II. Management Strategy

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MESSAGE FROM THE PRESIDENT

Yamaha will create new value by heightening its ability to achieve sustainable growth amid the new society through support for the “Well-Being of People around the World.”

Strength of Yamaha Fostered amid Adversity and Newly Emerging Issues

Looking back at the past two years, I cannot help but recognize just how much stronger Yamaha has become today. The COVID-19 pandemic temporarily forced us into a position that was tantamount to closing our doors. Even if we wanted to make products, we couldn’t. Even if we wanted to hold music classes, we couldn’t. This situation resulted in us recording a loss for the three-month period ended June 30, 2020. Nevertheless, Yamaha was once again posting profit in the six-month period ended September 30, 2020, and our earnings have continued to grow since. The Yamaha of the past might have recorded a loss or fallen into a period of stagnancy as a result of such extreme circumstances. The Yamaha of today, however, is able to bounce back to overcome a loss in a single quarter. This is an undeniable testament to how far we have come.

Nothing was more impressive than the way we were able to band together in the face of a crisis. If we could not get the components we needed, we worked to adjust our designs. If we could not make a given product, we worked to find ways to sell other products. The united and proactive efforts of employees throughout all processes, including development, procurement, production, and sales, are evidence of our evolution. I could not help but be moved by this strong progress. I regret the fact that we were unable to accomplish the financial targets put forth in our medium-term management plan. However, I am confident that we have come out of this experience with a stronger capacity to generate earnings and to respond to crises.

There is no denying, though, that the operating environment is changing at a speed and to a degree that has not been seen previously. This reality points to a clear need to heighten our risk management capabilities. We have always been focused on predicting and responding to the impacts of potential operating environment changes on our businesses. However, the current operating environment is one in which unpredictable change is the norm. As such, we are pressed to revise our prior risk management systems in line with this operating environment.

We also need to reassess the resilience of our supply chain. Previous resilience measures have included globalizing our supply chain based on natural disasters that had occurred in the past and minimizing inventories to increase the efficiency of our production activities. However, the current operating environment is one in which unpredictable change is the norm. As such, we are pressed to revise our prior risk management systems in line with this operating environment.

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Takuya Nakata
Director, President and Representative Executive Officer
Yamaha unveiled its new medium-term management plan—Make Waves 2.0—in May 2022. Before I talk about this plan, I would like to take a look back at Make Waves 1.0, our previous plan.

This plan covered the three-year period from April 2019 to March 2022, which ended up overlapping with the period during which the impacts of the COVID-19 pandemic were the most pronounced. As a result, we were unable to achieve our financial targets. Despite these impacts, though, we were able to make steady progress in our key strategies and to achieve all of the plan’s non-financial targets. I therefore am confident in saying that the foundations supporting our growth are now stronger than they have ever been.

One way in which our foundations have been made stronger is through the establishment of the Innovation Center, an R&D center completed in 2018. Consolidating our engineers in a single location has led to the launch of a number of unique products that merge technologies ranging from acoustic and digital technologies to network technologies. Examples of these products include the SYNCROOM online remote ensemble performance service, which allows performers separated physically to take part in real-time ensemble performances via the internet, and the Remote Checker powered by SoundID remote checking system that makes it possible for sports fans to cheer on their favorite teams and events and interact with their colleagues remotely. Both of these offerings garnered a great deal of positive attention, though they have not yet begun making clear contributions to earnings. The benefits of the consolidation of engineers have also appeared in the speed at which we develop and launch products and services. In the past, we have sought to refine our products to the highest possible level before launching them. However, this approach is no longer sufficient for accommodating the pace of change in customer needs and lifestyles. Accordingly, we have recently been accelerating development and marketing through an agile development approach that entails launching products in a slightly less complete state, and then quickly raising their quality to the necessary level. The passion of our employees to promote the appeal of music and the importance of communication, which is all the greater given the restrictions on interacting with people face to face amid the pandemic, fueled this speed.

Make Waves 2.0, the new medium-term management plan, puts forth a mission that combines Yamaha’s enduring corporate philosophy of “Sharing Passion & Performance” with our purpose of “Well-Being of People around the World.” This decision was made in response to the voices of employees asking for our precious philosophy to have a clear position within the medium-term management plan that guides our growth. Another goal behind the definition of this mission was to share our aspirations with internal and external stakeholders.

In formulating the new medium-term management plan, we took a backcasting approach starting from our mission and management vision to determine how we needed to change over the next three years in order to accomplish these goals. As part of this process, we defined material issues that represent the priority management issues to be addressed in order to fulfill our mission and realize our vision. This entailed reframing the material issues that had previously been established from the perspectives of sustainability and ESG issues as material issues for management that can be incorporated into all of our business activities.

Moreover, the new medium-term management plan describes how we will further build upon the successes of the previous plans, which have been centered around profitability and then value creation. This is how we have proceeded to heighten corporate value. In the next stage represented by the new medium-term management plan, we will seek to enhance our capability for sustainable growth.

Some might wonder why we chose to emphasize growth capability at this time. Basically, I believe that most pressing among the numerous management challenges we face at this point in time is the drop in revenue as a result of the COVID-19 pandemic. A glance back at the past 15 years will reveal that our revenue had continued to decline after peaking in fiscal 2021 with a net sales figure of ¥560.0 billion based on the J-GAAP accounting standards used at the time. In the years that followed, we undertook selection and concentration measures, including the transfer of our metal product, resort facilities, and lifestyle-related products businesses. The resulting downturn in sales was exacerbated by the 2008 global financial crisis, and these factors eventually led net sales to fall to ¥350.0 billion in fiscal 2012. We were able to recover net sales to around ¥400.0 billion, but the pandemic later sent figures plummeting to the ¥100.0 billion level. It was in fiscal 2022 when we were finally able to get revenue back above ¥400.0 billion. Even if revenue growth is flat, it is still possible to increase profit to a certain degree by improving profit margins. Yamaha, however, will take a different path. We are committed to proving that our confidence in the latent potential of music and instruments was not unfounded in order to contribute to the “Well-Being of People around the World.” For this reason as well, it is important for us to paint a vision for a Stronger Yamaha.

Medium-Term Management Plan Basic Policy

Purpose
Well-Being of People around the World
Sharing Passion & Performance

Corporate Philosophy

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

MISSION

Enhance capacity for sustainable growth in the new post-COVID-19 society

MESSAGE FROM THE PRESIDENT

Through this new R&D approach, we have unlocked new possibilities for developing products and services.

As far as our quantitative results, we achieved double-digit growth for mainstream offerings in the musical instruments business like pianos as well as wind, string, and percussion instruments. We also saw growth for guitars as well as for digital musical instruments, which were the subject of struggling production and supply due to semiconductor shortages and logistics disruptions. This growth was achieved on the back of strong demand. In addition, the number of students offered instrumental music performance experiences through the School Project, which we are developing centered on emerging countries, soared past our target of 1.0 million to 1.3 million. These successes reaffirmed the strong latent demand for instruments and music. This also made me aware of the potential to further broaden the scope of our business by winning greater levels of customer trust through proactive effort.

The pandemic transformed how people think and live along with their values. These changes present substantial opportunities for Yamaha, a company committed to technologies, sensibility, and the value born out of these. Under the new medium-term management plan, we are committed to achieving ongoing growth by tackling the management challenges I spoke of while building upon the operating foundations created under the previous plan to capture the wide range of business opportunities that are emerging.

MESSAGE FROM THE PRESIDENT
of the future and to resume our pursuit of growth to accomplish this vision.

When we speak of our intent to enhance our growth capability, we are talking about our dedication to bolstering our potential for sustainable growth, which includes our resilience toward change. Accordingly, the new medium-term management plan is not a plan for merely growing top-line revenue through measures such as M&A activities for expanding our scale. We therefore hope you will look forward to seeing how much Yamaha can enhance its capabilities for sustainable growth over the period of the new plan.

Enhancement of Growth Capability

The new medium-term management plan delineates three key policies for enhancing our sustainable growth capability.

Key Policy 1: Further strengthen the business foundation

The themes under the policy of further strengthen the business foundations are (1) Develop closer ties with customers, (2) Create new value, and (3) Be more flexible and resilient. Themes (1) and (2) were also areas of focus for the previous medium-term management plan. The number of Yamaha Music ID registrants has been defined as a non-financial indicator for gauging the progress of initiatives based on theme (1), and we have set a target of 5 million registrants. We are in the process of transitioning to the new frameworks for integrating our roughly 4 million current holders of Yamaha service IDs, which means that we can accomplish this target by acquiring another million users.

For theme (2), we will continue the initiatives of the previous medium-term management plan to expand our lineup of products that capitalize on Yamaha’s strengths in acoustic and digital technologies. For this theme, the plan puts forth the same models at multiple factories and to develop lines in which all steps from processing to assembly are performed at the same location in certain regions. Yamaha will also be bolstering its R&D foundations and promoting digital transformation to create new value and reform processes.

Key Policy 2: Set sustainability as a source of value

For the policy of set sustainability as a source of value, we have defined key themes from the perspectives of the environment, society, and culture. From the perspective of the environment, we seek to build a value chain that supports the future of the earth and society. Efforts to this end will include reducing CO2 emissions in response to climate change, practicing sustainable use of timber for use in musical instruments, and pursuing resource savings and reduction in waste and hazardous substances. For example, in the past we have applied several coatings of black paint to pianos, and then ground this paint down during the polishing process.

However, this approach led to an amount of paint becoming wasted through the polishing process that surpassed the amount that remained as coating on the piano. This approach is important for producing a deep and elegant color, but we cannot deny the large impact this process has on the environment. Conversely, if we were to share such environmental impacts as part of product information, customers may come to assign higher evaluations to pianos that take advantage of the aesthetic of the natural wood. In this manner, I believe ideas that defy conventions and communication with customers will be more important than ever in responding to consumer values in a receptive manner going forward.

In terms of society, we look to enhance our brand power and competitiveness by contributing to comfortable lives. One area we are focusing on in this quest is remote performances and communication. We are also accelerating our efforts for ensuring respect for human rights across the supply chain, and we have set a target of introducing on-site supplier audits at 60 companies. Furthermore, Yamaha is seeking to propose new health and safety value that calls upon its expertise as a company involved in sound. This value will be provided through products that reduce the burden placed on users’ ears, technologies for facilitating traffic safety via voice guidance, and contributions to quality of life with music. As for culture, Yamaha looks to expand the musical instrument-playing population. Targets for accomplishing this goal include the number of individuals aided through instrumental music education promotion and support activities and the number of students of overseas music schools. To work toward these targets, we are accelerating the cultivation of the instructors and technicians that are indispensable to the development of musical culture along with activities for supporting musicians and researchers.

Key Policy 3: Enable Yamaha colleagues to be more valued, more engaged, and more committed

The themes for the key policy of enable Yamaha colleagues to be more valued, more engaged, and more committed are as follows: (1) Increase job satisfaction, (2) Promote respect for human rights and diversity, equity, and inclusion (DE&I), and (3) Foster open organizational culture where people can proactively take on challenges.

Yamaha is in the business of sound and music, which is directly tied to people’s sensitivities. As such, our greatest management resources are our creativity and the people who supply this creativity. I am always thinking about what we need to do to ensure that employees enjoy their work and are able to take on new challenges. This is because, based on my own experience, I believe that employees produce the best output when they find their job fun and engaging. Yamaha has been developing a global business since the 1960s, meaning that we have talented people across the globe. Energizing this diverse staff of talented individuals and tying this energy to the growth of the Company is imperative to the ongoing creation of corporate value. This is the reason that making our colleagues more valued, more engaged, and more committed has been positioned as a key policy, as opposed to a measure, under the new medium-term management plan.

Teleworking has become commonplace over the past two years, increasing the degree of freedom employees have in the way they work. Employees are thus able to choose the ideal workstyle option based on their own duties and the stage of whatever they are doing. Depending on the job at hand, they may choose to work alone at home, or to go into the office to talk to their colleagues face to face. However, it is important to ensure that the pursuit of short-term efficiency does not lead
to workstyles that impede the medium-to-long-term growth of the organization or of individuals, perhaps by causing a loss of creativity or of trust-based relationships with colleagues. As such, I believe that management has an important duty to build frameworks and foster a corporate culture that allows us to exercise creativity at both the individuals and the organizational level.

Road to Accomplishment of the Targets of the New Medium-Term Management Plan

Under the new medium-term management plan, we will advance initiatives based on the themes defined for the three key policies while also working toward the accomplishment of the three non-financial targets set for each of these policies. Together with these non-financial targets, we will pursue the financial targets of a revenue growth rate of 20% in 2022, a core operating profit ratio of 14%, and ROE and return on invested capital (ROI) of 17% or more. At the moment, raw material prices are soaring against a backdrop of rising crude oil prices and difficulties procuring semiconductors as a result of geopolitical risks. The higher material prices have prompted the industry to adopt a policy of transferring these costs to the buyer. Yamaha has not escaped the impacts of this trend, as we saw costs grow by approximately ¥12.0 billion in fiscal 2022, roughly 50% of which we transferred to the prices of our products. We also expect an increase in costs of between ¥6.0 billion and ¥6.5 billion during fiscal 2023, the first year of the new medium-term management plan. However, we anticipate that we will be able to offset all of this increase, including that outstanding from fiscal 2022, by raising selling prices. The new medium-term management plan also sets the course for the business portfolio we will target in the future. Specifically, we will seek to strengthen our earning power centered on the piano and wind, string, and percussion instrument businesses. In addition, we will also grow our digital musical instruments business. At the same time, we will cultivate our guitar, industrial machinery and components, and new service businesses into future growth pillars. Our guitar business has grown significantly from fiscal 2021, but this business has continued to grow nonetheless, and I believe that the possibility of getting this business on the growth track is within reach. The audio equipment business, meanwhile, struggled for a bit during the COVID-19 pandemic. However, this does not change the fact that the market has significant growth potential. Several initiatives in this business are already beginning to produce results, and I therefore expect that we can get this business on the growth track by combining these initiatives to generate synergies.

When formulating the new plan, we were meticulous not only in crafting the plan itself but also in deciding the approach we would use to explain the plan. For previous plans, we began by putting forth our financial targets and explaining how we will accomplish them. For the new plan, we are taking the opposite approach: first describing our overarching vision and management policies and then looking at the challenges needing to be overcome in order for Yamaha to grow. This framing is then used to explain the specific measures we will be implementing as well as our non-financial targets that will be accomplished as a result of the measures we have explained up to this point. You may have noticed that this is exactly the approach I took in explaining the plan to you just now. Through this approach, we sought to avoid becoming preoccupied with numbers and to facilitate employee understanding. In other words, we wanted to explain the plan in a manner that gave people a genuine, intuitive understanding. This same approach is also used in explaining the plan to shareholders and investors in order to ensure uniformity in the messages we communicate both inside and outside of the organization.

Intangible Assets as a Growth Driver

Among its various types of intangible assets, Yamaha places particular emphasis on its technological capabilities. With this regard, it is not enough to merely develop cutting-edge technologies; we also need technologies for quantifying the sensibilities regarding listening and for utilizing such quantified data in products. This is an area where I believe that Yamaha is without peer. The evolution of such distinctly Yamaha technologies will be an important growth driver under the new medium-term management plan. I suspect that intangible assets, such as the technological capabilities and brand power we have continued to hone, will become increasingly important when it comes to evolving our business model in response to changes in society and in the market. Another important intangible asset will be our customer data platform, the database in which we store Yamaha Music ID information. I mentioned that we do not plan to take part in M&A activities for the sole purpose of growing in scale. However, we will actively examine the possibility of M&A activities for bolstering our portfolio of technologies, intellectual properties, consumer data, and other intangible properties to enhance our growth capability.

Governance for Supporting Transformation

With these members has made it clear that one of the functions of governance is supporting transformation in pursuit of the medium- to long-term creation of value. As well, the position of audit officer, established in 2020, is contributing to improvements to our auditing and information collection functions, which were previously areas of concern. Audit officers have also proven to be reliable allies to the members of the Audit Committee. Furthermore, their efforts have been providing a positive type of pressure to the executive team, and I expect that the audit officers will help drive ongoing qualitative improvements to governance and internal control systems.

True Value of Yamaha Seen in Diligence

For Yamaha, there is a positively correlated relationship between sustainability and earnings growth. When awareness for sustainability began rising across society, Yamaha was quick to take a diligent stance toward promoting sustainability. This diligence has contributed to our brand image and is one of the reasons that Yamaha’s products and services have been able to win the support of customers. This means that the level of diligence we exercise in pursuing the non-financial targets of the new medium-term management plan will translate directly to the enhancement of our growth capability. Accordingly, I want fiscal 2023, the first year of the new plan, to be a year in which we demonstrate the true value of Yamaha by taking a diligent stance in all of our endeavors. Through such diligence, we should work to prove our growth capability to stakeholders.

I look forward to ongoing engagement with shareholders, investors, and other stakeholders through online and other venues. I would also like to ask our stakeholders for their continued support going forward.
**MAKE WAVES 2.0 MEDIUM-TERM MANAGEMENT PLAN**

Make Waves 1.0, the previous medium-term management plan, which covered the period from April 1, 2019 to March 31, 2022, defined our management vision (medium- to long-term vision) as “Becoming an Indispensable, Brilliantly Individual Company, boost brand power to become a highly profitable enterprise” in pursuit of this vision, we advanced four key strategies—develop closer ties with customers, create new value, enhance productivity, and contribute to society through our businesses—in accordance with the basic strategy of “develop closer ties with customers and society, and boost value creation capabilities.”

We failed to accomplish the financial targets of the previous medium-term management plan due to the significant impacts on business activities from supply chain disruptions and restrictions on social activities resulting from the COVID-19 pandemic. Regardless of these challenges, steady progress was made in the four key strategies. We were therefore able to achieve the non-financial targets defined in Make Waves 1.0 for corporate brand value, music popularization for learning musical instruments in emerging markets, and certified timber use. This accomplishment is especially noteworthy given that this was the first time such non-financial targets were set in a medium-term management plan of the Company.

The changes projected under the previous medium-term management plan, including digitalization, increased emphasis on diversity, and growing awareness of sustainability, were accelerated by the COVID-19 pandemic. The pandemic placed restrictions on the movement of people and on face-to-face interactions. This trend spurred an increase in exchanges of goods and information via the internet, giving rise to products and services that accommodate this new lifestyle. Meanwhile, the growing awareness of sustainability was indicative of a shift in people’s focus from economic prosperity to a more fundamental feeling of emotional enrichment.

With a view to the new society emerging amid these changes, the Yamaha Group sees an increasingly wide range of opportunities to seize, as part of its quest to create excitement and cultural inspiration with the combination of its technologies and sensibilities founded on sound and music. At the same time, we recognize that the business environment also presents risks of economic stagnation and unpredicted supply chain disruptions due to the COVID-19 pandemic. Such changes to the business environment were considered when defining material issues.

**A New Society Brought about by Business Environment Changes**

The COVID-19 pandemic has rapidly changed people’s awareness and the environment, as part of the transition to the new post-COVID-19 society.

- In an era in which people seek more fundamental forms of fulfillment, sound and music are becoming much more essential to people.
- People’s purchasing behavior is shifting to digital and online, thus increasing the number of e-commerce users.
- Changes are underway regarding the way people enjoy sound and music and communicate, such as remote ensembles, online conferences, etc.

The new society offers Yamaha more opportunities to seize through the combination of its technologies and sensibilities.
Material Issues for the Yamaha Group

Based on its medium- to long-term operating environment outlook, the Yamaha Group has defined 10 material issues in the three areas of business foundation, environment and society, and human resources. These issues represent important management priorities.

In the new medium-term management plan, these material issues have been used to shape the three key policies of “further strengthening the business foundation,” “set sustainability as a source of value,” and “enable Yamaha colleagues to be more valued, more engaged, and more committed,” and these three key themes for activities have been defined based on these policies.

Material Issue Identification Process

In identifying material issues, we defined management issues and social issues and then assessed these issues based on their importance to fulfilling our mission (purpose and corporate philosophy) and realizing our management vision and based on input from customers, shareholders, investors, employees, communities, and other stakeholders. The material issues were finalized via resolution of the Board of Directors after discussions by the Management Council and the Board of Directors.

For the area of business foundation, we focused on identifying materials with an emphasis on their impact on business activities in order to select the issues that would be important to fulfilling our mission and realizing our vision given our operating environment. Meanwhile, the areas of environment and society and human resources have been designated as areas for material sustainability issues. For more information, please refer to the following diagrams and to page 44.

Support for the “Well-Being of People around the World”

The Yamaha Group aims to support the “Well-Being of People around the World” through its business activities. Our corporate philosophy is “Sharing Passion & Performance: With our unique expertise and sensibilities, gained from our devotion to sound and music, we are committed to creating excitement and cultural inspiration together with people around the world.” This philosophy serves as the starting point for our actions.

We have been enhancing our corporate value, comprised of our profitability, brand value, and value propositions, at each stage of the medium-term management plan based on our medium- to long-term management vision of “Becoming an Indispensable, Brillantly Individual Company.” In the new stage of “Make Waves 2.0,” we will further increase our corporate value based on our basic policy of enhancing our sustainable growth capability in the new post-COVID-19 society, which has undergone significant changes.
The Yamaha Group positions sustainability as a source of corporate value, as opposed to an obstacle to creating value. Based on this belief, we will advance initiatives from the perspectives of the environment, society, and culture.

We recognize that it is the engagement and commitment of our colleagues that drive all of the value creation activities of the Group. Accordingly, we practice management in a way that draws upon the individuality of all employees to ensure that they can deliver their best possible performance.

The new medium-term management plan aims to further efforts to direct marketing so as to cultivate successful examples of customers being directed toward stores based on direct communication and services that make life with music more enjoyable and to offer new experiences.

Key Themes
1. Further strengthen the business foundation
   - (1) Develop closer ties with customers
   - (2) Create new value
   - (3) Be more flexible and resilient

2. Set sustainability as a source of value
   - (1) Increase job satisfaction

3. Enable Yamaha group to be more values, more efficient, and more competitive
   - (1) Build a value chain that supports the future of the earth and society
   - (2) Enhance brand power and competitiveness by contributing to comfortable lives
   - (3) Foster open organizational culture where people can proactively take on challenges

In Make Waves 2.0, the themes of “develop closer ties with customers” and “create new value,” which were also included in the previous medium-term management plan, were complemented with the new theme of “be more flexible and resilient,” based on the lessons learned from the COVID-19 pandemic.

1.2. Customer Data Platform

Customer Data Platform
Improvement of Customer Data Platform
(Yamaha Music ID) to Develop Closer Ties with Users over Their Lifetime

Capitalizing on the Yamaha Music ID registration systems and customer data platforms built under the previous medium-term management plan, the new medium-term management plan will target the reinforcement of ties with customers in order to create services that contribute to each individual customer.

Make Waves 2.0 Medium-Term Management Plan
Management Strategy

Value Communication
Hybrid Value Appeal Integrating Digital Marketing and Physical Stores
The Yamaha Group aspires to issue communications in a manner that integrates digital marketing and physical stores to expand and improve communications showcasing its product and brand value. In addition, we are integrating customer information into our new digital marketing approach in order to realize a more effective communication approach. We are also expanding our network of brand shops overseas.

Creating New Value
Yamaha is developing new products that combine its strengths in digital and acoustic technologies while building upon the fundamental advantages of its products. We also look to build a business model that forges longer, wider, and deeper ties with customers.

Key Themes
- (1) Build a value chain that supports the future of the earth and society
- (2) Enhance brand power and competitiveness by contributing to comfortable lives
- (3) Foster open organizational culture where people can proactively take on challenges

Services
Acceleration of Lifetime Value Strategy and Develop Services to Make Life with Music More Enjoyable through External Collaboration and User-Generated Content
Yamaha aims to improve lifetime value by forging longer, wider, and deeper ties with customers through the provision of services matched to individual needs based on the understanding gained through its customer data platform. We are currently in the process of integrating Yamaha’s applications and content into a platform tentatively named Yamaha Music Connect to supply services that make life with music more enjoyable and to offer new experiences.

Products
Creation of New Products Unique to Yamaha through the Fusion of Acoustic and Digital Technologies
Yamaha creates unique products and services that other companies cannot mimic through the fusion of the various technologies that underpin its competitive edge. A particular area of focus will be launching products based on this and other new concepts. By releasing products that allow anyone to enjoy sound and music anytime, anywhere, we will seek to generate new value.

Make Waves 2.0 Medium-Term Management Plan
Sensitivities and AI and Network Technologies

Creation of New Emotional Experiences with Advanced Technology and Rich Sensibilities

Yamaha’s competitiveness is supported by the understanding and insight it has fostered in relation to sensitivities during the course of the Company’s long history, which began with musical instrument production. Our core competencies related to sensitivity value will form the basis of our efforts for creating new value through products and services. With this as our foundation, we will seek to create new experience value through the provision of unique products and services that the competition cannot mimic. These offerings will be developed by combining acoustic and digital technologies, data analysis and cloud technologies, and artificial intelligence (AI) and network technologies that connect people and accommodate their individual preferences.

AI technology that enables each person’s individual needs

Sensibility for value creation

Network technology that connects people

Sensitivities and AI and Network Technologies

AI technology that accommodates each person’s individual needs

Sensibility for value creation

Network technology that connects people

AI and Network Technologies

Furnish Responses to Climate Change

In pursuit of its goal of achieving carbon neutrality by 2050, Yamaha is seeking to lower CO2 emissions from office energy use by conserving energy and shifting toward renewable energy. We thereby aim to reduce CO2 emissions by 5% through energy conservation (CO2 emissions – Production volume) in comparison to fiscal 2018. Another focus is reducing the energy consumption of products. Meanwhile, reductions to CO2 emissions from procurement and logistics are being pursued through coordination with suppliers and measures for increasing logistics loading efficiency.

Digital Transformation

New Value Creation and Process Transformation through Digital Transformation

Make Waves 2.0 describes the utilization of data for new value creation and process transformation. To create new value, we will make use of customer data to provide everyone with the ideal services. At the same time, we will develop systems for applying our accumulated sound and music performance and sensitivity data to new technologies while coordinating these systems with various internal and external frameworks in order to propose new experiences. Process transformation, meanwhile, will be promoted through the assignment and development of employees who are proficient in data. We will also build platforms for easy tracking and visualization of conditions through data. Furthermore, Yamaha is planning the full-fledged implementation of a new supply chain management system that connects all stages of the supply chain, spanning from production to use by customers, in order to coordinate information from various regions and optimize decision-making processes. Standardizing and streamlining sales processes and production management will be another area of focus. Currently, systems and operating processes sometimes differ between bases. To rectify this issue, we will pursue standardization by introducing a shared enterprise resource planning (ERP) system and consolidating information through this system to achieve highly accurate operations.

Be More Flexible and Resilient

To become an entity more capable of operating environment changes, Yamaha is bolstering its procurement and production systems and enhancing the production capabilities of existing factories. We have therefore earmarked ¥35.0 billion for investment in production infrastructure over the period of the new medium-term management plan. In addition, investments will be conducted to reinforce our development platform by constructing a new R&D base in the Tokyo metropolitan area and ramping up our use of external resources and alliances. In addition, digital transformation will be used as a tool for reformatting processes and creating new value.

Manufacturing and Technology Development

Strengthening of Supply Capacity to Respond to Demand and Environmental Changes

Because the Company suffered serious impacts from the COVID-19 pandemic, Yamaha is working to strengthen the resilience of its procurement and production systems. As one facet of these efforts, we are strategically limiting numbers of suppliers and components and increasing our emphasis on risks in managing these processes. In the past, specific items were produced only at a single factory. However, we have recently been revising our global production system to optimally produce items in multiple areas. We thereby look to achieve ongoing improvements in quality, cost, delivery, safety, and environment (QCDSE) factors, regardless of country risks or other operating environment changes. In addition, we are also being pursued to improve the capabilities of existing factories. Specifically, we are actively developing factories that employ AI, IoT, and sensor technologies. Meanwhile, the production capacities of factories in Indonesia and India are being augmented to accommodate growing demand.

Investment in production infrastructure ¥35 billion

Production area 1

Production area 2

Supply required

Supply available

Development of production systems in multiple areas to reduce impacts of halts to production in one area by supplying products from other areas

Enhancement of Development Platform to Generate Innovation

The Innovation Center, a new R&D base established in 2018, consolidates our engineers in order to facilitate the creation of unique products and innovations by merging wide-ranging technologies. We are also moving forward with the construction of a new base scheduled for completion in the Tokyo metropolitan area in 2024. This base will function as a hub for brand communication and sales activities while also introducing new research and development in this area.

Digital Transformation

New Value Creation and Process Transformation through Digital Transformation

Make Waves 2.0 prescribes the utilization of data for new value creation and process transformation. To create new value, we will make use of customer data to provide everyone with the ideal services. At the same time, we will develop systems for applying our accumulated sound and music performance and sensitivity data to new technologies while coordinating these systems with various internal and external frameworks in order to propose new experiences. Process transformation, meanwhile, will be promoted through the assignment and development of employees who are proficient in data. We will also build platforms for easy tracking and visualization of conditions through data. Furthermore, Yamaha is planning the full-fledged implementation of a new supply chain management system that connects all stages of the supply chain, spanning from production to use by customers, in order to coordinate information from various regions and optimize decision-making processes. Standardizing and streamlining sales processes and production management will be another area of focus. Currently, systems and operating processes sometimes differ between bases. To rectify this issue, we will pursue standardization by introducing a shared enterprise resource planning (ERP) system and consolidating information through this system to achieve highly accurate operations.

Sustainability Use Timber

Yamaha is teaming up with government agencies and academic organizations to advance Forest-Tone activities for promoting sustainable forestry together with communities around the world. We thereby aim to ensure that we can continue to procure high-quality timber suited to the production of musical instruments into the future. In addition, we emphasize sustainability in timber use and are advancing research on alternative timber resources with acoustic performance surpassing existing resources.

Realize Resource Savings and Reduce Waste and Hazardous Substances

We seek to reduce new use of finite resources and curb waste through use of recycled and renewable materials and reductions to plastic use. Yamaha is also enhancing its maintenance and repair technologies and service systems and bolstering product renovation and upgrade offerings to extend product life spans. In addition, we are accelerating efforts to cut down on the use of volatile organic compounds and other hazardous substances in coatings and adhesives.

Path to Achieving Carbon Neutrality (Scope 1 and Scope 2)

Note: CO2 emissions ÷ Production volume; compared with fiscal 2018

Reduction of CO2 emissions by conserving energy

Furnish Responses to Climate Change

In pursuit of its goal of achieving carbon neutrality by 2050, Yamaha is seeking to lower CO2 emissions from office energy use by conserving energy and shifting toward renewable energy. We thereby aim to reduce CO2 emissions by 5% through energy conservation (CO2 emissions – Production volume) in comparison to fiscal 2018. Another focus is reducing the energy consumption of products. Meanwhile, reductions to CO2 emissions from procurement and logistics are being pursued through coordination with suppliers and measures for increasing logistics loading efficiency.

Digital Transformation

New Value Creation and Process Transformation through Digital Transformation

Make Waves 2.0 prescribes the utilization of data for new value creation and process transformation. To create new value, we will make use of customer data to provide everyone with the ideal services. At the same time, we will develop systems for applying our accumulated sound and music performance and sensitivity data to new technologies while coordinating these systems with various internal and external frameworks in order to propose new experiences. Process transformation, meanwhile, will be promoted through the assignment and development of employees who are proficient in data. We will also build platforms for easy tracking and visualization of conditions through data. Furthermore, Yamaha is planning the full-fledged implementation of a new supply chain management system that connects all stages of the supply chain, spanning from production to use by customers, in order to coordinate information from various regions and optimize decision-making processes. Standardizing and streamlining sales processes and production management will be another area of focus. Currently, systems and operating processes sometimes differ between bases. To rectify this issue, we will pursue standardization by introducing a shared enterprise resource planning (ERP) system and consolidating information through this system to achieve highly accurate operations.
Create a text representation of the given document. Please include any relevant headings, subheadings, and bullet points. The text should be in a readable, natural format without any excessive formatting or symbols.

**Society: Enhance Brand Power and Competitiveness by Contributing to Comfortable Lives**

- By supplying products and services that benefit people in relation to remote and non-face-to-face interactions, Yamaha aspires to respond to the needs of the new society. We are also promoting respect for human rights across the value chain in order to contribute to the realization of an equal society. As a distinctively Yamaha initiative, we are dedicated to the protection of health and safety as it pertains to sound by installing the Listening Care function in audio products and by taking other measures.

**Creation of Remote Environments for the New Society**

Yamaha possesses unique technologies and know-how pertaining to the creation of enjoyable and immersive remote performances and lessons and the facilitation of high-quality, natural, and remote communication. By utilizing these technologies and know-how, we will support comfortable lifestyles in order to create secure and satisfying spaces for the new society.

**On-site audits of 60 suppliers**

**Contribution to Sound-Related Health and Safety**

Yamaha proposes a variety of solutions built on its sound technologies. These solutions include earphones equipped with its proprietary Listening Care technology for reducing the burden placed on user ears as well as in-vehicle communication modules for emergency reporting systems.

Using sound technologies to contribute to the resolution of social issues and protect the health and safety of people will continue to be a focus under the new medium-term management plan.

**Contribution to Local Music Cultures**

Yamaha is developing products that incorporate local musical traditions and expanding its local software content offerings in order to help preserve and develop local music cultures. Other efforts to contribute to the promotion and development of music culture include the cultivation of instructors and technicians along with activities for supporting aspiring musicians and music researchers. In addition, we are broadening the scope of our LovePiano* activities with the goal of making people feel more familiar with the piano.

* Piano installed at train stations, airports, commercial facilities, etc., that the public can freely play

**Enable Yamaha Colleagues to Be More Valued, More Engaged, and More Committed**

- We are committed to building a comfortable workplace environment that promises psychological safety while fostering an organizational culture founded on mutual respect. We are also moving ahead with reforms to cultivate an organizational culture that encourages employees to tackle new challenges without fear of failure in order to ensure that our culture offers a comfortable workplace founded on mutual respect.

**Increase Job Satisfaction**

- Yamaha is dedicated to human rights education and due diligence activities. In addition, we are empowering female employees and taking other steps to develop a diverse staff. With the foundations built through these efforts, we will practice management that capitalizes on the individuality of diverse human resources.

**Promote Respect for Human Rights and DE&I**

- We are committed to building a comfortable workplace environment that promises psychological safety while fostering an organizational culture founded on mutual respect in which ambitious undertakings and co-creation are born of the knowledge and ideas of diverse individuals.
To further strengthen our business foundation, we will make greater use of digital marketing and our customer data platform to forge stronger connections with customers. At the same time, we will conduct investments surpassing those performed under the previous medium-term management plan in order to propose new value and bolster resilience. Setting sustainability as a source of value, our first priority will be to expand the School Project to other countries as part of our efforts to promote music culture.

The Company will also look to reduce its environmental impact by increasing its use of sustainable timber, cutting CO2 emissions through energy-saving activities, and helping conserve resources. Our efforts to enable Yamaha employees to be more valued, more engaged, and more committed, meanwhile, will include increasing the ratio of female managers and striving to make the Company a more comfortable and motivating place at which to work.

Financial Indicators

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>20%</th>
<th>Core operating profit ratio: 14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving both growth and profitability</td>
<td>10% or more</td>
<td>ROIC: Cost of shareholders' equity × 10%</td>
</tr>
<tr>
<td>Operating cash flows</td>
<td>¥170 billion (For 3 years)</td>
<td>Depreciation: ¥6 billion</td>
</tr>
<tr>
<td>Investments and shareholder return</td>
<td>¥170 billion (For 3 years)</td>
<td>Strategy investments: ¥6 billion</td>
</tr>
<tr>
<td>Net income</td>
<td>¥12 billion</td>
<td>Non-current investments: ¥10 billion</td>
</tr>
<tr>
<td>Shareholder return</td>
<td>¥10 billion</td>
<td>Non-viability investments: ¥10 billion</td>
</tr>
<tr>
<td>Total return ratio</td>
<td>50% over three years</td>
<td>Same level as depreciation</td>
</tr>
</tbody>
</table>

* As of March 31, 2022
** ROIC = Core operating profit after income taxes / (Equity attributable to owners of parent + Interest-bearing debt)
We will pursue higher levels of corporate value by advancing strategies based on the three key policies of the new medium-term management plan to accomplish our non-financial and financial targets.

### Review of Fiscal 2022

In fiscal 2022, the final year of Make Waves 1.0, our previous medium-term management plan, we were unfortunately unable to meet any of the financial targets set out by the plan. This failure was largely a result of the substantial restrictions placed on Yamaha’s production and sales activities due to the impacts of the global COVID-19 pandemic and worldwide semiconductor and maritime transportation container shortages. Although performance fell short of our targets, we saw growth nonetheless, with revenue of ¥408.2 billion, up ¥35.6 billion on year; core operating profit of ¥43.0 billion, an increase of ¥2.3 billion; and profit attributable to owners of parent of ¥37.3 billion, a rise of ¥10.6 billion. These upturns were supported by solid demand. It is our policy to reflect cost increases in product selling prices, but we were unable to fully do so in fiscal 2022. The portion of cost increases unable to be reflected will thus be an issue to be addressed in fiscal 2023, which we will go about doing while also reflecting any further hikes to costs that might occur. We also see a need to bolster the resilience of our supply chains given the potential for us to become unable to deliver our products if we are to accomplish our target of 14% for the core operating profit ratio amid the rising costs of procurement, production, and transportation.

### Growth under the New Medium-Term Management Plan

Make Waves 2.0, the new medium-term management plan launched in April 2022, targets revenue growth of 20%, a core operating profit ratio of 14%, and ROE and ROIC of 10% or more. For revenue, we look to achieve a figure of ¥500.0 billion in fiscal 2025, which will be reached in part by growing our musical instruments, industrial machinery and components, and others businesses. In addition, we will work to reinvigorate the growth of the audio equipment business, which has been struggling due to sluggish demand amid the COVID-19 pandemic and the supply shortfalls resulting from the difficulties in procuring semiconductors. Our regional approach will entail incorporating the growth of China and other emerging markets while expanding operations in the large market of North America and other mature markets. If we are to improve the core operating profit ratio, it will be important to grow revenue in order to take advantage of the high marginal profit ratio of existing businesses that represents a strength of Yamaha. In addition, we will seek to heighten our earnings capacity through an approach combining revenue growth with selling price increases, cost reductions, and new value creation. Moreover, we recognize that there is a need to bolster efforts across the supply chain if we are to accomplish our target of 14% for the core operating profit ratio amid the rising costs of procurement, production, and transportation.

### Cash Allocation Policy

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, flexibility will be carried in shareholder returns in an appropriate manner with the aim of improving capital efficiency
Yamaha has almost no interest-bearing debt, and we do not plan to adopt a management approach of exerting leverage in the future. Accordingly, we will be pursuing our targets for ROE and ROIC by maintaining our current management approach of improving profit margins and achieving high capital efficiency. ROIC is an indicator for which targets were not set under the previous medium-term management plan. We chose to employ this indicator for the new plan, however, as it is easy to understand for business divisions and therefore effective for unifying frontline business efforts and groupwide management strategies.

### Shareholder Returns

- **Acquisition of treasury stock ¥50 billion**
- **Depreciation expense ¥40 billion**
- **Dividend payment ratio 10%**
- **Shareholder returns ¥170 billion**
- **New medium-term management plan**

### Three-Year Plans for Cash Flows

**Operating cash flows** ¥170 billion

**Investments and shareholder returns** ¥170 billion

**Strategic investments** ¥65 billion

**Regular investments** ¥40 billion

**Depreciation expense** ¥40 billion

**Net income** ¥130 billion

**Non-income** ¥50 billion

**Shareholder returns and dividends** ¥65 billion

**Sustainability** ¥50 billion

**Marketing and R&D** ¥45 billion

**New businesses** ¥30 billion

**Sustainability** ¥25 billion

**Marketing and R&D** ¥15 billion

### Focuses of the New Medium-Term Management Plan

**Make Waves 2.0** is a plan that is not preoccupied with addressing the management issues we face in the short term. Rather, it was formulated to use a backcasting approach from our medium- to long-term vision to determine our strategies so that we can focus on how to bridge the gap between our current position and our vision. To paint a clearer picture of this gap in the new medium-term management plan, we have defined material issues that will be addressed on a priority basis by management and positioned the plan as a collection of measures and initiatives for tackling these issues.

This plan was created over a period of around 18 months. Before we get into the essentials of the plan, we used the first six months to engage in in-depth discussions regarding sustainability as part of formulating the overall directives and policies for the plan. Then, over the remaining 12 months, we narrowed down the measures and targets to be pursued under the plan. Through this process, we sought to align employees and management toward a common goal and to lay the groundwork for a constructive dialogue. Dialogue was also a focus at meetings of the Board of Directors as we actively allocated time for discussions and thereby gathered a variety of options and advice from outside directors. One area regarding which advice was received was digital transformation. The executive team is prepared to look primarily at the process reform side of digital transformation, but outside directors reminded us that the fundamental purpose of digital transformation is to create value. This realization provided a new launchpad for discussions on our digital transformation measures.

It was two medium-term management plans ago when Yamaha first put forth contributing to the realization of a sustainable society as a priority theme, and we have continued to evolve our initiatives with this regard ever since. Yamaha does not view sustainability as being separate from its business. Rather, sustainability is positioned as the foundation for our management and business activities. The position of sustainability within Yamaha’s management is apparent in not only how we explain the non-financial targets of the new plan but also in the scope and level of detail of said non-financial targets.

One particularly noteworthy element of Make Waves 2.0 is the inclusion of the policy of “enable Yamaha colleagues to be more valued, more engaged, and more committed.” The decision to include this policy was made based on internal discussions on the importance of gaining the understanding of employees and empowering them in their efforts.

One of our measures for empowering employees in this manner is global human resource management. We recently set up a dedicated global human resource organization within our personnel department and appointed a non-Japanese individual to head this organization. We anticipate that this organization will drive initiatives for trying diversity to growth based on ideas and perspectives not found among our Japanese staff. We have also begun building frameworks for spurring autonomous action by employees, which is an important element of human resource management. In particular, we are installing these frameworks at domestic Group companies. At the same time, discussions are moving ahead centered on the personnel department about how best to encourage employees to take a serious look at their careers and to support them in career advancement. Furthermore, we have been issuing employee engagement surveys to gauge how our efforts are contributing to employee empowerment. Previously limited to Japan, the scope of these surveys has been expanded to include all 14,000 Yamaha Group employees working across the globe.

Using survey questions developed by an external specialist firm, as opposed to creating our own survey questions, has allowed us to measure changes over time while also comparing our scores with those of other global organizations. We expect that this approach will make it possible to highlight the unique characteristics of Yamaha while also identifying its issues through comparison with other companies. These surveys will be issued on an annual basis to analyze the results of our efforts and to guide future initiatives.

### In Closing

It is currently very difficult to accurately assess the operations environment or the level of risks. Given this uncertainty, we are faced with the pressing task of strengthening the resilience of our supply chains to build a robust corporate constitution that drives growth with change. Our new medium-term management plan has received a lot of praise from investors. By moving ahead with the measures prescribed in this plan, we aim to demonstrate the full capacity of the Yamaha Group.

I hope that our shareholders, investors, and other stakeholders will continue to provide their frank opinions and advice and offer Yamaha their ongoing support and understanding.

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*Yamaha Group Annual Report 2022*
SUSTAINABILITY MANAGEMENT

Today, numerous environmental and social risks are materializing on a global scale, placing humanity at a crossroad staring down two paths: one to a sustainable society and one to an unsustainable society. As a responsible organization, the Yamaha Group places sustainability at the heart of its management and business activities. We also engage with stakeholders based on an understanding of the environmental and social impacts of our business activities and in accordance with the Yamaha Group Sustainability Policy. We are thus accelerating various initiatives to help shape a sustainable society.

Sustainability Promotion System

Under the guidance of the Board of Directors, Yamaha Corporation has established the Sustainability Committee as an advisory body to the president. This committee is tasked with discussing directives for Group-wide sustainability initiatives, monitoring initiatives for each division, and reporting to the president on these matters. The Board of Directors receives reports on the deliberations and findings of the committee with regard to matters such as revisions to material issues and sustainability policies, and provides approval as appropriate after discussing these matters. Five working groups—the Working Group for Climate Change, Working Group for Resource Circulation, Working Group for Procurement, Working Group for Human Rights, DE&I, and Working Group for Social and Cultural Contributions—have been formed under the Sustainability Committee to formulate activity policies for important Group-wide themes and monitor trends in their respective areas. The working groups act on a cross-business basis by coordinating with the relevant divisions to advance activities based on the theme of their assigned area.

Yamaha Group Sustainability Policy

Throughout its long history, the Yamaha Group has made various efforts to promote people’s “well-being,” while remaining conscious of its connection with nature, society, and culture. Our products, made of timber and other natural materials and carefully finished by skilled craftsmen, have been handed down from generation to generation and, with some products being given new life through renewal, loved by many people. In addition to simply selling products, we have also contributed to promoting the spread and development of music culture in various countries and regions around the world as our own business. These activities range from the spread of instrumental music education for children and the development of music schools to the support of top artists. These ideas and initiatives are in line with social sustainability and have been passed down through the Company’s more than 130-year history, shaping the “distinctive brand identity of Yamaha.”

Yamaha Group Sustainability Policy

The Yamaha Group aims to create a society that realizes the well-being of all people around the world. To achieve this goal, we will work to protect our one precious earth and contribute to the development of an equal society, comfortable lives, and a music culture that enriches people’s hearts and minds, with our corporate philosophy of “Yamaha Philosophy” as the foundation to draw from. At the same time, we will not only respect for human rights but also create an environment in which diverse human resources can respect each other and actively play a role. Through these initiatives, we will continue to create excitement and cultural inspiration together with people around the world. Based on this concept, we have identified materiality and will actively promote sustainability activities to enhance our medium-to-long-term corporate value through the creation of social value by working toward the realization of a sustainable society.

Purpose

Well-Being of People around the World

What we protect and develop

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Earth</th>
<th>Society</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precious global environment</td>
<td>Equal society and comfortable lives</td>
<td>Diversity and mutual respect</td>
<td></td>
</tr>
</tbody>
</table>

We hope to realize an equal society and comfortable lives for all people. We will contribute to regional communities and society through our accumulated technologies and expertise to address various social issues as well as efforts that only we could do. Furthermore, the power of music that enriches people’s hearts and minds is indispensable for smiles and “Well-Being of People around the World.” We will drive the development of music culture through the supply of products of various genres and music promotion activities.

Great vitality is generated by mutual respect among diverse human resources, inspiring and collaborating with each other. This vitality is the key to create social values and improving corporate value. In addition to respecting the human rights of all people, we will maximize the vitality of the people who work with Yamaha by creating an environment and climate in which diverse human resources respect each other and can play active roles.

Materiality

- Response to climate change
- Contribution to an equal society and comfortable lives
- Respect for human rights in the value chain
- Spread and development of music culture
- Respect for human rights and DE&I
- Foster open organizational culture where people can proactively take on challenges

Fiscal 2022 Sustainability Committee Meetings

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Major Agenda Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 times</td>
<td>Revision of material issues and sustainability policies</td>
</tr>
<tr>
<td></td>
<td>Reduction to long-term targets and measures related to carbon neutrality, resource conservation, waste reduction, sustainable timber procurement, human rights, and diversity</td>
</tr>
<tr>
<td></td>
<td>Priority areas for contributing to social issue resolution and social and cultural outreach through products and services</td>
</tr>
</tbody>
</table>

FISCAL 2022 SUSTAINABILITY COMMITTEE MEETINGS

Meetings: 10 times

Major Agenda Items:
- Revision of material issues and sustainability policies
- Reduction to long-term targets and measures related to carbon neutrality, resource conservation, waste reduction, sustainable timber procurement, human rights, and diversity
- Priority areas for contributing to social issue resolution and social and cultural outreach through products and services

Corporation Strategy

Yamaha Group Annual Report 2022
**Sustainability Management**

The Yamaha Group has defined material sustainability issues for contributing to sustainable development and development of long-term improvements in corporate value based on the impact of its business activities on the environment and society as well as on stakeholder expectations and social demands. Initiatives for addressing these issues are currently underway.

### Material Sustainability Issues

The Yamaha Group’s Value Chain has identified material sustainability issues based on in-depth analysis utilizing the United Nations (UN) Sustainable Development Goals (SDGs) and others. The level of priority for these issues was then assessed based on input from customers, employees, and community members, ESG evaluation criteria, opinions and requests from NGOs, advice from external experts, and corporate philosophy and management vision; and medium- to long-term management policies. In fiscal 2022, the Group reviewed material sustainability issues to integrate these into the material issues used for overall corporate management.

In addition, the Group has formulated basic policies, priority themes, key performance indicators (KPIs), and targets based on these material issues under the new medium-term management plan (please see pages 28 and 36).

Furthermore, KPIs for gauging the progress of measures related to the identified material sustainability issues by the Sustainability Committee working groups and related divisions was established along with related targets and action plans. The Sustainability Committee is responsible for monitoring the progress of initiatives pertaining to material issues.

#### Major Sustainability KPIs and Targets of Make Waves 2.0

<table>
<thead>
<tr>
<th>Category</th>
<th>Materiality</th>
<th>KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>Reduce CO₂ emissions be 5% through energy conservation</td>
<td>Increase renewable energy generation equipment by 10%</td>
</tr>
<tr>
<td></td>
<td>Maintain indoor on CDP Climate Change A List</td>
<td>Install Listening Care function for reducing burden on ears by delivering high quality sound at low volumes into all new headphones and earphones</td>
</tr>
<tr>
<td></td>
<td>Improve logistics packing efficiency by 5%</td>
<td>Reduce high-quality, non-realtime communication (companies, schools, etc.)</td>
</tr>
<tr>
<td></td>
<td>Increase rate of sustainable timber use to 75%</td>
<td>Develop Sustainable Piano/choicemaking Piano that can be enjoyed by anyone, including senior citizens and people with disabilities</td>
</tr>
<tr>
<td>Sustainable use of timber</td>
<td>Cullivate and preserve three scarce tree species necessary for musical instrument production (Sone Forest activities)</td>
<td></td>
</tr>
<tr>
<td>Resource savings, reduction of waste and hazardous substances</td>
<td>Eliminate plastic packaging used for newly launching small products</td>
<td></td>
</tr>
<tr>
<td>Contribution to an equal society and comfortable lives</td>
<td>Install catering care function for reducing burden on ears by delivering high quality sound at low volumes into all new headphones and earphones</td>
<td></td>
</tr>
<tr>
<td>Respect for human rights in the value chain</td>
<td>Conduct on-site audits of suppliers (80 companies)</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>Increase number of students enrolled at overseas music school by 100,000</td>
<td>Increase job satisfaction by 20% regarding motivation on employee engagement surveys</td>
</tr>
<tr>
<td></td>
<td>Promote instrumental music education at schools in emerging countries (Global Project)</td>
<td>Double human resources investment</td>
</tr>
<tr>
<td></td>
<td>Provide instrumental music education opportunities to aggregate total of 2.3 million in 10 countries</td>
<td></td>
</tr>
<tr>
<td>Society</td>
<td>Increase improving rate of employees offering positive responses</td>
<td>Increase job satisfaction</td>
</tr>
<tr>
<td></td>
<td>on their survey results regarding motivation on employee engagement surveys</td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>Double human resources investment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Achieve global ratio of female managers of 19%</td>
<td>Conduct cross-border positioning of 36 individuals</td>
</tr>
<tr>
<td></td>
<td>Conduct cross-border positioning of 36 individuals</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improve improving rate of employees offering positive responses</td>
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<tr>
<td></td>
<td>on their survey results regarding workplace comfort on employee engagement surveys</td>
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</tbody>
</table>

For more information on material sustainability issues, please refer to the following website: [https://www.yamaha.com/en/csr/materiality/](https://www.yamaha.com/en/csr/materiality/)

**Participation in Initiatives and Activities Related to the SDGs**

With a commitment to cooperating and forming ties with global society, Yamaha strives toward building a sustainable society. Yamaha signed the UN Global Compact in June 2011 and is participating in various other initiatives. The Group is also actively contributing to the accomplishment of the SDGs, which are the goal of shared targets embraced by global society, through its business activities. Yamaha emphasizes the goals and targets of the SDGs in the development of products and services and in efforts to improve business processes. Specific examples of these efforts include advancing music promotion activities to contribute to Goal 4 “Quality education” and practicing sustainable timber procurement to help achieve Goal 12 “Responsible consumption and production” and Goal 15 “Life on land.”

**Environmental Management Systems**

The Yamaha Group has created a system for promoting global environmental preservation activities that is overseen by the managing executive officer responsible for environmental issues of the Yamaha Group. In addition, the Climate Change Working Group, the Resource Circulation Working Group, and the Procurement Working Group have been positioned under the Sustainability Committee, which is chaired by the president, to engage in discussions regarding important sustainability issues, such as addressing climate change and procuring timber in a sustainable manner. Based on Groupwide environmental rules and regulations, we have established an integrated environmental management system for all domestic business sites while overseas sites develop their own environmental management systems based on the regulatory frameworks of their respective country or region.

**Major Initiatives and Results under Make Waves 1.0**

**Furnish Responses to Climate Change**

At the Yamaha Group, the Working Group for Climate Change seeks to contribute to the global movement to reduce greenhouse gas emissions. At the same time, we are prepared for the potential impact of climate change by identifying risks, formulating mitigation measures, and incorporating these into business strategies.

Endorsing the goals of Science Based Targets, an international initiative encouraging companies to formulate greenhouse gas emissions reduction targets in accordance with scenarios based on scientific evidence, the Yamaha Group has received certification from this initiative for reduction targets. Originally, the Group had targeted a 32% reduction in Scope 1 and Scope 2 emissions, but we later raised this target to 55% in light of the global community’s push for carbon neutrality. This ambitious target has been certified by Science Based Targets as a target of helping limit the average rise in global temperatures to 1.5°C above pre-industrial levels. In addition, the Group declared its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and committed to initiatives for analyzing the impact of climate change on its finances and disclosing related information.

The Yamaha Group fully introduced an internal carbon pricing system in April 2022. This system motivates the Company to invest in renewable energy and in facilities with higher levels of energy efficiency and is expected to drive investment in solar power and other renewable energy generation equipment.

**Sustainability Use Timber**

The Yamaha Group has established a due diligence system to prevent the procurement of timber from illegal sources, and promotes a strict confirmation process for the legality of timber harvesting through site visits and surveys of documents for procurement sources. The Group conducts surveys targeting all business partners from which timber was purchased to assess the place of origin, the legality of harvesting, and the sustainability of relevant resources. Based on the results, we perform stricter verification of legality for timber deemed to represent a high risk by undertaking further investigations including local site visits and assessments by a committee comprised of members of the timber procurement division and the sustainability division. We confirmed that 99.4% (tonnage ratio) of procured timber was low risk in fiscal 2022. The Group conducts such surveys each year with the cooperation of timber suppliers and is aiming to achieve a 100% rate of low-risk timber procurement. Additionally, we are actively adopting certified timber. Certified timber constituted 52% of timber purchase in fiscal 2022 (tonnage ratio). The Group was thereby able to realize the goal of achieving a 50% ratio of certified timber use over the three years leading up to fiscal 2023 set in the medium-term management plan announced in April 2019.

**Realize Resource Savings and Reduce Waste and Hazardous Substances**

The Yamaha Group strives to use less resources in its products from a variety of standpoints, such as lowering product size and weight, integrating several products into one, reducing sizes, and cutting down on product packaging and cushioning. Furthermore, the Group is also engaged in efforts that will ultimately lead to less use of resources, such as extending the lifespan of its products and developing its piano renewal business.

In addition, the Yamaha Group is developing alternative materials that can be substituted for scarce timber and adopting sustainable materials, such as biomass-derived resins, as well as recycled plastics for use in its products.

For more information on environmental initiatives, please refer to the following website: [https://www.yamaha.com/en/csr/environment/](https://www.yamaha.com/en/csr/environment/)
Endorsement of the TCFD Recommendations

Rapid climate change poses a major threat to humanity and to all life-forms on earth. We recognize the compelling threat and contributing to the degeneration of society is corporate responsibilities and important management issues.

In fiscal 2019, the Yamaha Group declared its endorsement of the recommendations of the TCFD and commenced initiatives for analyzing the risks and opportunities for its business created by climate change. This information is reflected in management strategies, and information on the financial impacts of these risks and opportunities is disclosed.

Yamaha's Initiatives

**Governance**

Climate change and other important sustainability issues are discussed at meetings of the Sustainability Committee, which is an advisory body to, and chaired by, the president that was established in January 2021, after which these matters are discussed and examined by the Board of Directors to make for a system of appropriate supervision by the Board of Directors. The Sustainability Committee met 10 times in fiscal 2022.

**Measures for responding to climate change-related risks and opportunities** are discussed by the Working Group for Climate Change, a working group chaired by a managing executive officer positioned under the Sustainability Committee, and the results of these discussions are reported to the Sustainability Committee.

In fiscal 2022, Yamaha revised its sustainability priorities (materiality), the management issues with the potential to impact corporate value over the medium to long term, to include climate change among these issues. The new medium-term management plan “Make Waves 2.0” launched in April 2022 defines “set sustainability as a source of value” as one of its key policies, thereby positioning response to climate change as a central theme of the plan.

**Strategy**

Scenario analyses have been performed to confirm the potential impacts of climate change on the Yamaha Group. The specific scenarios utilized were the Sustainable Development Scenario (global warming of less than 2°C above pre-industrial levels) and the NZE Scenario (net-zero emissions by 2050 and global warming of 1.5°C above pre-industrial levels) based on the 2021 World Energy Outlook of the International Energy Agency (IEA) for transition risks and the Representative Concentration Pathway (RCP) 8.5 (global warming of 4°C above pre-industrial levels) scenario from the Fifth Assessment Report of the Intergovernmental Panel on Climate Change for physical risks. Applied to all businesses, these assessments were used to identify short-term, medium-term, and long-term risks and opportunities.*

* Risks and opportunities are classified as “short-term” if their impacts will most strongly felt over the next several years, “medium-term” if their impacts will be felt leading up to 2050, and “long-term” if the impacts may appear in 2080.

**Major Climate Change-Related Risks and Opportunities**

**Transition Risks**

**Major Short-Term Risks**

Major short-term risks include the risks of companies withdrawing from the timber business due to decarbonization trends, resulting in difficulties procuring timber.

The Yamaha Group has proceeded to raise the rate at which it uses certified timber, which can be procured reliably, from the perspective of the sustainability of forest resources, and our ratio of certified timber use was 52% on March 31, 2023. In addition, with our dedicated timber-related technology and procurement divisions, we have accumulated the expertise necessary to quickly switch to an alternative source should it become difficult to procure timber from a specific location.

**Major Medium-Term Risks**

Major medium-term risks include the potential for the institution of various measures aimed at the realization of a decarbonized society to lead to higher energy prices and additional costs resulting from carbon pricing systems.

To combat these risks, we altered our prior greenhouse gas emissions reduction target, which had been certified by Science Based Targets as a target for limiting global warming to 2°C above pre-industrial levels, and received certification for the new target in September 2021, indicating it as being viable for limiting global warming to 1.5°C above pre-industrial levels. Initiatives in pursuit of this target include advancing Company-wide energy conversation activities, utilizing renewable energy, developing energy-efficient products, streamlining logistics processes, and bolstering engagement with suppliers. In addition, we have fully introduced an internal carbon pricing scheme for the purpose of facilitating investment in low-emissions equipment and installed emissions-reducing provisions into new Company buildings. By accelerating initiatives to achieve this more ambitious target, we aim to mitigate various transition risks.

**Major Long-Term Risks**

Global warming threatens to change the environments in which the timber we process and its products exist, which may affect the degree to which certain musical instruments can be produced. The Yamaha Group undertook an investigation that looked at scarce and difficult-to-substitute tree species from which its products’ timber was derived and based this investigation on an academic thesis. This investigation indicated a possibility that the environments in which these tree species are cultivated might shrink as a result of global warming. Should it become difficult to procure timber from these tree species, resulting in increases in raw material prices, it would constitute a business risk. For this reason, we will carefully monitor circumstances related to the production of these tree species in the future and make preparations so that, should it be deemed that our operations might be impacted by these circumstances, we will be able to quickly shift to alternative tree species.

Furthermore, the Group exercises due diligence in verifying the legality of tree harvesting methods to ensure that it does not purchase illegally harvested timber and thereby jeopardize its ability to continue procuring timber in a sustainable manner. We are also pursuing ongoing improvements to our business resilience through multifaceted initiatives. One such initiative is the Tone Forest activities we engaged in with timber-producing communities to foster high-quality resources used for manufacturing musical instruments with regard to scarce timber that may become more difficult to secure due to climate change.

With regard to floods and other risks, we completed establishment of business continuity plans (BCPs) for all Yamaha business sites around the world. We have also taken precautionary measures such as installing drainage equipment to safeguard against damages from typhoons, floods, and other natural disasters projected on an individual business site basis. In addition, we have implemented measures such as revising the locations and structure of Company business sites and even external warehouses.

Furthermore, based on scenarios assuming global warming of 4°C above pre-industrial levels and once-in-a-century flooding in 2050, flooding risks and the effectiveness of flooding countermeasures were assessed for Yamaha Group bases, major distribution bases, and suppliers located in near-coastal areas susceptible to floods around the world. These assessments found that no sites were at particularly high risk of flooding.

**Opportunities**

**Major Medium-Term Opportunities**

Major medium-term opportunities for Yamaha include the potential for increased demand for its products as people limit movement to help combat climate change. Specifically, it is possible that demand will grow for communication equipment. In addition, the trend toward decarbonization could drive the popularization of EVs, creating the potential for the Yamaha Group to engage in new businesses through which it produces comprehensive sound atmospheres within vehicles as well as the opportunity to win additional support for customers for its audio technologies, which deliver high sound quality from lightweight equipment.

**Major Long-Term Opportunities**

Major long-term opportunities include the possibility that demand for our products will increase as factors like global warming place limitations on outdoor activities. These factors are anticipated to drive growth in demand for a variety of musical instruments as well as for communication equipment. Moreover, by developing alternative materials with characteristics that are even more beneficial than those of the materials currently used, we aim to prepare for the potential depletion of the habits in which the timber suited to musical instrument production is grown. These provisions will allow us to provide value and take advantage of an even wider range of business opportunities.

Metrics and Targets

Reductions to CO2 emissions are managed in a comprehensive manner encompassing the entire Yamaha Group and its supply chains. To facilitate these efforts, the Greenhouse Gas Protocol is used as the standard for calculating total greenhouse gas emissions (Scope 1, Scope 2, and Scope 3 emissions), and third-party verification is received for these calculations.

Yamaha has set the medium-term targets of reducing total Scope 1 and Scope 2 greenhouse gas emissions by 55% is target certified by Science Based Targets as sufficient for helping limit average global warming to below 1.5°C and total Scope 3 greenhouse gas emissions by 30% from fiscal 2018 levels by fiscal 2031. In addition, we have set a long-term target for Scope 1 and Scope 2 emissions of achieving carbon neutrality by fiscal 2051.

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In addition, we have set the goal of achieving a ratio of certified timber use of 5% by fiscal 2022 in order to help preserve forest resources and protect biodiversity. This goal was successfully accomplished in fiscal 2022 with a ratio of 52%. Going forward, we plan to establish internal standards to guide wider-ranging management of timber sustainability. At the moment, we are targeting a ratio of sustainable timber use, as defined based on our internal standards, of 75% by fiscal 2025. Ongoing initiatives will be advanced toward this goal.
## Results of Scenario Analyses

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact Level</th>
<th>Risks and Opportunities</th>
<th>Reason, Impact, and Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement</strong></td>
<td>Short-term risks</td>
<td>Risk of difficulties in procuring timber because of companies withdrawing from the timber business due to deforestation trends</td>
<td>The number of companies targeting net zero emissions is increasing, a trend that is expected to stimulate a rise in demand for forest-associated carbon credits, which is in turn prompting forest owners to withdraw from timber businesses. The impacts of such withdrawals have felt in certain timber-producing regions, but we are taking steps to mitigate the associated risks by utilizing alternative timber producers in different regions.</td>
</tr>
<tr>
<td><strong>Direct operations</strong></td>
<td>Medium-term risks</td>
<td>Risk of additional costs due to institution of increase of carbon prices</td>
<td>The IEA RCP 8.5 (scenario) projects carbon prices of US$130 per t-CO$2 (approx. ¥15,000 per t-CO$2) in Japan, US$350 per t-CO$2 (approx. ¥40,000 per t-CO$2) in China, and US$450 per t-CO$2 (approx. ¥50,000 per t-CO$2) in Indonesia. These carbon prices will result in a rise in costs of approximately ¥15 billion in 2050. However, by accomplishing the greenhouse gas emissions reduction targets, Yamaha put forth based on scenarios projecting global warming of 1.5°C, it should be possible to limit this rise in costs to ¥0.6 billion (yen amounts translated at a rate of ¥115 to US$1).</td>
</tr>
<tr>
<td><strong>Transition risks</strong> (Global warming of 4°C)</td>
<td>Medium-term risks</td>
<td>Risk of additional costs due to increased procurement of renewable energy</td>
<td>The procurement of renewable energy is imperative to achieving significant reductions in emissions. A large portion of Yamaha’s Scope 1 and Scope 2 emissions are associated with electricity, meaning that increased use of renewable energy will be crucial to reducing emissions. Electric purchases accounted for approximately 9.0 billion yen.</td>
</tr>
<tr>
<td><strong>Product demand</strong></td>
<td>Medium-term opportunities</td>
<td>Opportunities created by increased product demand as people limit movement to combat climate change</td>
<td>There has been a trend for people limiting their movement (via airplanes, etc.) to combat climate change, and it is possible that this trend may continue or expand going forward. This transition from outdoor to indoor activity may create opportunities for increasing demand for Yamaha’s communication equipment (headphones, routers, etc.). The trend toward decarbonization is expected to drive the population of electric vehicles. The IEA PREVIEW Scenarios (net zero emissions by 2050) projects sales of EVs will represent 64% of total automobile sales in 2030 and 100% in 2050. This accelerated spread of EVs has the potential to help reduce emissions from automotive sales, and thus will help Yamaha to limit Scope 1 and 2 emissions.</td>
</tr>
</tbody>
</table>

### Potential Changes in Timber Procurement Region Environments from Base Year

<table>
<thead>
<tr>
<th>Tree Species</th>
<th>Region</th>
<th>Average Global Temperature from Pre-Industrial Levels (°C)</th>
<th>Net Change in Procurement Region Environments (% )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Conifer species</strong> A</td>
<td>North America A</td>
<td>-0.5°C</td>
<td>56</td>
</tr>
<tr>
<td>Conifer species B</td>
<td>Europe A</td>
<td>-0.5°C</td>
<td>56</td>
</tr>
<tr>
<td>Broadleaf tree species A</td>
<td>Asia A</td>
<td>-0.5°C</td>
<td>56</td>
</tr>
<tr>
<td>Broadleaf tree species B</td>
<td>Asia B</td>
<td>-0.5°C</td>
<td>56</td>
</tr>
<tr>
<td>Broadleaf tree species C</td>
<td>Europe C</td>
<td>-0.5°C</td>
<td>56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Net Change in Procurement Region Environments (°C)</th>
<th>Net Change in Procurement Region Environments (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCP 8.5 (4°C scenario)</td>
<td>+0.5°C</td>
<td>56</td>
</tr>
<tr>
<td>RCP 2.6 (2°C scenario)</td>
<td>+0.5°C</td>
<td>56</td>
</tr>
</tbody>
</table>

* "Today" represents the average between 1866 and 2005. 
Source: Yamaha Corporation

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**Note:** Certain risks and opportunities have been omitted in reflection of their likelihood of occurrence or potential impact on business.

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**Yamaha Group Annual Report 2022**
HUMAN RIGHTS

To help realize a society in which everyone’s human rights are respected, the Yamaha Group remains keenly aware of its responsibility with this regard and promotes respect for the human rights of all stakeholders touched by its business activities and value chain.

Basic Policy

Based on the UN Guiding Principles on Business and Human Rights, the Yamaha Group has established the Yamaha Group Human Rights Policy. This policy guides the Group as it strives to comply with international norms pertaining to human rights, including those described in the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

In addition, the Working Group for Human Rights, DEAI has been established as part of the Sustainability Committee, which is chaired by the president. This working group is responsible for monitoring human rights due diligence, education, and awareness-raising activities. The Board of Directors, meanwhile, oversees Groupwide human rights due diligence activities based on reports from executive officers.

Promotion of Human Rights Due Diligence

The Yamaha Group is committed to responsibly addressing the potential impacts of its business activities on human rights. To this end, we assess our activities based on international norms on human rights and on the self-assessment items of the UN Global Compact and actively engage in dialogue with stakeholders and experts. Through this process, we identify and specify the human rights risks apparent in our business. The Group works to identify the material human rights issues faced in different industries through participation in the Stakeholder Engagement Program of Caixa Round Table Japan. Also, we began in 2022 to identify human rights issues based on advice received from experts and to revise our frameworks for assessing related risks in order to promote more sophisticated and comprehensive due diligence activities. Moreover, human rights principles are being incorporated into the internal regulations of the Company and Group companies. The status of the protection of employee human rights is monitored based on these regulations with regard to areas such as work conditions and labor-management dialogue, and improvements are pursued as necessary. For production companies in Japan, China, Indonesia, Malaysia, and India, dedicated Company staff members provide support for developing and advising on improvements to occupational health and safety and health management frameworks. We are thereby working to address human rights risks pertaining to employee health and safety and community members.

Suppliers, meanwhile, are asked to sign agreements stipulating compliance with the Yamaha Supplier CSR Code of Conduct, which contains provisions related to worker human rights, occupational health and safety, environmental preservation, and ethics. Adherence with these agreements is regularly confirmed via paper audits. We intend to conduct on-site inspections of suppliers and to ramp up assessments going forward.

Human Rights Education and Awareness-Raising Activities

The Yamaha Group encourages all employees to view human rights as an issue that directly relates to them, and human rights education programs are implemented to help us exercise our corporate responsibility to respect human rights. Specific training activities include e-learning programs and workplace discussions of the Yamaha Human Rights Guidebook, which compiles easy-to-understand information on the UN Guiding Principles on Business and Human Rights and possible human rights violations that may occur during the course of corporate activities. In addition, we hold internal seminars, training sessions, and workshops. These programs are designed to improve employees’ awareness regarding human rights. We have also recently begun holding unconscious bias training as part of our efforts to promote diversity, equity, and inclusion (DE&I). Yamaha’s personnel department monitors the implementation status of human rights education programs at Group companies and supports these companies in advancing self-propelled education programs.

Prevention of Harassment

The Yamaha Group advances comprehensive initiatives for preventing all forms of workplace harassment. The Compliance Code of Conduct strictly prohibits harassment, and we have established consultation and whistleblowing systems and otherwise developed the framework and processes necessary for furnishing a swift and vigilant response to harassment.

We also hold manager training programs for preventing abuses of power and are stepping up internal awareness-raising measures to bolster workplace communication with the goal of fostering a workplace environment free of harassment.

Human Rights-Related Consultation and Whistleblowing Systems

The Yamaha Group has set up human rights-related consultation and whistleblowing systems to allow for the quick detection and response to human rights violations. In Japan, the Company has implemented internal and external compliance-related consultation and whistleblowing systems for use by employees (including contract employees), part-time employees, dispatched employees, and subcontractors. Overseas, we have developed multilanguage email forms to ensure that the systems can accommodate reports from various countries and regions. We are advancing activities to ensure awareness regarding the respective contact venues and how they are used. At the same time, internal regulations on how to handle reports are being developed, starting in Japan, with stipulations for protecting the confidentiality of reports and ensuring that individuals do not suffer disadvantageous treatment as a result of reporting. Yamaha’s Legal Division monitors the status of whistleblowing system implementation and operation at Group companies worldwide, and assistance for improvements is provided as necessary.

For more information on compliance initiatives, please refer to page 100.

Product and Service Accommodation

The Yamaha Group seeks to improve the safety and accessibility of its products and services to ensure that they do not cause or exacerbate physical or mental health conditions and to allow them to be enjoyed by a wide range of people, regardless of disability or other restrictions. Examples of the innovations we have used to this end include the installation of the Listening Care function into our earphones and headphones, the provision of voice guidance functions for digital musical instruments, the development of recorders that can be played with one hand, and the deployment of the SoundID universal design support system for sound.

Furthermore, we prepared a diversity, equity, and inclusion communication handbook for employees in April 2022 to facilitate inclusive communication that does not discriminate against or exclude others through product and service marketing activities and communications or through social media. Yamaha is also a member of the Unstereotype Alliance, a movement spearheaded by UN Women that aims to eliminate harmful stereotypes in media and advertisements.
HUMAN RESOURCES
Recognizing that human resources are the source of corporate value creation, Yamaha respects the diverse individuality and autonomy of its employees and provides them with equal access to opportunities for skill development and career advancement.
Furthermore, we are developing workplace environments that enable all employees to fully demonstrate their sensibilities and creativity while achieving self-actualization and growing as professionals. By promoting human resources management on a global scale, we aim to fully utilize our human resources, further develop our business, and achieve ongoing improvements in corporate value.

Basic Policy Yamaha seeks to ensure that all of its colleagues are able to fully exercise their talents. To this end, we strive to foster a workplace environment in which the individuality of all employees is respected, regardless of their gender, nationality, or race, and in which everyone is able to succeed. These efforts are backed by workplace reforms, health and productivity management, and the cultivation of human resources that can excel on the global stage, among other measures.

Review of Make Waves 1.0 Respect for Diversity The Yamaha Group Diversity & Inclusion Policy states that the diversity of people is the source of corporate and social value. In accordance with this belief, Yamaha is developing frameworks and cultures that provide everyone with opportunities to succeed. The Working Group for Human Rights, D&I later renamed the Working Group for Human Rights, D&I(B) was established under the Sustainability Committee, an advisory body to the president, in fiscal 2021. This working group uses communication with and surveys of Group companies worldwide as a venue for identifying the diversity and inclusion issues we need to tackle. These efforts have revealed that gender equality and the cultivation of female leaders are areas requiring our attention. Based on this recognition, Yamaha is aiming to support the cultivation of a workforce that is able to ensure the full potential of all employees.

Work-Life Balance Support Systems and Workstyle Reforms The Yamaha Group hopes to allow its employees to exercise their skills while maintaining good physical and mental health and living enriching work and personal lives. We therefore aim to develop flexible systems and workplace environments that accommodate the circumstances of individual employees.
We offer employees access to teleworking systems as well as to systems that support employees in balancing their work with medical treatment. Furthermore, a system was introduced in fiscal 2022 that allows employees to work in remote locations to accommodate individuals who would normally be forced to live away from their family for work purposes. We also expanded the range of areas from which individuals can commute should they need to provide nursing care to family members. We therefore hope to allow such individuals to continue exercising their skills.

Human Resources Development The Yamaha Group has established guidelines for Groupwide education and training programs. Based on these guidelines, we seek to create an education and training system that is focused on skill improvement and career development as the basis for the development of globally successful human resources. At the same time, training programs are tailored to specific objectives and groups of employees.
In fiscal 2022, we continued to conduct highly effective education and training programs, even amid the restrictions imposed in response to the COVID-19 pandemic, through the use of e-learning programs as well as discussion-centered programs that take advantage of the characteristics of online meeting tools. We also began arranging kiyon meetings for individuals responsible for specialized functions in their respective organizations in order to share best practices in relation to training programs.
Furthermore, the Company launched a new hierarchical level-based training in the form of training for the heads of core and other divisions in order to bolster its training programs for individuals who are central to management. Overall, we conduct general selective training for selected employees, including local personnel hired overseas, to systematically develop employees who can take charge of management on a global basis.

Organizational and Safety Health and Productivity Management The Yamaha Group has defined the basic occupational health and safety policy of prioritizing health and safety over everything, based on which we are advancing initiatives for protecting the safety of everyone involved in our business activities and promoting the health of employees and their families.

In fiscal 2022, Yamaha Corporation and Japanese Group companies had a 100% health examination completion ratio, while an industrial physician made work category decisions on 100% of cases for both Yamaha Corporation and domestic Group companies. In addition, our mental health care initiatives have enabled us to maintain ratios of more than 80% for employees returning to work after receiving leave for a mental health issue for the first time.
Furthermore, we have continued to help employees quit smoking through advice offered during health checkups as well as individualized support for employees desiring such aid. Moreover, smoking has been completely prohibited on the premises of all domestic Group companies since April 2022. As a result of such efforts, the percentage of smokers among all employees declined to 11.1% in fiscal 2022.
Based on the external recognition for these initiatives, Yamaha Corporation was included, for the first time, in the Health & Productivity Stock Selection in March 2023. This program is designed to recognize companies among those listed on the Tokyo Stock Exchange that exhibit excellence in practicing health and productivity management. In addition, Yamaha Corporation and its subsidiary, Yamaha Corporate Services Corporation, were certified as White 500 enterprises in the 2022 Certified Health & Productivity Management Organizers’ Recognition Program organized by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.
Going forward, the Group will pursue higher levels of quality in its health and productivity management efforts. To this end, we will seek to support a healthy work-life balance through measures for combatting excessive workhours targeting management and other employees. At the same time, efforts will be made to help employees and their families achieve “Sound Living,” living in good physical and mental health and in accordance with one’s own desires, as described in the Yamaha Group Health Declaration.

Corporate Strategies

Human Resources Strategies of the New Make Waves 2.0 Medium-Term Management Plan
Implement measures in pursuit of the following targets based on the key policy of enabling Yamaha colleagues to be more valued, more engaged, and more committed.

Priority Themes of Make Waves 2.0

<table>
<thead>
<tr>
<th>Priority Themes</th>
<th>Target</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase job satisfaction</td>
<td>Continuous improving ratio of employees</td>
<td>Inspire a feeling of value with regard to working at Yamaha,</td>
</tr>
<tr>
<td></td>
<td>offering positive responses regarding</td>
<td>• Cultivate leaders for guiding businesses from a global perspective and</td>
</tr>
<tr>
<td></td>
<td>job satisfaction on employee engagement</td>
<td>place the best person in the most appropriate position</td>
</tr>
<tr>
<td></td>
<td>surveys</td>
<td>• Enhance support for autonomous career development</td>
</tr>
<tr>
<td></td>
<td>Double human resource investment</td>
<td>• Support diverse and flexible</td>
</tr>
<tr>
<td>Promote respect for</td>
<td>Achieve global ratio of female</td>
<td>Build comfortable organizational culture founded on mutual respect</td>
</tr>
<tr>
<td>human rights and DE&amp;I</td>
<td>managers of 15%</td>
<td>• Create diverse opportunities for engagement</td>
</tr>
<tr>
<td></td>
<td>Conduct cross-border positioning of</td>
<td>• Support diverse and flexible</td>
</tr>
<tr>
<td></td>
<td>30 individuals</td>
<td>• Enhance individuality of diverse employees</td>
</tr>
<tr>
<td>Foster open organizational</td>
<td>Continuous improving ratio of employees</td>
<td>• Reform organizational culture to allow employees to take on challenges</td>
</tr>
<tr>
<td>culture where people can</td>
<td>offering positive responses regarding</td>
<td>without fear of failure</td>
</tr>
<tr>
<td>proactively take</td>
<td>workplace environment on employee</td>
<td></td>
</tr>
<tr>
<td>on challenges</td>
<td>engagement surveys</td>
<td></td>
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**Digital Transformation**

Yamaha is promoting digital transformation to maximize customer value and reform its processes with digital technologies in areas such as customer data platforms for connecting with customers, new supply chain management (SCM) systems, and enterprise resource planning (ERP) frameworks. By furnishing business platforms and promoting data utilization through this approach, we will transform business processes and thereby improve productivity and corporate value.

**Basic Policy**

In response to the rapid operating environment changes driven by the recent acceleration in the digitization trend, Yamaha is building business foundations for improving profitability, as represented by the combination of customer value and productivity, through customer-oriented reforms to businesses and business processes. To guide these efforts, the Digital Transformation Strategy Committee was established in April 2019 as a corporate committee that serves as an advisory body to the president. This committee is tasked with discussing Companywide digital transformation policies and IT strategies. In addition, technologies and resources for promoting digital transformation have been consolidated within the Information Systems Division, which is responsible for overseeing digital transformation activities. These provisions make for a framework for advancing digital transformation strategies on a Companywide basis.

The goal of Yamaha’s digital transformation strategies is to transform businesses and processes to adopt a customer-oriented perspective with digital technologies. The Digital Transformation Strategy Committee has categorized the Company’s business processes into five process areas (customer contact points; planning, research, and development; production; accounting, human resources, and other administrative operations). This has been further subdivided based on three perspectives (data, systems, and business processes). The goal is to enable the framework for consolidating customer information and enabling the transformation of processes on a Groupwide basis.

In the area of customer contact points, to facilitate the formation of ongoing connections with customers around the world, we installed customer data platforms at overseas sales companies, thereby developing the frameworks for consolidating customer information. As for planning, research, and development, we are expanding customer contact points and creating new value through offerings such as the SynchroRtm online remote ensemble performance service, the Remote Chaser powered by SoundUD remote cheering system, and the Chairk™ communication robot. Initiatives in the areas of production and supply included the completion of a core system centered on manufacturing digital twin methodologies and ERP systems.

**Priorities of Priority Themes of Make Waves 2.0**

Yamaha aspires to provide new sound and music experiences that allow anyone to connect anywhere and at anytime by integrating customer data platforms. Our goal in these efforts is to design and develop services optimized for each individual customer. We are also developing and implementing systems for collecting and utilizing new types of information, including sensibility and performance data. These systems will be linked with various internal and external frameworks in order to create new value.

**Transform Business Processes**

Yamaha looks to move beyond the phase of developing systems, which primarily involved installing infrastructure through means such as redeveloping and integrating prior business systems. The next phase will entail utilizing information by employing the data produced and collecting by the developed systems in decision-making processes. By accelerating initiatives in this phase, we will seek to create new value and transform business processes.

In accomplishing these goals, we will start by structuring the data collected in all business areas through our systems in order to use this data to visualize internal conditions and share this information throughout the Company. Data will be engineered in a manner that allows for data from any business area to be managed in the same format and with the same quality. Meanwhile, digital transformation human resources capable of analyzing and utilizing data will be cultivated to facilitate the use of data for guiding decision-making and actions in all business areas. At the same time, IT training programs will be systematized based on necessary skills, and these programs will be implemented on an ongoing basis.

The Company is also developing new SCM systems that allow for the real-time tracking of data from stages ranging from production to the delivery of services to customers. These systems are being rolled out across the globe, allowing us to link production to customer behavior and thereby optimize overall decision-making. In addition, improvement will be pursued with regard to quality, cost, and delivery factors by standardizing sales and production management processes and utilizing digital twin methodologies in factories to increase efficiency in production management.

**Digital Transformation Strategies of the New Make Waves 2.0 Medium-Term Management Plan**

Create new value and transform processes through digital transformation.

**Advance data strategies for guiding decision-making and actions**

**Priority Themes of Make Waves 2.0**

<table>
<thead>
<tr>
<th>Priority Theme</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Create new value</strong></td>
<td>* Provide services optimized for each customer by utilizing customer data</td>
</tr>
<tr>
<td></td>
<td>* Accumulate sound and music performance and sensibility data and apply to new technologies</td>
</tr>
<tr>
<td><strong>Transform business processes</strong></td>
<td>* Advance data strategies for guiding decision-making and actions (build data management platforms, cultivate digital transformation human resources)</td>
</tr>
<tr>
<td></td>
<td>* Accelerate and improve efficiency of SCM (launch full-scale operation of new SCM system that connects processes spanning from production to customers)</td>
</tr>
<tr>
<td></td>
<td>* Standardize and improve efficiency of sales activities and production management through introduction of manufacturing digital twin methodologies and ERP systems</td>
</tr>
</tbody>
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**Goals of Digital Transformation**

- **Customer Data Platforms, New SCM, and Process Reforms**
- **Data Systemization and IT Human Resource Training Programs**
- **Manufacturing Digital Twin Methodologies and ERP Systems**
- **Customer Journeys**

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**Digital Transformation Strategy**

Yamaha committed to information visualization in April 2023 as a digital transformation-certified business operator under the Digital Transformation Certification System established by the Ministry of Economy, Trade and Industry. This system is used to certify business operators that are prepared to promote digital transformation. Yamaha received this certification in recognition of its highly regarded security measures and customer data platforms.
Yamaha positions its brand as a core component of its management and is advancing branding activities on a global scale to ensure that it can fulfill its brand promise. Such activities for increasing our brand value include fostering internal brand awareness and providing consistent messages about our brand to external stakeholders.

Hiroko Ohmura
Operating Officer
Executive General Manager of Brand Development Unit and Senior General Manager of Marketing Division

Over the more than 130 years since its founding, Yamaha has continued to develop a multifaceted business centered around musical instruments and audio equipment. As part of this process, we have continued to broadcast the Yamaha brand on a global basis in order to raise our brand recognition among as many people as possible. However, we recognize that there is a need to further strengthen our points of contact with customers in order to form wide-reaching, more substantive, and longer-lasting relationships with a greater variety of customers.

Yamaha unveiled its brand promise in January 2019. This promise expresses that “we at Yamaha want to inspire peoples’ passion and help them take a step forward to express their individuality, emotion and creativity.” Moreover, we promise to “Become an Indispensable, Brillantly Individual Company” that moves customers to their core. In our quest to fulfill these promises, we will create distinctive new value and practice consistent communication in order to inspire customers to feel passionate about owning Yamaha products or to hold a feeling of admiration toward Yamaha brand. At the same time, we will work to form strong connections with the customers who we have inspired in this way.

In addition, we have established the Brand Strategy Committee, which is chaired by the president and comprised of unit heads and other members. This committee is a forum for regular discussion among management with regard to the current state of the Yamaha brand and the branding strategies needed to be implemented. These discussions shape the course of our branding activities. The Company also arranges joint brand committee meetings with Yamaha Motor Co. Ltd., with which we share the Yamaha brand, so that we can discuss and deploy joint initiatives for heightening the overall value of the Yamaha brand.

**Review of Make Waves 1.0**

During the period of Make Waves 1.0, the previous medium-term management plan, Yamaha devoted focused effort to the enrichment and implementation of consistent branding strategies based on its brand promise, and we were thereby able to achieve a 50% increase in corporate value over the plan period, surpassing the plan’s non-financial target of a 30% increase. Moreover, we renovated the Yamaha Ginza Building and the Nagoya store and reopened these venues as brand shops in 2021. These shops do more than just sell musical instruments; they function as bases for broadcasting the Yamaha brand at which visitors can engage with our brand. These bases have thus significantly enhanced our ability to broadcast our brand value. Meanwhile, to “Make Waves” with our customers, we deployed advertisements and content based on our brand promise on a global scale. To supplement such communications based on a uniform message, we also prepared a diversity, equity, and inclusion communication handbook to ensure that we can carry out communication in a manner that is mindful of such subjects. This handbook was used to foster understanding within the Company.

Furthermore, we moved forward with the introduction of customer data platforms and digital marketing platforms as part of our efforts to develop frameworks for forging deeper and longer relationships with customers. Methodology of building these relationships will include stepping up communication and service provision to customers. In addition, the month of October, which contains the anniversary of Yamaha’s founding on October 12, has been defined as a special brand month during which a variety of events are held to provide all employees with opportunities to think more deeply about the Yamaha brand and to thereby raise awareness regarding our brand among all employees. These events are carried out in a voluntary manner all around the world.

**Framework for Fostering Consistent Brand Awareness among Employees and Delivering Value Defined in Brand Promise**

A brand is an important driver shaping performance, corporate culture, and employee action toward the implementation of business strategies. Brands also have a role in supporting consistent growth and operations and in enhancing corporate value.

**Brand Promise**

- **Make Waves**

**Brand Promise**

- **Make Waves**

- **Brand Drivers (Customer Experience Value)**
  - Express myself to
  - Progress personally
  - Come together with others

**Brand Truth (Value Proposition)**

- **Progressive innovation**
- **Passion for players**
- Impact on sound & music

**Brand Promise** defines the value Yamaha provides to customers (Brand truth), the experiences that can be delivered with this value (Brand drivers), and how individuals can express themselves through this value and these experiences.

**Brand Promise**

- **Make Waves**

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**Brand Promise** defines the value Yamaha provides to customers (Brand truth), the experiences that can be delivered with this value (Brand drivers), and how individuals can express themselves through this value and these experiences.
Yamaha’s design department was established in 1963. At the time, it was rare for a Japanese company to have dedicated design functions. Yamaha, however, was quick to realize the importance of design, prompting it to set up a dedicated organization for establishing a unique flair for the Company. Since then, this organization continued to support the Yamaha brand with a small team of diverse professionals from various nationalities. The mission of the Design Laboratory, the latest incarnation of our design department, is to propose and manage designs and methodologies for expressing the Yamaha Philosophy in a complete and serious manner.

The Five Elements of Our Design Principle
(Formulated in 1987)

- **Integrity**
  - Design that respects the essence of the object
- **Innovative**
  - Creative design
- **Aesthetic**
  - Beautiful design
- **Restrained design**
- **Social Responsibility**
  - Design that meets the needs of today’s society

**Key Themes for the Design Laboratory**

- **Create expression templates that remain consistent no matter how times or values may change by refining and developing new design principles and educating employees on these principles**
- **Continue thought experiments for exploring Yamaha’s essence and values to find hints for future advancements**
- **Heighten issue identification capabilities by demonstrating our stance toward addressing social issues to the world and posing questions from a unique perspective**
- **Foster creative culture and organizations to maximize creativity of corporate design divisions**

**Yamaha’s Design**

Creation of new value through innovative designs that respect fundamental qualities

**Collaboration with Academia**

Department of Design of Chiba University / Lausanne University of Art and Design

In the past, the Design Laboratory has engaged in collaborative projects with numerous global education institutions, including the United Kingdom’s Royal College of Art and Italy’s Politecnico University of Milan. Currently, this organization is in the process of advancing joint research together with organizations such as the Research Center for Advanced Science and Technology and the California Institute of Technology.

One recent project was conducted together with the Department of Design of Chiba University. In 2022, we partnered with this institution in a thought experiment. Based on the theme of “Sumida Toy pianos,” we imagined a world where Yamaha pianos existed during Japan’s Edo period, thinking about how pianos would have followed a unique path of evolution given the lifestyles at the time. Three prototypes of the imaginary “Sumida Toy pianos” were created based on this experiment and displayed at the Chiba University Graduation Research and Production Exhibition over the period from March 18 to 20, 2022.

We also took part in a collaborative project with renowned Swiss learning institution Lausanne University of Art and Design as part of Milan Design Week 2022, the world’s largest annual design gathering, which was held from June 7 to 12, 2022. Through this project, we exhibited six Yamaha Sound Machines product prototypes that aim to reimagine the music player for today’s society.

- **Make and Play! Instrument Creation Initiative**
  - The Make and Play! instrument creation initiative was launched amid the COVID-19 pandemic with the aim of providing an activity that children could take part in with their parents as restrictions on leaving home led to an increased amount of time spent indoors. Specifically, we sought to enrich time at home through the experience of making and playing instruments. This arts and crafts activity was packed with the fun of musical instruments as the authentic sound produced despite the simple structure of the instruments crafted meant that kids could enjoy both making and playing instruments.

For more information regarding Yamaha’s design activities, please refer to the following website:

https://www.yamaha.com/en/about/design/

**YH-L700A Wireless Headphones**

The YH-L700A is a flagship model for our line of wireless headphones. Built for both ease of use and comfort, these headphones feature a simple yet distinctive rectangular silhouette. Moreover, fabric and leather materials were used throughout to create an impression of gently enveloping the user in the manner of a coat or an item of clothing.

Best of the Best, Red Dot Award: Product Design 2022
Product category design award, 2022 IF Product Design Award

**Distance Viewing Next-Generation Live Viewing System**

Distance Viewing is a next-generation live-viewing service that records the full impact of live performances by artists and faithfully reproduces these performances in a virtual environment. This system does so by combining faithful live performance audio with life-sized visuals displayed on large screens and lighting effects that mimic the actual performance.

GOOD DESIGN AWARD 2021

**YVS-120 and YVS-140 Venova™ Causal Wind Instruments**

Venova™ creates a new genre of casual wind instruments, and is available in both alto and tenor variants. After careful consideration, we were able to increase the size of the instrument without compromising playability or appearance, giving it the feel of a conveniently sized wind instrument and striking a balance between the traits characteristic of the Venova™ line and the qualities expected of a wind instrument.

Best of the Best, Red Dot Award: Product Design 2023
Product category design award, 2023 IF Product Design Award