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For Immediate Release

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Code Number: 7951 (First Section of Tokyo Stock Exchange)

## **Outline of New Medium-Term Management Plan Make Waves 1.0**

Yamaha Corporation announces that it has established new medium-term management plan Make Waves 1.0 covering the three-year period from April 2019. This plan follows the former plan NEXT STAGE 12 which concluded at the end of March 2019.

### **Review of the previous medium-term management plan NEXT STAGE 12**

Under our future image (Management Vision), “becoming an indispensable, brilliantly individual company — boosting brand power to become a highly profitable enterprise,” we are strengthening brand power and, along with this, we have been working to improve operating income ratio. As a result of implementing our four key strategies: (1) develop products with distinctive individuality, (2) enhance customer interaction, (3) continually reduce costs, and (4) strengthen global business platforms, we expect to achieve an operating income ratio of 12%.

Moreover, we expect to achieve our other financial targets, namely, ROE 10% level and EPS ¥200 level.

### **Overview of New Medium-Term Management Plan Make Waves 1.0**

#### **1. Recognition of Business Environment**

The accelerated shift toward use of digital technologies caused major changes in industrial structure, while the world has become a place where even closer interaction with customers is possible. Additionally, the further development of AI and IoT has resulted in our lives are becoming more and more convenient in leaps and bounds. At the same time, we will see a trend toward an age where people are seeking greater spiritual satisfaction and authenticity. Also, our social awareness of issues such as sustainability has risen. Within this changing environment, we are becoming more aware of opportunities for Yamaha, whose strength is combining technology and sensibility.

## 2. Management Vision\* (Our Future Image) and Value Creation Story

\*Announced on April 2016

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

By creating social value, we aim to enhance corporate value and realize our vision.

## 3. Status of Medium-Term Management Plan and Basic Strategy

Based on the results achieved to this point, we position the new medium-term management plan to "Develop closer ties with customers and society and boost value creation capabilities" as our basic strategy over three years.

## 4. Management Targets

### Financial targets (IFRS standards)

(Policy) Boost profitability while also building stronger business platform for growth

Core operating income ratio: 13.8%

ROE: 11.5%

EPS: ¥270

(Expected exchange rate: ¥110 to US\$1 / ¥125 to €1)

### Non-Financial Targets

Corporate brand value\*: +30%

Music popularization for learning musical instruments: 1 million people (in cumulative total)

Certified timber use: 50% of total use

\*Brand value adding with Yamaha Motor Company: \$1.2 billion (Best Japan Brands 2019 issued by Interbrand)

### Investment and shareholder returns

(Policy) Achieve a well-balance allocation between investment in growth and shareholder returns

Total return ratio: 50 %

## 5. Four Key Strategies

### a. Develop closer ties with customers

To create broader, deeper and longer-lasting ties with customers, Yamaha is working on providing a contribution to enhanced lifetime value through communicating brand appeal by continuously offering the value that the brand guarantees and upgrading the interface points with customers centered on digital marketing combining the online stores with the bricks and mortar stores. In China and the emerging countries such as those of ASEAN, we will capture and accelerate growth from middle income earners. In the audio

equipment, industrial machinery/components business, we will seek growth by expanding business areas with growing markets.

b. Create new value

We will create new value through Yamaha's strengths: combining technology and sensibility. Based on changes in the society and feedback from customers, and through using technology to quantify sensibility (human sensitivity evaluation technology) and technology for analysis and simulation, we will integrate our proprietary technologies such as acoustic and digital technologies to provide customers with unique products and services.

c. Enhance productivity

While promoting optimized sales prices to appropriate levels through strengthening added value and appeal of product value, we will work to reduce manufacturing costs on a sustained basis. In addition, we will perform zero-based analysis and shift to strategic expenditure that contributes to enhancing customer value, and work to strengthen profitability.

d. Contribute to society through our business

We will contribute to the ongoing development of musical culture and society. In addition to contributing to the global music scene through the supply of a diverse range of instruments and promoting popularization of musical instrument education in emerging countries, we will contribute to the sustainability of the music culture and work on resolving social issues through products and services. We will also work in harmony with nature through the sustainable use of timber and the development of environmentally-friendly products.

## **6. Business Strategies**

a. Musical instruments

We will raise profitability by expanding sales mainly in emerging countries and enhancing added value. We will incorporate demand creation through the promotion of top-end strategies and expanding sales in the middle-to-high-end products, as well as efforts to enhance lifetime value and music popularization activities.

b. Audio equipment

In the B2B business, while taking advantage of the strength of digital mixers, we are working on further enhancing ability to offer total solutions and we will enhance capability to directly approach customers of upper stream processes such as facility owners.

In AV products, which is a B2C business, we will promote conversion to a portfolio that is adapted to the lifestyle changes of customers.

c. Industrial machinery/components

We will establish a market position through the technology of audio, voice and sound control to solve a diverse range of sound issues for the interior of vehicles.

**7. Investments and Returns to Shareholders**

We will distribute the cash generated in a well-balanced manner to achieve investment in growth and return to shareholders.

[Investments]

Regular investment    ¥40 billion

Strategic investment    ¥50 billion (Additional investment in new manufacturing facilities, R&D facilities, M&A, etc.)

[Shareholder returns]

Based on a policy of issuing continual stable dividends and taking into consideration the balance with the appropriate internal reserves for future investment growth, we will implement flexible shareholder returns with the aim of enhancing capital efficiency. We aim for a total return ratio of 50% over three years.

For further information, please contact:

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