

MUSICAL INSTRUMENTS BUSINESS



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

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

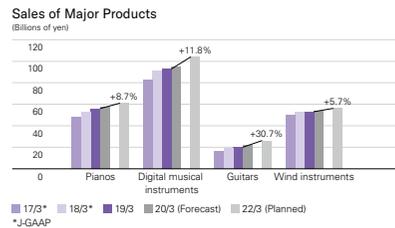
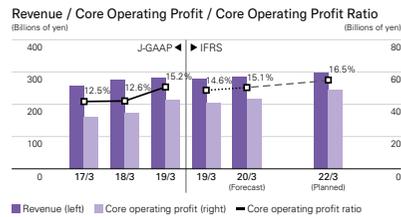


Business Overview

In the musical instruments business, which represents our core business, we possess numerous core technologies related to sound and music that have been cultivated over our long history. In addition to developing acoustic instruments such as pianos, wind, string, and percussion instruments, and digital musical instruments that leverage electronic technologies, we are also rolling out other products such as hybrid instruments that meld both acoustic and digital technologies. In recent years, we have been utilizing AI, *kansei* (sensitivity) engineering, and simulation technologies to take on challenges in the digital network environment and other new domains. Through our diverse product lineups and global sales and service structures, which also include the music school and software content businesses, we have secured a position as the world's leading comprehensive musical instruments manufacturer.

Review of NEXT STAGE 12

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



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

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

* Yamaha estimation, as of March 31, 2019

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Business Strategies of the New Medium-Term Management Plan

Business Vision

Receive the highest possible evaluation from an even greater number of customers
Realize overwhelmingly high levels of profitability by enhancing our brand power

Targets for Fiscal 2022 (Based on IFRS)

Revenue: ¥297.0 billion (6.3% growth compared with fiscal 2019)

Core operating profit: ¥49.0 billion (20.1% growth compared with fiscal 2019)

Business Environment	Opportunities	Risks
<ul style="list-style-type: none"> Shift toward making direct connections with our customers on a global basis due to the acceleration of digitalization, dramatic changes in approach to brand recognition and consumer behavior, etc. Dramatic improvement in analysis, evaluation, simulation, and other technologies for product development due to the progression of IT and digital technologies Further economic growth in the middle class in China and emerging countries 	<ul style="list-style-type: none"> Improvement in the promotion of value that fits the life stage of each customer through digital marketing Significant improvement in product development for pursuing the essence of musical instruments due to the progression of digital technologies and AI; enhancement of manufacturing efficiency through IoT Incorporation of demand from the middle class in emerging markets through the expansion of sales networks and e-commerce; capturing of demand through the development of product models that cater to local music cultures; and incorporation of demand from new growth in the musical-instrument-playing population through music popularization activities 	<ul style="list-style-type: none"> Entrance of manufacturers from IT and other industries, potential for saturation of e-commerce brands utilizing OEMs Potential for the trend of growth in the sharing economy and secondhand market to accelerate

Key Strategies

Key Strategies	Specific Initiatives
Develop global connections and ties with customers	<ul style="list-style-type: none"> Promote the Yamaha brand and contribute to society through our businesses Promote efforts to form direct ties with customers
Realize high levels of profit by expanding our business portfolio	<ul style="list-style-type: none"> Enhance product lineup and launch products that cater to local characteristics Strengthen response capabilities to address diversifying product usage and the needs of customers in each age group
Create value through the combination of essential value enhancement and elemental technologies	<ul style="list-style-type: none"> Promote the essence of musical instruments and integrate IT and digital technologies Strive to create new value by forming broader, deeper, and longer ties with users

Business Policy under the New Medium-Term Management Plan

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

Main Points of Key Strategies

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

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

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

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

Efforts to Accomplish Our Business Vision

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

*1. PSI: Production, sales, and inventory

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

MUSICAL INSTRUMENTS BUSINESS

PIANO BUSINESS

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



Business Overview

The piano business is a business we have cultivated for over a century and can be considered a core part of the Yamaha Group's operations. In this business, we create Yamaha pianos that meld acoustic and digital technologies to cater to the emotions of all customers who wish to play piano at all skill levels. Rather than remaining satisfied with the current conditions in the piano business, we will aim to propose products with diverse value so that Yamaha pianos will be the preferred choice of customers around the world.

Targets for Fiscal 2022

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

Key Strategies

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

Points of Emphasis in Achieving Targets

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

DIGITAL MUSICAL INSTRUMENTS BUSINESS

Global market share for Yamaha's products Digital pianos: 49* Portable keyboards: 54* Revenue: ¥92.9 billion



Business Overview

In the digital musical instruments business, our product lineup spans from digital pianos and portable keyboards, for which we boast a world-leading market share, to synthesizers, stage pianos, and Electone™ electronic organs. We also possess a strong competitive edge in terms of hybrid products that meld acoustic and digital technologies. With these strengths, we offer attractive products that leverage our superior technological capabilities. In this business, we are presented with significant opportunities primarily in emerging countries, including the growing market of India. Capitalizing on these opportunities, we will create emotional musical experiences that meet the needs of our customers.

Targets for Fiscal 2022

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

Key Strategies

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

Points of Emphasis in Achieving Targets

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

GUITAR BUSINESS

Global market share for Yamaha's products Guitars: 8* Revenue: ¥27.3 billion



Business Overview

Since we commenced the manufacture and sale of domestic guitars in 1966, our guitars have been recognized for their craftsmanship and genuine quality, which has helped us expand guitar sales globally, centered on entry-level products. In recent years, we have been developing attractive new products such as the Trans-Acoustic™ Guitar, which is equipped with unique Yamaha technologies. We have also been promoting R&D and marketing activities that leverage our relationships with major music artists.

Targets for Fiscal 2022

Improve selling prices and reinforce existing business foundation with a focus on strengthening mid-range and high-end products and creating new value

Key Strategies

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

Points of Emphasis in Achieving Targets

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

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

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



Business Overview

The wind, string, and percussion instruments business spans a wide range of products, from over 15 different kinds of musical instruments such as trumpets and saxophones and string instruments such as violins, to acoustic and digital drums and timpani. With this wide range of products, the Yamaha brand is able to compete for the leading position in various musical genres. We are also involved in the creation of custom models that meet the needs of major artists and are played in educational settings around the world.

Targets for Fiscal 2022

Realize market expansion and increased sales by boosting the strengths of our products and creating environments for musical performances

Key Strategies

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

Points of Emphasis in Achieving Targets

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

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

AUDIO EQUIPMENT BUSINESS



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

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



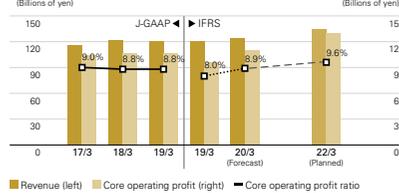
Business Overview

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

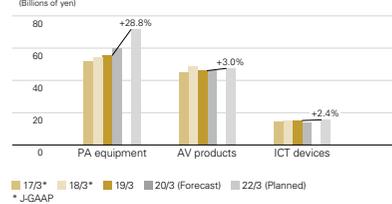
Review of NEXT STAGE 12

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

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



Sales of Major Products (Billions of yen)



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

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

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Business Strategies of the New Medium-Term Management Plan

Business Vision

Transform our business framework and realize dramatic growth to become the second pillar next to the musical instruments business

Targets for Fiscal 2022 (Based on IFRS)

Revenue: **¥135.0 billion** (12.4% growth compared with fiscal 2019)

Core operating profit: **¥13.0 billion** (35.4% growth compared with fiscal 2019)

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

Key Strategies

Product Category	Key Strategies
PA equipment	<ul style="list-style-type: none"> Become supplier of choice for upstream clients such as facility owners and consultants Strengthen product competitiveness through automation technologies Improve system performance through remote monitoring and control
AV products	<ul style="list-style-type: none"> Expand business portfolio in the personal audio domain Strengthen the appeal of the Yamaha brand among millennials Create new value in audio-visual domain
ICT devices	<ul style="list-style-type: none"> Expand product categories and services Achieve differentiation from competitors through the integration of technologies

Business Policy under the New Medium-Term Management Plan

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

Main Points of Key Strategies

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

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

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

Efforts to Accomplish Our Business Vision

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

INDUSTRIAL MACHINERY AND COMPONENTS BUSINESS



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

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



Business Overview

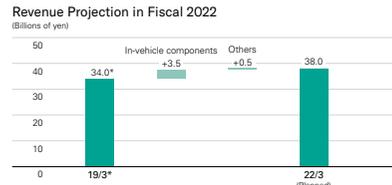
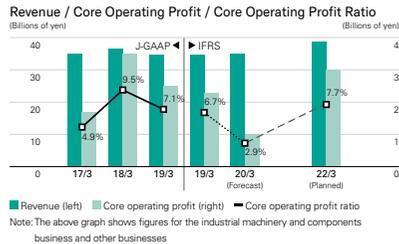
The industrial machinery and components business covers a broad range of fields, such as electronic devices, which started with the development of LSI for digital musical instruments; factory automation (FA) equipment, which originated in our musical instruments manufacturing facilities; and automobile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

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

Review of NEXT STAGE 12

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

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



Note: The above graph shows figures for the industrial machinery and components business and other businesses
* Estimated figures at the time the new medium-term management plan was announced. Actual performance in fiscal 2019: ¥34.8 billion (IFRS)

Major Products / Overview of Markets / Yamaha's Strengths

Major Products	Overview of Markets	Yamaha's Strengths
Electronic devices	Modules for in-vehicle, hands-free telephone calls, graphics LSI for amusement equipment, semiconductors for sound generation, magnetic sensors, thermoelectric devices, etc.	<ul style="list-style-type: none"> Contraction in the market for amusement equipment, revitalization of the infrastructure, mobile, and in-vehicle communication domains Product strengths that leverage our core sound technologies, design capabilities that can meet customer needs
FA equipment	Flexible printed circuit board manufacturing and detection equipment, precision machines, polishing robots, and leak detectors, etc.	<ul style="list-style-type: none"> Sluggish demand for printed circuit board testing machines used in smartphones, trend of expansion in demand for leak detectors for in-vehicle batteries, etc. Cutting-edge technologies that realize high-speed, high-precision FA equipment
Automobile interior wood components	Interior wood components for luxury cars of both Japanese and overseas automotive manufacturers that leverage the lumber processing and coating technologies used for pianos	<ul style="list-style-type: none"> Deceleration of the Chinese economy, which has driven global sales volumes of automobiles, leading to a trend of stagnating growth Lumber processing and coating technologies cultivated through the manufacture of traditional pianos

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Business Strategies of the New Medium-Term Management Plan

Business Vision

Shift our focus to providing comprehensive solutions to in-vehicle audio domain
Expand product and support foundation to accelerate growth toward becoming the third business pillar

Targets for Fiscal 2022 (Based on IFRS)

Revenue: **¥38.0 billion** (9.2% growth compared with fiscal 2019)

Core operating profit: **¥3.0 billion** (30.4% growth compared with fiscal 2019)

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

Key Strategies

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

Business Policy under the New Medium-Term Management Plan

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

Main Points of Key Strategies

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

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

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

In the FA equipment field, we will strive to maintain our leading market share for flexible printed circuit board testing machines on a Groupwide basis. By swiftly responding to customer demands for high quality, which are growing year by year, we will reinforce the trust-based relationships we have with customers as we aim for the further adoption of our FA equipment. Furthermore, we will make proposals for leak tests that use hydrogen and develop nondestructive inspection devices that leverage ultrasound technologies. Through these means, we will create new uses for our equipment and actively cultivate new markets.

Efforts to Accomplish Our Business Vision

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