

**Yamaha Corporation
Analyst and Investor Briefing on
the Third Quarter of Fiscal Year
Ending March 31, 2018 (FY2018.3)**

February 6, 2018



Overview of Performance in the First Three Quarters of FY2018.3 (Nine Months)



Results Summary

- **Sales increased by ¥20.4 billion year-on-year, partly due to the impact of exchange rates (+ ¥14.2 billion). Operating income was up ¥4.1 billion from the same period of the previous year, also partly due to the impact of exchange rates (+ ¥2.6 billion). Sales and operating income rose in all business segments.**
 - **Musical instruments: Sales tracked toward recovery in developed markets, maintained double-digit growth in the Chinese market, and also remained robust in other regions.**
 - **Audio equipment: Although sales of AV products and professional audio equipment did not meet expectations, they were up year-on-year in all regions.**
 - **Others: Factory automation equipment sold briskly.**

- **Sales were ¥1.2 billion above previous projections, partly due to the impact of exchange rates. Operating income was slightly below previous projections (- ¥0.5 billion), due to factors including an increase in business-size-based taxes relating to gains on sale of investment securities.**

- **Net income jumped year-on-year and against previous projections (announced on November 1, 2017), partly due to the posting of gains from a partial sale of shares in Yamaha Motor Co., Ltd.**

Performance in the First Three Quarters of FY2018.3 (Nine Months)



(Billions of yen)

	FY2017.3 1-3Q results	FY2018.3 1-3Q results	Changes from the same period of the previous year	FY2018.3 1-3Q previous projections**	Changes from the previous projection
Net Sales	308.3	328.7	+6.6%	327.5	+0.4%
Operating Income (Operating Income Ratio)	37.4 (12.1%)	41.5 (12.6%)	+11.0%	42.0 (12.8%)	-1.3%
Ordinary Income (Ordinary Income Ratio)	37.6 (12.2%)	41.6 (12.7%)	+10.7%	41.5 (12.7%)	+0.3%
Net Income* (Net Income Ratio)	37.1 (12.0%)	49.6 (15.1%)	+33.7%	32.5 (9.9%)	+52.5%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	107	112	111
	EUR	118	129	126
Operating Income (Settlement rate)	US\$	107	112	111
	EUR	121	124	124

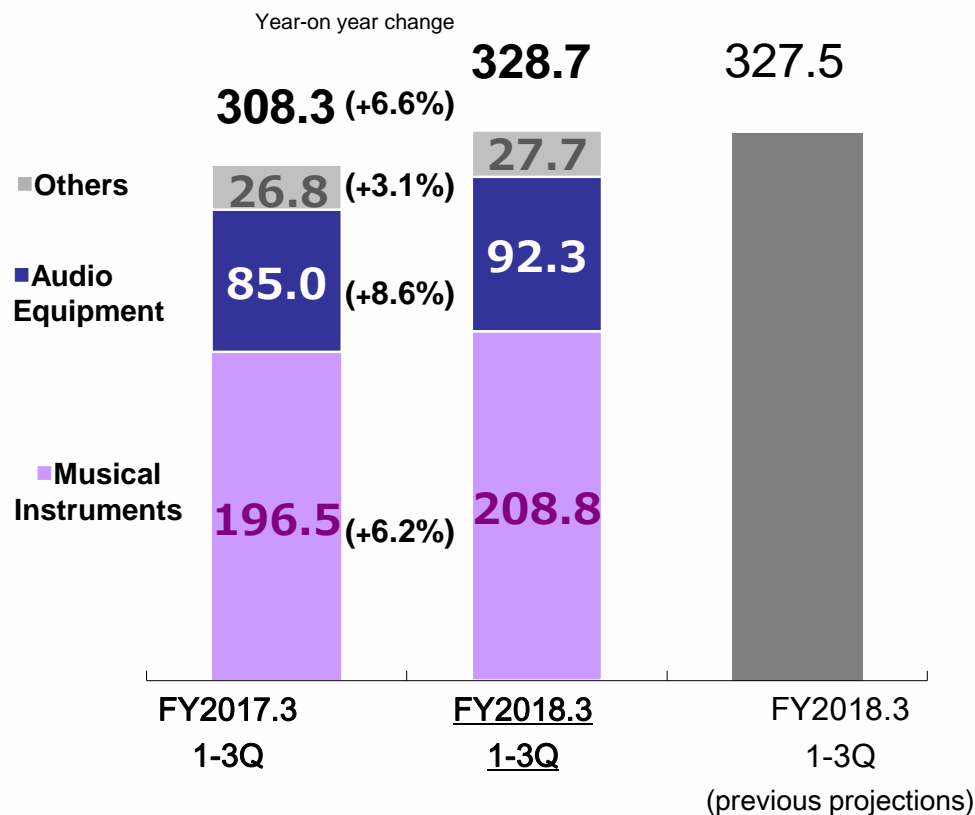
* Net income is presented as net income attributable to owners of parent on the consolidated financial statements

** Figures for previous projections are as of November 1, 2017

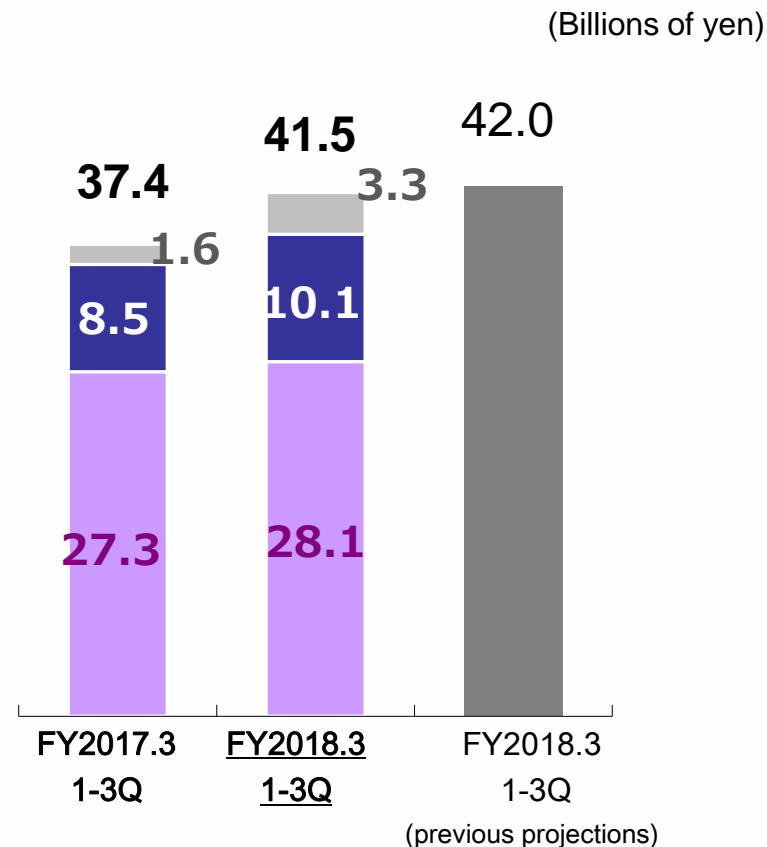
Performance by Business Segment in the First Three Quarters of FY2018.3 (Nine Months)



Net Sales



Operating Income



Impact of Exchange Rates (billions of yen)			
Year-on-Year	+14.2	Musical Instruments	+9.3
		Audio Equipment	+4.7
		Others	+0.2
Versus previous projections	+3.8	Musical Instruments	+2.5
		Audio Equipment	+1.2
		Others	-

Impact of Exchange Rates (billions of yen)			
Year-on-Year	+2.6	Musical Instruments	+1.8
		Audio Equipment	+0.8
		Others	-
Versus previous projections	0	Musical Instruments	+0.1
		Audio Equipment	-0.1
		Others	-

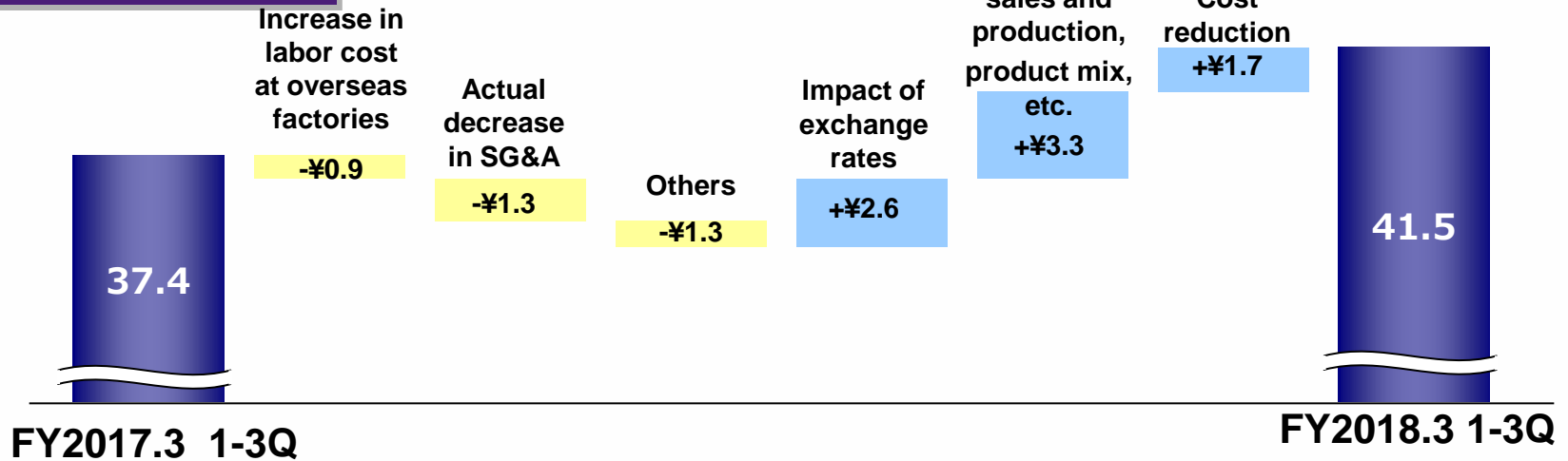
* Figures for previous projections are as of November 1, 2017

FY2018.3 1-3Q Operating Income Analysis (Nine Months)

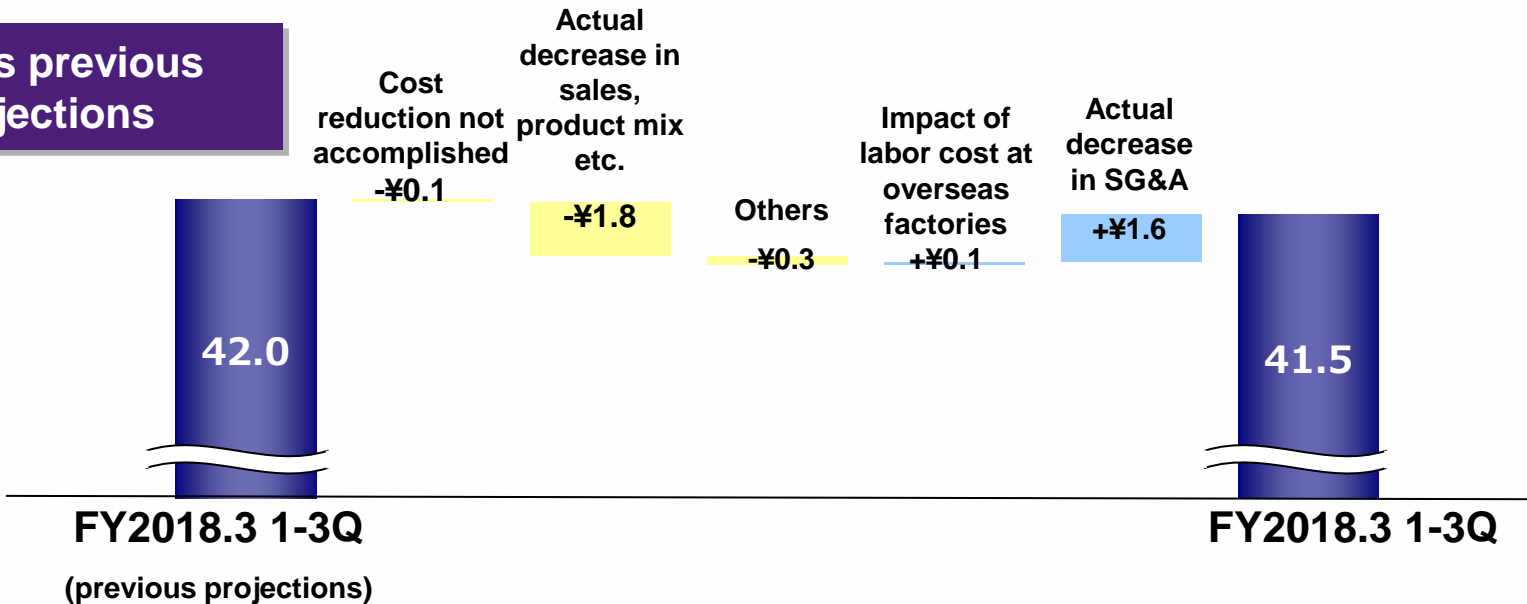


Versus same period of the previous year

(Billions of yen)



Versus previous projections



* Figures for previous projections are as of November 1, 2017

Musical Instruments: 1-3Q (Nine Months)

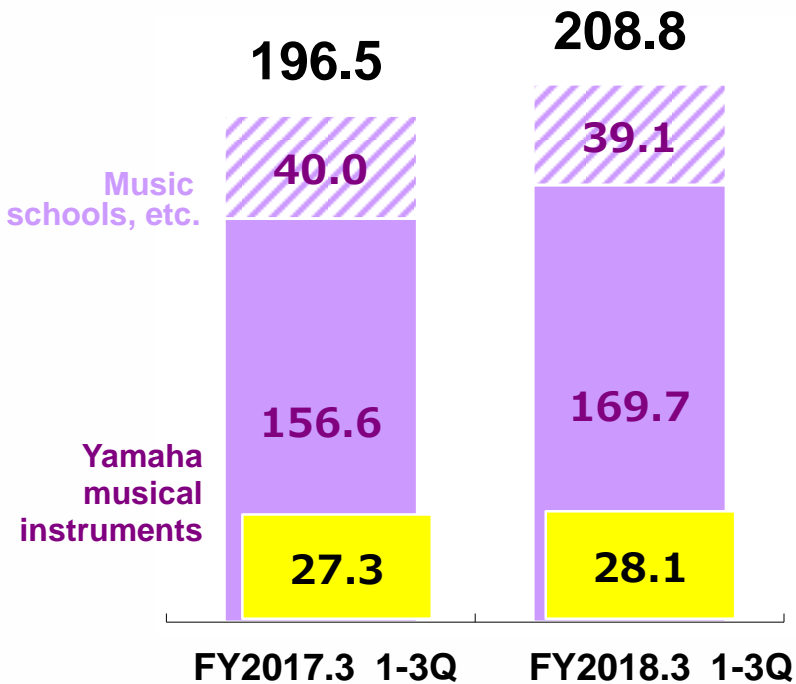


1-3Q

(Billions of yen)

■ Net Sales

■ Operating Income



1-3Q Overview

Sales and income increased year-on-year.

By Product:

- 3Q sales were up 4% year-on-year, and cumulative sales over the first three quarters also increased year-on-year in almost all product categories.
- Overall results were driven by digital piano and guitar sales, in particular.

By region:

- Although 3Q sales were up 4% year-on-year in North America and 2% year-on-year in Europe, showing a trend toward recovery, cumulative sales over the first three quarters were down compared to the same period of the previous year in both regions.
- In the Chinese market, strong expansion in sales of pianos, digital pianos, and guitars maintained double-digit growth.
- Strong performance also continued in other regions, especially the Middle East, India, and Russia.

Audio Equipment: 1-3Q (Nine Months)

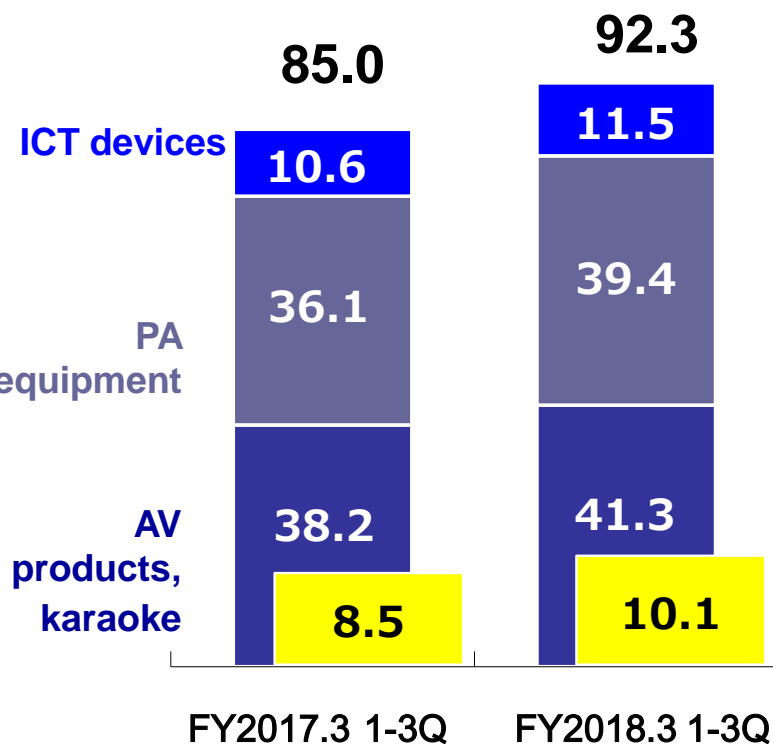


1-3Q

(Billions of yen)

Net Sales

Operating Income



1-3Q Overview

Sales and income rose year-on-year.

- Although AV products sold briskly, especially in the sound bar and network audio categories, some sales were delayed until 4Q and sales were up only 3% year-on-year.
- Professional audio equipment sales were robust in the Chinese market and other regions, and tracked towards a rebound in the North American market. Sales increased 3% from the same period of the previous year.
- In the ICT device category, sales of voice communication devices remained robust.

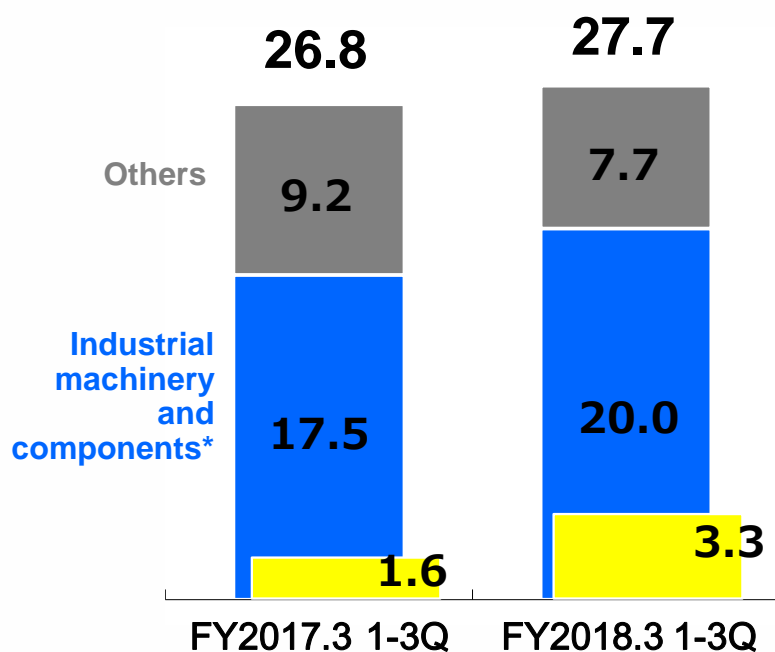
Others: 1-3Q (Nine Months)

1-3Q

(Billions of yen)

■ Net Sales

■ Operating Income



1-3Q Overview

Sales and income were up year-on-year.

- Strong sales of factory automation equipment contributed to ongoing year-on-year double-digit growth in the industrial machinery and components category.
- The impact of new products maintained brisk sales in the golf category.

(Note: the previous year's results included ¥1.9 billion in operating revenue for transferred resorts)

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

Outlook for 4Q

- **Musical instruments:** European and North American markets are expected to continue rallying, and ongoing strength is anticipated in the Chinese market and other regions.
- **Audio equipment:** Although postponement of audio engineering and installations until next fiscal year will have an impact, product sales are likely to expand.
- **Others:** Slight slowdown expected as some electronic device purchases are postponed until next fiscal year.
- **Exchange rate assumptions** have been revised from US\$1=¥110 to US\$1=¥105 and from EUR1=¥125 to EUR1=¥130.

Full Year Outlook

- **Previous projections** (announced on November 1, 2017) for sales, operating income, and ordinary income remain unchanged, and the revised net income projection announced on November 28 also remains unaltered.

Forecast for Performance in FY2018.3 (Full Year)



(Billions of yen)

	FY2017.3 results	FY2018.3 projections	Changes from the previous year results	FY2018.3 previous projections	Changes from the previous projection
Net Sales	408.2	432.0	+5.8%	432.0	-
Operating Income (Operating Income Ratio)	44.3 (10.9%)	50.0 (11.6%)	+12.9%	50.0 (11.6%)	-
Ordinary Income (Ordinary Income Ratio)	44.9 (11.0%)	50.0 (11.6%)	+11.3%	50.0 (11.6%)	-
Net Income* (Net Income Ratio)	46.7 (11.4%)	57.0 (13.2%)	+22.0%	39.0 (9.0%)	+46.2%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	108	110	111
	EUR	119		126
Operating Income (Settlement rate)	US\$	108		111
	EUR	121		126

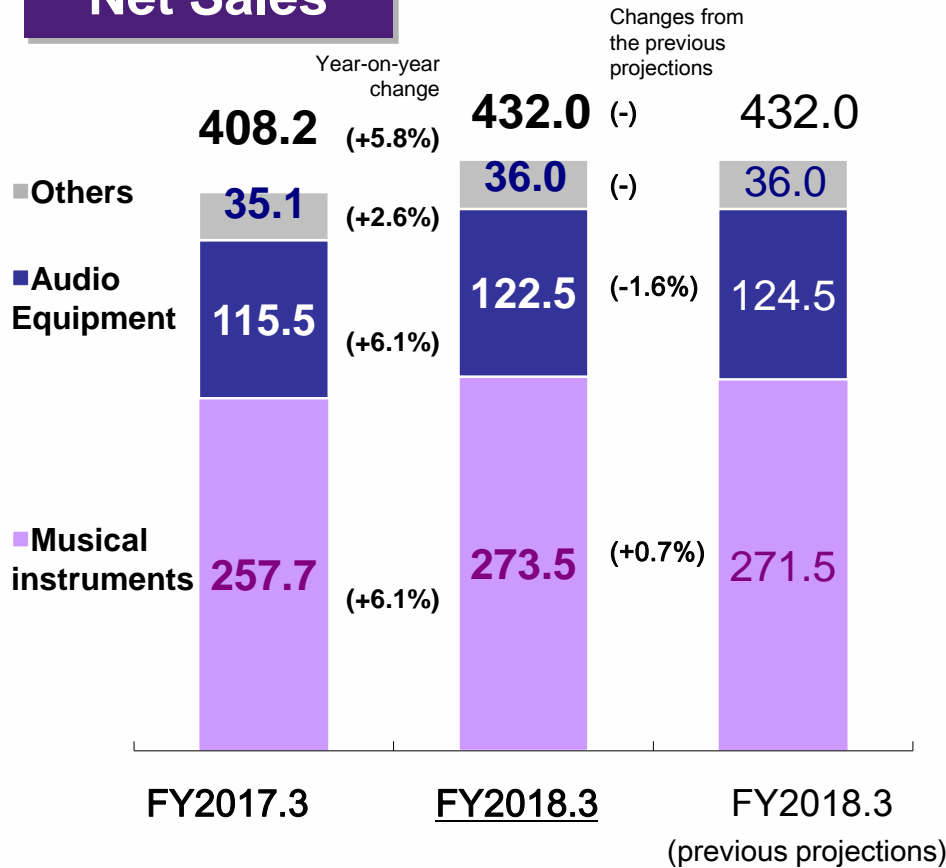
* Net income is presented as net income attributable to owners of parent on the consolidate financial statements

** Figures for previous projections are as of November 1, 2017

FY2018.3 Full Year Forecast for Performance by Business Segment

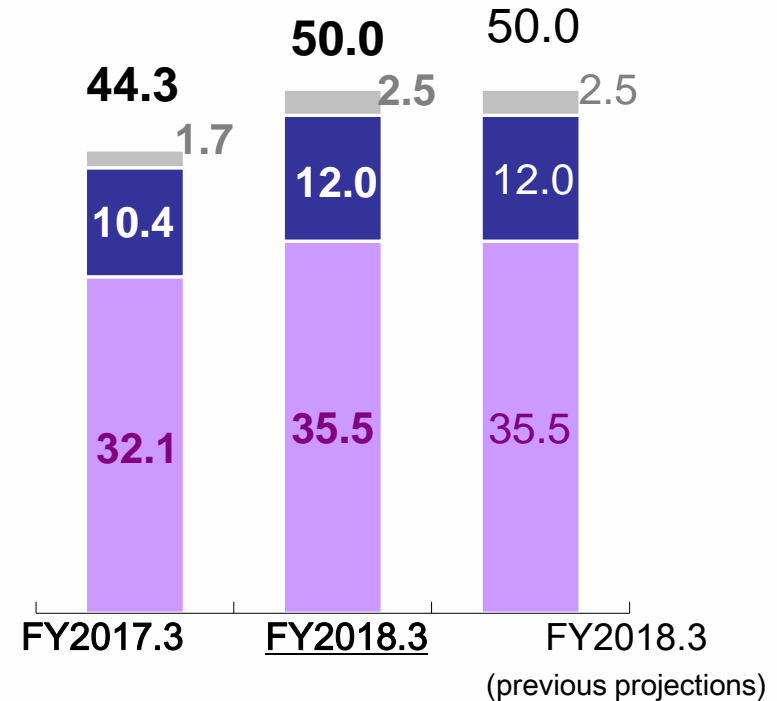


Net Sales



Operating Income

(Billions of yen)



Impact of Exchange Rates (billions of yen)			
Year-on-Year	+13.5	Musical Instruments	+8.9
		Audio Equipment	+4.5
		Others	+0.2
Versus previous projections	+3.9	Musical Instruments	+2.6
		Audio Equipment	+1.2

Impact of Exchange Rates (billions of yen)			
Year-on-Year	+4.0	Musical Instruments	+2.7
		Audio Equipment	+1.3
Versus previous projections	+1.0	Musical Instruments	+0.8
		Audio Equipment	+0.2

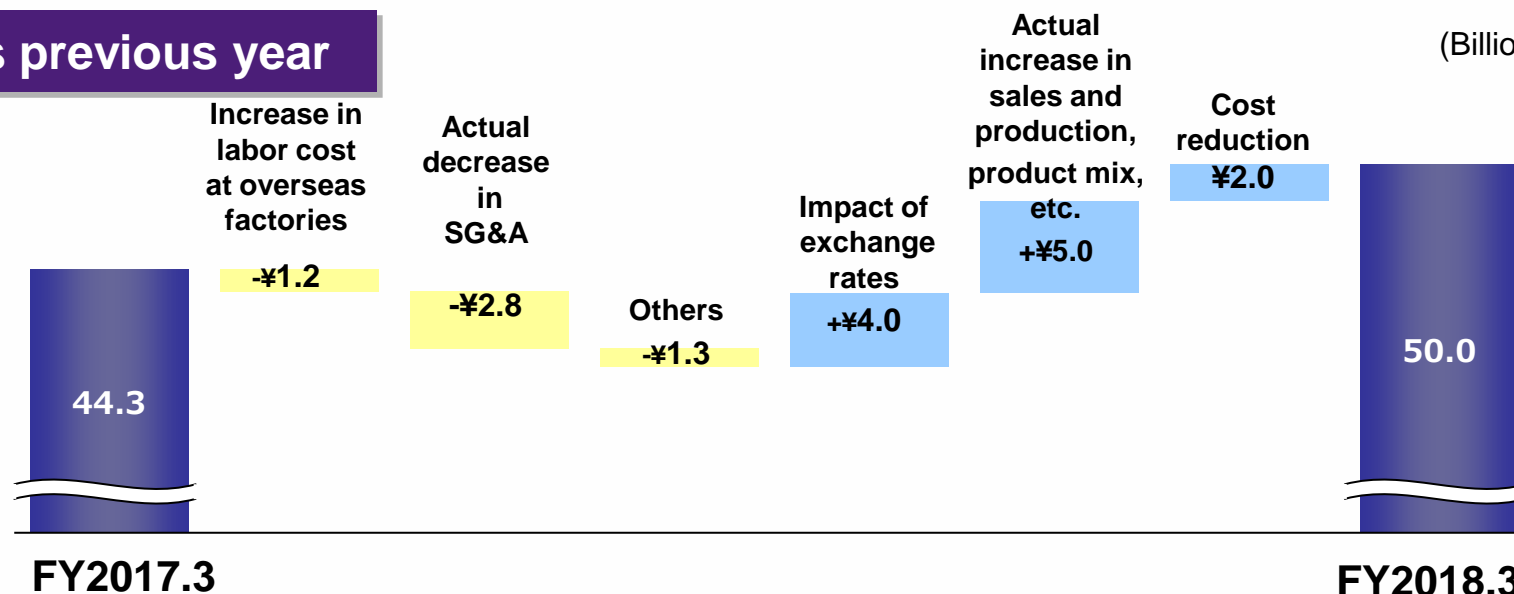
* Figures for previous projections are as of November 1, 2017

FY2018.3 Full Year Operating Income Analysis

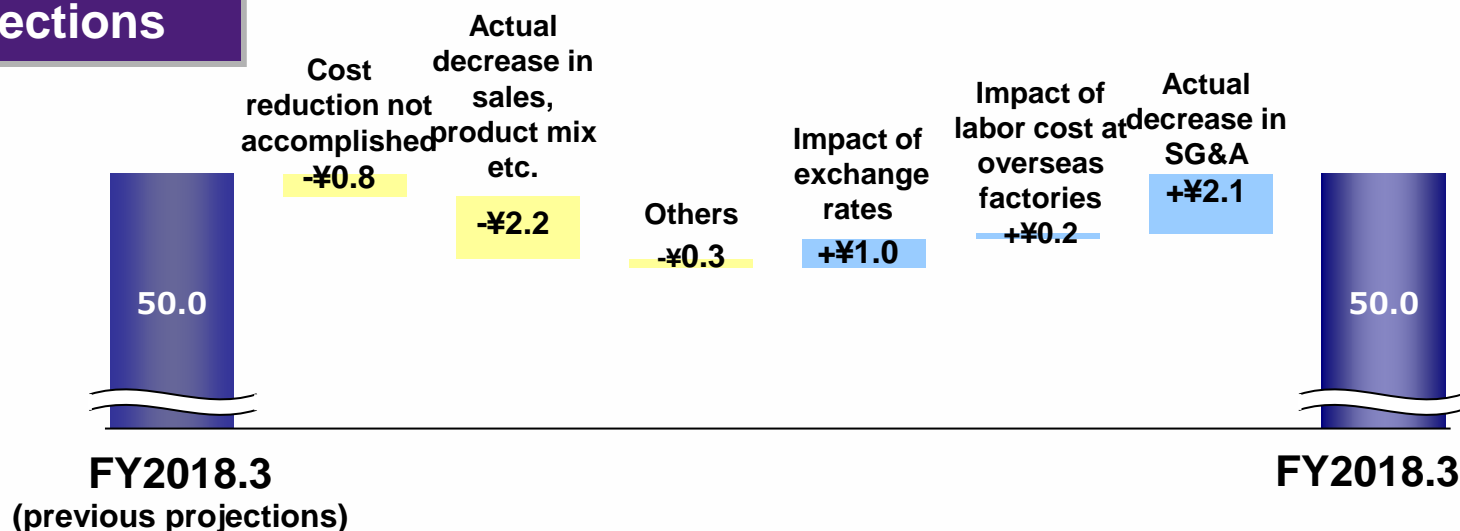


(Billions of yen)

Versus previous year



Versus previous projections



* Figures for previous projections are as of November 1, 2017

Musical Instruments: Full Year Projections



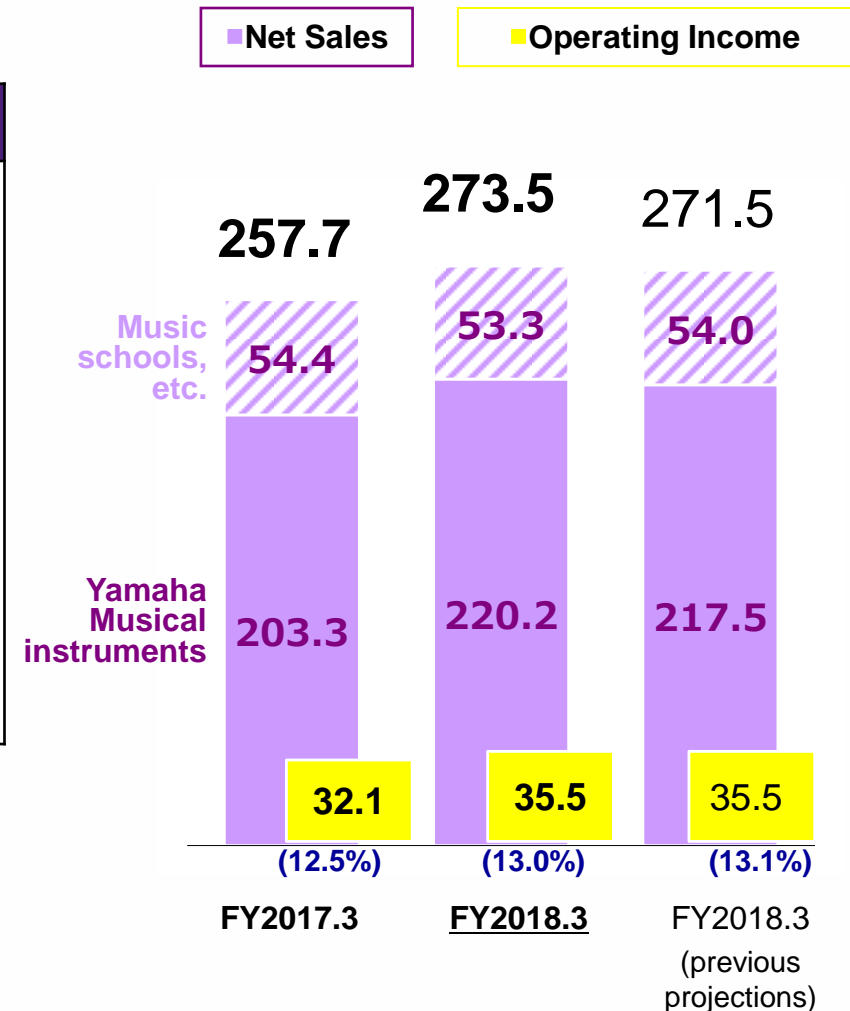
(Billions of yen)

Full Year

Full Year Projections

Sales and income are projected to rise year-on-year.

- Strong sales are likely to continue in the Chinese market and other regions, and sales are projected to surpass previous projections by ¥2 billion, due to the impact of exchange rates.
- Previous projections for operating income remain unchanged, partly due to increased procurement costs.



*Figures for previous projections are as of November 1, 2017

*Figures in parentheses show operating income ratio

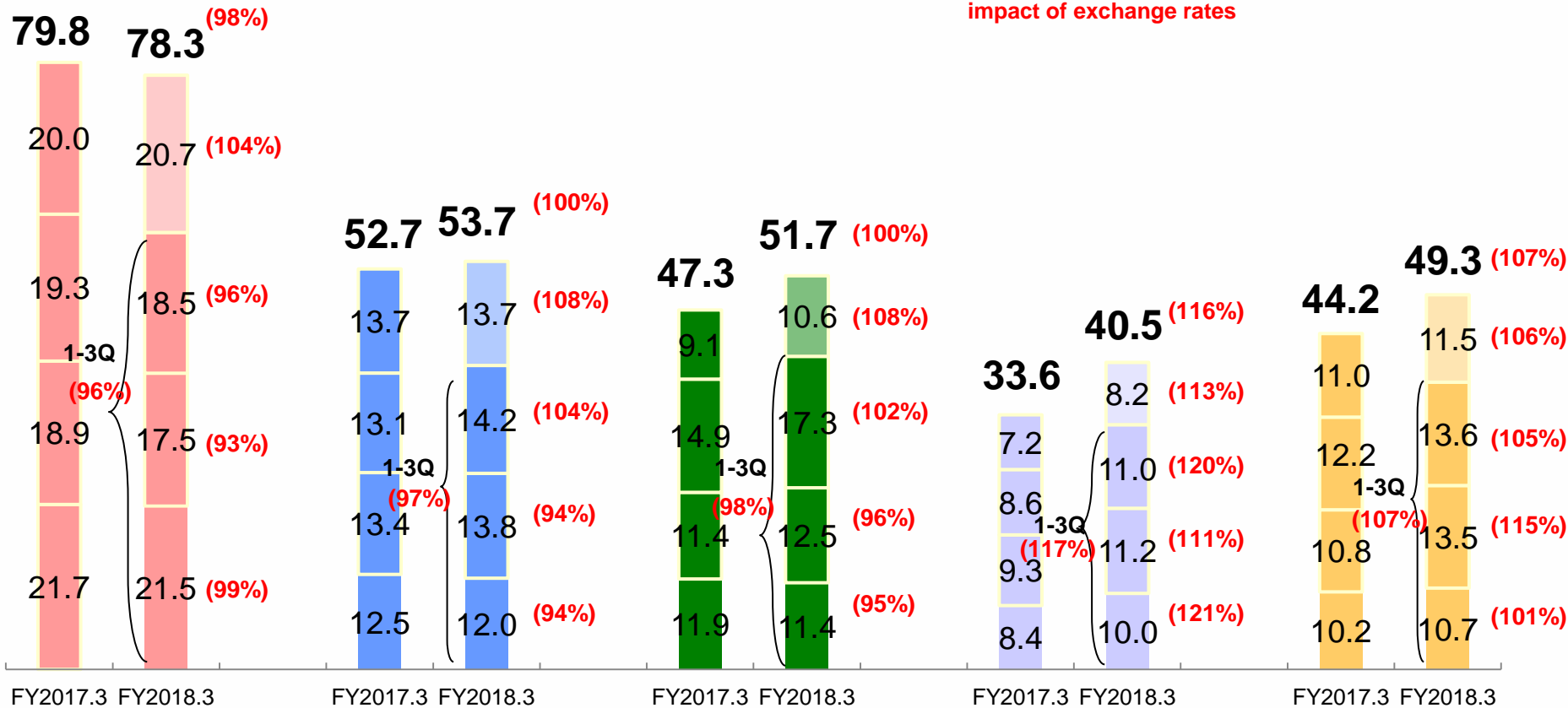
Musical Instruments: Sales by Region

(including software products and music schools)



Net Sales for All Regions Full year forecast: ¥273.5 billion (103%) (Billions of yen)

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



Japan

North America

Europe

China

Other Regions

Audio Equipment: Full Year Projections

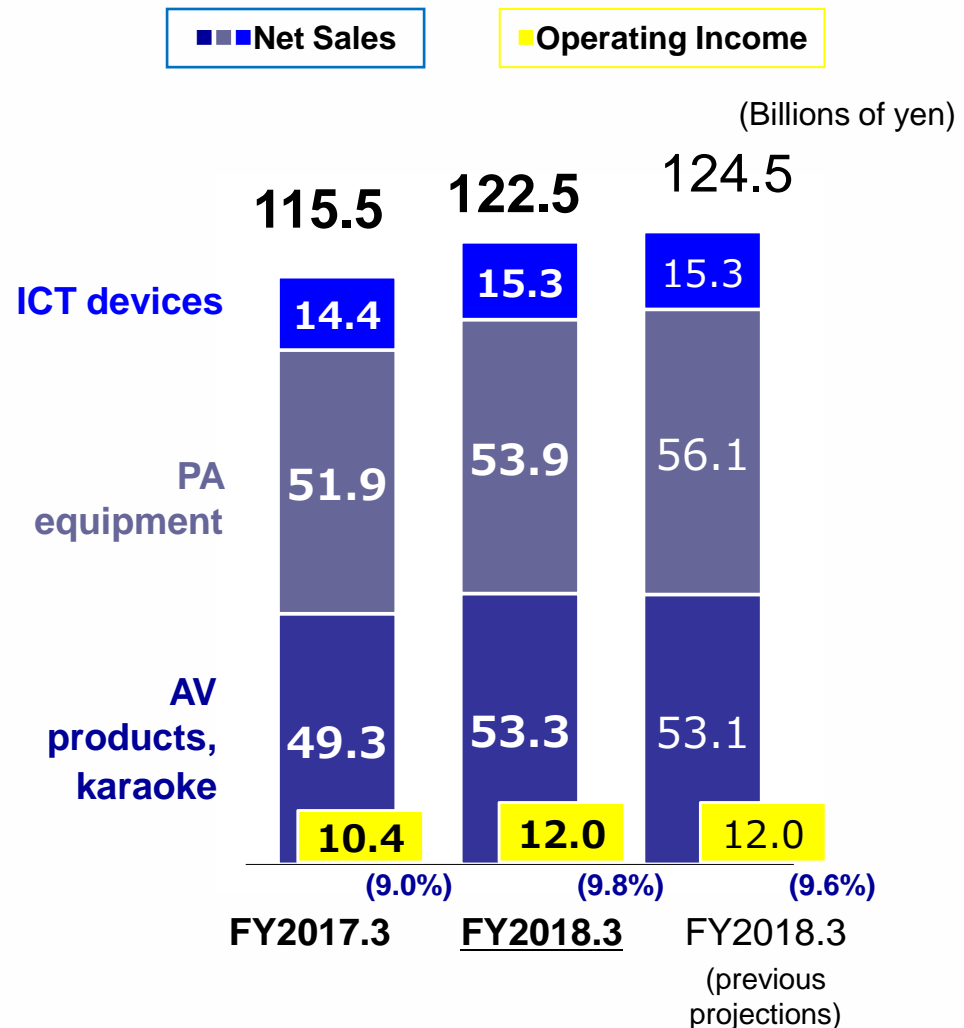


Full Year

Full Year Projections

Sales and income are expected to increase year-on-year, but sales are likely to be lower than previous projections.

- Sales are projected to be ¥2 billion below previous projections, due to postponement of audio engineering and installation until next fiscal year.
- Previous projections for operating income remain unchanged.



*Figures for previous projections are as of November 1, 2017

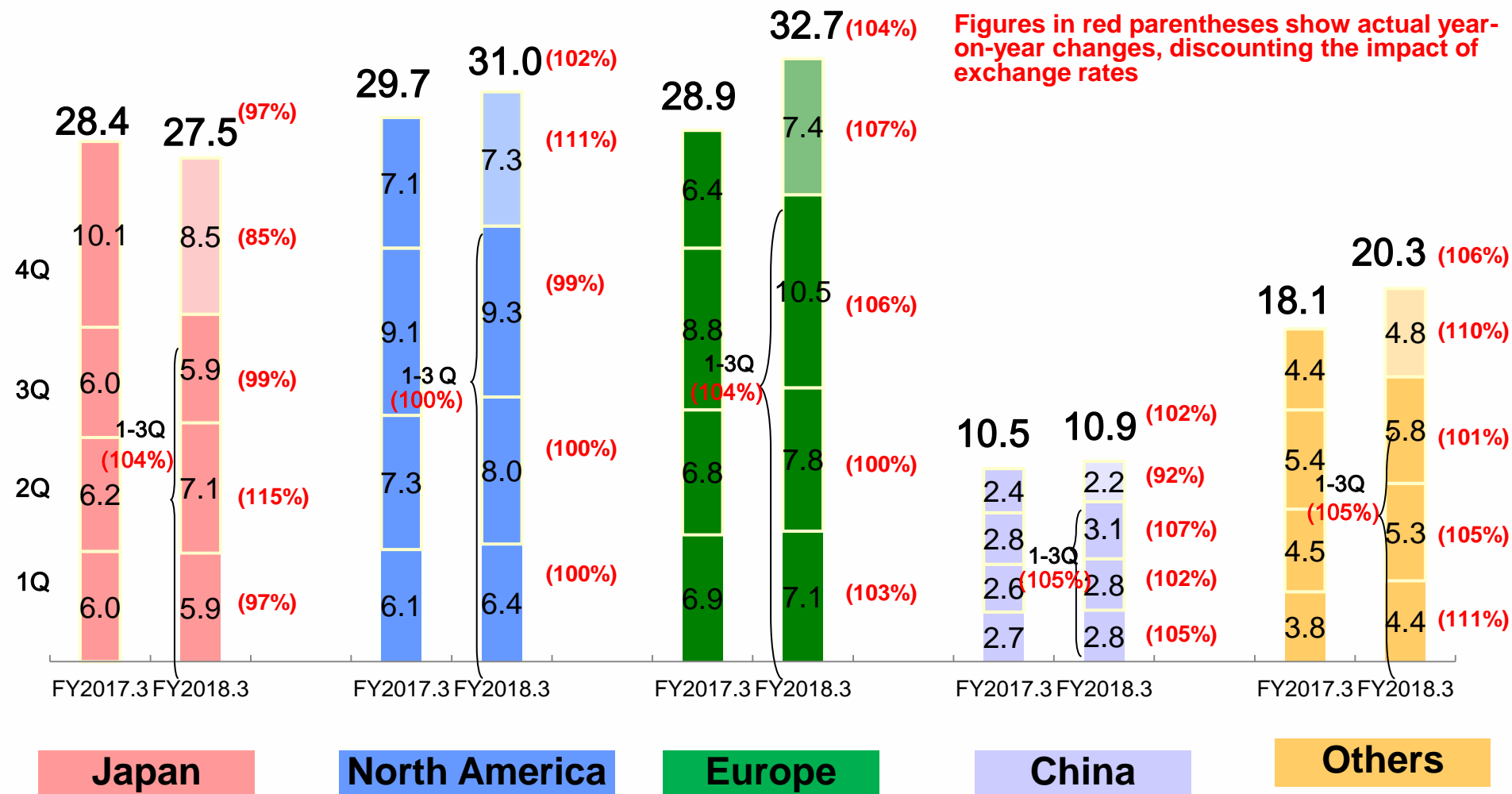
*Figures in parentheses show operating income ratio

Audio Equipment: Sales by Region



Net Sales for All Regions Full year forecast: ¥122.5 billion (102%) (Billions of yen)

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

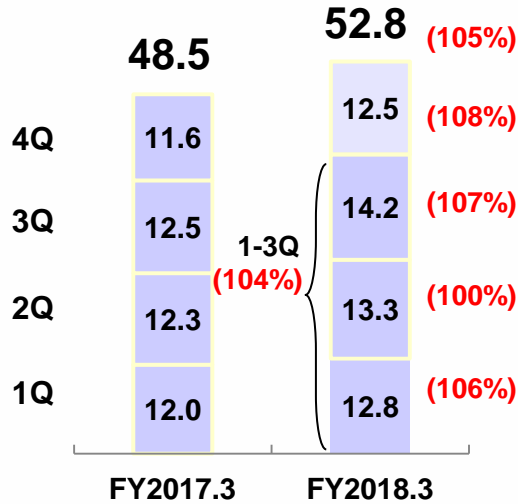


*FY2017.3 figures have been adjusted to reflect the segmentation change of soundproof room business

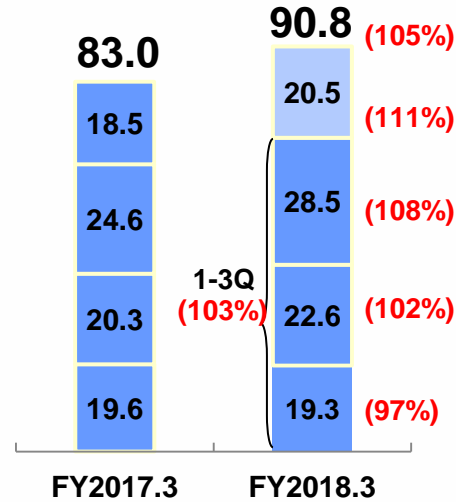
Musical Instruments/Audio Equipment: Sales by Major Product Category

Musical Instruments

Pianos

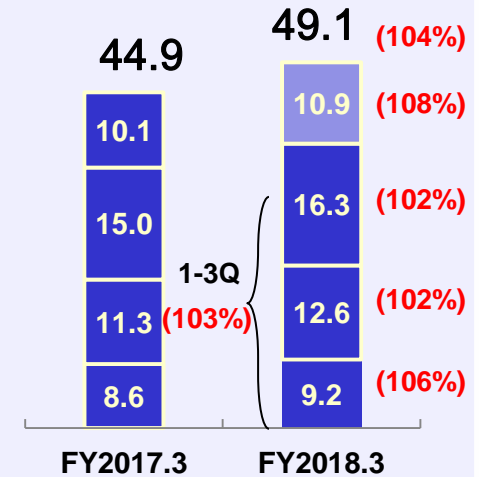


Digital Musical Instruments

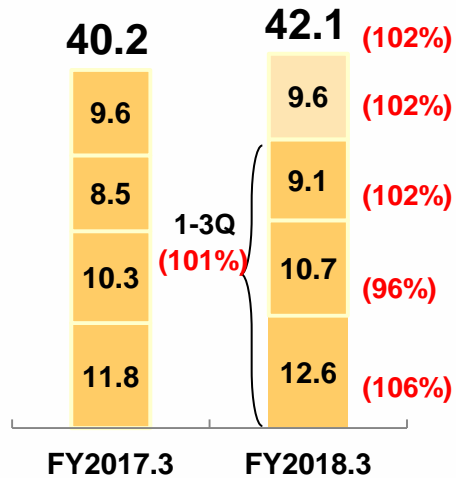


Audio Equipment

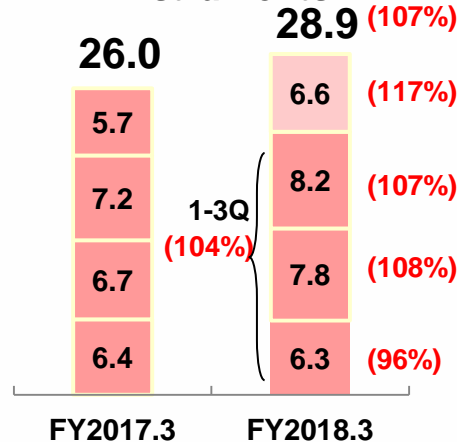
AV products



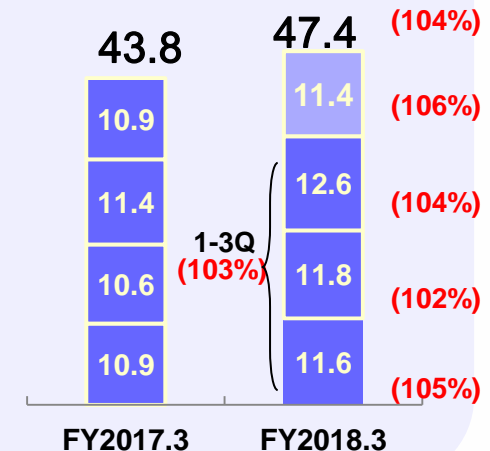
Wind Instruments



String and Percussion Instruments



PA equipment



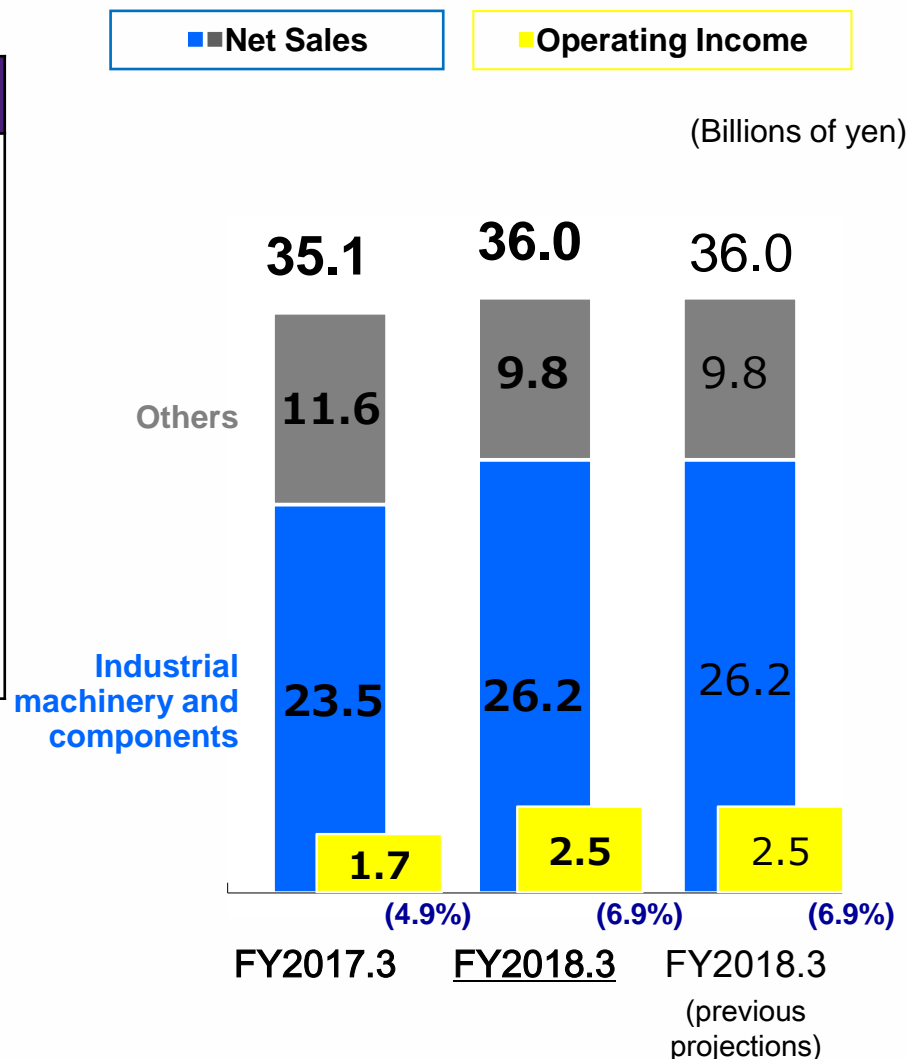
*Includes only hardware products for PA (excluding engineering and installation services)

Full Year

Full Year Projections

Sales and income are expected to rise year-on-year. Previous projections remain unchanged.

- In the industrial machinery and components category, strong sales of factory automation equipment such as for smartphone testing machineries are expected to drive double-digit year-on-year growth, despite postponement of electronic device purchases until next fiscal year.



* Figures for previous projections are as of November 1, 2017

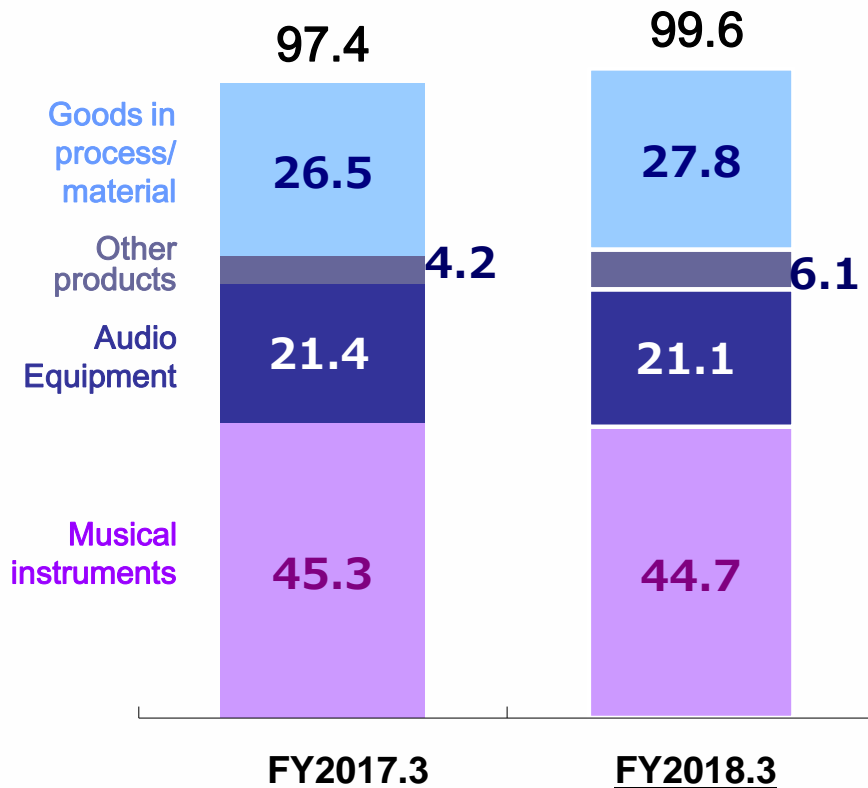
** Industrial machinery and components sales are the total for electronic devices, automobile interior wood components, factory automation equipment, etc.

*Figures in parentheses show operating income ratio

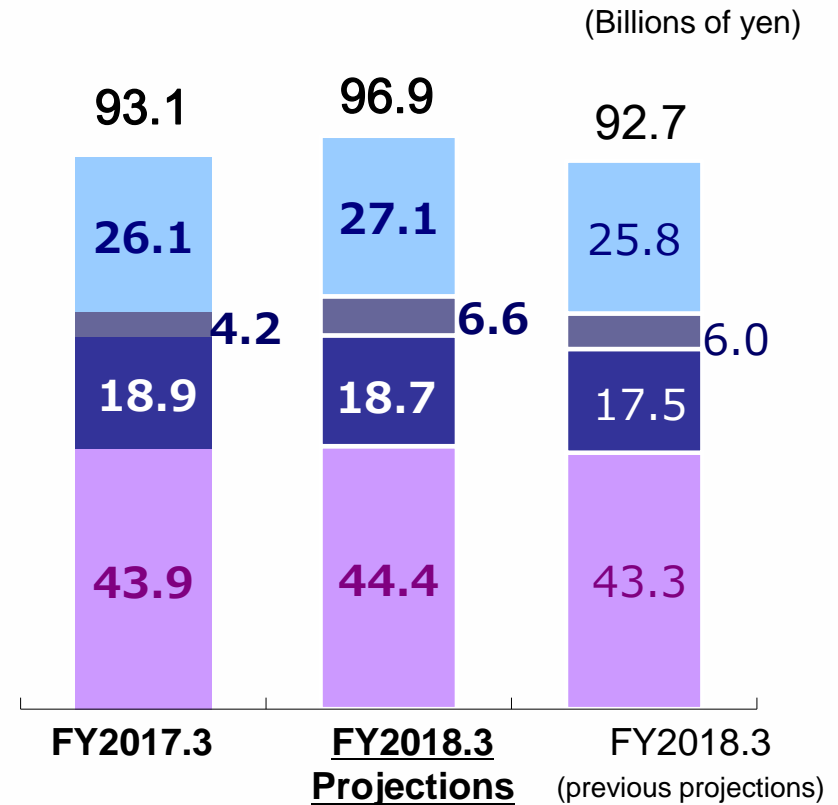
Inventories



End of 3 Q



End of Fiscal Year



Impact of Exchange Rates (billions of yen)	
Year-on-Year	+1.8

Impact of Exchange Rates (billions of yen)	
Year-on-Year	+0.3
Versus previous projections	+0.3

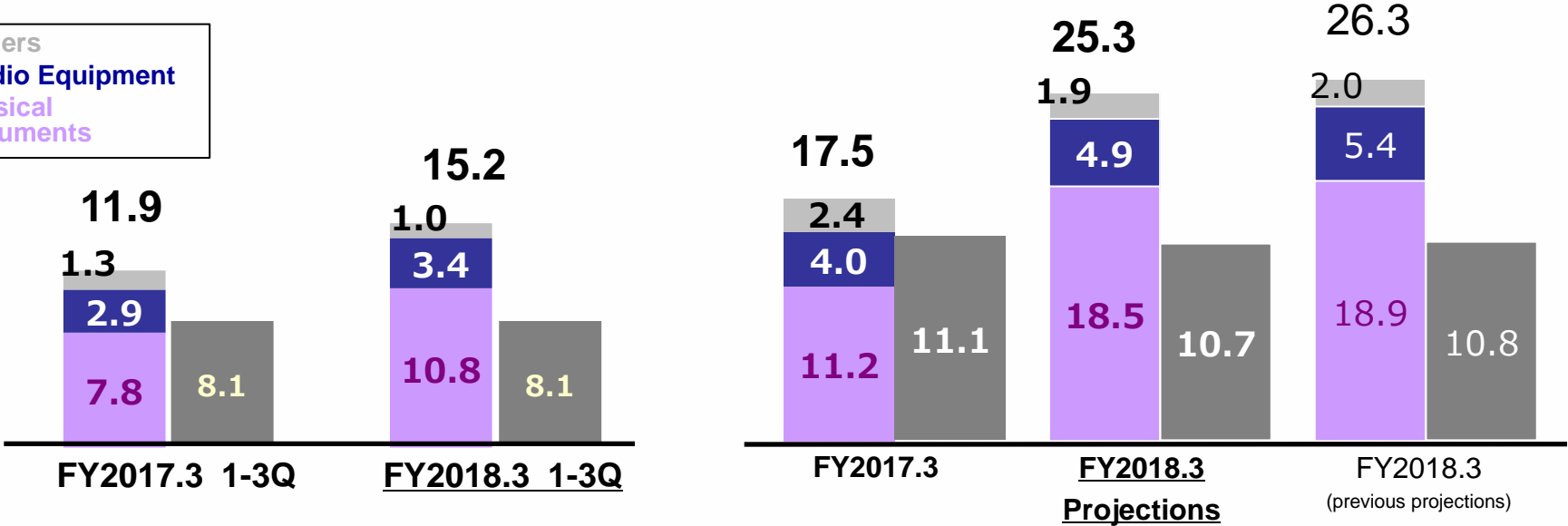
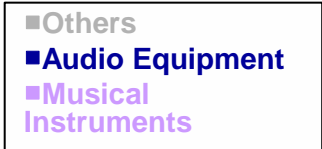
*Figures for previous projections are as of November 1, 2017

Capital Expenditure/Depreciation/R&D Expenses

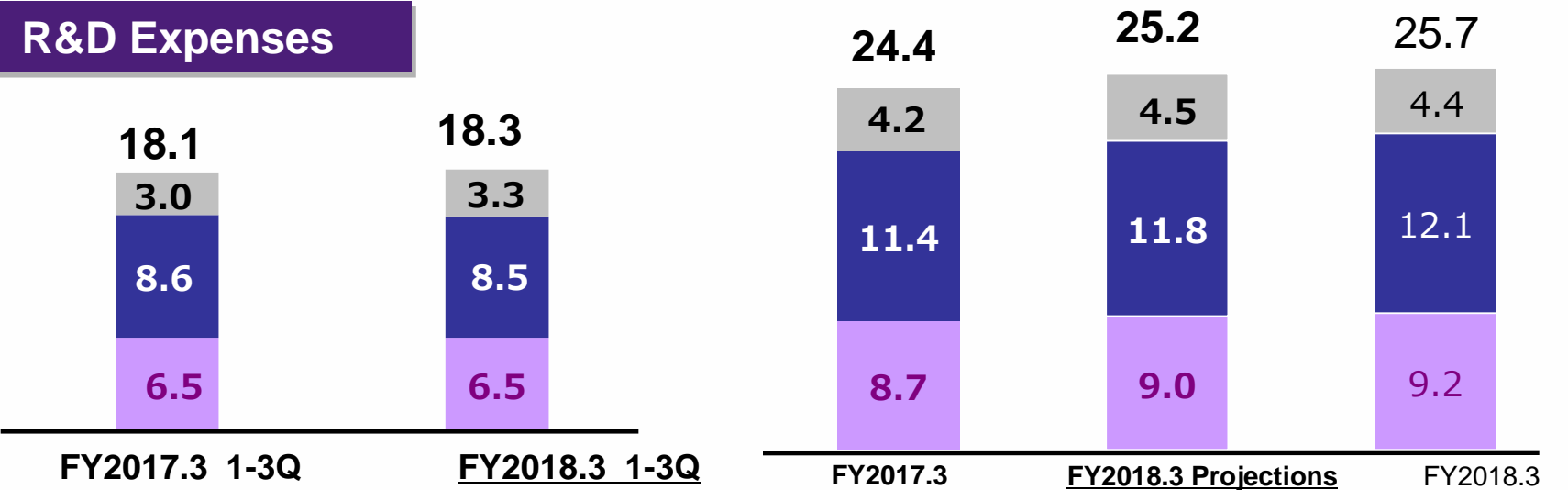


(Billions of yen)

Capital Expenditure (Depreciation)



R&D Expenses



*Figures for previous projections are as of November 1, 2017

Balance Sheet Summary



(Billions of yen)

	As of end of 3Q			As of end of fiscal year end		
	As of Dec. 31, 2016	As of Dec. 31, 2017	Changes	As of Mar. 31, 2017	As of Mar. 31, 2018 projections	Changes
Cash and deposits	97.7	138.7	41.0	105.9	120.7	14.8
Notes and accounts receivable	62.5	67.0	4.5	49.8	53.0	3.2
Inventories	97.4	99.6	2.2	93.1	96.9	3.8
Other current assets	23.1	29.5	6.4	23.9	28.4	4.5
Fixed assets	247.2	274.9	27.7	249.7	282.7	33.0
Total assets	527.9	609.7	81.8	522.4	581.7	59.3
Notes and accounts payable	16.6	18.2	1.6	17.8	18.6	0.8
Short- and long-term loans	24.5	25.9	1.4	11.2	10.5	-0.7
Other liabilities	131.8	144.5	12.7	126.0	146.0	20.0
Total net assets	355.0	421.1	66.1	367.4	406.6	39.2
Total liabilities and net assets	527.9	609.7	81.8	522.4	581.7	59.3

Return to Shareholders: Acquisition of Treasury Stock and Dividends



- **Details of acquisition**
 - **Purpose: To enhance shareholder returns and capital efficiency**
 - **Type of shares to be acquired: Common stock in Yamaha Corporation**
 - **Total number of shares to be acquired: 7 million (maximum)**
 - **Total amount of acquisition: ¥25 billion (maximum)**
 - **Acquisition period: December 1, 2017 – May 31, 2018**
 - **Acquisition method: Purchase on the Tokyo Stock Exchange market**
- **The annual dividend for FY2018.3 will be ¥56**

	FY2013.3	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3 (projection)
Annual per-share dividend (yen)	10	27	36	44	52	56
Payout ratio	47.0%	22.8%	28.0%	26.1%	20.9%	18.3%
Total return ratio	47.0%	22.8%	28.0%	78.8%	26.8%	62.2%

Appendix

Performance in the Third Quarter of FY2018.3 (Three Months)



(Billions of yen)

	FY2017.3 3Q results	FY2018.3 3Q results	Changes from same period of the previous year	FY2018.3 3Q previous projections**	Changes from the previous projection
Net Sales	109.2	118.9	+9.0%	117.7	+1.0%
Operating Income (Operating Income Ratio)	12.7 (11.6%)	17.5 (14.8%)	+38.0%	18.1 (15.4%)	-3.1%
Ordinary Income (Ordinary Income Ratio)	13.1 (12.0%)	16.9 (14.2%)	+28.9%	16.8 (14.3%)	+0.5%
Net Income* (Net Income Ratio)	9.8 (9.0%)	29.9 (25.2%)	+204.0%	12.9 (11.0%)	+131.9%

Exchange Rate (yen)

Net Sales <small>(Average rate during the period)</small>	US\$	109	113	110
	EUR	118	133	125
Operating Income <small>(Settlement rate)</small>	US\$	106	113	110
	EUR	114	130	130

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

** Figures for previous projections are as of November 1, 2017

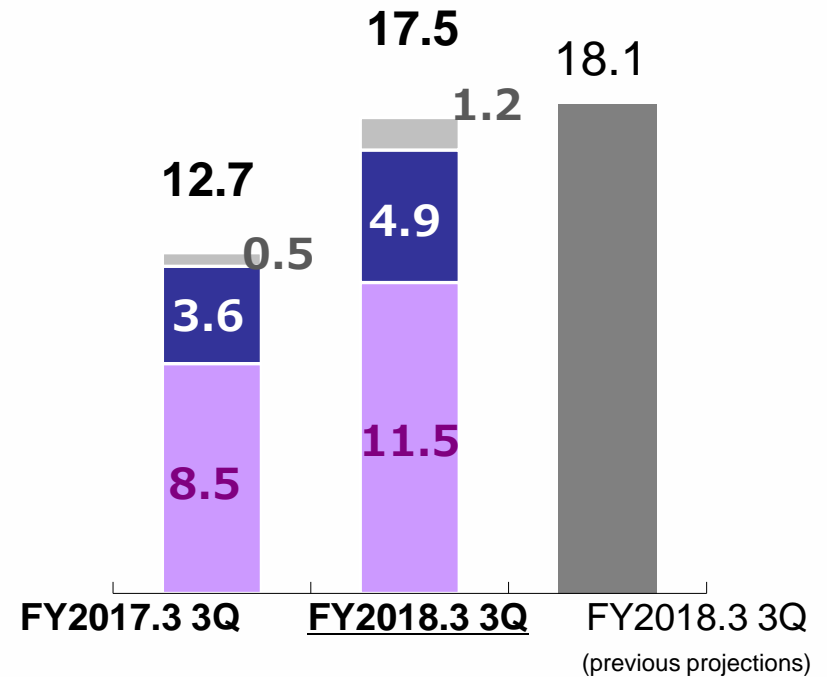
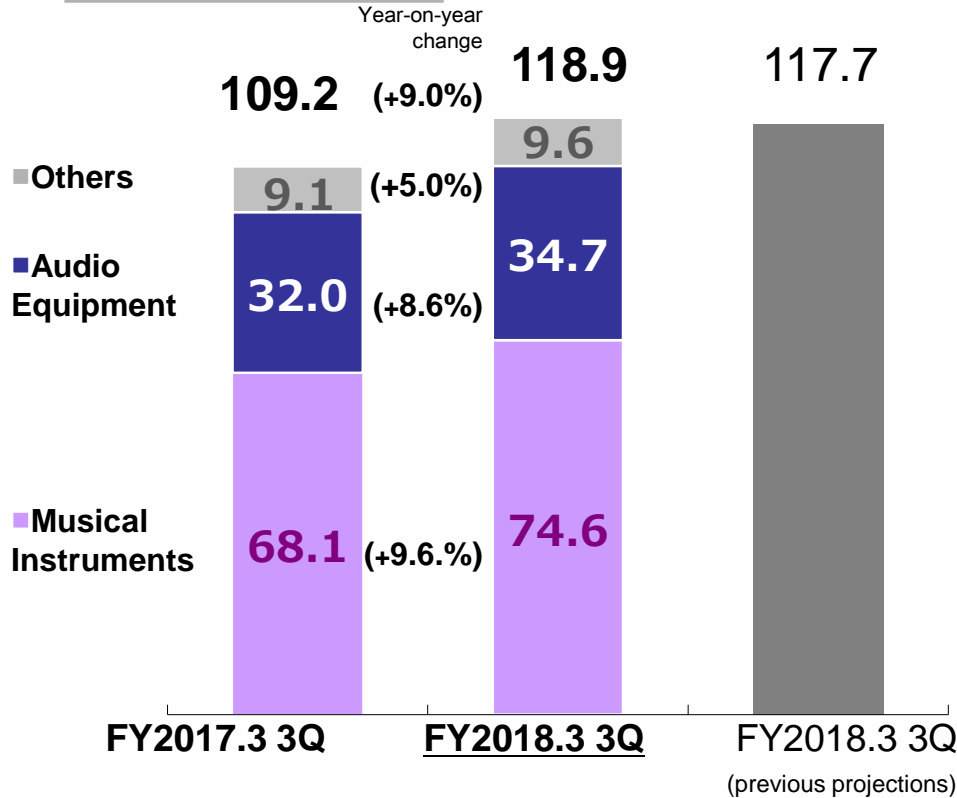
Performance by Business Segment in the Third Quarter of FY2018.3 (Three Months)



Net Sales

Operating Income

(Billions of yen)



Impact of Exchange Rates		(billions of yen)	
Year-on-Year	+6.1	Musical Instruments	+4.1
		Audio Equipment	+2.0
		Others	+0.1
Versus previous projections	+3.8	Musical Instruments	+2.5
		Audio Equipment	+1.2

Impact of Exchange Rates		(billions of yen)	
Year-on-Year	+3.8	Musical Instruments	+2.9
		Audio Equipment	+1.0
Versus previous projections	0	Musical Instruments	+0.1
		Audio Equipment	-0.1

* Figures for previous projections are as of November 1, 2017

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



(Billions of yen)

	FY2017.3 1-3Q	FY2018.3 1-3Q
Non-Operating Income/Loss		
Net financial income	2.1	2.5
Other	-1.8	-2.3
Total	0.2	0.1
Extraordinary Income/Loss		
Income from (loss on) disposal of fixed assets	1.1	-0.1
Other	-5.5	25.5
Total	-4.4	25.3
Income Taxes and Other Expenses		
Income taxes -current	8.2	18.5
Income taxes -deferred	-12.1	-1.2
Minority interests in income	0.1	0
Total	-3.8	17.3

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

-Gain on sales of Yamaha Motor Co. Ltd shares +¥25.8

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



(Billions of yen)

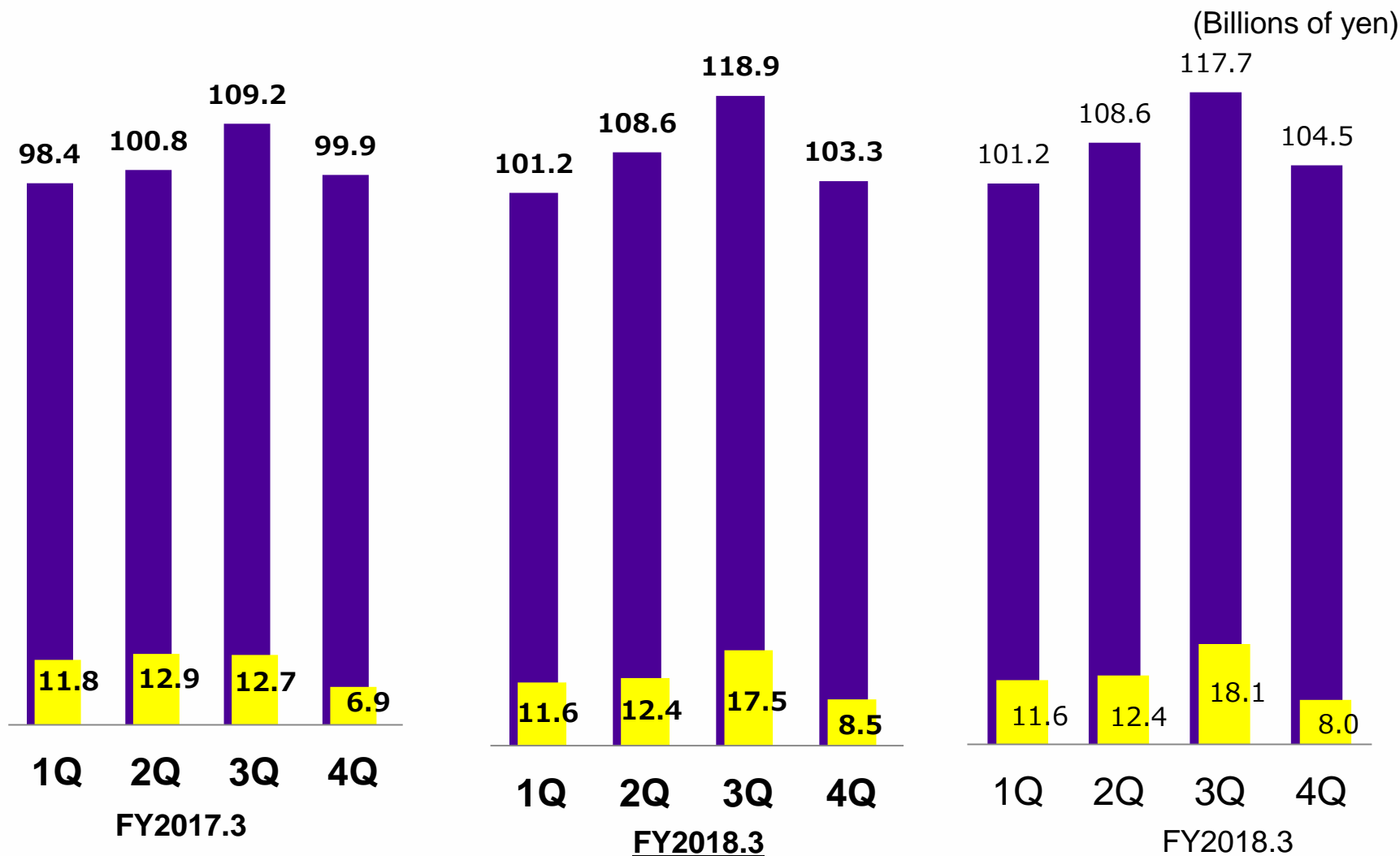
	FY2017.3 full year	FY2018.3 full year projections	FY2018.3 full year previous projections
Non-Operating Income/Loss			
Net financial income	3.5	4.0	3.9
Other	-2.9	-4.0	-3.9
Total	0.6	0	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	3.5	-0.2	-0.2
Others	-5.5	26.2	0.2
Total	-2.0	26.0	0
Income Taxes and Other Expenses			
Income taxes -current	8.7	20.6	13.0
Income taxes -deferred	-12.7	-1.6	-2.0
Net income attributable to non-controlling interests	0.2	0	0.1
Total	-3.8	19.0	11.0

-Gain on sales of Yamaha Motor Co. Ltd shares +¥25.8

-Structural reform expenses -¥3.0
 -Impairment loss -¥0.6
 -Transfer of defined contribution pension plan for retirement benefits -¥0.9
 -Immediate amortization of goodwill of Revolabs -¥1.5

* Figures for previous projections are as of November 1, 2017

Quarterly Sales and Income



Net Sales (Full Year)	408.2
Operating Income (Full Year)	44.3

Net Sales (Full Year)	432.0
Operating Income (Full Year)	50.0

Net Sales (Full Year)	432.0
Operating Income (Full Year)	50.0

* Figures for previous projections are as of November 1, 2017

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.