

**Yamaha Corporation
Analyst and Investor Briefing on
the Third Quarter of Fiscal Year
Ending March 31, 2017 (FY2017.3)**

February 6, 2017



Overview of Performance in the First Three Quarters of FY2017.3 (Nine Months)



Results Summary

- **Although sales over the first three quarters declined year-on-year, chiefly due to the impact of exchange rates, operating income increased for the fourth consecutive year.**
 - Actual 3Q sales of musical instruments and audio equipment were lower than previous projections.**
- **In the musical instrument segment, the Chinese market remained robust, but 3Q sales in other markets were below previous projections. Discounting the impact of exchange rates, actual sales over the first three quarters increased by 3% year-on-year.**
- **Third quarter sales in the audio equipment segment were also lower than previous projections. Sales were firm over the first three quarters, rising by 4% year-on-year, discounting the impact of exchange rates.**
- **In the others segment, 3Q sales of industrial machinery and components rose year-on-year, but over the first three quarters they declined from the same period of the previous year.**

Performance in the First Three Quarters of FY2017.3 (Nine Months)



(Billions of yen)

	FY2016.3 1-3Q results	FY2017.3 1-3Q results	Changes from same period of the previous year	FY2017.3 1-3Q previous projections**	Changes from the previous projection
Net Sales	335.8	308.3	-8.2%	309.0	-0.2%
Operating Income (Operating Income Ratio)	36.9 (11.0%)	37.4 (12.1%)	+1.1%	38.5 (12.5%)	-3.0%
Ordinary Income (Ordinary Income Ratio)	37.6 (11.2%)	37.6 (12.2%)	-0.0%	38.0 (12.3%)	-1.1%
Net Income* (Net Income Ratio)	30.5 (9.1%)	37.1 (12.0%)	+21.5%	37.5 (12.1%)	-1.2%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	122	107	103
	EUR	134	118	115
Operating Income (Settlement rate)	US\$	122	107	105
	EUR	134	121	120

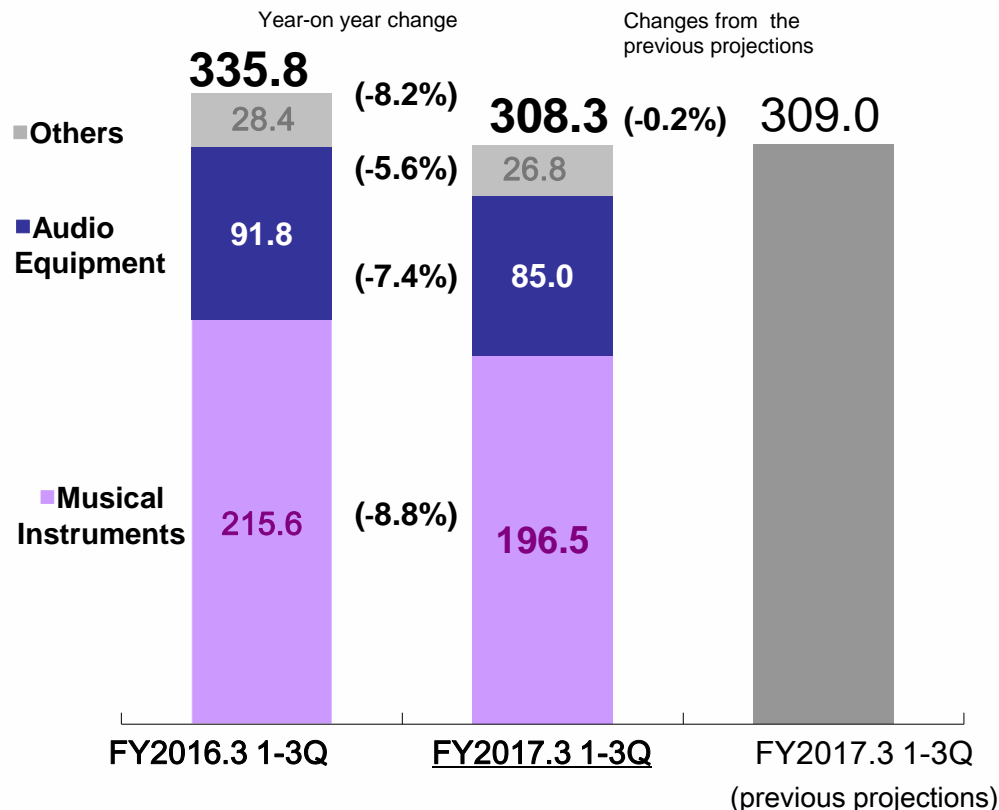
* Net income is presented as net income attributable to owners of parent on the consolidate financial statements

** Previous projections were announced on November 7, 2016

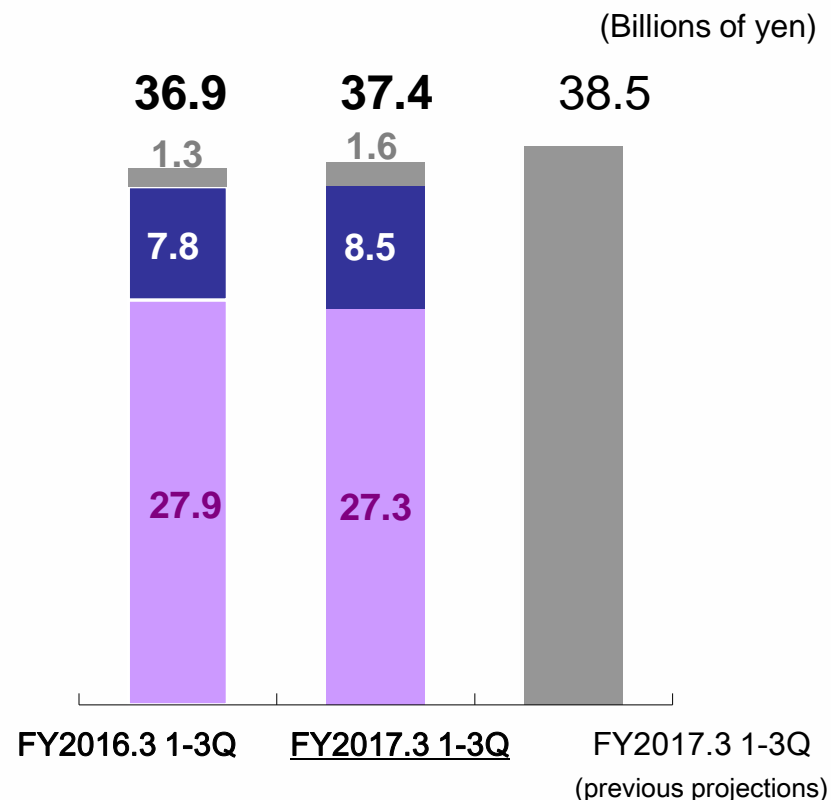
Performance by Business Segment in the First Three Quarters of FY2017.3 (Nine Months)



Net Sales



Operating Income



Impact of Exchange Rates

Year-on-Year	-¥32.0 billion (musical instruments -¥21.3 billion, audio equipment -¥10.1 billion, others -¥0.6 billion)
Versus previous projections	+¥5.2 billion (musical instruments +¥3.2 billion, audio equipment +¥1.9 billion, others +0.1 billion)

Year-on-Year	-¥10.0 billion (musical instruments -¥7.7 billion, audio equipment -¥2.4 billion, others +¥0.1 billion)
Versus previous projections	+¥1.1 billion (musical instruments +¥0.8 billion, audio equipment +¥0.3 billion)

*Previous projections were announced on November 7, 2016

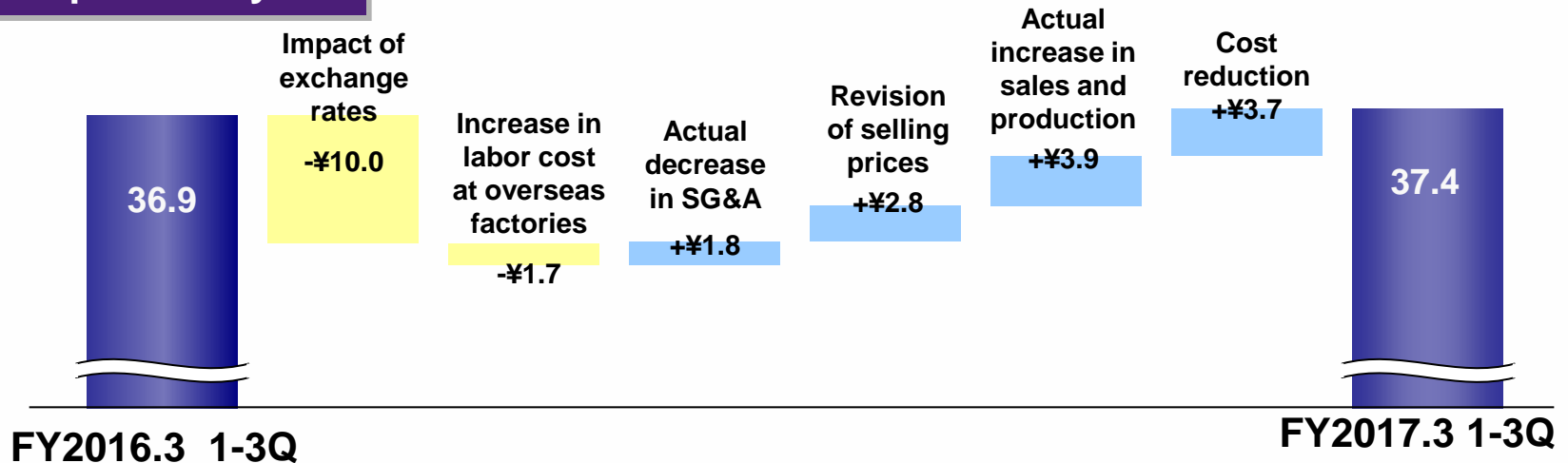
**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

FY2017.3 1-3Q Operating Income Analysis (Nine Months)



Versus same period
of the previous year

(Billions of yen)



Versus previous
projections



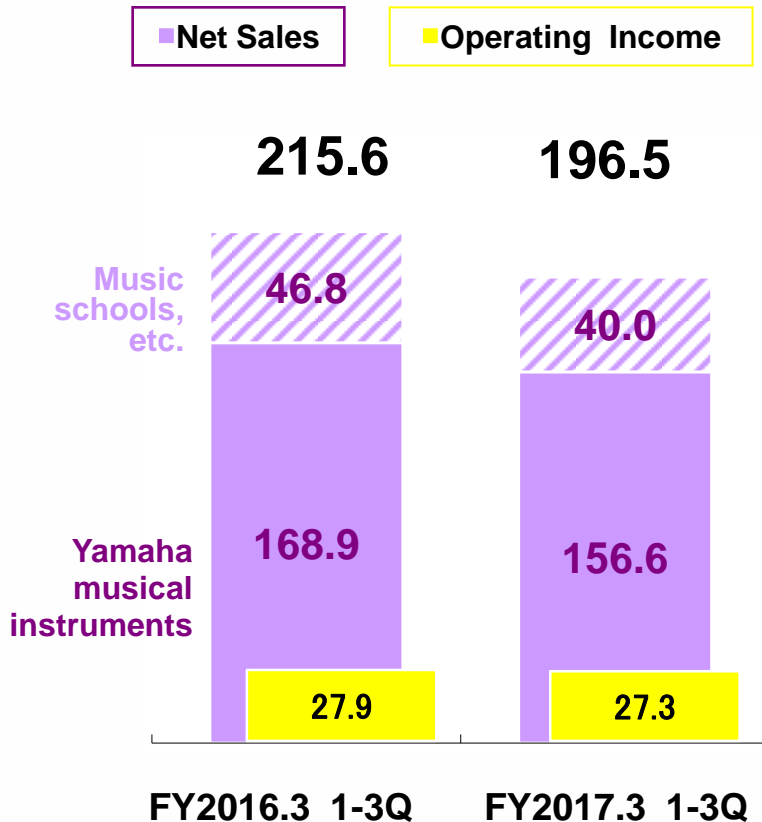
*Previous projections were announced on November 7, 2016

Musical Instruments: 1-3Q (Nine Months)



1-3Q

(Billions of yen)



1-3Q Overview

- Sales and income decreased from the same period of the previous year.
- This decline was due to the impact of exchange rates, and sales increased in actual terms.
- The Chinese market remained robust, achieving double-digit growth in actual sales.
- Sales in markets except in China were below previous projections for 3Q, but North America, Europe, and Other Regions all showed actual growth, with Japan being the only exception.
- Guitar sales recorded double-digit actual growth, and sales of pianos, digital musical instruments, and wind instruments were also strong.
- Sales price adjustments, cost reductions, and control of SG&A expenses did not fully absorb the impact of exchange rates.

* FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Audio Equipment: 1-3Q (Nine Months)

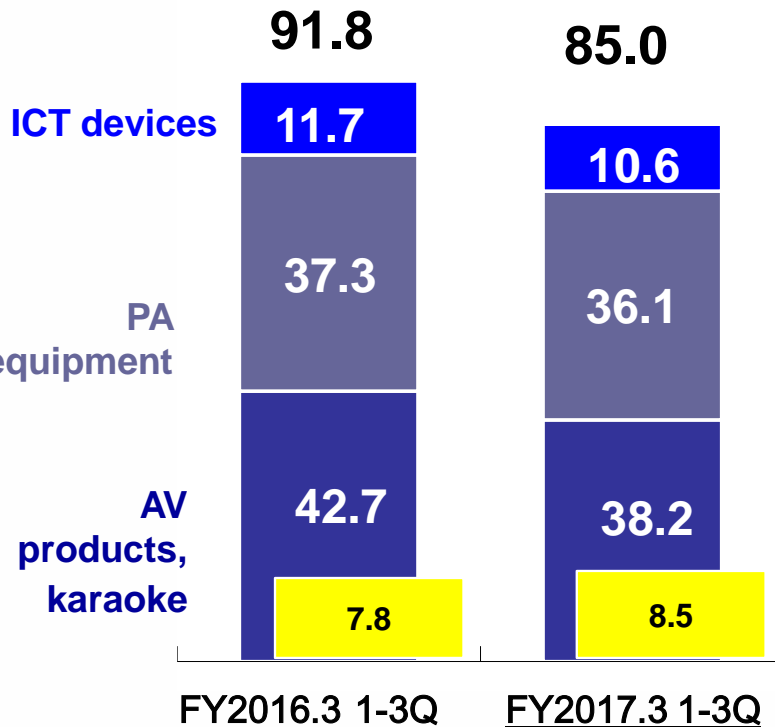


1-3Q

(Billions of yen)

■ Net Sales

■ Operating Income



1-3Q Overview

- Sales declined year-on-year, but income increased.
- Actual sales grew in all territories except Other Regions.
- 3Q sales in major markets including Europe, North America, and Japan were below ambitious previous projections.
- Although 3Q sales of AV products declined from the same period of the previous year, when new products were launched, sales of professional audio equipment and ICT devices were robust.
- Operating income increased due to factors including actual growth in sales of professional audio equipment and cost reductions.

*FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

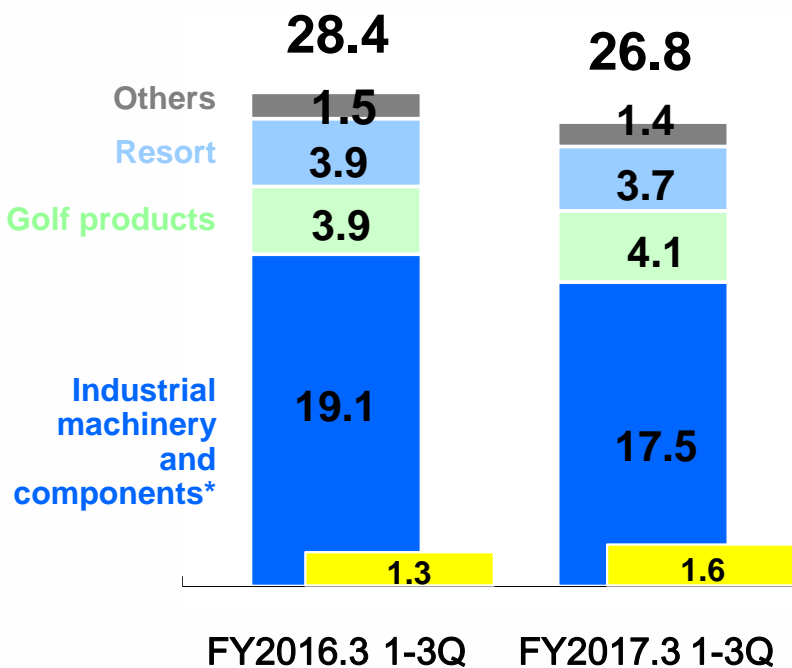
Others: 1-3Q (Nine Months)

1-3Q

(Billions of yen)

Net Sales

Operating Income



1-3Q Overview

- Sales declined from the same period of the previous year, but income increased.
- Operating income rose year-on-year due to factors including higher 3Q sales of electronic devices and the effect of new golf products.

*Industrial machinery and components sales are the total for electronic devices, automobile interior wood components, factory automation equipment, etc.

Performance in the Third Quarter of FY2017.3 (Three Months)



(Billions of yen)

	FY2016.3 3Q results	FY2017.3 3Q results	Changes from same period of the previous year	FY2017.3 3Q previous projections**	Changes from the previous projection
Net Sales	118.3	109.2	-7.7%	109.8	-0.6%
Operating Income (Operating Income Ratio)	15.7 (13.3%)	12.7 (11.6%)	-19.0%	13.9 (12.7%)	-8.6%
Ordinary Income (Ordinary Income Ratio)	15.4 (13.0%)	13.1 (12.0%)	-14.7%	13.5 (12.3%)	-3.0%
Net Income* (Net Income Ratio)	13.1 (11.1%)	9.8 (9.0%)	-24.8%	10.3 (9.4%)	-4.5%

Exchange Rate (yen)

Net Sales <small>(Average rate during the period)</small>	US\$	121	109	100
	EUR	133	118	110
Operating Income <small>(Settlement rate)</small>	US\$	121	106	100
	EUR	135	114	110

* Net income is presented as net income attributable to owners of parent on the consolidated financial statements

**Previous projections were announced on November 7, 2016

Performance by Business Segment in the Third Quarter of FY2017.3 (Three Months)



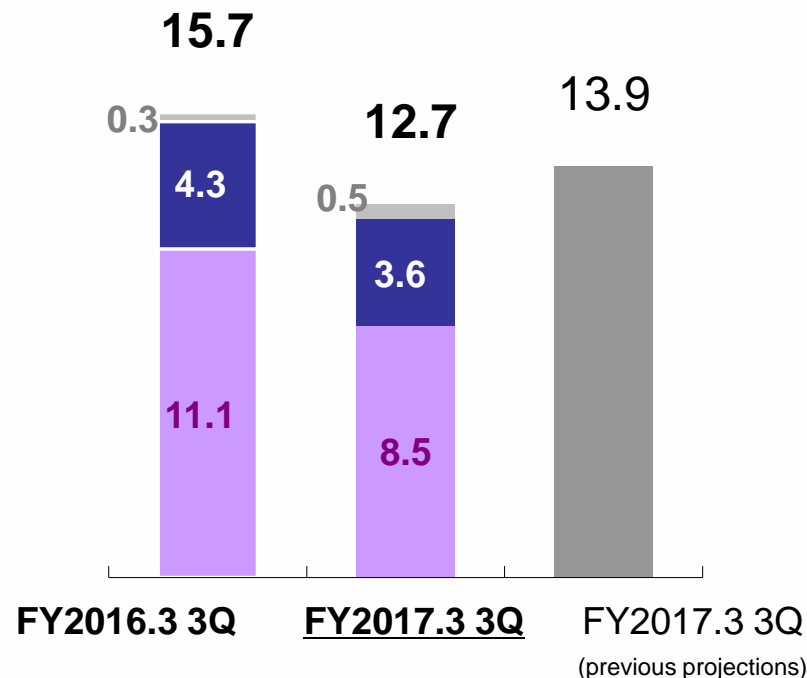
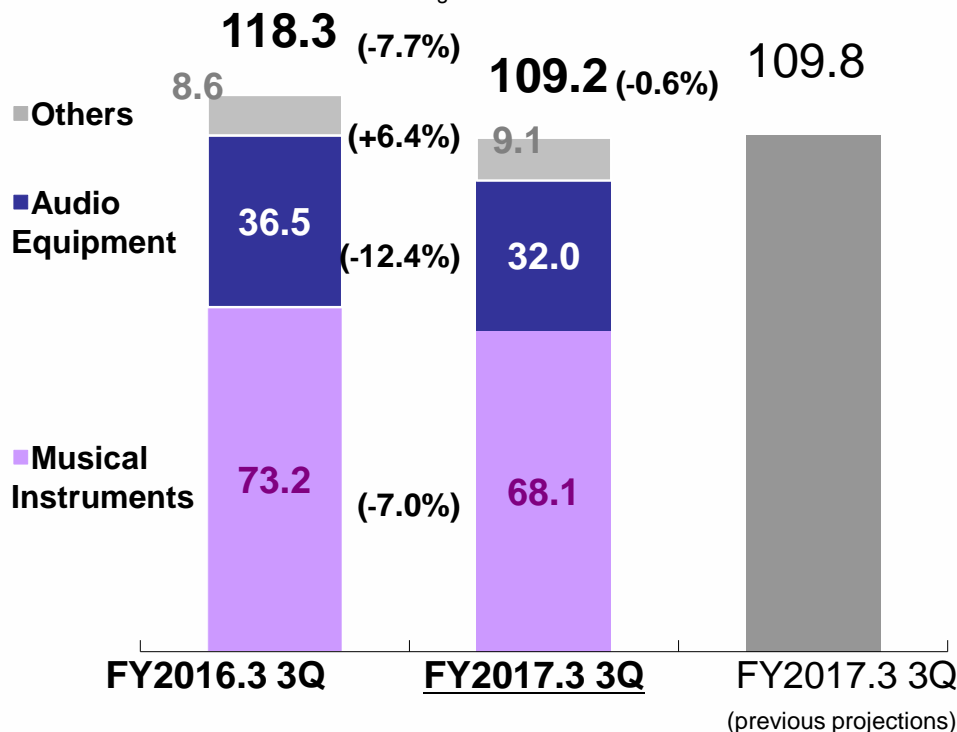
Net Sales

Operating Income

(Billions of yen)

Changes from the previous projections

Year-on-year change



Impact of Exchange Rates

Year-on-Year **-¥9.6 billion**
 (musical instruments -¥6.1 billion, audio equipment -¥3.2 billion, others -¥0.3 billion)

Versus previous projections **+¥5.2 billion**
 (musical instruments +¥3.2 billion, audio equipment +¥1.9 billion, others +0.1 billion)

-¥3.7 billion
 (musical instruments -¥2.7 billion, audio equipment -¥1.1 billion, others +¥0.1 billion)

+¥1.1 billion
 (musical instruments +¥0.8 billion, audio equipment +¥0.3 billion)

*Previous projections were announced on November 7, 2016

**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Outlook for 4Q

- Based on 3Q sales results, the anticipated growth rate for actual musical instrument sales has been revised downward slightly from previous projections.
- In the audio equipment business, AV product shipments are expected to rise, and the anticipated growth rate for actual sales has been revised upward slightly from previous projections.
- Sales in the others segment are expected to exceed previous projections, but income is likely to be decreased.

Full Year Outlook

- Although strong 1H sales prompted ambitious sales projections for the period of highest demand in 3Q, sales were below previous projections in all markets except China.
In light of these circumstances and changes in exchange rate assumptions for 4Q (from US\$1=¥100 to US\$1=¥110 and EUR1=¥110 to EUR1=¥120), projections have been revised as follows:
- Full year projections (previous projections shown in parentheses)
 - Sales ¥405.0 billion (¥402.0 billion)
 - Operating income ¥42.0 billion (unchanged)
 - Ordinary income ¥43.0 billion (¥42.0 billion)
 - Net income ¥42.0 billion (¥41.0 billion)

Forecast for Performance in FY2017.3 (Full Year)



(Billions of yen)

	FY2016.3 results	FY2017.3 projections	Changes from the previous year results	FY2017.3 previous projections	Changes from the previous projection
Net Sales	435.5	405.0	-7.0%	402.0	+0.7%
Operating Income (Operating Income Ratio)	40.7 (9.3%)	42.0 (10.4%)	+3.3 %	42.0 (10.4%)	-
Ordinary Income (Ordinary Income Ratio)	40.9 (9.4%)	43.0 (10.6%)	+5.1%	42.0 (10.4%)	+2.4%
Net Income* (Net Income Ratio)	32.6 (7.5%)	42.0 (10.4%)	+28.7%	41.0 (10.2%)	+2.4%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	120	107	103
	EUR	133		114
Operating Income (Settlement rate)	US\$	121	107	104
	EUR	134		118

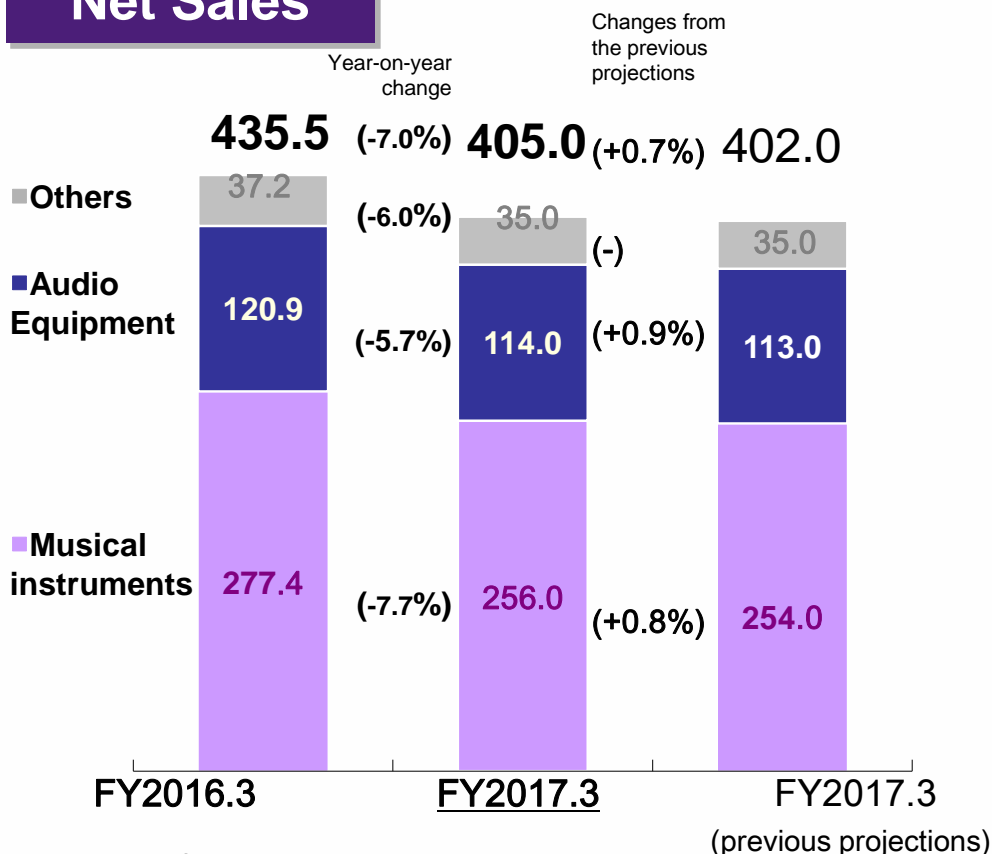
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**Previous projections were announced on November 7, 2016

FY2017.3 Full Year Forecast for Performance by Business Segment

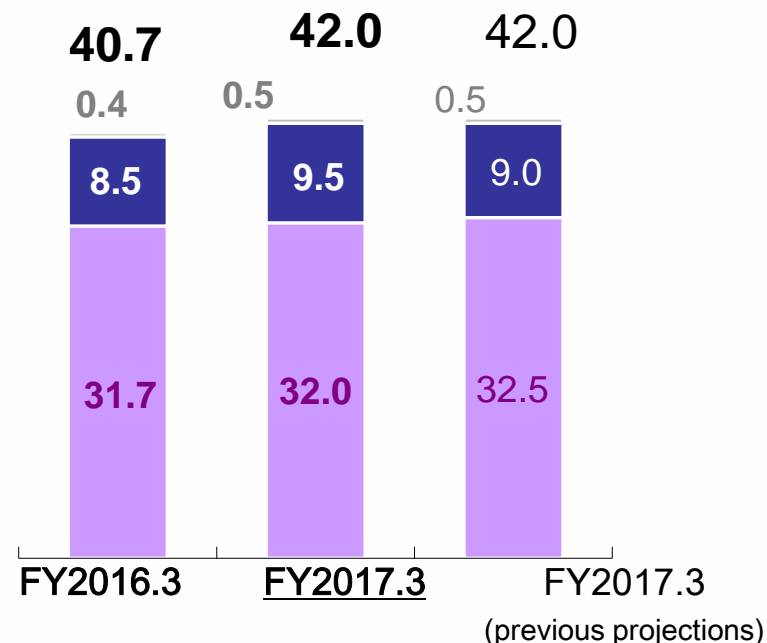


Net Sales



Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥36.0 billion (musical instruments -¥23.9 billion, audio equipment -¥11.4 billion, others -¥0.7 billion)
Versus previous projections	+¥9.0 billion (musical instruments +¥5.5 billion, audio equipment +¥3.3 billion, others +0.2 billion)

-¥11.5 billion

(musical instruments -¥8.9 billion, audio equipment -¥2.7 billion, others +¥0.1 billion)

+¥2.0 billion

(musical instruments +¥1.6 billion, audio equipment +¥0.5 billion)

*Previous projections were announced on November 7, 2016

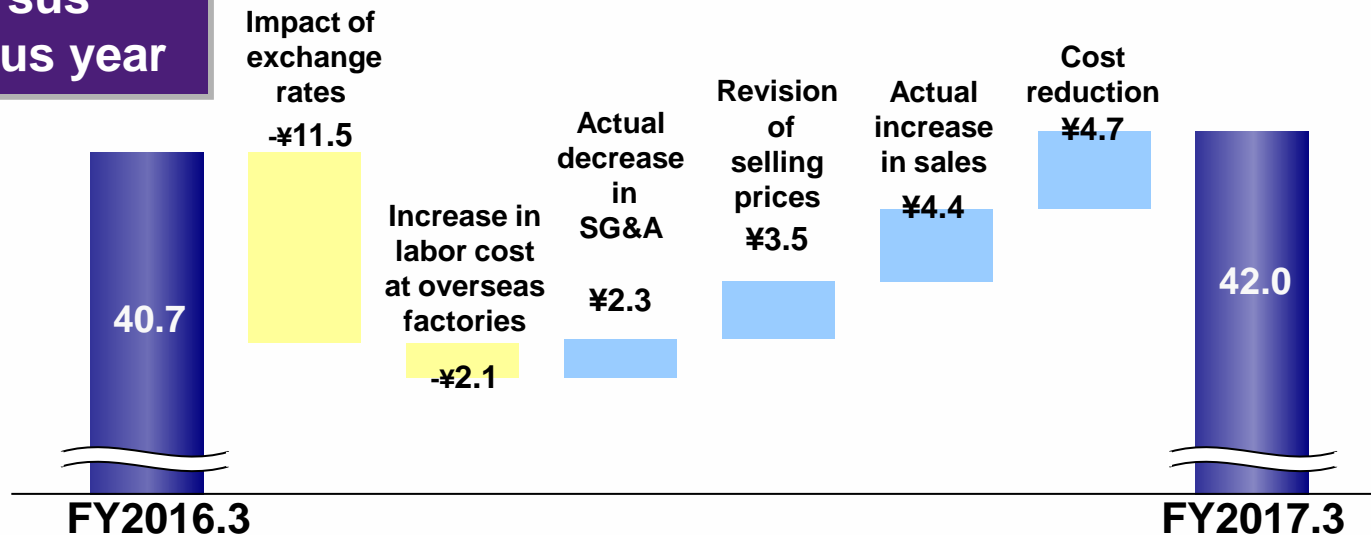
**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

FY2017.3 Full Year Operating Income Analysis

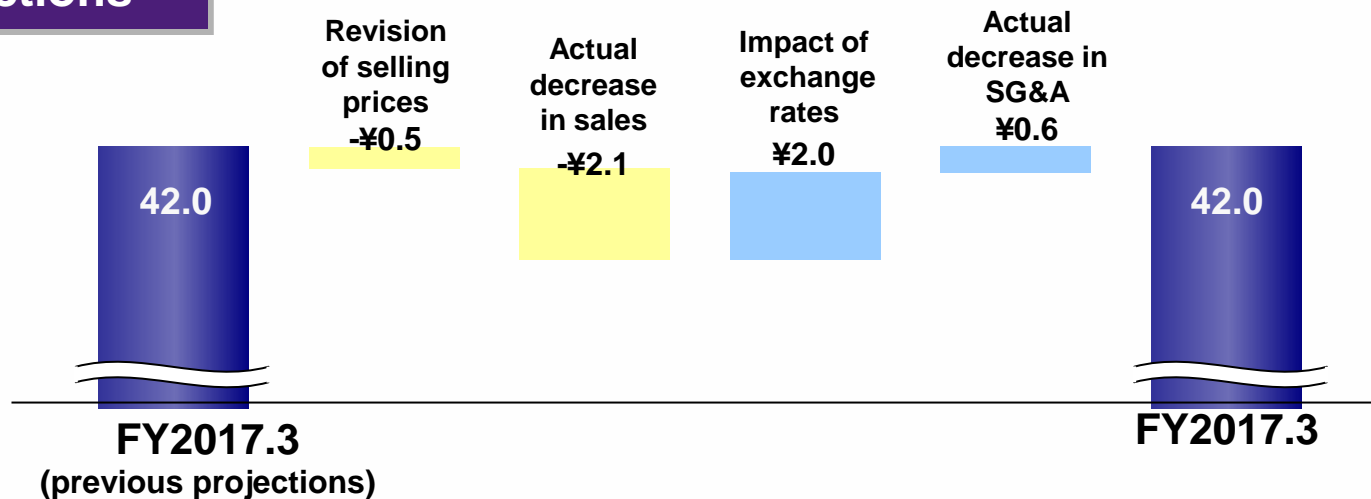


(Billions of yen)

Versus previous year



Versus previous projections



*Previous projections were announced on November 7, 2016

Musical Instruments Full Year Projections

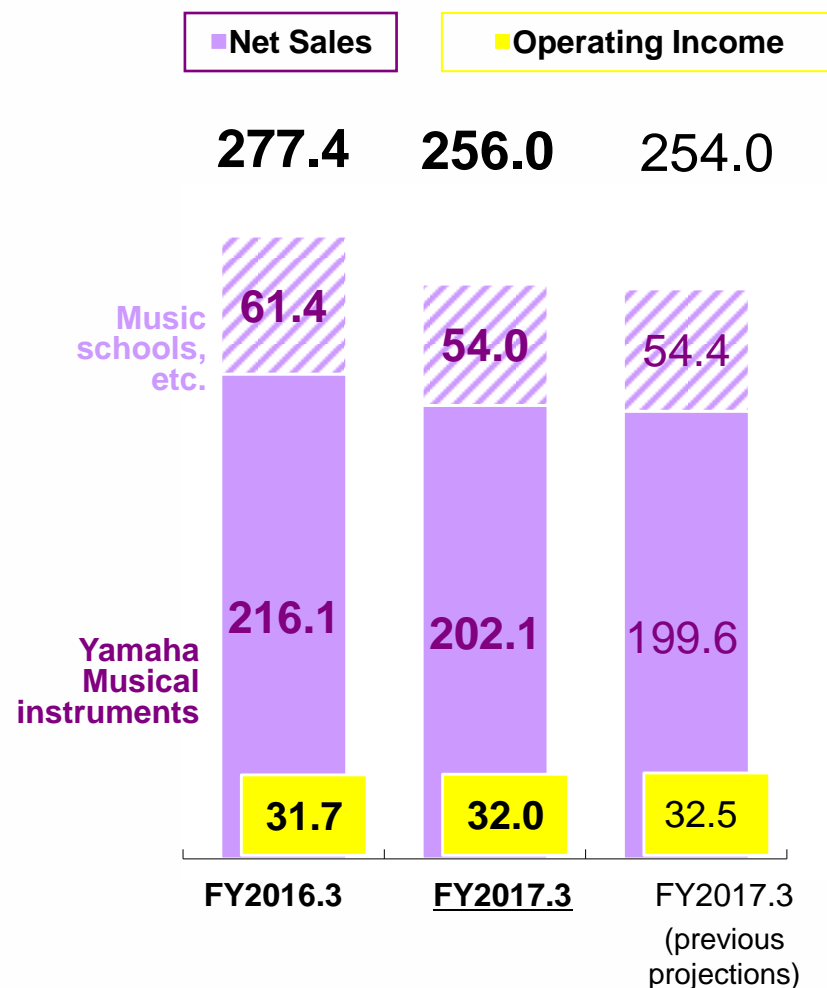


(Billions of yen)

Full Year

Full Year Projections

- Although sales are likely to be higher than previous projections, income is expected to be lower.
- Strong sales of pianos, digital pianos, and string and percussion instruments are anticipated.
- Double-digit year-on-year growth is expected in the Chinese market. Except for Japan, other markets are expected to achieve robust sales and actual growth.



*Previous projections were announced on November 7, 2016

**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Musical Instruments: Sales by Region

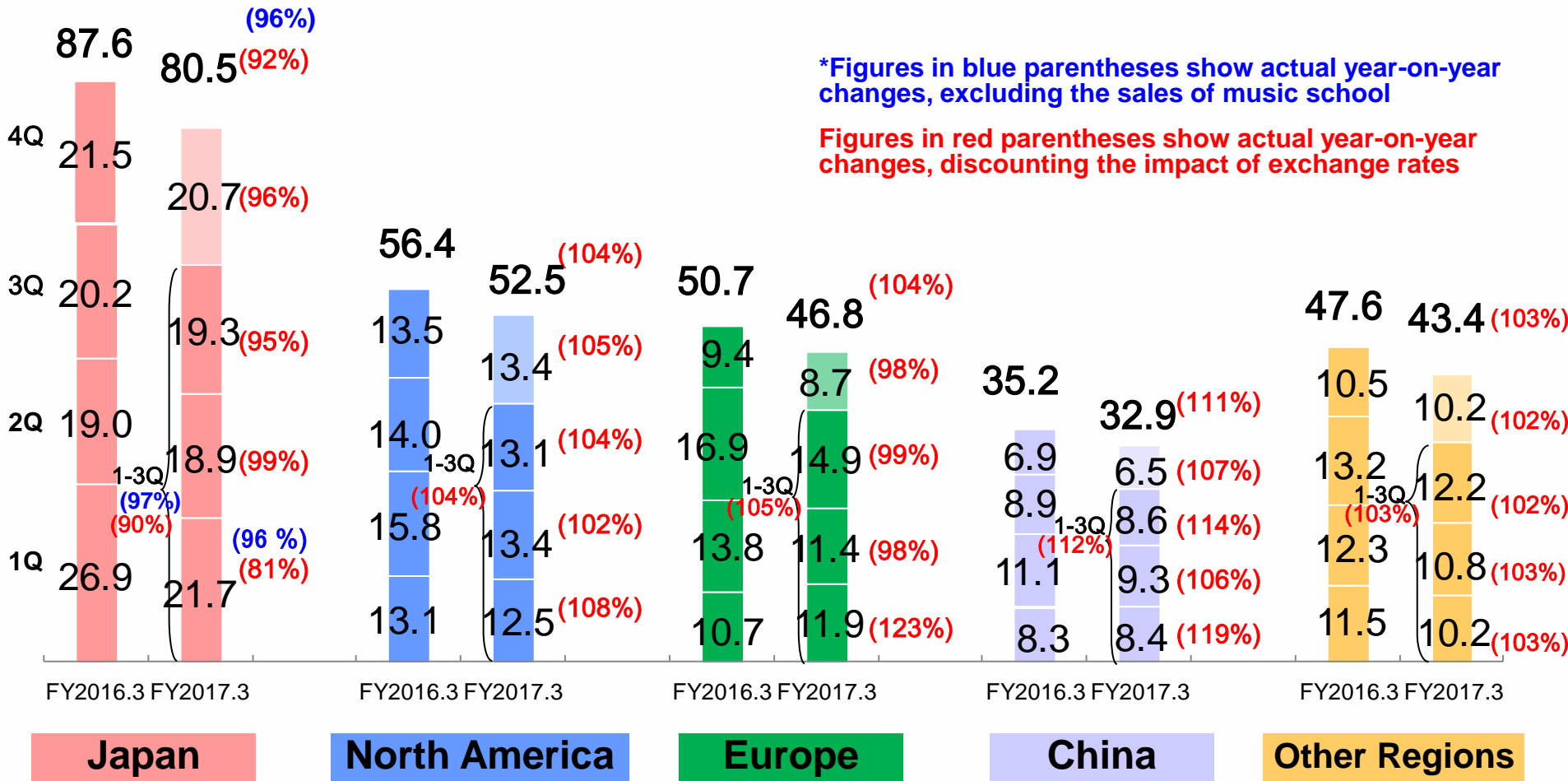
(including software products and music schools)



(Billions of yen)

All regions: Net Sales (1-3Q) ¥196.6 (103%) , Full Year Projections ¥256.0 (102%)

*Figures in blue parentheses show actual year-on-year changes, excluding the sales of music school
 Figures in red parentheses show actual year-on-year changes, discounting the impact of exchange rates



*FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Audio Equipment Full Year Projections



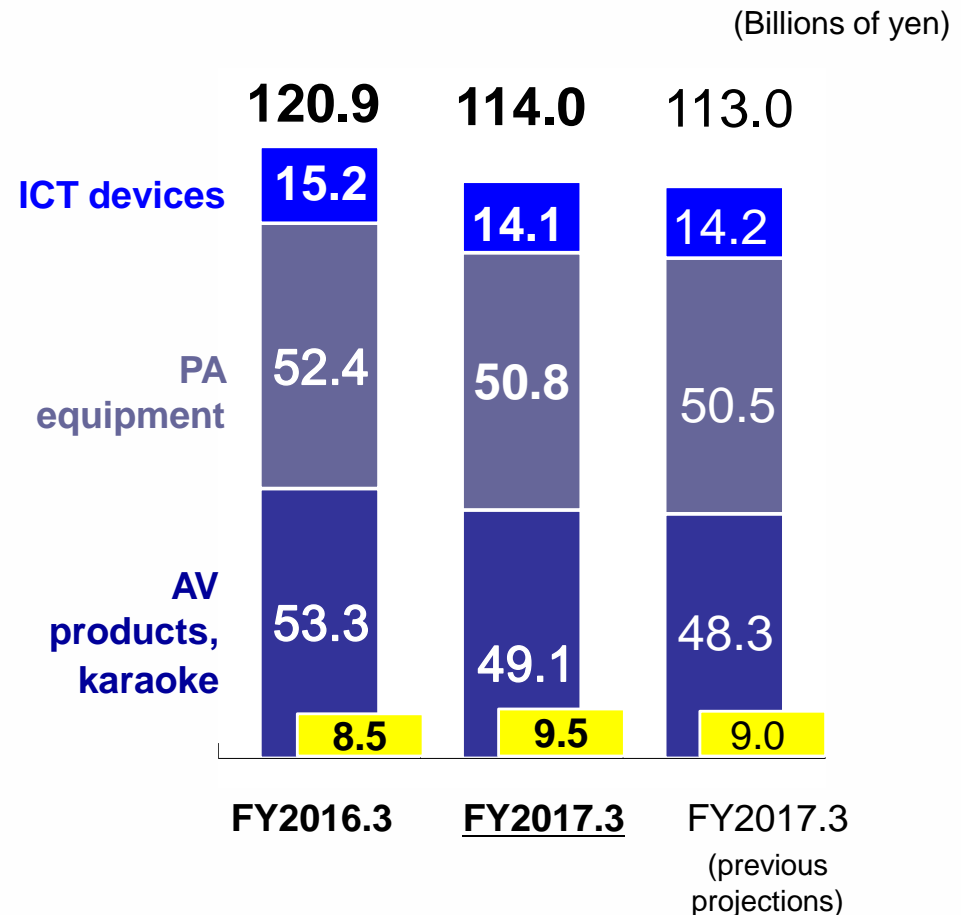
Full Year

■ Net Sales

■ Operating Income

Full Year Projections

- Sales and income are expected to exceed previous projections.
- Double-digit growth in actual terms is anticipated for commercial audio equipment. ICT devices are likely to sell briskly, driving strong sales overall.
- Although Other Regions are expected to struggle, sales in major markets are likely to be robust.



*Previous projections were announced on November 7, 2016

**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

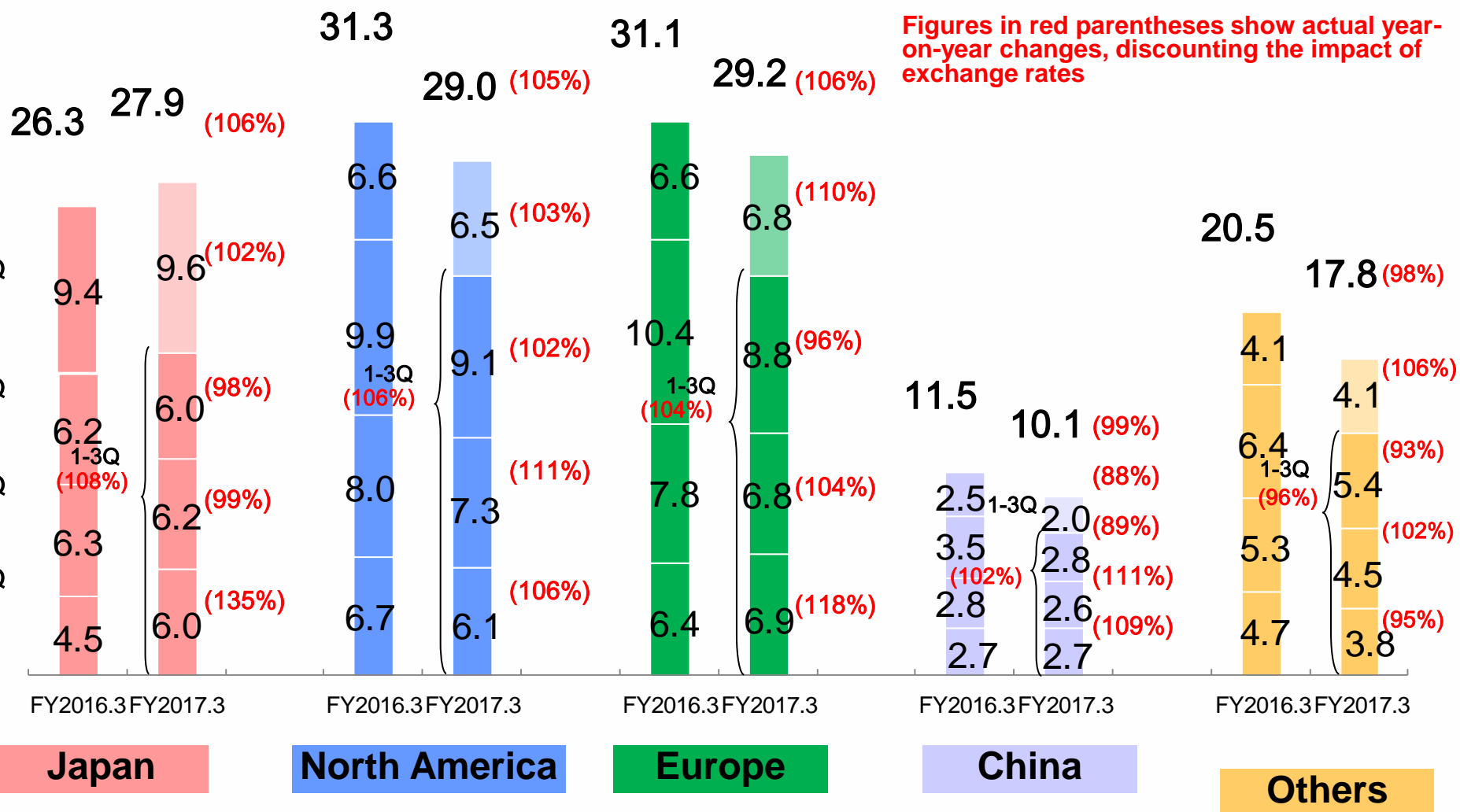
Audio Equipment: Sales by Region



(Billions of yen)

All regions: Net Sales (1-3Q) ¥85.0 (104%) , Full Year Projections ¥114.0 (104%)

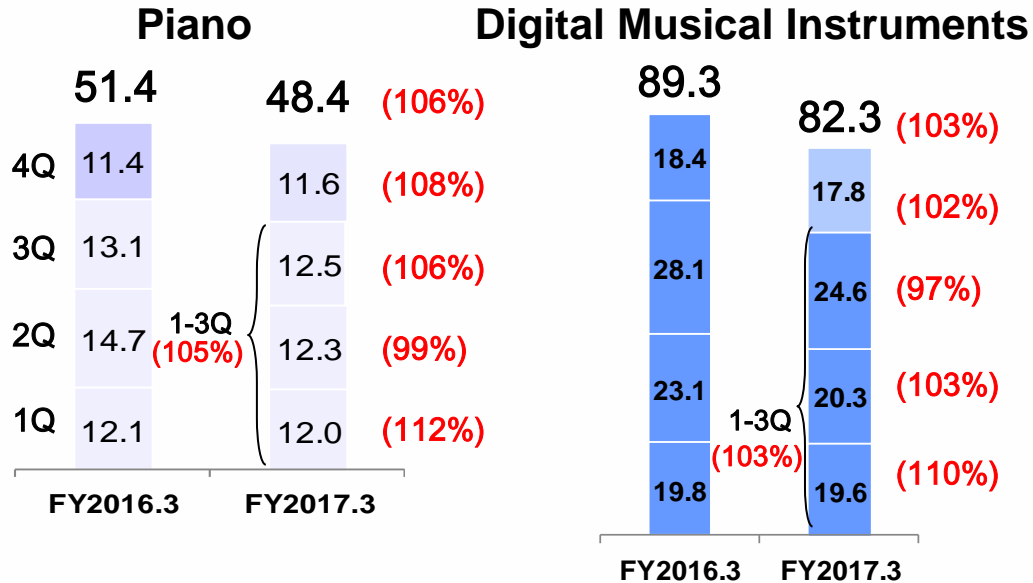
Figures in red parentheses show actual year-on-year changes, discounting the impact of exchange rates



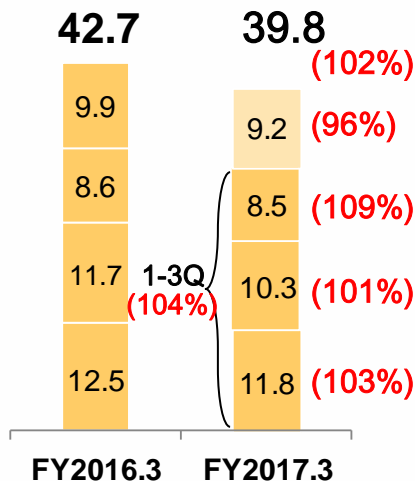
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Musical Instruments/Audio Equipment: Sales by Major Product Category (Yamaha branded products)

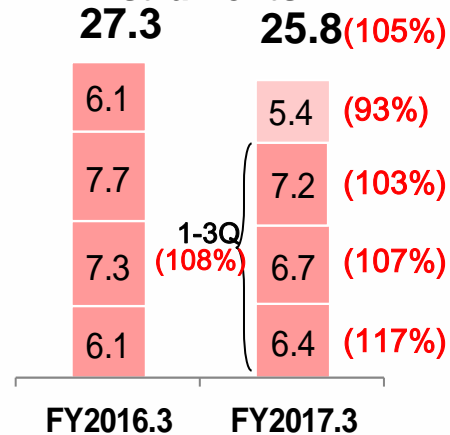
Musical Instruments



Wind Instruments

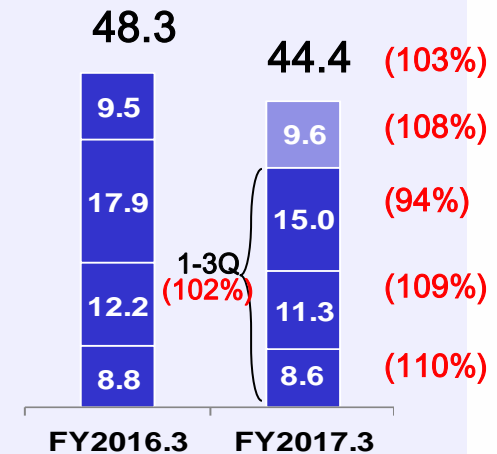


String and Percussion Instruments

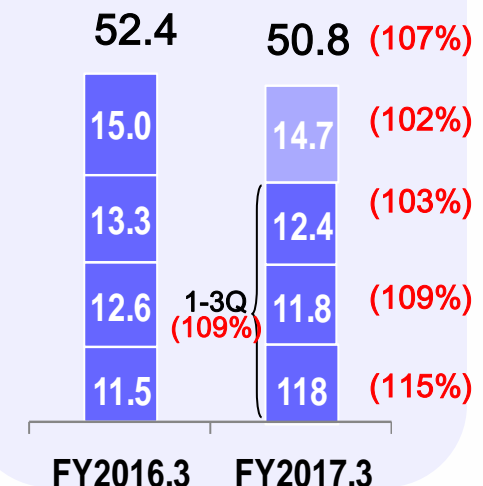


Audio Equipment

AV products



PA equipment



Others: Full Year Projections

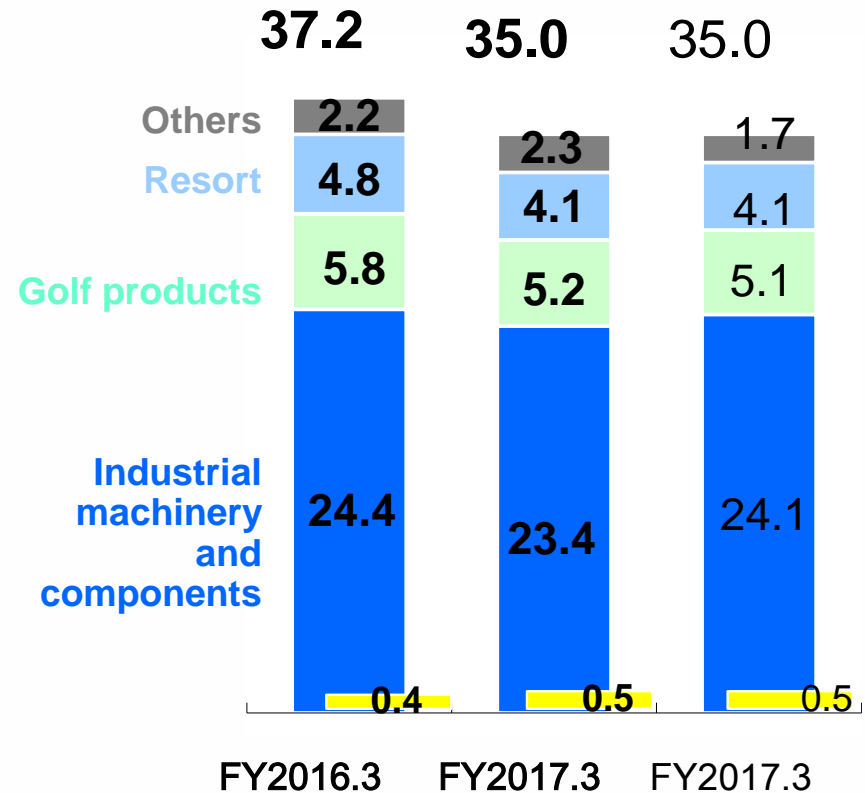


Full Year

■ ■ ■ Net Sales

■ Operating Income

(Billions of yen)



Full Year Projections

- Previous projections for sales and operating income remain unchanged.
- Higher 4Q costs in the electronic device and golf products will constrain income, which is expected to decline from the level achieved over the first three quarters.

*Previous projections were announced on November 7, 2016

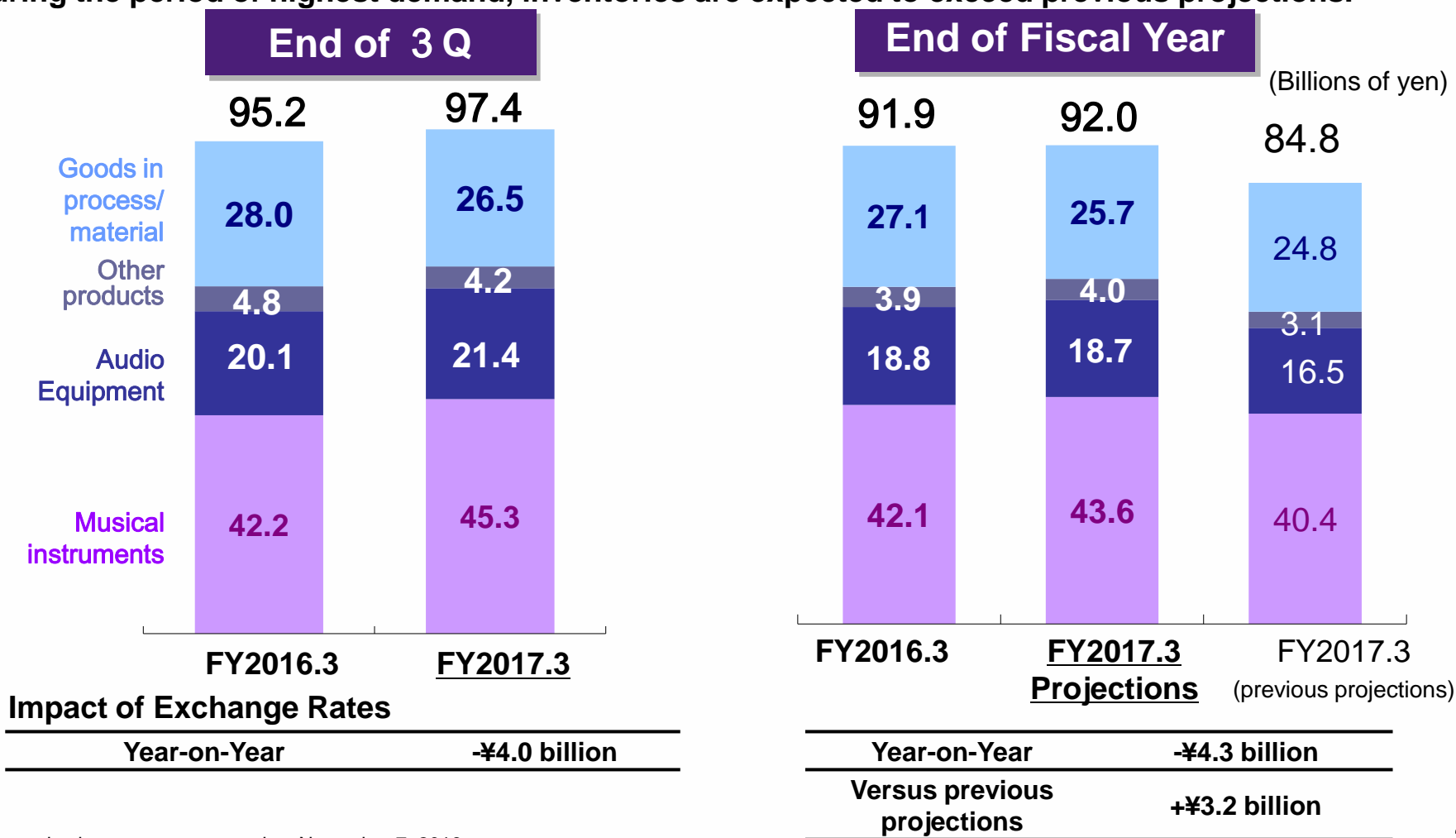
**Industrial machinery and components sales are the total for electronic devices, automobile interior wood components, factory automation equipment, etc.

Inventories



➤ Inventories at the end of the third quarter (December 31, 2016) were ¥97.4 billion. Although the impact of exchange rates reduced inventories, they were still higher than the same period of the previous year.

➤ Inventories at the end of fiscal 2017 are forecast to be ¥92.0 billion. Reflecting sales conditions during the period of highest demand, inventories are expected to exceed previous projections.



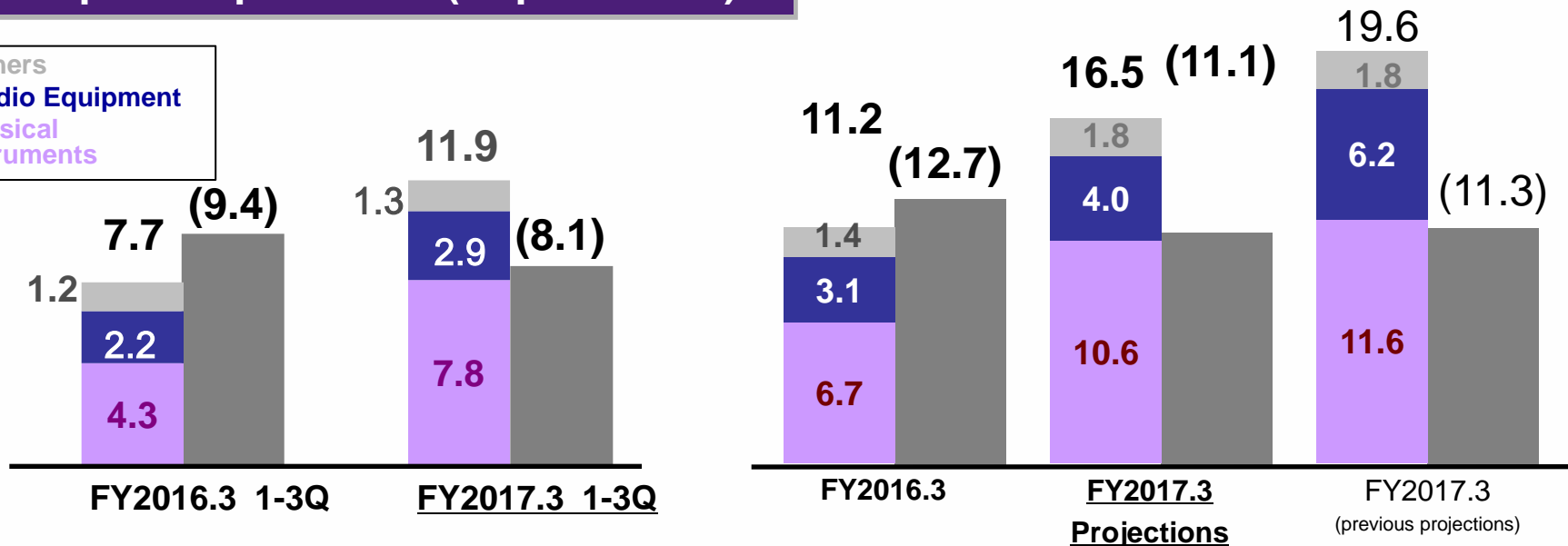
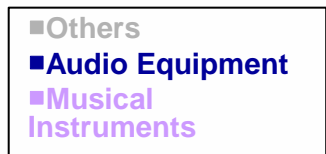
*Previous projections were announced on November 7, 2016

Capital Expenditure/Depreciation/R&D Expenses

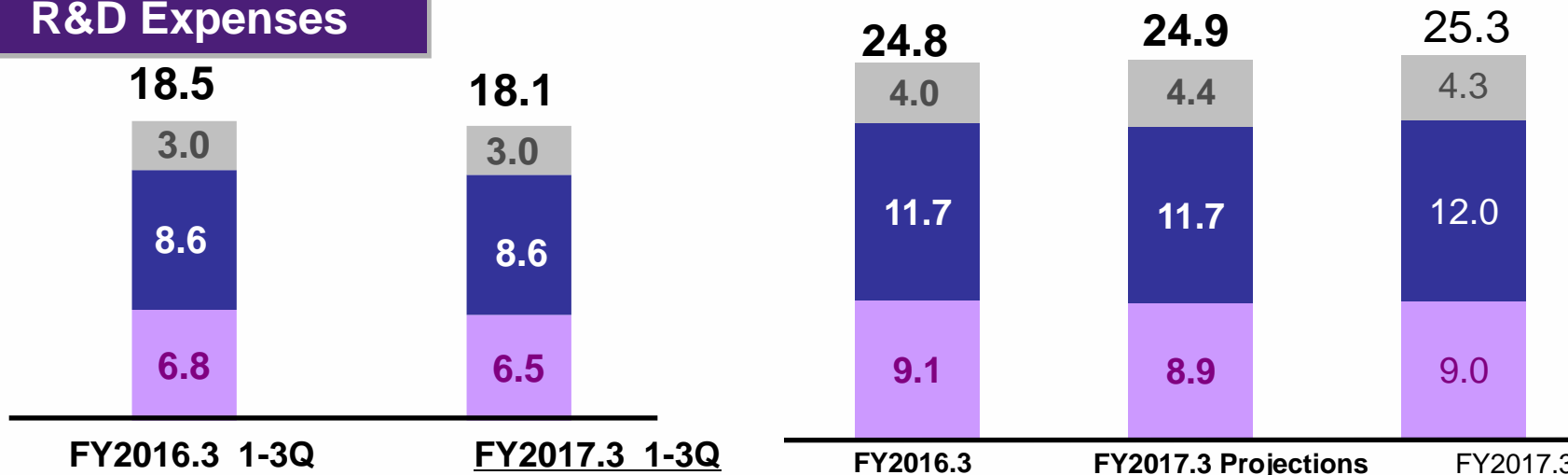


(Billions of yen)

Capital Expenditure (Depreciation)



R&D Expenses



*Previous projections were announced on November 7, 2016

Balance Sheet Summary



(Billions of yen)

	As of end of 3Q			As of end of fiscal year end		
	As of Dec. 31, 2015	As of Dec. 31, 2016	Changes	As of Mar. 31, 2016	As of Mar. 31, 2017 projections	Changes
Cash and deposits	99.5	97.7	-1.8	88.2	93.6	5.4
Notes and accounts receivable	62.8	62.5	-0.3	47.8	48.0	0.2
Inventories	95.2	97.4	2.2	91.9	92.0	0.1
Other current assets	23.6	23.1	-0.5	27.2	23.5	-3.7
Fixed assets	262.5	247.2	-15.3	214.6	248.4	33.8
Total assets	543.6	527.9	-15.7	469.7	505.5	35.8
Notes and accounts payable	18.9	16.6	-2.3	19.4	22.6	3.2
Short- and long-term loans	20.5	24.5	4.0	8.5	9.9	1.4
Other liabilities	140.8	131.8	-9.0	137.9	127.4	-10.5
Total net assets	363.4	355.0	-8.4	303.9	345.6	41.7
Total liabilities and net assets	543.6	527.9	-15.7	469.7	505.5	35.8

Appendix

Forecast for Performance in the Fourth Quarter of FY2017.3 (Three Months)



(Billions of yen)

	FY2016.3 4Q results	FY2017.3 4Q projections	Changes from same period of the previous year	FY2017.3 4Q previous projections**	Changes from the previous projection
Net Sales	99.7	96.7	-3.0%	93.0	+4.0%
Operating Income (Operating Income Ratio)	3.7 (3.7%)	4.6 (4.8%)	+23.3%	3.5 (3.8%)	+31.4%
Ordinary Income (Ordinary Income Ratio)	3.3 (3.3%)	5.4 (5.6%)	+63.1%	4.0 (4.3%)	+35.0%
Net Income* (Net Income Ratio)	2.1 (2.1%)	4.9 (5.1%)	+129.4%	3.5 (3.8%)	+40.0%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	115	110	100
	EUR	127	120	110
Operating Income (Settlement rate)	US\$	118	110	100
	EUR	133	120	110

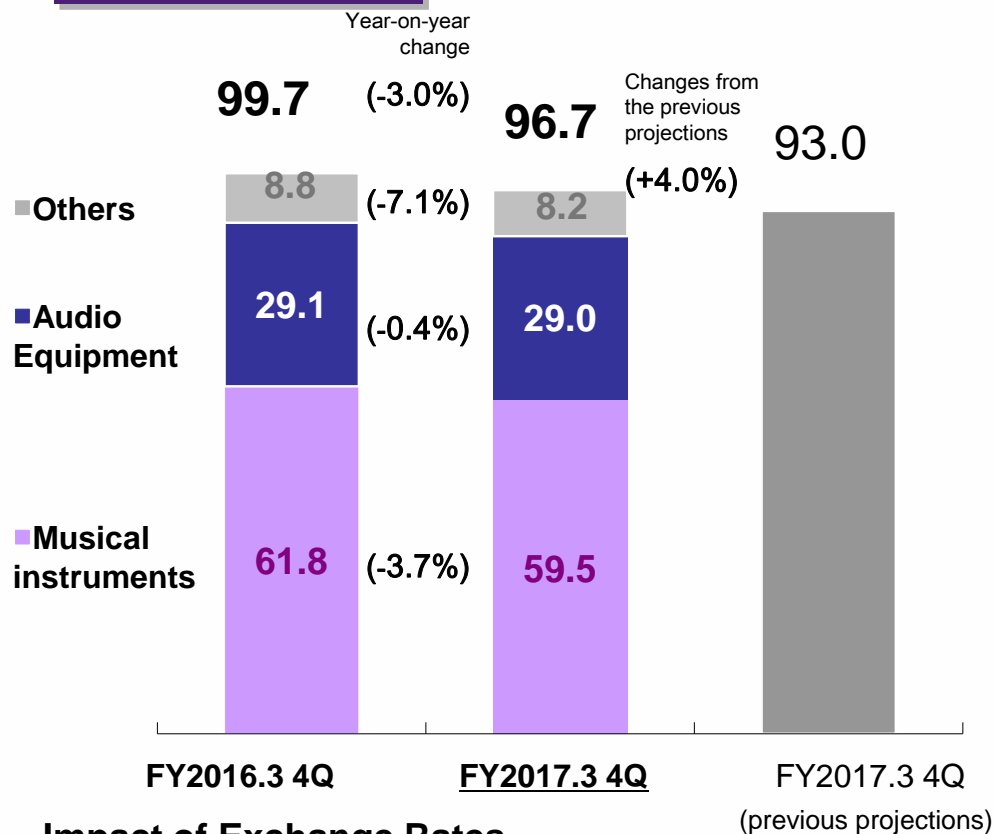
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Forecast for Performance by Business Segment in the Fourth Quarter of FY2017.3 (Three Months)

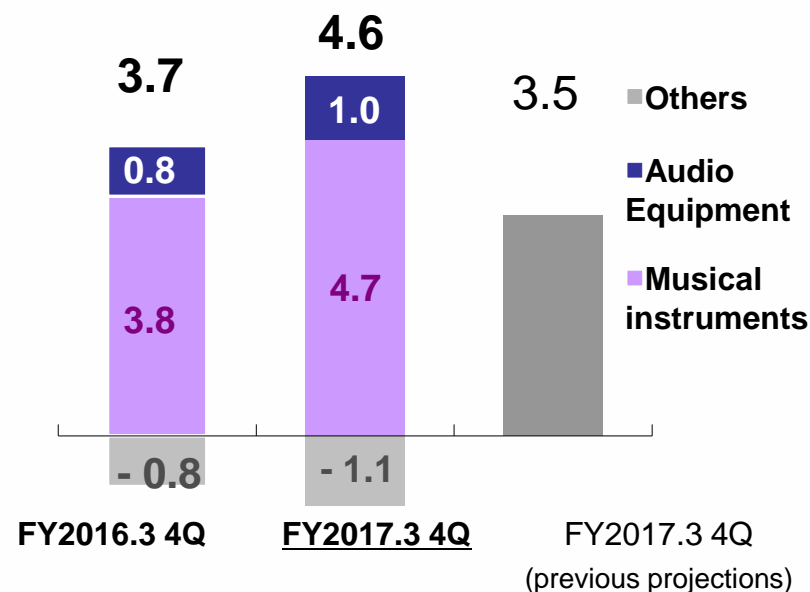


Net Sales



Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥4.0 billion (musical instruments -¥2.7 billion, audio equipment -¥1.2 billion, others -¥0.1 billion)
Versus previous projections	+¥3.9 billion (musical instruments +¥2.3 billion, audio equipment +¥1.4 billion, others +0.1 billion)

Year-on-Year	-¥1.5 billion (musical instruments -¥1.1 billion, audio equipment -¥0.3 billion)
Versus previous projections	+¥1.0 billion (musical instruments +¥0.8 billion, audio equipment +¥0.2 billion, others +0.1 billion)

*Previous projections were announced on November 7, 2016

**FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Third Quarter Non-Operating Income/Loss & Extraordinary Income/Loss (Nine Months)



(Billions of yen)

	FY2016.3 1-3Q	FY2017.3 1-3Q	FY2017.3 1-3Q previous projections
Non-Operating Income/Loss			
Net financial income	1.6	2.1	2.0
Other	-0.9	-1.8	-2.5
Total	0.7	0.2	-0.5
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	5.6	1.1	0
Other	-4.7	-5.5	-5.1
Total	0.9	-4.4	-5.0
Income Taxes and Other Expenses			
Income taxes -current	8.1	8.2	7.5
Income taxes -deferred	-0.2	-12.1	-12.0
Minority interests in income	0.1	0.1	0
Total	8.0	-3.8	-4.5

-Gain on disposal of assets (music instrument store and residential quarters) +¥6.2

-Restructuring of resort business -¥4.9
-Other structural reforms -¥0.3
-Impairment loss -¥0.4

-Immediate amortization of goodwill of Line 6 -¥4.5

*Previous projections were announced on November 7, 2016

** In conjunction with the recent improvement in profitability, scope of recording deferred tax assets has expanded from FY2017.3 , and additional figures were recorded in 1Q.

Full Year Non-Operating Income/Loss & Extraordinary Income/Loss



(Billions of yen)

	FY2016.3 full year	FY2017.3 full year projections	FY2017.3 full year previous projections
Non-Operating Income/Loss			
Net financial income	2.7	3.4	3.2
Other	-2.5	-2.4	-3.2
Total	0.2	1.0	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	8.3	1.0	0
Other	-7.6	-6.0	-5.0
Total	0.7	-5.0	-5.0
Income Taxes and Other Expenses			
Income taxes -current	9.5	9.8	8.8
Income taxes -deferred	-0.6	-13.8	-12.8
Net income attributable to non-controlling interests	0.1	0.1	0
Total	9.0	-4.0	-4.0

-Gain on disposal of idle land +¥9.0
-Others -¥0.7

-Structural reform expenses -¥5.2
-Impairment loss -¥0.4
-Transfer of defined contribution pension plan for retirement benefits -¥0.9

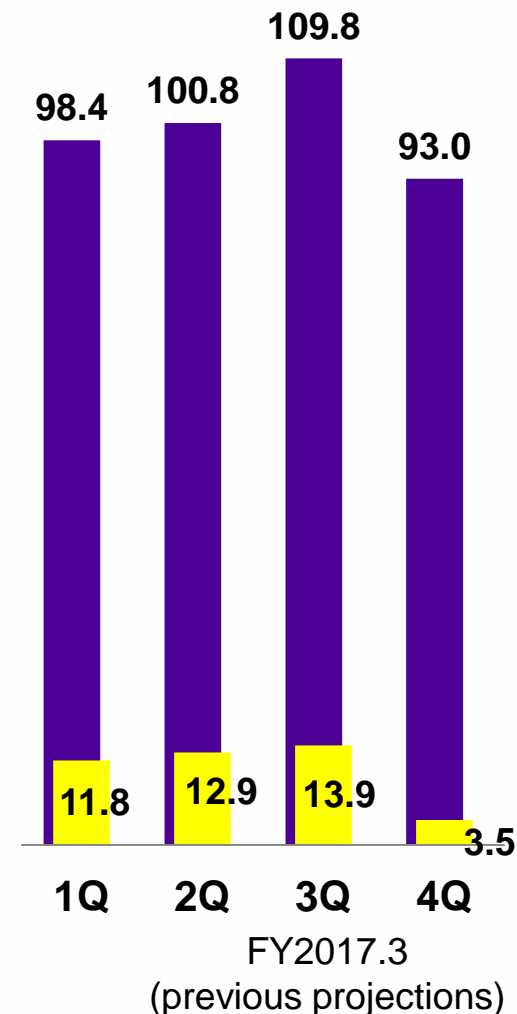
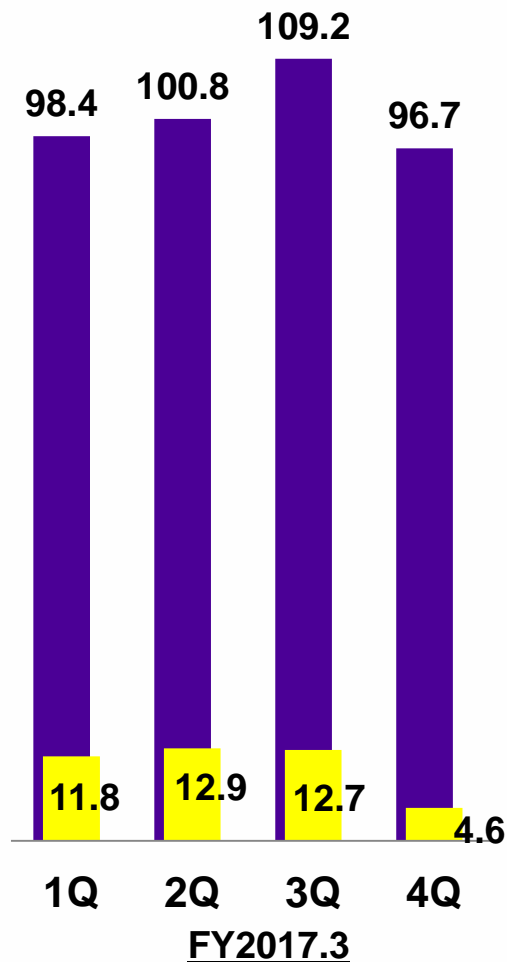
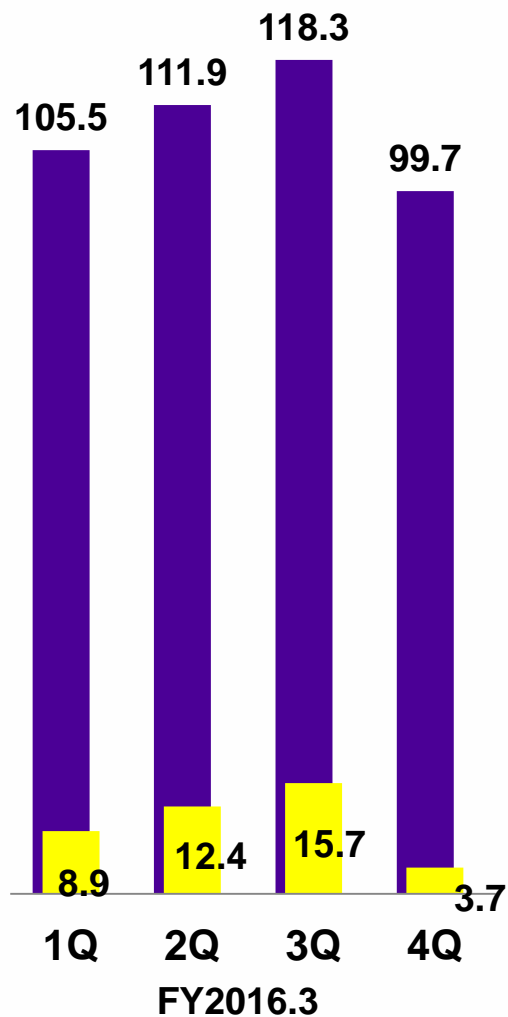
-Immediate amortization of goodwill of Line 6 -¥4.5
-Immediate amortization of goodwill of Revolabs -¥2.3
-Impairment loss on fixed asset -¥0.8

*Previous projections were announced on November 7, 2016

Quarterly Sales and Income



(Billions of yen)



Net Sales (Full Year)	435.5
Operating Income (Full Year)	40.7

Net Sales (Full Year)	405.0
Operating Income (Full Year)	42.0

Net Sales (Full Year)	402.0
Operating Income (Full Year)	42.0

*Previous projections were announced on November 7, 2016

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.