



MANAGEMENT SECTION

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MESSAGE FROM THE PRESIDENT

Getting back to the basics, namely, the pursuit of top-line revenue growth, we seek to grow while boldly creating new value that preemptively responds to major social and economic changes.



Takuya Nakata
Director, President and
Representative Executive Officer

Earning Power Forged by Overcoming Operating Environment Changes

Fiscal 2023, the first year of the Make Waves 2.0 medium-term management plan, presented an operating environment that was more difficult to navigate than any we have faced previously. Yet even under these challenging conditions, Yamaha was able to display its earning power. This fact gives me confidence in our future growth.

Looking back at the operating environment over the previous fiscal year, we see society attempting to return to the lifestyles that were viewed as normal prior to the COVID-19 pandemic, though there were some regional disparities in this regard. At the same time, however, the environment was plagued with adversity, including Russia's military invasion of Ukraine, supply chain disruptions that stemmed from difficulties in procuring semiconductors, and global rises in commodity prices. In addition, the market in China, which was expected to relax pandemic-related activity restrictions around the same time as other countries and regions, was heavily impacted by the prolongation of its zero-COVID policy.

As a result, sales to the Chinese market in both the musical instruments business and the audio equipment business were down by about 20% in comparison to fiscal 2022.

We had braced ourselves for less-than-favorable figures in terms of revenue and profit as a result of such changes in the Chinese market, which should have been a strong driver behind the growth of our mainstay musical instruments business, and of rising material and other costs. Regardless, though, revenue was up 10.6% year on year, to ¥451.4 billion, and core operating profit rose 6.6%, to ¥45.9 billion. This impressive outcome can be attributed to success in raising product selling prices and strong sales in North America as well as in emerging markets other than China. Another factor was record-breaking performance in the industrial machinery and components business and the others business, which helped compensate for the decline in earnings in the musical instruments business.

Value Creation Fueled by Passion, Will, and Drive to Overcome Challenges

Before we look at the progress of the medium-term management plan, I would like to take this opportunity to talk about how Yamaha creates value.

Yamaha's value creation activities cannot be separated from our quest to create social value. This is something that has not changed since the Company was founded in 1887. Our roots can be traced back to founder Torakusu Yamaha and his repairing a single broken organ. This is the start that would lead him to attempt and succeed in producing organs in Japan. At the time, Japan was in the process of installing the infrastructure required for it to become a modern nation, and part of these efforts was introducing music education into elementary schools. The government had planned to import organs to be used in schools for this purpose. Yamaha saw the business opportunity this presented. Producing organs in Japan that could be supplied at lower prices than imported organs, we achieved growth by placing organs in elementary schools across Japan. Today, instrumental music

education is commonplace at Japanese elementary schools. The role Yamaha played in cultivating this enriched music culture was in no means small. At the same time, we are keenly aware of how the passion, will, and drive to overcome challenges of our forebears, in their quest to provide children with musical instruments and spread the culture of enjoying music, drove the creation of value by Yamaha.

The passion, will, and drive to overcome challenges of our forebears has been passed down and consolidated in the form of Yamaha's enduring corporate philosophy of "Sharing Passion & Performance," which is shaped by our purpose of "Well-Being of People around the World." A core characteristic of Yamaha can be seen in how we practice management emphasizing our brand in accordance with our management vision of "Becoming an Indispensable, Brilliantly Individual Company: Boost brand power to become a highly profitable enterprise." To guide us in fulfilling this purpose and accomplishing this vision, we have defined material issues in the

three areas of business foundation, environment and society, and human resources. These issues are being incorporated into our business activities based on concrete key performance indicators (KPIs) to ensure that we can succeed in creating Yamaha value and social value from a medium- to long-term perspective.

A number of members from the younger generations that will shape the future were involved in the formulation of our material issues as we engaged in a process of ongoing discussion to chart a road map for creating value over the

medium to long term. The defined material issues provide a clear standard to be used by employees in making value judgments in their daily business activities. I also feel that these issues served to make employees more aware of the role they play personally in, for example, combating climate change and promoting respect for human rights. Furthermore, the definition of these priority issues has had a significant meaning in making it easier to explain our values to business partners and other external stakeholders to gain their understanding and practice co-creation.

Stronger Operating Foundations and Greater Growth Potential

The medium-term management plan was formulated using a backcasting approach starting from our mission and management vision. Based on the main theme of enhance growth capability, the plan puts forth the three key policies of “further strengthen the business foundation,” “set sustainability as a source of value,” and “enable Yamaha colleagues to be more valued, more engaged, and more committed,” along with key themes based on these policies. I would now like to discuss the plan’s progress in fiscal 2023, its first year.

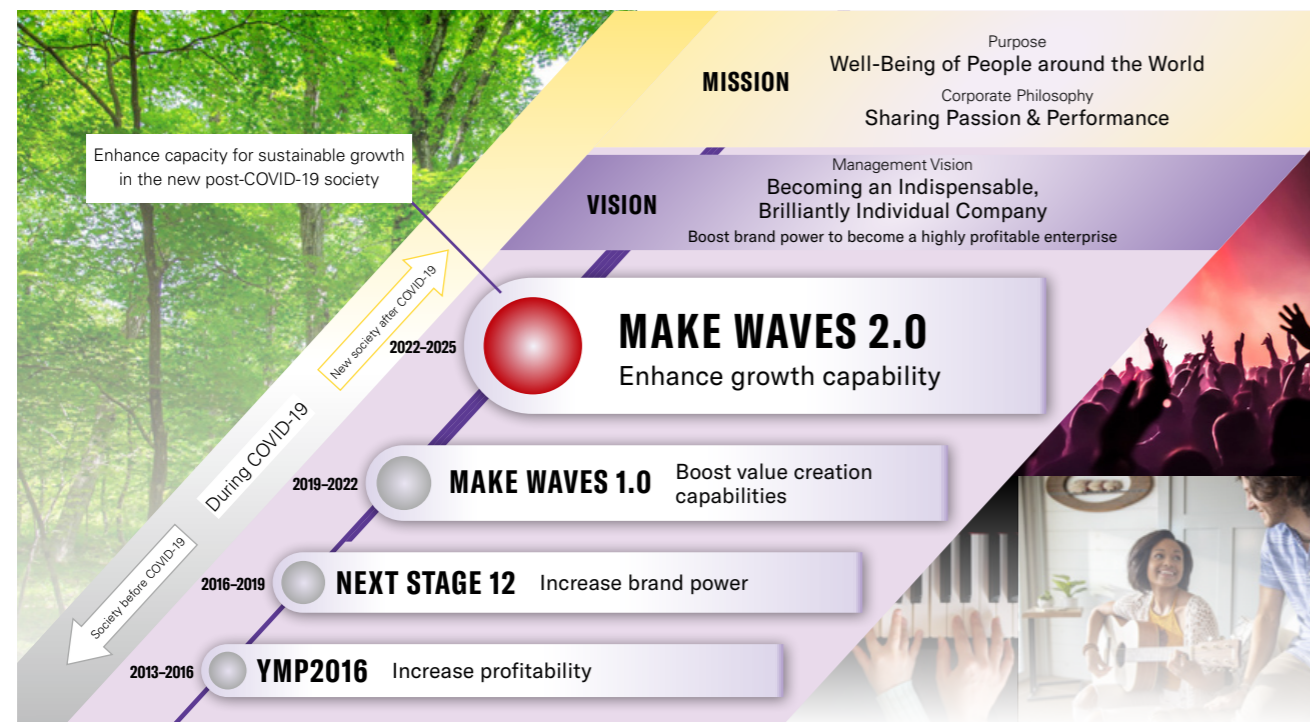
Key Policy 1: Further strengthen the business foundation

The themes under the policy of further strengthen the business foundation are (1) Develop closer ties with customers, (2) Create new value, and (3) Be more flexible and resilient.

The February 2023 acquisition of U.S. guitar manufacturer Cordoba Music Group, LLC, is an example of our initiatives based on theme (1). The guitar business has been positioned as a business to be fostered, which means we will be aggressively investing in this business to grow its scale and improve its profitability. Moreover, the addition of Cordoba Music Group to the Yamaha Group has bolstered our product lineup while also allowing us to strengthen our operating foundation by utilizing this company’s strengths in planning, product development, and brand communication.

This acquisition was conducted through Yamaha Guitar Group, Inc., a U.S subsidiary that is well-versed on the local market and is located in close physical proximity to Cordoba Music Group. Yamaha Guitar Group also spearheaded the post-merger integration process based on its past experience

Medium-Term Management Plan Basic Policy



Policies and Key Themes

Key policy 1
Further strengthen the business foundation

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

Key policy 2
Set sustainability as a source of value

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

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

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

Key Themes

- (1) Develop closer ties with customers
- (2) Create new value
- (3) Be more flexible and resilient

Key Themes

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

Key Themes

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

in this area. Specifically, Yamaha Guitar Group has the experience of leading the smooth completion of the post-merger integration process with regard to the 2018 acquisition of the globally recognized Ampeg brand for bass amps, and this experience has helped keep the process for Cordoba Music Group advancing on schedule.

In managing overseas Group companies, we plan to continue positioning individuals who are highly knowledgeable about the respective markets in management positions and empowering them to exercise autonomy whenever possible. Given this approach, I think that corporate governance should function as a catalyst for generating synergies behind the unifying role of the Japanese headquarters and the autonomous drive for expansion of the management of subsidiaries. Specifically, we should take appropriate steps to verify whether Group governance is functioning as intended and whether the internal regulations necessary for this functionality are being effectively implemented, and frameworks should be flexibly revised as needed to accomplish these objectives.

We are also expanding our business domain as part of our efforts under theme (1). For example, we are accelerating the growth of the automotive sound system operations developed as part of the industrial machinery and components business. These operations entail the supply of surround sound systems and speakers for use in vehicles. The atmosphere within vehicles is not ideal from the perspective of acoustics. Yamaha, however, possesses insight into signal processing technologies and acoustics control that can be

used to overcome challenges faced in regard to in-vehicle environments. In-vehicle products developed utilizing Yamaha’s distinctive strengths have earned high praise, and six Chinese and other automobile manufacturers had adopted these products for use in their vehicles as of fiscal 2023. In these operations, we seek to go beyond simply producing and supplying components to create high-quality audio systems that match the vehicle concept shaped by the manufacturer’s values. Through this approach, we aspire to earn a position as a partner working together with automobile manufacturers.

As for theme (2), we are enhancing Yamaha Music Connect, a service that truly exemplifies this theme. Based on our Yamaha Music ID customer data platform, Yamaha Music Connect is a service that supplies individual users with the apps and content that best match them. There is a lot of competition in the field of online music services as a diverse range of offerings are already available from a variety of providers. However, there still has yet to emerge a service that can be a clear market leader. Yamaha is bolstering the range of functions offered through its service with the goal of supplying functions that can be enjoyed with ease by users ranging from beginners to experienced musicians. This will include accommodating a wide range of needs, including those of individuals wanting to play with their colleagues in remote environments, people wanting to receive online lessons without having to worry about time, and musicians looking for a simple way to share their performances.

The development of this service is being led by the Music Connect Department, a new organization placed under my direct jurisdiction, to guide the formulation of unprecedented new business schemes, including those for collaboration with start-ups, and to thereby create new value through open innovation.

For Yamaha Music ID, our service platform for forging broader, deeper, and longer ties with customers, we have set the target of issuing five million IDs by fiscal 2025. In fiscal 2023, we reached nearly half of this amount with 2.4 million registered IDs, a number indicating the high interest in this service among customers.

Theme (3) relates to raising the resilience of our supply chains, and will thus be an ongoing focus in the future. Our previous approach toward supply chains entailed placing efficiency as our top priority. This led us to emphasize minimizing inventories of components and works in progress. However, the supply chain disruptions seen over the past two years have made it clear that a supply chain focused purely on efficiency will require a substantial amount of time to recover when disrupted by extreme circumstances. It is for this reason that it is so important for us to reassess our supply chain based on the assumption that unpredictability will be a constant in the operating environment. With this perspective, we must examine what exactly constitutes the ideal supply chains for Yamaha and how supply chains should be matched to the coming times. We must not be hasty in this process. Rather, we must take the time to carefully discuss these matters and build the best possible supply chains.

Key Policy 2: Set sustainability as a source of value

For the policy of set sustainability as a source of value, we have defined the themes of (1) Build a value chain that supports the future of the earth and society, (2) Enhance brand

power and competitiveness by contributing to comfortable lives, and (3) Expand market through the promotion and development of music culture. These three themes relate to the environment, society, and culture, respectively.

Theme (3), in particular, is a uniquely Yamaha initiative. Based on this theme, the medium-term management plan sets the non-financial target of offering instrumental music performance experiences to an aggregate total of 2.3 million students in 10 countries through the School Project, our program for supporting the introduction of instrumental music education in public schools centered on emerging countries. The demand for the project in emerging countries has proven to be even greater than we had anticipated, and in fiscal 2023, the first year of the plan, the School Project had already offered instrumental music performance experiences to an aggregate total of 2.0 million students in seven countries. This success is even more satisfying given our aspiration to spread the efforts of forebears at our founding to popularize music in Japan to the rest of the world and to help children experience the joy of music and instrumental music performance.

Meanwhile, we are working to reduce our environmental impact in accordance with theme (1). Two non-financial targets have been set with this regard, one for increasing the rate of sustainably sourced timber use and the other reducing CO₂ emissions by conserving energy. In regard to sustainably sourced timber, the reductions in demand for certain products seen amid the pandemic lowered the amount of timber used from certified sources on a volume basis. Nonetheless, we continue to make steady progress in efforts to increase our use of timber from sources newly certified under Yamaha's standards. Similarly, progress was slower than anticipated with regard to efforts to reduce CO₂ emissions by conserving energy. This outcome was a result of lower electricity efficiency following massive changes in the utilization rates of factories. At the same time, we are introducing electricity monitoring systems and moving forward with other new energy conservation measures. Accordingly, we anticipate that reductions in emissions, and consequently progress toward our target, will be seen going forward as our supply chains return to normal. Other initiatives based on theme (2) include human rights due diligence activities across our supply chains as well as the development of the Daredemo Piano (Auto-Accompanied Piano) employing universal design principles to make instrumental music performance something that is accessible to everyone.

The policy of set sustainability as a source of value was formulated to send a clear message, both inside and outside of the Company, about how we are continuing to exercise the aforementioned passion, will, and drive to overcome challenges of our forebears toward creating value for society and how we are placing sustainability at the heart of our management. This key policy also embodies my desire to, and the need to, change how we work by encouraging shifts in thinking. If we only attempt to address the risk of our difficulties procuring the timber we normally use when these risks arise, we will always be playing catch-up to the issues. It is therefore important for us to get ahead of major changes to social



and economic frameworks, such as the move toward carbon neutrality, and to position sustainability as a core aspect of our products and services. I am confident that this will allow us to create unprecedented new value and thereby secure an even more significant competitive edge. In this manner, the reasoning behind including the policy of set sustainability as a source of value in the medium-term management plan is that we want employees to become aware of this potential of sustainability now so that they can boldly transform how they work accordingly.

Looking ahead, we recognize that it will be more important than ever for Yamaha to communicate to customers the social value of our sustainability-oriented products and production processes as well as of initiatives such as the School Project. Of course, we have long viewed sustainability and quality

assurance as priorities. However, the meaningfulness of our initiatives in relation to these priorities and their results had not been effectively communicated to customers and society. When we do tell external stakeholders about our initiatives, they often ask why we are not more active in broadcasting this information. I believe that this increase in opportunities for us to be reminded of the importance of changing how we communicate, to earn a better appraisal from customers of the value of the contributions to sustainability made by our products and services, is indicative of a shift in the expectations of stakeholders.

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

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

Themes (1) and (3) are shaping initiatives for supporting autonomous career development and improving our workplace environment. Human resource development and corporate culture reforms are not areas where significant progress can be made on a single-year basis. Nevertheless, we will remain dedicated in our efforts to energize our organization while verifying the feedback received through employee engagement surveys.

For theme (2), one area of our efforts is the empowerment of female employees. An indicator for these efforts is the percentage of female managers, for which we target a global ratio of 19% during the period of the medium-term management plan. In fiscal 2023, we witnessed an increase of 0.8 percentage point year on year, to 17.3%. This noteworthy improvement demonstrates the results of our steady initiatives on this front.



SYNCROOM online remote ensemble performance service



Distance Viewing next-generation live viewing service



School supported by School Project in India



Timber procurement initiatives in Tanzania

Yamaha may have its headquarters in Japan, but less than 30% of our consolidated employee base is comprised of Japanese nationals. In this manner, the Yamaha Group's employee base incorporates a multitude of nationalities. It goes without saying that, if we are to draw out the true meaning of diversity, it will require us to promote inclusion to ensure that our differing values are respected and

incorporated into decisions at various levels. To this end, we are periodically revising our frameworks for positioning and evaluating employees for career development and other purposes, delegating authority, and making decisions to guarantee that we can better capitalize on the collective capabilities of employees around the world.

Challenges in the Second Year of Make Waves 2.0

To be frank, we may have achieved increases in revenue and profit in fiscal 2023, the first year of the medium-term management plan, but these results were still not satisfactory. In fiscal 2024, the plan's second year, we will need to get back to the basics, namely, pursuing top-line revenue growth. Through this pursuit, we will seek to return to a growth track by increasing our customer numbers by means of the manufacture and sale of products that match market needs. The outlook for the market remains opaque. Nevertheless, we project recovery in markets such as China and Europe, which struggled in fiscal 2023, beginning in the second half of fiscal 2024, which should result in year-on-year increases in revenue and profit.

At the moment, inventories for certain products are rising, but there are other products for which the tight supply and demand balance has created a situation in which we are unable to deliver products to customers, and backlogs are growing. Accordingly, we seek to increase the resilience and flexibility of our supply chains while alleviating such inventory unbalances to ensure robust growth. Fortunately, I think that we have plenty of potential to take advantage of the high marginal profit ratio of existing businesses that represents a strength of Yamaha in order to grow core operating profit.

Looking at our business portfolio, the audio equipment business has been positioned as an area needing to be rebuilt given its low growth and low earnings. We are devoting our full effort to reinforcing the earnings foundations of this business. Specifically, the structure of this business was revised in April 2023 based on a market-oriented perspective to target consumer and business customers. Under the new structure in this business, a major focus for fiscal 2024 will be our ability to create products that win the favor of both consumer and business customers in order to take advantage of opportunities to expand our business domain. Through this process, we need to work to transform the audio equipment business into an area that produces high growth and high earnings in the future.

As for our regional approach, we will continue to target double-digit growth in emerging countries, particularly India and those in Southeast Asia. India, specifically, is a growth market that ranks right after China in terms of growth potential. In this country, we set up a new factory in 2019, and smooth increases are being seen in production levels at this factory. Elsewhere, we established a sales subsidiary in the Philippines in April 2023. This subsidiary will act as the main proponent for our business in the Philippines, which is expected to accelerate the speed of revenue growth in this country.



Governance and Corporate Committees for Improving Brand Value

Yamaha is constantly strengthening its corporate governance systems. As a recent change to our governance system, we appointed Naho Ebata to fill the position made vacant by the resignation of Taku Fukui, who has served as an outside director at Yamaha since 2017. I would like to thank Mr. Fukui on behalf of the entire Board of Directors for the contributions he has made over the years. I also want to welcome Ms. Ebata, who is a lawyer with specialized expertise pertaining to intellectual property management. Together with Ms. Ebata, I hope to further build upon discussions at meetings of the Board of Directors. The addition of Ms. Ebata brings the number of women among our eight directors to two, making for an even more diverse Board membership. We also made progress in improving the effectiveness of our corporate governance systems by appointing outside directors to chair the Nominating Committee and the Compensation Committee in fiscal 2024.

In terms of the executive team, the more the scale of our business grows, the more cases there will be in which it is not rational for me, as president, to remain fully up-to-date on everything as I make decisions. This means that we will need frameworks in which I can gain advice based on the

ideas and opinions of others. This is why we have established the Managing Council and a number of committees related to specific themes requiring ongoing, Companywide discussion as advisory bodies to myself. The Risk Management Committee, the Sustainability Committee, the Brand Strategy Committee, the Human Resources Development Committee, and other committees discuss policies and measures related to their respective themes and report to me on these matters while also monitoring the progress of Companywide measures in their specific areas.

Our brand strategy is one area overseen by these committees, and this is an area where you can really see the unique characteristics of Yamaha's management. Brand value is not merely the result of end products and logo marks, it is something that we need to build through a perspective that looks at all steps of the value chain, spanning from development to sales. Based on this recognition, we do not limit ourselves to discussions by the Brand Strategy Committee; the Company also arranges joint brand committee meetings with Yamaha Motor Co., Ltd., with which we share the Yamaha brand, so that we can coordinate and pursue synergies for creating new value for the Yamaha brand.

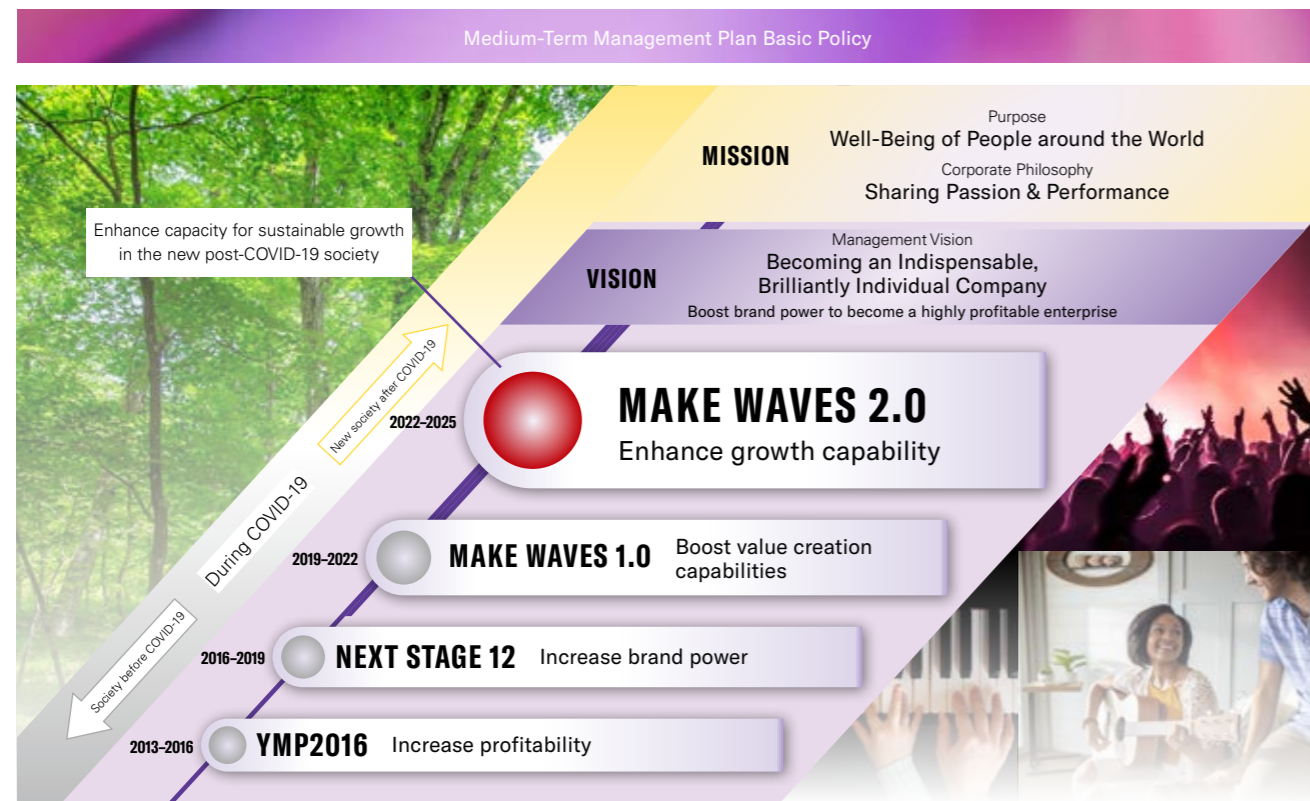
Bold Risk Taking for Improving Corporate Value

Yamaha has no peers anywhere in the world that share its scale and business model as a comprehensive musical instruments manufacturer. As such, there are no external standards that we can benchmark against, which means the only way to verify the appropriateness of targets and strategies is through ongoing introspection. In this process, I think it is important that we avoid becoming overly conservative, rather being bold in taking risks while accelerating the speed of execution and decision-making. Based on this belief, we will continue to hone our risk management capabilities while identifying the risks to be taken. In this manner, Yamaha is committed to growing and constantly improving its corporate value through preemptive response to major social and economic changes.

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

September 2023

Takuya Nakata
Director, President and Representative Executive Officer



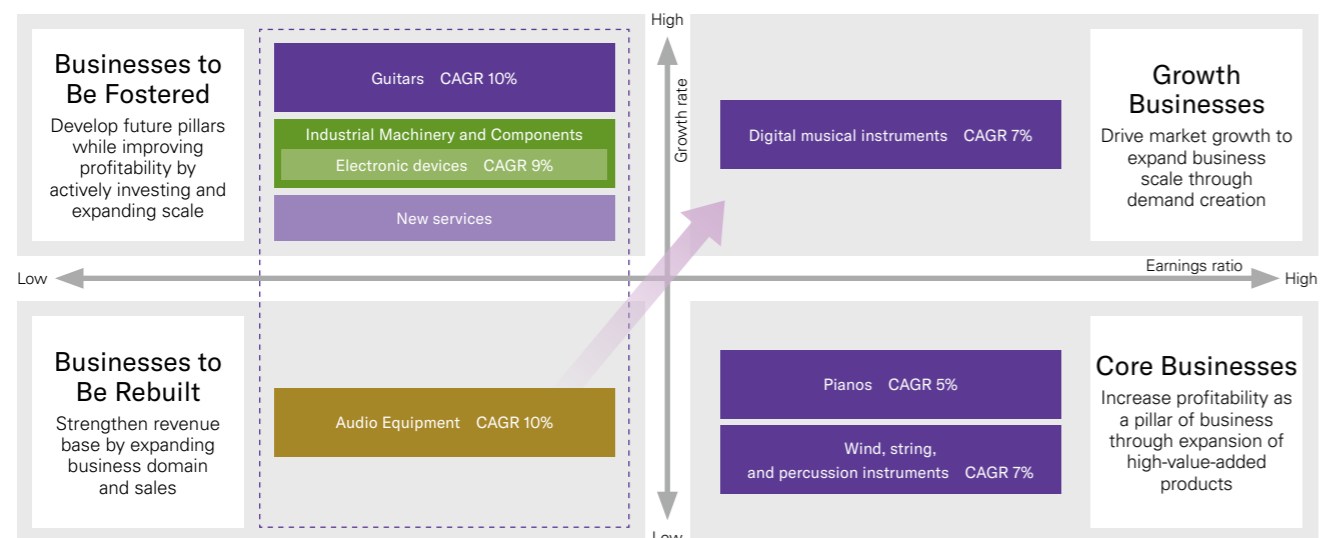
The Make Waves 2.0 medium-term management plan covers a three-year period during which we will be pressed to enhance our sustainable growth capability in the new post-COVID-19 society, which has undergone significant change, by advancing various measures for the improvement of corporate value.

This plan defines a number of priority themes for enacting the three key policies formulated based on the material issues defined as core management issues for the Yamaha Group.

For more details, please refer to pages 8-9.

Business Portfolio and Direction

Under the medium-term management plan, Yamaha recategorized its principal businesses from the perspective of its portfolio. Categorizing businesses based on whether they are to be fostered, grown, or rebuilt or if they are to be positioned as core businesses, we will practice portfolio management that allocates management resources in accordance with the new categories in order to achieve improvements to corporate value over the medium to long term.



Actively seek M&As and other opportunities
Work on external alliances to accelerate business growth

CAGR: Average annual growth rate over the three years of the medium-term management plan

Management Targets (Non-Financial and Financial Targets) and Results in the First Year of the Medium-Term Management Plan (Fiscal 2023)

Non-financial targets have been set for each of the three key policies of Make Waves 2.0. The advancement of initiatives for achieving said targets is expected to lead the Company to the accomplishment of the plan's financial targets. The financial targets are meant to guide initiatives for accomplishing Yamaha's goal of supporting the "Well-Being of People around the World." For this purpose, Make Waves 2.0 puts forth four financial targets aimed at enhancing both growth potential and profitability.

Non-Financial Targets

Further strengthen the business foundation	Indicators to connect more with customers	New value creation indicators	Resilience indicators
	Yamaha Music ID registrations First-year result: 2.4 million Target: 5.0 million	Number of new concept products introduced First-year result: 2 Target: 20	Investment in production infrastructure First-year result: ¥5.4 billion Target: ¥35 billion
Set sustainability as a source of value	Music culture promotion indicators	Environmental impact reduction indicators	
	Support for instrumental music education First-year result: Aggregate total of 2.0 million students in seven countries Target: Aggregate total of 2.3 million students in 10 countries	Sustainably sourced timber Target: 75% Decrease in volume of previously used certified timber, but increase in use of new certified timber	CO ₂ emissions (CO ₂ emissions / production volume) Target: 5% Decrease in electricity efficiency amid the COVID-19 pandemic, but introduction of electricity monitoring systems and other energy conservation measures underway
Enable Yamaha employees to be more valued, more engaged, and more committed	Indicators for job satisfaction	Gender equity indicators	Indicators for workplace comfort
	Employee engagement survey Positive response rate for job satisfaction Continuous improvements Progress in developing frameworks and systems	Percentage of female managers First-year result: 17.3% (global) Target: 19% (global)	Employee engagement survey Positive response rate for workplace environment Continuous improvements Inclusion in the Health & Productivity Stock Selection for two consecutive years, workplace environment reform measures underway

Financial Targets

Financial Indicators Achieving both growth and profitability	Revenue growth:	20%	Operating cash flows ¥170 billion (For 3 years)	Investments and shareholder returns ¥170 billion (For 3 years)
	Core operating profit ratio:	14%		
	ROE: (Cost of shareholders' equity*: 7.8%)	10% or more		
	ROIC*: (WACC*: 7.6%)	10% or more		
Investment and shareholder returns	Well-balanced allocation of investments in growth and returns to shareholders	Total return ratio:	50% over three years	
		Depreciation ¥40 billion	Regular investments ¥40 billion	Same level as depreciation
		Net income ¥130 billion	Strategic investments ¥65 billion	Expansion of production facilities and equipment Workstyle innovation (office reorganization) Sustainability
			Shareholder returns and dividends ¥65 billion	New businesses Marketing and R&D M&As, etc.

*1 As of March 31, 2022

*2 ROIC = Core operating profit after income taxes / (Equity attributable to owners of parent + Interest-bearing debt)

	Revenue growth	Core operating profit ratio	ROE	ROIC
Fiscal 2023 results	10.6%	10.2%	8.8%	7.8%
Fiscal 2025 targets	20%	14%	10% or more	10% or more

Progress in the First Year of Make Waves 2.0 (Fiscal 2023)

In fiscal 2023, progress toward the non-financial targets of the medium-term management plan surpassed expectations. The number of Yamaha Music ID registrations showed a sharp increase, reaching 2.4 million, nearly half the plan's target. In addition, we were able to offer instrumental music performance experiences to an aggregate total of 2.0 million students in seven countries through the instrumental music support activities Yamaha is advancing centered on emerging countries. Meanwhile, steady improvements were seen in the ratio of female managers as a result of measures to facilitate the development of female leaders. As for financial targets, we failed to reach our full-year targets. This outcome was largely due to lower demand for entry-level models and the disruptions caused by China's zero-COVID policy.

Nonetheless, we did succeed in achieving year-on-year increases in revenue and profit as the benefits of favorable foreign exchange rates and increases to product selling prices helped offset the higher costs associated with materials and other factors. In the musical instruments business, sales of pianos struggled in China, but strong performance continued in other emerging countries. Supply levels are returning to normal in the audio equipment business as the difficulties in securing semiconductors have been alleviated. The industrial machinery and components business experienced growth as a result of Yamaha's automotive sound systems being adopted for use in additional automobile models.

Key Policy 1 Further Strengthen the Business Foundation

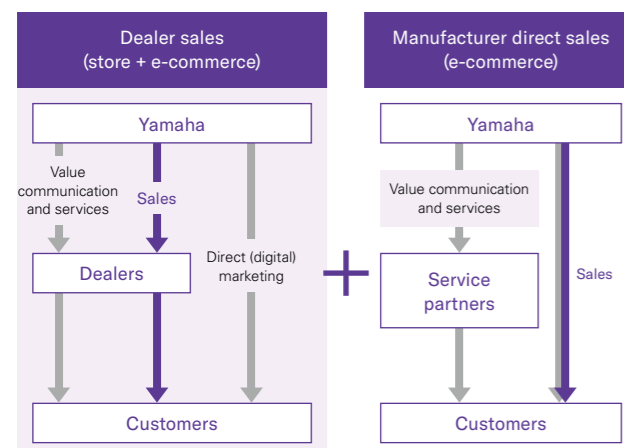
Develop Closer Ties with Customers

The Yamaha Group will adopt a hybrid approach toward soliciting its value that combines digital marketing with physical stores. At the same time, we are ramping up direct sales as a manufacturer in order to forge stronger ties with customers. We will also augment and utilize our customer data platform so that we can better advertise our value and expand our lineup of services that support customers in living lives involving music.

Sales Channels

Sales Evolution for Direct Ties with Customers

Yamaha aims to further increase its value communication capabilities by enhancing its frameworks for performing direct sales to customers. We thereby look to evolve our frameworks to build strong direct ties with customers by communicating our value directly to customers in order to generate benefits for both customers and the market. In fiscal 2023, direct marketing was used to solicit our value directly to customers while direct sales were promoted using e-commerce.



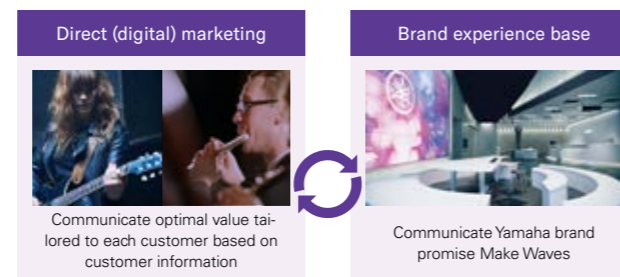
Value Communication

Hybrid Value Appeal Integrating Digital Marketing and Physical Stores

The Yamaha Group aspires to issue communications in a manner that integrates digital marketing and physical stores to expand

and improve communications showcasing its product and brand value. In addition, we are integrating customer information into our new digital marketing approach in order to realize a more effective communication approach. We are also expanding our network of brand shops overseas.

For more information on initiatives in fiscal 2023, please refer to "Branding" on page 60.



Customer Data Platform

Improvement of Customer Data Platform (Yamaha Music ID) to Develop Closer Ties with Users over Their Lifetime

We aim to forge stronger ties with customers in order to create services that contribute to each individual customer.

For more information on initiatives in fiscal 2023, please refer to "Branding" on page 60.



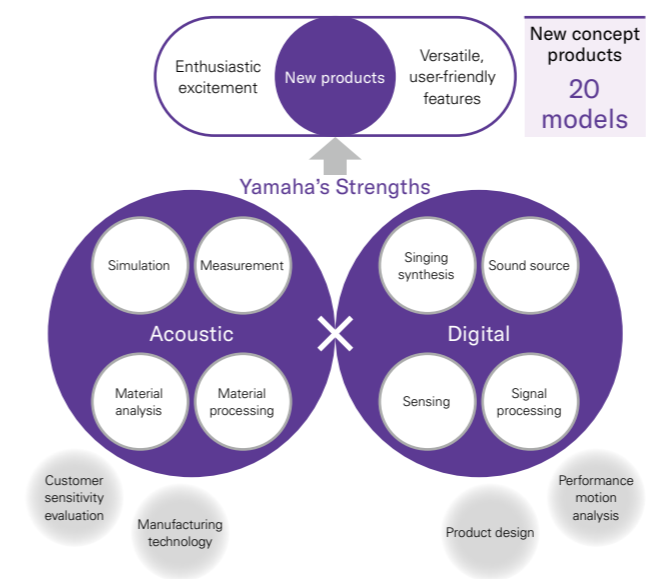
Create New Value

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

Products

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

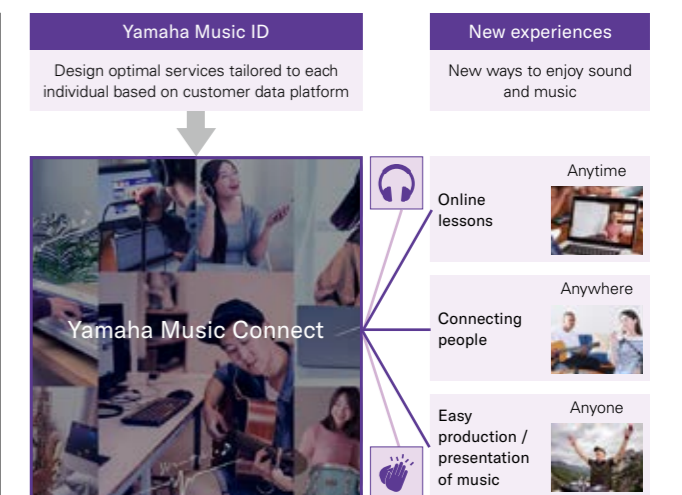
Yamaha creates unique products and services that other companies cannot mimic through the fusion of the various technologies that underpin its competitive edge. A particular area of focus will be launching products based on this and other new concepts. By releasing various new concept products, including products that allow anyone to enjoy sound and music anytime, anywhere, we will seek to generate new value. In fiscal 2023, we launched new concept products, such as ZG series gaming mixers that are ideal for gamers who use voice chat and for game streamers.



Services

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

Yamaha aims to improve lifetime value by forging broader, deeper, and longer ties with customers through the provision of services matched to individual needs based on the understanding gained through its customer data platform. We are currently in the process of integrating Yamaha's applications and content into its Yamaha Music Connect platform to supply services that make life with music more enjoyable and to offer new experiences. In fiscal 2023, a dedicated internal organization was established with the purpose of formulating new service concepts and business models for enriching customers' music lifestyles.

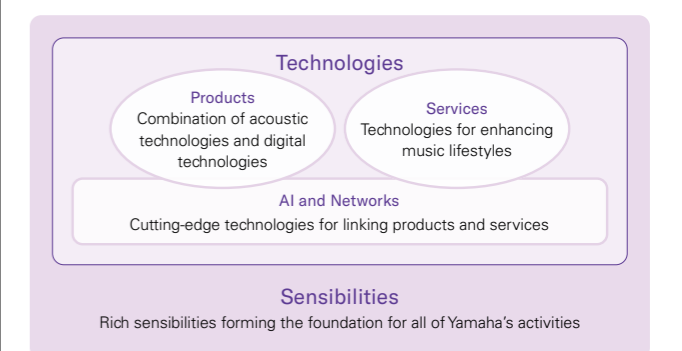


AI and Network Technologies Linking Products and Services

Creation of New Emotional Experiences with Advanced Technology Backed by Rich Sensibilities

Yamaha's competitiveness is supported by the understanding and insight it has fostered in relation to sensibilities during the course of the Company's long history, which began with musical instrument production. We seek to create new value through the development of both products and services backed by our core competencies related to sensibility value. At the same time, Yamaha is adopting a distinctive approach toward utilizing AI and network technologies based on sensibility value to link products and services and thereby create new experience value.

For more information on initiatives in fiscal 2023, please refer to "Research and Development" on page 76.



□ Be More Flexible and Resilient

To become an entity more resilient to operating environment changes, Yamaha is bolstering its procurement and production systems and enhancing the production capabilities of existing factories. We have therefore earmarked ¥35 billion for investment in production infrastructure over the period of the medium-term management plan. In addition, investments will be conducted to reinforce our development platform by constructing a new R&D base in the Tokyo metropolitan area and ramping up our use of external resources and alliances. In addition, digital transformation will be used as a tool for reforming processes and creating new value.

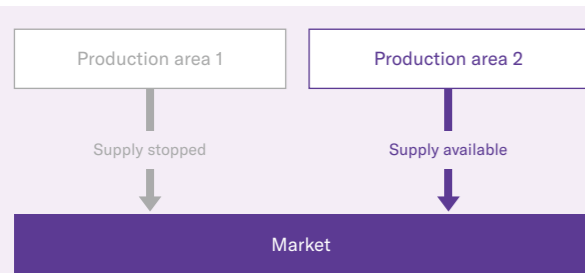
Manufacturing and Technology Development

Strengthening of Supply Capacity to Respond to Demand and Environmental Changes

Because the Company suffered serious impacts from the COVID-19 pandemic, Yamaha is working to strengthen the resilience of its procurement and production systems. As one facet of these efforts, we are strategically limiting numbers of suppliers and components and increasing our emphasis on risks in managing these processes. In the past, specific items were produced only at a single factory. However, we have recently been revising our global production system to optimally produce items in multiple areas. We thereby look to achieve ongoing improvements in quality, cost, delivery, safety, and environment (QCDSSE) factors, regardless of country risks or other operating environment changes. In addition, efforts are being pursued to improve the capabilities of existing factories. Specifically, we are actively developing smart factories that employ AI, Internet of Things (IoT), and sensor technologies. Meanwhile, the production capacities of factories in Indonesia and India are being augmented to accommodate growing demand. In fiscal 2023, there were slight delays in production infrastructure investment in part as a result of disruptions caused by China's zero-COVID policy.

For more information on initiatives in fiscal 2023, please refer to "Production" on page 78.

Investment in production infrastructure
¥35 billion



Development of production systems in multiple areas to reduce impacts of halts to production in one area by supplying products from other areas

Enhancement of Development Platform to Generate Innovation

The Innovation Center, a new R&D base established in 2018, consolidates our engineers in order to facilitate the creation of unique products and innovations by merging wide-ranging technologies. We are also moving forward with the construction of a new base scheduled for completion in the Tokyo metropolitan area in 2024. Named YOKOHAMA SYMPHOSTAGE™, this base will function as a hub for brand communication and sales activities while also introducing new research and development in this area. Moreover, the new base is expected to enable us to better capitalize on various open resources and insight available in the Tokyo metropolitan area and to promote open innovation. For example, we anticipate increased use of external resources as well as a rise in alliances as a result of this base.



Rendering of YOKOHAMA SYMPHOSTAGE™

For more information on initiatives in fiscal 2023, please refer to "Branding" on page 60.

Digital Transformation

New Value Creation and Process Transformation through Digital Transformation

Make Waves 2.0 prescribes the utilization of data for new value creation and process transformation. To create new value, we will make use of customer data to provide everyone with the ideal services. At the same time, we will develop systems for applying our accumulated sound and music performance and sensibility data to new technologies while coordinating these systems with various internal and external frameworks in order to propose new experiences. Process transformation, meanwhile, will be promoted through the assignment and development of employees who are proficient in data use to ensure that the decisions and actions of employees are grounded on data. We will also build platforms for easy tracking and visualization of conditions through data. Furthermore, Yamaha is planning the full-fledged implementation of a new supply chain management system that connects all stages of the supply chain, spanning from production to use by customers, in order to coordinate information from various regions and optimize decision-making processes. Standardizing and streamlining sales processes and production management will be another area of focus. Currently, systems and operating processes sometimes differ between bases. To rectify this issue, we will pursue standardization by introducing a shared enterprise resource planning (ERP) system and consolidating information through this system to achieve highly accurate operations.

For more information on initiatives in fiscal 2023, please refer to "Digital Transformation" on page 58.

Key Policy 2

Set Sustainability as a Source of Value

□ Environment: Build a Value Chain That Supports the Future of the Earth and Society

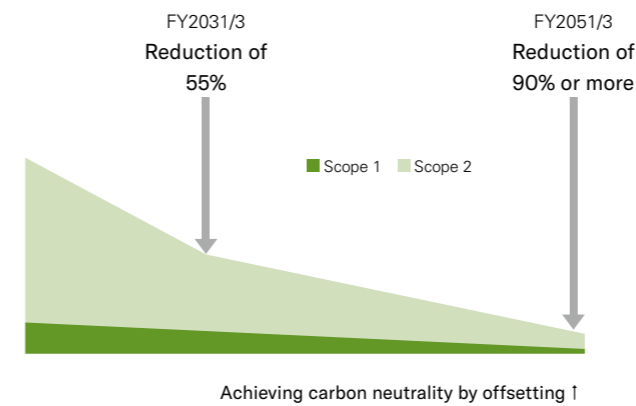
The Yamaha Group is cutting CO₂ emissions from its business activities with the goal of achieving carbon neutrality by 2050. At the same time, we are promoting the sustainable use of timber through the preservation of scarce timber resources and research on alternative timber sources. Other initiatives include reducing waste, curtailing use of hazardous substances, extending product life spans, and otherwise working to preserve the global environment.

Furnish Responses to Climate Change

In pursuit of its goal of achieving carbon neutrality by 2050, Yamaha is seeking to lower CO₂ emissions from office energy use by conserving energy and shifting toward renewable energy. We thereby aim to reduce CO₂ emissions by 5% through energy conservation (CO₂ emissions ÷ Production volume) in comparison to fiscal 2018. Another focus is reducing the energy consumption of products. Meanwhile, reductions to CO₂ emissions from procurement and logistics are being pursued through coordination with suppliers and measures for increasing logistics loading efficiency.

For more information on initiatives in fiscal 2023, please refer to pages 48–49.

Path to Achieving Carbon Neutrality (Scope 1 and Scope 2)



- 5% reduction of CO₂ emissions by conserving energy
Note: CO₂ emissions ÷ Production volume; compared with fiscal 2018
- Maintain inclusion on CDP Climate Change A List
- 5% improvement in logistics loading efficiency

Sustainably Use Timber

Yamaha is teaming up with government agencies and academic organizations to advance Tone Forest activities for promoting sustainable use of forest resources together with communities around the world. We thereby aim to ensure that we can continue to procure high-quality timber suited to the production of musical instruments into the future. In addition, we emphasize sustainability in timber use and are advancing research on alternative timber resources with acoustic performance surpassing existing resources.



Planting of African blackwood (Tanzania)

For more information on initiatives in fiscal 2023, please refer to pages 48–49.

Sustainable timber use

Sustainably sourced timber 75%

Note: Based on Company standard

Cultivation and conservation of three tree species*

* African blackwood, Sakhalin spruce, and Indian rosewood

Realize Resource Savings and Reduce Waste and Hazardous Substances

We seek to reduce new use of finite resources and curb waste through use of recycled and renewable materials and reductions to plastic use. Yamaha is also enhancing its maintenance and repair technologies and service systems and bolstering product renovation and upgrade offerings to extend product life spans. In addition, we are accelerating efforts to cut down on the use of volatile organic compounds and other hazardous substances in coatings and adhesives.

For more information on initiatives in fiscal 2023, please refer to pages 48–49.

New compact products

Elimination of plastic packaging materials

Society: Enhance Brand Power and Competitiveness by Contributing to Comfortable Lives

By supplying products and services that benefit people in relation to remote and non-face-to-face interactions, Yamaha aspires to respond to the needs of the new society. We are also promoting respect for human rights across the value chain in order to contribute to the realization of an equal society. As a distinctively Yamaha initiative, we are dedicated to the protection of health and safety as it pertains to sound by installing the Listening Care function in audio products and by taking other measures.

Creation of Remote Environments for the New Society

Yamaha possesses unique technologies and know-how pertaining to the creation of enjoyable and immersive remote performances and lessons and the facilitation of high-quality, natural, and remote communication. By utilizing these technologies and know-how, we will support comfortable lifestyles in order to create secure and satisfying spaces for the new society. In fiscal 2023, Yamaha provided support for remote lessons between music universities and aspiring pianists while also growing sales for ceiling-mounted conferencing systems.



Remote lessons connecting instructors and students



Issue-free teleconferencing with sound and video technology

Promote Respect for Human Rights in the Value Chain

Yamaha is promoting sustainability across the value chain. Supply contracts clearly state that suppliers are expected to comply with the Yamaha Supplier CSR Code of Conduct, and we request that suppliers conduct regular self-assessments with this regard.

During the period of the medium-term management plan, we will target higher levels of human rights due diligence by conducting on-site audits of 60 suppliers.

For more information on initiatives in fiscal 2023, please refer to "Human Rights" on page 54.

**On-site audits of
60 suppliers**

Contribution to Sound-Related Health and Safety

Yamaha proposes a variety of solutions built on its sound technologies. These solutions include earphones equipped with its proprietary Listening Care technology for reducing the burden placed on user ears as well as in-vehicle communication modules for emergency reporting systems.

Using sound technologies to contribute to the resolution of social issues and protect the health and safety of people will continue to be a focus under the medium-term management plan. In fiscal 2023, orders were received for a total of six new projects involving Yamaha's e-Call emergency reporting system.

For more information on initiatives in fiscal 2023, please refer to "Industrial Machinery and Components Business" on page 74.

Culture: Expand Market through the Promotion and Development of Music Culture

Contributing to the promotion and development of music culture is a uniquely Yamaha undertaking. Under the previous medium-term management plan, initiatives in this area included the School Project. With a continued focus on this project, we will seek to introduce the project to new countries and to otherwise expand its scope. We will also keep moving forward with initiatives including the development of digital musical instruments that incorporate local musical traditions, the cultivation of the instructors and technicians who are vital to the development of music culture, and support for aspiring musicians and music researchers.

Expansion of the Musical-Instrument-Playing Population

Unbound by prior conventions, Yamaha is working to realize the ideal form of music schools for the new society. We also hope to provide opportunities for first-time musicians as well as musicians returning to the craft to take up an instrument through the supply of performance support functions, applications, and services. These are just some of the ways in which we aim to expand the musical-instrument-playing population.

Our target for the School Project, our ever-expanding program for promoting the introduction of instrumental music education in the school education curricula of emerging countries, is for it to offer instrumental music performance experiences to an aggregate total of 2.3 million students in 10 countries. Progress surpassed expectations in fiscal 2023, as we were able to offer

instrumental music performance experiences to an aggregate total of 2.0 million students in seven countries.

For more information on initiatives in fiscal 2023, please refer to "Sales" on page 80.



School Project activities in various countries



Applications that support various music performances and help manage practice



We support the Sustainable Development Goals

**Promote instrumental music education to
the curricula of schools in emerging countries
10 countries
Aggregate total of 2.3 million students**

**Overseas music schools
100,000+ students**

Contribution to Local Music Cultures

Yamaha is developing products that incorporate local musical traditions and expanding its local software content offerings in order to help preserve and develop local music cultures. Other efforts to contribute to the promotion and development of music culture include the cultivation of instructors and technicians along with activities for supporting aspiring musicians and music researchers. In addition, we are broadening the scope of our LovePiano* activities with the goal of making people feel more familiar with the piano. In fiscal 2023, efforts were devoted to fostering content creators with the goal of providing digital musical instruments and content that will allow for the performance of traditional music from local cultures.

* Pianos installed at train stations, airports, commercial facilities, etc., that the public can freely play



Digital musical instruments reproducing the tones of regional and ethnic instruments



LovePiano™

Key Policy 3 Enable Yamaha Colleagues to Be More Valued, More Engaged, and More Committed

Increase Job Satisfaction

Seeking to ensure that Yamaha is deemed to be a desirable company to work for, we strive to achieve continuous improvements to workplace engagement by utilizing the results of global employee surveys to shape concrete measures.

Yamaha is committed to cultivating leaders who can guide business from a global perspective and to achieving the ideal allocation of human resources. As we enhance autonomous career development support to this end, we will also target higher levels of job satisfaction by supporting diverse and flexible workstyles.

For more information on initiatives in fiscal 2023, please refer to "Human Resources" on page 56.



Employee engagement survey
Positive response rate for job satisfaction
Continuous improvements

Amount of human resource investment
Doubled

Promote Respect for Human Rights and DE&I

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

As we promote human rights education and due diligence activities, Yamaha will develop a diverse staff by empowering female employees and practicing global human resources management. By capitalizing on the individuality of diverse human resources, we look to maximize human resources, develop our business, and achieve continuous improvements in corporate value. The ratio of female managers was 17.3% on a global basis in fiscal 2023, representing steady progress toward our target.

For more information on initiatives in fiscal 2023, please refer to "Human Resources" on page 56.



Percentage of female managers
Global average 19%

Cross-regional placements
30 people

Foster Open Organizational Culture Where People Can Proactively Take On Challenges

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

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

For more information on initiatives in fiscal 2023, please refer to "Human Resources" on page 56.



Employee engagement survey
Positive response rate for workplace environment
Continuous improvements

SPECIAL FEATURE:
INITIATIVES UNDER THE MAKE WAVES 2.0 MEDIUM-TERM MANAGEMENT PLAN

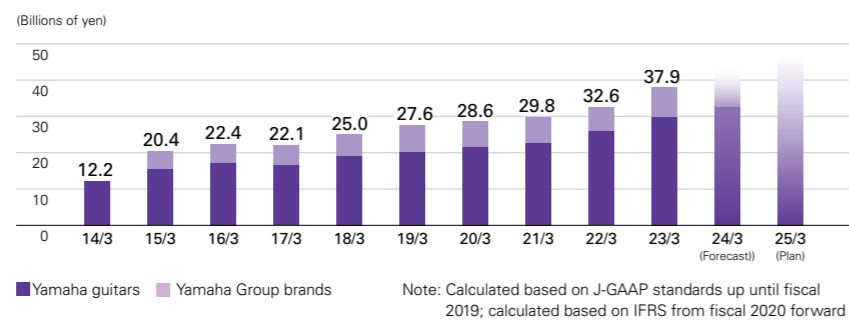
The Next Stage for Yamaha's Guitar Business

The basic policy of the Make Waves 2.0 medium-term management plan is to enhance growth capability, and Yamaha's guitar business is a major driver behind such enhancements. In the business portfolio described by the plan, the guitar business has been positioned as a business to be fostered. Accordingly, we are directing aggressive investments toward this business with the goal of achieving a compound annual growth rate of 10% over the three-year period of the plan.

The guitar market is among the largest of the markets served by Yamaha's musical instrument business and is expected to continue to display annual growth rates of between 2% and 3% going forward. Mirroring this strong market growth, Yamaha's guitar business has seen overall revenue triple over the decade leading up to fiscal 2023. Over the same period, revenue from the guitar business in North America has grown fourfold. In China, guitar revenue has increased by eightfold thanks to the trust for the Yamaha brand we have built through the sale of pianos in this country. Meanwhile, the factory constructed in India in 2019 has allowed for the advancement of a local production and consumption strategy integrating sales and production that fits this country and is expected to contribute to a massive increase in revenue in fiscal 2024.

The future growth of our guitar business will hinge on our ability to bolster our product lineup and grow sales of mid-range and high-end products, which account for more than 50% of the market on a value basis. In this feature, we will report on the business division initiatives driving growth strategies based on the priority themes of the medium-term management plan; our exploits in the United States, the world's largest guitar market; and our efforts to procure the timber that is imperative to making these instruments.

Revenue from the Guitar Business



Key Strategies

- 1 Gain understanding of and inspire customers who are passionate about guitars by building upon the fundamental value of guitars
- 2 Achieve strong differentiation through amazing new value propositions supported by comprehensive capabilities not possessed by dedicated guitar manufacturers
- 3 Support customer success with solutions that incorporate service elements
- 4 Conduct branding activities aimed at earning customer trust to become the brand of choice for customers

Fostering of Reputation as a Trusted Brand for Mid-Range and High-End Guitars

In April 2023, Yamaha unveiled the FG9, a new addition to its guitar lineup that has been a long time coming, at the NAMM Show, a world-leading musical instrument trade show held at the Anaheim Convention Center in the United States. This high-end acoustic guitar features a price tag of around U.S.\$4,000. The aim of the FG9 is to further increase the reputation for Yamaha products in the market and make Yamaha the brand of choice for mid-range and high-end models. Encapsulating this desire, the FG9 made waves among visitors. This strong reception has served to heighten the confidence of Seiji Abe, senior general manager of the Guitar Division, who had led the FG9 development project, with regard to the success of our growth strategies.

The Guitar Division seeks to create products that capture the hearts of users of mid-range and high-end models, who are keenly attuned to the fundamental qualities of musical instruments. Mr. Abe explains, "With entry-level models, consumers care most about basic performance, you know, how durable an instrument is or how consistent its sound is. When it comes to mid-range and high-end models, however, users come with an expectation of the type of sound they want to produce and thus pay the most attention to the 'voice' of the instrument. It is not uncommon for users in this segment to own multiple instruments. That is why, if we can deliver the type of voice they want, we can no doubt grow our

share while standing shoulder-to-shoulder with the U.S. brands that currently have an unrivaled position in the market for mid-range and high-end guitars."

The development project for the FG9 adopted an approach based on the user's perspective. Meetings were held with the target audience to pinpoint the type of sound they desired, based on which we employed scientific development methodologies, an area of strength for Yamaha, to design the ideal structure. The resulting prototypes were then tested by users to gain input to be reflected in subsequent prototypes. Mr. Abe recounts this cycle, "The voice of a guitar can be improved by trying different qualities of the wood, structures, and coatings. An earnest dedication to every step of the process is essential to winning the trust of users."

Communication of Our Value to Users

When competing with rivals primarily active in the U.S. market, Yamaha's global sales network is an incredibly valuable tool.



FG9 on display at the NAMM Show in April 2023

We look to grow our market share by building upon the fundamental value of guitars to gain the trust of users of mid-range and high-end models.

Seiji Abe

Senior General Manager of Guitar Division
Musical Instruments Business Unit





Employees at U.S. factory of newly acquired Cordoba Music Group

Synergies Generated by Combining Multiple Brands

Yamaha is currently pressed to strengthen its operations in the electric guitar market, which is essentially the same size as the acoustic guitar market. In addition to pursuing growth in sales volumes by expanding our lineup of mainstay Revstar and Pacifica series electric guitars, we will seek to encourage users to upgrade to mid-range and high-end models in a similar fashion as we are doing with acoustic guitars. To this end, we are differentiating ourselves from the competition with distinctively Yamaha sound and structure design.

Both electric guitars and basses require peripheral equipment to be performed. Yamaha Guitar Group, Inc., boasts a leading share in the market for peripheral equipment, which stands alongside acoustic guitars and electric guitars by accounting for roughly one-third of the sales in the overall guitar market. For example, its Line 6 brand has the No. 1 share of the market for U.S.\$500 and above multi-effectors while the Ampeg brand of bass amps holds the No. 2 share.

Highlighting the strength granted by inter-Group synergies, a member of Yamaha Guitar Group's product planning and development staff commented, "We are always looking at how we can take advantage of the strengths of other Yamaha brands, right from the planning phase. Discussions that go beyond the scope of a single brand often lead to global-scale joint development projects." A major driver behind growth in Yamaha's guitar business is joint strategizing and development collaboration between Group constituents in different countries and regions.

Efforts to Strengthen Our Portfolio

Yamaha acquired Cordoba Music Group, LLC, in February 2023. This new addition to the Group is expected to be a powerful asset for complementing and strengthening Yamaha's product portfolio, particularly

with regard to classic guitars, an area where Yamaha has continued to struggle. Cordoba Music Group develops four brands, and the Cordoba brand, which shares its name with this company, boasts the No. 1 share in the U.S. market for classic guitars as well as a solid position in the ukulele market. Meanwhile, its long-standing Guild guitar brand shaped an era of guitars, and has strong support for users involved in the country music genre in the United States, a market that has been hard for foreign brands like Yamaha to penetrate. Incorporating these brands into Yamaha's lineup is anticipated to enable us to cater to the needs of a wider range of guitar players.

Moreover, the acquisition of Cordoba Music Group bolsters the portfolio of intangible assets that will be imperative to the ongoing growth of our guitar business by allowing us to obtain this company's development expertise and human capital. As Yamaha seeks to build upon the fundamental value of guitars, these intangible assets are expected to make substantial contributions to the improvement of the overall quality of our guitars and to the ongoing growth of our market presence.

In this manner, Yamaha succeeded in securing a highly promising production base in the United States through its acquisition of Cordoba Music Group. Mr. Abe explains the prospects for this company, "The 'made in the USA' label will certainly contribute to the improvement of

our brand image. In the future, we hope to use Cordoba Music Group as a production base to grow our guitar business while also examining the possibility of expanding our scale of production in the U.S. market."

Reliable Procurement Vital to Stable Business Activities

"Sustainable timber procurement is vital to Yamaha from the perspective of long-term production," states Andi Lugito, leader of Yamaha's Procurement & Engineering Division. Timber is an essential part of musical instrument production at Yamaha and plays a critical role in shaping the "voice" of an instrument. This is even more true when it comes to guitars. Under Mr. Lugito's leadership, the procurement division is promoting the sustainable use of timber through the preservation of forest ecosystems as well as initiatives such as Tone Forest activities, which are meant to ensure we can maintain a reliable supply of timber suited to musical instrument production into the future.

Through Tone Forest activities, Yamaha seeks to establish a forest resource cycle of planting, cultivating, preserving, and utilizing the scarce timber resources that are used in musical instruments. The ultimate goal of these activities is to ensure that these resources can continue to be procured in a sustainable manner. It can take decades for a tree to grow to maturity. Accordingly, these activities cannot produce returns in the short term. Despite this long time frame, Yamaha remains motivated by its sense of commitment to its mission. Tone Forest leader Kazushi Nakai elaborates, "The timetables we deal with when it comes to ensuring the sustainable procurement of timber are extremely long and involve a large number of stakeholders. Sustainable procurement is not something Yamaha can achieve by itself. This is why we aim to play a



"We aim to play a leadership role in expanding our forest resource sustainability initiatives across society."

(From left) Jun Ushiyachi, Tateshi Kikuchi, Kazushi Nakai, Motoki Takata, and Andi Lugito

leadership role in expanding our forest resource sustainability initiatives across society." These activities have already resulted in Yamaha forming new relationships through joint research with NGOs, municipalities, and universities. These relationships expose us to new perspectives and approaches that would not have been found in conventional business activities, which have granted insights that can be used in future new value creation activities. For example, our efforts to preserve African blackwood (*Dalbergia melanoxylon*) in Tanzania led to new discoveries that prompted the development of techniques for effective use of cuts of scarce timber that would not have previously been used in musical instruments.

Groupwide Efforts for Accomplishing Milestones of the Medium-Term Management Plan

Today, we face concern for the degradation of forests and ecosystems, which are indispensable to our society. Timber is a crucial part of Yamaha's business, and we therefore have an obligation to work toward the sustainable procurement of timber. In the past, Yamaha has sought to increase the rate of timber it uses that has

been certified as sustainable by third-party organizations in its efforts to utilize forest resources sustainably and to secure a reliable supply of timber. However, the volume of certified timber in distribution is incredibly low for certain species, and there have been issues with the inability to assess the sustainability of non-certified timber.

To address these issues, Yamaha teamed up with international environmental organization Preferred by Nature in May 2023 to formulate its own internal standards for assessing the sustainability of timber. We are thus now capable of determining, based on objective standards, whether the timber we procure is sustainable with consideration for both the environment and society, even when sourcing species for which distribution volumes of certified timber are low. Motoki Takata, who was involved in the process of formulating the standards, cites species for which there is no certified timber, despite these species being irreplaceable in musical instrument production, as one example of when these standards are used. Meanwhile, Tateshi Kikuchi, who is responsible for procuring timber for use in guitars, mentions human-grown timber produced in Southeast Asia, where half of our suppliers are located, and particularly in Indonesia, as another example of when

these standards are applicable. The ability to rigorously assess the sustainability of such timber is a major benefit of the new standards. These standards will be used to facilitate efforts toward accomplishing the medium-term management plan's non-financial target of a 75% rate of sustainably sourced timber use.

Yamaha's ability to properly assess the sustainability of timber in line with these new standards will depend on improving the skills of survey staff and securing the resources necessary to conduct surveys. These are areas that will require attention going forward. Procurement division member Jun Ushiyachi describes his commitment, "Our efforts will not only contribute to the preservation of forests and ecosystems but also to the improvement of corporate value. I want to make the meaningfulness of our efforts known, both inside and outside of Yamaha, so that we can have greater support as we work toward our goals."

Ever-Shortening Road toward Becoming the World's No. 1 Guitar Brand

As we have illustrated, Yamaha is making bold steps on its ever-shortening road toward raising its brand value to become the world's No. 1 guitar brand. We are bolstering our lineup through product development focused on building upon the fundamental value of guitars and through the acquisition of new brands and insight. At the same time, we are securing supplies of high-quality timber that are both reliable and sustainable. Through these efforts, we aim to accommodate customer needs and deliver levels of value that exceed customer expectations and thereby achieve sustainable growth while accomplishing the targets of the medium-term management plan.



Forest survey in Tanzania