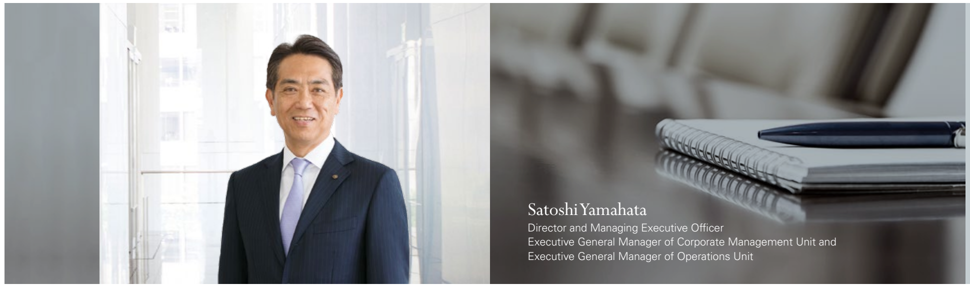


Through repeated dialogues with capital markets, we will take the lead from a financial perspective as we work to improve corporate value going forward.

Realizing a Solid Performance

Regarding our consolidated performance in fiscal 2018, we achieved net sales of ¥433.0 billion. We also achieved record highs for both operating income and net income attributable to owners of parent (hereinafter, net income), coming to ¥48.8 billion and ¥54.4 billion, respectively, marking the sixth consecutive year we achieved profit increases. I therefore believe we realized a solid performance as we enter into fiscal 2019, the final year of our medium-term management plan NEXT STAGE 12.

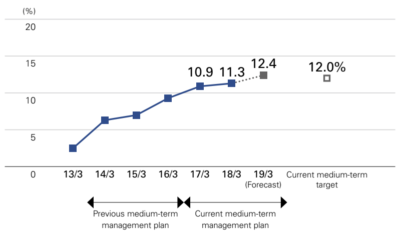
In terms of our top line, we recorded double-digit sales growth in China, a country we view as a key area. In addition, we realized a 9% year-on-year increase overall in emerging countries. For developed countries in Europe and North America, sales grew less than we expected in the second quarter due to temporary factors such as inventory adjustments. However, sales recovered from the third quarter on, returning on a course for growth.

Meanwhile, for profits and losses, despite negative factors such as a rise in the price of electronic components and other raw materials, the rise in sales and other positive factors allowed us to achieve profit increases even while actively carrying out strategic investments for future growth. I view this as an extremely positive accomplishment.

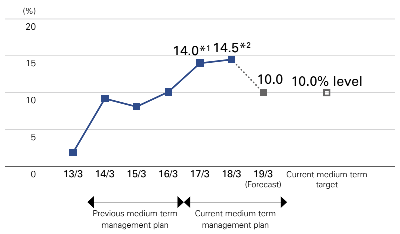
In fiscal 2019, the final year of the medium-term management plan, we expect to realize an operating income ratio of 12%, ROE at the 10% level, and EPS at the ¥200 level, thereby reaching the management targets adopted under the plan.

ROE has exceeded 14% over the past two years. However, this has been the result of a temporary expansion in net income due to the recording of deferred tax assets in fiscal 2017 and a gain on sales of a portion of shares in Yamaha Motor Co., Ltd. recorded in fiscal 2018. With the absence of these extraordinary factors in fiscal 2019, we expect to achieve our target ROE of 10%.

Operating Income Ratio



ROE



*1. Including the recording of deferred tax assets
*2. Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

Efforts to Strengthen Our Financial Foundation and Improve ROE

Through the various structural reforms we carried out from around the time of the global financial crisis, we made efforts to liquidate unprofitable businesses and bad assets to achieve an optimal balance between assets and liabilities, and we take pride in the extremely robust financial foundation we built as a result. Meanwhile, we have been working to achieve capital efficiency, carrying out acquisitions of treasury stock totaling ¥20.0 billion over the course of fiscal 2016 and into fiscal 2017, and ¥25.0 billion in fiscal 2018. As a result of improving our financial performance while enhancing our capital efficiency, ROE in recent years has exceeded the 10% level, improving substantially from 1.9% in fiscal 2013.

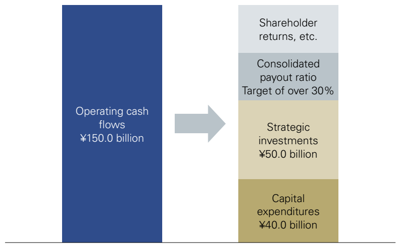
Well-Balanced Allocation of Funds to Growth Investments and Shareholder Returns

In the businesses that Yamaha engages in, a large amount of capital expenditures has never really been necessary. However, as we have strengthened our competitiveness and enhanced profitability through cost reductions, we have realized a tremendous ability to generate cash flow. Going forward, we will continue to steadily generate cash through our operating activities and use that cash to realize a healthy balance between strategic investments for future growth and shareholder returns.

In regard to shareholder returns, we implemented an annual dividend of ¥56 per share in fiscal 2018, up ¥4 compared with the previous fiscal year. In fiscal 2019, we intend to once again increase dividends by ¥4 to issue an annual dividend of ¥60 per share, with an expected payout ratio of 27.3%. Based on our policy of issuing continuous and stable dividends, we have consistently increased dividend amounts year by year. In addition to adhering to this policy, we are also making concerted efforts to implement an appropriate return to shareholders in a flexible manner with the aim of enhancing our capital efficiency. As I mentioned before, the acquisition of treasury stock, which we carried out two times in the past three years for a total of ¥45.0 billion, represents an effort to realize those kinds of shareholder returns. Going forward, we will continue to flexibly acquire treasury stock while giving proper consideration to timing. At the moment, we have yet to set a specific numerical target for our total dividend payout ratio. However, under the next medium-term management plan, we are giving consideration to establishing such a target. Our total dividend payout ratio in fiscal 2018 came to 65%, reflecting not only an annual dividend of ¥56 per share but also the acquisition of treasury stock totaling ¥25.0 billion.

Meanwhile, in terms of investments, as we have stated in our medium-term management plan, we will carry out ordinary capital expenditures of up to ¥40.0 billion and strategic growth investments of up to ¥50.0 billion over the plan's three-year

Plans for Cash Flows

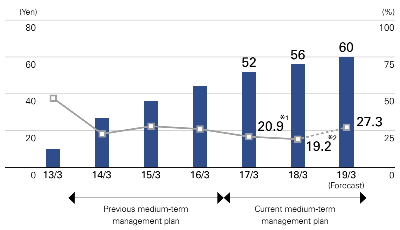


Three-year plan
(cumulative total from fiscal 2017 to fiscal 2019)

Financial Strategy

period. For strategic investments, we constructed the Innovation Center research and development building at our headquarters, which opened its doors in June 2018. We are also currently constructing new production bases in India and Indonesia. The Innovation Center brings together previously separated R&D staff and is fitted with the latest technologies and equipment. Accordingly, the center serves as a base for the pursuit of new value creation and technological synergies. The new factory in India will function as a production base for musical instruments and audio products geared toward the Indian market, which is expected to become a growth market in the future next to the Chinese market. The new factory in Indonesia will be our sixth factory in the country, and we will position this factory as a supply base for digital piano and piano components to be used around the world. Accordingly, both of these new factories represent important production bases for driving future growth.

Returns to Shareholders



*1. Including the recording of deferred tax assets
*2. Including gain on sales of a portion of shares in Yamaha Motor Co., Ltd.

Introduction of International Financial Reporting Standards

We are currently making preparations to introduce the International Financial Reporting Standards (IFRS). With the adoption of IFRS, we aim to further enhance the level of our corporate management by integrating our accounting standards on a Groupwide basis. At the same time, we believe IFRS will help earn a higher level of trust and praise from investors around the world as it will improve the transparency and convenience of our financial reporting. For nearly 10 years we have been making preparations to introduce IFRS, and the specific accounting rules within our Group accounting standards, such as depreciation methods and standards for recording debt, have already been determined based on the IFRS. In addition, from a very long time ago, we turned all our subsidiaries into consolidated subsidiaries and unified their accounting periods, an issue that generally is the biggest hurdle in introducing IFRS. We intend to disclose our financial performance based on IFRS from the first quarter of fiscal 2020. By doing so, we believe that our growth potential and profitability can be more appropriately evaluated on a global basis by our shareholders and other investors, including investors from overseas.

In our basic approach to management systems, we place emphasis on establishing advanced and outstanding frameworks under various management themes that are well-balanced in all aspects, rather than focusing on making one area superior and letting another area fall behind. To this end, we believe it is essential to steadily make preparations to implement special frameworks rather than introducing them hastily. Furthermore, steady, honest, and repeated efforts are also imperative in improving our financial foundation. By establishing various frameworks that give proper attention to all aspects—from corporate governance and financial matters to sustainability initiatives—and producing solid results, we will further enhance the quality of our management going forward.

Realizing Our Vision for Yamaha as a Company

At the moment, we are holding repeated discussions internally aimed at the formulation of the next medium-term management plan. Previous plans had been formulated from the perspective of how we should tackle the issues we currently face over a three-year period. However, starting with our current medium-term management plan, we first gave consideration to our vision for the Company in 10 years' time and then used backcasting to determine the kinds of targets and policies we need to pursue in the upcoming three years to achieve that vision. I believe that the policies we formed in this manner, which adopt a medium- to long-term perspective rather than a short-term one, have provided the driving force behind the solid performance we have achieved. We view the period of the next medium-term management plan as a time in which we will further accelerate strategies toward realizing our vision. With the perspective of integrated thinking, we will incorporate into the plan the necessary elements for making our business model more sustainable and progressive. This business model will without a doubt be underpinned by our financial strategies. As I have stated before, it is essential that we steadily reinforce our financial strategies as they provide the foundation for all our other operations. Through repeated dialogues with capital markets, we will take the lead from a financial perspective as we work to improve corporate value going forward.