the Company website.

The results of the dialogue 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 2019 were as follows.

#### Major IR Activities (Fiscal 2019)

Target	Activity	Frequency	Content
For analysts and institutional investors	Financial results briefings	4	Quarterly briefings
	Conferences held by securities companies	2	Interviews with officer in charge
	Acceptance of requests for interviews / information	Approx. 290	IR interviews
For domestic and international institutional investors	Management plan / IR briefings	5	Visits by president and representative executive officer, officers in charge (Japan, North America, Europe, Asia)
For private investors	Company briefings for private investors	6	Tokyo (two times), Okayama, Hiroshima, Fukuoka, Sendai



Fiscal 2019 results briefing



President and Representative Executive Officer Takuya Nakata gives a presentation at the results briefing

### General Shareholders' Meetings

Yamaha endeavors to establish an environment that ensures that there is adequate time for shareholders to exercise their voting rights for 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 his or her 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 195th Ordinary General Shareholders' Meeting on June 24, 2019.

### 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, 2019, 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	15 companies ¥90,907 million
Total amount of stock sold in fiscal 2019, pertaining to decreases in the number of companies / shares in which shareholdings were reduced	2 companies ¥117 million	10 companies ¥2,026 million
Total amount of stock acquired in fiscal 2019, pertaining to increases in the number of companies / shares in which shareholdings were increased	—	6 companies ¥1 million

Note: In fiscal 2019, 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 195th Ordinary General Shareholders' Meeting (Held on June 24, 2019)

Proposal	Number of votes for	Number of votes against	Number of abstained votes	Approval percentage	Results
Proposal 1. Appropriation of surplus	1,581,042	192	971	99.3	Approved
Proposal 2. Election of eight directors					
Takuya Nakata	1,515,828	65,888	971	95.1	Approved
Satoshi Yamahata	1,574,195	7,529	971	98.8	Approved
Masatoshi Ito	1,503,738	77,986	971	94.4	Approved
Yoshimi Nakajima	1,581,266	458	971	99.2	Approved
Taku Fukui	1,581,231	493	971	99.2	Approved
Yoshihiro Hidaka	1,383,790	197,925	971	86.9	Approved
Mikio Fujitsuka	1,581,427	297	971	99.3	Approved
Paul Candland	1,581,414	310	971	99.3	Approved

Notes: Necessary conditions for the approval of each proposal were as follows:

(1) Proposal 1: Approval by a majority vote of shareholders in attendance

(2) 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, 2018 Amount on balance sheet (millions of yen)	No. of shares as of March 31, 2019 Amount on balance sheet (millions of yen)	Yamaha ownership of shares
Yamaha Motor Co., Ltd.*1	34,642,790	34,642,790	Yes
	110,164	75,209	
MS&AD Insurance Group Holdings, Inc.*2	1,303,723	1,218,623	Yes
	4,373	4,106	
Toyota Motor Corporation*2	501,300	501,300	No
	3,421	3,251	
Audinate Group Limited*2	6,289,308	6,289,308	No
	1,648	2,967	
The Shizuoka Bank, Ltd.*3	3,486,678	2,808,564	Yes
	3,507	2,367	
Sumitomo Mitsui Financial Group, Inc.*3	445,402	356,402	Yes
	1,985	1,381	
Mizuho Financial Group, Inc.*3	10,123,816	7,086,757	Yes
	1,937	1,213	
DAIICHIKOSHO CO., LTD.*2	50,000	50,000	No
	282	283	
Mitsubishi UFJ Financial Group, Inc.*3	226,480	226,480	Yes
	157	124	
Sumitomo Mitsui Trust Holdings, Inc.*2	40,900	—	Yes
	176	—	
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	—	100	No
	—	0	
Panasonic Corporation*4	—	100	No
	—	0	
TDK Corporation*4	100	—	No
	0	—	
Kao Corporation*4	100	—	No
	0	—	
Shiseido Company, Limited*4	100	—	No
	0	—	
AGC Inc.*4	100	—	No
	0	—	
Kirin Holdings Company, Limited*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.

## Risk Management

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

### Basic Policy

The Yamaha Group implements risk management based on the following policy.

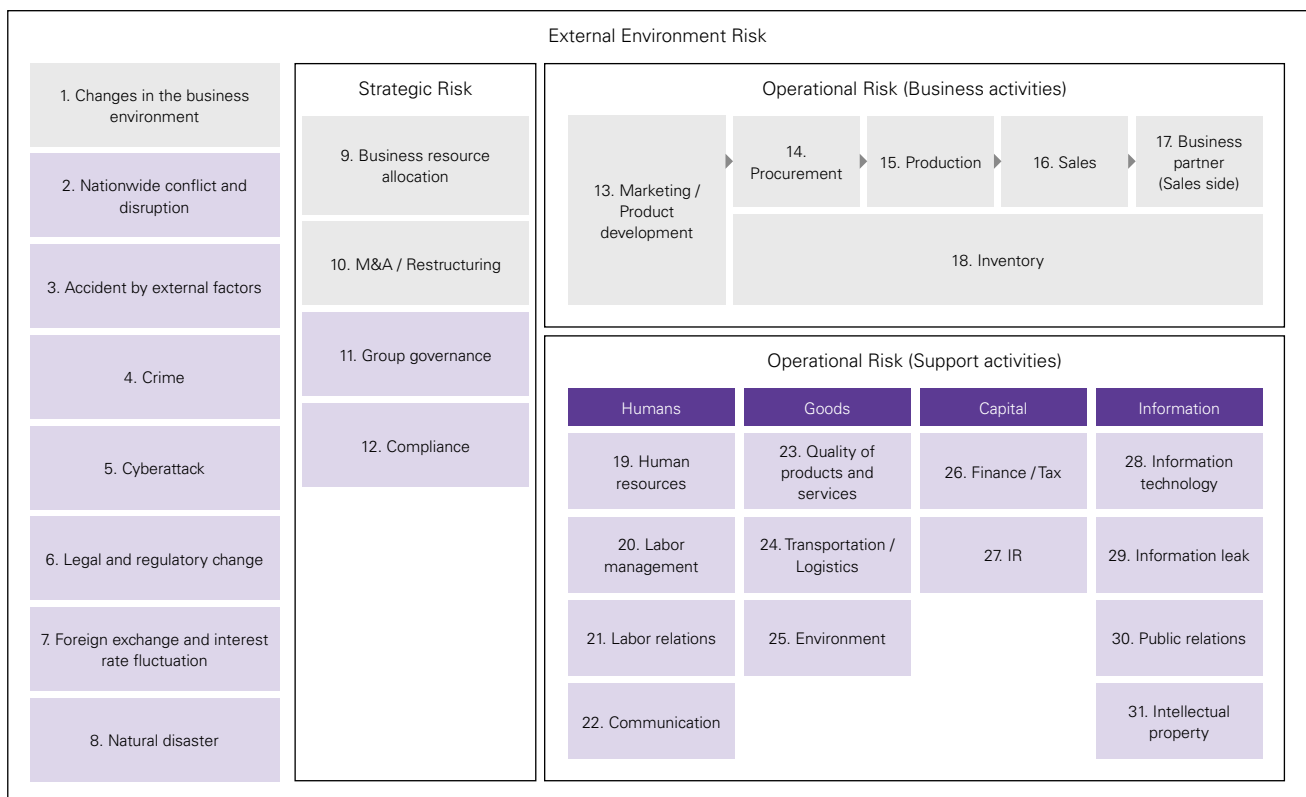
1. We shall establish a structure and framework for risk management and work to enhance responsiveness to risk and maximize corporate value.
2. We shall identify, evaluate, and reduce risk through risk management activities during ordinary times, conduct awareness-raising activities such as education and training, and instill a greater awareness of risk, fostering a greater sensitivity to risk.
3. We shall prioritize people’s safety when risks manifest themselves as crises, and coordinate with the local community to ensure sincere, appropriate, and speedy response as a means to minimize all adverse impact. In

addition, we shall strive to ensure the stable supply of products and services, continue business to the greatest extent possible, and contribute to the sustainable development of society.

4. After addressing risks, we shall analyze the reasons they occurred and how they were addressed in order to ensure they do not occur again.

### Classification of Risk

The Yamaha Group classifies various business risks as shown in the diagram below. Yamaha evaluates and analyzes controllable levels of risk, as well as the scope and frequency of potential risks. The Company aims to enhance the level of its risk control by advancing measures to reduce risks and designating departments responsible for dealing with risks identified as important and that should be addressed with priority.



■ Business strategy risk  
■ Fundamental risk



## Risk Management System

### Promotion System

Yamaha Corporation 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 deliberate on important Companywide issues.

### Working Group for BCP (Business Continuity Plan) and Disaster Prevention Management

In preparation for large-scale natural disasters, fires, infectious disease outbreaks, and other emergency situations, the Yamaha Group has made a number of business continuity management efforts, including the formulation of a BCP. In addition, the Group BCP Regulations establish basic policies, duties and rules to minimize the effect on business when a risk event occurs, such as a natural disaster, through the rapid implementation of appropriate countermeasures. Each base maintains its own BCP, which is evaluated and improved upon through initial response drills for earthquakes that are conducted twice a year to improve the effectiveness of BCPs.

### Working Group for Financial Management

This working group focuses on global activities related to internal controls centered on financial management, such as standardizing work processes throughout the entire Group, in addition to monitoring, gathering, and managing information about issues, such as internal control checklists. For the entire Group, this working group ensures that business operations are in compliance with the Group Management Charter and various rules.

### Working Group for Compliance

This working group serves as the organization with primary responsibility over the setting of policy and consideration of items concerning compliance. In addition to formulating policies for ensuring compliance within the Yamaha Group, this subcommittee monitors every department and Group company to ensure that business is being done ethically and according to the law. The working group also implements measures aimed at maintaining sound business activities. These measures include providing training and education to employees, conducting questionnaires, and setting up help lines for internal reporting and consulting.

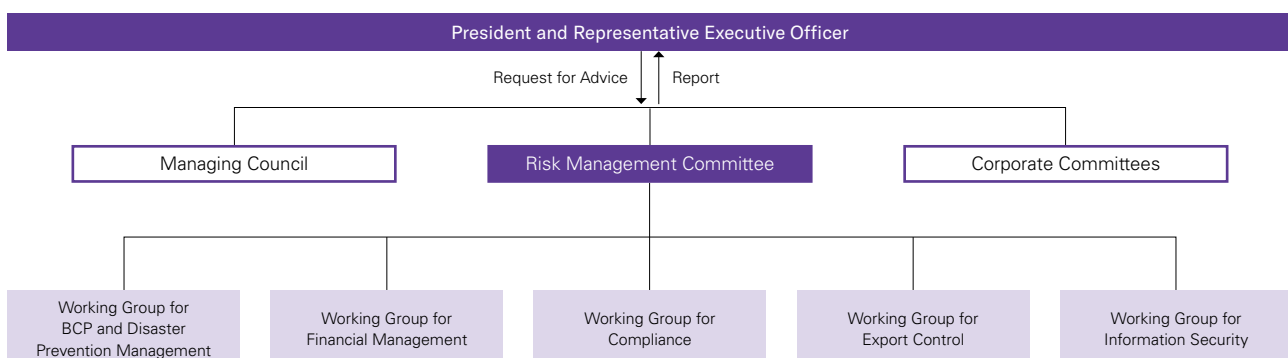
### Working Group for Export Control

Provisions for national security related trade control have been established in the Compliance Code of Conduct as rules pertaining to international trading. In addition, the Working Group for Export Control has been established, and export control regulations, regulations for import and export procedures, etc., have been formulated. We have established a work process related to export control. Yamaha conducts export control audits, keeps export control rules and systems up to date at its production bases, and ensures the appropriateness of Group export controls.

### Working Group for Information Security

The leakage of personal information and other important information held by a company has the potential to not only damage third parties but also become a case of gross negligence that can harm the company's reputation. The Yamaha Group perceives information security as a critical aspect of risk management. The Working Group for Information Security has determined a policy on information management and is working to enhance the quality of this management by keeping track of the current management system while identifying vulnerabilities and guiding efforts to address them, in addition to regular security training for employees.

## Risk Management System





# FINANCIAL CORPORATE

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# AND INFORMATION



# 11-YEAR SUMMARY

Yamaha Corporation and consolidated subsidiaries (J-GAAP)

Years ended March 31

	2009/3	2010/3	2011/3	2012/3
<b>For the year:</b>				
Net sales	¥459,284	¥414,811	¥373,866	¥356,616
Cost of sales	290,381	268,380	237,313	231,659
Gross profit	168,902	146,431	136,553	124,957
Selling, general and administrative expenses	155,057	139,602	123,387	116,846
Operating income	13,845	6,828	13,165	8,110
Income (loss) before income taxes and minority interests	(12,159)	(201)	6,802	6,971
Net income (loss)* <sup>1</sup>	(20,615)	(4,921)	5,078	(29,381)
Capital expenditures	22,581	14,480	10,439	11,337
Depreciation expenses	17,912	14,139	12,814	11,973
R&D expenses	23,218	21,736	22,416	22,819
Cash flow from operating activities	(2,235)	39,870	22,646	10,880
Cash flow from investing activities	(25,999)	(12,711)	(9,740)	(9,004)
Free cash flow	(28,234)	27,159	12,906	1,875
Cash flows from financing activities	(31,041)	(9,867)	(10,080)	(3,247)

## At year-end:

Total assets	¥408,974	¥402,152	¥390,852	¥366,610
Total current assets	202,097	193,260	194,717	188,952
Total current liabilities	90,050	75,182	74,836	72,829
Interest-bearing liabilities	19,192	15,017	11,838	11,295
Net assets	251,841	254,591	245,002	206,832

## Per share:

Net income (loss)	¥ (103.73)	¥ (24.95)	¥ 25.90	¥ (151.73)
Net assets	1,262.42	1,276.35	1,250.06	1,052.01
Dividends* <sup>2</sup>	42.50	27.50	10.00	10.00

## Key indicators:

Operating income ratio	3.0%	1.6%	3.5%	2.3%
ROE (Return on equity)	(7.0)	(2.0)	2.1	(13.2)
ROA (Return on assets)	(4.3)	(1.2)	1.3	(7.8)
Equity ratio	60.9	62.6	61.9	55.6
Debt to equity ratio (Times)	0.08	0.06	0.05	0.05
Interest coverage (Times)	26.74	16.88	40.38	31.84
Current ratio	224.4	257.1	260.2	259.4
Dividend payout ratio	—	—	38.6	—

Note: 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 the fiscal year ended March 31, 2016 (fiscal 2016).

\*2. A special dividend of ¥20 is included in the dividends per share from fiscal 2009 to fiscal 2010.



Millions of yen

2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
¥366,941	¥410,304	¥432,177	¥435,477	¥408,248	¥432,967	¥437,416
238,261	262,310	270,357	262,406	242,451	258,465	255,291
128,680	147,994	161,820	173,070	165,796	174,501	182,124
119,465	121,999	131,684	132,407	121,493	125,668	126,094
9,215	25,994	30,135	40,663	44,302	48,833	56,030
7,795	25,818	28,526	41,578	42,898	74,471	60,485
4,122	22,898	24,929	32,633	46,719	54,378	43,753
13,844	10,799	13,846	11,220	17,542	24,600	15,956
11,613	12,759	12,597	12,681	11,145	10,777	10,835
22,149	22,561	25,439	24,793	24,415	24,797	24,926
7,755	33,213	31,729	42,399	39,142	47,498	30,234
(12,617)	(22,950)	(11,700)	591	(9,663)	4,766	(23,092)
(4,862)	10,263	20,029	42,991	29,478	52,264	7,142
(5,536)	(4,745)	(5,909)	(30,349)	(12,588)	(35,584)	(28,479)
¥390,610	¥438,932	¥530,034	¥469,745	¥522,362	¥552,309	¥514,762
197,902	214,487	247,632	255,135	272,720	289,493	281,608
71,550	73,145	80,976	75,459	82,565	101,919	80,495
10,013	8,755	11,868	8,510	11,241	11,173	8,936
229,636	274,843	348,752	303,889	367,437	388,345	382,771
Yen						
¥ 21.29	¥ 118.26	¥ 128.75	¥ 168.90	¥ 249.17	¥ 291.81	¥ 240.94
1,171.67	1,403.12	1,787.42	1,601.55	1,948.01	2,125.51	2,124.83
10.00	27.00	36.00	44.00	52.00	56.00	60.00
%						
2.5%	6.3%	7.0%	9.3%	10.9%	11.3%	12.8%
1.9	9.2	8.1	10.1	14.0	14.5	11.4
1.1	5.5	5.1	6.5	9.4	10.2	8.2
58.1	61.9	65.3	64.2	69.9	70.0	74.1
0.04	0.03	0.03	0.03	0.03	0.03	0.02
40.64	130.19	130.51	129.41	165.40	149.08	138.90
276.6	293.2	305.8	338.1	330.3	284.0	349.8
47.0	22.8	28.0	26.1	20.9	19.2	24.9

## Fiscal 2019 Performance (J-GAAP)

### Analysis of Overall Performance in Fiscal 2019

Looking back on the economic environment in fiscal 2019, the global economy continued to expand moderately, but uncertainties about the future increased on account of U.S.-China trade friction and the Brexit issue. In individual countries and regions, the U.S. economy continued to perform well, but economic growth lost momentum in Europe. The economy in China continued to expand, albeit at a slower pace. In Japan, consumer spending continued to improve at a moderate pace.

Amid such an operating environment, the Yamaha Group finished its medium-term management plan NEXT STAGE 12. Guided by this plan, the Group continued to pursue the key strategies of “develop products with distinctive individuality,” “enhance customer interaction,” “continually reduce costs,” and “strengthen global business platforms.”

By fiscal 2019, the final year of the medium-term management plan NEXT STAGE 12, Yamaha had achieved its management targets for operating income ratio of 12%, ROE at the 10% level, and EPS at the ¥200 level.

In regard to “develop products with distinctive individuality,” the Company opened the new Innovation Center with the aim of creating new value by fusing together technologies and bringing together its engineers that had been dispersed across business lines. As a result, in the musical instruments segment, Yamaha released the AvantGrand™ hybrid piano and new models of TransAcoustic™ guitars. In the audio equipment segment, we unveiled unique products that represent Yamaha, such as a networked turntable that leverages the advantages of analog and digital technologies, and a unified communications speakerphone that enables remote communications in crystal-clear audio.

For “enhance customer interaction,” in the musical instruments business, we upgraded our sales network and our music schools with a focus on emerging countries in a bid to enhance our interactions with customers. In emerging countries, we made steady progress introducing musical instrument education programs through activities that support musical instrument education, and the cumulative number of students expanded to 260,000 people. In the audio equipment segment, we enhanced internal personnel systems while working to develop new customers, sharply increasing the number of PA equipment business partners.

Turning to “continually reduce costs,” the Company was unable to achieve its goal for lowering costs, failing to offset rising costs as a result of higher procurement prices for electronic devices, for example. However, we carried out measures to redesign production processes and improve productivity in administrative work. Construction on our new plant in India progressed on schedule, and it began to produce portable keyboards for the Indian market.

As for “strengthen global business platforms,” we upgraded our global personnel management system, established a three-region global structure for IT, and optimized our global distribution system. The Company advanced preparations to introduce International Financial Reporting Standards (IFRS), and adopted IFRS in fiscal 2020.

### Net Sales, Operating Income, and Net Income Attributable to Owners of Parent

Consolidated net sales was up 1.0% year on year, to ¥437.4 billion, thanks to solid performance in the musical instruments segment (GRAPH 1).

By region, net sales was higher than the previous fiscal year in China and North America, contributing to overall growth (GRAPH 2).

Operating income expanded 14.7%, to ¥56.0 billion, with year-on-year growth in the musical instruments segment. Yamaha posted record-high profits for the seventh consecutive year of growth (GRAPH 3). This profit growth was primarily attributable to higher sales and production, lower costs, and the impact of foreign exchange rates. These positive factors offset negatives that included higher SG&A expenses and an increase in manufacturing costs, caused in part by higher labor costs at overseas production bases (GRAPH 4).

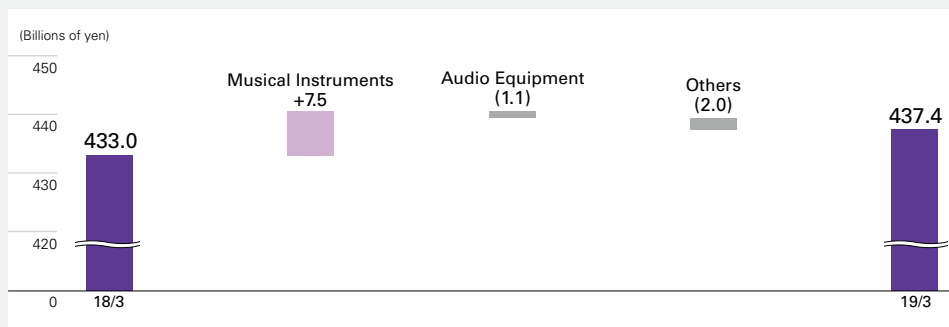
Even though operating income and ordinary income increased, net income attributable to owners of parent decreased 19.5%, to ¥43.8 billion, owing to the absence of a gain on sales of investment securities recorded in the previous fiscal year (sale of a portion of shares in Yamaha Motor Co., Ltd.: gain of ¥25.8 billion before tax and ¥18.0 billion after tax).

GRAPH 1

(Billions of yen)

	2018/3	2019/3
Net sales	433.0	437.4
Musical Instruments	274.5	282.0
Audio Equipment	121.8	120.7
Others	36.7	34.7

Net sales (change by business segment)

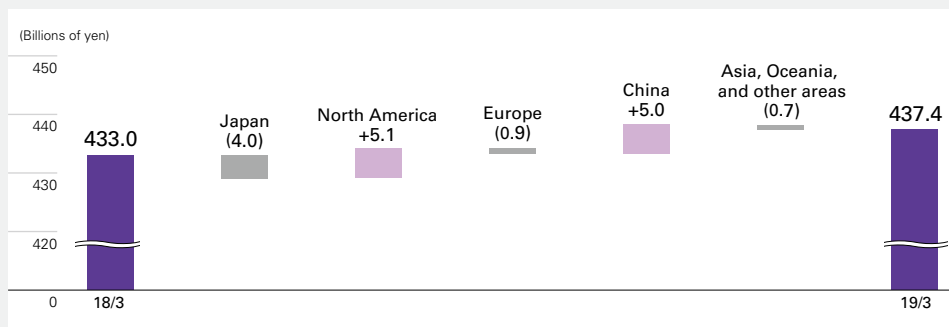


GRAPH 2

(Billions of yen)

	2018/3	2019/3
Net sales	433.0	437.4
Japan	133.7	129.7
North America	86.9	92.0
Europe	84.8	83.9
China	54.2	59.2
Asia, Oceania, and other areas	73.3	72.6

Net sales (change by region)

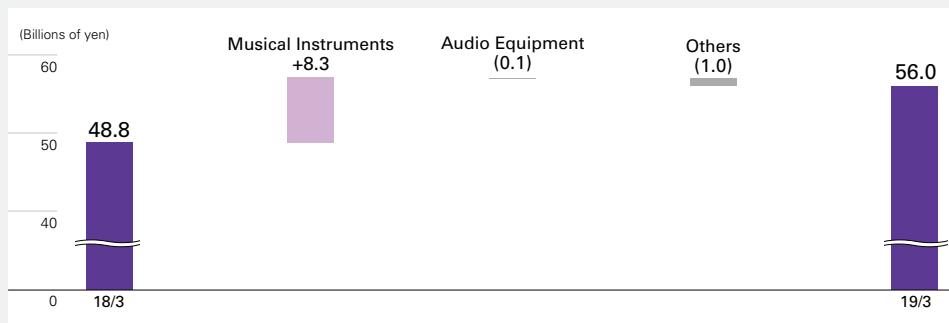


GRAPH 3

(Billions of yen)

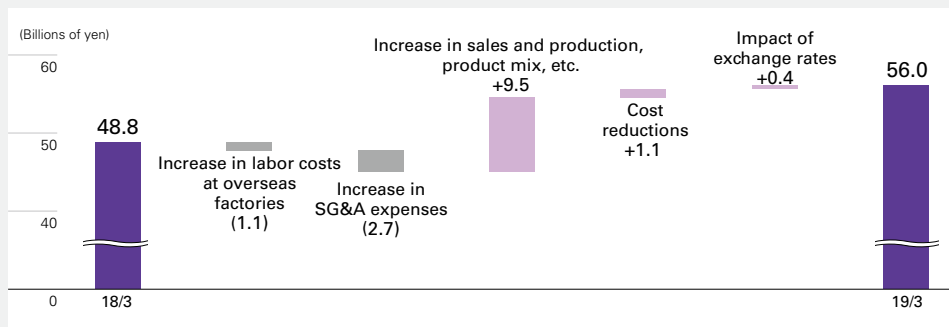
	2018/3	2019/3
Operating income	48.8	56.0
Musical Instruments	34.6	42.9
Audio Equipment	10.7	10.6
Others	3.5	2.5

Operating income (change by business segment)



GRAPH 4

Operating income (change by factor)



## Results by Segment

### Musical Instruments

Sales in the musical instruments segment rose 2.7%, to ¥282.0 billion, with operating income increasing 24.0%, to ¥42.9 billion.

By product, sales in all product categories, including pianos, digital musical instruments, wind instruments, and string and percussion instruments, were up over the previous fiscal year. In addition to strong growth in entry level pianos, sales of high-priced pianos were also brisk. Sales of digital pianos were also firm, driven by entry-level models. Sales of wind instruments were healthy, with growth in sales of mid-range acoustic guitars in China and North America.

By region, sales in China grew in the double digits in all product categories. Although sales of high-priced pianos decelerated, sales of entry level models increased sharply. Sales of mid-range guitars were solid. In North America, sales increased in all product categories. Digital pianos and guitars saw double-digit growth, while sales of pianos and wind instruments were also firm. Sales expanded year on year in emerging markets.

### Audio Equipment

Sales in the audio equipment segment decreased 0.9%, to ¥120.7 billion, and operating income declined 0.9%, to ¥10.6 billion.

By product, compared with the previous fiscal year, sales were up in professional audio equipment, but down for AV products and ICT devices.

In AV products, sales decreased in North America and elsewhere, owing in part to a slow response to changing demand on markets. For professional audio equipment, sales were up in all regions, with brisk sales of CA equipment and audio installations in Japan. In ICT devices, sales of network equipment were strong, but OEM product sales declined, resulting in a year-on-year decrease in sales overall.

### Others

#### (Industrial Machinery and Components Business, etc.)

Sales in the others segment decreased 5.4%, to ¥34.7 billion, with operating income down 29.0%, to ¥2.5 billion.

In the industrial machinery and components business, electronic devices saw sales decline year on year on a slowdown for amusement equipment in China. For factory automation (FA) equipment, sales grew for precision machines and leak detectors.

## Analysis of Financial Position

Total assets as of March 31, 2019, stood at ¥514.8 billion, a decrease of ¥37.5 billion (–6.8%) from the year-earlier ¥552.3 billion, owing mainly to a decline in investment securities, while property, plant and equipment as well as intangible assets increased as a result of strategic investments in growth (GRAPH 5).

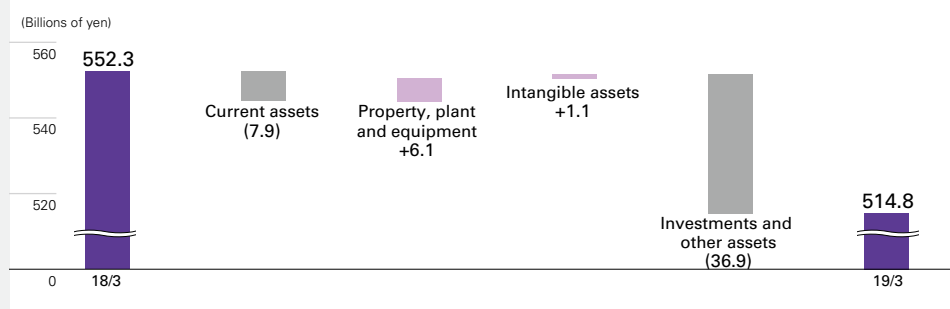
Total liabilities were ¥132.0 billion, down ¥32.0 billion (–19.5%) from the previous fiscal year-end figure of ¥164.0 billion, owing to decreases in income taxes payable and deferred tax liabilities.

Total net assets amounted to ¥382.8 billion, a decrease of ¥5.6 billion (–1.4%), from ¥388.3 billion at the end of the previous fiscal year. This reflected shareholder returns in the form of dividend payments totaling ¥10.5 billion and the purchase of treasury stock totaling ¥11.9 billion, along with ¥43.8 billion in net income attributable to owners of parent. Additionally, there was a decline of ¥24.9 billion for the valuation difference on other available-for-sale securities (GRAPH 6).

GRAPH 5

	2018/3	2019/3
Total assets	552.3	514.8
Current assets	289.5	281.6
Property, plant and equipment	115.8	121.9
Intangible assets	6.2	7.3
Investments and other assets	140.8	103.9

Total assets

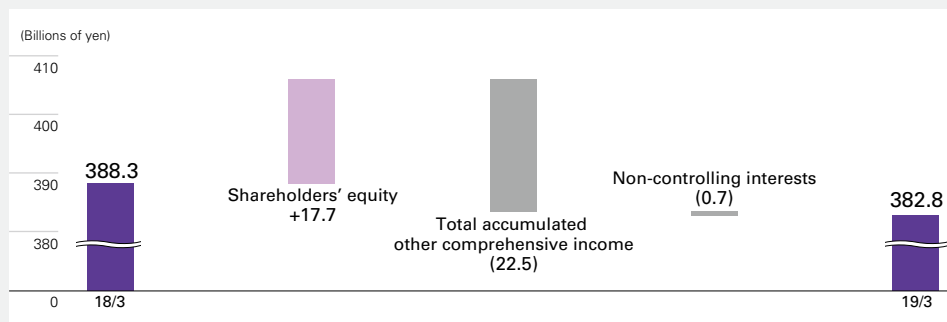




GRAPH 6

	(Billions of yen)	
	2018/3	2019/3
Total net assets	388.3	382.8
Shareholders' equity	315.0	332.7
Total accumulated other comprehensive income	71.5	49.0
Non-controlling interests	1.8	1.1

## Total net assets



## Analysis of Cash Flows

Cash and cash equivalents (hereinafter, cash) at the end of the fiscal year ended March 31, 2019, stood at ¥95.8 billion, a decrease of ¥21.6 billion compared with the end of the previous fiscal year (cash was up ¥16.7 billion at the end of previous fiscal year).

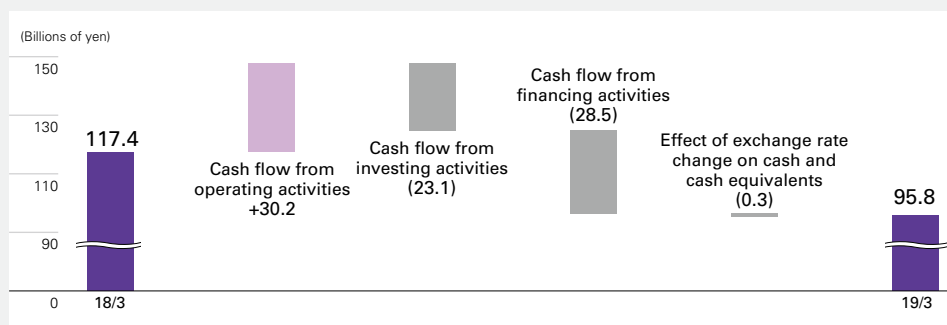
Net cash provided by operating activities in fiscal 2019 was ¥30.2 billion, compared with net cash of ¥47.5 billion provided in the previous fiscal year, owing mainly to the contribution of income before income taxes.

Net cash used in investment activities amounted to ¥23.1 billion, compared with net cash provided by investment activities of ¥4.8 billion in the previous fiscal year, owing primarily to the acquisition of tangible and intangible fixed assets.

Net cash used in financing activities was ¥28.5 billion, compared with ¥35.6 billion used in the previous fiscal year, owing in part to expenditures for the purchase of treasury stock and cash dividends paid (GRAPH 7).

GRAPH 7

## Cash flows



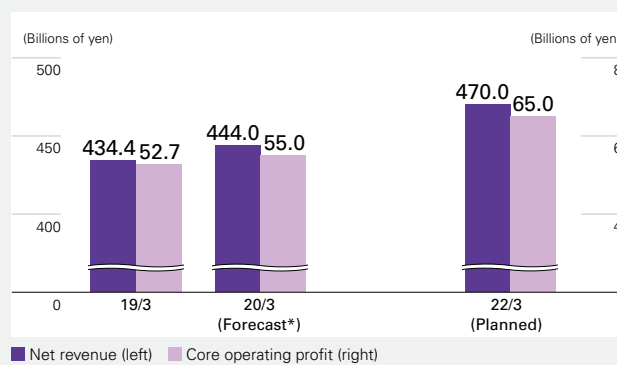
## Forecast for Fiscal 2020

Under its new medium-term management plan Make Waves 1.0, which was unveiled in April 2019, Yamaha targets net revenue of ¥470.0 billion and core operating profit of ¥65.0 billion by fiscal 2022.

For fiscal 2020, the first fiscal year of the management plan, the Company forecasts year-on-year growth in net revenue in all business segments. By region, the Company expects double-digit growth to continue for musical instruments in China, on top of continued brisk sales in emerging markets. For the markets of North America and Europe, we project year-on-year growth on an underlying basis that excludes the impact from changes in accounting standards and foreign exchange rates. In fiscal 2020, Yamaha forecasts higher core operating profit in the musical instruments segment and the audio equipment segment (GRAPH 8).

GRAPH 8

## Growth projections under new medium-term management plan Make Waves 1.0 (IFRS)



\* Forecast announced in March 2019

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## CONSOLIDATED BALANCE SHEET

Yamaha Corporation and its consolidated subsidiaries As of March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Assets</b>			
Current assets:			
Cash and deposits (Notes 18 and 20)	¥106,061	¥122,731	\$ 955,591
Notes and accounts receivable—trade (Notes 8 and 20)	55,527	56,499	500,288
Inventories (Note 9)	100,334	94,126	903,991
Other	20,770	17,352	187,134
Allowance for doubtful accounts	(1,085)	(1,216)	(9,776)
<b>Total current assets</b>	<b>281,608</b>	<b>289,493</b>	<b>2,537,238</b>
Property, plant and equipment, net of accumulated depreciation (Note 5):			
Buildings and structures, net	43,121	32,431	388,512
Machinery, vehicles, tools, furniture and fixtures, net	27,544	24,864	248,167
Land (Note 7)	43,402	43,880	391,044
Leased assets, net	225	240	2,027
Construction in progress	7,641	14,400	68,844
<b>Total property, plant and equipment, net of accumulated depreciation</b>	<b>121,934</b>	<b>115,817</b>	<b>1,098,603</b>
Investments and other assets:			
Investment securities (Notes 6, 20 and 21)	93,354	130,341	841,103
Long-term loans receivable	96	93	865
Net defined benefit assets (Note 23)	394	276	3,550
Deferred tax assets (Note 24)	4,708	4,699	42,418
Lease and guarantee deposits	3,970	4,087	35,769
Goodwill	136	—	1,225
Other (Note 6)	8,705	7,619	78,430
Allowance for doubtful accounts	(147)	(120)	(1,324)
<b>Total investments and other assets</b>	<b>111,219</b>	<b>146,998</b>	<b>1,002,063</b>
<b>Total assets</b>	<b>¥514,762</b>	<b>¥552,309</b>	<b>\$4,637,913</b>

See Notes to Consolidated Financial Statements.

As of March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Liabilities</b>			
Current liabilities:			
Notes and accounts payable—trade (Notes 8 and 20)	¥ 17,548	¥ 19,946	\$ 158,104
Short-term loans payable (Notes 20 and 27)	8,936	11,131	80,512
Current portion of long-term loans payable (Notes 20 and 27)	—	41	—
Accounts payable—other and accrued expenses (Note 20)	42,481	45,527	382,746
Income taxes payable	2,474	16,325	22,290
Provision for product warranties	1,840	1,774	16,578
Other	7,215	7,171	65,006
<b>Total current liabilities</b>	<b>80,495</b>	<b>101,919</b>	<b>725,246</b>
Noncurrent liabilities:			
Long-term accounts payable	3,902	5,406	35,156
Deferred tax liabilities (Note 24)	5,152	15,402	46,419
Deferred tax liabilities for land revaluation (Note 7)	9,544	9,587	85,990
Net defined benefit liabilities (Note 23)	22,460	21,098	202,361
Long-term deposits received (Note 20)	8,997	9,090	81,061
Other	1,437	1,457	12,947
<b>Total noncurrent liabilities</b>	<b>51,494</b>	<b>62,043</b>	<b>463,952</b>
<b>Net Assets</b>			
Shareholders' equity:			
Capital stock:			
Authorized — 700,000,000 shares;			
Issued 2019 — 191,555,025 shares	28,534	—	257,086
2018 — 197,255,025 shares	—	28,534	—
Capital surplus	21,565	40,165	194,297
Retained earnings	325,141	294,904	2,929,462
Treasury stock	(42,533)	(48,556)	(383,215)
<b>Total shareholders' equity</b>	<b>332,707</b>	<b>315,048</b>	<b>2,997,630</b>
Accumulated other comprehensive income:			
Unrealized holding gain on securities	54,796	79,729	493,702
Unrealized gain from hedging instruments	85	109	766
Revaluation reserve for land (Note 7)	20,379	16,095	183,611
Foreign currency translation adjustments	(24,691)	(23,862)	(222,461)
Remeasurements of defined benefit plans	(1,582)	(600)	(14,254)
<b>Total accumulated other comprehensive income</b>	<b>48,987</b>	<b>71,470</b>	<b>441,364</b>
<b>Non-controlling interests</b>	<b>1,076</b>	<b>1,826</b>	<b>9,695</b>
<b>Total net assets</b>	<b>382,771</b>	<b>388,345</b>	<b>3,448,698</b>
<b>Total liabilities and net assets</b>	<b>¥514,762</b>	<b>¥552,309</b>	<b>\$4,637,913</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF OPERATIONS

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Net sales</b>	<b>¥437,416</b>	<b>¥432,967</b>	<b>\$3,941,040</b>
<b>Cost of sales</b> (Notes 9, 10 and 12)	<b>255,291</b>	<b>258,465</b>	<b>2,300,126</b>
<b>Gross profit</b>	<b>182,124</b>	<b>174,501</b>	<b>1,640,905</b>
<b>Selling, general and administrative expenses</b> (Notes 11 and 12)	<b>126,094</b>	<b>125,668</b>	<b>1,136,084</b>
<b>Operating income</b>	<b>56,030</b>	<b>48,833</b>	<b>504,820</b>
Other income (expenses):			
Interest and dividend income	4,652	4,694	41,914
Interest expenses	(437)	(359)	(3,937)
Subsidy income	1,296	189	11,677
Sales discounts	(3,240)	(2,903)	(29,192)
(Loss) on sales or disposal of property, plant and equipment, net (Note 13)	(283)	(221)	(2,550)
Gain on exchange of property, plant and equipment	2,034	–	18,326
Gain on sales of investment securities (Note 14)	821	25,824	7,397
Loss on impairment of fixed assets	(295)	(27)	(2,658)
Business structural reform expenses	(214)	–	(1,928)
Loss due to transition to a defined contribution pension plan	–	(148)	–
Tariff assessment from previous periods, etc.	–	(174)	–
Other, net (Note 15)	121	(1,234)	1,090
	<b>4,454</b>	<b>25,638</b>	<b>40,130</b>
<b>Income before income taxes</b>	<b>60,485</b>	<b>74,471</b>	<b>544,959</b>
<b>Income taxes</b> (Note 24):			
Current	14,561	21,377	131,192
Deferred	2,105	(1,330)	18,966
	<b>16,667</b>	<b>20,046</b>	<b>150,167</b>
<b>Net income for the period</b>	<b>43,817</b>	<b>54,424</b>	<b>394,783</b>
<b>Net income attributable to non-controlling interests</b>	<b>63</b>	<b>46</b>	<b>568</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 43,753</b>	<b>¥ 54,378</b>	<b>\$ 394,207</b>

See Notes to Consolidated Financial Statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Net income for the period</b>	<b>¥ 43,817</b>	<b>¥54,424</b>	<b>\$ 394,783</b>
Other comprehensive income:			
Unrealized holding (loss) on securities	(24,917)	(568)	(224,498)
Unrealized gain (loss) from hedging instruments	(24)	5	(216)
Revaluation reserve for land	1,315	–	11,848
Foreign currency translation adjustments	(863)	458	(7,775)
Remeasurements of defined benefit plans	(982)	2,045	(8,848)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(14)	15	(126)
Total other comprehensive income (Note 16)	(25,487)	1,956	(229,633)
<b>Comprehensive income</b>	<b>¥ 18,330</b>	<b>¥56,380</b>	<b>\$ 165,150</b>
(Composition)			
Comprehensive income attributable to owners of parent	¥ 18,300	¥56,232	\$ 164,880
Comprehensive income attributable to non-controlling interests	¥ 29	¥ 147	\$ 261

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

Yamaha Corporation and its consolidated subsidiaries	Shareholders' equity					Millions of yen						Non-controlling interests	Total net assets
	Capital stock (Note 17)	Capital surplus	Retained earnings (Note 17)	Treasury stock (Note 17)	Total shareholders' equity (Note 17)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Year ended March 31, 2019													
Balance as of April 1, 2017	¥28,534	¥40,054	¥250,649	¥(23,731)	¥295,507	¥ 80,282	¥103	¥16,095	¥(24,219)	¥(2,645)	¥ 69,616	¥2,314	¥367,437
Changes of items during the period:													
Dividends from surplus (Note 17)			(10,123)		(10,123)								(10,123)
Net income attributable to owners of parent			54,378		54,378								54,378
Reversal of revaluation reserve for land					-								-
Purchase of treasury stock				(25,012)	(25,012)								(25,012)
Cancellation of treasury stock					-								-
Disposal of treasury stock		111		187	298								298
Purchase of shares of consolidated subsidiaries					-								-
Net changes of items other than shareholders' equity						(553)	5	0	357	2,045	1,854	(488)	1,366
Total changes of items during the period	-	111	44,254	(24,824)	19,541	(553)	5	0	357	2,045	1,854	(488)	20,907
Balance as of April 1, 2018	¥28,534	¥40,165	¥294,904	¥(48,556)	¥315,048	¥ 79,729	¥109	¥16,095	¥(23,862)	¥ (600)	¥ 71,470	¥1,826	¥388,345
Changes of items during the period:													
Dividends from surplus (Note 17)			(10,547)		(10,547)								(10,547)
Net income attributable to owners of parent			43,753		43,753								43,753
Reversal of revaluation reserve for land			(2,969)		(2,969)								(2,969)
Purchase of treasury stock				(11,948)	(11,948)								(11,948)
Cancellation of treasury stock		(17,964)		17,964	-								-
Disposal of treasury stock		5		6	11								11
Purchase of shares of consolidated subsidiaries		(641)			(641)								(641)
Net changes of items other than shareholders' equity						(24,932)	(24)	4,284	(828)	(982)	(22,483)	(749)	(23,233)
Total changes of items during the period	-	(18,600)	30,237	6,022	17,659	(24,932)	(24)	4,284	(828)	(982)	(22,483)	(749)	(5,573)
Balance as of March 31, 2019	¥28,534	¥21,565	¥325,141	¥(42,533)	¥332,707	¥ 54,796	¥ 85	¥20,379	¥(24,691)	¥(1,582)	¥ 48,987	¥1,076	¥382,771

See Notes to Consolidated Financial Statements.

Yamaha Corporation and its consolidated subsidiaries	Thousands of U.S. dollars (Note 4)												
	Shareholders' equity					Accumulated other comprehensive income							Non-controlling interests
Year ended March 31, 2019	Capital stock (Note 17)	Capital surplus	Retained earnings (Note 17)	Treasury stock (Note 17)	Total shareholders' equity (Note 17)	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2018	\$257,086	\$ 361,879	\$2,657,032	\$(437,481)	\$2,838,526	\$ 718,344	\$ 982	\$145,013	\$(214,992)	\$ (5,406)	\$ 643,932	\$ 16,452	\$3,498,919
Changes of items during the period:													
Dividends from surplus (Note 17)			(95,027)		(95,027)								(95,027)
Net income attributable to owners of parent			394,207		394,207								394,207
Reversal of revaluation reserve for land			(26,750)		(26,750)								(26,750)
Purchase of treasury stock				(107,649)	(107,649)								(107,649)
Cancellation of treasury stock		(161,852)		161,852	-								-
Disposal of treasury stock		45		54	99								99
Purchase of shares of consolidated subsidiaries		(5,775)			(5,775)								(5,775)
Net changes of items other than shareholders' equity						(224,633)	(216)	38,598	(7,460)	(8,848)	(202,568)	(6,748)	(209,325)
Total changes of items during the period	-	(167,583)	272,430	54,257	159,104	(224,633)	(216)	38,598	(7,460)	(8,848)	(202,568)	(6,748)	(50,212)
Balance as of March 31, 2019	\$257,086	\$ 194,297	\$2,929,462	\$(383,215)	\$2,997,630	\$ 493,702	\$ 766	\$183,611	\$(222,461)	\$(14,254)	\$ 441,364	\$ 9,695	\$3,448,698

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Yamaha Corporation and its consolidated subsidiaries Year ended March 31, 2019	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Operating activities:</b>			
Income before income taxes	¥ 60,485	¥ 74,471	\$ 544,959
Depreciation and amortization	10,835	10,777	97,621
Loss on impairment of fixed assets	295	27	2,658
Amortization of goodwill	24	61	216
(Decrease) in allowance for doubtful accounts	(90)	(38)	(811)
Loss on valuation of investment securities	–	11	–
(Gain) on sales of investment securities	(820)	(25,821)	(7,388)
(Decrease) increase in net defined benefit liabilities	(182)	1,129	(1,640)
Interest and dividend income	(4,652)	(4,694)	(41,914)
Interest expenses	437	359	3,937
Foreign exchange (gains) losses	(322)	259	(2,901)
Equity in (gains) losses of affiliates	(12)	8	(108)
Loss on sales or disposal of property, plant and equipment, net	283	221	2,550
(Gain) on exchange of property, plant and equipment	(2,034)	–	(18,326)
Decrease (increase) in notes and accounts receivable—trade	1,180	(5,756)	10,632
(Increase) in inventories	(6,511)	(312)	(58,663)
(Decrease) increase in notes and accounts payable—trade	(2,456)	2,053	(22,128)
(Decrease) in accounts payable due to transition to a defined contribution pension plan	(1,558)	(1,235)	(14,037)
Other, net	442	1,527	3,982
<b>Subtotal</b>	<b>55,342</b>	<b>53,049</b>	<b>498,621</b>
Interest and dividend income received	4,654	4,672	41,932
Interest expenses paid	(442)	(274)	(3,982)
Payment of business structural reform expenses	–	(348)	–
Income taxes paid	(29,319)	(9,599)	(264,159)
<b>Net cash provided by operating activities</b>	<b>30,234</b>	<b>47,498</b>	<b>272,403</b>
<b>Investing activities:</b>			
Net (increase) in time deposits	(4,955)	(189)	(44,644)
Payments for purchase of property, plant and equipment	(20,192)	(22,962)	(181,926)
Proceeds from sales of property, plant and equipment	600	379	5,406
Payments for purchase of investment securities	(1)	(2)	(9)
Proceeds from sales and redemption of investment securities	2,380	27,535	21,443
Payments of loans receivable	(53)	(29)	(478)
Collection of loans receivable	48	52	432
Payments for acquisition of business	(981)	–	(8,839)
Other, net	63	(15)	568
<b>Net cash provided by (used in) investing activities</b>	<b>(23,092)</b>	<b>4,766</b>	<b>(208,055)</b>
<b>Financing activities:</b>			
Net increase (decrease) in short-term loans payable	(2,613)	515	(23,543)
Repayments of long-term loans payable	(41)	(29)	(369)
Proceeds from deposits received from membership	125	125	1,126
Repayments for deposits received from membership	(238)	(365)	(2,144)
Purchase of treasury stock	(11,948)	(25,012)	(107,649)
(Increase) in cash segregated as deposits for purchasing of treasury stock	(1,765)	–	(15,902)
Purchase of shares of subsidiaries that are not accompanied by a change of the scope of consolidation	(1,329)	–	(11,974)
Cash dividends paid	(10,547)	(10,123)	(95,027)
Cash dividends paid to non-controlling interests	(90)	(636)	(811)
Other, net	(29)	(58)	(261)
<b>Net cash used in financing activities</b>	<b>(28,479)</b>	<b>(35,584)</b>	<b>(256,591)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(250)</b>	<b>53</b>	<b>(2,252)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(21,587)</b>	<b>16,733</b>	<b>(194,495)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>117,403</b>	<b>100,669</b>	<b>1,057,780</b>
<b>Cash and cash equivalents at end of period (Note 18)</b>	<b>¥ 95,815</b>	<b>¥117,403</b>	<b>\$ 863,276</b>

See Notes to Consolidated Financial Statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1 Summary of Significant Accounting Policies

#### (a) Basis of presentation

Yamaha Corporation (the Company) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. However, in accordance with "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force (PITF) No.18), the accompanying consolidated financial statements have been prepared by using the accounts of overseas consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items. The Company and all consolidated subsidiaries are referred to herein after as the "Yamaha Group."

The consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan. As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

#### (b) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the parent company and all subsidiaries over which it exerts substantial control either through majority ownership of voting stock and/or by other means. As of March 31, 2019, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 59 and 2 (59 and 2 in 2018).

Investments in affiliates (other than subsidiaries as defined above) whose decision-making and control over their operations are significantly affected in various ways by the Yamaha Group are accounted for by the equity method. Investments in two affiliates were accounted for by the equity method for the year ended March 31, 2019 (two in 2018). Investments in unconsolidated affiliates not accounted for by the equity method are carried at cost.

Ten overseas subsidiaries have a financial closing date as of December 31, which differs from the financial closing date of the Company; however, financial statements as of March 31 are prepared and reported by these overseas subsidiaries for consolidation purposes.

#### (c) Securities

Securities owned by the Yamaha Group have been classified into two categories, held-to-maturity and available-for-sale, in accordance with the accounting standards for financial instruments. Under these standards, held-to-maturity debt securities are either amortized or accumulated to face value by the straight-line method. Marketable securities classified as available-for-sale securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Nonmarketable securities classified as available-for-sale securities are

carried at cost. If the market value of marketable securities classified as available-for-sale securities declines significantly, such securities are written down to their respective fair value, thus establishing a new cost basis. The amount of each write-down is charged to income as a loss on valuation of investment securities unless the fair value is deemed recoverable. The Company has established a policy for the recognition of loss on valuation of investment securities if the market value at the year-end has declined significantly and a recovery to fair value is not anticipated. Cost of securities sold is determined by the weighted-average method.

#### (d) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the cost method (a method of reducing book value when the profitability of the inventories declines), cost being determined by the periodic average method. Inventories of the Company's overseas consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

#### (e) Depreciation

Depreciation of property, plant and equipment (excluding leased assets) is calculated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

Estimated useful lives:

Buildings: 31–50 years (accompanying facilities: 15 years)

Structures: 10–30 years

Machinery and equipment: 4–12 years

Tools, furniture and fixtures: 5–6 years

Depreciation of leased assets under finance leases, other than those for which the ownership transfers to the lessee, is calculated by the straight-line method over the lease period with the residual value at zero.

#### (f) Allowance for doubtful accounts

To properly evaluate accounts receivable, the allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the provision is based on the historical experience with write-offs for normal receivables and individual estimation of the collectability of receivables due from specific companies in financial difficulties.

#### (g) Provision for product warranties

Provision for product warranties is provided to cover the cost of customers' claims relating to after-sales service and repairs. The amount of this provision is based on a percentage of the amount or volume of sales after considering the historical experience with repairs of products under warranty or individual estimation.

#### (h) Retirement benefits

In calculating retirement benefit obligations, the benefit formula is primarily used as the method for allocating projected retirement benefits to periods of service up to March 31, 2019.

Prior service cost is amortized as incurred by the straight-line method over a period (10 years) that is shorter than the average remaining years of service of the employees participating in the plans.

Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized, primarily by the straight-line method, over a period (10 years) that is shorter than the average remaining years of service of the employees participating in the plans.

**(i) Construction contracts**

For construction work in progress, if the outcome of the construction activity during the course of the construction is deemed certain, the percentage of completion method is applied.

When the above condition is not met, the completed-contract method is applied.

The method for estimating the amount recognized by the percentage of completion method is based on the ratio of costs incurred to the estimated total cost.

**(j) Criteria for presentation of finance leases (as lessor)**

Finance lease transactions where the Company or a consolidated subsidiary is the lessor of the leased assets, in which ownership is not transferred to the lessee, are recorded as lease investment assets which are included in "Other" under "Current assets."

Sales and cost of sales related to these finance lease transactions are recognized at the time the lease fees are received.

**(k) Foreign currency translation**

Monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the exchange rates in effect at each balance sheet date.

The resulting exchange gain or loss is recognized as other income or expense. Assets and liabilities of overseas consolidated subsidiaries are translated at the exchange rates in effect at each balance sheet date. The components of net assets excluding translation adjustment and non-controlling interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from translation are presented as translation adjustments and non-controlling interests in the accompanying Consolidated Balance Sheet.

**(l) Derivative financial instruments**

The Company has entered into various derivative transactions in order to manage certain risk arising from adverse fluctuations in foreign currency exchange rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

(Hedge accounting)

To manage the fluctuation of foreign exchange risk in normal export and import transactions, the Company and its consolidated

subsidiaries arrange their forward foreign exchange contracts and currency options, within amounts necessary, in accordance with internal rules of each company.

Hedging instruments are forward foreign exchange contracts and purchased foreign currency put options. Hedged items consist of forecast transactions, and recognized receivables and payables denominated in foreign currencies. Forecast transactions denominated in foreign currencies designated as hedged items are accounted for by the benchmark method.

Where hedge effectiveness is not reassessed given that the anticipated cash flows have been fixed by hedging activities and the risk of changes in cash flows is completely avoided, forward foreign exchange contracts related to receivables and payables denominated in foreign currencies are accounted for by the allocation method whereby translation differences are allocated into the hedged items. See Note 22.

**(m) Amortization method and amortization period for goodwill**

Amortization of goodwill is carried out separately for each goodwill item over a reasonable amount of years using the straight-line method.

**(n) Cash and cash equivalents**

Cash on hand and in banks and short-term investments with a maturity of three months or less when purchased can easily be converted to cash and are subject to little risk of change in value.

**(o) Income taxes**

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

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

**(p) Consumption tax**

National and local consumption taxes are excluded from transaction amounts. Non-deductible national and local consumption taxes on assets are treated as expenses.

## 2 New Accounting Standards Not Yet Adopted

**(a) Revenue Recognition**

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

**(1) Overview**

This is a comprehensive accounting standard for revenue recognition. Specifically the accounting standard establishes the following five-step model that will apply to revenue from customers.

- Step 1: Identify the contract(s) with the customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligation in the contract.
- Step 5: Recognize revenue when/as a performance obligation is satisfied.

**(2) Scheduled date of adoption**

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2020.

**(3) Impact of the adoption of accounting standard and implementation guidance.**

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

**(b) Leases**

- “Leases” (IFRS 16, January 13, 2016)

**(1) Overview**

IFRS 16 requires lessees to recognize assets and liabilities for all leases as a general rule.

**(2) Scheduled date of adoption**

The Company expects to adopt IFRS 16 from the beginning of the fiscal year ending March 31, 2020.

**(3) Impact of the adoption of IFRS 16**

The Company is currently evaluating the effect of the adoption of IFRS 16 on its consolidated financial statements.

## 3 Changes in the Method of Presentation

**Notes Regarding Consolidated Balance Sheet**

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the fiscal year ended March 31, 2019. As a result, on the Consolidated Balance Sheet for the previous fiscal year, “Deferred tax assets” under current assets was reduced ¥10,279 million, “Deferred tax liabilities” under current liabilities was reduced ¥33 million, and “Deferred tax liabilities” under noncurrent liabilities was reduced ¥7,841 million, respectively. Also, “Deferred tax assets” under investments and other assets was increased ¥2,404 million.

In addition, the notes to the consolidated financial statements on tax effect accounting includes matters described in Note 8 (excluding the total amount of valuation allowance) and Note 9 of Accounting Standard for Tax Effect Accounting, which are provided in paragraphs 3 to 5 of Partial Amendments to Accounting Standard for Tax Effect

Accounting. However, the description concerning the previous fiscal year are omitted in accordance with the transitional treatment as provided in paragraph 7 of Partial Amendments to Accounting Standard for Tax Effect Accounting.

**Notes Regarding Consolidated Statement of Operations**

In the consolidated financial statements for the previous fiscal year, “Subsidy income” was included in “Other, net” under other income (expenses). However, since the amount of this item has become material, it has been presented as an independent item from the fiscal year ended March 31, 2019. Due to this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, in the Consolidated Statement of Operations for the previous fiscal year, the “Other, net” under other income (expenses), which was reported as ¥(1,045) million, has been restated as ¥189 million of “Subsidy income” and ¥(1,234) million of “Other, net.”

## 4 U.S. Dollar Amounts

Solely for the convenience of the reader, the accompanying consolidated financial statements for the year ended March 31, 2019 have been presented in U.S. dollars by translating all yen amounts at ¥110.99 = U.S.\$1.00, the exchange rate prevailing on March 31, 2019. This translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

## 5 Accumulated Depreciation

Accumulated depreciation of property, plant and equipment at March 31, 2019 and 2018 amounted to ¥188,646 million (\$1,699,667 thousand) and ¥185,212 million, respectively.

## 6 Investment Securities

Investment securities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Investment securities in unconsolidated subsidiaries and affiliates	¥907	¥917	\$8,172
Investments in capital in unconsolidated subsidiaries and affiliates	30	31	270

## 7 Land Revaluation

For the year ended March 31, 2019, the Company has carried over the revaluation of their landholdings at the date of revaluation in accordance with the "Law Concerning the Revaluation of Land" (Law No. 34 published on March 31, 1998). The date of revaluation was March 31, 2002.

The Company determined the value of its land based on the respective value registered in the land tax list or the supplementary

land tax list as specified in No. 10 or No. 11 of Article 341 of the Local Tax Law governed by Item 3 of Article 2 of the Enforcement Order for the "Law Concerning the Revaluation of Land" (Cabinet Order No. 119 published on March 31, 1998).

The excess of the revalued carrying amount of such land over its market value at March 31, 2019 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Excess of revalued carrying amount of land over market value	¥(840)	¥(7,347)	\$ (7,568)

## 8 Notes Receivable and Payable Maturing on the Balance Sheet Date

Notes receivable and payable are settled on the date of clearance. As March 31, 2019 and 2018 were bank holidays, notes receivable and payable maturing on those dates could not be settled and were settled on the following business day and included in the ending balances of notes and accounts receivable—trade, and notes and accounts payable—trade as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Notes receivable	¥ 5	¥ 5	\$ 45
Notes payable	¥13	¥13	\$117

## 9 Inventories

Inventories at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Merchandise and finished goods	¥ 67,983	¥65,064	\$612,515
Work in process	13,771	13,339	124,074
Raw materials and supplies	18,580	15,721	167,402
Total	¥100,334	¥94,126	\$903,991

Write-downs of inventories for the years ended March 31, 2019 and 2018 were recognized in the following account:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Cost of sales	¥(134)	¥177	\$ (1,207)

Note: Figure shown in parentheses is a profit item.

## 10 Provision for Loss on Construction Contracts

Provision for loss on construction contracts was included in the following account for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Cost of sales	¥3	¥(11)	\$27

Note: Figure shown in parentheses is a profit item.



## 11 Selling, General and Administrative Expenses

Principal items of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Sales commissions	¥ 1,192	¥ 1,186	\$ 10,740
Transport expenses	13,093	12,878	117,966
Advertising expenses and sales promotion expenses	19,241	19,416	173,358
Allowance for doubtful accounts	124	103	1,117
Provision for product warranties	785	612	7,073
Retirement benefit expenses	2,933	3,696	26,426
Salaries and benefits	52,654	52,957	474,403
Rent	3,093	3,410	27,867
Depreciation and amortization	2,482	2,104	22,362

Note: Figure shown in parentheses is a profit item.

## 12 R&D Expenses

R&D expenses, included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2019 and 2018, amounted to ¥24,926 million (\$224,579 thousand) and ¥24,797 million, respectively.

## 13 Sales or Disposal of Property, Plant and Equipment

### For the year ended March 31, 2019

Gain on sales of property, plant and equipment principally resulted from sales of machinery, and buildings and structures. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings and structures, tools, furniture and fixtures, and machinery.

### For the year ended March 31, 2018

Gain on sales of property, plant and equipment principally resulted from sales of land, and tools, furniture and fixtures. Loss on disposal of property, plant and equipment principally resulted from disposal of buildings, and machinery, tools, furniture and fixtures.

## 14 Sales of Investment Securities

### For the year ended March 31, 2018

Gain on sales of investment securities principally resulted from sales of a portion of the Company's holdings of Yamaha Motor Co., Ltd. shares of ¥25,823 million for the fiscal year.

## 15 Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Foreign exchange losses	¥(141)	¥(1,301)	\$ (1,270)
Loss on valuation of investment securities	–	(11)	–
Others	263	78	2,370
Other, net	¥ 121	¥(1,234)	\$ 1,090

## 16 Information on Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to each component of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Other comprehensive income			
Unrealized holding (loss) on securities			
Amount arising during the year	¥(34,789)	¥ 25,019	\$(313,443)
Reclassification adjustments for gains and losses recognized in the Consolidated Statement of Operations	(738)	(25,824)	(6,649)
Amount before tax effect adjustment	(35,528)	(804)	(320,101)
Tax effect	10,610	235	95,594
Total	(24,917)	(568)	(224,498)
Unrealized gain (loss) from hedging instruments			
Amount arising during the year	(34)	7	(306)
Tax effect	10	(1)	90
Total	(24)	5	(216)
Revaluation reserve for land			
Tax effect	1,315	–	11,848
Foreign currency translation adjustments			
Amount arising during the year	(863)	458	(7,775)
Remeasurements of defined benefit plans			
Amount arising during the year	(2,683)	227	(24,173)
Reclassification adjustments for gains and losses recognized in the Consolidated Statement of Operations	1,284	2,672	11,569
Amount before tax effect adjustment	(1,399)	2,899	(12,605)
Tax effect	416	(854)	3,748
Total	(982)	2,045	(8,848)
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	(14)	15	(126)
Total	¥(25,487)	¥ 1,956	\$(229,633)

## 17 Information on Consolidated Statement of Changes in Net Assets

The following tables present information related to the accompanying Consolidated Statement of Changes in Net Assets for the years ended March 31, 2019 and 2018:

### (a) Common stock

Number of shares	2019	2018
Beginning of the year	197,255,025	197,255,025
Increase	–	–
Decrease	5,700,000*1	–
End of the year	191,555,025	197,255,025

\*1 Decrease owing to cancellation of treasury stock based on the resolution of the Board of Directors: 5,700,000 shares

### (b) Treasury stock

Number of shares	2019	2018
Beginning of the year	15,406,885	9,820,691
Increase	2,214,483*1	5,663,794*3
Decrease	5,702,000*2	77,600*4
End of the year	11,919,368	15,406,885

\*1 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 2,209,500 shares  
Increase owing to return of restricted stock compensation without payment before completion of the restricted period: 2,000 shares  
Increase owing to purchase of outstanding fractional shares of less than one trading unit: 2,983 shares

\*2 Decrease owing to cancellation of treasury stock based on the resolution of the Board of Directors: 5,700,000 shares  
Decrease owing to disposal of treasury stock as restricted stock compensation: 2,000 shares

\*3 Increase owing to purchase of treasury stock based on the resolution of the Board of Directors: 5,660,700 shares  
Increase owing to purchase of outstanding fractional shares of less than one trading unit: 3,094 shares

\*4 Decrease owing to disposal of treasury stock as restricted stock compensation: 77,600 shares

**(c) Subscription rights to shares**

None

**(d) Cash dividends**
**(1) Amount of dividend payments**
**2019**

Date of approval	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 25, 2018 (Annual General Meeting of Shareholders)	Common stock	¥5,091	\$45,869	¥28.00	\$0.25	Mar. 31, 2018	Jun. 26, 2018
Nov. 1, 2018 (Board of Directors)	Common stock	¥5,455	\$49,149	¥30.00	\$0.27	Sept. 30, 2018	Dec. 6, 2018

Notes: Dividends per share of ¥28.00 (\$0.25) approved on June 25, 2018 consisted of regular dividends of ¥28.00 (\$0.25).  
Dividends per share of ¥30.00 (\$0.27) approved on November 1, 2018 consisted of regular dividends of ¥30.00 (\$0.27).

**2018**

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 22, 2017 (Annual General Meeting of Shareholders)	Common stock	¥4,873	¥26.00	Mar. 31, 2017	Jun. 23, 2017
Nov. 1, 2017 (Board of Directors)	Common stock	¥5,250	¥28.00	Sept. 30, 2017	Dec. 7, 2017

Notes: Dividends per share of ¥26.00 approved on June 22, 2017 consisted of regular dividends of ¥26.00.  
Dividends per share of ¥28.00 approved on November 1, 2017 consisted of regular dividends of ¥28.00.

**(2) Dividends whose effective date is in the year subsequent to that in which the record date falls**
**2019**

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars) (Note 4)	Dividends per share (Yen)	Dividends per share (U.S. dollars) (Note 4)	Record date	Effective date
Jun. 24, 2019 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥5,389	\$48,554	¥30.00	\$0.27	Mar. 31, 2019	Jun. 25, 2019

Note: Dividends per share of ¥30.00 (\$0.27) approved on June 24, 2019 consisted of regular dividends of ¥30.00 (\$0.27).

**2018**

Date of approval	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Jun. 25, 2018 (Annual General Meeting of Shareholders)	Common stock	Retained earnings	¥5,091	¥28.00	Mar. 31, 2018	Jun. 26, 2018

Note: Dividends per share of ¥28.00 approved on June 25, 2018 consisted of regular dividends of ¥28.00.

## 18 Supplementary Cash Flow Information

The following table represents a reconciliation of "Cash and deposits" and "Cash and cash equivalents" at March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Cash and deposits	¥106,061	¥122,731	\$955,591
Time deposits with a maturity of more than three months	(10,246)	(5,327)	(92,315)
Cash and cash equivalents	¥ 95,815	¥117,403	\$863,276

## 19 Leases

2019

### Lessees' accounting

#### Operating lease transactions

Future minimum lease payments subsequent to March 31, 2019 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2020	¥ 606	\$ 5,460
2021 and thereafter	1,828	16,470
Total	¥2,434	\$21,930

Finance lease transactions in which ownership is not transferred to the lessee commencing on or before March 31, 2008

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

As of March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥768	¥543	¥225	\$6,920	\$4,892	\$2,027
Other	—	—	—	—	—	—
Total	¥768	¥543	¥225	\$6,920	\$4,892	\$2,027

Amounts corresponding to the acquisition costs include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2019

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2020	¥ 42	\$ 378
2021 and thereafter	183	1,649
Total	¥225	\$2,027

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2019	Millions of yen	Thousands of U.S. dollars (Note 4)
Lease payments	¥42	\$378
Depreciation	42	378

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

### Lessors' accounting

#### Operating lease transactions

Future minimum lease amounts receivable subsequent to March 31, 2019 on noncancellable leases are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 4)
2020	¥256	\$2,307
2021 and thereafter	291	2,622
Total	¥547	\$4,928



**2018**
**Lessees' accounting**
**Operating lease transactions**

Future minimum lease payments subsequent to March 31, 2018 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2019	¥ 637
2020 and thereafter	2,056
Total	¥2,693

**Finance lease transactions in which ownership is not transferred to the lessee commencing on or before March 31, 2008**

(a) Amounts related to leased assets corresponding to the acquisition cost, accumulated depreciation and net book value at the end of the year

As of March 31, 2018	Millions of yen		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥799	¥500	¥298
Other	–	–	–
Total	¥799	¥500	¥298

Amounts corresponding to the acquisition costs include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(b) Amounts corresponding to the future minimum lease payments subsequent to March 31, 2018

Years ended / ending March 31	Millions of yen
2019	¥ 47
2020 and thereafter	250
Total	¥298

Amounts corresponding to the future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of property, plant and equipment as of the balance sheet date.

(c) Amounts corresponding to the lease payments and depreciation

Year ended March 31, 2018	Millions of yen
Lease payments	¥47
Depreciation	47

(d) Method of calculating the amount of the depreciation of leased assets

Depreciation of leased assets is calculated by straight-line method over the lease period with their residual value at zero.

**Lessors' accounting**
**Operating lease transactions**

Future minimum lease amounts receivable subsequent to March 31, 2018 on noncancellable leases are as follows:

Years ended / ending March 31	Millions of yen
2019	¥354
2020 and thereafter	303
Total	¥657

## 20 Financial Instruments

### (a) Overview

#### (1) Policy for financial instruments

The Yamaha Group, in principle, limits its cash management to deposits for which principals are guaranteed and interest rates are fixed. In addition, the Yamaha Group raises funds mainly through bank borrowings. Further, Yamaha and its owned domestic subsidiaries practice group finance. The Yamaha Group uses derivatives for the purpose of reducing risk, and limits derivative transactions to actual exposure. The Yamaha Group does not enter into derivative transactions for speculative purposes.

#### (2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to the credit risk of its customers. In addition, the Yamaha Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Short-term investment securities and investment securities are exposed to market risk. Those securities are composed of mainly the stock of Yamaha Motor Co., Ltd., a former affiliated company which shares the Yamaha brand, and shares of common stock of other companies with which it has business relationships. Trade notes and accounts payable, other accounts payable, and accrued expenses have payment due dates within one year. In addition, trade accounts payable that are denominated in foreign currencies are exposed to foreign currency exchange risk. Short-term loans payable are raised mainly in connection with business activities. Long-term deposits received are membership deposits received from customers in the Yamaha Group's resort business. The Yamaha Group is exposed to liquidity risk from its trade notes and accounts payable, other accounts payable, accrued expenses, short-term loans payable, and long-term deposits received.

Regarding derivatives, the Yamaha Group enters into forward foreign exchange contracts with netting arrangements and currency options (foreign currency put options) to reduce foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies in normal export and import transactions. Furthermore, the Yamaha Group has no record of currency option transactions (foreign currency put options and yen call options).

Forward foreign exchange contracts are exposed to foreign currency exchange risk. For currency options, since the Yamaha Group only uses purchased foreign currency put options, the risk of loss is limited to the option premium.

Derivative transactions are accounted for by hedge accounting. The method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities are described in Note 1 (I) Derivative financial instruments (Hedge accounting).

### (b) Risk management for financial instruments

The Yamaha Group has established a Group financial management policy, and the Company and its consolidated subsidiaries have prepared rules based on this policy for the following risk:

#### (1) Credit risk (the risk that customers may default)

The Yamaha Group has prepared a policy for managing its credit exposure and trade receivables. In accordance with the rules, the Yamaha Group monitors the credit exposure limits of each customer and organizes all trade receivables by customer, and confirms the outstanding balances with customers regularly. For receivables that become past due, rules require taking steps to understand the causes and preparing a schedule for the recovery of this exposure.

To minimize the credit risk of the counterparty in derivative transactions, the Yamaha Group enters into transactions only with financial institutions that have a sound credit profile.

#### (2) Market risk (the risks arising from fluctuations in exchange rates, interest rates, and other indicators)

For trade receivables denominated in foreign currencies, the Yamaha Group minimizes the foreign exchange risk arising from the receivables by entering into forward foreign exchange contracts and arranging for currency options, after netting by the payables denominated in foreign currencies, within the limits of actual transactions. Also, the trade accounts payable denominated in foreign currencies are maintained within the amount of accounts receivable denominated in foreign currencies at all times.

For short-term investment securities and long-term investment securities, the Yamaha Group periodically reviews the market value and the financial position of the issuer with which the Yamaha Group has a business relationship.

In conducting derivative transactions, based on the policy stated in (1) above, the Company and its consolidated subsidiaries hold discussions, establish internal rules for the management of derivatives, and then conduct and manage such transactions in accordance with the rules.

Derivative transactions of the Company and its subsidiaries are concentrated in each accounting and finance department of these companies. Internal rules set forth the roles of each accounting and finance department, reports to be submitted to top management, communications to be sent to related departments, and maximum upper limit on position.

Monthly reports including the outstanding balance of derivative transactions and quantitative information such as market trends of foreign exchange rates are submitted to top management.

#### (3) Liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled dates)

The Yamaha Group manages liquidity risk based on the cash flow plans of the Company and its consolidated subsidiaries and through the practice of group finance at the Company and its wholly owned subsidiaries in Japan.

**(4) Supplementary explanation of the estimated fair value of financial instruments**

The estimated fair value of financial instruments is their quoted market price if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

In addition, the notional amounts of derivatives in Note 22 are not indicative of the actual market risk involved in derivative transactions.

**(c) Estimated fair value of financial instruments**

Carrying value on the Consolidated Balance Sheet as of March 31, 2019 and 2018, and difference between carrying value and estimated fair value, are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. See Note (ii) below:

As of March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value*1	Estimated fair value*1	Difference	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥106,061	¥106,061	¥ -	\$955,591	\$955,591	\$ -
Notes and accounts receivable—trade	55,527	55,527	-	500,288	500,288	-
Investment securities						
Subsidiaries and affiliates securities	711	336	(374)	6,406	3,027	(3,370)
Available-for-sale securities	90,907	90,907	-	819,056	819,056	-
Notes and accounts payable—trade	(17,548)	(17,548)	-	(158,104)	(158,104)	-
Accounts payable— other and accrued expenses	(42,481)	(42,481)	-	(382,746)	(382,746)	-
Derivatives*2	121	121	-	1,090	1,090	-

As of March 31, 2018	Millions of yen		
	Carrying value*1	Estimated fair value*1	Difference
Cash and deposits	¥122,731	¥122,731	¥ -
Notes and accounts receivable—trade	56,499	56,499	-
Investment securities			
Subsidiaries and affiliates securities	721	352	(369)
Available-for-sale securities	127,658	127,658	-
Notes and accounts payable—trade	(19,946)	(19,946)	-
Accounts payable— other and accrued expenses	(45,527)	(45,527)	-
Derivatives*2	155	155	-

\*1 Figures shown in parentheses are liability items.

\*2 The value of assets and liabilities arising from derivatives is shown at net value, with net liability position shown in parentheses.

**Notes:**
**(i) Methods for computing the estimated fair value of financial instruments, securities and derivative transactions**

Cash and deposits and notes and accounts receivable—trade

Since these items are settled in a short period of time, the carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either the quoted market price or prices provided by the financial institutions making markets in these securities.

Information on securities classified by holding purpose is contained in Note 21.

Notes and accounts payable—trade and accounts payable—other and accrued expenses

Since these items are settled in a short period of time, the carrying value approximates fair value.

Derivatives Transactions

See Note 22.

**(ii) Financial instruments for which it is extremely difficult to determine the fair value**

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Carrying value			
Unlisted stocks	¥1,735	¥1,962	\$15,632
Long-term deposits received	8,997	9,090	81,061

Because no quoted market price is available and estimating their future cash flows is deemed to be prohibitively expensive, the estimated fair value of these financial instruments was extremely difficult to determine, and has not been disclosed.

(iii) The redemption schedule for receivables and securities with maturities as of March 31, 2019 and 2018

As of March 31, 2019	Millions of yen				Thousands of U.S. dollars (Note 4)			
	Within one year	Between one and five years	Between five and ten years	Over ten years	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥106,061	¥-	¥-	¥-	\$ 955,591	\$-	\$-	\$-
Notes and accounts receivable—trade	55,527	-	-	-	500,288	-	-	-
<b>Total</b>	<b>¥161,589</b>	<b>¥-</b>	<b>¥-</b>	<b>¥-</b>	<b>\$ 1,455,888</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

As of March 31, 2018	Millions of yen			
	Within one year	Between one and five years	Between five and ten years	Over ten years
Cash and deposits	¥122,731	¥-	¥-	¥-
Notes and accounts receivable—trade	56,499	-	-	-
<b>Total</b>	<b>¥179,230</b>	<b>¥-</b>	<b>¥-</b>	<b>¥-</b>

(iv) The redemption schedule for long-term debt with maturities as of March 31, 2019 and 2018

As of March 31, 2019	Millions of yen					
	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
Short-term loans payable	¥8,936	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	-	-	-	-	-	-
Lease obligations	69	38	19	18	17	54
Other interest-bearing debt	-	-	-	-	-	-
<b>Total</b>	<b>¥9,005</b>	<b>¥38</b>	<b>¥19</b>	<b>¥18</b>	<b>¥17</b>	<b>¥54</b>

As of March 31, 2019	Thousands of U.S. dollars (Note 4)					
	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
Short-term loans payable	\$80,512	\$-	\$-	\$-	\$-	\$-
Long-term loans payable	-	-	-	-	-	-
Lease obligations	622	342	171	162	153	487
Other interest-bearing debt	-	-	-	-	-	-
<b>Total</b>	<b>\$81,133</b>	<b>\$342</b>	<b>\$171</b>	<b>\$162</b>	<b>\$153</b>	<b>\$487</b>

As of March 31, 2018	Millions of yen					
	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
Short-term loans payable	¥11,131	¥-	¥-	¥-	¥-	¥-
Long-term loans payable	41	-	-	-	-	-
Lease obligations	54	53	33	17	16	70
Other interest-bearing debt	-	-	-	-	-	-
<b>Total</b>	<b>¥11,227</b>	<b>¥53</b>	<b>¥33</b>	<b>¥17</b>	<b>¥16</b>	<b>¥70</b>



## 21 Securities

### (a) Available-for-sale securities with fair market value

As of March 31, 2019	Millions of yen			Thousands of U.S. dollars (Note 4)		
	Carrying value	Acquisition costs	Unrealized gain	Carrying value	Acquisition costs	Unrealized gain
Securities whose carrying value exceeds their acquisition costs:						
Stock	¥88,538	¥11,143	¥77,394	\$797,712	\$100,396	\$697,306
Other	–	–	–	–	–	–
Subtotal	¥88,538	¥11,143	¥77,394	\$797,712	\$100,396	\$697,306
Securities whose carrying value does not exceed their acquisition costs:						
Stock	¥ 2,369	¥ 2,447	¥ (78)	\$ 21,344	\$ 22,047	\$ (703)
Other	–	–	–	–	–	–
Subtotal	2,369	2,447	(78)	21,344	22,047	(703)
Total	¥90,907	¥13,591	¥77,316	\$819,056	\$122,452	\$696,603

As of March 31, 2018	Millions of yen		
	Carrying value	Acquisition costs	Unrealized gain
Securities whose carrying value exceeds their acquisition costs:			
Stock	¥127,658	¥14,874	¥112,783
Other	–	–	–
Subtotal	¥127,658	¥14,874	¥112,783
Securities whose carrying value does not exceed their acquisition costs:			
Stock	¥ –	¥ –	¥ –
Other	–	–	–
Subtotal	–	–	–
Total	¥127,658	¥14,874	¥112,783

### (b) Available-for-sale securities sold during the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Sales of available-for-sale securities	¥2,142	¥27,245	\$19,299
Gain on sales	821	25,824	7,397
Loss on sales	0	3	0

## 22 Derivatives and Hedging Activities

As of March 31, 2019 and 2018, there were no derivative transactions outstanding for which hedge accounting has not been applied. The notional amounts, the estimated fair value of the notional amount, and the estimated fair value of the derivative instruments outstanding as of March 31, 2019 and 2018, for which hedge accounting has been applied, are summarized as follows:

As of March 31, 2019	Hedged items	Millions of yen				Calculation of fair value
		Notional amount		Estimated fair value of notional amount	Estimated fair value of derivative instruments	
		Total	Over one year			
Forward foreign exchange contracts accounted for by benchmark method:						
Sell:	Accounts receivable					Prices provided by financial institution
Euros		¥10,486	¥-	¥10,365	¥121	
Forward foreign exchange contracts accounted for by allocation method:						Market Price
Sell:	Accounts receivable					
Euros		2,010	-	-*	-*	
<b>Total</b>		<b>¥12,496</b>	<b>¥-</b>	<b>¥ -</b>	<b>¥ -</b>	

\* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

As of March 31, 2019	Hedged items	Thousands of U.S. dollars (Note 4)				Calculation of fair value
		Notional amount		Estimated fair value of notional amount	Estimated fair value of derivative instruments	
		Total	Over one year			
Forward foreign exchange contracts accounted for by benchmark method:						
Sell:	Accounts receivable					Prices provided by financial institution
Euros		\$ 94,477	\$-	\$ 93,387	\$1,090	
Forward foreign exchange contracts accounted for by allocation method:						Market Price
Sell:	Accounts receivable					
Euros		18,110	-	-*	-*	
<b>Total</b>		<b>\$112,587</b>	<b>\$-</b>	<b>\$ -</b>	<b>\$ -</b>	

\* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

As of March 31, 2018	Hedged items	Millions of yen				Calculation of fair value
		Notional amount		Estimated fair value of notional amount	Estimated fair value of derivative instruments	
		Total	Over one year			
Forward foreign exchange contracts accounted for by benchmark method:						
Sell:	Accounts receivable					Prices provided by financial institution
Euros		¥12,996	¥-	¥12,840	¥155	
Forward foreign exchange contracts accounted for by allocation method:						Market Price
Sell:	Accounts receivable					
Euros		1,861	-	-*	-*	
<b>Total</b>		<b>¥14,858</b>	<b>¥-</b>	<b>¥ -</b>	<b>¥ -</b>	

\* The estimated fair value is included in the fair value of accounts receivable, since the forward foreign exchange contracts are accounted for as part of accounts receivable under the allocation method in hedge accounting.

## 23 Retirement Benefits

### (a) Outline of the Company's retirement benefit system

To provide employee retirement benefits, the Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans.

The defined benefit pension plan (funded and unfunded plans) pays a lump-sum or an annual pension based on the employee compensation point system.

In certain cases, the Company pays employees who are retiring, etc., additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods based on retirement benefit accounting principles.

Certain consolidated subsidiaries that have defined benefit pension plans calculate net defined benefit liabilities and retirement benefit expenses using the simplified method.

### (b) Defined benefit pension plans

#### (1) Changes in the retirement benefit obligations for the years ended March 31, 2019 and 2018 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Retirement benefit obligations at the beginning of year	¥105,502	¥106,920	\$950,554
Service cost	3,909	4,040	35,219
Interest cost	703	720	6,334
Actuarial gain or loss	2,024	1,692	18,236
Retirement benefits paid	(8,383)	(7,633)	(75,529)
Other	37	(238)	333
Retirement benefit obligations at end of year	¥103,794	¥105,502	\$935,165

#### (2) Changes in the plan assets for the years ended March 31, 2019 and 2018 (excluding plans that apply the simplified method)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Plan assets at the beginning of year	¥85,947	¥85,563	\$774,367
Expected return on plan assets	1,712	1,693	15,425
Actuarial gain or loss	(619)	1,886	(5,577)
Contribution by the Yamaha Group	2,578	2,941	23,227
Retirement benefits paid	(6,579)	(6,127)	(59,276)
Other	(13)	(9)	(117)
Plan assets at end of year	¥83,026	¥85,947	\$748,049

#### (3) Changes in net defined benefit liabilities for plans that apply the simplified method for the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Net defined benefit liabilities at the beginning of year	¥1,266	¥1,428	\$11,406
Retirement benefit expenses	191	176	1,721
Retirement benefits paid	(119)	(138)	(1,072)
Contribution to plan	(24)	(27)	(216)
Decrease due to transition to a defined contribution pension plan	–	(204)	–
Other	(15)	32	(135)
Net defined benefit liabilities at end of year	¥1,299	¥1,266	\$11,704

#### (4) Reconciliation between the funded status of the plans (retirement benefit obligations and plan assets) and the amounts recognized in the Consolidated Balance Sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Retirement benefit obligations of funded plans	¥ 84,973	¥ 87,073	\$ 765,591
Plan assets	(83,520)	(86,451)	(752,500)
	1,452	622	13,082
Retirement benefit obligations of unfunded plans	20,613	20,199	185,719
Net assets and liabilities recorded in the Consolidated Balance Sheet	22,066	20,821	198,811
Net defined benefit liabilities	22,460	21,098	202,361
Net defined benefit assets	(394)	(276)	(3,550)
Net assets and liabilities recorded in the Consolidated Balance Sheet	¥ 22,066	¥ 20,821	\$ 198,811

Note: Including plans that apply the simplified method.

**(5) Components of retirement benefit expenses**

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Service cost	¥ 3,909	¥ 4,040	\$ 35,219
Interest cost	703	720	6,334
Expected return on plan assets	(1,712)	(1,693)	(15,425)
Amortization of actuarial gain or loss	1,518	2,904	13,677
Amortization of prior service cost	(234)	(188)	(2,108)
Retirement benefit expenses calculated by simplified method	191	176	1,721
Other	15	4	135
Retirement benefit expenses for defined benefit pension plans	4,392	5,964	39,571
Loss due to transition to a defined contribution pension plan	¥ -	¥ 148	\$ -

**(6) Remeasurements of defined benefit plans**

Components of remeasurements of defined benefit plans (before taxes)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Prior service cost	¥ (234)	¥ (234)	\$ (2,108)
Actuarial gain or loss	(1,164)	3,134	(10,487)
Total	¥(1,399)	¥2,899	\$(12,605)

**(7) Accumulated remeasurements of defined benefit plans**

Components of accumulated remeasurements of defined benefit plans (before taxes)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Unrecognized prior service cost	¥(1,815)	¥(2,050)	\$(16,353)
Unrecognized actuarial gain or loss	3,991	2,826	35,958
Total	¥ 2,175	¥ 776	\$ 19,596

**(8) Items for plan assets**
**(i) Components of plan assets**

Ratio of primary components of total plan assets

	2019	2018
Life insurance company general accounts	56%	57%
Stocks	24%	23%
Bonds	13%	13%
Cash and deposits	1%	1%
Other	6%	6%
Total	100%	100%

**(ii) Determining expected long-term rate of return**

In determining the expected long-term rate of return of plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

**(9) Items related to the basis of actuarial calculation**

Items that form the primary basis for actuarial calculations as of March 31, 2019 and 2018

	2019	2018
Discount rate	0.2%	0.4%
Expected long-term rate of return	2.0%	2.0%

**(c) Defined contribution pension plans**

Required contributions to defined contribution pension plans of consolidated subsidiaries totaled ¥1,342 million (\$12,091 thousand) and ¥1,376 million in the years ended March 31, 2019 and 2018, respectively. In addition, aside from the above required contributions, the Company also posted ¥205 million (\$1,847 thousand) of additional retirement benefit expenses in the year ended March 31, 2019.

## 24 Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes, and enterprise tax which, in the aggregate, resulted in effective statutory tax rates of approximately 30.0% and 30.2% for the years ended March 31, 2019 and 2018, respectively. Income taxes of the overseas consolidated subsidiaries are, in general, based on the tax rates applicable in their respective countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
<b>Deferred tax assets:</b>			
Write-downs of inventories	¥ 1,872	¥ 1,686	\$ 16,866
Unrealized gain on inventories and property, plant and equipment	3,482	3,822	31,372
Allowance for doubtful accounts	275	280	2,478
Depreciation	6,654	6,962	59,951
Loss on impairment of fixed assets	3,530	3,534	31,805
Loss on valuation of investment securities	1,881	1,963	16,947
Accrued employees' bonuses	2,345	2,298	21,128
Provision for product warranties	319	304	2,874
Long-term accounts payable	1,334	1,816	12,019
Net defined benefit liabilities	6,316	5,934	56,906
Tax loss carryforwards*	3,879	5,085	34,949
Other	6,113	6,179	55,077
<b>Gross deferred tax assets</b>	<b>38,000</b>	<b>39,867</b>	<b>342,373</b>
Valuation allowance related to tax loss carryforwards*	(3,855)	–	(34,733)
Valuation allowance related to total deductible temporary differences	(8,128)	–	(73,232)
<b>Valuation allowance</b>	<b>(11,983)</b>	<b>(12,922)</b>	<b>(107,965)</b>
<b>Total deferred tax assets</b>	<b>¥ 26,017</b>	<b>¥ 26,944</b>	<b>\$ 234,409</b>
<b>Deferred tax liabilities:</b>			
Reserve for deferred gain on property, plant and equipment	¥ (2,869)	¥ (793)	\$ (25,849)
Reserve for special account for acquisition of replacement property	–	(2,204)	–
Reserve for special depreciation	(1)	(2)	(9)
Unrealized holding gain on securities	(22,639)	(33,250)	(203,973)
Other	(952)	(1,396)	(8,577)
<b>Total deferred tax liabilities</b>	<b>(26,461)</b>	<b>(37,647)</b>	<b>(238,409)</b>
<b>Net deferred tax liabilities</b>	<b>¥ (444)</b>	<b>¥(10,702)</b>	<b>\$ (4,000)</b>

\* Tax loss carryforwards and other deferred tax assets expire as follows:

2019	Millions of yen						Total
	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	
Tax loss carried forward†	¥ 659	¥ 194	¥ 138	¥ 147	¥ 73	¥ 2,667	¥ 3,879
Valuation allowance	(659)	(194)	(138)	(147)	(49)	(2,667)	(3,855)
Deferred tax assets	–	–	–	–	23	–	23

† Tax loss carryforwards is measured using the statutory effective tax rate

2019	Thousands of U.S. dollars (Note 4)						Total
	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	
Tax loss carried forward†	\$ 5,937	\$ 1,748	\$ 1,243	\$ 1,324	\$ 658	\$ 24,029	\$ 34,949
Valuation allowance	(5,937)	(1,748)	(1,243)	(1,324)	(441)	(24,029)	(34,733)
Deferred tax assets	–	–	–	–	207	–	207

† Tax loss carryforwards is measured using the statutory effective tax rate



A reconciliation between the effective statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Effective statutory tax rate	30.0%	30.2%
Adjustments:		
Differences in tax rates of overseas consolidated subsidiaries	(2.1)	(1.2)
Non-temporary differences not deductible for tax purposes	(0.2)	(0.6)
Per capita inhabitants' taxes	0.3	0.2
Foreign withholding tax	0.7	1.1
Allowances for changes in valuation	(1.9)	(2.2)
Special deduction for R&D expenses	(2.2)	(1.6)
Income tax for prior years at Indonesian subsidiaries	2.1	0.3
Other	0.9	0.7
Effective tax rate after adjustments for tax-effect accounting	27.6%	26.9%

(Change in the Method of Presentation)

In the previous fiscal year, "Income tax for prior years at Indonesian subsidiaries" was included in "Other" in the above table. However, since the amount of this item has become material, it has been presented as an independent item from the fiscal year ended March 31, 2019. Also, in the previous fiscal year, "Amortization of goodwill" was presented independently in the above table. However, since the amount of this item is no longer material, it has been included in "Other." To reflect this change in presentation, the corresponding figures for the previous fiscal year have been reclassified.

As a result, "Other," which was reported as 1.0% in the table for the previous fiscal year, has been restated in the table above as "Income tax for prior years at Indonesian subsidiaries" of 0.3% and "Other" of 0.7%.

## 25 Segment Information

*For the years ended March 31, 2019 and 2018*

### (a) Summary of reportable segments

Reportable segments are composed of business units that provide separate financial information, and are regularly reviewed by the Board of Directors of the Company for the purpose of business performance evaluation and management resource allocation decisions.

The Company's business segments, based on its economic features and similarity of products and services, comprise its two principal reportable segments, which are Musical instruments and Audio equipment. Other businesses have been grouped together in the "Others" segment.

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

### (b) Method for calculating the sales, income (loss), assets, liabilities, and other items for reportable segments

The accounting treatment for reportable segments is carried out through principles and procedures that are the same as those used for preparing the consolidated financial statements.

Figures for income in reportable segments are on an operating income basis.

Intersegment sales and transfers are based on prevailing market prices.

## (c) Information on the amounts of sales, income (loss), assets, liabilities, and other items for reportable segments

As of March 31, 2019	Millions of yen						
	Reportable segment			Others	Total	Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total				
<b>Sales:</b>							
Sales to external customers	¥281,993	¥120,710	¥402,703	¥ 34,713	¥437,416	¥ -	¥437,416
Intersegment sales or transfers	-	-	-	334	334	(334)	-
<b>Total</b>	<b>281,993</b>	<b>120,710</b>	<b>402,703</b>	<b>35,047</b>	<b>437,751</b>	<b>(334)</b>	<b>437,416</b>
Segment income	¥ 42,945	¥ 10,618	¥ 53,563	¥ 2,466	¥ 56,030	¥ -	¥ 56,030
Segment assets	¥309,022	¥ 81,933	¥390,955	¥123,806	¥514,762	¥ -	¥514,762
<b>Other items:</b>							
Depreciation and amortization	¥ 7,019	¥ 2,980	¥ 9,999	¥ 835	¥ 10,835	¥ -	¥ 10,835
Loss on impairment of fixed assets	¥ 264	¥ 66	¥ 331	¥ 8	¥ 339	¥ -	¥ 339
Increase in property, plant and equipment and intangible assets	¥ 12,635	¥ 2,984	¥ 15,620	¥ 1,387	¥ 17,008	¥ -	¥ 17,008

As of March 31, 2019	Thousands of U.S. dollars (Note 4)						
	Reportable segment			Others	Total	Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total				
<b>Sales:</b>							
Sales to external customers	\$2,540,706	\$1,087,575	\$3,628,282	\$ 312,758	\$3,941,040	\$ -	\$3,941,040
Intersegment sales or transfers	-	-	-	3,009	3,009	(3,009)	-
<b>Total</b>	<b>2,540,706</b>	<b>1,087,575</b>	<b>3,628,282</b>	<b>315,767</b>	<b>3,944,058</b>	<b>(3,009)</b>	<b>3,941,040</b>
Segment income	\$ 386,927	\$ 95,666	\$ 482,593	\$ 22,218	\$ 504,820	\$ -	\$ 504,820
Segment assets	\$2,784,233	\$ 738,202	\$3,522,434	\$1,115,470	\$4,637,913	\$ -	\$4,637,913
<b>Other items:</b>							
Depreciation and amortization	\$ 63,240	\$ 26,849	\$ 90,089	\$ 7,523	\$ 97,621	\$ -	\$ 97,621
Loss on impairment of fixed assets	\$ 2,379	\$ 595	\$ 2,982	\$ 72	\$ 3,054	\$ -	\$ 3,054
Increase in property, plant and equipment and intangible assets	\$ 113,839	\$ 26,885	\$ 140,733	\$ 12,497	\$ 153,239	\$ -	\$ 153,239

- Notes: 1. The item "Adjustments and elimination" for the year ended March 31, 2019 contains the following:  
 The sales adjustment item of ¥(334) million (\$ (3,009) thousand) comprises eliminations of transactions among the Company's business segments.  
 2. "Segment income" for the year ended March 31, 2019 means the operating income of the segment as presented in the Consolidated Statement of Operations.  
 3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying Consolidated Balance Sheet) were ¥75,209 million (\$677,620 thousand).

As of March 31, 2018	Millions of yen						
	Reportable segment			Others	Total	Adjustments and elimination	Consolidated
	Musical instruments	Audio equipment	Total				
<b>Sales:</b>							
Sales to external customers	¥274,486	¥121,788	¥396,275	¥ 36,692	¥432,967	¥ -	¥432,967
Intersegment sales or transfers	-	-	-	342	342	(342)	-
<b>Total</b>	<b>274,486</b>	<b>121,788</b>	<b>396,275</b>	<b>37,035</b>	<b>433,310</b>	<b>(342)</b>	<b>432,967</b>
Segment income	¥ 34,644	¥ 10,715	¥ 45,359	¥ 3,473	¥ 48,833	¥ -	¥ 48,833
Segment assets	¥315,893	¥ 76,466	¥392,359	¥159,949	¥552,309	¥ -	¥552,309
<b>Other items:</b>							
Depreciation and amortization	¥ 7,335	¥ 2,701	¥ 10,036	¥ 740	¥ 10,777	¥ -	¥ 10,777
Loss on impairment of fixed assets	¥ 27	¥ -	¥ 27	¥ -	¥ 27	¥ -	¥ 27
Increase in property, plant and equipment and intangible assets	¥ 18,440	¥ 4,207	¥ 22,647	¥ 2,085	¥ 24,732	¥ -	¥ 24,732

- Notes: 1. The item "Adjustments and elimination" for the year ended March 31, 2018 contains the following:  
 The sales adjustment item of ¥(342) million comprises eliminations of transactions among the Company's business segments.  
 2. "Segment income" for the year ended March 31, 2018 means the operating income of the segment as presented in the Consolidated Statement of Operations.  
 3. Among the assets of the Others segment, the amounts of investment securities related to Yamaha Motor Co., Ltd. (the market value reported on the accompanying Consolidated Balance Sheet) were ¥110,164 million.  
 4. Effective from the fiscal year ended March 31, 2019, the Company has changed the method of presentation following the application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Figures for segment assets in the fiscal year ended March 31, 2018 have been restated retroactively applying the revised method of presentation.

(d) Information by geographical segment

(i) Sales information based on the geographical location of the customers

Year ended March 31, 2019	Millions of yen						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Overseas		
Net sales	¥129,693	¥92,048 (80,551)	¥83,858	¥59,240	¥72,575	¥307,722	¥437,416	
Sales as a percentage of consolidated net sales	29.6%	21.0% (18.4%)	19.2%	13.5%	16.7%	70.4%	100.0%	

Year ended March 31, 2019	Thousands of U.S. dollars (Note 4)						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Overseas		
Net sales	\$1,168,511	\$829,336 (725,750)	\$755,546	\$533,742	\$653,888	\$2,772,520	\$3,941,040	
Sales as a percentage of consolidated net sales	29.6%	21.0% (18.4%)	19.2%	13.5%	16.7%	70.4%	100.0%	

Notes: 1. Sales information is based on the geographical location of customers, and is classified by country or region.

2. Main country and regional divisions other than Japan:

(a) North America: U.S.A. and Canada

(b) Europe: Germany, France, and the U.K.

(c) Asia, Oceania, and other areas: Republic of Korea and Australia

Year ended March 31, 2018	Millions of yen						Total	Consolidated
	Japan	North America (U.S.A.)	Europe	China	Asia, Oceania, and other areas	Overseas		
Net sales	¥133,726	¥86,888 (76,249)	¥84,815	¥54,188	¥73,348	¥299,240	¥432,967	
Sales as a percentage of consolidated net sales	30.9%	20.1% (17.6%)	19.6%	12.5%	16.9%	69.1%	100.0%	

Notes: 1. Sales information is based on the geographical location of customers, and is classified by country or region.

2. Main country and regional divisions other than Japan:

(a) North America: U.S.A. and Canada

(b) Europe: Germany, France, and the U.K.

(c) Asia, Oceania, and other areas: Republic of Korea and Australia

(ii) Property, plant and equipment information based on Group locations

Year ended March 31, 2019	Millions of yen						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Property, plant and equipment	¥86,964	¥1,687	¥3,350	¥12,105	¥17,828	¥121,934	¥-	¥121,934

Year ended March 31, 2019	Thousands of U.S. dollars (Note 4)						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Property, plant and equipment	\$783,530	\$15,200	\$30,183	\$109,064	\$160,627	\$1,098,603	\$-	\$1,098,603

Note: Main country and regional divisions other than Japan:

This classification is the same as "Sales information based on the geographical location of the customers."

Year ended March 31, 2018	Millions of yen						Adjustments and elimination	Consolidated
	Japan	North America	Europe	China	Asia, Oceania, and other areas	Total		
Property, plant and equipment	¥84,502	¥1,635	¥3,585	¥11,547	¥14,547	¥115,817	¥-	¥115,817

Note: Main country and regional divisions other than Japan:

This classification is the same as "Sales information based on the geographical location of the customers."

(e) Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment  
For the year ended March 31, 2019

	Millions of yen			Total
	Musical instruments	Audio equipment	Others	
Amounts amortized	¥ 24	¥-	¥-	¥ 24
Balance as of March 31, 2019	¥136	¥-	¥-	¥136

	Thousands of U.S. dollars (Note 4)			Total
	Musical instruments	Audio equipment	Others	
Amounts amortized	\$ 216	\$-	\$-	\$ 216
Balance as of March 31, 2019	\$1,225	\$-	\$-	\$1,225

For the year ended March 31, 2018

	Millions of yen			Total
	Musical instruments	Audio equipment	Others	
Amounts amortized	¥57	¥3	¥-	¥61
Balance as of March 31, 2018	¥ -	¥-	¥-	¥ -

(f) Information on gain on negative goodwill by reportable segment

None

## 26 Amounts per Share

Years ended March 31	Yen		U.S. dollars (Note 4)
	2019	2018	2019
Net income per share:			
Basic	¥240.94	¥291.81	\$2.17

As of March 31	Yen		U.S. dollars (Note 4)
	2019	2018	2019
Net assets per share	¥2,124.83	¥2,125.51	\$19.14

Basic net income per share is computed based on the net income and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share for the years ended March 31, 2019 and 2018 has not been presented because there were no potentially dilutive securities at March 31, 2019 and 2018.

Net assets per share are based on the number of shares of common stock outstanding at each balance sheet date.

The basic net income per share is calculated as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Basic net income per share:			
Net income attributable to owners of parent	¥43,753	¥54,378	\$394,207
Amounts not attributable to shareholders of common stock	-	-	-
Net income attributable to shareholders of common stock	43,753	54,378	394,207
Weighted-average number of shares outstanding (shares)	181,598,344	186,347,105	-

## 27 Short-Term Loans Payable and Long-Term Debt

Short-term and long-term loans payable, lease obligations, and guarantee deposits as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	2019
Short-term loans payable	¥8,936	¥11,131	\$80,512
Current portion of long-term loans payable	–	41	–
Current portion of lease obligations	69	54	622
Long-term loans payable (excluding those to be repaid within one year)	–	–	–
Lease obligations (excluding those to be repaid within one year)	149	190	1,342
Other interest-bearing debt			
Guarantee deposits	39	40	351
<b>Total</b>	<b>¥9,194</b>	<b>¥11,459</b>	<b>\$82,836</b>

The annual weighted-average interest rates applicable to above short-term loans payable and long-term debt at March 31, 2019 were as follows:

	2019
Short-term loans payable	2.6%
Current portion of long-term loans payable	–%
Long-term loans payable (excluding those to be repaid within one year)	–%
Other interest-bearing debt	
Guarantee deposits	1.3%

Note: 1. The weighted-average interest rates shown above are calculated by using the balance of such obligations outstanding at the end of the fiscal year. For lease obligations, no average interest rate is shown because the amounts in the Consolidated Balance Sheet include the amounts corresponding to interest paid from total lease payments.  
 2. Lease obligations and other interest-bearing debt (excluding those to be repaid within one year) scheduled to be repaid within five years from the balance sheet date as of March 31, 2019 are as follows.

	Millions of yen			
	Between one and two years	Between two and three years	Between three and four years	Between four and five years
Lease obligations	¥38	¥19	¥18	¥17
Other interest-bearing debt	–	–	–	–

	Thousands of U.S. dollars (Note 4)			
	Between one and two years	Between two and three years	Between three and four years	Between four and five years
Lease obligations	\$342	\$171	\$162	\$153
Other interest-bearing debt	–	–	–	–

## 28 Related Party Transactions

None

## 29 Subsequent Events

None



## INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report

The Board of Directors  
YAMAHA CORPORATION

We have audited the accompanying consolidated financial statements of YAMAHA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YAMAHA CORPORATION and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

*Ernst & Young Shin Nihon LLC*

June 25, 2019  
Hamamatsu, Japan

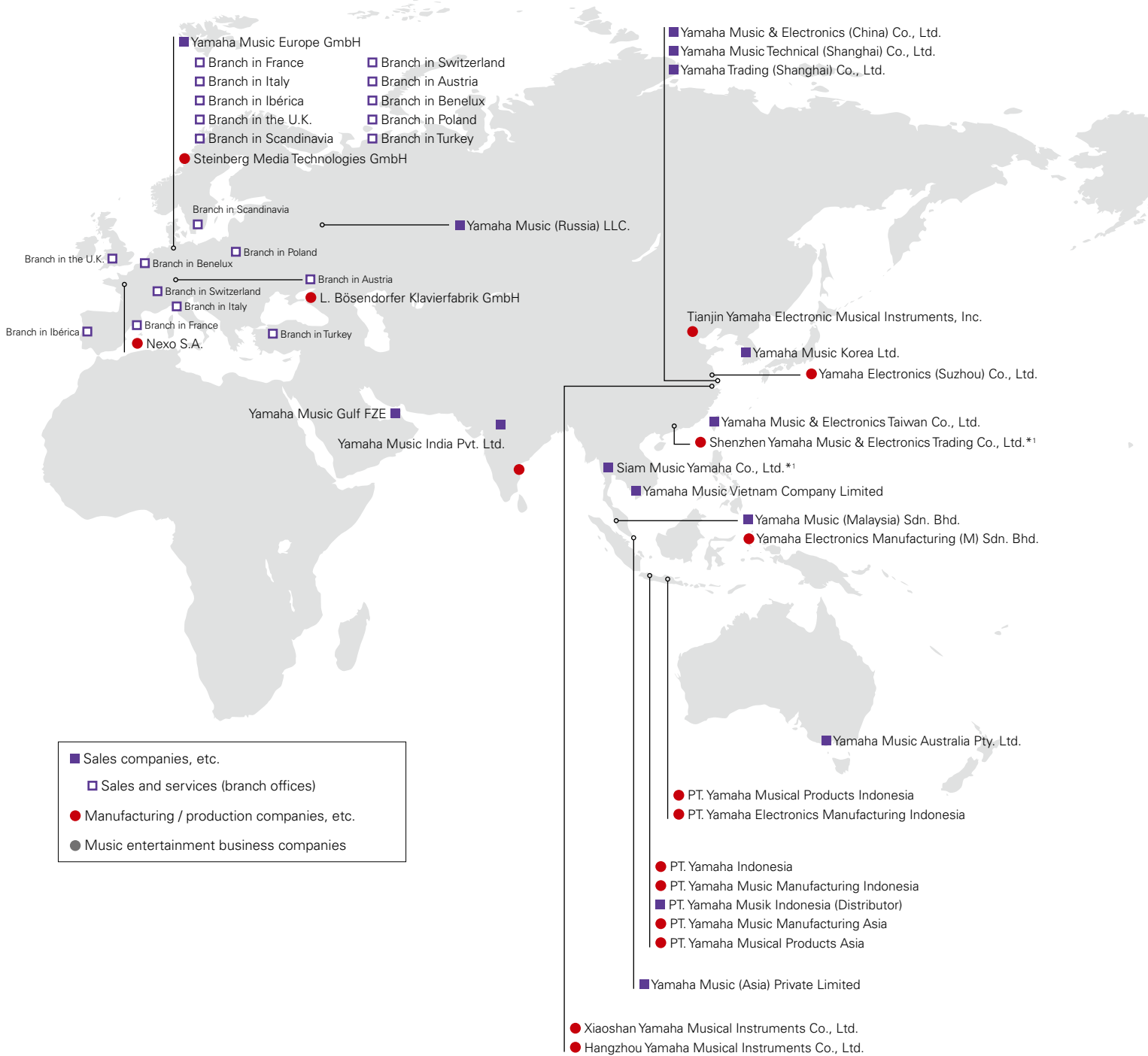
A member firm of Ernst & Young Global Limited

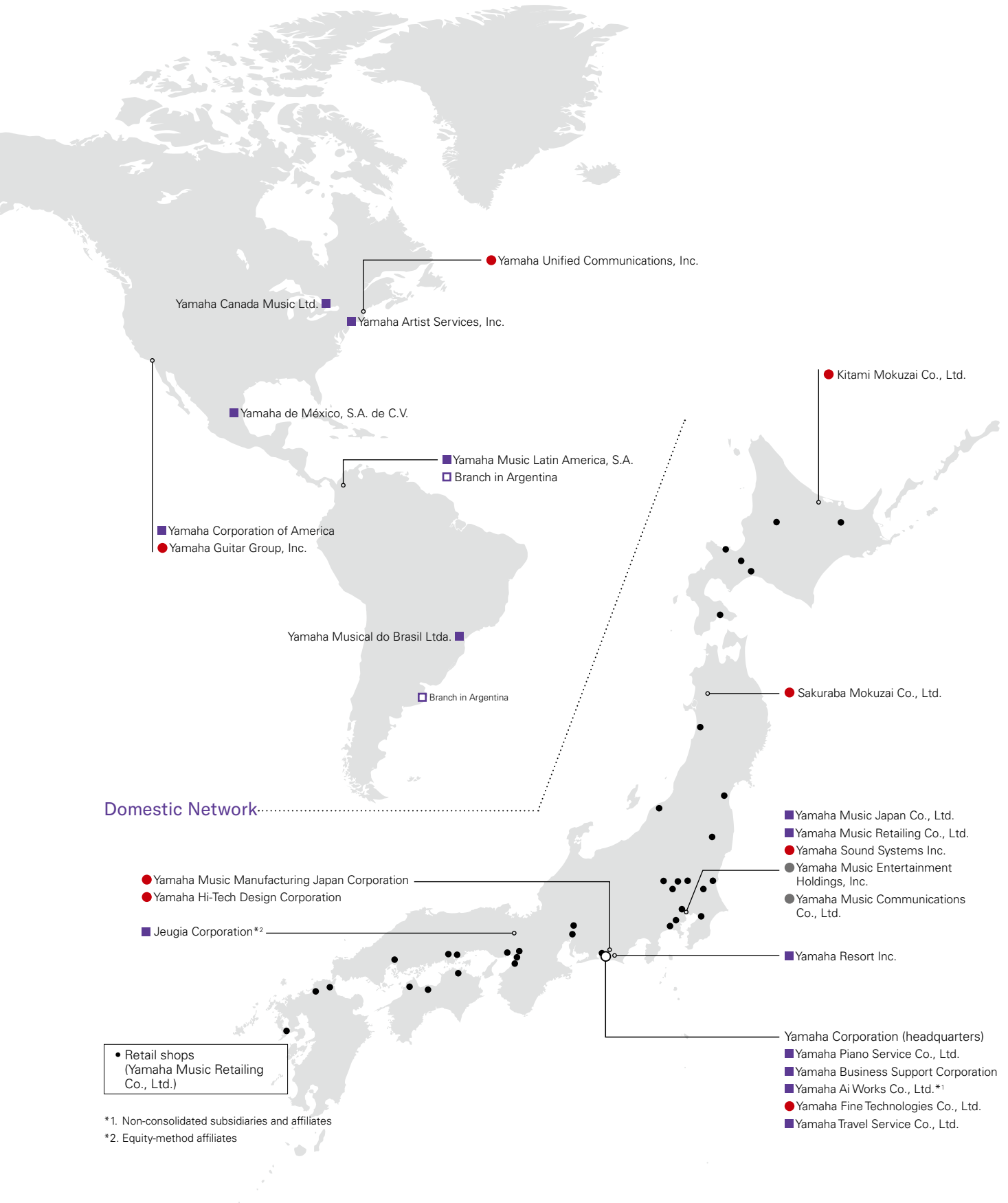
# MAIN NETWORKS

(As of September 1, 2019)

The Yamaha Group is currently expanding its business on a global basis, with locations in over 30 countries and regions across the world.

## Overseas Network





\*1. Non-consolidated subsidiaries and affiliates  
 \*2. Equity-method affiliates

# STOCK INFORMATION

(As of March 31, 2019)

<b>Dividends</b>	Year-end: To the shareholders of record on March 31 Interim: To the shareholders of record on September 30
<b>Number of Shares of Common Stock</b>	Issued: 191,555,025 (includes treasury stock of 11,919,368)
<b>Stock Exchange Listing</b>	Tokyo First Section, Code No. 7951
<b>Administrator of Shareholders' Registry</b>	The Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department 3-15-33, Sakae, Naka-ku, Nagoya, Aichi 460-8685, Japan
<b>Public Notices</b>	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 <i>Nihon Keizai Shimbun</i> business daily released in Tokyo. <a href="https://www.yamaha.com/ja/about/public_notices/">https://www.yamaha.com/ja/about/public_notices/</a> (only in Japanese)
<b>Ordinary General Shareholders' Meeting</b>	June
<b>Number of Shareholders</b>	18,053

## Shareholder Composition

	Number of shareholders	Ratio of number of shares to total (%)
Individuals	17,169	12.8
Financial institutions	59	55.5
Japanese corporations	179	6.3
Foreign investors	612	22.8
Securities companies	34	2.6
Total	18,053	100.0

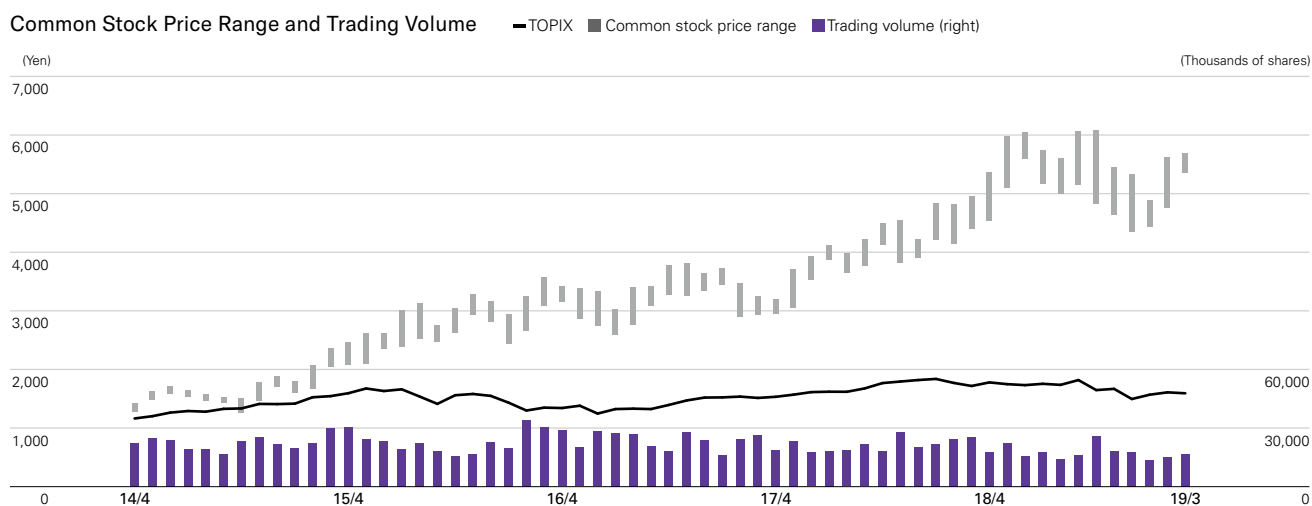
Note: The figure for individuals includes treasury stock.

## Major Shareholders

	Number of shareholders	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust a/c)		16.3
Japan Trustee Services Bank, Ltd. (trust a/c)		9.0
Yamaha Motor Co., Ltd.		5.7
The Shizuoka Bank, Ltd.		4.2
Mitsui Sumitomo Insurance Co., Ltd.		4.2
Sumitomo Life Insurance Company		4.1
Mizuho Bank, Ltd.		3.3
Nippon Life Insurance Company		2.8
Trust & Custody Services Bank, Ltd. (securities investment trust a/c)		2.0
Japan Trustee Service Bank, Ltd. (trust a/c No. 7)		1.5

Note: Yamaha Corporation holds 11,919,368 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



Fiscal year ended	2015/3	2016/3	2017/3	2018/3	2019/3
Share price at the end of fiscal year (Yen)	2,104	3,390	3,065	4,675	5,530
Share price—high (Yen)	2,355	3,575	3,820	4,960	6,080
Share price—low (Yen)	1,267	2,083	2,588	2,955	4,355
Trading volume (Million shares)	268	276	288	255	209

Fiscal year ended	2015/3	2016/3	2017/3	2018/3	2019/3
Dividend yield (%)	1.71	1.30	1.70	1.20	1.08
Price to earnings ratio (Times)	16.3	20.1	12.3	16.0	23.0
Price to book value ratio (Times)	1.18	2.12	1.57	2.20	2.60
Number of shares issued (Thousand shares)	197,255	197,255	197,255	197,255	191,555
Market capitalization at the end of fiscal year (Millions of yen)	415,025	668,695	604,587	922,167	1,059,299
Percentage of shares owned by foreign investors (%)	31.4	25.2	24.4	24.3	22.8

# COMPANY INFORMATION

(As of March 31, 2019)

## Corporate Profile

Company Name	Yamaha Corporation	Number of Employees (Consolidated)	20,375 (Excluding average number of temporary employees: 7,733)
Headquarters	10-1, Nakazawa-cho, Naka-ku, Hamamatsu, Shizuoka 430-8650, Japan	Number of Subsidiary Companies	63 (of which 59 are consolidated companies)
Year of Foundation	1887	Account Settlement Date	March 31
Date of Incorporation	October 12, 1897	Accounting Auditor	Ernst & Young ShinNihon LLC
Paid-in Capital	28,534 million yen		

## Major External Evaluations and Incorporation in Indices (As of September 30, 2019)

Yamaha Corporation is included in socially responsible investment (SRI) indexes\*<sup>1</sup> and 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\*<sup>2</sup>.

- Nikkei Stock Average (Nikkei 225)
- JPX-Nikkei Index 400
- TOPIX Mid 400 / TOPIX 500 / TOPIX 1000
- MSCI ESG Leaders Indexes\*<sup>3</sup>
- MSCI Japan ESG Select Leaders Index\*<sup>3,4</sup>
- MSCI Japan Empowering Women Index (WIN) \*<sup>3,4</sup>
- FTSE4Good
- FTSE Blossom Japan\*<sup>4</sup>
- S&P / JPX Carbon Efficient Index \*<sup>4</sup>
- S&P Japan 500 ESG
- ECPI Global Developed ESG Best-in-Class Equity Index
- ECPI World ESG Equity Index

- 2018 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 (As of March 31, 2019)

Rating and Investment Information, Inc. (R&I)	A+
Japan Credit Rating Agency, Ltd. (JCR)	AA-

\*1. SRI indexes: Indexes that group together companies that demonstrate an outstanding performance in terms of both profitability and sustainability and indicate trends in the stock prices of such companies.

\*2. GPIF: Government Pension Investment Fund

\*3. 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.

\*4. Four indices selected by GPIF



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