



## **MUI 440: Yamaha Business Plan**

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## **1. Executive Summary**

### **A. The Opportunity**

People need good quality instruments and equipment at an affordable price. These same people need decent customer service to help them understand a product that they may need. People have music and are able to create a unique setting which often lends itself to inspiration and the space to solve social issues. Yamaha finds an opportunity in business, but also in making the world a better place.

### **B. Description of the Business**

Yamaha produces and delivers instruments that are affordable for many musicians. Yamaha being its own manufacturer allows for considerable control on price, product, placement, and promotion. Yamaha focuses on the musician behind the instrument and gives meaning to making music. In order to successfully carry out their business plan, Yamaha must incorporate the consumer's needs into their business functioning.

By focusing on the individuality of a musician, Yamaha believes that this will inspire a person to take steps to create enriching experiences. They focus on a musician by making several options and alternatives available to products that they would need. (Yamaha Annual Report)

### **C. Competitive Advantage**

The mass production of Yamaha's products allows them to have a major competitive advantage over emerging instrumental manufacturers and existing manufacturers who do not have control over the parts and accessories needed to make their instruments. Yamaha offers quality instruments for beginners or amateur players at an affordable price point. These instruments are easily accessible in many music stores and online, unlike handmade instruments, making it easier to shop for instruments.

### **D. The Target Market**

Yamaha has identified a gap in the market in which there is a need for quality instruments at a price point fit for the middle-class family. Yamaha distinguishes its business from competitors with its unique instrument design and affordable price. The gap is filled with the wide availability of Yamaha's products in retail stores and online. Yamaha focuses on the U.S. public school system with beginner music classes, intermediate and advanced level performers, and other creative artists who either dabble in the arts or professionally perform (Daly).

### **E. The Management Team**

Taking full advantage of the various managers, Yamaha creates a diverse group of problem-solvers and critical thinkers to run each part of the company to its fullest potential. Using the experiences each member brings from being with the brand for years and pulling in experiences from their previous employers, Yamaha continues to grow and adapt its way of thinking to better create a positive work environment. The collection of different skills each member offers from financial management, corporate governance and technology leave gaps filled, creating a well-rounded diverse management team.

### **F. Brief of the Financial Projections**

In response to the pandemic, Yamaha is rebuilding their foundations by ramping up “product development and new value creation activities, strengthening management of production, sales, and inventories, and optimizing selling prices” (Page 60 Yamaha Annual Report). With changes in production and the use of technology in many communities, there is a need for new ways to learn and enjoy musical instruments at home. Yamaha is projected to increase sales following the losses faced during 2020 and 2021.

### **G. Description of What the Business Needs**

In order to adequately keep up in the field of digital instruments, a new source or supplier of semiconductors needs to be the next steps. Supplies have seen a sharp shortage in recent years, making it difficult to get anything that needs a chip like phones, gaming consoles, etc. An alternative to these such as gallium nitride could reshape the industry wide shortage and create an alternate supplier chain to boost production back for studios and venues. For acoustic and electric instruments, continuing to reduce carbon footprint by allocating more resources to ecological betterment and reforestation issues could create a positive impact on the quality, and the sustainability of the planet. To boost sales in the coming years, Yamaha plans to ramp up production and gain a better grasp on the supply chain to feed the incoming demand (DigitalPianos.com).

## **2. The Business**

### **A. The Opportunity**

People need good quality instruments and equipment at an affordable price. These same people often need decent customer service to help them understand a product that they may need. If people have music and can create, that ability often lends itself to the inspiration and space to solve social issues. Yamaha plans to address this by focusing on societal changes within a musical framework. From Yamaha:

“The Company utilizes the strengths of its distinctive technologies, sensibilities, and value chain to help resolve social issues and contribute to the enrichment of people’s lives by creating new value through sound and music.” (Page 12 of Yamaha 2020 report)

### **B. Description of the Business**

Yamaha produces and delivers instruments that are affordable for families and other instrumentalists alike. Yamaha being its own manufacturer allows for considerable control over price, product, placement, and promotion.

By focusing on the individuality of a musician, Yamaha believes that this will inspire a person to take steps to create enriching experiences.

"A feeling of enthusiastic excitement lives in sound and music, through playing or simply listening. We at Yamaha want to inspire peoples’ passion and help them make a step forward to express their individuality, emotion and creativity."

Brand Promise (Page 3 of Yamaha 2020 report)

### **C. Competitive Advantage**

Yamaha offers quality instruments for beginners or amateur players at an affordable price point. Also, these instruments are easily accessible in many music stores and online, unlike handmade instruments, making it easier to shop for instruments.

“Through our diverse product lineups and global sales and service structures, which also include the music school and software content businesses, we have secured a position as the world’s leading comprehensive musical instruments manufacturer” (Yamaha Corporate Website)

Yamaha has a large amount of control over how products are made, distributed, and sold. This amount of control allows a competitive advantage against other companies in regards to how the products may be priced and what markets are served directly. Unlike other instrument

manufacturers, Yamaha does not specialize in each instrument, allowing the production to develop even faster.

### **Competitive advantage by product:**

#### *Guitars:*

- Global leader in number of acoustic guitars sold\*

#### *Pianos:*

- Product lineup that enables proposals that meet all kinds of customer demands
- Development capabilities and brand power realized through our long-cultivated technologies

#### *Digital Musical Instruments:*

- Product lineup that can meet diverse user needs
- Acceleration of growth in emerging markets and increase in customers through the expanding sales of high-end products

#### *Wind/String/perc:*

- Strengthening of development and value promotion and expanded sales of mid-range and high-end musical instruments
- Demand creation and expanded customer base resulting from activities to popularize music in China and emerging countries

Yamaha focuses a great deal on ethics and humanities. In the corporate philosophy, Yamaha focuses deeply on its customer experience, all delivered by the company's will and integrity with a goal of:

“The Customer Experience exemplifi[ng] the meaning of “Sharing Passion & Performance” from the customer's viewpoint. When customers experience, use, or own Yamaha products and services they should experience a profound response that will stimulate both their emotions and senses.

Yamaha additionally supports ethical accumulation of resources and sets up a Due Diligence system to prevent the procurement of illegal timber sources by surveying sites. The goal is to ensure economical and sustainable forests are used to keep growing and expanding the ethical resources community.

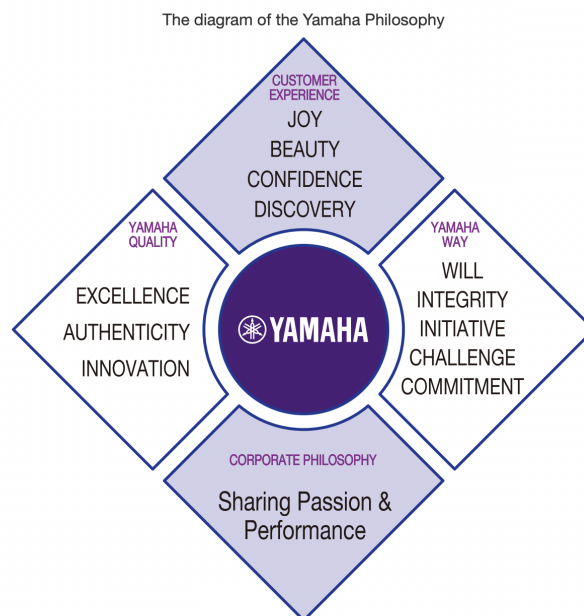
Yamaha also focuses heavily on education. Yamaha, through its “school project” seeks to expand sales networks in emerging countries by popularizing playing music thereby stimulating demand. The “school project” can be defined as:

“ [A] Project that provides opportunities for children to play musical instruments in schools with the aim of spreading musical instrument education and **increasing the musical-instrument-playing population**”

## D. Current Status and Requirements

Yamaha has seen a resurgence in popularity as a jump back to live performance rebounded in the main light. Despite shortages, sales for instruments across the board saw an increase in the double digits. An issue arises across the board that is the lack of semiconductors, causing a decline in revenue. Market conditions are expected to recover but are still projected to be impacted by shortages. It is expected to see a decrease in Digital instruments due to this shortage. This decline is expected to drive up all other instrument sales, expected in all regions.

In order to adequately keep up in the field of digital instruments, a new source or supplier of semiconductors needs to be the next step. Supplies have seen a sharp shortage in recent years, making it difficult to get anything that needs a chip like phones, gaming consoles, etc. An alternative to these such as gallium nitride could reshape the industry-wide shortage and create an alternate supplier chain to boost production back for studios and venues. For acoustic and electric instruments, continuing to reduce carbon footprint by allocating more resources to ecological betterment and reforestation issues could create a positive impact on the quality, and the sustainability of the planet.



(Yamaha Philosophy, Diagram of the Yamaha Philosophy)

### 3. The Management Team

The management team is a key component to any business being successful. Being able to diversify and organize your managers is an effective way to produce quality and efficient results in different branches of a business. In the Yamaha Corporation, the key segments are managed by six people.

**Takuya Nakata** has acted as the Representative Executive Officer since 2017. He has occupied the position of General manager of musical instruments. He has also been involved in Audio products sales and Marketing Groups of Yamaha. He has experience in corporate management and governance reform, creating movements such as shifting the company to have committees for nominating, audits, and compensation.

**Sotoshi Yamahata** is an executive officer with Yamaha well versed in Legal and Risk management. Mr. Yamahata has acted as general manager of the Accounting and Finance Division, the corporate planning division, Executive general manager of the operations unit, and executive general manager of the corporate management unit. In addition to having various levels of management skills, he also has global experience working with different branches of the company dealing with different parts of the world.

**Shinobu Kawase** acts as chief director of musical instruments and audio production, as well as chief director of sound business. In addition, he has previously held positions as Senior executive officer of audio production in the main musical instruments and audio production unit of the company.

**Shigeki Fuijii** serves as the managing executive of the technology group, as well as general manager of the semiconductor division. The semiconductor division is a key position in developing and creating digital instruments, as semiconductors are essential to the production of digital instruments.

**Seiichi Yamaguchi** has held the position of general manager of the business planning division of musical instruments and audio products. His position leaves him in charge of all sales based around Hamamatsu, Japan.

**Atsushi Yamaura** is the senior general manager of the digital music instruments division. Mr. Yamaura has filed patents with others for inventions in the Yamaha Corporation, such as a portal server for supplying different versions of music content. This is one of several music patents he has filed during his tenure with the Yamaha Music Corporation.



## B. The Board of Directors

In addition to six other members, **Takuya Nakata** and **Satoshi Yamahata** share roles in not only management but on the Board of directors. Alongside these two, **Taka Fukui** serves on the board of directors as the outside director of Yamaha, involved as an audit and supervisory board member of Metawater Co., which specializes in facilitating solutions for water resources and the planet engineering business. **Yoshihiro Hidaka** serves as another outside director, working alongside Yamaha Motor Corp., he offers insight into the brand from being a part of the Yamaha team since 1978. **Mikio Fujitsuka** serves as an outside director having previously been CFO of one of Japan's largest construction machinery manufacturers in Japan. In addition, he serves as the outside corporate auditor of Mitsui Chemicals inc., which deals in basic chemicals and functional polymeric chemicals. **Paul Candland** has served on the board since 2019, being responsible for the Asian Region and Japanese arm of The Walt Disney Company. He served as the Managing director of Walt Disney Television International for Japan. **Hiromichi Shinohara** serves as an Outside director, while also holding the title of Chairman of the Board for NTT, a multinational IT service headquartered in Japan. As well as offering knowledge in communication systems and electronics, he brings insight and ideas to help progress the Yamaha Corporation brand. **Naoko Yoshizawa** has served on the board since 2021, holding corporate positions in companies such as Fujitsu Limited (Information and communications technology) as the CEO of its overseas group company. Given her insights in digital and AI technologies, research and development, and manufacturing she proves to be a strong board member of the Yamaha Corporation.

## C. Professional Service Providers

The Yamaha Corporation uses many law firms for their various corporate dealings as well as their patent filings. The six listed law firms ensure the protection of Yamaha's IPs:

**Rossi, Kimms & McDowell LLP** specializes in intellectual property legal services for patents, trademarks, and copyrights.

**Crowell & Moring LLP** is a tool in Yamaha's arsenal that specializes in matters of regulatory actions, legal litigation, corporate issues, and investigations.

**Global IP Counselors LLP** works alongside international firms to ensure the rights of a company's IP are adhered to, enforced, and leveraged.

To further ensure the security of Yamaha's IP and patents, **Chip Law Group** specializes in patent attorneys to provide services to foreign and domestic companies and startups.

**HEA Law PLLC**, based in Washington DC and Tokyo, is another full-service IP law firm protecting Yamaha's IP. With a client base of Fortune 500 companies, SMEs, universities, etc. they provide attorneys with engineering and business degrees to cover a large area of necessary skills required to protect and secure the rights guaranteed to a company with their IP and patents. According to their official website, they are utilizing AI tools to become more efficient and lower-cost solutions to IP protection.

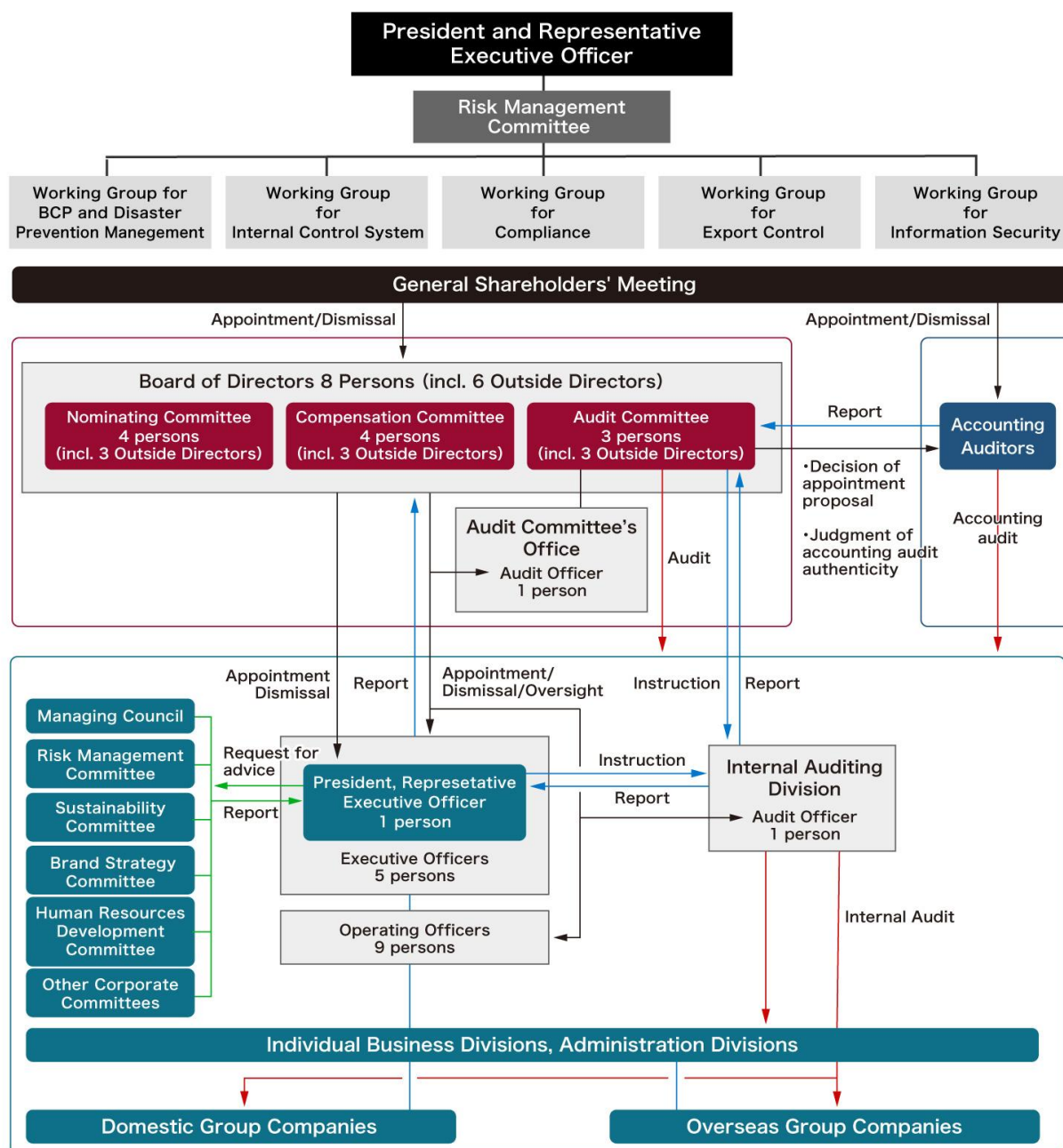
**Morrison & Forester LLP** is the last firm in their company, with lawyers practicing on various continents to provide coverage to a large area of companies. In addition to lawyers, they offer advisors for market-changing deals and impact litigation.

#### **D. Accounting Firms**

Yamaha uses **Ernst and Young ShinNihon LLC** to handle its financial side of the business. Under their company, they employ over 2,000 certified public accountants to manage the accounts within Ernst and Young. Acting as Japan's largest accounting firm, they offer services of assurance, consulting, strategy, and transactions. Holding over 200,000 clients in 150 countries, they provide tax advice, and investment banking, as well expanding its image by sponsoring a variety of different mediums such as artists, the ITEM Club, and the EY Foundation. This charity serves to help those in higher education by offering connections to different careers and professional services. With this foundation, they have matched contributions of up to \$31 million to assist over 500 higher education institutions to create more opportunities for aspiring business and entrepreneurial students.

## 4. Company, Structure, Intellectual Property, Ownership

### A. Organizational Structure



Yamaha is organized into “three fields” of business segments including “musical instruments, audio equipment, and industrial [fields].” Within these fields, Yamaha is led by a President and Representative Executive Officer and a Risk Management Committee. Beneath them, the eight Directors of the Board are made up of six outside directors which are “obligated

by law” so they may oversee with “transparency and objectivity.” The Corporate Governance of the company separates into three categories; the nominating committee, the auditing committee, and the compensation committee. (Yamaha Corporate Website)

## **B. Legal Structure**

Yamaha refers to itself as the “Yamaha Group” because it is international and has different legal structures in each country it occupies. In the USA, Yamaha is registered as a public corporation. This means that Yamaha can trade stock publicly. (Yamaha Corporate Governance)

## **C. Intellectual Property**

Intellectual Property is incredibly important to the Yamaha Corporation. Since Yamaha manufactures several of its products and innovates upon pre-existing products or creates alternatives to expensive instruments, patents are created to protect their work.

Yamaha has plenty of existing patents for different types of music electronics such as microphones, transducers, earphone covers, etc. The patents are filed under “YAMAHA CORPORATION” and are invented by mainly Japanese engineers. (Justia)

## 5. Industry Analysis

### A. Industry Description

Yamaha is involved in the industry of producing and marketing affordable instruments for the retail environment to be sold in physical stores and online sales. The retail market for musical instruments can be described as companies that sell musical instruments, such as guitars and pianos, and can also gain revenue from other music-related materials (Daly). The musical instrument manufacturing and selling space can be presented in either an online or in-person sales format, however, instrumentalists focus on the importance of how the instrument feels and sounds which lends interest to the in-person experience of choosing an instrument. With the rise of E-Commerce and delivery services, the retail market for the musical instruments industry is experiencing an increase in business conducted online (Daly).

During the pandemic, this industry saw a significant decline in sales and production as employees were unable to manufacture and sell and consumers had little accessibility to instrumental stores. In 2020, Yamaha followed the trend experienced by other musical instrument companies and faced a decrease in sales from \$2.54 Billion in 2019 to \$2.47 Billion in 2020, a 3% decrease in sales (Statista). At the height of the pandemic, Yamaha accumulated \$2.16 Billion in sales in 2021 which is a 15% decrease in sales from 2019 (Statista). Globally, many industries suffered from the pandemic, but the musical instrument industry saw significant drops in annual performance due to low consumer demand and manufacturing difficulties.

IBISWorld predicts that the close of the COVID-19 pandemic will benefit the retail market for musical instruments as consumers are seeking new ways to be involved in their community and at home (Daly). The music industry is emerging into a new wave of live music performances and the growth of consumer contact due to the lift of restrictions and the return of music festivals. As 2022 continues, Yamaha and other instrumental manufacturing companies are expected to receive positive growth and more customer interaction (Statista). The instrument industry is still a growing market, expanding every year as new technologies are developed and there is a greater flow of goods in new markets.

The musical instruments category has seen significant changes during the COVID-19 pandemic and has gained traction with online marketing pushes and new instrumental inventions. Statista claims that the musical instruments industry is the smallest segment of the Hobby and Toys market, however, it is projected to make US \$8 billion between 2019 and 2023. The online marketing push has become a major component to many industries post-pandemic since it allows users to be greeted with a simple and easy-to-find interface to buy products. The Statista Global Consumer Survey from 2020 depicts a 64% increase in US residents who have shifted to online

purchasing methods (Han). Specifically, the Toys and Hobbies category saw an 11% increase in online purchasing in 2020 alone (Han). The traditional methods of traveling to a physical store and buying products are slowly being replaced by E-Commerce options with the pandemic being a catalyst for this transition. The key to online marketing is creating a space for consumers to filter through options, specify searches to fit their needs, and provide customer support outlets if the customer needs other assistance. Yamaha and other instrumental manufacturing brands contain all of these features on their websites to aid customers in their buying process and allow them to view every product in stock. A key driver of the transition of musical instrument online sales is the wide availability of the internet accompanied by a fast and accessible website. Another key driver to the profit potential of the musical instrument industry is the development of new innovations in technology used to manufacture instruments and produce new brands of instruments.

Yamaha is one of the top innovators of musical instruments due to the wide variety of instruments in their product catalog and their prominent position in instrument development. Yamaha possesses new technologies such as Acoustic technologies that support new acoustic musical instruments, Digital technologies represented by digital signal processing, Evaluation technologies pertaining to human recognition toward sound, Simulation technologies, and Manufacturing technologies pertaining to manufacturing methods and RPA (Yamaha Annual Report 2020). Such advancements in the musical instrument industry shape future growth since companies, such as Yamaha, are conforming their business plan with the rapidly changing technological landscape. Profitability is forecasted positively for larger companies who have established their reputation and quality products in the musical instrument field; therefore, Yamaha will experience growth alongside other companies as the 2021 fiscal year closes.

## **B. Target Market**

Yamaha and other musical instrument manufacturers focus on the U.S. public school system with beginner music classes, intermediate and advanced level performers, and other creative artists who either dabble in the arts or professionally perform (Daly). Yamaha heavily targets the elementary to beginner category of instruments since their products are affordable and fitted to younger persons. Furthermore, Yamaha offers music lessons at select public schools across the United States, Japan, Latin America, and Indonesia for beginner students (Yamaha Annual Report 2020 14). In 2020, Yamaha accommodated the incoming pandemic by shifting their lesson programs online to maintain connection to students who could not go to school to learn in person (Yamaha Annual Report 2020 14). The implementation of the Yamaha brand directly into public schools allows them to work closely with their target market of beginner musicians and reinforce their brand image as giving back to the community. Yamaha works with collegiate level performers in which they assisted with conducting virtual performance exams during the height

of the pandemic in 2020 (Yamaha Annual Report 2020 14). On the professional spectrum, Yamaha sponsors freelance musicians to act as “Yamaha Performing Artists” to play Yamaha products on the public concert stage.

Yamaha has identified a gap in the market in which there is a need for quality instruments at a price point fit for the middle class family. While other musical instrument companies produce the same type of instrument, Yamaha is able to distinguish its business from competitors due to its unique instrument design and cheaper price point. The apparent gap is filled with the wide availability of Yamaha’s products in retail stores and online. Moreover, Yamaha is filling this gap in underdeveloped towns in other countries such as India (Yamaha Annual Report 2020 17). The School Project, created in 2018, was implemented into 125 Indian schools where music education is instilled in schools that had no access to instruments and music instruction (Yamaha Annual Report 2020 17). This program not only aids impoverished towns by providing needed education for children, but it also expands Yamaha’s influence in India, a critical region for brand expansion. Yamaha is able to provide accessibility to other countries besides the United States which improves their business strategies for growth and increases brand image. Their established role in Japan and the United States allows Yamaha to position itself as a top company for musical instruments globally.

### **C. Competitive Position within Target Market**

The instrumental manufacturing category contains many competitors in which Yamaha must maintain their prominent position as leading instrumental manufacturer and retailer. In the instrumental manufacturer sector, there are many substitutes to Yamaha’s products, however, the lack of accessibility and poor quality of these substitutes leads to failure of many new instrumental models that are created to compete with Yamaha. The substitute threat level is medium since there are many companies attempting to replicate Yamaha’s products, but the threat is not significant enough since Yamaha has protected their unique product quality and is well established. Also, Yamaha sells and manufactures their own complimentary products that work with their instruments such as amplifiers, pedals, stands, guitar strings, and even sheet music. In 2019, of all musical instruments sales, 46% was dedicated to the parts and accessories of instruments, not the instruments themselves (Han). Yamaha is able to capitalize on the need for music instrument accessories by producing their own accessories alongside their instruments.

The musical instrument industry contains barriers to entry due to the major businesses, such as Yamaha, already being established as a leading brand. Yamaha’s access to global distribution channels overseas gives them an advantage over companies attempting to emerge in the instrument market. Yamaha is able to mass produce quality products at a large scale contrary to smaller brands who still make instruments by hand or in low quantities. The threat of new entrants is low due to Yamaha’s secure hold on the instrument industry not only in the United States, but in many countries around the world. The management team at Yamaha is constantly

executing new ideas and putting the Yamaha brand in new markets that have been untouched by other musical instrument manufacturers. The capital advantage, strong management team, and new approaches to a changing industry places Yamaha as a leader in the instrumental sector; thus, setting a medium threat among existing firms such as Guitar Center and Steinway. Lastly, Yamaha's affordable price point of their products and long term and efficient suppliers of manufacturing parts places the threat of the power of suppliers and buyers low. Please see Figure 1. Competitive Force Threat Level Chart for threat level indications.

In comparison to other musical instrument distributors, Yamaha is positioned much higher in the digital piano category due to its excellent quality keyboards at an affordable price. Casio and Roland, other producers of digital keyboards, can be compared to Yamaha's business format since they are all Japanese based musical instrument manufacturers, however, Yamaha offers better marketing support in other countries and has significantly better quality products. Kawai Musical Instruments and KORG also produce digital pianos, but they do not sell portable keyboards which are preferred by students, casual musicians, and schools. Not only does Yamaha produce many types of portable keyboards, but the keyboards come with the needed accessories to successfully perform piano compositions such as the foot pedal and music holder. Other companies that are not as well known as Yamaha, such as Nord, Dexibell, Kurzweil, and Alesis, have better craftsmanship in their products than other Yamaha competitors, however, none of these companies have a large distribution reach and are ultimately unable to compete with Yamaha's control of the digital piano industry. Overall, Yamaha is the preferred brand for not only digital keyboards, but other instruments and accessories. Please see Figure 2. Competitive Grid and Position for ratings of competitive companies in comparison to Yamaha's performance.

| Competitive Force            | Threat Level |     |      |
|------------------------------|--------------|-----|------|
|                              | Low          | Med | High |
| Threat of Substitutes        |              | ✓   |      |
| Threat of New Entrants       | ✓            |     |      |
| Rivalry Among Existing Firms |              | ✓   |      |
| Power of Suppliers           | ✓            |     |      |
| Power of Buyers              | ✓            |     |      |

**Figure 1. Competitive Force Threat Level Chart**



|                      | Yamaha<br>(Japan) | Casio<br>(Japan) | Roland<br>(Japan) | Kawai<br>Musical<br>Instruments<br>(Japan) | KORG<br>(Japan) | Nord<br>(Sweden) | Dexibell<br>(Italy) | Kurzweil<br>(USA) | Alesis<br>(USA) |
|----------------------|-------------------|------------------|-------------------|--|-----------------|------------------|---------------------|-------------------|-----------------|
| Product Features     | 5                 | 5                | 4                 | 3  | 3               | 3                | 3                   | 3                 | 4               |
| Brand Name           | 5                 | 5                | 4                 | 4  | 4               | 3                | 2                   | 2                 | 2               |
| Compatibilitiy       | 4                 | 4                | 4                 | 4  | 3               | 3                | 3                   | 3                 | 3               |
| Distribution         | 5                 | 5                | 4                 | 5  | 4               | 3                | 2                   | 2                 | 3               |
| Quality              | 5                 | 3                | 4                 | 4  | 3               | 3                | 4                   | 4                 | 4               |
| Ease of Use          | 5                 | 4                | 4                 | 3  | 3               | 3                | 3                   | 3                 | 4               |
| Price                | 4                 | 4                | 4                 | 5  | 3               | 3                | 3                   | 3                 | 3               |
| Marketing<br>Support | 5                 | 4                | 4                 | 4  | 4               | 3                | 3                   | 4                 | 4               |
| Customer Service     | 5                 | 4                | 4                 | 4  | 4               | 3                | 3                   | 4                 | 4               |

**Figure 2. Competitive Grid and Position**

## 6. Marketing Plan

Marketing is a crucial part of what makes any business successful. For a global, publicly-traded company like Yamaha, the ability to establish a recognizable brand and create value that customers will associate with the company (and its products) is a critical step in attaining a loyal population of customers.

### A. Product Feasibility and Strategy

Yamaha’s product strategy is broken down specifically by each type of instrument sold:

#### *Guitars:*

In 2018, Yamaha established global marketing functions in the United States, which it says is the “epicenter of the guitar market” (Yamaha 2019 Annual Report 45). Additionally, in its 2019 annual report, Yamaha describes its “key strategies” for the U.S. guitar market specifically, which include:

- Expanding the use of local employees' skills and ideas to strengthen our ability to showcase product value.
- Make effective use of influencers including professional guitar players and social media users
- Communicate the appeal of true Yamaha spirit through exciting experiences and value creation

The efforts to expand the skills of employees at the local level (e.g. retail salesman) will improve Yamaha's ability to communicate the value of its products directly to its customers. Additionally, the endeavor to make use of social media in order to promote Yamaha's products is an effective way to reach new audiences and engage potential customers.

### ***Wind, Strings, and Percussion:***

With a wide range of over 15 different products in this category, Yamaha says it is "able to compete for the leading position in various musical genres" (Yamaha 2019 Annual report 45). Yamaha seeks to ensure that its brand is chosen by a larger number of customers by implementing some of the following key strategies:

- Enhance joint product development through collaboration with major artists
- Launch higher-end models and enhance brand appeal
- Promote brass and wind instrument bands and create demand in China and emerging countries

Collaboration with major artists is an effective way for Yamaha to add value to its products purely by association. Likewise, introducing higher-end models in this category should work to enhance Yamaha's brand image.

### ***Pianos:***

Yamaha designates the piano business as one which they have "cultivated for over a century and can be considered a core part of the Yamaha Group's operations" (Yamaha 2019 Annual Report 44). To maintain its position as the "No. 1 choice of all customers," Yamaha plans to enhance its presence in music colleges and concert halls. The goal of which is to make Music Education virtually synonymous with the Yamaha brand.

For concept testing, Yamaha partners with Qualtrics, a company that produces survey software. With Qualtrics, Yamaha can collect customer input for its products as early as the

Yamaha Business Plan  
development stage. Qualtrics' surveys enable Yamaha to run quick-turn studies that aim to catch potential misfires before a product goes to market. Yamaha's success story on the Qualtrics website details an instance where its software was particularly useful in regard to concept testing:

“When a question was raised during the development of Yamaha's Montage Keyboard- regarding where to use knobs versus sliding faders- Yamaha used Qualtrics to survey their customers and received 400 responses in a matter of hours... and most importantly, Yamaha got it right”  
(Qualtrics Client Yamaha Success Story 3).

In terms of the overall quality of its instruments, Yamaha puts a large focus on reliability and durability, claiming on its website that the two are “just as important” as sonic quality (Yamaha). For its USA guitars specifically, Yamaha outlines a six-step plan that promotes quality control for its products. The plan is as follows, and includes everything from inspection for functional and cosmetic defects, to severe endurance testing.

#### **1. Virtual Review**

- Proposed designs, before they are anything but an idea on paper, are subjected to multiple review sessions.

#### **2. Initial Prototype**

- On-paper ideas are translated into a physical design in the form of a prototype. The first prototype is again subjected to multiple review sessions. These review sessions examine new features to determine whether they actually fulfill a customer's need and assess their potential for improvement. This is a great way for Yamaha to make sure that they are selling benefits, not features.

#### **3. Pre-production prototype- refining the process**

- Construction of a second prototype after the first is reviewed and then approved.
- This stage prevents issues that might have appeared between the initial prototype stage and this one.

#### **4. Production**

- Instruments are put into production, and each Yamaha craftsman monitors the quality of the product as it is being assembled.

## **5. Spot-Checks and feedback from the field**

- Guitars leaving the factory are inspected.
- If a problem is found, Yamaha says that it will halt production immediately and identify the cause before production and shipment can resume
- As an additional failsafe, Yamaha's quality control department regularly purchases random guitars from its stores to perform real-world testing

## **6. Lasting Quality**

- Once products have been sold, Yamaha retains stocks of parts that may be needed to repair its instruments. Additionally, the company stores parts for instruments up to 10 years after they have been discontinued.

### **Testing**

To ensure real-world durability, Yamaha submits its products to three kinds of tests: severe quality testing, accelerated environmental testing, and vibration/drop testing.

#### ***Severe Quality Testing***

This process includes subjecting instruments to controlled abuse tests within Yamaha's quality support centers. These tests are designed to push instruments "far beyond the limits of normal abuse" according to the quality control section of Yamaha's website.

#### ***Accelerated Environmental Testing***

This process aims to assess the performance of Yamaha's instruments under different environmental conditions. The goal of this type of testing is to ensure that Yamaha instruments can sustain changes in environmental conditions without sacrificing usability. The process includes subjecting instruments to severe temperatures while taking measurements to check integrity and stability. Additionally, instruments are tested under different atmospheric moisture contents.

#### ***Vibration and Drop Testing***

This process seeks to ensure that Yamaha's instruments can withstand the, oftentimes, vigorous shipping process. Since Yamaha sells its instruments all over the world, the risk of damage during shipping is a huge problem that requires a lot of attention. Yamaha deals with this by

dropping an instrument (and its packaging) from different and significant heights on all sides. Additionally, Yamaha subjects the instruments to “severe mechanical vibration” according to the “quality control” page on the Yamaha website.

## **B. Pricing Strategy**

“We give sufficient consideration to such factors as the market environment, competitive relationships, and product features in order to promote efforts to optimize our prices so that they appropriately reflect the value a product offers. In addition to revising the sales price of existing products, we work to enhance added value when introducing new products, or when adding new services to existing products, and attach prices that appropriately reflect this added value” (Yamaha 2019 Annual Report 52). Evident in this statement by Yamaha, the company stresses an importance on the relationship between value and price. This is crucial in making sure their customers feel like they are getting, at the very least, what they paid for, and in many cases, more than that. This large focus on adding value to existing and new products is another great example of how Yamaha finds success by pricing based on benefits, not features.

## **C. Channels of Distribution**

“From early on in our history, we have established overseas production bases. Currently, we have key production bases in Japan, China, Indonesia, Malaysia, and India. The establishment of a global production structure optimized to each of our business domains is another factor that contributes to our overwhelmingly high level of competitiveness” (Yamaha 2019 Annual Report 50). After production, Yamaha music products are sold in brick and mortar retail music stores such as Guitar Center and Sam Ash. Yamaha products are also sold in multitudes of online stores both industry-specific and non-industry-specific, like Amazon and Sweetwater Music. In key markets, Yamaha establishes direct sales networks which are also supported by local subsidiaries (Yamaha Annual Report 2020 59), and, in emerging markets, Yamaha aims to approach their customers via its authorized distributors. Yamaha does not own its means of distribution, which is a form of backward integration. “Our sales networks cater to local characteristics and span a wide range of outlets, including specialty stores, chain stores, mass retailers, and e-commerce” (Yamaha 2019 Annual report 52).

## **D. Promotions and Advertising**

One of Yamaha's key programs for promotion and advertising is its school program, which aims to establish sales networks in emerging countries by building music schools. The goal is to increase the number of students learning music via Yamaha products, thereby establishing brand recognition and loyalty early on. By creating more music students, Yamaha is directly adding to their customer population. In 2020, Yamaha designated a plan to achieve 1 million music students in several countries within the following three years. According to Yamaha's 2019 Annual report, as of June of that year, Yamaha (via its school program) had a total of more than half a million students in both Japan and a number of other overseas countries.

## **7. Operations Plan**

### **A. Method of Production or Service Delivery**

All products are manufactured in Japan. With three different factories for their various production lines, there is a dedicated factory for their instrument production based in the Shizuoka Prefecture (Yamaha Corporation).

### **B. Availability of Qualified Labor Pool**

In the Yamaha Corporation, there are 28,112 registered employees throughout the entire Company (Yamaha Corporation). Employee responsibilities range from administration roles to industrial tasks

### **C. Business partnerships**

Types of Business partnerships: Yamaha partners with a variety of different artists from contemporary artists to classical. With this, there is the notion of personal connection, not just getting free instruments from the company.

Purposes of business partnerships: This partnering with artists creates an extensive culture, ensuring not only the artists are satisfied with the product, but can also share their passion and enjoyment over the product to others as well.

## **D. Quality Control**

The quality specifications of Yamaha products fall under the jurisdiction of the quality committee. With the set parameters from the Quality Assurance Division, they monitor the products and assess the conditions to ensure every product hits the mark.

## **E. Customer Support**

Customer Support Strategies: Yamaha offers a call center that operates M-F from 7am-5pm PT, as well as other times and product categories to fit the needs of its clients and potential prospects.

Customer Support Obligations: Regardless if you own the information or need to inquire about specific questions regarding an instrument, they present FAQs that could have the information you need. They strive to provide quick and thorough information to get you back on track and ensure you have a positive experience with your products. (Yamaha Corporate Website)

# **8. Financial Plan**

## **A. Capital Requirements for the Next 3-5 Years**

Compared to competitors, Yamaha has seen strong performance of digital pianos amid rising demand as people stay home in response to the COVID-19 pandemic. The significant growth in portable keyboard sales can be attributed to market exploration with miniature keyboards and launch of models designed specifically for the Indian market. Yamaha states that there is a “sluggish market for stage keyboards as a result of reduced opportunities for performances amid the COVID-19 pandemic, but highly positive response for new products equipped with newly developed organ sound source” (Page 60 Yamaha Annual Report 2020). Despite the slight setback of sales and unexpected turn of events in 2020, Yamaha is projected to make great waves in future production with a reinvigorated online service and a changing product line.

In the musical instruments business, revenue and profit were down in many areas of Yamaha’s musical sector as a result of the activity restrictions created in response to the pandemic. Yamaha responded to these issues by acting swiftly to development

designs using alternative parts and the review of expenses related to our business activities. Changes made to Yamaha production in 2020 included “strengthening connections with customers and with society under the new normal by promoting digital marketing, e-commerce, and live commerce initiatives” (Page 60 Yamaha Annual Report 2020). After the height of the pandemic, Yamaha recognized the shifting landscape of the musical instrument industry and used the new alterations of the business plan and operations to their advantage. As Yamaha expanded the business portfolio with the announcement of new keyboard products and communication robots in the second year of the medium-term management plan, Yamaha experienced an increase in demand related to people staying at home with the availability of easily affordable digital pianos and portable keyboards through e-commerce. However, the pandemic restricted factory operation which forced sales of mid-range and high-end products to decrease compared to prior years. Yamaha mentions how they “will seek to grow mid-range and high-end product operations, capitalize on the demand associated with people staying at home, and acquire new customers with affordable products in the final year of the plan” (Page 62 Yamaha Annual Report 2020). The pandemic created a hardship for many companies around the world, but Yamaha was able to prosper in many sectors with a new found focus on music as a stay at home hobby.

In regards to cash flow and the usage of cash on hand Yamaha mentions that “cash and cash equivalents comprise cash on hand, demand deposits as well as short-term investments that are readily convertible into cash” (Page 113 Yamaha Annual Report 2020). The cash on hand, demand deposits, and short-term investments are not exposed to “significant risk related to changes in value” and are “redeemable within three months of the date of acquisition” (Page 113 Yamaha Annual Report). Yamaha calculates their property, plant, and equipment using the cost model and states value at acquisition cost less accumulated depreciation and accumulated impairment losses. Furthermore, Right-of-use assets are also accounted for using the cost model and valued at cost less accumulated depreciation and the accumulated impairment losses. Lease liabilities are stated at the “initial measurement amount and adjusted for any remeasurement less lease payments and adjusted for interest” (Page 114 Yamaha Annual Report 2020). Intangible assets are accounted for using the cost model and stated at acquisition cost less accumulated amortization and accumulated impairment losses. The evaluation of Yamaha’s assets is broken down into simple models in which they are able to project how they can use their assets in the future.

For partnering, Yamaha offers a “Partner Program” that gives people the opportunity to join Yamaha in creating a better user experience with different groups around the world. The program gives access to various tools related to marketing, sales, deal registration, as well as training and support. By registering as a Yamaha Unified Communications Partner, musicians and businesses can gain access to the best tools and resources in the music industry to help businesses achieve success and set themselves



apart from the competition. With capital improvements, Yamaha continues to strengthen its capital by offering “various services to reinforce the culture of their brand” (Page 110 Yamaha Annual Report 2020). By using their capital, which includes their distribution network, technology that provides a competitive advantage, management, brand culture they have established, their business, and value chain of products and services, Yamaha continues to create value in the musical instrument business.

## B. Overview of Financial Projections

In response to the temporary slowdown in sales and profit growth caused by the pandemic, Yamaha is rebuilding their foundations by ramping up “product development and new value creation activities, strengthening management of production, sales, and inventories, and optimizing selling prices” (Page 60 Yamaha Annual Report). With societal changes of the rise of technology in many communities and the concept of doing virtual communication and performance, there is a need for new ways to learn and enjoy musical instruments at home. Yamaha seeks to respond to this need through both its unique product line and services provided to customers. Moreover, Yamaha must adapt to the distribution and production trends by “heightening the precision of production, sales, and inventory management to take advantage of sales opportunities” (Page 60 Yamaha Annual Report 2020). Selling prices of their musical instruments will be optimized based on the current trends seen in target markets to increase potential profits.

## C. Income Statements:

### CONSOLIDATED STATEMENT OF INCOME

| Yamaha Corporation and its consolidated subsidiaries<br>For the fiscal years ended March 31, 2020 and 2019 | Millions of yen |           | Thousands of<br>U.S. dollars (Note 2) |
|--|-----------------|-----------|---------------------------------------|
|  | 2020            | 2019      | 2020                                  |
| Revenue (Notes 5 and 23)   | ¥ 414,227       | ¥ 434,373 | \$ 3,806,184                          |
| Cost of sales (Notes 20 and 25)  | (245,967)       | (255,367) | (2,260,103)                           |
| Gross profit   | 168,259         | 179,005   | 1,546,072                             |
| Selling, general and administrative expenses (Notes 20, 24, 25 and 32)                                     | (121,907)       | (126,259) | (1,120,160)                           |
| Core operating profit (Note 5)   | 46,352          | 52,745    | 425,912                               |
| Other income (Note 26)   | 2,806           | 1,558     | 25,783                                |
| Other expenses (Notes 20 and 26)   | (5,826)         | (1,488)   | (53,533)                              |
| Operating profit   | 43,333          | 52,815    | 398,171                               |
| Finance income (Note 27)   | 4,968           | 4,652     | 45,649                                |
| Finance expenses (Note 27)   | (1,083)         | (1,008)   | (9,951)                               |
| Share of profit of associates accounted for using the equity method  | 6               | 12        | 55                                    |
| Profit before income taxes   | 47,225          | 56,471    | 433,934                               |
| Income taxes (Note 14)   | (12,521)        | (16,085)  | (115,051)                             |
| Profit for the period  | ¥ 34,703        | ¥ 40,386  | \$ 318,873                            |

(Yamaha Annual Report 2020)

**D. Balance Sheets:**

|  | Millions of yen          |                        |                               |         |                          |          |
|--|--------------------------|------------------------|-------------------------------|---------|--------------------------|----------|
|  | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Land    | Construction in progress | Total    |
| Balance as of April 1, 2018                                      | ¥32,001                  | ¥14,405                | ¥10,345                       | ¥15,979 | ¥14,400                  | ¥87,133  |
| Acquisition  | 2,021                    | 2,343                  | 3,348                         | 22      | 7,869                    | 15,605   |
| Depreciation* <sup>1</sup>                                       | (3,138)                  | (3,197)                | (4,055)                       | —       | —                        | (10,391) |
| Impairment losses or reversal of impairment losses* <sup>2</sup> | (274)                    | (0)                    | (2)                           | (62)    | —                        | (339)    |
| Sales or disposals   | (191)                    | (72)                   | (172)                         | (0)     | (126)                    | (562)    |
| Reclassification   | 12,437                   | 2,455                  | 1,940                         | —       | (16,833)                 | —        |
| Exchange differences on translation                              | 9                        | 48                     | 77                            | (31)    | (166)                    | (61)     |
| Other  | (124)                    | —                      | 2                             | (2,429) | 2,496                    | (55)     |
| Balance as of March 31, 2019                                     | ¥42,740                  | ¥15,982                | ¥11,483                       | ¥13,477 | ¥ 7,641                  | ¥91,326  |
| Acquisitions   | 1,968                    | 2,985                  | 3,157                         | 61      | 11,678                   | 19,851   |
| Depreciation* <sup>1</sup>                                       | (3,205)                  | (3,474)                | (4,276)                       | —       | —                        | (10,956) |
| Impairment losses or reversal of impairment losses* <sup>2</sup> | (732)                    | —                      | (2)                           | 408     | (20)                     | (346)    |
| Sales or disposals   | (103)                    | (216)                  | (230)                         | (128)   | (81)                     | (759)    |
| Reclassification   | 1,463                    | 3,206                  | 1,706                         | 3,126   | (9,502)                  | —        |
| Exchange differences on translation                              | (680)                    | (613)                  | (370)                         | (59)    | (274)                    | (1,998)  |
| Other  | —                        | —                      | —                             | —       | (10)                     | (10)     |
| Balance as of March 31, 2020                                     | ¥41,452                  | ¥17,870                | ¥11,467                       | ¥16,885 | ¥ 9,430                  | ¥97,106  |

|  | Thousands of U.S. dollars (Note 2) |                        |                               |           |                          |           |
|--|------------------------------------|------------------------|-------------------------------|-----------|--------------------------|-----------|
|  | Buildings and structures           | Machinery and vehicles | Tools, furniture and fixtures | Land      | Construction in progress | Total     |
| Balance as of March 31, 2019                                     | \$392,723                          | \$146,853              | \$105,513                     | \$123,835 | \$ 70,210                | \$839,162 |
| Acquisition  | 18,083                             | 27,428                 | 29,009                        | 561       | 107,305                  | 182,404   |
| Depreciation* <sup>1</sup>                                       | (29,450)                           | (31,921)               | (39,291)                      | —         | —                        | (100,671) |
| Impairment losses or reversal of impairment losses* <sup>2</sup> | (6,726)                            | —                      | (18)                          | 3,749     | (184)                    | (3,179)   |
| Sales or disposals   | (946)                              | (1,985)                | (2,113)                       | (1,176)   | (744)                    | (6,974)   |
| Reclassification   | 13,443                             | 29,459                 | 15,676                        | 28,724    | (87,310)                 | —         |
| Exchange differences on translation                              | (6,248)                            | (5,633)                | (3,400)                       | (542)     | (2,518)                  | (18,359)  |
| Other  | —                                  | —                      | —                             | —         | (92)                     | (92)      |
| Balance as of March 31, 2020                                     | \$380,888                          | \$164,201              | \$105,366                     | \$155,150 | \$ 86,649                | \$892,272 |

**(Yamaha Annual Report 2020)**

## E. Statement of Cash Flows:

## CONSOLIDATED STATEMENT OF CASH FLOWS

| Yamaha Corporation and its consolidated subsidiaries<br>For the fiscal years ended March 31, 2020 and 2019         | Millions of yen |                 | Thousands of<br>U.S. dollars (Note 2) |
|--|-----------------|-----------------|---------------------------------------|
|  | 2020            | 2019            | 2020                                  |
| <b>Cash flows from operating activities</b>  |                 |                 |                                       |
| Profit before income taxes   | ¥ 47,225        | ¥ 56,471        | \$ 433,934                            |
| Depreciation and amortization  | 17,322          | 16,553          | 159,166                               |
| Impairment losses (reversal of impairment losses)  | 2,921           | 295             | 26,840                                |
| Finance income and finance expenses  | (4,260)         | (4,120)         | (39,144)                              |
| Loss (gain) on sale and retirement of property, plant and equipment, and intangible assets                         | (260)           | 264             | (2,389)                               |
| (Increase) decrease in inventories   | (2,841)         | (6,244)         | (26,105)                              |
| (Increase) decrease in trade and other receivables   | 3,282           | 987             | 30,157                                |
| Increase (decrease) in trade and other payables  | (4,887)         | (1,392)         | (44,905)                              |
| Increase/decrease in net defined benefit liabilities   | (391)           | (150)           | (3,593)                               |
| Increase (decrease) in provisions  | 1,942           | (34)            | 17,844                                |
| Increase (decrease) in accounts payable due to transition to defined contribution plans                            | (1,416)         | (1,558)         | (13,011)                              |
| Other, net   | 2,999           | (25)            | 27,557                                |
| Subtotal   | 61,635          | 61,045          | 566,342                               |
| Interest and dividend income received  | 4,535           | 4,654           | 41,670                                |
| Interest expenses paid   | (802)           | (859)           | (7,369)                               |
| Income taxes refund (paid)   | (8,206)         | (29,319)        | (75,402)                              |
| <b>Net cash provided by (used in) operating activities</b>   | <b>57,162</b>   | <b>35,520</b>   | <b>525,241</b>                        |
| <b>Cash flows from investing activities</b>  |                 |                 |                                       |
| Net (increase) decrease in time deposits   | (3,244)         | (4,955)         | (29,808)                              |
| Purchase of property, plant and equipment, and intangible assets   | (20,473)        | (20,192)        | (188,119)                             |
| Proceeds from sale of property, plant and equipment, and intangible assets   | 1,012           | 597             | 9,299                                 |
| Purchase of investment securities  | (1)             | (1)             | (9)                                   |
| Proceeds from sale and redemption of investment securities   | 449             | 2,380           | 4,126                                 |
| Payments for acquisition of businesses   | –               | (981)           | –                                     |
| Proceeds from government grant   | 706             | –               | 6,487                                 |
| Other, net   | 483             | 51              | 4,438                                 |
| <b>Net cash provided by (used in) investing activities</b>   | <b>(21,067)</b> | <b>(23,101)</b> | <b>(193,577)</b>                      |
| <b>Cash flows from financing activities</b>  |                 |                 |                                       |
| Net increase (decrease) in short-term borrowings (Note 31)   | 2,120           | (2,525)         | 19,480                                |
| Repayments of long-term borrowings (Note 31)   | –               | (41)            | –                                     |
| Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | –               | (1,329)         | –                                     |
| Repayments of lease liabilities (Note 31)  | (5,871)         | (5,606)         | (53,947)                              |
| Purchase of treasury shares  | (21,312)        | (11,948)        | (195,828)                             |
| (Increase) decrease in cash segregated as deposits for acquisition of treasury shares                              | –               | (1,765)         | –                                     |
| Cash dividends paid (Note 22)  | (11,274)        | (10,547)        | (103,593)                             |
| Cash dividends paid to non-controlling interests   | (49)            | (90)            | (450)                                 |
| Other, net (Note 31)   | (33)            | (137)           | (303)                                 |
| <b>Net cash provided by (used in) financing activities</b>   | <b>(36,422)</b> | <b>(33,993)</b> | <b>(334,669)</b>                      |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>  | <b>(2,816)</b>  | <b>(13)</b>     | <b>(25,875)</b>                       |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(3,143)</b>  | <b>(21,588)</b> | <b>(28,880)</b>                       |
| <b>Cash and cash equivalents - beginning of the period (Note 6)</b>  | <b>95,815</b>   | <b>117,403</b>  | <b>880,410</b>                        |
| <b>Cash and cash equivalents - end of the period (Note 6)</b>  | <b>¥ 92,671</b> | <b>¥ 95,815</b> | <b>\$ 851,521</b>                     |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

(Yamaha Annual Report 2020)

## **9. Critical Risk Factors**

### **A. Management Risk**

Yamaha Corporation has multiple systematic levels to minimize and eliminate risk within their company. First, Yamaha is consistently engaged in evaluating their potential risk factors. Second, Yamaha Group has established a risk management committee which is an internal organization that recognizes danger and reacts in accordance with optimal mitigation of the risk. This group acts much like a flow-chart in that there are hierarchies in the chain of command as well as failsafes and other back-up systems.

Some of these subgroups include but are not limited to disaster prevention management, working group for financial management, working group for compliance, and working group for information security. (Yamaha Corporate)

### **B. Marketing Risks**

The Yamaha Group recognizes the wide range of competition both domestic and foreign, as well as notes that musical instrument prices and rates are diminishing. The approach that Yamaha takes with the high market saturation is a sheer dedication to the quality of the product as well as product differentiation. A risk with thousands of products and lines is that by releasing a new technology they could be making another one of their products obsolete. This is unavoidable, however, Yamaha dedicates resources into making devices compatible with both old and new systems.

### **C. Operating Risks**

The Yamaha Corporation is committed to fostering a healthy and safe work space for all employees. An essential policy at the forefront of the business model is protecting all people connected with the company and providing a comfortable work and labor environment. Managed by a director, a safety and health committee meets twice a year to evaluate the company's policies and create action plans. In addition, Yamaha executives, including the president, department heads and labor union leaders attend a yearly safety convention in commitment to prioritizing health and safety within the workplace.

## **D. Financial Risk**

As the pandemic has taken its toll on the world, higher demand for resources and shortages has taken its toll on the music world as well. Especially in the digital instrument market, a shortage in semiconductors makes it increasingly difficult for manufacturers to produce products. The demand continues to rise for digital instruments due to more people branching off and creating at-home studios, mobile audio setups, and returning to live performance. Yamaha faces little financial risks compared to other instrumental manufacturers due to their competitive advantage and wide distribution channel.

## **E. Intellectual Property Infringement**

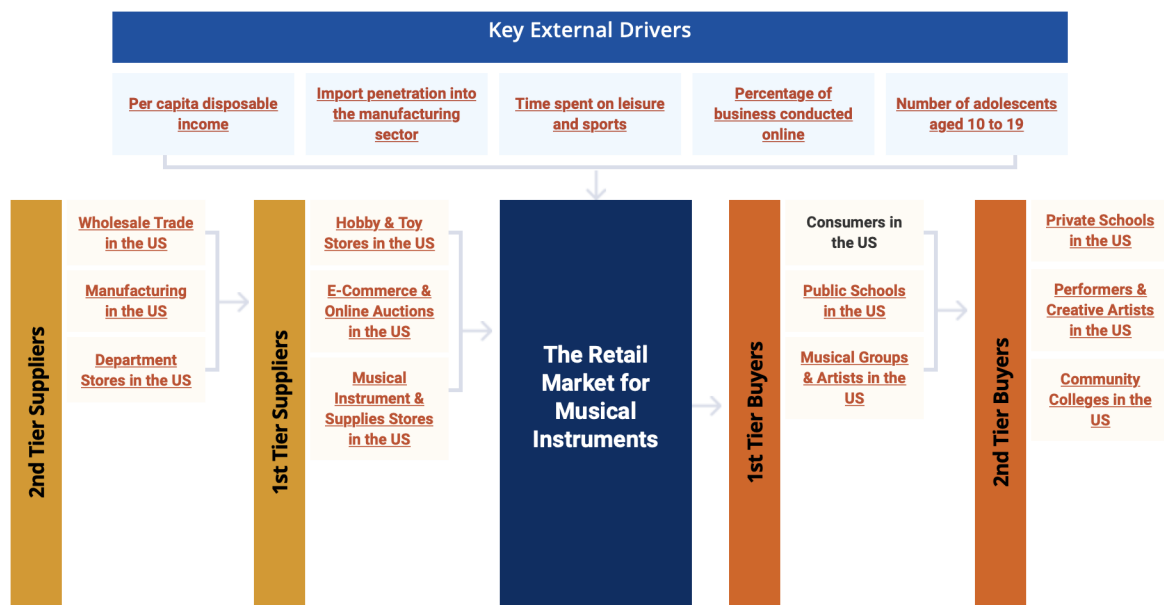
The Yamaha group possesses all required copyrights and patents for each product produced, however, defending each religiously from third party copycats is inefficient for the miniscule decrease in net sales. Additionally, third parties may claim that Yamaha has infringed on their own copyrights or intellectual property. Unfortunately in this case, some products may be suspended or delayed. The Group has stated also about the matter, “The Group licenses the intellectual property of third parties to produce key components for its products. Any increases in royalties paid for such intellectual property may result in higher manufacturing costs, which could affect price competitiveness. Moreover, if the Group is unable to obtain a license, it may have to suspend manufacturing of the relevant product (Risk Factors, Page 50).”

## 10. Appendix

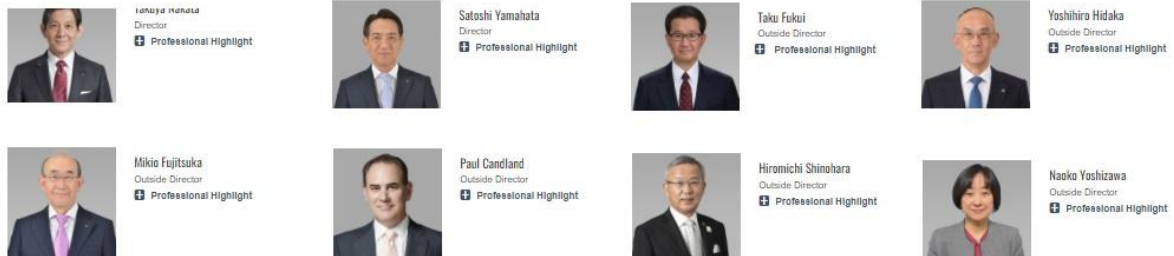
### A. Supporting Documents

- Music and Arts Website: <https://www.musicarts.com/yamaha> Yamaha's strong presence in the national music store, Music and Arts, adds to Yamaha's competitive advantage in the United States due to wide availability.
- Music for All Website: <https://camp.musicforall.org> Yamaha's annual summer symposium, Music for All, provides high school students the opportunity to connect and learn more about music in the marching band setting.
- Supply Chain Chart (IBISWorld.com)

#### Supply Chain

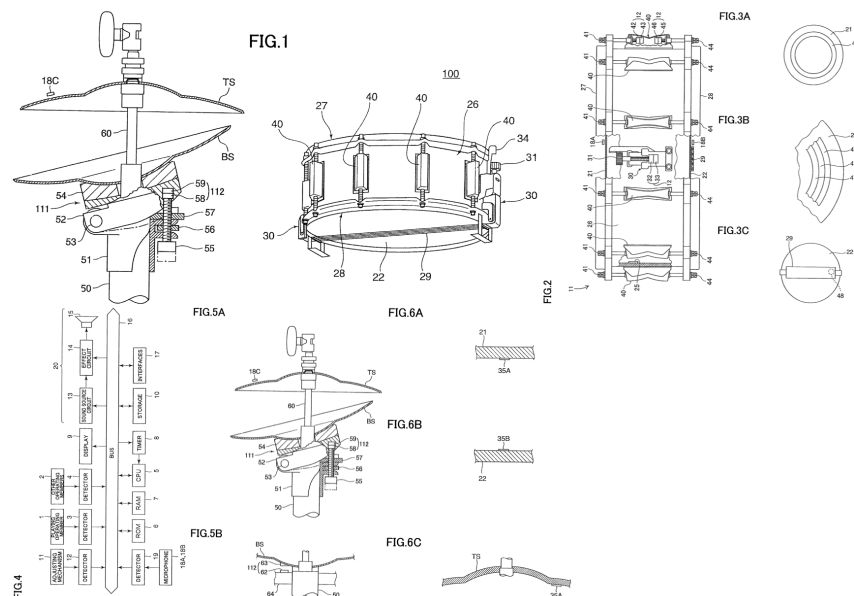


## B. Resumes of Founders and Key Employees



## C. Pictures of Products and Prototypes

U.S. patent number 10,748,514 [Application Number 16/163,862] was granted by the patent office on 2020-08-18 for *musical instrument*. This patent grant is currently assigned to YAMAHA CORPORATION. The grantee listed for this patent is YAMAHA CORPORATION. Invention is credited to Hideaki Takehisa.



(Yamaha Corporation Patent for Snare Drum filed October 18, 2018)

## 11. Resources

“Sustainable Resource Use.” *Yamaha*, Yamaha Corporation.

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