## STRATEGIES BY BUSINESS

### MUSICAL INSTRUMENTS BUSINESS

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

#### Business Overview

In the musical instruments business, which represents our core business, we promote new technology-related sound and music businesses that have been cultivated over our long history. In addition to developing acoustic instruments such as pianos, wind, string, and percussion instruments, and digital musical instruments that leverage electronic technologies, we are also rolling out other products such as hybrid instruments that meld both acoustic and digital technologies.

In recent years, we have been utilizing AI, IoT (sensor) technology, and simulation technologies to take on challenges in the digital network environment and other new domains. Through our diverse product lineup and global sales and service networks, we also include the music school and software content businesses, we have secured a position as the world’s leading comprehensive musical instruments manufacturer.

#### Review of NEXT STAGE 12

Over the course of the previous medium-term management plan, NEXT STAGE 12, we achieved our target of improving our operating income ratio from 11% in fiscal 2016 to over 15% by the end of the plan. Moving forward with the development and sale of 156 product models with distinctive individuality, such as Yonavox and TransAcoustics products, we accelerated efforts to strengthen the competitiveness of our products and enhance our market presence.

At the same time, to further deepen and expand the ties we have with our customers, we promoted marketing initiatives optimized for each region and improved customer access through the enhancement of our sales networks, thereby expanding our customer base. Additionally, we expanded sales of highly profitable digital musical instruments and mid-range and high-end products while working to optimize our selling prices, thereby improving our operating income. In addition, we contributed to society in such ways as popularizing music education in emerging countries and promoting activities to support technicians.

### Business Strategies of the New Medium-Term Management Plan

#### Business Vision

**Receive the highest possible evaluation from an even greater number of customers**

**Realize overwhelmingly high levels of profitability by enhancing our brand power**

**Targets for Fiscal 2023 (Based on FY19)**

- **Revenue:** ¥327.0 billion (6.3% growth compared with fiscal 2019)
- **Core operating profit:** ¥49.0 billion (20.1% growth compared with fiscal 2019)

---

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Overview</th>
<th>Strengths</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pianos</td>
<td>Continued high level of growth in the piano market in China and emerging countries</td>
<td>Yamaha’s market share in the piano market is over 10%</td>
<td>Steinway &amp; Sons (Germany) (the world leader in pianos), Kawai Musical Instruments Corp. (Japan), and Ritm AP (Russia)</td>
</tr>
<tr>
<td>Digital musical instruments</td>
<td>Continued growth for digital pianos underpinned by growing demand for music education and music instruction</td>
<td>Yamaha’s market share in the digital piano market is over 30%</td>
<td>Roland Corporation (Japan), Casio Computer Co., Ltd., and Kawai Musical Instruments Corp.</td>
</tr>
<tr>
<td>Guitars</td>
<td>Ensuring benefits in China and emerging countries, to maintain market share in emerging markets</td>
<td>Yamaha’s market share in the guitar market is over 10%</td>
<td>Fender Musical Instruments Corp. (United States), Gibson Brands, Inc. (the world leader in guitars), and Kramer Musical Instruments Corp. (Israel)</td>
</tr>
<tr>
<td>Wood, string, and other instruments</td>
<td>Drive growth by priority in developing countries, expected to be generated from schools and public concerts</td>
<td>Yamaha’s market share in the wood, string, and other instrument market is over 20%</td>
<td>Steinway &amp; Sons (Germany), Yamaha Corporation (Japan), and Kawai Musical Instruments Corp.</td>
</tr>
</tbody>
</table>

#### Key Strategies

- **Develop global connections and ties with customers**
- **Realize high levels of profit by expanding our business portfolios**
- **Create value through the combination of essential value enhancement and technological technologies**
- **Make Waves 1.0**

---

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

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

#### Main Points of Key Strategies

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

  - **The second strategy is to grow our business portfolio and realize business expansion across the entire musical instruments business.**
    - In China, we will focus on expanding sales of mid-range and high-end models in the piano business, which has continued to perform favorably. At the same time, in India and other emerging countries, we will incorporate local needs within our product development, including local musical culture and education, so we work to create demand and expand our operations in these regions. Also, we will reinforce our response capabilities to meet the broad range of needs in all customer age groups, from young to old.

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

#### Efforts to Accomplish Our Business Vision

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

---

*FED (Production, sales, and inventory)

*4Ps of Marketing: Product, price, place, and promotion
**PIANO BUSINESS**

**Strategies by Business**

**Global market share for Yamaha’s products**

- **Pianos:** 38%*  
  - Revenue: ¥56.0 billion

**Key Strategies**

- Achieve 4% growth in premium pianos and digital pianos.
- Enhance presence in music colleges and concert halls.
- Expand range of key strengths in acoustic and digital pianos.

**Points of Emphasis in Achieving Targets**

- We are focusing our attention on a wide range of efforts with the aim of becoming the brand that continues to be the No. 1 choice of all customers, from professional pianists to beginners.

**Targets for Fiscal 2022**

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

**Digital Musical Instruments Business**

- Portable keyboards: 54%*  
  - Revenue: ¥92.9 billion

**Key Strategies**

- Expand premium offerings through the high-end strategy.
- Expand sales of digital pianos and portable keyboards.
- Digital pianos in China with global production.

**Points of Emphasis in Achieving Targets**

- We are focusing our attention on a wide range of efforts with the aim of becoming the brand that continues to be the No. 1 choice of all customers, from professional pianists to beginners.

**Targets for Fiscal 2022**

- Achieve further growth in digital pianos and cultivate future customers by pursuing challenges in new domains.

---

**GUITAR BUSINESS**

**Strategies by Business**

**Global market share for Yamaha’s products**

- **Guitars:** 8%  
  - Revenue: ¥27.3 billion

**Key Strategies**

- Expand sales of mid-range and high-end products.
- Create new value.
- Use scientific approach to aggressively expand mid-range and high-end products.

**Points of Emphasis in Achieving Targets**

- In 2019, we established global marketing functions in the United States, which is the epicenter of the guitar market. We also began efforts to strengthen the capabilities of local employees and enhance our relationships with local artists. By doing so, we have been working to develop attractive products, promote the effective communication of information, and accelerate marketing activities. To further expand sales of mid-range and high-end products, we will strategically set up custom shops in major global cities and promote attractive product value that is unique to Yamaha. In these ways, we will aim to be the brand chosen by guitar players around the globe.

---

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

**Global market share for Yamaha’s products**

- **Wind instruments:** 32%  
  - Drums: 11%  
  - Revenue: ¥53.1 billion

**Points of Emphasis in Achieving Targets**

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

---

**Points of Emphasis in Achieving Targets**

- To ensure that the Yamaha product line is able to compete for the leading position in various musical genres. We are also involved in the creation of custom models that meet the needs of major artists and are played in educational settings around the world.

---

*Results for Fiscal 2019 are based on amounts estimated by Yamaha (IFRS)
Overview of Markets by Mainstay Product / Yamaha’s Strengths / Main Competitors

**Business Overview**

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

**Review of NEXT STAGE 12**

At the conclusion of NEXT STAGE 12, the operating income ratio in the audio equipment business leveled at 8.3%, just below our management target of the 9% level. In PA equipment, we maintained growth in each fiscal year under the plan and were able to strengthen the sales network at our local subsidiaries and expand our sales channels. For AV products, although sound bars performed favorably, growth was stagnant as our efforts to expand our portfolio in the personal audio domain were still ongoing. Growth of ICT devices was limited owing to the impact of lower OEM product sales, despite brisk growth in network equipment. As a result, while we made steady progress with the key strategies of NEXT STAGE 12, this process did not lead to sales growth.

**Business Strategy of the New Medium-Term Management Plan**

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

**Main Points of Key Strategies**

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

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

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

**Overview of Markets by Mainstay Product / Yamaha’s Strengths / Main Competitors**

**Business Strategy of the New Medium-Term Management Plan**

**Main Points of Key Strategies**

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

**Overview of Markets by Mainstay Product / Yamaha’s Strengths / Main Competitors**

**Business Strategy of the New Medium-Term Management Plan**

**Main Points of Key Strategies**

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

**Overview of Markets by Mainstay Product / Yamaha’s Strengths / Main Competitors**

**Business Strategy of the New Medium-Term Management Plan**

**Main Points of Key Strategies**

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

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

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

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

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

Review of NEXT STAGE 13
For the in-vehicle solutions domain, we have renewed our focus on the in-vehicle solutions domain, which Yamaha excels. We will renew our focus on the in-vehicle solutions domain with the inclusion of the in-vehicle communication module product. For FA equipment, we will strive to maintain our leading market share for flex circuit board testing machines on a Groupwide basis.

For electronic devices, we will focus on the semiconductor testing domain as well as expanding our presence in the automotive domain, aiming to create future business opportunities.

Makewaves 1.0
Key strategies
- Strengthen appeal of comprehensive in-vehicle solutions
- Promotional value that appeals to each target segment
- Establish development and production structures that can handle increases in development projects
- Leverage core technologies to develop solutions for other fields
- Expand customer base for printed circuit board testing machines and ultrasound inspection equipment
- Promote in-terminal and in-terminal profitability
- Expand sales by securing new orders

Business Strategy under the New Medium-Term Management Plan
In the industrial machinery and components business, we moved beyond our conventional business structure that relied too heavily on semiconductor businesses. Now, we are promoting operations centered on the three fields of in-vehicle modules, automobile interior wood components, and FA equipment. Under the new medium-term management plan, we will approach the first two fields in an integrated fashion as comprehensive in-vehicle solutions as we shift our emphasis toward automobile-related domains. We will also enhance our product and support foundation to accelerate growth across all three fields.

Main Points of Key Strategies
For the in-vehicle solutions domain, we will accelerate proposals that leverage our core sound technologies. Vehicle interiors are becoming with a broad array of sounds, including the sound of the engine, the sound of lines in motion, music, and people's voices. Accordingly, we will provide various types of modules that can provide optimal solutions for these types of sounds. Recently, following the widespread adoption of electric vehicles and hybrid vehicles, there is now a need to keep in-vehicle noise to reasonable volumes and install exterior warning devices from the perspective of safety and comfort. Our signal processing technologies are being utilized to address these types of needs. In light of their track record in this area, we will make a genuine entrance into the in-vehicle audio domain. By pursuing our passion for sound in the unique sound environment inside automobiles, we will work to achieve differentiation as we aim to promptly acquire a share in the massive market for in-vehicle audio, which exceeds ¥100.0 billion.

In addition, we will work to realize the world's first practical application of waste heat power generation for automobiles and develop interior panels using new materials. In these ways, we will expand the scope of our operations through collaboration with other companies. In the FA equipment field, we will strive to maintain our leading market share for flexible printed circuit board testing machines on a Groupwide basis. By swiftly responding to customer demands for high quality, which are growing year by year, we will reinforce the trust-based relationships we have with customers as we aim for the further adoption of our FA equipment. Furthermore, we will make proposals for leak tests that use hydrogen and develop nondestructive inspection devices that leverage ultrasound technologies. Through these means, we will create new uses for our equipment and actively cultivate new markets.

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