

For over 125 years since its foundation, Yamaha has been developing its business centered on sound and music to provide a diverse range of products and services. With its origins dating back to a request for Yamaha founder Torakusu Yamaha to repair an imported reed organ and the subsequent success he had in manufacturing organs on his own, Yamaha has worked to respond to a wide range of needs related to music, education, and culture. Not only have we provided products in the realm of traditional musical instruments, such as acoustic instruments, that draw upon highly specialized technologies, we have also leveraged cutting-edge digital technology

to develop digital musical instruments, as well as created completely new musical instruments by melding these traditional and digital technologies. In this way, we have adapted to the times to create products that not only meet but exceed customer expectations. Through efforts such as these, we have developed a wide variety of businesses both in Japan and overseas and established ourselves as the world's one and only comprehensive musical instruments manufacturer, thereby achieving steady growth.

Meanwhile, to realize further growth going forward it is becoming essential to not only promote research and

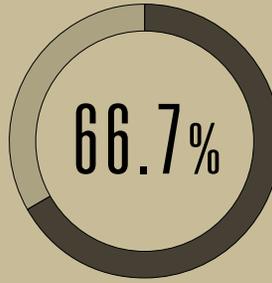
Please refer to the "Research and Development and Intellectual Property" section on page 27 for details on the Company's R&D efforts, and the "Yamaha's Approach to Human Resources" section on page 34 for details on the Company's human resources-related efforts. ▶

The Source of Yamaha's Growth

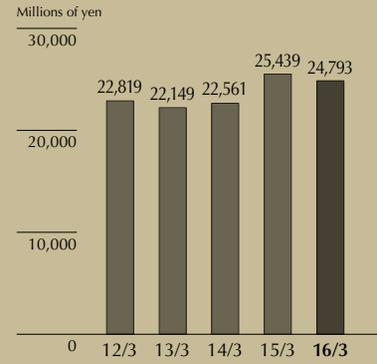


development (R&D) that leverages the technologies, know-how, and sensitivities the Company has cultivated over its long history but also secure diverse human resources, such as personnel who are active on a global scale as well as engineers who work in a variety of specialty fields. At Yamaha, we view R&D and human resources as the sources of our growth. Accordingly, we will continue to establish appropriate R&D systems and carry out human resource cultivation as we aim for sustainable growth going forward.

Ratio of Overseas Sales



Trends in R&D Expenses



Yamaha made solid accomplishments under Yamaha Management Plan 2016 (YMP2016), which ended in March 2016, such as realizing significant profit growth. Drawing on these accomplishments, as well as the issues that became apparent under the plan, we commenced our new medium-term management plan, NEXT STAGE 12, on April 2016 with the aspiration for further growth. The basic strategy of the plan is to “consolidate competitive superiority through

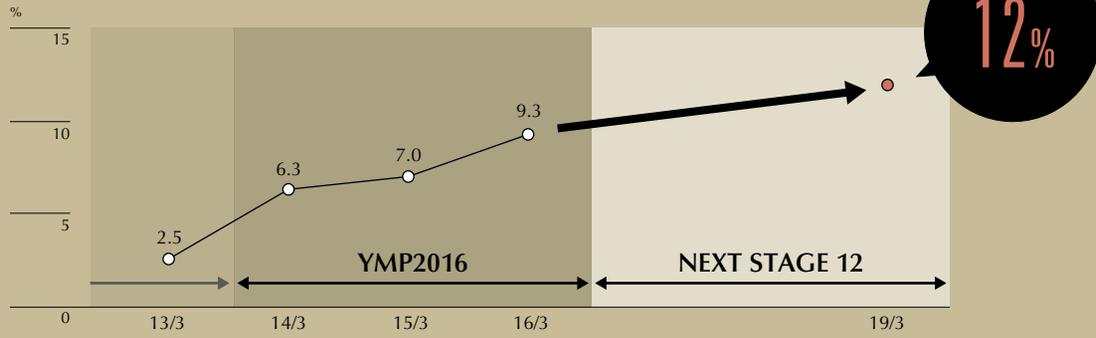
adding new value and differentiation” and we will work to enhance our lineup of attractive products to further strengthen our connection with customers. At the same time, we will make efforts to consistently provide solutions for new value. In addition, we have adopted the management objective of realizing an operating income ratio of 12% by fiscal 2019, the final year of the plan, and will engage in various initiatives to meet this objective.

For specific details on our new medium-term management plan, please see the “Message from the President” section on page 12. ▶

New Value Creation and Differentiation



Management Objective: Operating Income Ratio



Keeping in mind our corporate slogan of “Sharing Passion & Performance,” we have held repeated discussions from a medium- to long-term perspective on what kind of company we should aspire to be, including what we should aim for in the future and how we should grow. As a result of these discussions we adopted the following medium- to long-term management vision with the hope of becoming a company that offers products and services that truly satisfy our customers.

Medium- to Long-Term Management Vision: Becoming an Indispensable, Brilliantly Individual Company—Boosting Brand Power to Become a Highly Profitable Enterprise

Please refer to the “Our History” section on page 102. ▶



The Road to Becoming an Indispensable, Brilliantly Individual Company



The new medium-term management plan, NEXT STAGE 12, determines important strategies that we will engage in over the following three years to realize this medium- to long-term management vision.

Going forward, Yamaha will create new value and offer products that exceed customer expectations by leveraging the sources of its growth—i.e., R&D and human resources—and by continuing to take on innovative challenges with a high level of passion. In doing so, we will promote business activities that constantly focus on creating excitement for our customers.

Become an indispensable,
brilliantly individual company

Boosting brand power to become a highly profitable enterprise
(operating income ratio of 20%)



New Medium-Term Management Plan

NEXT STAGE 12

Yamaha Medium-Term Management Plan

Increase Brand Power and Show Stronger Profitability as a Result

Operating Income Ratio of **12%** (Target for FY2019.3)
Overcome yen appreciation trend and enhance profitability

