Contents

1. Review of Previous Plan (YMP125)

2. New Medium-Term Management Plan

* Figures of FY2013.3 in this document are projections announced on February 6, 2013.
Review of Previous Plan (YMP125)
Positioning of Previous Medium-Term Management Plan YMP125

Yamaha Management Plan 125

Build up a structure for future growth towards 125th anniversary

FY2008.3-2010.3
YGP2010
Growth phase

FY2011.3-2013.3
YMP125
Build a foundation for growth

FY2014.3-
Quantum leap phase

Growth in The Sound Company business domain

Change of direction

- Boost shot-term earnings
- Determine direction for improving mid-and long-range results
- Structural management reform

Build platform for strong growth in musical instruments, music and audio domains

- Focus management resources on the musical instruments, music and audio domains
- Create new business
- Continue business restructuring

Leverage YMP125 results to achieve growth

- Target
  Operating income ratio to net sales of 10% or more
## Review of YMP125 Financial Results

<table>
<thead>
<tr>
<th></th>
<th>FY2010.3 Results</th>
<th>FY2013.3 Projections</th>
<th>FY2013.3 Projections vs. YMP125 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>414.8</td>
<td>365.0</td>
<td>427.0</td>
</tr>
<tr>
<td></td>
<td>372.6*</td>
<td></td>
<td>-15%</td>
</tr>
<tr>
<td>Actual growth rate over three years</td>
<td></td>
<td>-2%*</td>
<td>+15%*</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>6.8</td>
<td>7.0</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-18.0</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>2%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>-2%</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>FCF</strong></td>
<td>-</td>
<td>13.2</td>
<td>40.0</td>
</tr>
<tr>
<td>(over three years)</td>
<td></td>
<td></td>
<td>-26.8</td>
</tr>
</tbody>
</table>

*Excluding the lifestyle-related products and magnesium molded parts business

<table>
<thead>
<tr>
<th>Exchange Rate (yen)</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>US$ 93</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>EUR 131</td>
<td>105</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>US$ 93</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>EUR 130</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Billions of yen
YMP125 Key Strategies

Accelerate growth in emerging markets
  - Target: ¥100 billion in five years (¥83.5 billion in three years)

Increase market share in developed markets through product strategy
  - Total piano* strategy, combo** strategy, growth in PA equipment and AV products

Build optimal production structure to meet trends in demand

Create business models for service and content businesses

Create new business in the Sound Domain

*Total piano: acoustic, digital and hybrid piano
**Combo: guitar, guitar amplifier, drum
### Review of YMP125 Key Strategies

#### Accelerate growth in emerging markets

<table>
<thead>
<tr>
<th></th>
<th>FY2010.3 Results</th>
<th>YMP125 Targets</th>
<th>FY2013.3 Projections</th>
<th>vs. YMP125 Targets</th>
<th>vs. YMP125 Targets (%)</th>
<th>Actual growth rates over three years (excl. forex)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16.3</td>
<td>24.5</td>
<td>24.9</td>
<td>+0.4</td>
<td>102%</td>
<td>106%</td>
</tr>
<tr>
<td><strong>Other Emerging Countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>48.0</td>
<td>59.0</td>
<td>52.2</td>
<td>-6.8</td>
<td>88%</td>
<td>97%</td>
</tr>
</tbody>
</table>
# Review of YMP125 Key Strategies

*Increase market share in developed markets through product strategy*

<table>
<thead>
<tr>
<th>Total Piano Strategy</th>
<th>FY2010.3 Results</th>
<th>YMP125 Targets</th>
<th>FY2013.3 Projections</th>
<th>vs. YMP125 Targets</th>
<th>vs. YMP125 Targets (%)</th>
<th>Actual growth rates over three years (excl. forex)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72.3</td>
<td>80.0</td>
<td>72.5</td>
<td>-7.5</td>
<td>91%</td>
<td>99%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Combo Strategy</th>
<th>FY2010.3 Results</th>
<th>YMP125 Targets</th>
<th>FY2013.3 Projections</th>
<th>vs. YMP125 Targets</th>
<th>vs. YMP125 Targets (%)</th>
<th>Actual growth rates over three years (excl. forex)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15.8</td>
<td>22.0</td>
<td>16.1</td>
<td>-6.9</td>
<td>73%</td>
<td>82%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PA Equipment</th>
<th>FY2010.3 Results</th>
<th>YMP125 Targets</th>
<th>FY2013.3 Projections</th>
<th>vs. YMP125 Targets</th>
<th>vs. YMP125 Targets (%)</th>
<th>Actual growth rates over three years (excl. forex)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.1</td>
<td>38.0</td>
<td>31.5</td>
<td>-6.5</td>
<td>83%</td>
<td>94%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AV Products</th>
<th>FY2010.3 Results</th>
<th>YMP125 Targets</th>
<th>FY2013.3 Projections</th>
<th>vs. YMP125 Targets</th>
<th>vs. YMP125 Targets (%)</th>
<th>Actual growth rates over three years (excl. forex)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46.2</td>
<td>54.0</td>
<td>41.7</td>
<td>-12.3</td>
<td>77%</td>
<td>87%</td>
</tr>
</tbody>
</table>
## Review of YMP125 Key Strategies

### Piano Production Restructuring

<table>
<thead>
<tr>
<th>Savings achieved through factory consolidation</th>
<th>YMP125 Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥0.6 billion per annum</td>
<td>¥1.0 billion per annum</td>
</tr>
</tbody>
</table>

Completed consolidation of Japanese production at Kakegawa factory in August 2010, achieved goal of 3-base structure with Hangzhou Yamaha (China) and YI (Indonesia)

### Wind Instrument Production Restructuring

<table>
<thead>
<tr>
<th>Savings achieved through factory consolidation</th>
<th>YMP125 Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥0.5 billion per annum</td>
<td>¥0.5 billion per annum</td>
</tr>
</tbody>
</table>

Completed consolidation of Japanese production at Toyooka factory in March 2012, achieved goal of 3-base structure with New Xiaoshan factory (China) and YMPI (Indonesia)
Review of YMP125 Key Strategies

Build New Service Business Models

Music Playing Business
✓ Student numbers are increasing overseas, especially in Asia, but within Japan adults’ music lessons are not compensating for the decline in music school enrollments due to the falling birth rate, and overall numbers continue to decline.

Music Entertainment Business
✓ Although new music distribution business was developed in response to expansion in the smart phone market, planned extension of music publishing business was not achieved.

Create New Business in the Sound Domain

Environmental Acoustics Business
✓ Sound modulation panels, speech privacy systems, and thin light flexible (TLF) speakers were launched, but made only a limited contribution to sales figures.

yamaha+ Activities
✓ Established organizational structures to identify and foster new business.
Results were well below targets, due to inability to cope with higher-than-anticipated appreciation of the yen

As markets recovered from East Japan earthquake and Thai flood damage, actual sales deviated sharply from projected sales, and lower production due to rising inventories had a major impact on business

New business creation made a limited contribution to overall results

However:

- China, a key element in business strategy, achieved targeted level of growth

- As Yamaha marked its 125th anniversary, Yamaha expanded its market presence by launching of industry-leading products including grand and hybrid pianos, electric acoustic guitars, small guitar amplifiers, mid-range digital mixers, and AV receivers.

- Consolidation of piano and wind instrument production in Japan was completed according to plan
New Medium-Term Management Plan
Corporate Philosophy

**Corporate Objective**

“CREATING ‘KANDO' TOGETHER”
Yamaha will continue to create ‘kando’ and enrich culture with technology and passion born of sound and music, together with people all over the world.

**Management Philosophy**

- **Customer-Oriented and Quality-Conscious Management**
  Yamaha fully satisfies its customers by offering quality products and services that incorporate new and traditional technologies as well as refined creativity and artistry.

- **Valuing People**
  Yamaha strives to be an organization where each person's individuality and creativity are respected and all can demonstrate their full potential through their work.

- **Transparent and Sound Management**
  Yamaha delivers proper returns to shareholders by ensuring a solid business performance and achieves lasting development through transparent and sound management.

- **Harmony with Society**
  Yamaha is a good corporate citizen that contributes to the development of society, culture, and the economy by observing laws, demonstrating high ethical standards, and endeavoring to protect the environment.

*‘Kando’ (is a Japanese word that) signifies an inspired state of mind.*
Management Vision
Management Vision

What Yamaha is aiming for:

A trusted and admired brand

Become even more customer-oriented and quality-conscious, further increase brand value

Being a company with “operation centered on sound and music”

Hone our specialist expertise in sound and music

Grow through both products and services

Create new value by pursuing synergy between products and services to cultivate strengths in proposing solutions that match customers’ lifestyles
Business Domains
Redefinition of Business Domains

Classify competencies according to technologies and know-how, and redefine business domains targeting synergy

Business that brings richer sound to more customers by concentrating outstanding craftsmanship and production technology capabilities in precision processing of wood and metal

Acoustic Musical Instruments

Wood and metal processing technology

Expertise in content creation and facility management

Core Competencies

Business that offers new added value to our customers by applying cutting-edge technologies in fields such as digital signal processing and networking

Electronics

Digital signal processing & network technology

Golf Products

Recreation

English Language Schools

Business that supports the growth of our corporate clients’ businesses by making maximum use of Yamaha core competencies

Industrial Parts/ Machinery

PA Equipment

Network Devices

AV Products

Digital Musical Instruments

Music Software

Music Schools

Recreation

English Language Schools

Education/ Leisure

Business that offers customers high-quality lifestyles by bringing together Yamaha’s unique, creative services and content with its expertise in facility operation

Semiconductors

Network Devices

PA Equipment

AV Products

Digital Musical Instruments

Music Software

Music Schools

Recreation

English Language Schools

Education/ Leisure

Golf Products

Recreation

English Language Schools

Education/ Leisure

Golf Products

Recreation

English Language Schools

Education/ Leisure
Outline of New Medium-Term Management Plan

Yamaha Management Plan 2016
(YMP2016)
Management Environment

Factors

(1) Continuing growth in China and other emerging markets
(2) Demand plateauing in developed markets as birth rates fall and populations age
(3) Although consumer focus on low prices will intensify, there is also high interest in premium products
(4) Trend toward commoditization of electronic products is accelerating, and price competition is becoming fiercer
(5) The Internet is making information increasingly borderless

Market Scale Projections and Yamaha Market Share

Demand for key musical instruments and audio products is expanding, especially in China and other emerging markets

<table>
<thead>
<tr>
<th></th>
<th>Musical instrument market (billions of yen)</th>
<th>Yamaha (billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013.3</td>
<td>620</td>
<td>25%</td>
</tr>
<tr>
<td>FY2016.3</td>
<td>690</td>
<td>27%</td>
</tr>
<tr>
<td>Market growth</td>
<td>+11%</td>
<td></td>
</tr>
</tbody>
</table>

Audio equipment market (consumer and commercial)

<table>
<thead>
<tr>
<th></th>
<th>Musical instrument market (billions of yen)</th>
<th>Yamaha (billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013.3</td>
<td>1,210</td>
<td>6%</td>
</tr>
<tr>
<td>FY2016.3</td>
<td>1,350</td>
<td>7%</td>
</tr>
<tr>
<td>Market growth</td>
<td>+12%</td>
<td></td>
</tr>
</tbody>
</table>
Attain continual growth

Expand sales with focus on emerging markets and electronics business

Strengthen profitability to support growth

Steadily build on results of structural reform

Enhance specialization and professionalism to create new added value

Generate results from function-specific organizational units, foster specialist personnel
The new Medium-Term Management Plan will **achieve steady growth in existing business** as the first stage of the “quantum leap” phase.

The company will **invest aggressively in new business development** with a view to achieving next-stage targets of ¥500 billion in sales and ¥50 billion in operating income.
## New Medium-Term Management Plan
### Numerical Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Targets</th>
<th>changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>365.0</td>
<td>430.0</td>
<td>+65.0</td>
</tr>
<tr>
<td>Actual growth rate over three years</td>
<td></td>
<td></td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>7.0</td>
<td>30.0</td>
<td>+23.0</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>2%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>0%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td><strong>Free Cash Flows</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(over three years)</td>
<td></td>
<td>50.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Rate (yen)</th>
<th>FY2013.3</th>
<th>FY2016.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>US$ 81</td>
<td>US$ 85</td>
</tr>
<tr>
<td></td>
<td>EUR 105</td>
<td>EUR 115</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>US$ 81</td>
<td>US$ 85</td>
</tr>
<tr>
<td></td>
<td>EUR 103</td>
<td>EUR 115</td>
</tr>
</tbody>
</table>
## R&D Expenses, Capital Expenditures

### Bills of yen

<table>
<thead>
<tr>
<th></th>
<th>FY2011.3-2013.3 (over three years)</th>
<th>FY2014.3-2016.3 (over three years)</th>
<th>changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Expenses</td>
<td>67.9</td>
<td>68.5</td>
<td>+0.6</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>35.7</td>
<td>46.0</td>
<td>+10.3</td>
</tr>
<tr>
<td>(Depreciation)</td>
<td>(36.3)</td>
<td>(41.0)</td>
<td>+4.7</td>
</tr>
<tr>
<td>Special Allocation for Growth Investment</td>
<td>-</td>
<td>33.0</td>
<td>-</td>
</tr>
</tbody>
</table>
[Segment Realignment]
As a result of certain organizational realignments, effective in the first quarter of FY2014.3, some segments are realigned as follow;
1. AV/IT segment will now be renamed audio equipment segment.
2. PA equipment business, which was previously reported as part of the musical instruments segment will now be reported as part of the audio equipment segment.

*In this presentation, Yamaha has reflected segment changes to segment net sales and operating income for FY2013.3 to provide better visibility.
Net Sales Analysis

Musical Instruments/Audio Equipment

Business Segment

Impact of Exchange Rate

Region

FY2013.3 Projections

Impact of Exchange Rate

FY2016.3 Target

Note: ICT (Information and Communication Technology) devices = network devices + audio communication devices
Operating Income Analysis

Impact of exchange rates

Increase in actual income (musical instruments/audio equipment)

Increase in actual income (semiconductors/others)

Effect of structural reform (sales and marketing/administration)

Cost improvement

Actual increase in SG&A

(billions of yen)

FY2013.3 Projections

Impact of exchange rates

15.5

6.6

FY2016.3 Target

Cost improvement

7.0

2.0

-9.7

30

7
YMP2016 Key Strategies
Four Key Strategies

- Accelerate Growth in Emerging Countries
- Expand Sales in the Electronics Business Domain
- Strengthen Cost Competitiveness
- Create New Businesses
Accelerate Growth in Emerging Countries

Three-Year Target

Achieve growth of ¥33.1 billion (actual increase of +33%) in China and other emerging countries

Priority Measures

1. Focus management resources on key areas and expand sales network
2. Increase music-playing population through music popularization activities

Net Sales

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>24.9</td>
<td>34.8</td>
</tr>
<tr>
<td>Other emerging countries</td>
<td>52.2</td>
<td>75.4</td>
</tr>
</tbody>
</table>

Actual growth rate

+31%

(+34%)

Sales Ratio

(Musical Instruments and Audio Equipment Hardware Products)

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>Emerging Countries</td>
<td>31%</td>
</tr>
<tr>
<td>Europe</td>
<td>Emerging Countries</td>
<td>36%</td>
</tr>
<tr>
<td>Japan</td>
<td>Emerging Countries</td>
<td></td>
</tr>
</tbody>
</table>

29
China

Market Environment
- Ongoing urbanization, changing lifestyles
- Market growth in 3rd- and 4th-tier cities
- Development of Web culture, growth in e-commerce
- Beginnings of falling birth rate and aging population

Transform strategy in response to changes in market character and trend

- Encourage expansion in key products to become pillar growth as acoustic pianos
- Accelerate opening and expansion of specialty stores in urban areas
- Strengthen efforts to supply emerging Web-based dealers
- Expand sales networks in 3rd- and 4th-tier cities, where consumption is growing

Other Emerging Markets

Identify priority countries and areas, and accelerate growth

<table>
<thead>
<tr>
<th>Priority Countries/Areas</th>
<th>3-year growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>+58%</td>
</tr>
<tr>
<td>Russia</td>
<td>+50%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>+50%</td>
</tr>
<tr>
<td>India</td>
<td>+84%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>+63%</td>
</tr>
<tr>
<td>Middle East/Africa/CIS</td>
<td>+98%</td>
</tr>
</tbody>
</table>

Boost sales by ¥17 billion in the above growth markets
Accelerate Growth in Emerging Countries

Priority Measures

1. Focus management resources on key areas and expand sales network

- Increase sales and marketing staff by 300 personnel, develop and strengthen sales networks
- Establish sales subsidiary in Vietnam and branch in Turkey, and begin operation (April 2013)
- Establish representative office in South Africa and proceed to develop market (April 2013)

Yamaha Overseas Bases and Priority Countries/ Areas

Sales & Marketing Staff
(consolidated basis)

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,200</td>
<td>1,500</td>
</tr>
<tr>
<td>China</td>
<td>280</td>
<td>330</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>920</td>
<td>1,170</td>
</tr>
</tbody>
</table>

Sales outlets

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>11,500</td>
<td>15,200</td>
</tr>
<tr>
<td>China</td>
<td>2,000</td>
<td>2,700</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>9,500</td>
<td>12,500</td>
</tr>
</tbody>
</table>

Map showing priority countries and areas, sales subsidiaries/branches, and newly established sales subsidiary/branch/representative office locations.
Priority Measures

2. Increase music-playing population through music popularization activities

- Continuing expansion of Yamaha Music Schools
  - Establish 160 new schools and increase enrollments by 64,000
- Expand development of local schools with a focus on creating demand for musical instruments
  - Increase local schools in India by 33 to achieve 3,800 new enrollments
- Awareness-raising activities relating to school music lessons
  - Accelerate promotion of musical ensembles in Asia
    (Potential markets: Laos, Cambodia, Bangladesh)

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![Enrollments at Yamaha Music Schools](chart1.png)

![Recorder sales in emerging markets excluding China](chart2.png)
Expand Sales in Electronics Business Domain

Achieve growth of ¥34 billion (actual growth of +28%) for digital keyboard instruments, professional audio equipment, and ICT devices

Three-Year Target

Priority Measures

Digital keyboard instruments
1. Expand market share through rigorous differentiation
2. Respond to lower prices to cultivate further market demand

PA equipment
1. Enhance development capabilities to expand key product line-up and maintain solid growth
2. Enter new fields to expand business scale

ICT devices
1. Transform router business into network device solution business
2. Expand web conferencing USB microphone and speaker business into audio communication device business

Note: ICT (Information and Communication Technology) devices = network devices + audio communication devices
Expand Sales in Electronics Business Domain

Digital keyboard instruments  Priority Measures

1. Expand market share through rigorous differentiation

- Develop new, highly realistic sound and real-touch keyboard
- Enhance local content (style data, sound) to better match market needs

2. Respond to lower prices to cultivate further market demand

- Continue developing China-specific models and foster demand for keyboard products other than acoustic pianos
- Develop low priced products to meet specific demand in emerging market

Sales (billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3 Projections</th>
<th>FY2016.3 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual growth</td>
<td>+22%</td>
<td></td>
</tr>
</tbody>
</table>
| Portable keyboard for Indian market
| Portable keyboard for Chinese market
Expand Sales in Electronics Business Domain

Professional audio equipment

Priority Measures

1. Enhance development capabilities to expand key product line-up and maintain solid growth

- Strengthen development capabilities through personnel increased in fiscal 2013 (approx. 100)
- Expand digital mixer line-up and cater to low-price markets
- Expand product line-up for musical instrument sales networks and increase sales in emerging markets

2. Enter new fields to expand business scale

- Enter into commercial installation market
- Re-enter professional production market

Sales

(billions of yen)

 FY2013.3 Projections  FY2016.3 Target

36.5  50.2

Actual growth rate

+31%

DAW system for professional production market
Expand Sales in Electronics Business Domain

ICT devices  Priority Measures

1. Transform router business into network device solution business
   - Extend the product range of switch and access point devices in addition to routers
   - Offer solution services to resolve issues encountered by small-medium networks

2. Establish audio communication device business by expanding web conferencing microphone and speaker business
   - Expand business into systems that support hands-free communication
   - Expand overseas sales with focus on OEM business

Sales

<table>
<thead>
<tr>
<th></th>
<th>(billions of yen)</th>
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<tbody>
<tr>
<td>FY2013.3 Projections</td>
<td>6.5</td>
</tr>
<tr>
<td>FY2016.3 Target</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Actual growth rate: +62%

Note: ICT devices = network devices + audio communication devices
Strengthen Cost Competitiveness

Three-Year Target:
Achieve cost savings of ¥15 billion by improving operating rates in existing production bases and cutting unit costs

Priority Measures
1. Transform Japanese production to create compact structure capable of dealing flexibly with change
2. Further strengthen manufacturing capabilities in Chinese and Indonesian factories, where labor costs are rising sharply

Projected costs in FY2016.3 at current cost rates

Increase in overseas labor costs: +6.0
Increase in material cost: +2.0
Lower material procurement costs: -4.0
Lower personnel cost due to improved productivity: -4.5
Effect of production structural reforms in Japan: -6.5

¥15 billion cost reduction

Target costs FY2016.3

Absorb cost increases of ¥8 billion due to sharp rise in labor costs at overseas factories etc., and reduce costs by ¥7 billion
Strengthen Cost Competitiveness

Priority Measures

1. Transform Japanese production to create lean structure capable of dealing flexibly with change

   - Realign musical instrument production divisions to set up subsidiaries (April 2014)

   - Utilize imported parts and materials to reduce costs, and harness core skills and technologies to create high value for customers

2. Further strengthen manufacturing capabilities in Chinese and Indonesian factories, where labor costs are rising sharply

   - Reduce costs by boosting local procurement of materials and parts

   - Add value by bringing outsourced production in-house

   - Streamline operations by introducing new production methods and improving processes
Develop New Businesses

Three-Year Target:
Develop new businesses to accelerate growth in quantum leap phase

Priority Measures

1. Invest in M&A and capital tie-ups
2. Invest in venture firms
3. Pursue new business projects in-house
1. Invest in M&A and capital tie-ups

- Accelerate growth through M&A and capital tie-ups in fields expected to expand, such as commercial audio equipment

   Special allocation for growth investment: ¥30 billion

2. Invest in venture firms

- Invest in venture firms to discover next-generation technologies and services

   Special allocation for growth investment: ¥3 billion

3. Pursue new business projects in-house

- Top-down support for projects already under way
- Invite suggestions from staff and use in-house projects involving engineers from different disciplines to identify new businesses
- Conduct workshops for young employees to strengthen capabilities in identifying new businesses
Human Resource Development

Strengthen and Utilize Individuals’ Specialist Capabilities

Priority Measures

1. Enhance development of global human resources
   - Develop managers for subsidiaries worldwide
   - Develop personnel with highly specialized skills in the areas of development, production, sales, and administration

2. Make greater use of personnel at global level
   - Promote more local personnel to management positions in subsidiaries with the target of 60% in the position during the quantum leap phase
   - Promote localization of R&D and engineering
Growth Investment and Return to Shareholders

Actively invest in growth while continuing stable dividends

Three year cash flow distribution plan

Cash Flows from Operating Activities
¥95 billion

Shareholder Return
Investment for Growth in New Business
¥33 billion
Investment in Current Business Domain
¥46 billion

Target payout ratio of 30% or more
In this report, the figures forecast for the Company’s future performance have been calculated on the basis of information currently available to Yamaha and the Yamaha Group. Forecasts are, therefore, subject to risks and uncertainties.

Accordingly, actual performance may differ greatly from our predictions depending on changes in the economic conditions surrounding our business, demand trends, and the value of key currencies, such as the U.S. dollar and the euro.