## II. Management Strategy

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Message from the President</td>
<td>24</td>
</tr>
<tr>
<td>Make Waves 1.0 Medium-Term Management Plan</td>
<td>32</td>
</tr>
<tr>
<td>Positioning of the Make Waves 1.0 Medium-Term Management Plan</td>
<td>32</td>
</tr>
<tr>
<td>Approach to Formulating the Medium-Term Management Plan</td>
<td>33</td>
</tr>
<tr>
<td>Major Medium-Term Management Plan Measures for Accomplishing Our Management Vision</td>
<td>34</td>
</tr>
<tr>
<td>Four Key Strategies</td>
<td>36</td>
</tr>
<tr>
<td>Financial Strategies</td>
<td>44</td>
</tr>
</tbody>
</table>
Progress in First Year of the Medium-Term Management Plan and Preparations for the New Normal

I would like to begin by expressing our condolences for anyone who has lost loved ones to the global COVID-19 pandemic and by extending heartfelt thoughts and prayers to everyone who has been otherwise impacted by this catastrophe.

The Yamaha Group is placing the health and safety of its employees, customers, and suppliers above all else when responding to the COVID-19 pandemic. Acting in accordance with this policy, we have been following the instructions and requests of government agencies in the relevant countries, halting operations in some cases and continuing operations while utilizing teleworking in others.

Social and economic activities have resumed since the outbreak of the pandemic, but that does not mean the pandemic has come to an end. Forced to coexist with the virus for the time being, people continue to search for the proper response from a variety of angles.

Our ability to engage in music activities, learning, and other aspects of life is currently limited. At the Yamaha Group, we recognize that this adversity offers a chance to change. We will thus be accelerating our efforts to respond to the new normal while prioritizing resolution of the issues we face.

Operating Environment in Fiscal 2020

Fiscal 2020, the first year of our Make Waves 1.0 medium-term management plan, presented a challenging operating environment.

The trade friction between the United States and China caused a slowdown in the global economy. This slowdown became particularly pronounced in China and emerging countries, resulting in the depreciation of the currencies of emerging countries. The impacts of this depreciation along with the exchange rates for the euro seen throughout the fiscal year weighed heavily on our performance. In addition, the United States placed sanctions on Chinese products, temporarily disrupting the market. Japan, meanwhile, suffered from depressed consumption due to a consumption tax rate hike instituted in October 2019 and the impacts of natural disasters.

Moreover, the COVID-19 pandemic brought swift and massive disruptions to our supply chain. We were thus able to minimize the disruptions to our supply chain. We are also able to utilize the strength of our integrated factories to coordinate production line operation between factories and to flexibly utilize factory human resources in order to realize a high degree of responsiveness.

Impacts of the COVID-19 Pandemic

In fiscal 2020, the financial impact of the COVID-19 pandemic amounted to a reduction of ¥3.7 billion in revenue. The factors behind this impact are still ongoing, and it is clear that some time will need to pass before we see the conclusion of this pandemic. Fiscal 2021 will also be a challenging year. However, we see such adversity as an opportunity to accelerate the evolution of the Yamaha Group. Moreover, we recognize that the impacts of the pandemic have not been entirely negative.

We were forced to close our music schools until early June 2020. Meanwhile, as people stayed in their homes to prevent the spread of COVID-19, they had the opportunity to become reacquainted with the power of music. As a result, sales of entry-level musical instruments models have surpassed the period prior to the pandemic, with instruments that are easy to play at home, such as digital musical instruments and guitars, proving especially popular. Another factor behind this outcome was the ease of purchasing these instruments through e-commerce venues.

When one buys a piano or wind instrument, it is common for them to go to an instrument store to choose the specific instrument that they will be purchasing. With digital musical instruments and guitars, however, Yamaha’s reputation for reliable quality gives customers the peace of mind needed to purchase these instruments online. This reputation has thus contributed to the growth of our market share.

Of course, our ability to cater to this demand was a result of the digital marketing initiatives we have been advancing since before the pandemic. Although e-commerce will probably never fully replace physical stores, we see potential for uncovering latent demand by generating synergies between these two venues.

At the same time, our new lifestyles are limiting the ability of people to play in ensembles, which generally require a large number of people to assemble in a single place. Yamaha has long been engaged in the development of technologies for realizing remote ensemble performances powered by IT. We recently began distributing software for such performances for the purpose of surving verification tests, and the number...
of downloads greatly exceeded our expectations. These efforts will not only help us address the issues placed before us, they also have the potential to lead to significant business opportunities in the future.

Progress in First Year of the Make Waves 1.0 Medium-Term Management Plan

We will be forced to live in the midst of the COVID-19 pandemic for the foreseeable future. The issues that have emerged as a result of the pandemic provide us with valuable hints as to the changes to social structures that will represent the new normal after the conclusion of the pandemic. Moreover, these issues are something that we can address by following the path we have walked thus far.

Looking at the themes of Yamaha’s medium-term management plans after the 2008 global financial crisis, the theme of YMP125 (April 2010–March 2013) was “rebuild business platforms,” the theme of YMP2016 (April 2013–March 2016) was “increase profitability,” and the theme of NEXT STAGE 12 (April 2016–March 2019), the previous medium-term management plan, was “increase brand power,” a theme aimed at taking the Company to a new growth stage. Based on the results achieved under these prior plans, the Make Waves 1.0 medium-term management plan positions the three-year period leading up to fiscal 2022 as the stage in which we should develop closer ties with customers and society, and boost value creation capabilities. To this end, the plan puts forth four key strategies (see below) for responding to the changes in industry structures and consumer attitudes accompanying progress in digital technologies.

This is the course we charted prior to the outbreak of the pandemic. The basic elements of this plan will be accelerated for clarinets and other wind instruments going forward. We therefore intend to advance similar initiatives for saxophones and trumpets. We will be forced to live in the midst of the COVID-19 pandemic for the foreseeable future. The issues that have emerged as a result of the pandemic provide us with valuable hints as to the changes to social structures that will represent the new normal after the conclusion of the pandemic. Moreover, these issues are something that we can address by following the path we have walked thus far.

Performance in Business Segments

1. Musical Instruments Business—Growth in Digital Music Instrument and Guitar Sales as People Stay Home

Performance in the musical instruments business was generally strong up until the third quarter of fiscal 2020. In the fourth quarter, the performance of pianos suffered in China due to impacts of the pandemic, but was still relatively unchanged year on year. Performance of digital music instruments, meanwhile, was strong, being driven by digital pianos. We are seeing robust sales of entry-level digital pianos that can easily be purchased via online venues in fiscal 2021. If we are to further capitalize on the opportunity this trend represents, it will be crucial for us to go beyond simply supporting e-commerce to ramp up efforts to solicit our products and propose means of enjoying these products in online environments via digital marketing.

The current conditions have also led to the expansion of the range of customers purchasing guitars. Yamaha has previously faced issues regarding its share of the market for mid-range and high-end guitar models in Europe and the United States. We sought to address this issue with the launch of the A Series of guitars for younger musicians in 2011, strengthening our lineup of mid-range models. The advancement of such measures in the United States and other major markets is contributing to improvements in profitability. In Asia, meanwhile, the image of Yamaha products is strong, causing product sales prices to rise in tandem with share growth.

In regard to wind instruments, competition with European rivals in the field of custom models is intense. Accordingly, we have been increasing engagement with professional performers in relation to high-level models to improve compatibility with the expected technical requirements. The benefits of these efforts have appeared for saxophones and trumpets. We therefore intend to advance similar initiatives for clarinets and other wind instruments going forward. Performance has been more or less smooth outside of Japan.

Yamaha’s proprietary acoustics insight and online conference system, internet, and router technologies, was well received by the audience. Rather than immediately transforming this solution into a business, we feel that it is important to actively propose use of this solution to address the social issues seen at the moment.

2. Audio Equipment Business—Path to Success through Response to Demand Arising from People Staying Home

AV products for consumers struggled amid the global contraction of the market for receivers. Yamaha refrained from responding to this contraction by engaging in price competition via discounts, a practice that can damage a company’s brand value. Rather, our response has entailed shifting management resources toward new growth fields. Sound bars was one of these growth fields, and the demand arising as people stay at home due to the pandemic is benefiting operations in this field. In addition, our earphones equipped with Listening Care, a proprietary technology for reducing the burden placed on users’ ears, have won a strong reputation in Japan, where they were released ahead of other markets, and we therefore have high anticipations for the future of products equipped with this technology.

In regard to commercial PA equipment, sales of music production products have held firm, despite the faltering growth of the concert market and of installation projects as a result of the pandemic. Conversely, the pandemic has contributed to sales growth for online conference systems in the information and communications technology (ICT) domain. In May 2020, we conducted a verification test of Remote Cheerer powered by SoundUD™ remote cheering system. This system delivers the vocal support from spectators viewing sports broadcasts in their homes to stadiums. The system, which represents a new solution that utilizes proprietary technology for reducing the burden placed on users’ ears, has won a strong reputation in Japan, where they were released ahead of other markets, and we therefore have high anticipations for the future of products equipped with this technology.

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3. Industrial Machinery and Components Business—Ongoing Development of In-Vehicle Solutions Domain Foundations

The industrial machinery and components business was heavily impacted by macroeconomic conditions, placing the business as a whole in a difficult position. This is particularly true when it comes to factory automation (FA) equipment, which suffered from a major drop in capital expenditure demand as the impacts of the dissipation of the special demand trend experienced in fiscal 2019 were compounded by the trade friction between the United States and China and the COVID-19 pandemic. Automotive interior wood components operations were impacted by delays in the launch of new automobiles scheduled to employ Yamaha components.

In electronic devices, smooth progress was made in relation to in-vehicle modules in line with our plans. We have won a fair amount of praise from customers through new initiatives in the in-vehicle audio domain, and are hopeful for the future of these initiatives.

We will take some time for macroeconomic conditions to recover, but we still aim to begin generating results from these initiatives in fiscal 2022.

Initiatives Based on Four Key Strategies

1. Develop Closer Ties with Customers—Bolstering of Product Lineups and Enhancement of Remote Communication

Our efforts to develop closer, more direct ties with customers by establishing customer contact points centered on digital marketing entailed deploying a strategy aimed at lifetime value. Under this strategy, we have been developing customer data platforms, and are now ready to move on to the practical application stage. At the same time, we have been moving forward with digital marketing efforts, and have thereby been able to start directing some 140,000 customers toward the physical aspects of our business from the perspective of digitally communicating the product value.

Meanwhile, we have been shifting toward a more experience-oriented approach in our directly owned stores. This move has led to the acceleration of renovations to transform directly owned stores in Japan, in Tokyo, Osaka, and Nagoya specifically, into brand shops, and stores in emerging countries into experience-oriented shops.

We are also expanding our sales networks in China, India, and the ASEAN region, laying the groundwork for developing nearly 3,000 stores in those areas through measures matched to each market.
Bolstering product lineups is another focus of our efforts to develop closer ties with customers, or, in other words, to expand customer contact points. In digital keyboards, we revived the PSS Series of minia-
ture keyboards in Japan for the first time in 16 years. Reinventing this series in the domestic market, in addition to emerging markets, has won more praise than had been expected. As for guitars, the new STORIA™ series of stylish guitars helped us approach previously untapped demograph-
ics, earning customer support while being priced similarly to midrange models.

As for the key strategy of develop closer ties with custom-
ers, the pandemic has caused this strategy to become even more crucial as the pillar of our efforts to improve lifetime value amid rapid growth in the need for remote solutions. For example, conventional music schools can make new propos-
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ing opportunities for remote ensemble performances, music lessons, concerts, and streaming for sporting events, are incredibly meaningful for maximizing lifetime value.

2. Create New Value—Utilization of AI, Digital Transformation, and Human Resources

One of the greatest driving forces behind our efforts to enhance value by pursuing combination of authenticity and innovation was the utilization of AI. Capable of reproducing the performance of famous singers and pianists, the VOCALOID™ software and automated instruments have sparked a great deal of debate. This debate indicates that these items, which were created by Yamaha, are approaching the level in which they can rival the original performances. We will therefore be moving on to the stage of adapting such technologies to develop concrete businesses going forward. Meanwhile, manufacturing sites have already embraced AI technologies to develop concrete businesses going forward. In digital keyboards, we revived the PSS Series of minia-
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With this large number of outside directors and thanks to our initially planned for the need to hold remote meetings, our response to the pandemic has so far been smooth. In such trying times, members of the Board of Directors endeavor to voice opinions from the overarching perspective of what Yamaha can do to serve society. This perspective has led outside directors to offer pinpointed instructions on how to revise business strategies to account for the pandemic. I feel that exposing the executive team to such outside opinions helps members of this team elevate the level of their own perspective.

Importance of Human Resources and Engagement

When talking about the key strategies of the medium-term management plan, I also spoke of the importance of human resources. Healthy corporate activities require a corporate culture emphasizing open communication. Compliance with all laws, including those prohibiting harassment, under all circumstances is also a must. If even just 1% of employees fail in terms of compliance, it means that compliance at the Company was not functioning. Based on this recognition, we are reforming our corporate culture with a dedication to reshaping this culture from the ground up. Our first step will be to thoroughly entrench the basic understanding and recognition that prohibited actions are absolutely forbidden. We also aim to make the organization an emotional safe space in which employees feel comfortable quickly reaching out for help should they become the victim of misconduct. For this purpose, we are increasing our number of external compliance whistleblowing venues, strengthening dedicated compliance organizations, and enhancing harassment prevention training.

Of absolute importance to the fostering of a corporate culture emphasizing open communication is engagement. In fact, engagement is crucial in all processes. We are therefore increasing opportunities for engagement. These opportunities take various forms, and I am personally involved in a number of them. In this manner, we aim to enhance engagement from various perspectives throughout the organization.

Constructive Dialogue with Capital Markets

The current times represent a major turning point, prompting a number of discussions in the market regarding the future of companies and investors. However, no matter how the times may change, the relationship between companies and shareholders and other investors will remain the same. Corporate activities are supported by a diverse range of stakeholders, including shareholders, other investors, customers, employees, suppliers, and communities, and these activities could not continue without all of these stakeholders. Developing win-win relationships with all of these stakeholders is imperative to sustainable corporate development. It is therefore crucial to continue to engage in constructive dialogue with capital markets.

Furthermore, corporate management requires a sense of balance. Rather than placing absolute emphasis on a specific indicator, it is important to decide the themes on which a company will focus at a given time based on contemporary trends. From this perspective, Yamaha’s medium-term management plans delineate Group management policies for three-year periods that illustrate our commitments to stakeholders. It goes without saying that sustainable growth is the underlying assumption in the background of these plans.

Many of Yamaha’s shareholders maintain their shareholdings in the Company over the long term. I am incredibly grateful of this support, and I hope to help Yamaha sustain the long-term support of as many shareholders as possible. I therefore aim to promote understanding with regard to the Yamaha Group at various opportunities, including through our investor relations (IR) activities and daily business activities.

Systematic Reinforcement of Risk Management

The systematic reinforcement of risk management has been a constant focus at Yamaha. The Risk Management Committee, which I chair, takes steps to identify and categorize all risks with the potential to materialize over the course of our corporate activities. This committee also quantitatively evaluates the Company’s ability to respond to specific risks. Recognition regarding low-scoring items is shared within the committee, and remediation measures are developed and reflected in annual plans.

Positioned under the Risk Management Committee are currently five working groups based on specific themes. Of these, the Working Group for BCP and Disaster Prevention Management is playing a central role in formulating response measures to the COVID-19 pandemic, and I feel that this working group has been functioning effectively. If I were to raise an issue, it would be that we did not previously have specific guidelines for responding to pandemics; rather, our response guidelines only assumed the simple flow of disasters being followed by recovery efforts. However, pandemics differ from normal disasters, after which recovery will advance with time, as there is no telling when a pandemic will conclude or even if we are moving in a positive direction. Accordingly, effective pandemic response requires plans that assume the response effort will need to be conducted over an extended period of time. In light of this facet, we intend to develop a more effective business continuity plan (BCP) that includes pandemics under its risk factors.

Crucial Nature of Transparency and Information Sharing

Faced with the COVID-19 pandemic, one of the tasks to which I have devoted the most effort as a manager is maintaining the motivation of each and every employee. I adhere to four policies in addressing this task. The first policy is to prioritize employee health and safety above all else. Rather than wasting time with discussing the effectiveness of teleworking, we were quick to implement a policy of teleworking whenever possible, which no doubt provided peace of mind to employees.

The second is to keep everyone at the Company up-to-date on our situation. Everyone has concern for their company. We are therefore sharing information on matters such as which factories are operating and whether Group employees have become infected by COVID-19 on practically a weekly basis. Employees have expressed how these efforts fostered a sense of peace of mind while also making them feel that Yamaha was truly “their company.”

The third is to be receptive to various ideas and proposals. Yamaha has previously had an internal open application system for new business ideas and proposals that could be accessed via the Company intranet. After enhancing this system and asking employees to submit ideas and proposals for businesses after the conclusion of the pandemic, we quickly found ourselves with a substantial amount of input. As a manager, I found this proactiveness among employees incredibly reassuring.

The fourth and final policy is to clearly indicate the direction targeted by the Company. I issued a message to employees stating that, given the difficult times, we should devote our efforts to addressing social issues. Moreover, I made clear that our workstyle and other measures should not be temporary and rather that we should view this crisis as an opportunity to accelerate our own transformation. I hope that this experience has served to remind employees of exactly what type of company Yamaha is.

This undertaking reaffirmed in my mind the crucial nature of transparency and information sharing to raising employee motivation. Fiscal 2021 will also be a challenging year, but I hope to carefully nurture the seeds of future growth as we advance forward during this year. Adversity presents opportunities to transform and act ahead of the times. Looking ahead, the Yamaha Group will unite in its effort to ensure that the challenges we surmount in fiscal 2021 will benefit us in subsequent fiscal years.

I would like to ask our stakeholders, starting with our shareholders and other investors, for their continued support as we pursue these endeavors going forward.

October 2020

Takuya Nakata

Director, President and Representative Executive Officer
Yamaha is moving ahead with Make Waves 1.0, a three-year medium-term management plan that was launched in April 2019. In formulating this plan, we analyzed the rapid changes in the business environment and determined our future outlook, based on which we established a management vision for the Company over the medium to long term. We also unveiled a value creation story that will serve as our approach to realizing this vision. At the same time, we defined basic and key strategies along with corresponding management targets that comprise the three pillars of financial targets, non-financial targets, and shareholder returns. In this section, we will offer an overview of Make Waves 1.0 while also taking a look at the progress of this plan in fiscal 2020, its first year.

Positioning of the Make Waves 1.0 Medium-Term Management Plan

Looking back on our medium-term management plans to date, YMP125 was carried out in a period when our business 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 restructuring our core business 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 business. 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 were able to raise 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 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 the plan, we aim to increase our core operating profit ratio to 13.8% as a step toward reaching our long-term target of 20%, which we adapted under our management vision.

Financial Results

Looking at financial results, 2020 marked our first year after the implementation of the backcasting method, which we had developed to set management targets. The sharp increase in FY2020 is attributable to the improvement in the sales mix due to yen appreciation. The period of YMP125 was carried out in a period when our business faced tough conditions due to yen appreciation. The period of YMP125 was carried out in a period when our business faced tough conditions due to yen appreciation. The period of YMP125 was carried out in a period when our business faced tough conditions due to yen appreciation.

Operating profit ratio (%) Core operating profit (Billions of yen)

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<th>Year</th>
<th>Operating profit ratio (%)</th>
<th>Core operating profit (Billions of yen)</th>
</tr>
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<tbody>
<tr>
<td>YMP125</td>
<td>2.5%</td>
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<tr>
<td>YMP2016</td>
<td>9.3%</td>
<td>65.0</td>
</tr>
<tr>
<td>NEXT STAGE 12</td>
<td>12.8%</td>
<td>12.8%</td>
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<tr>
<td>FY2020</td>
<td>13.8%</td>
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</table>

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 were able to raise our operating income ratio to 12.8% (J-GAAP).

Take into account the achievements we have made thus far, we have positioned the three years of 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 the plan, we aim to increase our core operating profit ratio to 13.8% as a step toward reaching our long-term target of 20%, which we adapted under our management vision.

Approach to Formulating the Medium-Term Management Plan

Amid the rapid changes occurring in the operating 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 Makes Waves 1.0 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 operating environment would impact our business. 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.

Analysis of Impacts on Operating Environment

Environmental Changes That Majorly Impact Yamaha and Related Growth Factors and Strengths

As the industrial structure changes rapidly due to the acceleration of digitalization, we are now able to form closer ties with our customers. Additionally, with remarkably enhanced levels of convenience realized through AI and the IoT, we find ourselves entering an era where there will be a greater demand for emotional satisfaction and authenticity. We are also seeing an even greater social awareness of sustainability. These operating environment changes are indicative of wide-ranging growth areas in which Yamaha is primed to capitalize on the technologies and foundations it has developed thus far.

Transformations caused by accelerated digital technologies

• Long-cultivated, cutting-edge digital technologies
• Utilization of network technologies
• Progression of direct digital marketing

Greater diversity in lifestyles and senses of value

• Scientific insight on sensibilities
• Provision of emotional satisfaction through the unique strength of combining technologies and sensibilities
• Progression of direct digital marketing

Heightened awareness of sustainability

• Utilization of advanced materials technologies
• Initiatives toward sustainable timber procurement
• Initiatives to help resolve social issues through sound and music

Directives of the Medium-Term Management Plan

In the era in which there is greater demand for emotional satisfaction and authenticity, the need for emotional value will unquestionably surpass 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. In these fields, these changes in needs will no 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.
We established a new value creation story that serves as our approach to realizing the management vision (medium- to long-term vision) that we will develop closer ties with customers and society, and boost value creation capabilities.

In a world undergoing major changes at a rapid pace, we will leverage our unique strengths to increase our core operating profit ratio to 14% level over the three years of the plan, with the overall goal of becoming the highly profitable enterprise described in our management vision.

Focus 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 our core operating profit ratio to the 14% level over the three years of Make Waves 1.0. 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.

### Progress in Fiscal 2020

In Fiscal 2020, strong performance was seen centered on the musical instruments business up until the third quarter. Performance in the fourth quarter, however, was impacted by the spread of COVID-19. As a result, full-year financial performance fell below our targets.

Non-financial performance, however, represented strong performance toward targets. Moreover, steady progress was made with regard to the four key strategies of Make Waves 1.0—develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses—in the plan’s first year (see pages 36–43). The environmental changes and impacts on the Company that were projected when formulating our operating environment outlook are accelerating, creating a need to expedite the implementation of key strategies to keep pace.

### Four Key Strategies Progress Summary

(See pages 36–43 for details)

- **1. Develop closer ties with customers:**
  - Progress in line with plans with regard to efforts to reinforce customer contact points, achieve growth in emerging markets, and expand business domains

- **2. Create new value:**
  - Launch of diverse products combining technology and sensibilities, various technological successes achieved in the AI field

- **3. Enhance productivity:**
  - Cost reductions of ¥2.0 billion achieved, discussions regarding digital transformation, progress in automation and IoT initiatives

- **4. Contribute to society through our businesses:**
  - Cultural, social, and environmental initiatives progressing as planned, contributions to resolution of social issues

### Major Medium-Term Management Plan Measures for Accomplishing Our Management Vision

Yamaha is enacting its value creation story to improve its core operating profit ratio and accomplish its long-term management vision.

**Make Waves 1.0**

- Develop closer ties with customers and society, and boost value creation capabilities
- Core operating profit ratio: 13.8% (IFRS)

**Yamaha Group Annual Report 2020**

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**Management Vision and Value Creation Story**

We established a new value creation story that serves as our approach to realizing the management vision (medium- to long-term vision) 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
  - Core operating profit ratio: 20%

- **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**

- **Medium-Term Management Plan**
  - Boost profitability while also building stronger business platforms for growth

- **Core operating profit ratio**: 13.8%
- **ROE**: 11.5%
- **EPS**: ¥270
- **Corporate brand value***: +30%
- **Musical instruments market**: 1 million people
- **Certified timber use**: 50% of total use

---

**Financial Targets (See pages 18 and 44–47 for details)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Core operating profit ratio</th>
<th>ROE</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2020 results</td>
<td>10.7% (+0.9 pt)</td>
<td>10.1% (+0.3 pt)</td>
<td>¥195 (+475)</td>
</tr>
<tr>
<td>Fiscal 2022 targets</td>
<td>15.8%</td>
<td>15.5%</td>
<td>¥270</td>
</tr>
</tbody>
</table>

*Note: Figures in parentheses represent year-on-year changes.

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**Non-Financial Targets (See pages 19–21 for details)**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Corporate brand value</th>
<th>Market share of pianos in emerging countries</th>
<th>Certified timber use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2020 results</td>
<td>+15%</td>
<td>+300,000</td>
<td>20%</td>
</tr>
<tr>
<td>Fiscal 2022 targets</td>
<td>+20%</td>
<td>1,000,000</td>
<td>50%</td>
</tr>
</tbody>
</table>

---

**Non-Financial Targets**

- Corporate brand value
- Market share of pianos in emerging countries
- Certified timber use

---

**Key Performance Indicators**

- **Four Key Strategies**
  - Development of new products and services
  - Enhancement of product quality
  - Strengthening corporate brand
  - Increasing sales and ROE

---

**Key Performance Measures**

- **Customer satisfaction**
- **Product quality**
- **Corporate brand strength**
- **Sales growth**

---

**Evaluation of**

- **Growth capacity**
- **ESG initiatives**, etc.

---

**Mathematical Calculation**

**Corporate value**: ¥1 trillion

Achieve growth in emerging markets

Broader, Deeper, and Longer

Social value creation

Expand business domains

Communicating Brand Appeal through Brand Promise

To Make Waves with our customers, we will offer original products and services that exceed their expectations. We will also leverage our brand promise to engage in communication with customers around the world as we work to become a brand that customers admire and cherish. In these ways, we will aim to develop deeper and longer ties with our customers.

Fiscal 2020 Initiatives

- Establishment of Company-wide branding system, utilization of awareness-raising tools, and training
- Preparation and distribution of global content for effectively soliciting brand promise
- Development of frameworks for and gradual spread of implementation of branding activity plan-do-check-act (PDCA) cycle

Developing Direct Ties with Customers with a Focus on Digital Marketing

Yamaha is complementing its conventional in-store communication activities with digital marketing initiatives aimed at directly soliciting its value in order to effectively communicate the appeal of its products and services to as many customers as possible to create better experiences for customers.

Fiscal 2020 Initiatives

- Practical training at 19 sales subsidiaries worldwide to improve digital marketing skills
- Efforts to direct customer traffic to Company websites and stores via social media advertisements, events, campaigns, and other online initiatives

Contributing to Lifetime Value Enhancement

Yamaha aspires to understand customers and make optimal proposals matched to their approach toward performances in order to help enrich their lives as musicians.

Fiscal 2020 Initiatives

- Steady development of customer data platform that analyzes customer information and behavior patterns
- Customer support service through easy product registration applications (certain regions)
- Provision of solutions such as applications that support musical performances

Realizing Growth in India, ASEAN, and Other Markets

Aiming for 60% Growth over the Next Three Years in the Indian Market by Engaging with Middle-Income Earmers through the Expansion of Sales Networks and Introduction of Local Models

Expanding Sales Networks and Launching E-Commerce Sales (India)

The market in India is expected to continue to grow in the future. In this market, we will expand our sales networks primarily in cities with over one million people. Additionally, we will leverage e-commerce and individual delivery to cover areas where we do not have physical stores.

Unifying Manufacturing and Sales Systems and Offering Products Suited to Local Music Culture (India)

Our newly constructed Chennai Plant began shipping products in April 2019 and has been gradually increasing its production capacity since. Going forward, by realizing integrated manufacturing and sales operations,
Commercial Audio Equipment: Realize 30% growth over three years
We will pursue a full-scale expansion in commercial audio equipment domains, including not only live performances and music events but also in churches, concert halls, retail spaces, and corporate conference rooms.

- **Product and Services**
  - Enhance added value by pursuing combination of authenticity and innovation

- **Pursuing Authenticity**
  - Tweakless enhancement of expressive power. In the musical instrument 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.

Products and Services

- **AV Products: Transform our business portfolio**
  - Yamaha's existing strengths
    - Hi-Fi, AV receivers
    - Sound bars
    - Wireless speakers
    - Headphones
  - New domains in order to create new value. In addition, we will use IoT to meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to meld various technologies in a manner that goes beyond business domains in order to create new value.

Evaluating sensibilities 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 sensibility, culture, and overall business and marketing research and experiments at our headquarters, thereby bringing together all of our engineers. Leveraging the Innovation Center, we will meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to not only provide customer support but also accelerate the development of new products that cannot be imitated by competitors.

**Pursuing Innovation**
- **Efforts to spur innovation**
  - June 2018: Established the Innovation Center R&D building with equipment that handles leading-edge research and experiments, thereby bringing together all of our engineers. Leveraging the Innovation Center, we will meld various technologies in a manner that goes beyond business domains in order to create new value. In addition, we will use IoT to not only provide customer support but also accelerate the development of new products that cannot be imitated by competitors.

**MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN**

- **Key strategy 2: Create New Value**
  - Create New Value by Combining Technologies and Sensibilities
  - Using the scientific study of human sensibility and tacit 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.

**MAKE WAVES 1.0 MEDIUM-TERM MANAGEMENT PLAN**

- **Fiscal 2020 Initiatives**
  - Higher sales following increases in equipment installation projects in Japan and product sales in emerging countries

**AV Products: Transform our business portfolio**
- Launch of headphones and earphones designed to protect user hearing and progress in transforming business portfolio of sound bars and other equipment operations

**AV Products: Transform our business portfolio**
- 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.

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Enhance Productivity

Boosting Profitability by Improving Productivity

We will work to optimize pricing by enhancing added value and strengthening efforts to showcase our product value. At the same time, we will strive to continue reducing 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 production costs by reorganizing production processes on a global scale, including transforming production processes conventionally performed in Japan to our overseas plants. For those efforts, we aim to achieve cost reductions totaling ¥5.5 billion over the three-year period of Make Waves 1.0.

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.

Analysis of Projected Cost Reductions over the Period of Make Waves 1.0 (Fiscal 2020-2022) (Billions of yen)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Fiscal 2019</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor cost (business process)</td>
<td>¥10.3 billion</td>
<td>¥5.5 billion</td>
<td>¥3.4 billion</td>
</tr>
<tr>
<td>Procurement cost reduction (1.4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing cost reduction (0.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability improvements (1.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses (0.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs in Fiscal 2022</td>
<td>¥33.9 million</td>
<td>¥28.4 million</td>
<td>¥21.6 million</td>
</tr>
<tr>
<td>Costs in Fiscal 2023</td>
<td>¥28.4 million</td>
<td>¥21.6 million</td>
<td></td>
</tr>
</tbody>
</table>

Digital Twin Production Management

In the first year of Make Waves 1.0, cost reductions amounted to ¥3.4 billion on a gross basis and ¥2.0 billion on a net basis adjusting for the increase in overseas labor costs. In addition, progress was made in transferring production processes, consistently procuring parts and materials through bulk purchasing, and equipment automation trials for improving productivity. We also advanced discussions on standardizing production management procedures for our diverse line of products through digital transformation along with digital twin production management initiatives implemented through an IoT-powered trial of a production data collection system.

< Fiscal 2020 Initiatives

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Contribute to Society through Our Businesses

Contribute to the Sustainable Development of Music Culture and Society

We will contribute to the global music scene through a diverse range of musical instruments. We will work to spread musical instrument education in emerging countries. In this manner, we will not only provide the contribution of sustainable 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.

Contribution to the Sustainability of Music Culture

By offering a diverse lineup of musical instruments, we will contribute to the global music scene. In addition, through such initiatives as globally expanding Yamaha Music Schools and promoting activities to spread musical instrument education at schools in emerging countries (see page 17), we will extensively convey the joy of music across the globe.

Launch approximately 800 models (over 3 years)

Spread the joy of music through music school business

30% growth in students at overseas music schools (over 3 years)

Promote musical instrument education in school music lessons in emerging markets

3,000 schools in 7 countries, cumulative total of 1 million students

Support education in schools for children of migrant workers in China by donating musical instruments

Support 18 schools (over 3 years)

Society

Resolve social issues through products and services

Enhance diversity and fulfillment of the people we work with

Resolving Social Issues through Our Products and Services

We will support the healthy development of youth through music popularization activities in Latin America. 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. 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 30%), which is produced from sustainably managed 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.

Activities to conserve scarce timber resources in Tanzania

Developing Environmentally Friendly Products

We will create environmentally friendly products through the Yamaha Eco-Products Program1*2 (deployment of 130 models over three years) and promote the development of sustainable resources that can be used in place of scarce timber.

Reducing GHG Emissions

We will work to meet our Science Based Target1*2 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.

For more information on progress with regard to these and other themes, please refer to “Sustainability Priorities and Progress” on pages 20–21.
Yamaha will seize the opportunity to accelerate its evolution presented by the current adversity in its ongoing quest to improve corporate value.

Review of the First Year of Make Waves 1.0

In fiscal 2020, the first year of the Make Waves 1.0 medium-term management plan, Yamaha posted year-on-year declines in revenue and profit, despite the strong performance seen centered on musical instruments leading up to the third quarter, as a result of impacts of the spread of COVID-19 in the fourth quarter.

Revenue was down ¥20.1 billion, or 4.6%, year on year, to ¥445.2 billion. Factors behind this decline included reductions of ¥13.7 billion as a result of COVID-19 and ¥11.1 billion from foreign exchange influences as well as the impacts of stagnancy in the industrial machinery and components business.

Core operating profit decreased ¥6.4 billion, or 12.1%, to ¥46.4 billion, following the impact of COVID-19 and a reduction of ¥6.5 billion attributable to the foreign exchange influences as well as to the deterioration in performance of the industrial machinery and components business. Similarly, profit attributable to owners of parent declined ¥6.7 billion, or 14.2%, to ¥34.6 billion. Factors behind this decline included the decrease in core operating profit as well as a ¥1.4 billion loss from suspension of operations attributable to closures of directly operated stores and music schools stemming from the spread of COVID-19 and halts to factory operations and a ¥3.3 billion impairment loss on fixed assets. Both of these losses were recorded under other expenses. *

As a result, the core operating profit ratio was 11.2%, ROE was 10.1%, and EPS was ¥195. The figures for all of these key performance indicators (KPIs), for which financial targets were set in the medium-term management plan, were down year on year.

Forecast for the Second Year of Make Wave 1.0

When announcing first-quarter financial results for fiscal 2021, the Company presented the forecast for revenue of ¥355.0 billion in fiscal 2021, a decrease of ¥16.2 billion, or 14.3%, year on year. Demand remains solid for products that can be sold online and that are supported by the demand created by people staying at home to prevent the spread of COVID-19, such as digital pianos, guitars, and AV products. However, we are facing issues in securing supply to meet this demand due to decreased factory operation as a result of the pandemic. Conversely, market conditions are tough for acoustic pianos and wind instruments, which are primarily sold in stores, and professional audio equipment, which are being impacted as concerts and other live music events are curtailed.

Core operating profit is forecast to decline ¥2.4 billion, or 46.1%, year on year, to ¥25.0 billion, and profit attributable to owners of parent is projected to decrease ¥18.6 billion, or 53.8%, to ¥16.0 billion. While we will strive to reduce fixed costs, we will not be able to avert the massive drop in revenue projected to occur due to the aforementioned factors and to be concentrated largely in the first half of the fiscal year.

Given this outlook, we will take steps to minimize the impact on free cash flows including cutting fixed costs, reducing inventories and accounts receivable, and revising investment plans. At the same time, Yamaha will continue to invest in growth under the new normal while also drastically revising expenses previously thought to be matter of course in order to better focus our expenses. The operating environment may be challenging, but we see this adversity as a prime opportunity to improve our corporate constitution.

Balance between Financial Health and Capital Efficiency

Performance is expected to continue to suffer due to the COVID-19 pandemic. Regardless, we chose not to deviate from our initial dividend forecast for fiscal 2020, issuing dividend payments of ¥66 per share, making for a year-on-year increase of ¥5 per share and a dividend payout ratio of 33.9%, a move that won much praise from shareholders and investors. We will adhere to our policy of issuing steady and continuous dividends in fiscal 2021 as well, despite the massive projected decreases in revenue and profit, by once again issuing dividend payments of ¥66 per share for a forecast dividend payout ratio of 72.5%.

On June 30, 2020, cash and deposits totaled ¥30.0 billion and the equity ratio*2 climbed above 70%. This level of cash reserves and financial health is no doubt a source of peace of mind with regard to Yamaha’s ability to respond to emergency conditions.

For our capital measures, we have put forth the target of achieving a total return ratio of 50% on an aggregate basis over the period of the medium-term management plan. In addition to issuing dividend payments of ¥66 per share in fiscal 2020, we also conducted share buybacks totaling ¥414.2 billion. Factors behind this decline included reductions of ¥20.1 billion, or 4.6%, year on year, to ¥25.0 billion, and profit attributable to owners of parent is projected to decrease ¥18.6 billion, or 53.8%, to ¥16.0 billion. While we will strive to reduce fixed costs, we will not be able to avert the massive drop in revenue projected to occur due to the aforementioned factors and to be concentrated largely in the first half of the fiscal year.

Based on a policy of issuing steady and continuous dividends, flexibly carry out shareholder returns in an appropriate manner with the aim of improving capital efficiency.

Financial Strategy

Cash flow creation

- Improve cash flow generation capabilities through efforts to enhance asset efficiency via structural reforms and to heighten profitability by increasing competitiveness and reducing costs

Growth investments

- Actively implement strategic investments for future growth in addition to regular capital expenditures

Shareholder returns

- Based on a policy of issuing steady and continuous dividends, flexibly carry out shareholder returns in an appropriate manner with the aim of improving capital efficiency

*1 Including the recording of deferred tax assets

*2 Including gain-on-sales of a portion of shares in Yamaha Motor Co., Ltd.
Shareholders. Prior to the delayed announcement of the impediments to holding the General Meeting of the announcement of our financial results for fiscal 2020, We responded by shifting to teleworking, but we had to delay March 2020, lockdowns were instituted in various countries. we were preparing the financial statements for fiscal 2020 We were able to successfully transition to IFRS, but the enhancement management of financial information disclosed to the global capital market and Standards (IFRS) in order to raise the transparency of financial information.

Going forward, we will continue to issue shareholder returns in line with the policies of the medium-term management plan. We am confident that balanced capital measures entail proactive shareholder returns emphasizing capital efficiency together with a focus on health and wellness will contribute to improved shareholder value over the medium to long term.

Enhancement of Internal Controls for Financial Reporting

In fiscal 2020, the Company began preparing its financial statements based on International Financial Reporting Standards (IFRS) in order to raise the transparency of financial information disclosed to the global capital market and enhance management of financial information. We were able to successfully transition to IFRS, but the impacts of the spread of COVID-19 during the period when we were preparing the financial statements for fiscal 2020 made the work of our accounting team quite taxing. In mid-March 2020, lockdowns were instituted in various countries. We responded by shifting to teleworking, but we had to delay the announcement of our financial results for fiscal 2020, originally scheduled for May 7, by about three weeks. Although this situation caused great inconvenience to shareholders and other investors, we were still able to announce our financial results on May 26, a timing that prevented any impediments to holding the General Meeting of Shareholders. Prior to the delayed announcement of the financial results, we endeavored to supply shareholders and investors with all information possible. The financial results announcement was thus preceded by disclosure on the operating status of Group companies in April 2020 and of business- and region-specific revenue forecasts in early May. This diligent disclosure earned praise from the Tokyo Stock Exchange, among others. At the same time, this experience brought to light other issues. For example, processes were impeded, at least a little, by the dependence on paper and ink stamps in Japan. Accordingly, Yamaha is accelerating its shift toward paperless operations and electronic approval out of consideration for the projected second and third waves of COVID-19 infections.

Improvement of Profitability and Optimization of Inventories

Although we will have to weather the temporary impacts of the pandemic, there will be no change to the basic direction of the strategies put forth in the medium-term management plan. Accomplishing the financial targets for the three defined KPIs (core operating profit ratio, ROE, and EPS) will hinge on the improvement of the core operating profit ratio. The following four initiatives will be advanced side by side with the aim of achieving these goals going forward. The first initiative will be to achieve top-line growth. The high-marginal profit ratio of Yamaha products means that growth in sales will drive improvements in the core operating profit ratio. The expansion of sales centered on emerging countries will thus be key to achieving such improvements. The pursuit of such sales growth has therefore been posited as a key strategy, despite the unfavorable macroeconomic conditions and currency depreciation trends projected.

The second initiative will be to deliver greater levels of value through the launch of unique and differentiated products. Yamaha has proceeded to build the reputation of its musical instrument business through the ongoing release of high-value-added products. Similarly, we are launching unique and differentiated high-value-added products in our audio equipment business, such as wireless earphones equipped with our proprietary Listening Care technology. Going forward, we will continue to enhance our audio equipment business product portfolio.

The third initiative will be the ongoing reduction of costs. We are targeting a net cost reduction of ¥9.5 billion over the three-year period of the medium-term management plan. Cost reductions amounted to ¥2.0 billion in the first year of the plan. In the second year, we will be forced to prioritize efforts for improving the operating ratios of factories in response to the pandemic, which will slow reductions in costs. However, this does not change the fact that reducing costs will be a key strategy going forward. The fourth and final initiative will be to leverage our dominating market presence to optimize product selling prices. Steady progress was made with this regard during the first year of the plan, contributing to improvements in the core operating profit ratio.

Meanwhile, a financial task that will be important over the medium to long term will be maintaining inventories at the optimal level. We have been ramping up monitoring based on indicators such as the cash conversion cycle, but these efforts have been ineffective in curbing increases in inventories stemming from the physiological fear of missing out on sales opportunities. Accordingly, we will be approaching the optimization of inventories from the perspectives of digital transformation and front-end awareness improvement going forward.

Further Improvement of Corporate Value

The current medium-term management plan, launched in April 2019, illustrates a narrative for improving corporate value centered on the concept of integrated thinking. Corporate value is a reflection of the evaluation of various factors, including financial performance, future growth potential, brand power, and initiatives for contributing to the accomplishment of the United Nations SDGs. Based on this recognition, the medium-term management plan includes three non-financial targets that stand alongside its financial targets. Performance with regard to these non-financial targets in the first year of the plan met or exceeded our expectations. Corporate brand value*7 was up 15% year on year, compared with the three-year target of achieving a 30% improvement. Efforts to promote music popularization for learning musical instruments in emerging markets saw us offering support to an aggregate total of 390,000 children, making progress toward the target of one million. In addition, we are expecting a ratio of certified timber use of 46% on March 31, 2021, close to the target of 50%.

In addition to pursuing these three non-financial targets, we also carried out environmental, social, and governance (ESG) initiatives. In environmental initiatives, we implemented the Yamaha Eco-Products Program*4 and moved forward with other efforts for reducing CO₂ emissions. As for governance, having transitioned to a Company with Three Committees (Nominating, Audit, and Compensation committee) in 2017 to enhance the Board of Directors’ oversight function and expedite execution, we sought to further increase the functionality of this structure. Specifically, we established the new position of audit officer in fiscal 2020 to augment audit functions.

For risk management, Yamaha classifies risks into 32 risk categories (line business strategy risks to consider taking and 23 fundamental risks to be avoided) and 121 sub-categories. Risks maps are then prepared based on the frequency of materialization and scope of damages upon materialization, and the Company’s response capabilities are assessed and quantified. The risk maps are designed as an important item to be reported to the Board of Directors, and the accuracy of risk maps is improved based on the feedback received from the Board. In addition, shared Group rules are in place for individual countries, and a PDCA cycle based on uniform standards is implemented on an ongoing basis.

Adversity as an Opportunity for Evolution

Yamaha will have to take various measures to respond to extreme circumstances in fiscal 2021. However, we have chosen not to view this year merely as a time for responding to negative conditions, rather viewing the adversity as presenting an opportunity for implementing various reforms. This year will be a prime opportunity to enact or accelerate reforms that may have been neglected previously. For example, we look to ramp up digital transformation strategies in a wide range of fields and expand teleworking and other workstyle reforms. Capitalizing on adversity as an opportunity to further its evolution, Yamaha will march forward on its ongoing quest for improved corporate value.