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

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

**Review of NEXT STAGE 12**

Approach to Formulating the New Medium-Term Management Plan

Positioning of the New Medium-Term Management Plan

Four Key Strategies

**Accomplishments of Key Strategies**

<table>
<thead>
<tr>
<th>Key strategy</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop products with distinctive individuality</td>
<td>Launched many unique products by merging technologies</td>
</tr>
<tr>
<td></td>
<td>Won numerous design awards globally (Good Design Grand Award, etc.)</td>
</tr>
<tr>
<td>Enhance customer interaction</td>
<td>Increased number of accounts (15%) increase in contract dealers, 50% increase in audio contractors</td>
</tr>
<tr>
<td></td>
<td>Promoted music popularization for learning musical instruments in emerging countries (cumulative total of 200,000 people, 265% above target)</td>
</tr>
<tr>
<td>Continuously reduce costs</td>
<td>Progress in reducing costs did not fully compensate for rising procurement prices, and net cost reductions amounted to ¥5.3 billion (vs. target of ¥8.0 billion)</td>
</tr>
<tr>
<td>Strengthens global business platforms</td>
<td>Promoted global human resources management, established three global IT headquarters, and introduced IFRS (in April 2019)</td>
</tr>
</tbody>
</table>

**Financial Results (J-GAAP)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (Billions of yen)</td>
<td>435.5</td>
<td>408.2</td>
<td>433.0</td>
<td>437.4</td>
<td>465.0</td>
</tr>
<tr>
<td>Operating income (Billions of yen)</td>
<td>40.7</td>
<td>44.3</td>
<td>46.8</td>
<td>56.0</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>12.8%</td>
<td>12%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.1%</td>
<td>14.0%</td>
<td>14.5%</td>
<td>11.4%</td>
<td>10% level</td>
</tr>
<tr>
<td>EPS (Earnings per share)</td>
<td>¥169</td>
<td>¥249</td>
<td>¥292</td>
<td>¥241</td>
<td>¥200 level</td>
</tr>
</tbody>
</table>

Total shareholder return ratio: 168% over three years
Approach to Formulating the New Medium-Term Management Plan

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

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

Approach to Formulating the New Medium-Term Management Plan

Assumptions of Our Outlook for the Future Business Environment

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

Regional macroeconomic environment
- Although mature economies remain steady, there is greater demand for emotional satisfaction and authenticity. We are also seeing an even greater social awareness of sustainability. Furthermore, we anticipate that there will be a continued trend of expansion in the regional macroeconomic environment, as the middle class in emerging countries is expected to grow.

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

Transformations caused by accelerated digital technologies
- The industrial structure and the world in general are undergoing major changes due to advances in digital technologies.
- Customer interaction has become closer and more direct.
- Greater diversity in lifestyles and senses of value
- ‘AI and IoT’ technologies are taking automation and convenience to new levels.
- In addition to material wealth, people are seeking greater emotional satisfaction and authenticity.
- Heightened awareness of sustainability
- There has been a greater requirement of corporate social responsibility.
- Awareness of social contribution is linked to corporate value creation over the medium to long term.
- The value our products offer can be divided into two categories: functional value and emotional value. In the era in which there is greater demand for emotional satisfaction and authenticity, the need for emotional value will unquestionably supersede the need for functional value.
- Our business domains center on sound and music, which offer significant value in the form of sensibilities and emotional impact. Accordingly, these kinds of needs will without a doubt provide a positive boost to the Yamaha Group, which has assessed sound and musical instruments as a part of culture itself and has striven to refine its technologies and sensibilities. It is therefore imperative that we fully leverage our strengths to capitalize on this growth opportunity by enhancing our ties with customers and society as well as our connection to market growth and growth domains.

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

⇒ Combining technologies and sensibilities presents growth opportunities for Yamaha
Positioning of the New Medium-Term Management Plan

Looking back on our medium-term management plans to date, YMP125 was carried out in a period when our businesses faced tough conditions due to yen appreciation. The period of YMP125 was positioned as a phase for rebuilding our business platforms through such means as restructurings of core businesses and integrating our sales offices in Europe and plants.

After completing that phase, we commenced YMP2016, under which we transitioned from a business-unit organizational structure to a function-specific one, promoted optimized pricing, and moved forward with selection and concentration from a multifaceted perspective to focus on core businesses. Through these efforts, we were able to achieve an operating income ratio of 9.3%.

With the previous medium-term management plan, NEXT STAGE 12, we established the management vision of becoming an indispensable, brilliantly individual company. Guided by this vision, we worked to boost our brand power in an effort to take the next step toward further growth as a company. As a result, we raised our operating income ratio to 12.8% (J-GAAP).

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

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

**Management Vision**
- Becoming an Indispensable, Brilliantly Individual Company
- Boost brand power to become a highly profitable enterprise

**Value Creation Story**
- Enhance corporate value and realize vision by creating social value

**Basic Strategy**

In a world undergoing major changes at a rapid pace, we will develop closer ties with customers and society, and boost value creation capabilities.

Management Objectives

<table>
<thead>
<tr>
<th>Financial targets (IFRS)</th>
<th>Core operating profit ratio</th>
<th>Value creation story</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCE</td>
<td>11.5%</td>
<td>Becoming an Indispensable, Brilliantly Individual Company</td>
</tr>
<tr>
<td>EPS (Earnings per share)</td>
<td>¥270</td>
<td>Boost brand power to become a highly profitable enterprise</td>
</tr>
<tr>
<td>Corporate brand value*</td>
<td>30%</td>
<td>Enhance corporate value and realize vision by creating social value</td>
</tr>
<tr>
<td>Music popularity for learning musical instruments in emerging markets (cumulative total)</td>
<td>1 million people</td>
<td></td>
</tr>
<tr>
<td>Certified trimmer use</td>
<td>50% of total use</td>
<td></td>
</tr>
<tr>
<td>Investment and divestiture volume (cumulative total)</td>
<td>50% of total use</td>
<td></td>
</tr>
<tr>
<td>Return on investment in growth and return on investment in the medium to long term</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

*Based value added with the name and Yamaha Motor Company: A202 trillion (“Yamaha Brand” 2019 issued by Interbrand)

**Path to Improving Core Operating Profit Ratio**

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

In addition, our high marginal income ratio and sales growth centered on emerging countries are two strengths that will also help us boost profitability. Furthermore, increasing profitability through efforts to reduce costs will contribute significantly to improving our core operating profit ratio.
For the audio equipment business and the industrial machinery and components business, we will achieve growth by expanding our business domains and brand, expanding our sales networks, and pursuing digital marketing. We will also take steps to contribute to lifetime value enhancement.

To develop broader, deeper, and longer ties with our customers, we will promote our brand through our new brand promise and develop closer ties with customers and offering them new value. We will also increase our profitability by enhancing productivity. Furthermore, we strive to contribute to society through our business activities, which we believe will lead to improvement in corporate value over the medium to long term.

**Four Key Strategies**

**Basic Medium-Term Strategy**

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

**Make Waves 1.0**

<table>
<thead>
<tr>
<th>Yamaha value creation</th>
<th>Social value creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop closer ties with customers</td>
<td>4. Contribute to society through our businesses</td>
</tr>
<tr>
<td>2. Create new value</td>
<td>5. Contribute to society through our businesses</td>
</tr>
<tr>
<td>3. Enhance productivity</td>
<td>6. Contribute to society through our businesses</td>
</tr>
</tbody>
</table>

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

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

1. **Develop Closer Ties with Customers**

   **Develop Broader, Deeper, Longer Ties with Customers**

   To develop broader, deeper, and longer ties with our customers, we will promote our brand through our new brand promise and develop digital and physical customer interfaces with a focus on digital marketing. For the audio equipment business and the industrial machinery and components business, we will achieve growth by expanding our business domains in growth markets.

   **Exhibit 2: Reinforce Customer Interface**

   **Achieve growth in emerging markets**

   **Expand business domains**

   **Market growth and share expansion in China**

   **Growth in China**

   Aiming for 20% Growth over the Next Three Years through Sales Network Expansion and Brand Promotion

   **Achieve Market Growth and Share Expansion**

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

   **Exhibit 3: Boost Product Power**

   **Market growth and share expansion in China**

   **Growth in China**

   Aiming for 20% Growth over the Next Three Years through Sales Network Expansion and Brand Promotion

   **Achieve Market Growth and Share Expansion**

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

   **Exhibit 4: Contributing to Lifetime Value Enhancement**

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

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

   **Exhibit 5: Contributing to Lifetime Value Enhancement**

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

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

   **Exhibit 6: Contributing to Lifetime Value Enhancement**

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

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

   **Exhibit 7: Contributing to Lifetime Value Enhancement**

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

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

   **Exhibit 8: Contributing to Lifetime Value Enhancement**

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

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

   **Exhibit 9: Contributing to Lifetime Value Enhancement**

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

   In addition to engaging in conventional customer communication at stores, we will leverage digital marketing to directly promote value that caters to our customers. At the same time, we will use digital marketing to encourage customers to visit our stores, where they can experience our products and services firsthand. Through these efforts, we will further develop contact points with our customers.
Realizing Growth in India, ASEAN, and Other Markets
Aiming for 50% Growth over the Next Three Years in the Indian Market by Engaging with Middle-Income Earners through the Expansion of Sales Networks and Introduction of Local Models

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

Commercial audio equipment: Realize 30% growth over three years
We will pursue a full-scale expansion into commercial audio equipment domains including not only live performances and music events but also in churches, concert halls, retail spaces, and corporate conference rooms.

In-vehicle components: Realize 30% growth over three years
Going beyond interior wood panels, we will leverage our strengths to expand into the comprehensive in-vehicle solutions domain, including integrated sound, voice, and noise control systems for vehicle interiors.

AV Products: Transform our business portfolio
We will realize growth by shifting product lines toward the personal audio domain, such as wireless speakers, to accommodate changing lifestyles.

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

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

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

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

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

Innovation Center
In June 2018, we established the Chennai Plant in the Indian market...
Business Platform to Drive Value Creation
Establish business platform to drive profitability
Profitability = customer value × productivity

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

Digital Transformation Initiatives
- Establishment of CDP
  - Build CRM platform to develop closer customer ties
- Operation of next-generation SCM systems
  - Innovate SCM systems to optimize efficient operation with customer information
- Provision of business process transformation
  - Realize at-scale processes through DX

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

Optimize Pricing, Reduce Production Costs, and Use Expenditures Strategically

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

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

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

Establishing a Foundation for Global Human Resource Management
We will transition from region-specific human resource systems to a Group-wide, globally shared system. We will also promote the cross-border allocation of human resources and the discovery and development of managerial talent. Additionally, we will step up our efforts toward diversity and protecting human rights.

4 Contribute to Society through Our Businesses
Contributing to the Sustainable Development of Music Culture and Society
We will contribute to the global music scene through the provision of diverse musical instruments. We will work to spread musical instrument education in emerging countries. In this manner, we will not only contribute to the sustainability of music culture but also work to resolve social issues through our products and services. Also, we will realize a peaceful coexistence with the natural environment through such efforts as promoting the sustainable procurement of timber and developing environmentally friendly products.
Resolving Social Issues through Our Products and Services
We will support the healthy development of youth through music popularization activities in Latin America (see page 72). We will also work to revitalize communities through the Oto-Machi project, which aims to create communities filled with music in Japan. By doing so, we will carry out continuous efforts to leverage our products and services with the aim of resolving the various social issues facing each country and region of operation.

Enhancing Diversity and Fulfillment among All Employees
We will take steps to create an environment where diverse personnel can make full use of their individuality and creativity (see page 64). Also, with the aim of preventing human rights violations, we will promote human rights due diligence across our entire supply chain.

Utilizing Sustainable Timber
We will promote due diligence to avoid the purchase of timber from illegal sources. Additionally, we will aim to expand our utilization rate of certified timber (target of 50%), which is produced from sustainable forests. Furthermore, we will promote the sustainable use of timber through a broad range of efforts, such as undertaking activities to sustainably conserve scarce timber resources in collaboration with local communities and promoting collaborative research with academia including Kyoto University (see page 67).

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

Reducing Greenhouse Gas Emissions
We will work to meet our Science Based Target (SBT)** through such means as installing highly energy-efficient equipment and shifting toward renewable energy sources. Also, we will work to reduce GHG emissions throughout our entire value chain through the development of energy-saving products and the streamlining of distribution, among other initiatives (see page 67).

* Environmentally friendly products certified as meeting standards established by Yamaha
** A Science Based Target to achieve the 2 degrees Celsius GHG emission reduction goal set into the Paris Agreement (32% reduction by fiscal 2031)