Make Waves 1.0

Yamaha Medium-Term Management Plan

April 2019 – March 2022
Key strategies progressed largely as planned, and medium-term targets have been achieved.

**Progress on Key Strategies**

- **Develop products with distinctive individuality**
  - Launched many unique products by merging technologies
  - Won numerous design awards globally (Good Design Grand Award, etc.)

- **Enhance customer interaction**
  - Expanded account numbers (as planned) (10% increase in contract dealers, 50% increase in audio contractors)
  - Promoted music popularization for learning musical instruments in emerging markets (to 260,000 people in cumulative total, 160% above target)

- **Continually reduce costs**
  - Progress in reducing costs did not fully compensate for rising procurement prices, and net cost savings amounted to ¥5.3 billion (vs. target of ¥8.0 billion)

- **Strengthen global business platforms**
  - Global human resource management, establishment of three global IT headquarters, and introduction of IFRS (in April 2019)

**Financial Results**

<table>
<thead>
<tr>
<th></th>
<th>FY2016.3 results</th>
<th>FY2017.3 results</th>
<th>FY2018.3 results</th>
<th>FY2019.3 projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (billion yen)</td>
<td>435.5</td>
<td>408.2</td>
<td>433.0</td>
<td>440.0</td>
</tr>
<tr>
<td>Operating income (billion yen)</td>
<td>40.7</td>
<td>44.3</td>
<td>48.8</td>
<td>55.0</td>
</tr>
<tr>
<td>Operating income ratio (%)</td>
<td>9.3%</td>
<td>10.9%</td>
<td>11.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>10.1%</td>
<td>14.0%</td>
<td>14.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>EPS (¥)</td>
<td>¥169</td>
<td>¥249</td>
<td>¥292</td>
<td>¥220</td>
</tr>
<tr>
<td>Exchange rates (¥)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$</td>
<td>120</td>
<td>108</td>
<td>111</td>
<td>111</td>
</tr>
<tr>
<td>EUR</td>
<td>133</td>
<td>119</td>
<td>130</td>
<td>128</td>
</tr>
<tr>
<td>Total Shareholder Return</td>
<td>168% over 3 years</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 income ratio of 20%]

Enhance corporate value and realize vision by creating social value

Business Activities

Musical instruments
- Supply products to 161 countries and region in a wide range of categories and price brackets as a comprehensive manufacturer of musical instruments

Music popularization
- Operate music schools for children and adults in 44 countries
- Promote music popularization for learning musical instruments in emerging markets

Audio equipment
- Supply diverse products and services to customers ranging from commercial users to consumers

Industrial machinery and components (IMC)
- Use core technologies to provide solutions in automotive and industrial equipment sectors

Value Provided

Contribute to rich musical culture
- Contribute to global music scene and advancement of musical culture
- Lower the threshold to playing musical instruments and expand the number of players

Spread the joy of music
- Create opportunities for children to come into contact with music
- Spread the joy of music in countries and regions devoid of music lessons

Contribute to pleasant societies
- Help to enrich cultures and societies by creating sound in a variety of settings
- Secure sustainable forest resources

Social Value Creation
Contribute to spiritually rich lives and pleasant societies through sound and music

Spiritually rich lives
- Lives enriched by music
- Diverse forms of expression and self-actualization
- Interpersonal connections
- Development of global music culture

Pleasant societies
- Convenient, safe and secure lives

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Outlook for Business Environment

The world is undergoing major changes at a rapid pace due to accelerated digitization and diversification of values

➡️ Combining technology and sensibility presents opportunities for Yamaha

Transformations caused by accelerated digital technologies
- The industrial structure and the world in general are undergoing major change due to advances in digital technologies
- Closer, more direct customer interaction

Greater diversity in lifestyles and sense of value
- AI and IoT technologies are taking automation and convenience to new levels
- As well as material wealth, people are seeking greater spiritual satisfaction and authenticity

Rising awareness of sustainability
- Greater requirements for corporate social responsibility
- Broad awareness that social contribution links to corporate value creation in the medium to long term

Regional macro-economic environment
- Although mature economies remain steady, uncertainties are increasing
- 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: gradual expansion driven by growing middle class in emerging markets (+6%)
Audio equipment: expansion driven by technological innovation and commercial equipment demand (+8%)

Note: figures in parentheses indicate market growth over 3 years.
Make Waves 1.0

New Medium-Term Management Plan

Management Vision
Become an Indispensable, Brillantly Individual Company
Boost brand power to become a highly profitable enterprise
(Core operating income ratio: 20%)

Management Vision
Increase brand power
(Core operating income ratio: 11.9%)

ManagementVision
Increase profitability
(Core operating income ratio: 9.3%)

Management Vision
Rebuild business platform
(Core operating income ratio: 2.5%)

2010-2013
YMP125
2013-2016
YMP2016
2016-2019
NEXT STAGE 12

2019 - 2022

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

Core operating income ratio*: 13.8 %
Based on IFRS standards

Increase brand power
Operating income ratio 12.5 %
Core operating income ratio 11.9%

Increase profitability
Operating income ratio 9.3%

Rebuild business platform
Operating income ratio 2.5%

*Core operating income is equivalent to operating income under the Japanese accounting standards used prior to adoption of IFRS. However, sales discounts (amounting to ¥3 billion) are deducted from net sales (under Japanese accounting standards, they are classified as non-operating expenses).
### Basic Strategy and Management Objective

**Basic strategy**
In a world undergoing major changes at a rapid pace, Develop closer ties with customers and society, and boost value creation capabilities

**Financial targets**
Boost profitability while also building stronger business platform for growth

**Core operating income ratio:** 13.8%

<table>
<thead>
<tr>
<th>Financial targets</th>
<th>Non-financial targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE: 11.5%</td>
<td>Corporate brand value*: +30%</td>
</tr>
<tr>
<td>EPS: ¥270</td>
<td>Music popularization for learning musical instruments in emerging markets: 1 million people</td>
</tr>
<tr>
<td></td>
<td>Certified timber use: 50% of total use</td>
</tr>
</tbody>
</table>

**Investment and shareholder return**
Well-balanced allocation to investment in growth and returns to shareholders

<table>
<thead>
<tr>
<th>Investment and shareholder return</th>
<th>Total return ratio: 50%</th>
</tr>
</thead>
</table>

*Brand value added with Yamaha and Yamaha Motor Company: $1.2 billion (Best Japan Brands 2019 issued by Interbrand)
Path to Improving Core Operating Income Ratio

Goals for each business

• Musical instruments: continue to improve profitability
  Core operating income ratio: \(14.1\% \rightarrow 16.5\%\) (FY2019.3) (FY2022.3)

• Audio equipment: drive growth in business scale
  Core operating income ratio: \(8.2\% \rightarrow 9.6\%\) (FY2019.3) (FY2022.3)

• Industrial machinery and components (IMC): strengthen base with a view to leaping ahead
  Core operating income ratio: \(7.4\% \rightarrow 7.9\%\) (FY2019.3) (FY2022.3)

Raise core operating income ratio to 14% level and aim for further increase

Core operating income ratio: \(11.9\% \rightarrow 13.8\%\) (FY2019.3) (FY2022.3)

Raise core operating income ratio to 14% level and aim for further increase

Core operating income ratio:

Musical instruments
- Core operating income ratio: \(14.1\% \rightarrow 16.5\%\) (FY2019.3) (FY2022.3)

Audio equipment
- Core operating income ratio: \(8.2\% \rightarrow 9.6\%\) (FY2019.3) (FY2022.3)

Industrial machinery and components (IMC)
- Core operating income ratio: \(7.4\% \rightarrow 7.9\%\) (FY2019.3) (FY2022.3)

Sales Growth
Focused on Emerging Markets

Yamaha strengths
- Unique Products and Services
- True Yamaha spirit
- Technology x sensibility

Yamaha’s strengths
- High marginal income ratio
  Pianos: 37%
  Digital pianos: 49%
  Portable keyboards: 54%
  Wind instruments: 32%

Enhance Productivity

Market Leader
(optimal pricing)

Overwhelming market presence

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Projected Growth Analysis (by business and by region)

Net Sales

<table>
<thead>
<tr>
<th>FY2019.3 Net Sales (projection)</th>
<th>437.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of exchange rates</td>
<td>- 4.0</td>
</tr>
<tr>
<td>Musical instruments</td>
<td>+ 19.0</td>
</tr>
<tr>
<td>(7%)</td>
<td></td>
</tr>
<tr>
<td>Audio equipment</td>
<td>+ 14.0</td>
</tr>
<tr>
<td>(12%)</td>
<td></td>
</tr>
<tr>
<td>IMC and others</td>
<td>+ 4.0</td>
</tr>
<tr>
<td>(12%)</td>
<td></td>
</tr>
<tr>
<td>FY2022.3 Net Sales</td>
<td>470.0</td>
</tr>
<tr>
<td>Mature markets</td>
<td>+ 13.0</td>
</tr>
<tr>
<td>(4%)</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>+ 10.0</td>
</tr>
<tr>
<td>(25%)</td>
<td></td>
</tr>
<tr>
<td>Emerging markets</td>
<td>+ 10.0</td>
</tr>
<tr>
<td>(15%)</td>
<td></td>
</tr>
<tr>
<td>(Rate of growth over 3 years)</td>
<td></td>
</tr>
</tbody>
</table>

By business

(musical instruments and audio equipment)

By region

Core Operating Income

<table>
<thead>
<tr>
<th>FY2019.3 Core Operating Income (projection)</th>
<th>52.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of exchange rates</td>
<td>- 2.0</td>
</tr>
<tr>
<td>Increased sales and improved gross margins</td>
<td>+ 15.5</td>
</tr>
<tr>
<td>FY2022.3 Core Operating Income</td>
<td>65.0</td>
</tr>
</tbody>
</table>

| Strategic expenditure                     | - 6.0 |
| + 5.5 Cost reductions                     |       |

Medium-term exchange rate assumptions:

US$1 = ¥110  EUR1 = ¥125
Key Strategies

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Yamaha Medium-Term Management Plan
Four Key Strategies

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

Yamaha value creation

Profitability = customer value x productivity

Social value creation

Make Waves i.0

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

Reflect society’s values in our own values over the medium to long term
1. Develop Closer Ties with Customers

Develop broader, deeper, longer ties with customers

(1) Reinforce customer interface
- Communicate brand appeal through brand promise
- Develop customer interface with focus on digital marketing

Contribute to lifetime value enhancement (communicate value proposition suited to customer life stages)

(2) Achieve growth in emerging markets
- Engage with middle income earners and accelerate growth

(3) Expand business domains
- Expand audio equipment business domain
- Shift IMC business domain into in-vehicle solutions

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

Source: Ministry of Economy, Trade and Industry
Communicate brand appeal through brand promise

Establish emotionally appealing brand promise and roll out globally

Concept encapsulated in brand promise
To be a company that inspires its customers' passion and helps them make a step forward to express their individuality, emotion and creativity

Develop customer interface with focus on digital marketing and build direct ties with customers

Contribute to enhanced lifetime value

- Build customer data platform (CDP) and maintain constant ties with customers by communicating value proposition matched to their life stages

Direct marketing and stores emphasizing hands-on experiences

- Use CDP to drive store traffic
- Shift directly-operated stores to stores offering hands-on experiences

Existing model

Yamaha

Dealers

Communicate value proposition

Customer interface

Make use of e-commerce (especially for digital keyboard instruments, guitars, and AV products)

Future model

Yamaha

Direct (digital) marketing

Dealers

Communicate value proposition

Customer interface

Store traffic

Dealers

Yamaha

Customer interface

Make use of e-commerce (especially for digital keyboard instruments, guitars, and AV products)
Achieve 25% sales growth (over 3 years) by expanding sales networks and communicating brand appeal

Achieve market growth/expand share

- **Pianos** (share 36% ➔ 40%)
  - Leverage technological capabilities and brand power to expand share even as pace of market growth slows

- **Digital pianos** (40% growth in sales)
  - Expand demand in educational market as well as hobby market
  - Make efforts to attract new demand of purchases from local manufacturers

- **Guitars** (35% growth in sales)
  - Maximize use of brand, local production, and sales networks

Reinforce customer interface

- **Accelerate sales network expansion**
  - Expand into tier-4 and tier-5 cities
  - Expand number of outlets nationwide
  - Double the number of Yamaha exclusive stores offering hands-on experiences

- **Strengthen brand appeal**
  - Utilize brand ambassadors

- **Utilize digital tools to achieve nationwide coverage**
  - Promote e-commerce to expand customer coverage
  - Accelerate digital marketing efforts

Boost product power

- **Diverse product lineup**
  - China-specific models based on local needs
  - Aggressive sales of high-added value products made in Japan
  - Supply pianos made in Indonesia

Efforts to increase educational demand

- **Expand music school business and promotional music lessons**
  - Increase student numbers by 50%

- **Efforts to increase demand among senior citizens**
  - Roll out music lessons for the 60+ senior age group (240 million people)
## Achieve 50% sales growth (over 3 years) in Indian market

- **Expand sales networks, launch e-commerce**
  - Expand sales networks focusing on cities with populations of 1 million +
  - Achieve nationwide coverage with e-commerce and individual delivery

- **Unified manufacturing sales and marketing systems, products suited to local music culture**
  - Chennai plant starts shipping products in April 2019
  - Local production of India exclusive models

- **Develop demand from schools by promoting musical instrument education**
  - Target private schools to spread western music education and develop school sales channel

## ASEAN/Other Markets*

- **Engage with middle income earners through store-based measures and use of e-commerce**
  - Transform stores to emphasize hands-on experiences and expand number of directly operated stores
  - Utilize e-commerce to establish omni-channel sales

- **Develop local models suited to indigenous music cultures**

- **Promote musical instrument education and develop new markets**
  - Promote music popularization for learning musical instruments in school music lessons
  - Develop markets in Africa and Asian countries such as Bangladesh and Myanmar

*Latin America, Middle East/Africa, and Russia/CIS

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### Chennai plant

- Local models for Indian market

### Examples of local instruments and music

- Models equipped with local instrument sounds

---

#### Engage with middle income earners to grow by expanding sales networks and introducing local models
Expand business domains into growth markets and accelerate growth

**Commercial audio equipment: 30% growth**
(over 3 years)
- Accelerate growth in engineering and installation domain
  - Full-scale expansion into installation and engineering domain for churches, halls, retail spaces, conference rooms, etc.

**Transform AV product business portfolio**
- Achieve growth in personal audio domain
  - Shift product lineup towards wireless speakers, etc. in line with changing lifestyles

**In-vehicle components: 30% growth**
(over 3 years)
- Shift into total in-vehicle solution domain
  - Integrated control of passenger compartment audio, voice, and noise

---

**Yamaha’s existing strengths**
- Live performances/music events
- Churches/halls/broadcasting studios
- Retail space background music/conference equipment

**Further expand domain**
- Hi-Fi AV receivers
- Sound bars
- Wireless speakers
- Headphones

**Yamaha’s existing strengths**
- Interior panels
- Microphone modules
- Audio systems

**Further expand domain**
- ¥200 billion
- ¥350 billion
- ¥500 billion
- ¥250 billion
- ¥550 billion
- ¥1 trillion
- ¥1.5 trillion
- ¥600 billion

**Market scale now**
- ¥200 billion
- ¥350 billion
- ¥500 billion
- ¥250 billion
- ¥550 billion
- ¥1 trillion
- ¥1.5 trillion
- ¥600 billion

**Market growth**
- +8%
- +5%
- +10%
- -8%
- +12%
- +12%
- +40%
- +5%
- +40%
- +10%
2. Create New Value

Create new value by combining technology and sensibility

True Yamaha spirit

Unique products and services

High-quality customer experience

Joy

Beauty

Confidence

Discovery

Inovation Center started operation in June 2018

- Amalgamated research, development, and design departments in pursuit of synergy
- Fully equipped facility for research into world-leading sound
Enhance added value by pursuing combination of authenticity and innovation

**Authenticity**

- **Tireless enhancement of expressive power**
  - Pursue highest levels of expression capable of meeting the expectations of top artists (No.1 product selection for major piano competitions and leading orchestra wind instruments)
  - Use scientific approach to develop premium models that outshine rivals
  - Pursue sound characteristics stemming from materials

- **Scientific study of human sensibility**
  - Study human sensibility and tacit knowledge of accomplished players, and forge ahead with development processes that pursue the essence of high-quality sound

**Innovation**

- **Innovate**
  - Merge various technologies and create new value
  - Use IoT to gather big data on performances, and accelerate customer-driven development

- **Harness AI for technology innovation**
  - Use deep learning to create new technology development methods
  - Personalize accompaniment and lessons
  - Automate/assist professional audio operations

**Wow everybody!**

Cutting-edge facilities in Innovation Center

Make music simpler and more enjoyable

YO.O, AI ensemble engine, analyzes the performance of players, and predicts the players’ timing and tempo to control a piano to play in synchrony

Develop exquisite instruments for a new era

Soul-stirring musical expression
Establish business platform to drive “profitability = customer value x productivity”

<table>
<thead>
<tr>
<th>Digital Transformation (DX)</th>
<th>Global HR Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer data platform</strong></td>
<td><strong>Global HR Management</strong></td>
</tr>
<tr>
<td>Build CRM platform to develop closer customer ties</td>
<td>Promote cross-border assignment of personnel through improved visualization of core positions and HR skills</td>
</tr>
<tr>
<td>Start operating customer data platform (CDP)</td>
<td>Start operation of talent management system</td>
</tr>
<tr>
<td><strong>Next-generation SCM</strong></td>
<td><strong>Enhance diversity and human rights initiatives</strong></td>
</tr>
<tr>
<td>Innovate SCM system to optimize efficient operation with customer information</td>
<td></td>
</tr>
<tr>
<td>Start operation of new SCM systems</td>
<td></td>
</tr>
<tr>
<td><strong>Process reforms</strong></td>
<td></td>
</tr>
<tr>
<td>Reform all work processes through DX</td>
<td></td>
</tr>
<tr>
<td>Expand introduction of agile methods to development process</td>
<td></td>
</tr>
<tr>
<td>Seamlessly connect accounting systems to business</td>
<td></td>
</tr>
<tr>
<td>Utilize robotic process automation to automate routine work</td>
<td></td>
</tr>
</tbody>
</table>
3. Enhance Productivity

Boost profitability by improving productivity

- **Optimize pricing**
  - Enhance added value
  - Strengthen efforts to showcase product value

- **Reduce production costs**
  - Reallocate production processes
  - Reduce procurement costs
  - Automate manufacturing processes

- **Use expenditure strategically**
  - Shift to strategic expenditure plan to enhancement of customer value
Optimize pricing, Reduce Production Costs, and Use Expenditure Strategically

Further optimize pricing

- Optimize pricing by enhancing added value and appropriately communicating product value
- Perform zero-based analysis on expenditure and expand strategic spending
- Shift expenditure to enhancement of customer value
  - Conduct sweeping review of operating costs, rebates, etc. and shift spending to enhancement of customer value
- Review IT related expenditure
  - Shift IT investment to building platforms for enhancing customer value, such as CRM, SCM, e-commerce, etc.
- Reform work processes
  - Reduce personnel expenditure in back-office divisions by ¥2.5 billion over 3 years

Sustainably reduce production costs

- Reallocation production processes
  - Global process optimization, including transfer of structural component production processes to overseas factories
- Reduce procurement costs through global bulk purchasing and promote value analysis/value engineering
- Automate production processes in overseas factories
  - Reduce factory personnel by introducing automated production lines used in Japan to overseas factories, utilizing IT (introducing automated guided vehicles, harnessing production big data), etc.

Cost Reduction Analysis

- **Labor cost**
  - Increase in overseas factories
  - Reduction in productivity improvements
  - Cost reductions
- **Procurement**
  - Greater efficiency in back-office work
  - Target costs in FY2023
Contribute to sustainable development of music culture and society

Culture
Contribute to sustainability of music culture

Society
Resolve social issues through products and services, enhance diversity and fulfilment of the people we work with

Environment
Co-exist with the natural environment
## Culture

### Contributes to sustainability of music culture

- Contribute to global music scene by supplying a diverse range of musical instruments
  
  *Launch approximately 800 models (over 3 years)*

- Spread the joy of music widely through music school business
  
  *30% growth in students at overseas music schools (over 3 years)*

- Promote musical instrument education in school music lessons in emerging markets*
  
  *3,000 schools in 7 countries, cumulative total of 1 million students*

*Collaborate with local education ministries to provide packages of instructors, programs and musical instruments and spread musical instrument education

- Support education in schools for children of migrant workers in China by donating musical instruments
  
  *Support 18 schools (over 3 years)*

### Society

### Resolve social issues through products and services

- Support healthy development of youth through music popularization activities (Latin America)

- Continue community development through the Oto-Machi Project for creating community filled with music (Japan)
  
  *Support 10 new projects (over 3 years)*

- Support 18 schools

- Cross-border assignment of 30 employees over 3 years, 17% of management positions occupied by women

### Enhance diversity and fulfillment of the people we work with

- Create environment where diverse personnel can give full play to their individuality and creativity
  
  *Cross-border assignment of 30 employees over 3 years, 17% of management positions occupied by women*

- Promote human rights due diligence throughout the value chain

- Promote work-life balance for employees through telecommuting, in-house childcare facilities, etc. (Japan)
Co-existence with the Natural Environment

- **Sustainable use of timber**
  - **Aim for 50%** of wood used to be certified timber, continue due diligence to avoid purchase of timber from illegal sources
  - Undertake activities to sustainably conserve scarce timber resources in collaboration with local communities
  - Enhance forest resource education and usage efficiency through cooperation with academic research (Kyoto University and other educational institutions)

- **Development of environmentally-friendly products**
  - Create environmentally-friendly products through the Yamaha Eco-Products* program
  - Develop sustainable materials as substitutes for scarce timber resources

- **Reduction of greenhouse gas (GHG) emissions**
  - Strive to meet Science-Based Target** by installing highly energy-efficient equipment and shifting to renewable energy sources.
  - Reduce emissions throughout the value chain by efforts including development of energy-saving products and streamlining of distribution.

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

**A Science-Based Target to achieve the 2 degrees C GHG emission reduction goal set in the Paris Agreement (32% reduction by 2030).
Business Strategies

Make Waves 1.0
Yamaha Medium-Term Management Plan
Raise profitability by expanding sales and enhancing added value

**Net Sales**
IFRS standards

<table>
<thead>
<tr>
<th>Instrument Category</th>
<th>FY2019.3 (projection)</th>
<th>FY2022.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital musical instruments</td>
<td>280.5</td>
<td>297.0</td>
</tr>
<tr>
<td>Wind/string/percussion instruments</td>
<td>+3.5</td>
<td></td>
</tr>
<tr>
<td>Pianos</td>
<td>+3.5</td>
<td></td>
</tr>
<tr>
<td>Guitars</td>
<td>+9.0</td>
<td></td>
</tr>
<tr>
<td>Impact of exchange rates</td>
<td>-2.5</td>
<td></td>
</tr>
</tbody>
</table>

**Core Operating Income Ratio**
IFRS standards

<table>
<thead>
<tr>
<th>FY2019.3 (projection)</th>
<th>FY2022.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Operating Income Ratio</td>
<td>39.5</td>
</tr>
<tr>
<td>IFRS standards</td>
<td>49.0</td>
</tr>
<tr>
<td>Impact of exchange rates</td>
<td>+9.5</td>
</tr>
<tr>
<td>Increased sales and improved gross margins</td>
<td>+3.5</td>
</tr>
<tr>
<td>Cost reductions</td>
<td>-3.5</td>
</tr>
<tr>
<td>Strategic expenditure</td>
<td>-2.0</td>
</tr>
<tr>
<td>FY2022.3 (projection)</td>
<td>16%</td>
</tr>
</tbody>
</table>

**Pianos**

- Expand premium offering with top-end strategy
  - Achieve 25% growth in premium piano sales over 3 years
  - Enhance presence in music colleges and concert halls (double number of installed flagship concert pianos)

- Expand sales of high-added-value models
  - Expand percentage of hybrid (integration of acoustic and digital technologies) pianos

- Meet growing demand in China with global production

**Digital Musical Instruments**

- Develop digital pianos leveraging Yamaha’s strengths in acoustic products

- Create new value through technological innovation
  - Bring superior expressive power to Yamaha products

- Expand range of keyboards equipped with specialized sound sources suited to local musical styles

- Expand customer base by developing new products targeting young people who want to express themselves through music
## Musical Instruments

### Guitars

- **Reinforce marketing function from U.S. base**
  - Expand use of local employees’ skills and idea to strengthen ability to showcase product value
  - Make effective use of influencers including professional players and social media users
  - Reinforce artist relations and shorten the product development (prototype/trial) cycle

- **Expand sales of mid-range and high-end products**
  - Use scientific approach to aggressively expand mid-range and high-end products
  - Reinforce artist relations and set up custom stores in four key global cities
  - Communicate appeal of true Yamaha spirit through exciting experiences and value creation

### Wind/String/Percussion Instruments

- **Collaborate with top artists**
  - Enhance joint development through atelier function

- **Expand sales of mid-range and high-end products**
  - Increase share of market for mid-range and high-end wind instruments (to 30%*) by launching top-end models and enhancing brand appeal

- **Expand market by promoting brass and wind music**
  - Promote brass and wind music and create demand in China and emerging markets

- **Develop musical instruments offering new value to broaden player horizons**

- **Enhance product life cycle with low maintenance musical instruments**

### Enhance Lifetime Value (LTV) (All Product Categories)

- **Contribute to enhancement of LTV and create demand**
  - Build mechanisms to prevent customer dormancy
**Audio Equipment**

**Grow sales through technical innovation and enhanced support**

### Net Sales

<table>
<thead>
<tr>
<th>IFRS standards</th>
<th>Professional audio equipment</th>
<th>AV products</th>
<th>ICT devices</th>
<th>(billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019.3 (projection) 122.5</td>
<td>-1.5</td>
<td>+1.0</td>
<td>+1.5</td>
<td>FY2022.3 135.0</td>
</tr>
</tbody>
</table>

### Core Operating Income Ratio

<table>
<thead>
<tr>
<th>IFRS standards</th>
<th>Impact of exchange rates</th>
<th>Increased sales and improved gross margins</th>
<th>Cost reductions</th>
<th>Strategic expenditure</th>
<th>(billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019.3 (projection) 10.0</td>
<td>-0.5</td>
<td>+5.0</td>
<td>+2.0</td>
<td>-3.5</td>
<td>FY2022.3 13.0</td>
</tr>
</tbody>
</table>

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**Professional Audio Equipment**

- **Enhance ability to offer total solutions**
  - From audio input (microphones) to output (speakers)
  - Expand lineup of output products featuring next-generation speakers that offer a sense of total immersion
  - Offer all-new levels of convenience with AI-driven automation and assistance functions for mixers

- **Become supplier of choice for more upper stream clients such as facility owners**
  - Enhance capability to directly approach facility owners, consultants, and systems integrators
  - Expand system orders by enhancing capability to propose solutions for upper stream processes in facilities projects

- **Create new business from customer support**
  - Introduce remote monitoring and control tools for audio systems and launch remote support services

---

**Impact of exchange rates**

- Increased sales and improved gross margins
- Cost reductions
- Strategic expenditure

**Professional Audio Equipment**

- **Enhance capability for direct client approaches**
  - Current domain
  - Reproduce on-site settings via networks and offer remote support via video communication
  - Number of projects: Obtain lead, Develop lead, Quote, Sale
  - Service centers: Wholesale dealer, Consultant, Facility owner, Systems integrator, On-site
Audio Equipment

AV Products

- **Transform business portfolio**
  - Reinforce product lineup launches in the personal audio market targeting millennials

- **Develop customer interface and strengthen brand appeal**
  - Communicate the appeal of the Yamaha brand outlook to millennials
  - Expand direct marketing and exclusive display in stores

- **Enhance product competitiveness with new value propositions**
  - Launch audio virtual reality headphones offering totally immersive surround sound experience
  - Offer wireless sound systems via MusicCast*

ICT Devices

- **Expand product categories and services**
  - Leverage strength in routers to expand LAN product range (switches, hubs)
  - Provide labor-saving solutions for network management such as network monitoring and the Yamaha Network Organizer (YNO) automated management tool.

- **Differentiate products through technology integration (conference systems)**
  - Enhance efficiency of installation and operation for customers through real-time audio optimization, simple system installation, etc.
  - Harness audio technology to achieve communication that conveys feelings

*Yamaha’s own wireless network system
Shift business domain towards total in-car solutions

Expand product range and accelerate growth

- Expand lineup of in-vehicle communication module products (improved voice recognition accuracy, assisted onboard conversation, etc.)
- Launch audio systems featuring strengths in integrated control of road noise, voice conversation, and music playback

Expand solutions through collaboration

- Accelerate development of world’s first practical system for generation of electricity from waste heat
- Expansion of car types using interior wood panels

Enhance customer value by expanding support base

- Establish automotive customer support base in China
- Establish quality standard certification base in Japan for onboard microphones

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**Net Sales**

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</tr>
</thead>
<tbody>
<tr>
<td>In-vehicle components</td>
<td>34.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Other products</td>
<td>+3.5</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

**Core Operating Income Ratio**

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</tr>
<tr>
<td>Strategic expenditure</td>
<td>-0.5</td>
<td>3.0</td>
</tr>
</tbody>
</table>

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In-vehicle components: expansion and improvement

- Increased sales and improved gross margin
- Strategic expenditure

China support base

Communication quality certification system

Provide total passenger compartment solutions (image)
Investment, Return to Shareholders, and Governance

Make Waves 1.0
Yamaha Medium-Term Management Plan
Investment and Return to Shareholders

Maintain well-balanced allocation of cash generated to investment in growth and returns to shareholders

Cash flow

- Operating cash flow: ¥160 billion
- Flexible return to shareholders, etc.
- Dividends
- Strategic investment: ¥50 billion
  - Plant expansion, M&A, etc.
  - Regular investment: ¥40 billion

Total return ratio: 50%

Investment

- Regular investment: ¥40 billion
  - Basic investment in existing business (same level as depreciation expenses)
- Strategic investment: ¥50 billion
  - Additional investment in new manufacturing facilities
  - Investment in process automation at overseas factories
  - Additional R&D facilities, enhancement of artist relations, etc.
  - M&A
- Strategic marketing, strategic R&D investment (expenses)
  - Branding, reinforcement of customer interface, technological innovation

Return to Shareholders

- Continual stable dividends will remain the basis of shareholder return policy, but the policy will be implemented flexibly to enhance capital efficiency while considering a proper balance with retained earnings needed for investment in future growth
- Total return ratio of 50% over 3 years
Governance

Enhance the diversity and effectiveness of the board of directors, and promote sound offensive and defensive governance

Offensive Governance

- Strive for a more diverse board of directors bearing in mind skillset, nationality, and gender
- Further accelerate implementation of decisions underpinned by strong supervisory functions

Defensive Governance

- Move to a board two-thirds comprised of independent outside directors
- Build effective audit systems by forging close ties with the Audit Committee, the Internal Auditing Division, and external financial auditors
- Reinforce risk response capabilities through the Risk Management Committee

Composition of Yamaha Board of Directors

- Company with Three Committees (transition made in June 2017)
- Of nine directors, six are independent outside directors
  (as of April 1, 2019)

2018 Grand Prize Winner, Corporate Governance of the Year Awards*

Highly evaluated as a company that has simultaneously reformed both the form and substance of its corporate governance

*These awards recognize companies using corporate governance to achieve healthy medium- to long-term growth
(Organized by the Japan Association of Corporate Directors. Prize winners are selected from approximately 2,000 companies listed on the first section of the Tokyo Stock Exchange)
In this report, the figures forecast for the Company’s future performance have been calculated on the basis of information currently available to the Yamaha Group. Forecasts are, therefore, subject to risks and uncertainties.

Accordingly, actual performance may differ greatly from our predictions depending on changes in the economic conditions surrounding our business, demand trends, and the value of key currencies, such as the US dollar and the euro.