To Our Stakeholders

Takuya Nakata
President and
Representative Executive Officer

Currently, Yamaha is moving forward with NEXT STAGE 12, its three-year medium-term management plan ending in fiscal 2019. In fiscal 2017, the first year of this plan, net sales decreased over ¥30.0 billion compared with the previous fiscal year due to the effects of foreign exchange rates. These unfavorable exchange rates also had a negative impact of over ¥10.0 billion in terms of operating income. However, in addition to an increase in sales on an actual basis, the Company was able to achieve increases at each income level for the fifth consecutive year through such efforts as revising selling prices and steadily promoting initiatives to lower costs. While operating income rose 8.9%, to ¥44.3 billion, I view the improvement in our operating income ratio as our greatest achievement for fiscal 2017. Thanks to the success of selling price revisions and cost reduction initiatives, the operating income ratio improved 1.6 points, to 10.9%. To reach our target operating income ratio of 12% under NEXT STAGE 12, we hope for a 1-point improvement each year from the fiscal 2016 level of 9.3%, for a total increase of 3 points over the three-year period of the plan. I believe that the solid progress we made in the first year of the plan reflects the fact that our strategies and initiatives are headed in the right direction.

In fiscal 2018, the second year of the plan, we are planning for operating income of ¥48.5 billion and an operating income ratio of 11.4%. This is an ambitious plan that aims to surpass our record high operating income of ¥45.1 billion, which was recorded in fiscal 2004. At that time, the semiconductor business was performing extremely well, accounting for over half of the Company's profits, and our core businesses of musical instruments and audio equipment were not making significant profit contributions. However, now, we are steadily enhancing profitability, primarily in our musical instruments and audio equipment businesses, through structural and organizational reforms. This means that our core businesses are now the ones driving profit growth. Leveraging an ideal business structure that generates profits through our mainstay products of musical instruments and audio equipment, we will put forth every effort to realize record-high profits.

To continue to realize growth and constantly offer new value and solutions to our customers around the world, not only do we have to enhance our brand power and pursue innovative product development, we must also carry out structural and organizational reforms. In addition to the organizational reforms that we have already completed, we revised the organizational model of our corporate governance in June 2017, transitioning from a Company with a Board of Auditors to Company with Three Committees (Nominating, Audit, and Compensation). Through this transition, we will strengthen the supervisory functions of the Company's management. At the same time, we will further accelerate the pace of decision-making related to business execution by transferring authority to those in the newly established position of executive officer.

While having made steady progress in the first year of the current medium-term management plan, we will remain committed to making every effort possible to achieve the plan's targets and realize our medium- to long-term management vision of "Becoming an Indispensable, Brilliantly Individual Company." To this end, we will leverage Yamaha's unique strengths, which include its technological and proposal-making capabilities, sensibilities, and diversity, to their full extent while boldly taking on challenges to address various issues. We ask all of our stakeholders for their continued support as we pursue these endeavors going forward.