II. Management Strategy

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MESSAGE FROM THE PRESIDENT

Getting back to the basics, namely, the pursuit of top-line revenue growth, we seek to grow while boldly creating new value that preemptively responds to major social and economic changes.

Earning Power Forged by Overcoming Operating Environment Changes

Fiscal 2023, the first year of the Make Waves 2.0 medium-term management plan, presented an operating environment that was more difficult to navigate than any we have faced previously. Yet even under these challenging conditions, Yamaha was able to display its earning power. This fact gives me confidence in our future growth.

Looking back at the operating environment over the previous fiscal year, we see society attempting to return to the lifestyles that were viewed as normal prior to the COVID-19 pandemic, though there were some regional disparities in this regard. At the same time, however, the environment was plagued with adversity, including Russia’s military invasion of Ukraine, supply chain disruptions that stemmed from difficulties in procuring semiconductors, and global rises in commodity prices. In addition, the market in China, which was expected to relax pandemic-related activity restrictions around the same time as other countries and regions, was heavily impacted by the prolongation of its zero-COVID policy.

As a result, sales to the Chinese market in both the musical instruments business and the audio equipment business were down by about 20% in comparison to fiscal 2022. We had braced ourselves for less-than-favorable figures in terms of revenue and profit as a result of such changes in the Chinese market, which should have been a strong driver behind the growth of our mainstay musical instruments business, and of rising material and other costs. Regardless, though, revenue was up 10.6% year on year, to ¥451.4 billion, and core operating profit rose 6.6%, to ¥45.9 billion. This impressive outcome can be attributed to success in raising product selling prices and strong sales in North America as well as in emerging markets other than China. Another factor was record-breaking performance in the industrial machinery and components business and the others business, which helped compensate for the decline in earnings in the musical instruments business.

Value Creation Fueled by Passion, Will, and Drive to Overcome Challenges

Before we look at the progress of the medium-term management plan, I would like to take this opportunity to talk about how Yamaha creates value.

Yamaha’s value creation activities cannot be separated from our quest to create social value. This is something that has not changed since the Company was founded in 1887. Our roots can be traced back to founder Torakusu Yamaha and his repairing a single broken organ. This is the start that would lead him to attempt and succeed in producing organs in Japan. At the time, Japan was in the process of installing the infrastructure required for it to become a modern nation, and part of these efforts was introducing music education into elementary schools. The government had planned to import organs to be used in schools for this purpose. Yamaha saw the business opportunity this presented. Producing organs in Japan that could be supplied at lower prices than imported organs, we achieved growth by placing organs in elementary schools across Japan. Today, instrumental music education is commonplace at Japanese elementary schools. The role Yamaha played in cultivating this enriched music culture was in no means small. At the same time, we are keenly aware of how the passion, will, and drive to overcome challenges of our forebears, in their quest to provide children with musical instruments and spread the culture of enjoying music, drove the creation of value by Yamaha.

The passion, will, and drive to overcome challenges of our forebears has been passed down and consolidated in the form of Yamaha’s enduring corporate philosophy of “Sharing Passion & Performance,” which is shaped by our purpose of “Well-Being of People around the World.” A core characteristic of Yamaha can be seen in how we practice management emphasizing our brand in accordance with our management vision of “Becoming an Indispensable, Brilliantly Individual Company: Boost brand power to become a highly profitable enterprise.” To guide us in fulfilling this purpose and accomplishing this vision, we have defined material issues in the
MESSAGE FROM THE PRESIDENT

three areas of business foundation, environment and society, and human resources. These issues are being incorporated into our business activities based on concrete key performance indicators (KPIs) to ensure that we can succeed in creating Yamaha value and social value from a medium- to long-term perspective.

A number of members from the younger generations that will shape the future were involved in the formulation of our material issues as we engaged in a process of ongoing discussion to chart a road map for creating value over the medium to long term. The defined material issues provide a clear standard to be used by employees in making value judgments in their daily business activities. I also feel that these issues served to make employees more aware of the role they play personally, for example, combating climate change and promoting respect for human rights. Furthermore, the definition of these priority issues has had a significant meaning in making it easier to explain our values to business partners and other external stakeholders to gain their understanding and practice co-creation.

Stronger Operating Foundations and Greater Growth Potential

The medium-term management plan was formulated using a backcasting approach starting from our mission and management vision. Based on the main theme of enhance growth capability, the plan puts forth the three key policies of “further strengthen the business foundation,” “set sustainability as a source of corporate value,” and “enable Yamaha colleagues to be more valued, more engaged, and more committed”, along with key themes based on these policies. I would now like to discuss the plan’s progress in fiscal 2023, its first year.

Key Policy 1: Further strengthen the business foundation

The themes under the policy of further strengthen the business foundation are (1) Develop closer ties with customers, (2) Create new value, and (3) Be more flexible and resilient.

The February 2023 acquisition of U.S. guitar manufacturer Cordoba Music Group, LLC, is an example of our initiatives based on theme (1). The goal of the business has been positioned as a business to be fostered, which means we will be aggressively investing in this business to grow its scale and improve its profitability. Moreover, the addition of Cordoba Music Group to the Yamaha Group has bolstered our product lineup while also allowing us to strengthen our operating foundation by utilizing this company’s strengths in planning, product development, and brand communication. This acquisition was conducted through Yamaha Guitar Group, Inc., a U.S. subsidiary that is well-versed on the local market and is located in close physical proximity to Cordoba Music Group. Yamaha Guitar Group also spearheaded the post-merger integration process based on its past experience in this area. Specifically, Yamaha Guitar Group has the experience of leading the smooth completion of the post-merger integration process with regard to the 2018 acquisition of the globally recognized Ampeg brand for bass amps, and this experience has helped keep the process for Cordoba Music Group advancing on schedule.

In managing overseas Group companies, we plan to continuously pursue individuals who are highly knowledgeable about the respective markets in management positions and empowering them to exercise autonomy whenever possible. Given this approach, I think that corporate governance should function as a catalyst for generating synergies behind the unifying role of the Japanese headquarters and the autonomous drive for expansion of the management of subsidiaries. Specifically, we should take appropriate steps to verify whether Group governance is functioning as intended and whether the internal regulations necessary for this functionality are being effectively implemented, and frameworks should be flexibly revised as needed to accomplish these objectives.

We are also expanding our business domain as part of our efforts under theme (1). For example, we are accelerating the growth of the automotive sound system operations developed as part of the industrial machinery and components business. These operations entail the supply of surround sound systems and speakers for use in vehicles. The atmosphere within vehicles is not ideal from the perspective of acoustics. Yamaha, however, possesses insight into signal processing technologies and acoustics control that can be used to overcome challenges faced in regard to in-vehicle environments. In-vehicle products developed utilizing Yamaha’s distinctive strengths have earned high praise, and six Chinese and other automobile manufacturers had adopted these products for use in their vehicles as of fiscal 2023. In these operations, we seek to go beyond simply producing and supplying components to create high-quality audio systems that match the vehicle concept shaped by the manufacturer’s values. Through this approach, we aspire to earn a position as a partner working together with automobile manufacturers.

As for theme (2), we are enhancing Yamaha Music Connect, a service that truly exemplifies this theme. Based on our Yamaha Music ID customer data platform, Yamaha Music Connect is a service that supplies individual users with the apps and content that best match them. There is a lot of competition in the field of online music services as a diverse range of offerings are already available from a variety of providers. However, there still has yet to emerge a service that can be a clear market leader. Yamaha is bolstering the range of functions offered through its service with the goal of supplying functions that can be enjoyed with ease by users ranging from beginners to experienced musicians. This will include accommodating a wide range of needs, including those of individuals wanting to play with their colleagues in remote environments, people wanting to receive online lessons without having to worry about time, and musicians looking for a simple way to share their performances.

Medium-Term Management Plan Basic Policy

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The development of this service is being led by the Music Connect Department, a new organization placed under my direct jurisdiction, to guide the formulation of unprecedented new business schemes, including those for collaboration with start-ups, and to thereby create new value through open innovation.

For Yamaha Music ID, our service platform for forging broader, deeper, and longer ties with customers, we have set the target of issuing five million IDs by fiscal 2025. In fiscal 2023, we reached nearly half of this amount with 2.4 million registered IDs, a number indicating the high interest in this service among customers.

Theme (3) relates to raising the resiliency of our supply chains, and will thus be an ongoing focus in the future. Our previous approach toward supply chains entailed placing efficiency as our top priority. This led us to emphasize minimizing inventories of components and works in progress. However, the supply chain disruptions seen over the past two years have made it clear that a supply chain focused purely on efficiency will require a substantial amount of time to recover when disrupted by extreme circumstances. It is for this reason that it is so important for us to reassess our supply chain based on the assumption that unpredictability will be a constant in the operating environment. With this perspective, we must examine what exactly constitutes the ideal supply chains for Yamaha and how supply chains should be matched to the coming times. We must not be hasty in this process. Rather, we must take the time to carefully discuss these matters and build the best possible supply chains.

Key Policy 2: Set sustainability as a source of value

For the policy of set sustainability as a source of value, we have defined the themes of (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, and (3) Expand market through the promotion and development of music culture. These three themes relate to the environment, society, and culture, respectively.

Theme (3), in particular, is a uniquely Yamaha initiative. Based on this theme, the medium-term management plan sets the non-financial target of offering instrumental music performance experiences to an aggregate total of 2.3 million students in 18 countries through the School Project, our program for supporting the introduction of instrumental music education in public schools centered on emerging countries. The demand for the project in emerging countries has proven to be even greater than we had anticipated, and in fiscal 2023, the first year of the plan, the School Project had already offered instrumental music performance experiences to an aggregate total of 2.0 million students in seven countries. This success is even more satisfying given our aspiration to spread the efforts of forebears at our founding to popularize music in Japan to the rest of the world and to help children experience the joy of music and instrumental music performance.

Meanwhile, we are working to reduce our environmental impact in accordance with theme (1). Two non-financial targets have been set with this regard, one for increasing the rate of sustainably sourced timber use and the other reducing CO2 emissions by conserving energy. In regard to sustainably sourced timber, the reductions in demand for certain products seen amid the pandemic lowered the amount of timber used from certified sources on a volume basis. Nonetheless, we continue to make steady progress in efforts to increase our use of timber from sources newly certified under Yamaha’s standards. Similarly, progress was slower than anticipated with regard to efforts to reduce CO2 emissions by conserving energy. This outcome was a result of lower electricity efficiency following massive changes in the utilization rates of factories. At the same time, we are introducing electricity monitoring systems and moving forward with other new energy conservation measures. Accordingly, we anticipate that reductions in emissions, and consequently progress toward our target, will be seen going forward as our supply chains return to normal. Other initiatives based on theme (2) include human rights due diligence activities across our supply chains as well as the development of the Daredemo Piano (Auto- Accompanied Piano) employing universal design principles to make instrumental music performance something that is accessible to everyone.

The policy of set sustainability as a source of value was formulated to send a clear message, both inside and outside the Company, about how we are continuing to exercise the aforementioned passion, will, and drive to overcome challenges of our forebears toward creating value for society and how we are placing sustainability at the heart of our management. This key policy also embodies my desire to, and the need to, change how we work by encouraging shifts in thinking. If we only attempt to address the risk of our difficulties procuring the timber we normally use when these risks arise, we will always be playing catch-up to the issues. It is therefore important for us to get ahead of major changes to social and economic frameworks, such as the move toward carbon neutrality, and to position sustainability as a core aspect of our products and services. I am confident that this will allow us to create unprecedented new value and thereby secure an even more significant competitive edge. In this manner, the reasoning behind including the policy of set sustainability as a source of value in the medium-term management plan is that we want employees to become aware of this potential of sustainability now so that they can boldly transform how they work accordingly.

Looking ahead, we recognize that it will be more important than ever for Yamaha to communicate to customers the social value of our sustainability-oriented products and production processes as well as of initiatives such as the School Project. Of course, we have long viewed sustainability and quality assurance as priorities. However, the meaningfulness of our initiatives in relation to these priorities and their results had not been effectively communicated to customers and society. When we do tell external stakeholders about our initiatives, they often ask why we are not more active in broadcasting this information. I believe that this increase in opportunities for us to be reminded of the importance of changing how we communicate, to earn a better appraisal from customers of the value of the contributions to sustainability made by our products and services, is indicative of a shift in the expectations of stakeholders.

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, which pertains to human capital management, 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.

Themes (1) and (3) are shaping initiatives for supporting autonomous career development and improving our workplace environment. Human resource development and corporate culture reforms are not areas where significant progress can be made on a single-year basis. Nevertheless, we will remain dedicated in our efforts to energize our organization while verifying the feedback received through employee engagement surveys.

For theme (2), one area of our efforts is the empowerment of female employees. An indicator for these efforts is the percentage of female managers, for which we target a global increase of 0.8 percentage point per year on year, to 17.3%. This noteworthy improvement demonstrates the results of our steady initiatives on this front.
Yamaha may have its headquarters in Japan, but less than 30% of our consolidated employee base is comprised of Japanese nationals. In this manner, the Yamaha Group’s employee base incorporates a multitude of nationalities. It goes without saying that, if we are to draw out the true meaning of diversity, it will require us to promote inclusion to ensure that our differing values are respected and incorporated into decisions at various levels. To this end, we are periodically revising our frameworks for positioning and evaluating employees for career development and other purposes, delegating authority, and making decisions to guarantee that we can better capitalize on the collective capabilities of employees around the world.

Challenges in the Second Year of Make Waves 2.0

Looking at our business portfolio, the audio equipment business has been positioned as an area needing to be rebuilt given its low growth and low earnings. We are devoting our full effort to reinforcing the earnings foundations of this business. Specifically, the structure of this business was revised in April 2023 based on a market-oriented perspective to target consumer and business customers. Under the new structure in this business, a major focus for fiscal 2024 will be our ability to create products that win the favor of both consumer and business customers in order to take advantage of opportunities to expand our business domain.

To be frank, we may have achieved increases in revenue and profit in fiscal 2023, the first year of the medium-term management plan, but these results were still not satisfactory. In fiscal 2024, the plan’s second year, we will need to get back to the basics, namely, pursuing top-line revenue growth. Through this pursuit, we will seek to return to a growth track by increasing our customer numbers by means of the manufacture and sale of products that match market needs. The outlook for the market remains opaque. Nevertheless, we project recovery in markets such as China and Europe, which struggled in fiscal 2023, beginning in the second half of fiscal 2024, which should result in year-on-year increases in revenue and profit.

At the moment, inventories for certain products are rising, but there are other products for which the tight supply and demand balance has created a situation in which we are unable to deliver products to customers, and backlogs are growing. Accordingly, we seek to increase the resilience and flexibility of our supply chains while alleviating such inventory imbalances to ensure robust growth. Fortunately, I think that we have plenty of potential to take advantage of the high marginal profit ratio of existing businesses that represents a strength of Yamaha in order to grow core operating profit.

Governance and Corporate Committees for Improving Brand Value

Yamaha is constantly strengthening its corporate governance systems. As a recent change to our governance system, we appointed Naho Ebata to fill the position made vacant by the resignation of Taku Fukui, who has served as an outside director at Yamaha since 2017. I would like to thank Mr. Fukui on behalf of the entire Board of Directors for the contributions he has made over the years. I also want to welcome Ms. Ebata, who is a lawyer with specialized expertise pertaining to intellectual property management. Together with Ms. Ebata, I hope to further build upon discussions at meetings of the Board of Directors. The addition of Ms. Ebata brings the number of women among our eight directors to two, making for an even more diverse Board membership. We also made progress in improving the effectiveness of our corporate governance systems by appointing outside directors to chair the Nominating Committee and the Compensation Committee in fiscal 2024.

In terms of the executive team, the more the scale of our business grows, the more cases there will be in which it is not rational for the me, as president, to remain fully up-to-date on everything as I make decisions. This means that we will need frameworks in which I can gain advice based on the ideas and opinions of others. This is why we have established the Managing Council and a number of committees related to specific themes requiring ongoing, Companywide discussion as advisory bodies to myself. The Risk Management Committee, the Sustainability Committee, the Human Resources Development Committee, and other committees discuss policies and measures related to their respective themes and report to me on these matters while also monitoring the progress of Companywide measures in their specific areas.

Our brand strategy is one area overseen by these committees, and this is an area where you can really see the unique characteristics of Yamaha’s management. Brand value is not merely the result of end products and logo marks, it is something that we need to build through a perspective that looks at all steps of the value chain, spanning from development to sales. Based on this recognition, we do not limit ourselves to discussions by the Brand Strategy Committee; the Company also arranges joint brand committee meetings with Yamaha Motor Co., Ltd., with which we share the Yamaha brand, so that we can coordinate and pursue synergies for creating new value for the Yamaha brand.

Bold Risk Taking for Improving Corporate Value

I look forward to ongoing engagement with shareholders, investors, and other stakeholders. I would also like to ask our stakeholders for their continued support going forward.

September 2023

Takuya Nakata
Director, President and Representative Executive Officer
The Make Waves 2.0 medium-term management plan covers a three-year period during which we will be pressed to enhance our sustainable growth capability in the new post-COVID-19 society, which has undergone significant change, by advancing various measures for the improvement of corporate value.

This plan defines a number of priority themes for enacting the three key policies formulated based on the material issues defined as core management issues for the Yamaha Group. For more details, please refer to pages 8–9.

Under the medium-term management plan, Yamaha recategorized its principal businesses from the perspective of its portfolio. Categorizing businesses based on whether they are to be fostered, grown, or rebuilt or if they are to be positioned as core businesses, we will practice portfolio management that allocates management resources in accordance with the new categories in order to achieve improvements to corporate value over the medium to long term.

### Businesses to Be Fostered
- **Guitars**: CAGR 10%
- **Audio Equipment**: CAGR 10%
- **Digital musical instruments**: CAGR 7%
- **Wind, string, and percussion instruments**: CAGR 7%

**Growth Businesses**
- Drive market growth to expand business scale through demand creation

**Core Businesses**
- Increase profitability as a pillar of business through expansion of high-value-added products

**Businesses to Be Rebuilt**
- **Pianos**: CAGR 5%
- **Wind, string, and percussion instruments**: CAGR 7%

**Actively seek M&As and other opportunities**
- Work on external alliances to accelerate business growth

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**Management Targets (Non-Financial and Financial Targets) and Results in the First Year of the Medium-Term Management Plan (Fiscal 2023)**

Non-financial targets have been set for each of the three key policies of Make Waves 2.0. The advancement of initiatives for achieving said targets is expected to lead the Company to the accomplishment of the plan’s financial targets. The financial targets are meant to guide initiatives for accomplishing Yamaha’s goal of supporting the “Well-Being of People around the World.”

**Non-Financial Targets**

- **Further strengthen the business foundation**
- **Set sustainability as a source of value**
- **Enable Yamaha employees to be more valued, more engaged, and more committed**

**Financial Targets**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Core operating profit ratio</th>
<th>ROE</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 1.7 billion (For 3 years)</td>
<td>20%</td>
<td>14%</td>
<td>10% or more</td>
</tr>
</tbody>
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*1) As of March 31, 2022

*2) ROIC = Core operating profit after income taxes / (Equity attributable to owners of parent + Interest-bearing debt)
In fiscal 2023, progress toward the non-financial targets of the medium-term management plan surpassed expectations. The number of Yamaha Music ID registrations showed a sharp increase, reaching 2.4 million, nearly half the plan’s target. In addition, we were able to offer instrumental music performance experiences to an aggregate total of 2.0 million students in seven countries through the instrumental music support activities Yamaha is advancing centered on emerging countries. Meanwhile, steady improvements were seen in the ratio of female managers as a result of measures to facilitate the development of female leaders. As for financial targets, we failed to reach our full-year targets. This outcome was largely due to lower demand for entry-level models and the disruptions caused by China’s zero-COVID policy.

Nonetheless, we did succeed in achieving year-on-year increases in revenue and profit as the benefits of favorable foreign exchange rates and increases to product selling prices helped offset the higher costs associated with materials and other factors. In the musical instruments business, sales of pianos struggled in China, but strong performance continued in other emerging countries. Supply levels are returning to normal in the audio equipment business as the difficulties in securing semiconductors have been alleviated. The industrial machinery and components business experienced growth as a result of Yamaha’s automotive sound systems being adopted for use in additional automobile models.

**Key Policy 1**

Further Strengthen the Business Foundation

- Develop Closer Ties with Customers
  - The Yamaha Group will adopt a hybrid approach toward soliciting its value that combines digital marketing with physical stores. At the same time, we are ramping up direct sales as a manufacturer in order to forge stronger ties with customers. We will also augment and utilize our customer data platform so that we can better advertise our value and expand our lineup of services that support customers in living lives involving music.
  - Sales Channels
    - Sales Evolution for Direct Ties with Customers
      - Yamaha aims to further increase its value communication capabilities by enhancing its frameworks for performing direct sales to customers. We thereby look to evolve our frameworks to build strong direct ties with customers by communicating our value directly to customers in order to generate benefits for both customers and the market. In fiscal 2023, direct marketing was used to solicit our value directly to customers while direct sales were promoted using e-commerce.
    - 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.
  - For more information on initiatives in fiscal 2023, please refer to “Branding” on page 66.

- Create 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 broader, deeper, and longer ties with customers.
  - 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 various new concept products, including products that allow anyone to enjoy sound and music anytime, anywhere, we will seek to generate new value. In fiscal 2023, we launched new concept products, such as ZG series gaming mixers that are ideal for gamers who use voice chat and for game streamers.
  - Services
    - Acceleration of Lifetime Value Strategy and Development of Services to Make Life with Music More Enjoyable through External Collaboration and User-Generated Content
      - Yamaha aims to improve lifetime value by forging broader, deeper, and longer 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 its Yamaha Music Connect platform to supply services that make life with music more enjoyable and to offer new experiences. In fiscal 2023, a dedicated internal organization was established with the purpose of formulating new service concepts and business models for enriching customers’ music lifestyles.

- AI and Network Technologies Linking Products and Services
  - Creation of New Emotional Experiences with Advanced Technology Backed by Rich Sensibilities
    - Yamaha’s competitiveness is supported by the understanding and insight it has fostered in relation to sensibilities during the course of the Company’s long history, which began with musical instrument production. We seek to create new value through the development of both products and services backed by our core competencies related to sensibility value. At the same time, Yamaha is adopting a distinctive approach toward utilizing AI and network technologies based on sensibility value to link products and services and thereby create new experience value.
Be More Flexible and Resilient

To become an entity more resilient to operating environment changes, Yamaha is bolstering its procurement and production systems and enhancing the production capabilities of existing factories. We have therefore earmarked ¥35 billion for investment in production infrastructure over the period of the 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 reforming 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 aim to reduce CO2 emissions by 5% through energy conservation (CO2 emissions ÷ Production volume) in comparison to fiscal 2018.

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 sensibility data to new technologies while also introducing new research and development in this area.

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

Form more information on initiatives in fiscal 2023, please refer to pages 48–49.

Digital Transformation

Achieving carbon neutrality by offsetting! 5% reduction of CO2 emissions by conserving energy

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

Maintain inclusion on CDP Climate Change A List

New compact products

Elimination of plastic packaging materials

Sustainably Use Timber

Yamaha is teaming up with government agencies and academic organizations to advance Tone Forest activities for promoting sustainable use of forest resources 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 cut 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.
Promote Respect for Human Rights in the Value Chain — Yamaha is promoting sustainability across the value chain. Supply contracts clearly state that suppliers are expected to comply with the Yamaha Supplier CSR Code of Conduct, and we request that suppliers conduct regular self-assessments with this regard.

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. In fiscal 2023, efforts were devoted to fostering content creators with the goal of providing digital musical instruments and content that will allow for the performance of traditional music from local cultures.

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

Increase Job Satisfaction — Seeking to ensure that Yamaha is deemed to be a desirable company to work for, we strive to achieve continuous improvements to workplace engagement by utilizing the results of global employee surveys to shape concrete measures.

Yamaha is committed to cultivating leaders who can guide business from a global perspective and to achieving the ideal allocation of human resources. As we enhance autonomous career development support to this end, we will also target higher levels of job satisfaction by supporting diverse and flexible workstyles.

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The Next Stage for Yamaha’s Guitar Business

The basic policy of the Make Waves 2.0 medium-term management plan is to enhance growth capability, and Yamaha’s guitar business is a major driver behind such enhancements. In the business portfolio described by the plan, the guitar business has been positioned as a business to be fostered. Accordingly, we are directing aggressive investments toward this business with the goal of achieving a compound annual growth rate of 10% over the three-year period of the plan.

The guitar market is among the largest of the markets served by Yamaha’s musical instrument business and is expected to continue to display annual growth rates of between 2% and 3%, going forward. Measuring this strong market growth, Yamaha’s guitar business has seen overall revenue triple over the decade leading up to fiscal 2023. Over the same period, revenue from the guitar business in North America has grown fourfold. In China, guitar revenue has increased by eightfold thanks to the trust for the Yamaha brand that we have built through the sale of pianos in this country. Meanwhile, the factory constructed in India in 2019 has allowed for the advancement of a local production network is an incredibly valuable tool. When competing with rivals primarily active in conventional marketing and sales structures, and coatings. An earnest dedication to actually test play instruments. As it turns out, users care most about basic performance, you know, how durable an instrument is or how consistent its sound is. When it comes to mid-range and high-end models, however, users come with an expectation of the type of sound they want to produce and thus pay the most attention to the ‘voice’ of the instrument. It is not uncommon for users in this segment to own multiple instruments. That is why, if we can deliver the type of voice they want, we can no doubt grow our share while standing shoulder-to-shoulder with the U.S. brands that currently have an unrivaled position in the market for mid-range and high-end guitars.”

The development project for the FG9 adopted an approach based on the user’s perspective. Meetings were held with the target audience to pinpoint the type of style that they desired, based on which we employed scientific development methodologies, an area of strength for Yamaha, to design the ideal structure. The resulting prototypes were then tested by users to gain input to be reflected in subsequent prototypes. Mr. Abe recounts this cycle, “The voice of a guitar can be improved by trying different qualities of the wood, structures, and coatings. An earnest dedication to every step of the process is essential to winning the trust of users.”

Communication of Our Value to Users

When comparing with rivals primarily active in the U.S. market, Yamaha’s global music network is an incredibly valuable tool.

We look to grow our market share by building upon the fundamental value of guitars to gain the trust of users of mid-range and high-end models.

Seiji Abe
Senior General Manager of Guitar Division
Musical Instruments Business Unit

Leveraging this network, we are stepping up efforts to communicate to users the value of Yamaha instruments and to improve recognition of the Yamaha brand in this market. Mr. Abe explains, “Users place a lot of importance on physical interactions when choosing the instrument that best matches them, usually visiting stores to actually test play instruments. As it is the staff at these stores that actually inform users about the characteristics of our instruments, it is crucial for stores to understand and support Yamaha products.”

In 2022, a presentation facility was set up in the Kakegawa Factory to introduce Yamaha Group brands Note: Calculated based on J-G AAP standards up until fiscal 2019; calculated based on IFRS from fiscal 2020 forward
Synergies Generated by Combining Multiple Brands

Yamaha currently pressed to strengthen its operations in the electric guitar market, which is essentially the same size as the acoustic guitar market. In addition to pursuing growth in sales volumes by expanding our lineup of mainstay Revstar and Pacifica series electric guitars, we will seek to encourage users to upgrade to mid-range and high-end models in a similar fashion as we are doing with acoustic guitars. To this end, we are differentiating ourselves from the competition with distinctively Yamaha sound and structure design.

Both electric guitars and basses require peripheral equipment to be performed. Yamaha Guitar Group, Inc., boasts a leading share in the market for peripheral equipment, which stands alongside acoustic guitars and electric guitars by accounting for roughly one-third of the sales in the overall guitar market. For example, its line of basses contains 1 share of the market for U.S.$500 and above multi-effectors used in music instruments, which stands alongside acoustic guitars. Moreover, the acquisition of Cordoba Music Group bolsters the portfolio of intangible assets that will be imperative to the ongoing growth of our guitar business by allowing us to obtain this company’s development expertise and human capital. As Yamaha seeks to build upon the fundamental value of guitars, these intangible assets are expected to make substantial contributions to the improvement of the overall quality of our guitars and to the ongoing growth of our market presence. In this manner, Yamaha succeeded in securing a highly promising production base in the United States through its acquisition of Cordoba Music Group. Mr. Abe explains the prospects for this company, “The ‘made in the USA’ label will certainly contribute to the improvement of our brand image. In the future, we hope to use Cordoba Music Group as a production base to grow our guitar business while also examining the possibility of expanding our scale of production in the U.S. market.”

Reliable Procurement Vital to Stable Business Activities

“Sustainable timber procurement is vital to Yamaha from the perspective of long-term production,” states Andi Lugito, leader of Yamaha’s Procurement & Engineering Division. Timber is an essential part of musical instrument production at Yamaha and plays a critical role in shaping the “voice” of an instrument. This is even more true when it comes to guitars. Under Mr. Lugito’s leadership, the procurement division is promoting the sustainable use of timber through the preservation of forest ecosystems as well as initiatives such as Tone Forest activities, which are meant to ensure we can maintain a reliable supply of timber suited to musical instrument production into the future.

Through Tone Forest activities, Yamaha seeks to establish a forest resource cycle of planting, cultivating, preserving, and utilizing the scarce timber resources that are used in musical instruments. The ultimate goal of these activities is to ensure that these resources can continue to be preserved in a sustainable manner. It can take decades for a tree to grow to maturity. Accordingly, these activities cannot produce returns in the short term. Despite this long time frame, Yamaha remains motivated by its sense of commitment to its mission. Tone Forest leader Kazushi Nakai elaborates, “The timetables we deal with when it comes to ensuring the sustainable procurement of timber is extremely long and involve a large number of stakeholders. Sustainable procurement is not something that can be achieved by itself. This is why we aim to play a leadership role in expanding our forest resource sustainability initiatives across society.” These activities have already resulted in Yamaha forming new relationships through joint research with NGOs, municipalities, and universities. These relationships expose us to new perspectives and approaches that would not have been found in conventional business activities, which have granted insights that can be used in future new value creation activities. For example, our efforts to preserve African blackwood (Dalbergia melanoxylon) in Tanzania led to new discoveries that prompted the development of techniques for effective use of cuts of scarce timber that would not have previously been used in musical instruments.

Groupwide Efforts for Accomplishing Milestones of the Medium-Term Management Plan

Today, we face concern for the degradation of forests and ecosystems, which are important forms of natural capital that are indispensable to our society. Timber is a crucial part of Yamaha’s business, and we therefore have an obligation to work toward the sustainable procurement of timber. In the past, Yamaha has sought to increase the rate of timber it uses that has been certified as sustainable by third-party organizations in its efforts to utilize forest resources sustainably and to secure a reliable supply of timber. However, the volume of certified timber in distribution is incredibly low for certain species, and there have been issues with the inability to assess the sustainability of non-certified timber. To address these issues, Yamaha teamed up with international environmental organization Preferred by Nature in May 2023 to formulate its own internal standards for assessing the sustainability of timber. We are now capable of determining, based on objective standards, whether the timber we procure is sustainable with consideration for both the environment and society, even when sourcing species for which distribution volumes of certified timber are low. Motoaki Takata, who was involved in the process of formulating the standards, classifies species for which there is no certified timber, despite these species being replaceable in musical instrument production, as one example of when these standards are used. Meanwhile, Takehiko Kikuchi, who is responsible for procuring timber for use in guitars, mentions human-grown timber used in India, as another example of when these standards are applicable. The ability to rigorously assess the sustainability of such timber is a major benefit of the new standards. These standards will be used to facilitate efforts toward accomplishing the medium-term management plan’s non-financial target of a 75% rate of sustainably sourced timber use.

Yamaha’s ability to properly assess the sustainability of timber in line with these new standards will depend on improving the skills of survey staff and securing the resources necessary to conduct surveys. These areas are where will require attention going forward. Procurement division member Jun Ushiyachi describes his commitment, “Our efforts will not only contribute to the preservation of forests and ecosystems but also to the improvement of corporate value. I want to make the meaning of our efforts known, both inside and outside of Yamaha, so that we can have greater support as we work toward our goals.”

Ever-Shortening Road toward Becoming the World’s No. 1 Guitar Brand

As we have illustrated, Yamaha is making bold steps on its ever-shortening road toward raising its brand value to become the world’s No. 1 guitar brand. We are bolstering our lineup through product development focused on building upon the fundamental value of guitars and through the acquisition of new brands and insight. At the same time, we are securing supplies of high-quality timber that are both reliable and sustainable. Through these efforts, we aim to accommodate customer needs and deliver levels of value that exceed customer expectations and thereby achieve sustainable growth while accomplishing the targets of the medium-term management plan.