III. Strategies by Business and Function

Strategies by Business
Musical Instruments Business ........................................... 60
Audio Equipment Business .................................................. 64
Industrial Machinery and Components Business ......................... 66

Strategies by Function
Research and Development .................................................. 68
Production ........................................................................... 72
Sales ................................................................................... 74
STRATEGIES BY BUSINESS

MUSICAL INSTRUMENTS BUSINESS

With development capabilities pertaining to both the tangible and intangible elements of products backed by extensive expertise, Yamaha is working to build lifelong relationships with customers and earn their highest evaluation. At the same time, we are strengthening our brand power to achieve overwhelmingly high levels of profit.

Takuyuki Nakata
Executive General Manager of Musical Instruments Business Unit

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 a 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, Kaneo, and simulation technologies to take on challenges in the digital network environment and other new domains. Through our diverse product lines 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 Fiscal 2021

In the musical instruments business, revenue and profit were down year on year as a result of the activity restrictions imposed in response to the COVID-19 pandemic as well as the procurement issues that arose from a fire at a factory of a parts supplier. We responded to these issues through measures including the swift development of designs using alternative parts and the review of expenses related to our business activities. Measures implemented in fiscal 2021 included strengthening our connections with customers and with society under the new normal by promoting digital marketing, e-commerce, and commerce initiatives. Meanwhile, we launched a number of distinctive products, including the CLP-700 series of digital pianos that offer a high level of expressiveness to match the sensitivity of the player and the YDS-150 digital saxophone that couples the expressiveness of a standard saxophone with noise-reduction features.

Another new product introduced was Charlie™, the world's first communication robot to converse using music.

Sales of Major Products

- Pianos: Redefined the digital electronic platform of high-end pianos through the development of designs for Yamaha's new tones, such as the motif of the P-45b, a Compact, and the CP88.
- Digital musical instruments: Further expanded the range of digital products that are fit for playing in any environment, such as the Tyros5 and the PSRI.
- Wind and percussion instruments: The Wind Ensemble instrument business sector continued to expand the product lineup and the number of models, with the launch of the YWA-300 series digital wind instruments and the DTX500 line of electronic drums.

In response to the temporary slowdown in sales and profit growth caused by the COVID-19 pandemic, we will take steps to rebuild growth foundations by ramping up product development and new value creation activities; strengthening management of production, sales, and marketing; and optimizing selling prices. Amid the new normal created by the pandemic, the need for ways to learn and enjoy musical instruments at home is rising. We will therefore seek to respond to this need through both products and services. Moreover, we will adapt to changes in production and distribution trends by heightening the precision of production, sales, and inventory management; take advantage of sales opportunities. Meanwhile, selling prices will be optimized based on the trends seen in specific markets to boost profits. Wind, string, and percussion instrument sales operations are facing a challenging environment due to factors such as the restrictions placed on group performances. These challenges will be met by an increased drive to recover sales through online sales promotions.

Business Strategies of Make Waves 1.0 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

Key Strategies

- Developing global connections and ties with customers
- Promote the Yamaha brand and contribute to sustainability in our businesses
- 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
- Promote the essence of musical instruments and technology to enhance social value and potential for satisfaction of cross-border trades utilizing DEAs
- Potential for the trend of growth in the sharing-economy and secondhand market to accelerate

Opportunities

- Potential for the trend of growth in the sharing-economy and secondhand market to accelerate
- Enhancement of sales and marketing capabilities through the expansion of sales networks and e-commerce
- Utilization of digital technologies for product diversification
- Strengthening response capabilities to address diversifying product usage and the needs of customers in each age group
- Promotion of the Yamaha brand and contribution to sustainability in our businesses
- Promotion of the essence of musical instruments and technology to enhance social value and potential for satisfaction of cross-border trades utilizing DEAs
- Potential for the trend of growth in the sharing-economy and secondhand market to accelerate

Impact of the COVID-19 pandemic

- Enhanced sales and marketing capabilities through the expansion of sales networks and e-commerce
- Strengthening response capabilities to address diversifying product usage and the needs of customers in each age group
- Promotion of the Yamaha brand and contribution to sustainability in our businesses
- Promotion of the essence of musical instruments and technology to enhance social value and potential for satisfaction of cross-border trades utilizing DEAs
- Potential for the trend of growth in the sharing-economy and secondhand market to accelerate

Priority Themes for Fiscal 2022

1. Implement key strategies of the medium-term management plan and rebuild foundations for sales and profit growth
2. Enhance and accelerate sustainability initiatives
3. Improve resilience

Business Policies for Fiscal 2022

In the challenging operating environment projected, we will pursue improved brand power and high earnings with a focus on rebuilding foundations for sales and profit growth, enhancing and accelerating sustainability initiatives, and improving resilience through initiatives built on top of the foundations furnished by the key strategies of the medium-term management plan.

Implementation of Key Strategies of the Medium-Term Management Plan and Rebuilding of Foundations for Sales and Profit Growth

In response to the temporary slowdown in sales and profit growth caused by the COVID-19 pandemic, we will take steps to rebuild growth foundations by ramping up product development and new value creation activities, strengthening management of production, sales, and marketing, and optimizing selling prices. Amid the new normal created by the pandemic, the need for ways to learn and enjoy musical instruments at home is rising. We will therefore seek to respond to this need through both products and services. Moreover, we will adapt to changes in production and distribution trends by heightening the precision of production, sales, and inventory management; take advantage of sales opportunities. Meanwhile, selling prices will be optimized based on the trends seen in specific markets to boost profits. Wind, string, and percussion instrument sales operations are facing a challenging environment due to factors such as the restrictions placed on group performances. These challenges will be met by an increased drive to recover sales through online sales promotions.

Enhancement and Acceleration of Sustainability Initiatives

Efforts to ensure the sustainability of our corporate activities will include working to ensure that the maximum value is extracted from finite resources, incorporating an eco-friendly perspective into design and production activities, and reinforcing frameworks for after-sales recycling, reuse, and other functions. At the same time, we are engaged in a variety of social contribution activities as part of our business. These activities include the School Project underway in emerging countries, musical instrument donations and other education support efforts, and scholarships for individuals capable of furthering the development of music culture in Japan and overseas.

Improvement of Resilience

The production activity restrictions and parts procurement market disruptions caused by the COVID-19 pandemic forced us to reacknowledge the importance of corporate resilience. Seeking to improve corporate resilience, we are providing products matched to customer lifestyles, strategically enhancing after-sales services and other aspects of quality assurance, reinforcing development frameworks for supporting robust SCM, and taking other steps to ensure we can continue supplying high-quality products and services.

Overview of Markets by Mainstay Products and Yamaha’s Operations / Yamaha’s Strengths / Main Competitors

- Pianos
  - Continued growth in the piano market in China
  - Accepting focus on higher-value in mature markets
  - Robust series that can accommodate customers of different development levels
- Digital musical instruments
  - Growth for portable digital sales services due to market concentration on hybrid instruments, designed specifically for the Indian market
  - Robust market for stage keyboards as a result of reduced demand for traditional acoustic keyboards, but some occurrences of high-end products are expected to continue
- Wind and percussion instruments
  - Continued global dominance of Yamaha's digital wind instruments, due to the expansion of sales services in China, as well as the launch of new models designed specifically for local markets
  - Global players of digital string instruments: Yamaha is one of the leading companies in digital string instruments, with the sale of electric violins and other digital string instruments growing steadily
  - Global players of digital and percussion instruments: Yamaha is a leading company in the digital and percussion instrument market, with the sale of electronic drums and other digital percussion instruments growing steadily
- Guitars
  - Reduced demand for conventional products due to the COVID-19 pandemic, but a rise in demand for product diversification
  - Continued diversification to develop business opportunities in the high-end and low-end markets
  - Continued diversification in marketing operations in digital and other areas for a one-stop comprehensive musical instrument
  - Expertise in automotive and musical instruments cross-fertilization
  - Focus on integrating IT and digital technologies

Key Features of the MUSICAL INSTRUMENTS BUSINESS

- Development of digitalized instruments, with the launch of digital pianos, digital wind instruments, and digital percussion instruments
- Utilization of digital technologies and product diversification
- Expansion of sales networks and e-commerce
- Improved brand power and high earnings with a focus on rebuilding foundations

Core operating profit (right)

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>20/3</th>
<th>21/3</th>
<th>22/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>120</td>
<td>130</td>
<td>140</td>
</tr>
<tr>
<td>Operating profit</td>
<td>30</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Operating profit ratio</td>
<td>25.0%</td>
<td>26.9%</td>
<td>28.6%</td>
</tr>
</tbody>
</table>

Sales of Major Products

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>2020</th>
<th>21/3</th>
<th>22/3 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pianos</td>
<td>80</td>
<td>85</td>
<td>90</td>
</tr>
<tr>
<td>Digital musical instruments</td>
<td>65</td>
<td>70</td>
<td>75</td>
</tr>
<tr>
<td>Wind and percussion instruments</td>
<td>40</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Guitars</td>
<td>20</td>
<td>22</td>
<td>25</td>
</tr>
</tbody>
</table>

Business Policies for Fiscal 2022

1. Implement key strategies of the medium-term management plan and rebuild foundations for sales and profit growth
2. Enhance and accelerate sustainability initiatives
3. Improve resilience

Implementation of Key Strategies of the Medium-Term Management Plan and Rebuilding of Foundations for Sales and Profit Growth

In response to the temporary slowdown in sales and profit growth caused by the COVID-19 pandemic, we will take steps to rebuild growth foundations by ramping up product development and new value creation activities, strengthening management of production, sales, and inventories, and optimizing selling prices. Amid the new normal created by the pandemic, the need for ways to learn and enjoy musical instruments at home is rising. We will therefore seek to respond to this need through both products and services. Moreover, we will adapt to changes in production and distribution trends by heightening the precision of production, sales, and inventory management; take advantage of sales opportunities. Meanwhile, selling prices will be optimized based on the trends seen in specific markets to boost profits. Wind, string, and percussion instrument sales operations are facing a challenging environment due to factors such as the restrictions placed on group performances. These challenges will be met by an increased drive to recover sales through online sales promotions.
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 pianos that meld acoustic and digital technologies to cater to the emotions of all customers with a high level of skill. Rather than remaining satisfied with the current conditions in the piano business, we 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 add-value promotion in maturing markets

- Strengthen brand power through the highest strategic
  - Develop digital pianos leveraging technologies from digital pianos and select products and solicit their value
  - Develop digital pianos leveraging technologies from digital pianos and select products and solicit their value
  - Provide solutions and content based on local needs and provide appealing peripheral products and software.
  - Expand customer base by developing new products targeting young people who want to express themselves through music.
  - Ensure reliable supplies

Points of Emphasis in Achieving Targets

The second year of the medium-term management plan, the COVID-19 pandemic caused store closures in countries around the world and supply difficulties. However, sales recovered to the pre-COVID-19 level in China, and we succeeded in capitalizing on the demand from individuals newly picking up the piano amid the COVID-19 pandemic, thereby achieving higher sales in all product categories, accented by double-digit growth in China and Japan. We moved ahead with the deployment of new products and the planning and development of next-generation guitars. Focused with this regard will include the enhancement of information provision through both physical and digital venues; planning and development of next-generation guitars.

PIANO BUSINESS

Global market share for Yamaha’s products

<table>
<thead>
<tr>
<th>Piano: 39.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Fiscal 2021): ¥53.9 billion</td>
</tr>
</tbody>
</table>

DIGITAL MUSICAL INSTRUMENTS BUSINESS

Global market share for Yamaha’s products

<table>
<thead>
<tr>
<th>Digital pianos: 47.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portable keyboards: 52.0%</td>
</tr>
<tr>
<td>Revenue (Fiscal 2021): ¥64.7 billion</td>
</tr>
</tbody>
</table>

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

Global market share for Yamaha’s products

<table>
<thead>
<tr>
<th>Wind instruments: 37.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drums: 11.0%</td>
</tr>
<tr>
<td>Revenue (Fiscal 2021): ¥36.8 billion</td>
</tr>
</tbody>
</table>

GUITAR BUSINESS

Global market share for Yamaha’s products

<table>
<thead>
<tr>
<th>Guitars: 9.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (Fiscal 2021): ¥23.6 billion</td>
</tr>
</tbody>
</table>

Points of Emphasis in Achieving Targets

The market contraction seen in the second year of the medium-term management plan, a result of the restrictions placed on group performances (online instrument band, marching band, orchestra, etc.) by the COVID-19 pandemic, caused a challenging operating environment. Nevertheless, we proceeded to promote our brand value via the internet, produced content employing leading artists, and utilized social media on a global scale in relation to our new digital saxophone. These new and other measures proved successful. In the final year of the plan, we will continue to communicate our brand value via the internet while launching appealing new products developed jointly with artists and promoting sales of mid-range and high-end products to ensure that our brand is known by as many customers as possible. At the same time, we will move ahead with wind instrument promotion activities in China and emerging countries and work to broaden player horizons with musical instruments that are easier to play in order to create new markets.

Points of Emphasis in Achieving Targets

As we proceeded to expand our business portfolio with the announcement of new keyboard products and communication robots in the second year of the medium-term management plan, we saw a rise in demand related to people increasingly staying at home coupled with sales of easily affordable digital pianos and portable keyboards through e-commerce venues. Meanwhile, the COVID-19 pandemic restricted factory operation, impeding sales of midrange and high-end products. We will seek to grow mid-range and high-end product operations, capitalize on the demand associated with people staying at home, and acquire new customers with affordable products in the final year of the plan. At the same time, we will enhance sales strategies that accommodate the shift to e-commerce along with digital marketing as we endeavor to communicate Yamaha’s brand value through a mix of physical and e-commerce sales values in order to maximize earnings.

Points of Emphasis in Achieving Targets

We moved ahead with the deployment of new products and the planning and development of high-end models in the second year of the medium-term management plan to expand our lineup of midrange and high-end products. At the same time, we deployed comprehensive solutions that employed amps, effectors, and other appealing peripherals. We also succeeded in capitalizing on the demand from individuals newly picking up the guitar amid the COVID-19 pandemic, thereby achieving higher sales in all product categories, accented by double-digit growth in China and Japan. In the final year of the medium-term management plan, we will continue to move forward with the plan’s key strategies while also striving to develop brand equity for Yamaha guitars. Focused with this regard will include the enhancement of information provision through both physical and digital venues; planning and development of next-generation guitars that create new, appealing value, and region-specific growth strategies.
The audio equipment business is one of the business pillars of Yamaha, which develops a business centered on sound and music. In this business, we offer PA equipment for commercial and facility use and AV products to consumers, using products built on our exceptional sound insight and superior technologies. As such, we position the audio equipment business as a growth domain. We will grow the audio equipment business as a piece of social infrastructure by leveraging not only our strengths in terms of diverse sound technologies but also our network and ICT technologies, as immersive sound systems that offer even greater levels of immersion.

Overview of Markets and Yamaha's Operations

Overview of Markets

- 
  - Diversification of workstyles and growth in demand for network devices and voice communication equipment amid the COVID-19 pandemic
  - Continuous market growth following the further shift to IT, cloud services, and automation of networks and facilities

Yamaha's Strengths

- Strong demand for high reliability and support structure
- Market share in network market due to the COVID-19 pandemic, but significant music production and online broadcasting markets
- Update to companies and actual facilities in response to the COVID-19 pandemic and in preparation for the period thereafter

Main Competitors

- Haier in China
- Hisense in China
- Philips in China
- TCL in China
- Sharp in China
- Sony in Germany

Review of Fiscal 2021

In fiscal 2021, the audio equipment business suffered year-on-year declines in revenue and profit as a result of the activity restrictions and production ramifications of the COVID-19 pandemic. In PA equipment operations, sales of concert-related products and equipment struggled to reduce in events. Conversely, substantial growth was seen in sales of music production equipment and other personal-use products due to the demand associated with people increasingly staying home. In AV products, sales were brisk for sound bars as well as for wireless headphones equipped with Yamaha’s proprietary Listening Care technology. We also rolled out digital marketing campaigns based on the concept of TRUE SOUND for communicating the intent of creators while also endeavoring to solicit our value to millennials and a wide range of other customers. Meanwhile, in ICT equipment operations, we enjoyed massive increases in sales of communication equipment accommodating diverse needs amid rapid growth in remote meeting demand stimulated by the pandemic.

SALES AND REVENUE TRENDS

<table>
<thead>
<tr>
<th>Revenue (Billions of yen)</th>
<th>Core Operating Profit (Billions of yen)</th>
<th>Core Operating Profit Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>20</td>
<td>4%</td>
</tr>
<tr>
<td>90</td>
<td>10</td>
<td>11%</td>
</tr>
<tr>
<td>80</td>
<td>8</td>
<td>10%</td>
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<tr>
<td>70</td>
<td>7</td>
<td>9%</td>
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<td>60</td>
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<td>10%</td>
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<td>50</td>
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<td>4</td>
<td>5%</td>
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<td>30</td>
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<td>10%</td>
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<td>20</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>10%</td>
</tr>
</tbody>
</table>

Sales of Major Products

- PA equipment: 63 billion yen
- AV products: 40 billion yen
- ICT equipment: 20 billion yen

Strategies by Business

Business Vision

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

Business Strategies of Make Waves 1.0 Medium-Term Management Plan

Key Strategies

PA equipment

- Increase in potential projects by proposing superior solutions in PA sales
- Growth of demand for audio equipment focused on remote solutions to respond to impacts of the COVID-19 pandemic

AV products

- Expand business portfolio to include personal audio fields centered on earphones
- Strengthen the appeal of the Yamaha brand among millennials
- Create new value in the home entertainment field

ICT equipment

- Expand product categories and services
- Achieve differentiation from competitors through the integration of technologies

Opportunities

- Potential for the adverse impact of uncertain international relations spreading to investment in installation projects in the BoB domain
- Continuously stagnant demand for equipment for events and concerts due to the COVID-19 pandemic

Av Products

Marketing activities will be tailored to customer preferences, pushing headphones for millennials and high-end products for hobbyists to raise brand traction in a more effective manner. In addition, we will advance sales promotion activities at physical stores while also using online venues to heighten our sales capabilities by raising our brand recognition, communicating our value, and directing customers toward e-commerce websites. In our continuously growing sound bar operations, we will seek to expand opportunities for increasing recognition. Meanwhile, we will create new value through the processes of authentic yet easy-to-use sound systems that can be enjoyed in the home.

ICT Equipment

Our communication equipment efforts will be geared toward growing sales of portable equipment that can be used in a variety of settings as well as installations that offer higher levels of quality. We will also ramp up our approach centered on equipment installation sales channels to increase the number of service providers who use Yamaha equipment. Network equipment initiatives, meanwhile, will be focused on proposals in response to teleworking demands, bolstering our portfolio line, and the reinforcement of customer contact points.

Cloud Services

Yamaha is developing a plethora of cloud services, including its multilingual information provision services and touchless payment services, based on the SoundUD™ sound-powered telecommunications technology. Going forward, we will continue to create new technologies such as the Remote Cheer® powered by SoundUD remote cheering system that can be used to communicate support from remote locations to sports and other events held without audiences amid the COVID-19 pandemic.

Major Initiatives Pertaining to Priority Themes for Fiscal 2022

PA Equipment

Faced with an opaque macroeconomic environment for PA equipment, we will expand our product and service offerings for addressing the high demand for personal music production and distribution in order to drive aggressive sales promotions. Equipment operation initiatives will include an accelerated approach toward companies, educational institutions, and other non-concert users as well as the ongoing proposal of products to upstream area customers, including facility owners and audio equipment consultants. At the same time, we will move ahead with the development of unique products such as immersive sound systems that offer even greater levels of immersion and feature remote support and automated control functions.
Business Strategies of Make Waves 1.0 Medium-Term Management Plan

**Business Overview**

The industrial machinery and components business covers a broad range of fields, such as electronic devices, which started with the development of LSIs for digital musical instruments; 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, there has been an increase in the number of vehicles employing our in-vehicle communication module products (modules for in-vehicle hands-free telephone calls geared toward emergency alert systems), in-vehicle audio systems, and other products. For the future, we aim to expand the scale of the industrial machinery and components business as our third business pillar, alongside the musical instruments and audio equipment businesses.

**Review of Fiscal 2021**

Sales of major products were favorable in the industrial machinery and components business, and this business enjoyed improvements in efficiency and consequently profitability. Automotive field operations are a major focus in this business. In this area, Yamaha brand in-vehicle audio systems were adopted by multiple automobile manufacturers. Mass production and shipments of these systems began in November 2021, and we expect to see an increasingly wide range of vehicles equipped with these systems in the future. Sales of in-vehicle communication module products were stagnant due to the COVID-19 pandemic, but the number of vehicles using these products is rising. Meanwhile, automobile interior wood components were up year on year due to the commencement of full-fledged shipments of components for use in new automobile models for the North American market. In FA equipment, sales of flexible printed circuit board testing machines were strong.

**Major Products / Overview of Markets / Yamaha’s Strengths**

<table>
<thead>
<tr>
<th>Electronic devices (In-vehicle audio)</th>
<th>Automobile interior wood components</th>
<th>FA equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>- In-vehicle audio systems, in-vehicle sound modules, in-vehicle image and digital audio field processor semiconductor, precision FA equipment, and Ultrasonic emission devices</td>
<td>- In-vehicle sound modules</td>
<td>- High-speed inspection technologies to respond to market needs.</td>
</tr>
<tr>
<td>- In-vehicle sound systems; in-vehicle sound modules</td>
<td>- In-vehicle sound systems</td>
<td>- Developed new detection solutions and expanded customer base</td>
</tr>
<tr>
<td>- In-vehicle audio systems</td>
<td>- In-vehicle sound systems</td>
<td>- Developed new detection solutions and expanded customer base</td>
</tr>
</tbody>
</table>

**Business Policies for Fiscal 2022**

In the industrial machinery and components business, we are targeting growth in the in-vehicle solutions domain and the FA field. The focus for electronic devices will be to transform into a comprehensive in-vehicle solutions vendor that emphasizes automotive modules more than in previous semiconductor offerings. With this focus, we will expand our customer base for automobile interior wood components to solidify our foundations in the in-vehicle solutions domain.

Meanwhile, business growth will be pursued in regard to FA equipment by further honing our strengths in terms of high-precision, high-speed inspection technologies to respond to market needs.

**Major Initiatives Pertaining to Priority Themes for Fiscal 2022**

Electronic Devices (In-vehicle audio)

- We will accelerate preparations that leverage our core sound technologies in electronic devices operations. In regard to in-vehicle audio systems, we will pursue our passion for sound in the unique sound environment inside automobiles to achieve differentiation via high sound quality and thereby increase the number of vehicles using our systems along with our brand recognition. By advertising the number of vehicles using Yamaha products, proposing sound systems matched to specific vehicle concepts, and bolstering our lineup, we aim to capture a share in the massive in-vehicle audio market. As for in-vehicle communication module products, we will take advantage of the opportunity created by the rise in regions requiring vehicles to be equipped with emergency notification systems to increase the number of vehicles using Yamaha products in Japan and overseas.

**Automobile Interior Wood Components**

We aim to expand the scale of our automobile interior wood components operations by growing our overseas customer base. Since 2018, we have been increasing the range of automobiles employing Yamaha products by building a track record through the acquisition of major customers in the North American market. In this area, our strengths can be seen in our superior design specifications and the heights of our made-in-Japan quality. These strengths have enabled us to earn the trust of customers by transforming their desires for novel designs into industrial products. Going forward, we will strengthen customer support functions and develop manufacturing technologies in our quest to deliver products that exceed customer expectations.

**FA Equipment**

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. The technical and quality requirements for smart-phones are growing increasingly more rigorous amid trends such as the spread of 5G and AI technologies and the adoption of multi-lens cameras and other sophisticated features. Through swift responses to these requirements, we aim to have our products used by a wider range of customers. At the same time, we look to expand the scope of application of high-value-added testing machines for communication and automotive circuit boards and modules. Meanwhile, the rise in EVs is stimulating demand for vehicle battery inspection equipment and subsequently lead detectors. We aim to capitalize on this trend to have these products adopted by even more customers going forward. We also offer nondestructive inspection equipment that leverages ultrasound technologies, and are actively creating new applications and exploring new markets for these products.
We have inherited the craftsmanship capabilities and sensibilities toward sound creation that Yamaha has cultivated over its long history, which spans generations. With these capabilities and sensibilities as our foundation, we possess a deep understanding of and vast knowledge pertaining to sensibilities toward sound, which have been cultivated over our long history, and sensitivity evaluation technologies serve as a major source of our competitiveness in the global market. We continue to develop products and services based on Yamaha’s long history and the craftsmanship capabilities and sensibilities that we have cultivated. As a result, we have been able to offer unique products and services that cannot be imitated by other companies.

Yamaha’s strength of combining technologies and sensibilities essentially boils down to gaining a scientific understanding on the value of sensibilities centered on sound, and leveraging this understanding to commercialize products. The value of human sensibilities for determining what constitutes a good sound and a good sound environment is not something that can be represented by simple quantitative data. In addition, scientifically analyzing the appeal and value of music and incorporating these elements into products and services is also something that requires a deep understanding on the value of sensibilities centered on sound. At Yamaha, we have cultivated such a scientific understanding and insight through our long history, which began with the creation of musical instruments. Drawing on this sensibility value as our core competence, we are able to provide truly unique products and services through the combination of our wide range of technologies.

RESEARCH AND DEVELOPMENT

By further refining and enhancing the combination of technologies and sensibilities, which represents our long-cultivated core competence, we will develop products and services that are overwhelmingly competitive and responsive to the changing times and thereby contribute to profit generation and business growth.

STRATEGIES BY FUNCTION

What Does the Combination of Technologies and Sensibilities Entail?

Yamaha’s strength of combining technologies and sensibilities essentially boils down to gaining a scientific understanding on the value of sensibilities centered on sound, and leveraging this understanding to commercialize products. The value of human sensibilities for determining what constitutes a good sound and a good sound environment is not something that can be represented by simple quantitative data. In addition, scientifically analyzing the appeal and value of music and incorporating these elements into products and services is also something that requires a deep understanding on the value of sensibilities centered on sound. At Yamaha, we have cultivated such a scientific understanding and insight through our long history, which began with the creation of musical instruments. Drawing on this sensibility value as our core competence, we are able to provide truly unique products and services through the combination of our wide range of technologies.

RESEARCH AND DEVELOPMENT

BY FURTHER REFINING AND ENHANCING THE COMBINATION OF TECHNOLOGIES AND SENSIBILITIES, WHICH REPRESENTS OUR LONG-CULTIVATED CORE COMPETENCE, WE WILL DEVELOP PRODUCTS AND SERVICES THAT ARE OVERWHELMINGLY COMPETITIVE AND RESPONSIVE TO THE CHANGING TIMES AND THEREBY CONTRIBUTE TO PROFIT GENERATION AND BUSINESS GROWTH.
Establishing sustainable supply chains that allow for the creation of musical instruments with quality sound. Researching what type of timber to use and the ideal ways to use it is a means for us to discover new solutions. We have concluded a comprehensive research agreement with Kyoto University, and will pursue further collaboration with outside research institutions and companies over the medium to long term as we move forward with the development of new sustainable materials and other endeavors.

Topics: R&D Innovations Creating New Value

YCB8, YC73, and YC61 Stage Keyboards (Applied Technology: VCM Organ Sound Source)

YCB8, YC73, and YC61 stage keyboards feature Yamaha's VCM organ sound source, which was developed using component modeling VCM technology to faithfully reproduce the saturated and non-continuous sounds that are characteristics of analog instruments. These keyboards promise the pinnacle of sound quality expected by keyboardists with commitment to authentic sound and performances whether producing, performing, or distributing music.

ADECIA Comprehensive Remote Conferencing Solution (Applied Technology: Audio Signal Processing Technology)

ADECIA is a comprehensive solution for high-quality, comfortable remote communications. This solution offers features such as auto room tuning, a feature that automatically sets and adjusts audio sources based on the dimensions and acoustic characteristics of the given meeting room, and Yamaha's proprietary audio signal processing technology that delivers a comfortable sound environment. With these features, ADECIA can accommodate a diverse range of workstyle changes and office space needs.

Intellectual Property

We are advancing a global intellectual property strategy and working to create, protect, manage, and utilize intellectual property. In these ways, we are taking steps to maintain and enhance corporate value and brand value.

Basic Policy

The Yamaha Group believes that proper protection and use of intellectual property rights, whether belonging to the Group or other parties, are essential for accelerating innovation and inspiring creativity and make social development faster and healthier. The Group, since its inception, has proceeded to protect its business through the proactive acquisition of intellectual property rights. The Group has also proceeded to foster a culture of respecting others’ intellectual property rights and an organization that is built on this respect.

The Group is proactive in its efforts to acquire, protect, and utilize intellectual property rights created during the course of its business activities, such as those pertaining to new technological concepts, designs, products, or service names. At the same time, we view respect for the intellectual property rights of others as a basic principle.

Intellectual Property Protection Initiatives

In addition to acquiring patents in Japan, the United States, Europe, China, and other areas, Yamaha applies for patents in emerging countries based on the assumption that these markets too will see growth in the future and to protect its products and services therein. Recently, we have been stepping up patent acquisition activities with regard to AI and other technologies that create new value as well as technologies that address social issues, such as the Listening Care technology for protecting user hearing. These activities are meant to protect distinctive Yamaha offerings. Our patent portfolios are assessed on a country and region basis each year to maintain the ideal level of patent maintenance costs by rigorously categorizing and managing our portfolio of intellectual property with the potential to contribute to the establishment of a competitive advantage.

Trademarks

Trademark rights have been acquired in all areas of the world with regard to the symbols that are the core element of the Yamaha brand (YAMAHA and the tuning fork brand logo) as part of our efforts to protect and improve brand value. The rise of the internet has led to increased cases of misuse of such brand marks through e-commerce and other venues. We diligently monitor for such misuse and issue cease and desist requests should misuse be detected. This diligence helps protect customers, mitigate risks to brand value, and contribute to the realization of a fair and impartial society. For this reason, we actively promote such activities through a concerted Group effort and through coordination with sales companies and dealers across the globe.

Copyrights

In addition to patents, designs, and trademarks, the Yamaha Group has produced a large number of copyrighted works in the sound, music, and other fields. Music-related copyrights are a particularly important form of intellectual property. VOCALOID® and other software and the performance data used in digital musical instruments also constitute valuable works produced by the Company. Appropriate action is taken to combat plagiarism and other illegal use of these works. At the same time, it is important to avoid misuse of the copyrighted material of other parties. For this reason, we conduct awareness-raising activities on copyrights on a Group-wide basis through means such as internal seminars and the distribution of guidebooks.

Replace exhaustible and endangered resources with renewable ones

- Establishing sustainable supply chains in cooperation with local communities in resource-producing areas
- Promoting conservation activities for African blackwood in the countries of origin, aiming to build long-term relationships with local communities in resource-producing areas
- Promoting preservation activities for Japanese spruce in Hokkaido
- Pursuing collaborative research with academia (Koiti University, etc.)
- Cultivating forest resources and improving logging efficiency

Expand material sources scientifically toward new renewable resources

- Developing materials that look appealing, produce quality sound, and are sustainable (Replacing materials to exceed the quality of scarce timber)
- Developing new functional materials technologies and establishing platforms
- Expanding the use of plant-based materials
- Controlling conjugation and high-order structures

Roles of R&D

- Developing and enhancing materials technologies (analysis technologies, processing technologies, etc.)
- Collaborating with research institutions and other companies

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The Strengths of Yamaha’s Production

Craftsmanship and Technologies

Amid our long history of being involved in the production of musical instruments, we have refined the craftsmanship capabilities that have helped us put the finishing touches on even better musical instru-
ments. Our craftsmanship capabilities, with our proprietary technology for the
scientific evaluation of assessing human sensibilities is another
important factor in realizing further differentiation.

Meanwhile, through scientific research of each production process and
the utilization of cutting-edge techniques, we have accumulated
dedicated to musical instruments and advanced technologies at a high level which sets us as a
source of our competitiveness.

Global Production Structure

From early on in our history, we have established overseas production bases.
Currently, we have key production bases in Japan, China, Indonesia, Malaysia, and India. Resilience strengthening and other
extensive risk management measures are being implemented at various bases as we develop frameworks through which products of
given category can be produced at multiple bases. The establish-
ment of a global production structure optimized to each of our
business domains is another factor that contributes to our over-
whelmingly high level of competitiveness.

Review of Fiscal 2021

The COVID-19 pandemic had a massive impact on our supply chain as
we were forced to temporarily halt the operation of factories around the
world and as government-imposed restrictions on operations caused additional disruptions to our distribution network. These
disruptions created an ongoing situation in which we were unable to produce a suffi-
cient supply to match the recovering market demand. Nevertheless, we took steps to improve production lines while imple-
menting exhaustive measures for preventing the spread of COVID-19. We were thereby able to recover production to the level seen in fiscal
2020 by the second half of fiscal 2021, minimizing the overall impact on
performance.

Under these conditions, we moved forward with measures based on
the key strategies of the medium-term management plan while
advancing digital transformation in our production operations. For
example, we introduced IoT technologies into model factories in Japan, and we have begun using digital twin methodologies for production. Meanwhile, we worked to develop standardized produc-
tion management systems for Chinese model factories. Conversely, the cost reduction benefits of these activities did not appear as
intended as we were forced to delay many process realizations and automated production line equipment installation procedures until fiscal 2022.

Approach under the Medium-Term Management Plan

Our production strategy under the medium-term management plan is
built upon the three pillars of our production strategy, we will
with pursuing the three pillars of our production strategy, we will
work on productions floors.

Craftsmanship and Technologies

To further enhance our production operations in terms of quality, cost, delivery, safety, and the environment (QCDSE).

In fiscal 2021, we will implement measures related to the COVID-19 pandemics, distribution, and procurement aimed at ensuring that we
can furnish a sufficient supply for meeting the robust demand. At the same time, with employee safety as our top priority, exhaustive
measures will be put in place to prevent the spread of COVID-19 and to ensure that our factories do not become sites of widespread
infection. Meanwhile, we will take steps to minimize risks including
long-term shipping reservations in terms of logistics and long-term
upfront orders and alternative material selection based on sales
forecasts in terms of procurement.

We have also been implementing a new SCM system. This system allows for the integrated management of information contain-
ing all steps of the creation of diverse products, ranging from
production to sales, making it possible to supply the desired products
where, when, and in the quantity needed. We will also automate the
collection of production data through the use of IoT technologies to
realize improvements with regard to quality, cost, and delivery
through means such as analysis of factory equipment operating rates
and improving production quality. Meanwhile, we will digitize produc-
tion management data by coordinating core systems and other
cutting-edge IT tools to install the infrastructure for automating work
on production floors.

Sustainability of Forest Resources (Timber Procurement)

Taking into account the fact that we use a diverse range of timber in our business activities, we are actively promoting efforts to maintain valuable timber resources and utilize these resources sustainably with a focus on
50 to 100 years in the future. In addition to giving consideration to the
preservation of forests and the volume of timber resources, it is impor-
tant that we ensure our supply chain is economically sustainable as well.
We are therefore contributing to the development of local communities
in timber-reducing areas through the creation of employment opportuni-
ties and the establishment of infrastructure.

Strategic Significance of New Factory in India

Yamaha’s factory in India was constructed to respond to the projected increases in demand for musical instruments and audio equipment to result from the expansion of the middle class in emerging countries. This factory serves as a base for producing and supplying entry-level keyboard, acoustic guitars, and PA equipment and has the potential to become an important base for exports to the Near and Middle East and Europe. India is a growth market that ranks right after China in impor-
tance. By optimizing planning, procurement, production, and distribution functions for this market, this factory integrates manufacturing, sales, and technical services to deliver products with superior levels of cost competi-
tiveness. Furthermore, we utilize the sales warehouse attached to this
factory to grow sales in the Indian market. This factory is oriented both
toward local production and consumption and to establishing a production
base outside of China for manufacturing products for the U.S. market.

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The Strengths of Yamaha’s Sales

Global Sales Activities That Are Deeply Rooted in Local Communities

We have established sales offices in over 30 countries and regions around the world, thereby rolling out our business on a global scale. In key markets, we have established direct sales networks through our subsidiaries. In emerging markets, we approach customers through our authorized distributors. Our sales networks cater to local characteristics and span a wide range of outlets, including specialty stores, chain stores, mass retailers, and directly operated stores. The ability to ascertain local music cultures and customer needs through these sales networks and promote sales strategies in accordance with local characteristics represents one of our major strengths.

Added Value Promotion and Price Optimization

We give sufficient consideration to such factors as the market environment, competitive relationships, and product features in order to promote efforts to optimize our prices so that they appropriately reflect the value a product offers. In addition to revising the selling price of existing products, we work to enhance value when introducing new products, or when adding new services to existing products, and attach prices that appropriately reflect this added value.

Artist Relations and Service Locations

To develop even more attractive products and services, we are expanding and enhancing our locations for maintaining relationships with artists around the world. Our extensive network with the world’s top artists and music education institutions is another one of our major strengths.

Review of Fiscal 2021

In fiscal 2021, the restrictions imposed in response to the COVID-19 pandemic had a significant impact on product demand, and the effects of the restrictions on production and sales activities seen in first half of the year continued to linger throughout the fiscal year. As a result, performance was lackluster in fiscal 2021. However, we achieved a gradual recovery in our supply capabilities during the second half of fiscal 2021, and progress was made in addressing demand arising from new/lifestyle changes as well as in advancing the measures of the medium-term management plan.

Sales framework reforms including digital marketing initiatives implemented on a global scale as well as proactive measures for soliciting our value to customers. These efforts enabled us to direct customer traffic in a way that contributed to higher sales. Meanwhile, the ratio of sales through e-commerce venues rose in various markets due to the demand associated with people increasingly staying at home. We also achieved an increase in the number of registered product users by promoting the provision of service value in order to improve lifetime value. Our activities in emerging markets were heavily impacted by the restrictions imposed as a result of the COVID-19 pandemic. Conversely, we were able to expand our sales network in China, which was able to relatively quickly resume social activities. Efforts to popularize playing music and stimulate demand included the School Project, which advanced according to plans and has offered music instrument performance experiences to an aggregate total of 710,000 students to date.

Status of Music Popularization Activities (As of March 2021)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Number of Students</th>
<th>Number of Music Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,800</td>
<td>334,000</td>
</tr>
<tr>
<td>Overseas</td>
<td>1,350</td>
<td>156,000</td>
</tr>
</tbody>
</table>

(1) Number of students reflects the number of students able to receive lessons in fiscal 2021

In fiscal 2022, we will seek to ascertain the timing at which the COVID-19 pandemic will come to an end so that we can implement sales activities through physical and digital venues in conjunction with the recovery of supply capabilities. Special attention will be paid to improving the accuracy of demand projections with regard to product categories that were impacted by supply issues to facilitate efforts to recover our market share. Another focus will be ramping up measures for increasing our market presence. Other initiatives will include establishing business foundations that are matched to the market conditions amid the post-COVID-19 new normal, strengthening customer contact points to transform changes into opportunities, improving brand and product value communication capabilities, and building new growth foundations.

Revenue Growth By Region

We are placing increased importation on digital platforms. We will respond to this trend by continuing to accelerate efforts to direct customer traffic through proactive information provision via social media and other venues while targeting improvements in purchase rates. Meanwhile, we will keep shifting more expenses toward improving customer value while allocating greater quantities of resources for communicating our value.

Improvement of Service Value

We aim to improve service value through proposals matched to customer lifestyle stages with regard to regions and products in order to maximize lifetime value for customers.

Expansion of Contact Points with Customers

Building upon the examples set by the reopening of locations in Giza and Nagoya as brand shops, we will continue to develop experience-oriented stores, which have powerful promotion benefits, around the world as part of our efforts to expand and strengthen contact points with customers. We are bolstering e-commerce sales channels in order to respond to changes in customer purchasing behavior spurred by the pandemic and advancing Company-wide strategies that encompass BtoB offerings in order to improve operation efficiency.

Looking at efforts by region, we are expanding our network of specialty shops centered on Tier 4 and Tier 5 rural cities in China, bolstering sales networks and accelerating exhibitions of mid-range and high-end products in India, and enhancing existing stores in the ASEAN region.

Response to the COVID-19 Pandemic

In responding to the COVID-19 pandemic, we placed the health and safety of our customers, business partners, and employees and their families as our top priority, emphasizing measures for preventing the spread of the virus. The conditions vary by market, and we are moving forward with sales framework reform initiatives with a focus on digital marketing and the enhancement of customer contact points while carefully monitoring the pandemic trends in a bid to ascertain when it will end.