

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

November 8, 2016



Overview of Performance in the First Half of 2017.3



Results Summary

- Although first half sales declined year-on-year, operating income increased for the fifth consecutive year. 1H operating income amounted to ¥24.6 billion, with musical instruments and audio equipment both achieving record levels of income. The decline in sales was chiefly due to the impact of exchange rates (-¥22.4 billion) and the transfer of music school operations (-¥4.2 billion).
 - In the musical instrument segment, although the European and Chinese markets showed signs of settling down in 2Q after very strong 1Q performance, in 1H as a whole China still achieved double-digit year-on-year growth, Europe remained robust, sales were solid in North America.
 - Actual sales in the audio equipment segment grew by double digits year-on-year in the Japanese, European, and Chinese markets, mainly driven by AV products and professional audio equipment. Sales were also brisk in the North American market.
 - In the others segment, although sales of industrial machinery and components business decreased, they were broadly in line with projections.
- Net income for the first half was lower than the previous projection due to an extraordinary loss of ¥5.4 billion being recorded as a result of factors including restructuring costs associated with closure of resort facility operations.

Performance in the First Half of FY2017.3

(Billions of yen)

	FY2016.3 1H results	FY2017.3 1H results	Changes from same period of the previous year	FY2017.3 1H previous projections	Changes from the previous projection
Net Sales	217.5	199.2	-8.4%	200.5	-0.7%
Operating Income (Operating Income Ratio)	21.2 (9.8%)	24.6 (12.4%)	+16.1%	23.0 (11.5%)	+7.2%
Ordinary Income (Ordinary Income Ratio)	22.2 (10.2%)	24.5 (12.3%)	+10.1%	23.5 (11.7%)	+4.2%
Net Income* (Net Income Ratio)	17.4 (8.0%)	27.2 (13.7%)	+56.3%	31.5 (15.7%)	-13.6%

Exchange Rate (yen)

Net Sales (average rate during the period)	US\$	122	105	107
	EUR	135	118	118
Operating Income (settlement rate)	US\$	122	107	108
	EUR	134	123	123

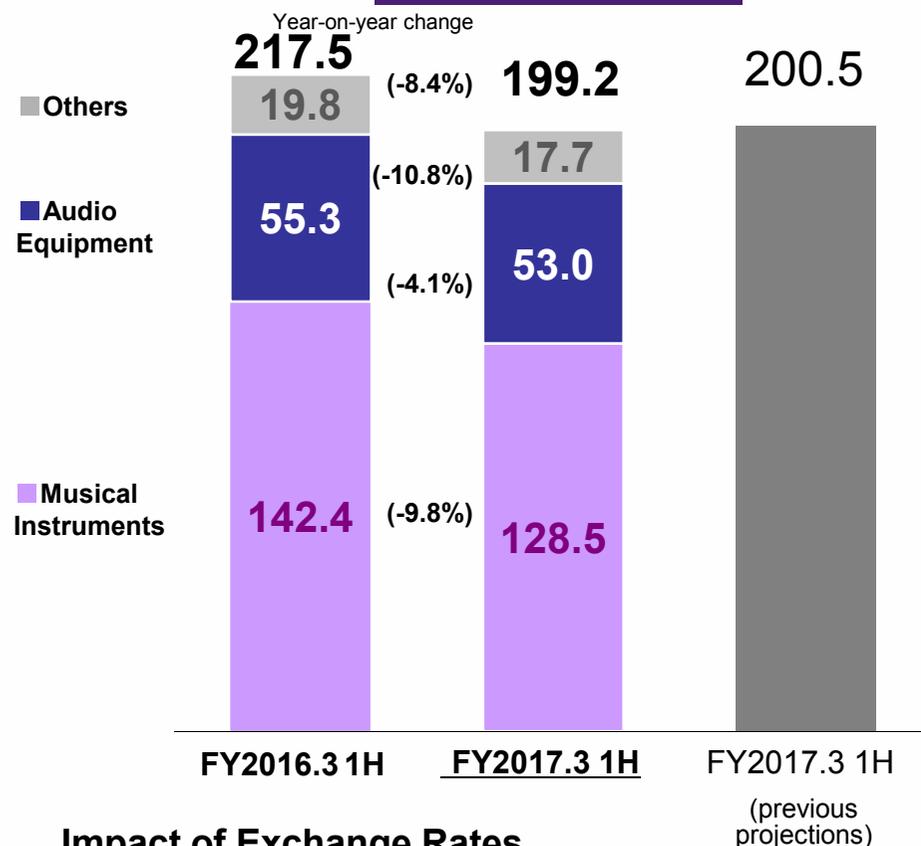
* Net income is presented as net income attributable to owners of parent (quarterly or full year) on the consolidated financial statements

**Previous projections were announced on August 2, 2016

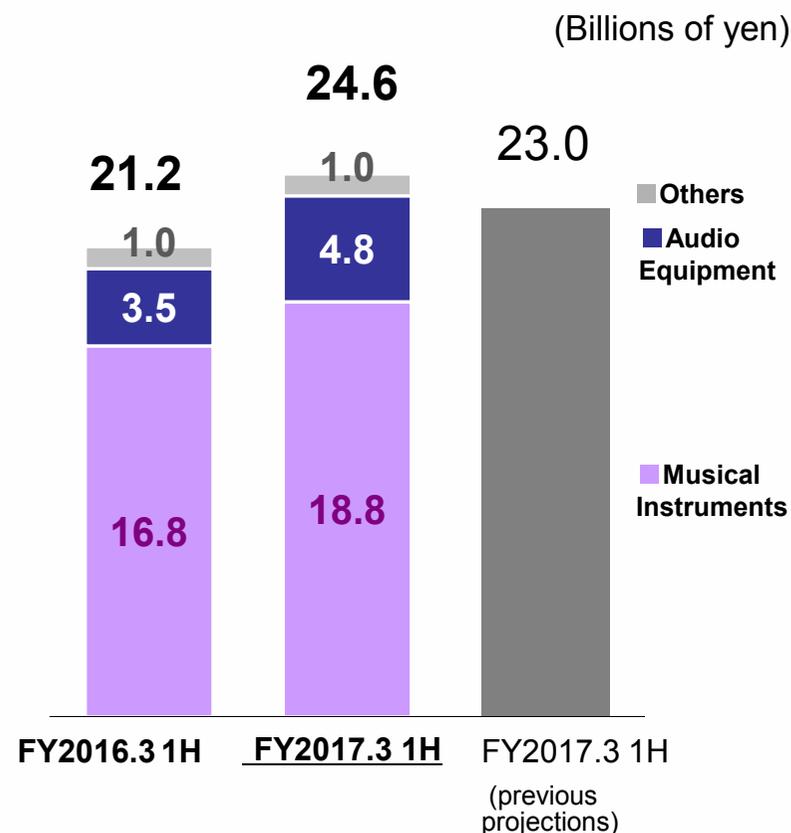
Performance by Business Segment in the First Half of FY2017.3



Net Sales



Operating Income



Impact of Exchange Rates

Year-on-Year	-¥22.4 billion (musical instruments -¥15.2 billion, audio equipment -¥6.9 billion, others -¥0.3 billion)
Versus previous projections	-¥0.5 billion (musical instruments -¥0.3 billion, audio equipment -¥0.2 billion)

Year-on-Year	-¥6.3 billion (musical instruments -¥5.1 billion, audio equipment -¥1.3 billion)
Versus previous projections	+¥0.1 billion (musical instruments +¥0.1 billion, audio equipment +¥0.1 billion)

* Previous projections were announced on August 2, 2016

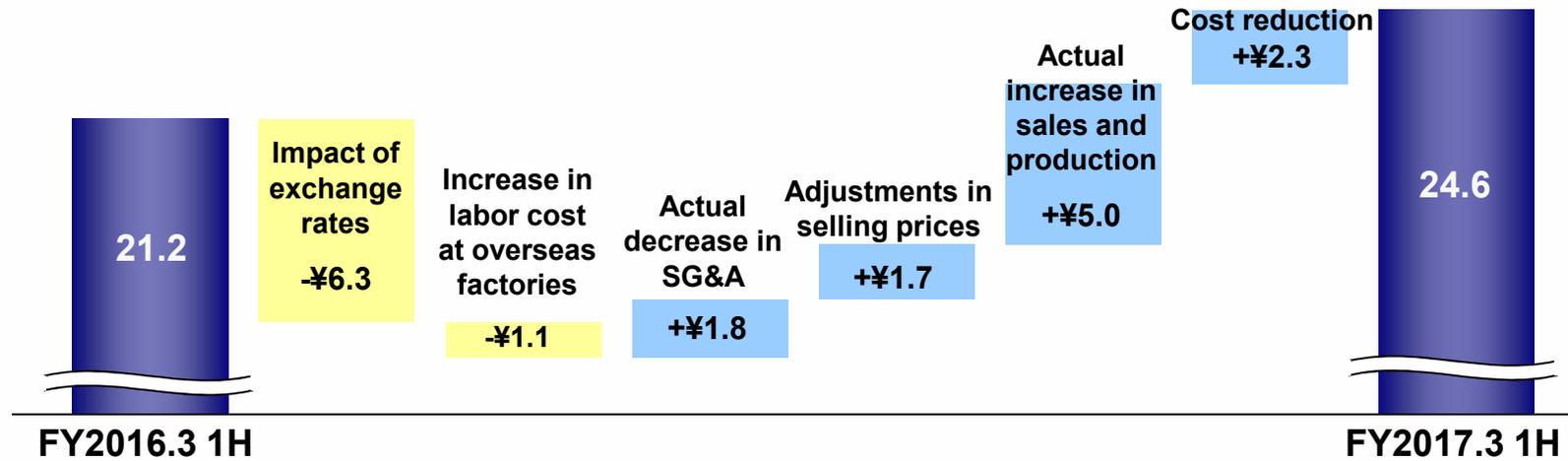
** FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

FY2017.3 1H Operating Income Analysis

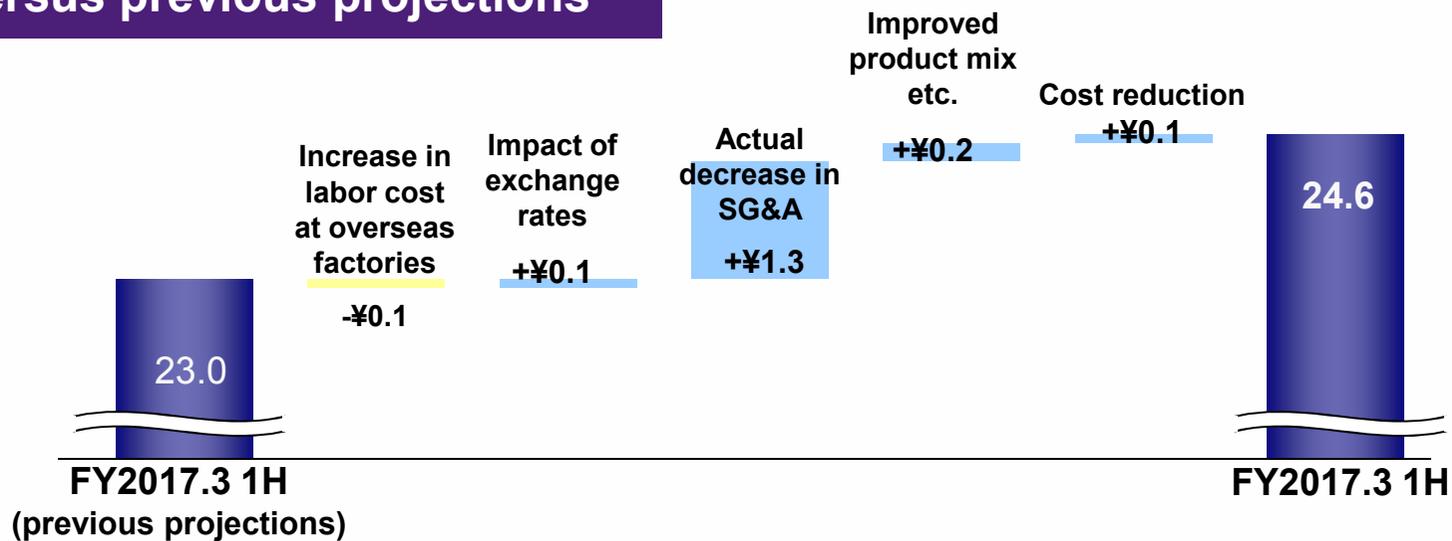


(Billions of yen)

Versus same period of the previous year



Versus previous projections



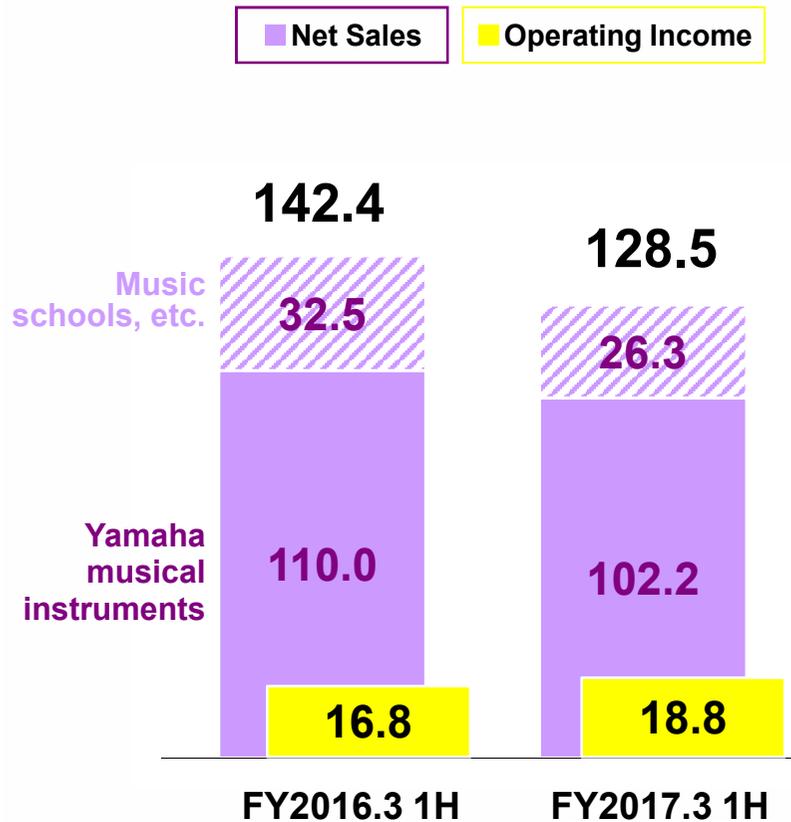
*Previous projections were announced on August 2, 2016

Musical Instruments 1H



(Billions of yen)

1H



1H Overview

- Sales decreased from the same period of the previous year, but income rose
- The decline in sales was mainly due to the impact of exchange rates and the transfer of music school operations
- The Chinese and European markets recorded strong sales. Although the North American market was also robust, it slowed in 2Q as sales recoiled following strong 1Q results.
- Guitars sold briskly, and sales of pianos and digital musical instruments were solid
- Operating income increased due to higher actual sales, sales price adjustments, cost reductions, and control of SG&A expenses including the decrease in amortization of goodwill

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

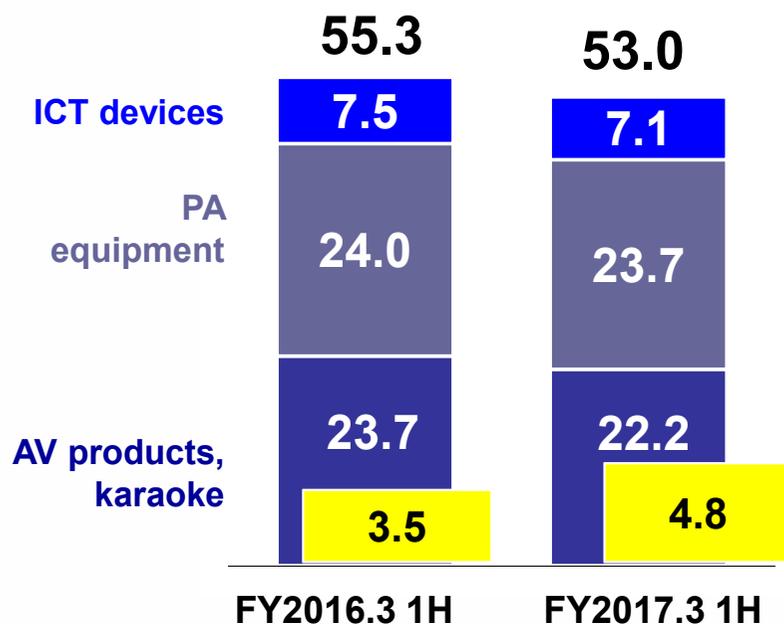
Audio Equipment 1H



(Billions of yen)

1H

■ Net Sales ■ Operating Income



1H Overview

- Sales declined year-on-year, but income increased. The impact of exchange rates was the main factor behind lower sales.
- The Japanese, European, and Chinese markets all recorded double-digit growth in actual terms
- AV products and professional audio equipment both achieved actual growth close to double digits. Sales of routers were robust, and karaoke equipment also had firm sales.
- Operating income increased due to higher actual sales, cost reductions, and control of SG&A expenses including the decrease in amortization of goodwill

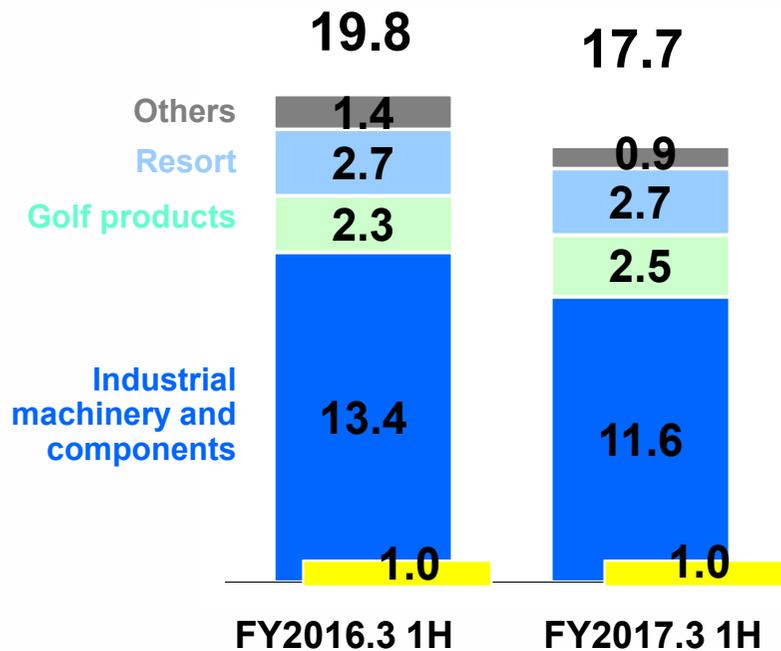
* FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Others 1H



(Billions of yen)

1H



1H Overview

- Sales were down year-on-year, and income was on a par with the same period of the previous year
- Lower sales of electronic devices were the main factor behind the decline in sales
- Factors including the effect of new golf products compensated for lower income of electronic devices, keeping operating income at a similar level to the previous year's 1H figures

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

Outlook for Second Half and Full Year



Outlook for 2H

- No major change in outlook for the musical instrument market.
- Compared to previous projections, audio equipment business is expected to slow in the AV product and ICT device businesses.
- Overall sales in the others segment are anticipated to decline, due to factors including lower sales resulting from cessation of operations at resort facilities.
- The exchange rate forecast for 2H has been revised to US\$1 = ¥100 and EUR1=¥110.

Full Year Outlook

- Although the full year sales projection has been revised downward from ¥411.0 billion to ¥402.0 billion to reflect altered exchange rate assumptions, strong 1H income has resulted in previous projections for operating income and ordinary income remaining unchanged at ¥42.0 billion.

Net income attributable to owners of the parent company has been revised downward from the previous projection of ¥45.5 billion to ¥41.0 billion due to the posting of an extraordinary loss for restructuring expenses associated with operation closure of resort facilities.

Forecast for Performance in FY2017.3 (Full Year)



(Billions of yen)

	FY2016.3 results	FY2017.3 projections	Changes from same period of the previous year	FY2017.3 previous projections	Changes from the previous projection
Net Sales	435.5	402.0	-7.7%	411.0	-2.2%
Operating Income (Operating Income Ratio)	40.7 (9.3%)	42.0 (10.4%)	+3.3 %	42.0 (10.2%)	-
Ordinary Income (Ordinary Income Ratio)	40.9 (9.4%)	42.0 (10.4%)	+2.7 %	42.0 (10.2%)	-
Net Income* (Net Income Ratio)	32.6 (7.5%)	41.0 (10.2%)	+25.6 %	45.5 (11.1%)	-9.9%

Exchange Rate (yen)

Net Sales (average rate during the period)	US\$	120	103	106
	EUR	133	114	117
Operating Income (settlement rate)	US\$	121	104	106
	EUR	134	118	120

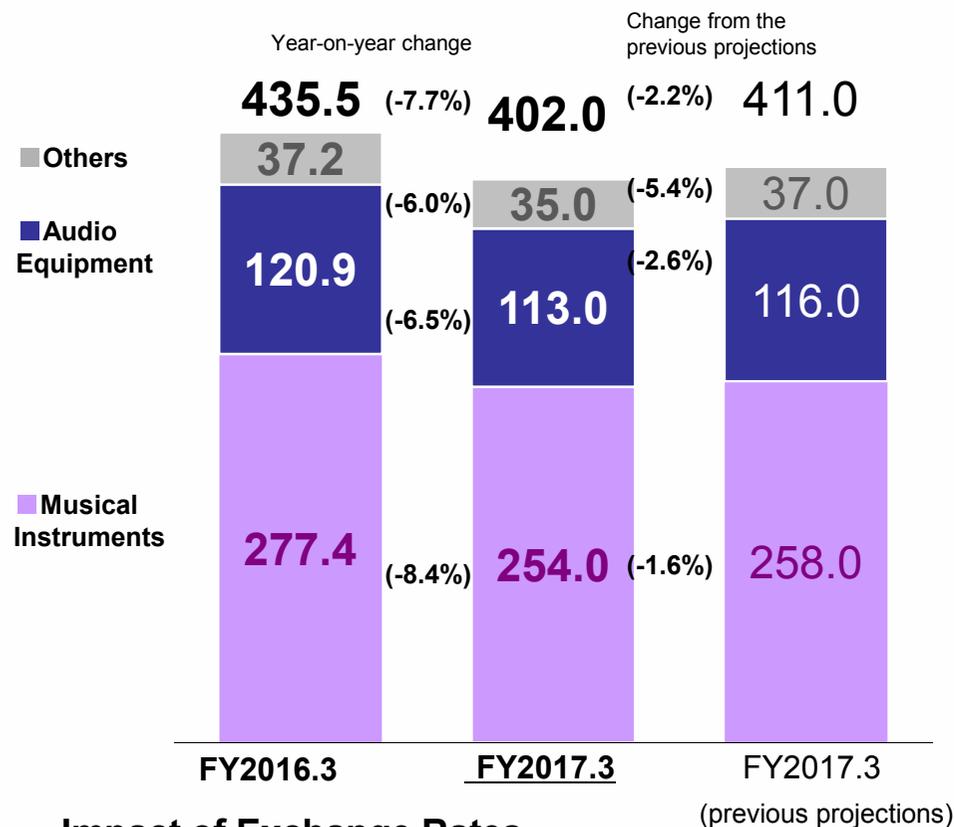
* Net income is presented as net income attributable to owners of parent (quarterly or full year) on the consolidate financial statements

**Previous projections were announced on August 2, 2016

FY2017.3 Full Year Forecast for Performance by Business Segment

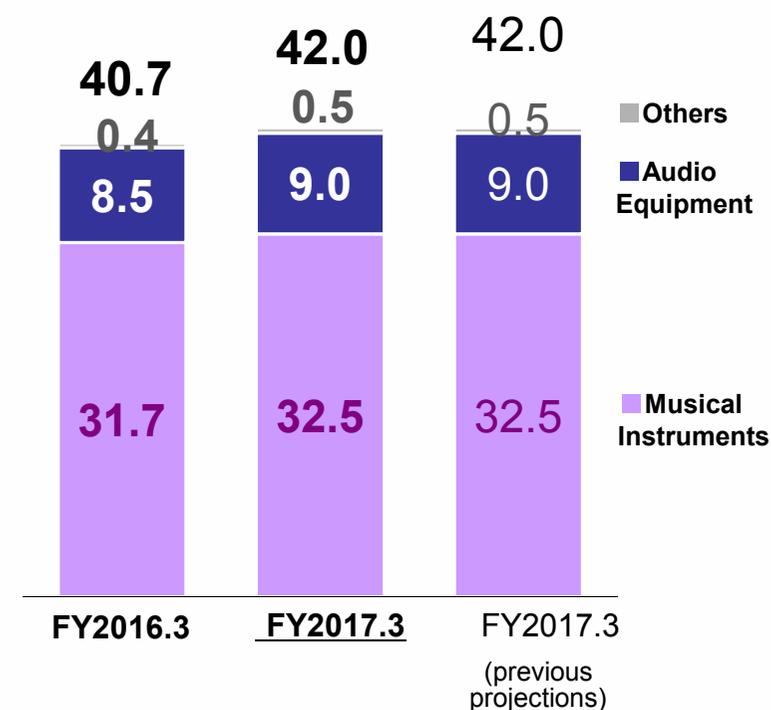


Net Sales



Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥45.6 billion (musical instruments -¥29.9 billion, audio equipment -¥14.8 billion, others -¥0.9 billion)
Versus previous projections	-¥4.6 billion (musical instruments -¥2.7 billion, audio equipment -¥1.7 billion, others -¥0.2)

Year-on-Year	-¥13.8 billion (musical instruments -¥10.5 billion, audio equipment -¥3.4 billion, others +¥0.1)
Versus previous projections	-¥1.2 billion (musical instruments -¥0.9 billion, audio equipment -¥0.3 billion)

* Previous projections were announced on August 2, 2016

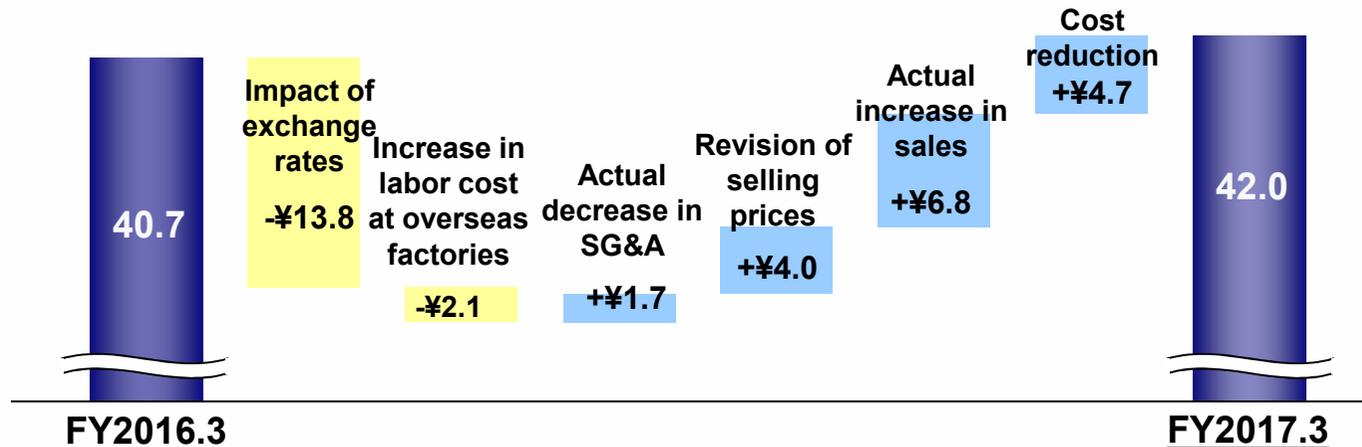
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FY2017.3 Full Year Operating Income Analysis

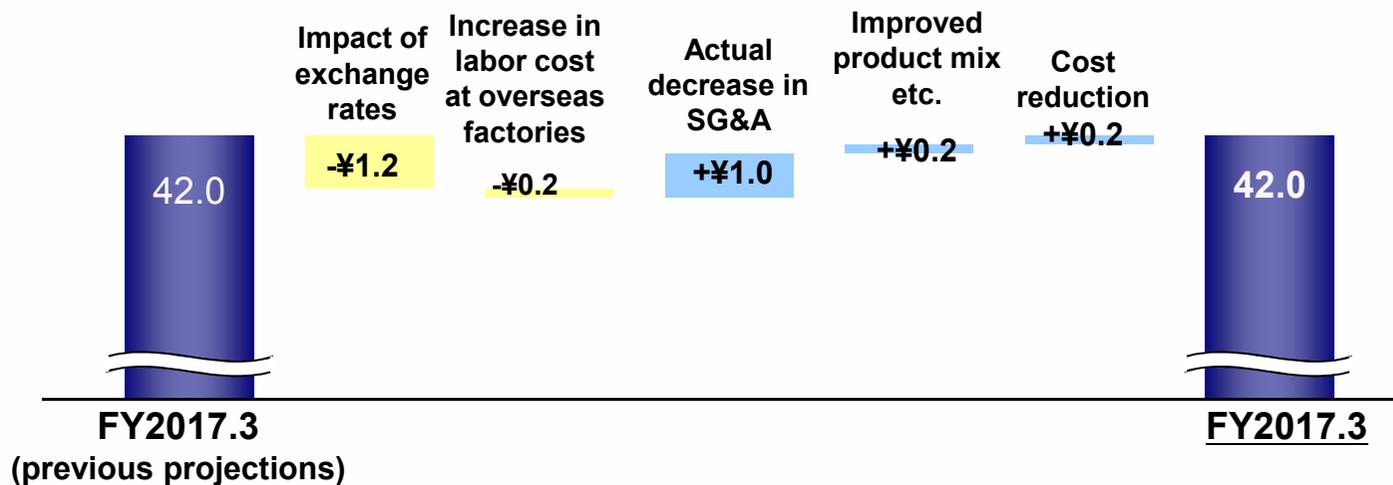


Versus previous year

(Billions of yen)



Versus previous projections



*Previous projections were announced on August 2, 2016

Musical Instruments Full Year Projections

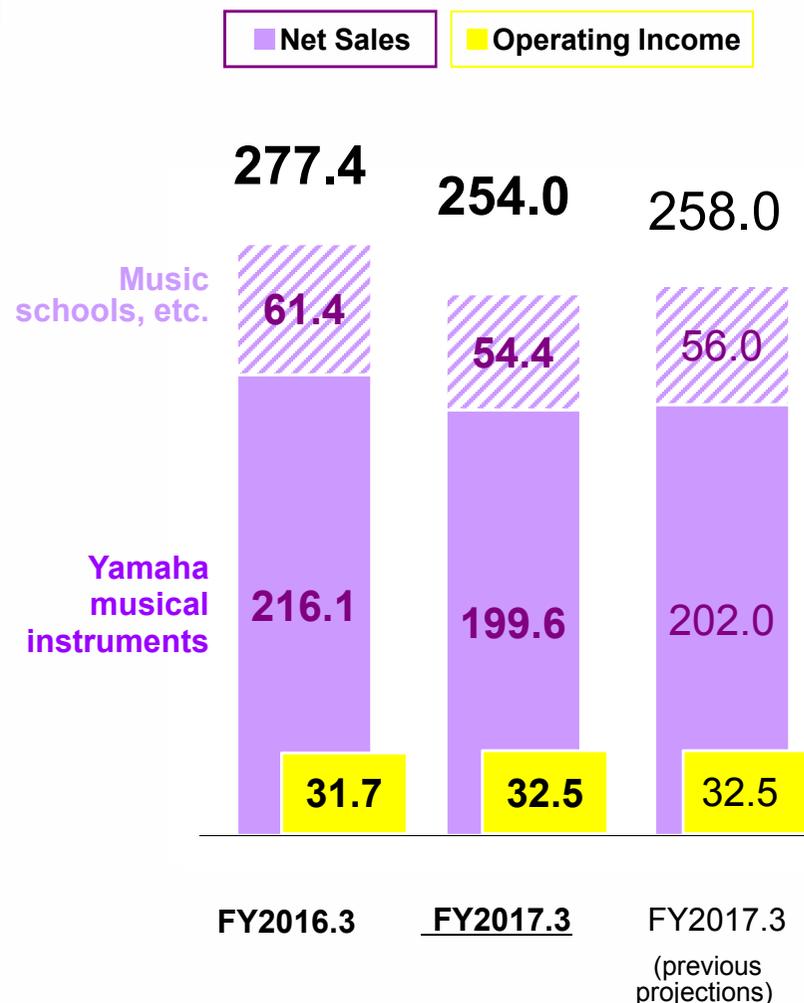


Full Year

(Billions of yen)

Full Year Projections

- Although sales are likely to be down year-on-year and against previous projections, income is expected to be in line with previous projections
- The decline in sales is mainly due to revised exchange rate assumptions
- Strong sales are anticipated in all markets, broadly in line with previous projections
- Sales of pianos, digital pianos, and guitars are expected to be robust
- Increased actual sales, sales price adjustments, cost reductions, and control of SG&A expenses are expected to absorb the impact of exchange rates on operating income



* Previous projections were announced on August 2, 2016

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

Musical Instruments: Sales by Region

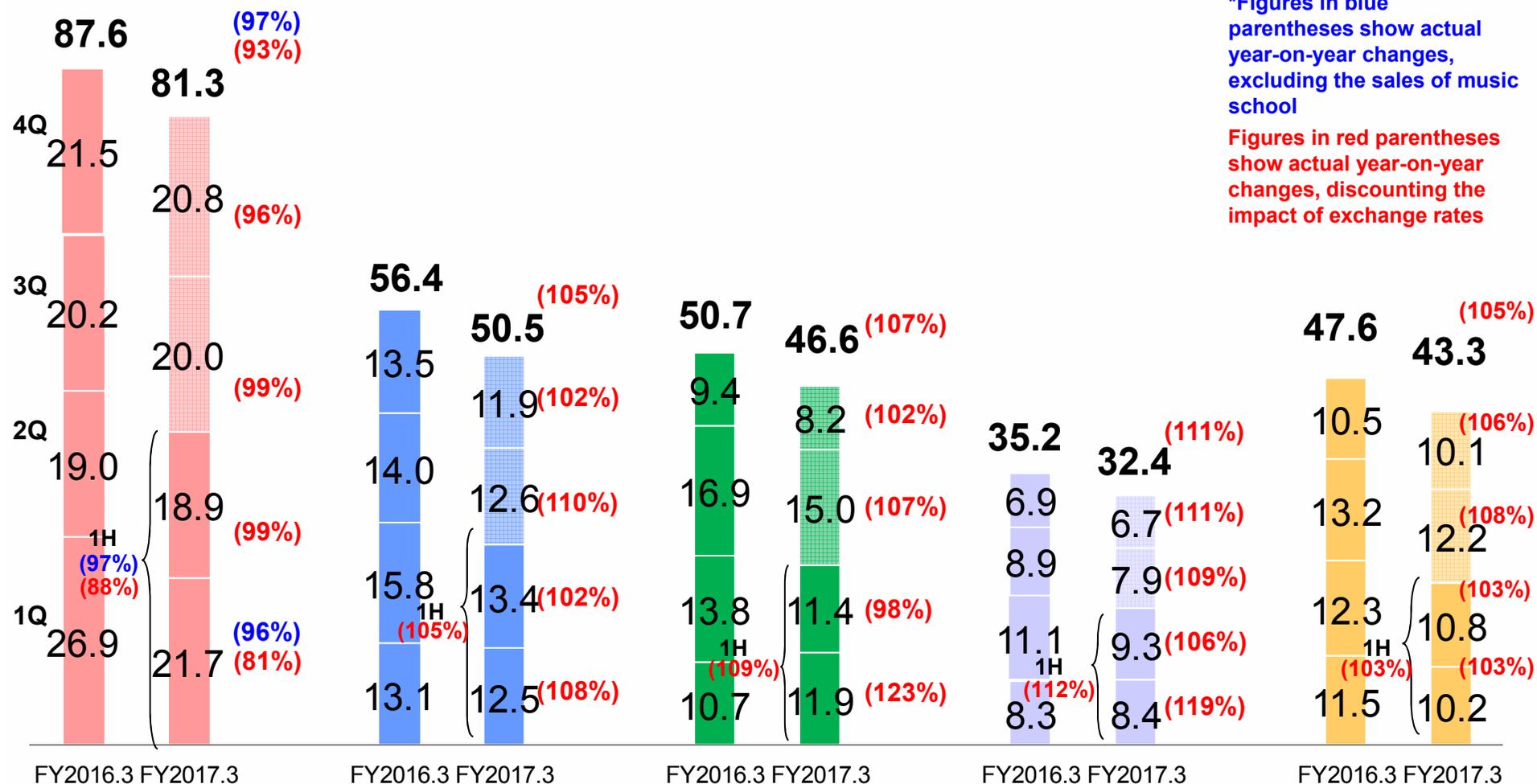
(including software products and music schools)



Net Sales for All Regions

1H: ¥128.5 billion (104%) Full year forecast: ¥254.0 billion (104%)

(Billions of yen)



*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

Japan **North America** **Europe** **China** **Other Regions**

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

Audio Equipment Full Year Projections

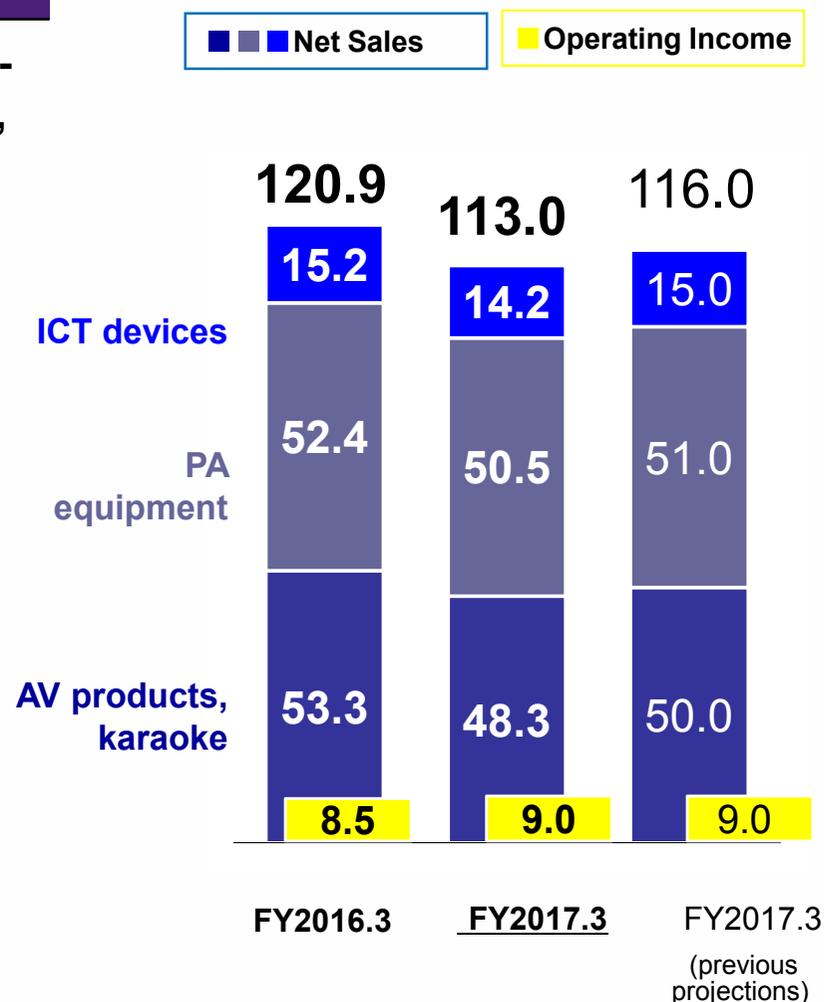


Full Year

(Billions of yen)

Full Year Projections

- Although sales are likely to be down year-on-year and against previous projections, income projections remain unchanged
- Strong sales of AV products are anticipated. In the professional audio equipment segment, actual double-digit growth is expected for routers and commercial audio equipment.
- Increased actual sales, cost reductions, sales price adjustments, and control of SG&A expenses are expected to absorb the negative impact of exchange rates on operating income



* Previous projections were announced on August 2, 2016

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

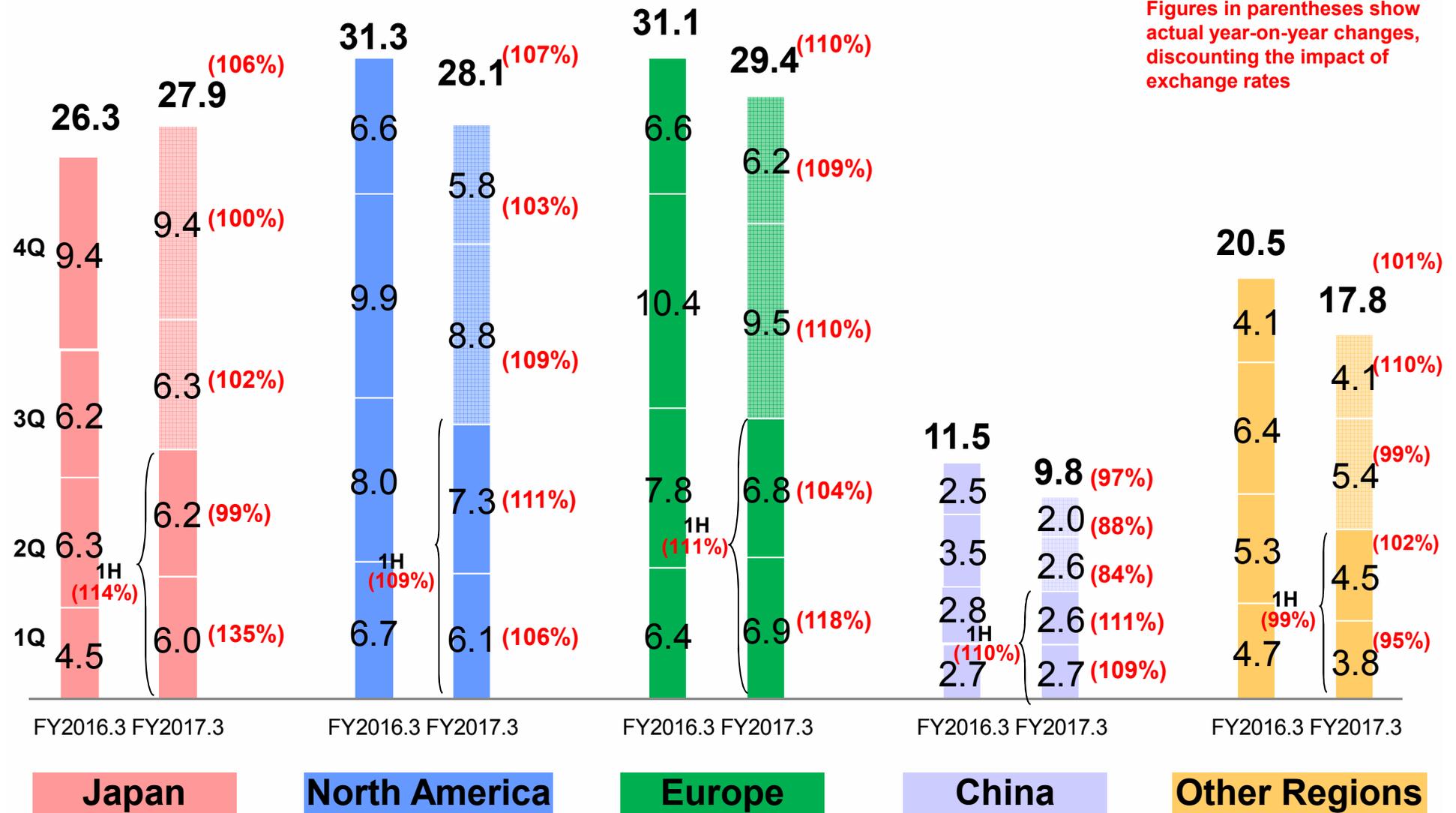
Audio Equipment: Sales by Region

Net Sales for All Regions

1H: ¥53.0 billion (109%) Full year forecast: ¥113.0 billion (106%)

(Billions of yen)

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



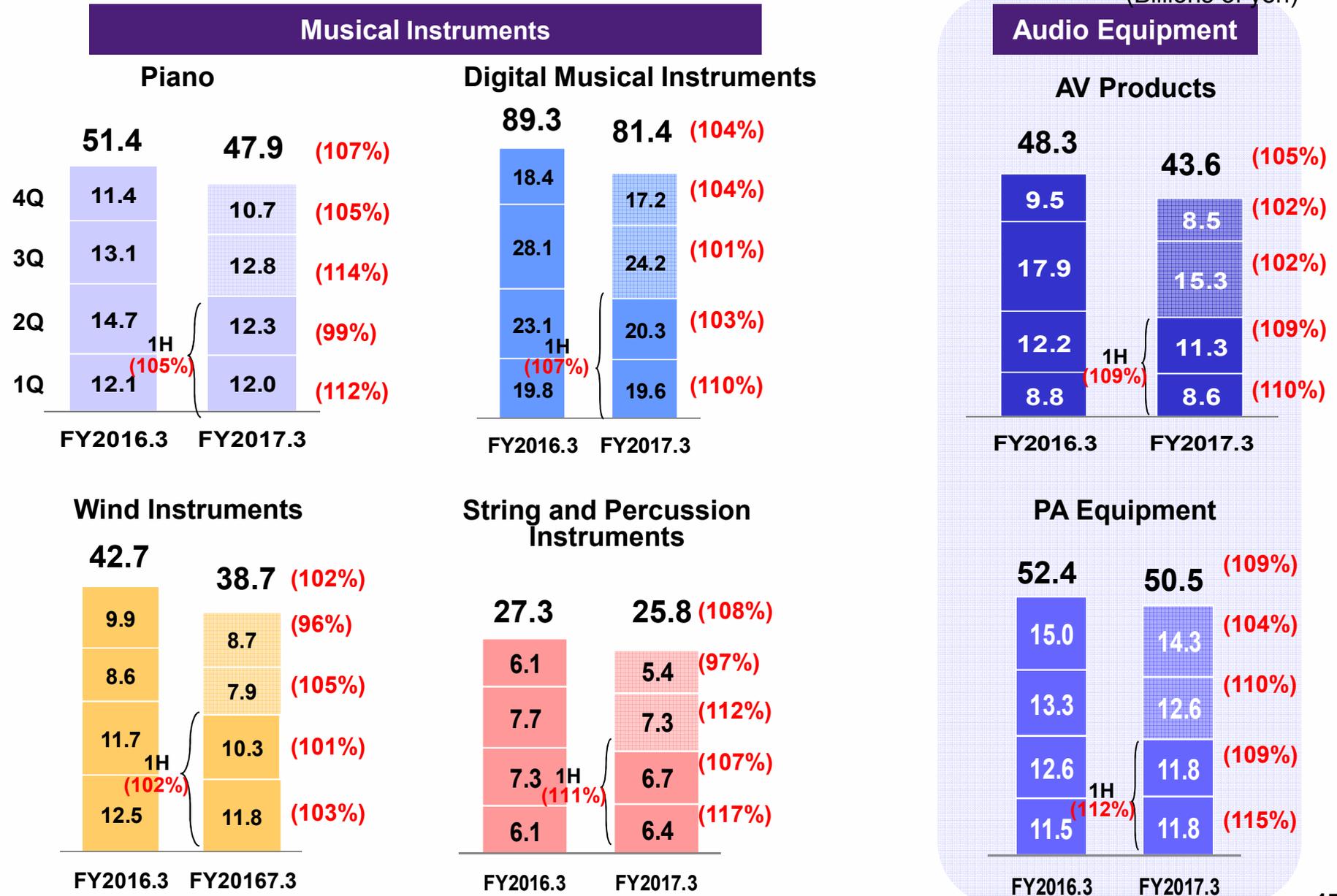
* FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

Musical Instruments/Audio Equipment: Sales by Major Product Category



(Yamaha branded products)

(Billions of yen)



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

Others Full Year Projections

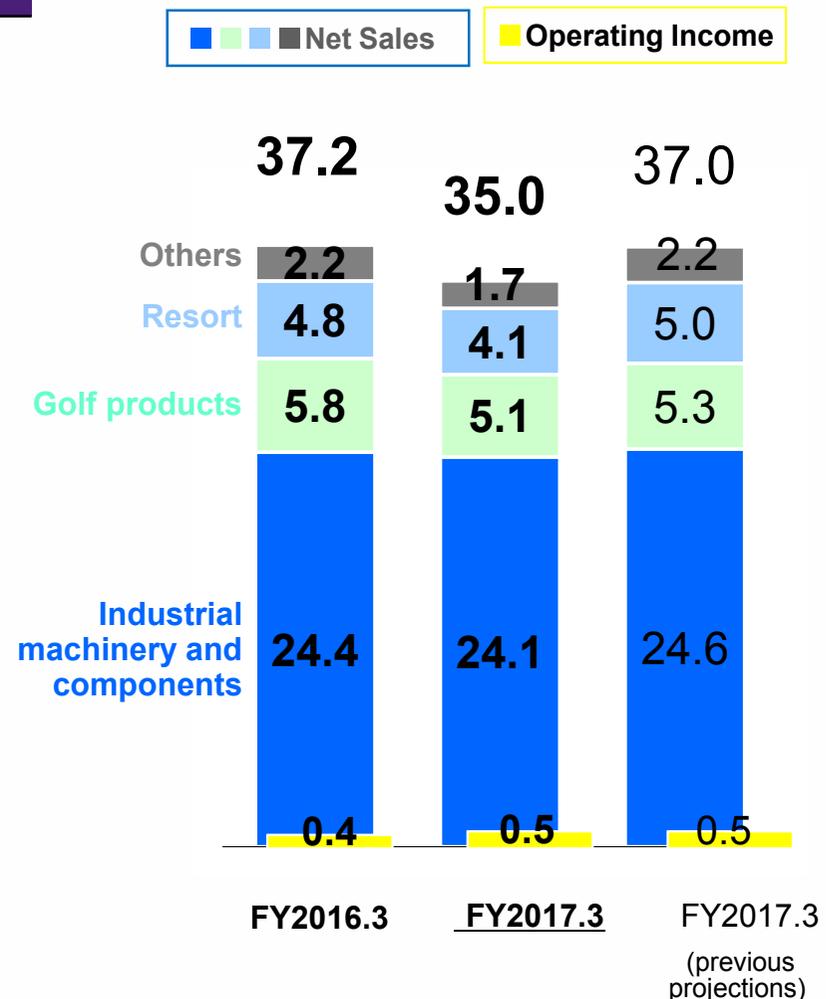


Full Year

(Billions of yen)

Full Year Projections

- Although sales are likely to be down year-on-year and against previous projections, income projections remain unchanged
- In the industrial machinery and components business, electronic device sales are expected to recover in 2H
- Resort business sales will fall with the halt of regular operations at Tsumagoi at the end of 3Q



* Previous projections were announced on August 2, 2016

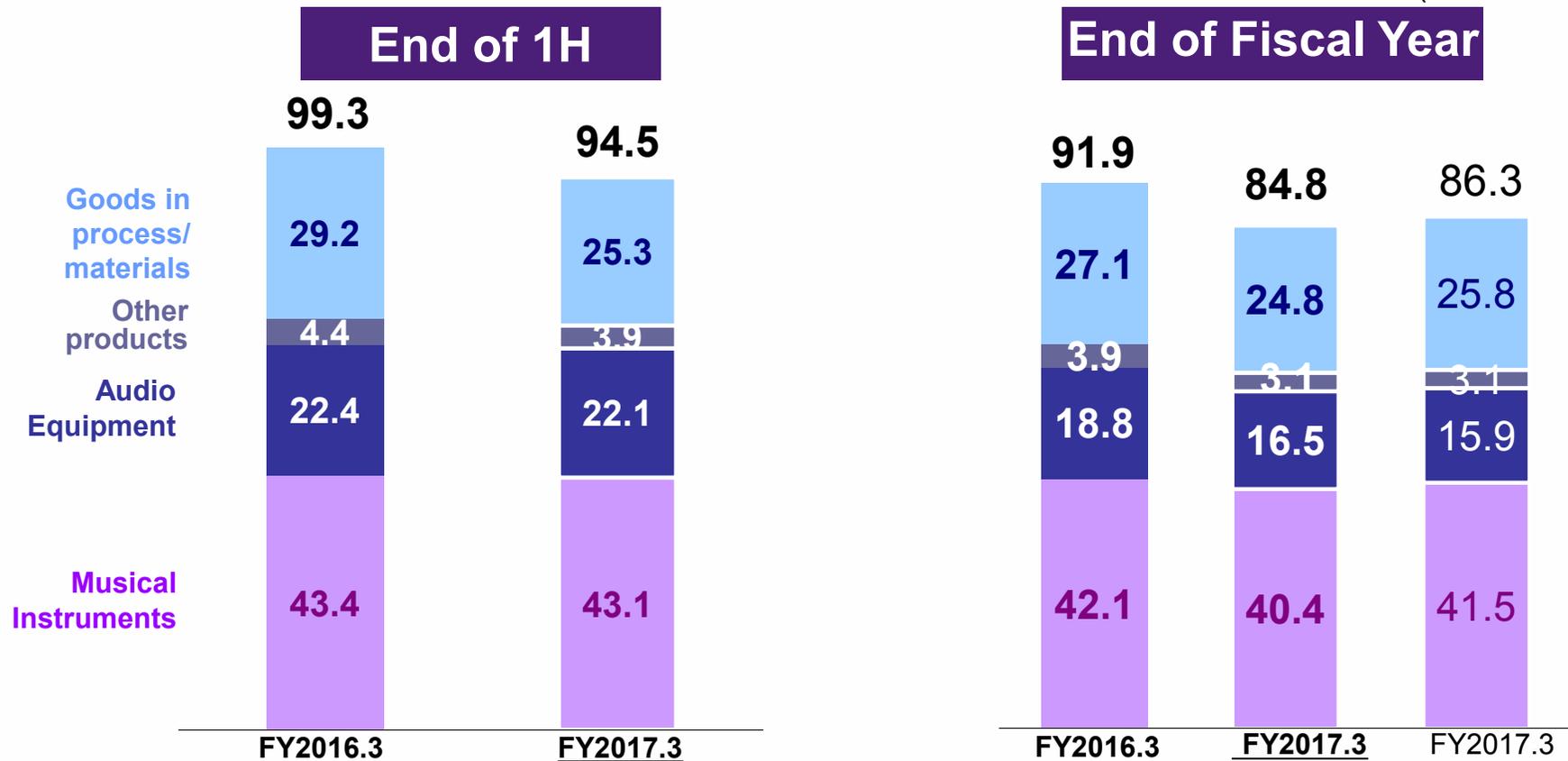
** Industrial machinery and components sales are the total for electronic devices, automobile interior wood components, factory automation equipment, etc.

Inventories

➤ Inventories at the end of the second quarter (Sept 30, 2016) amounted to **¥94.5 billion**.

➤ Inventories at the end of fiscal 2017 are forecast to be **¥84.8 billion**.

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥13.4 billion
Versus previous projections	-

projections	-¥7.9 billion
(previous projections)	-¥1.9 billion

* Previous projections were announced on August 2, 2016

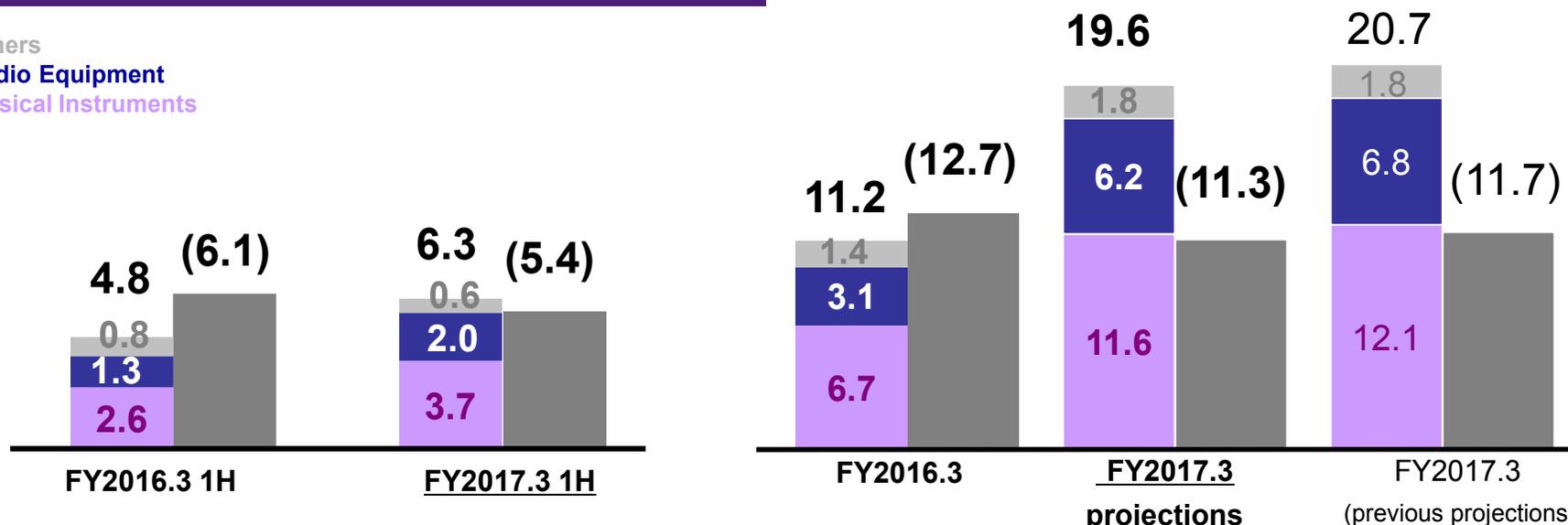
Capital Expenditure/Depreciation/ R&D Expenses



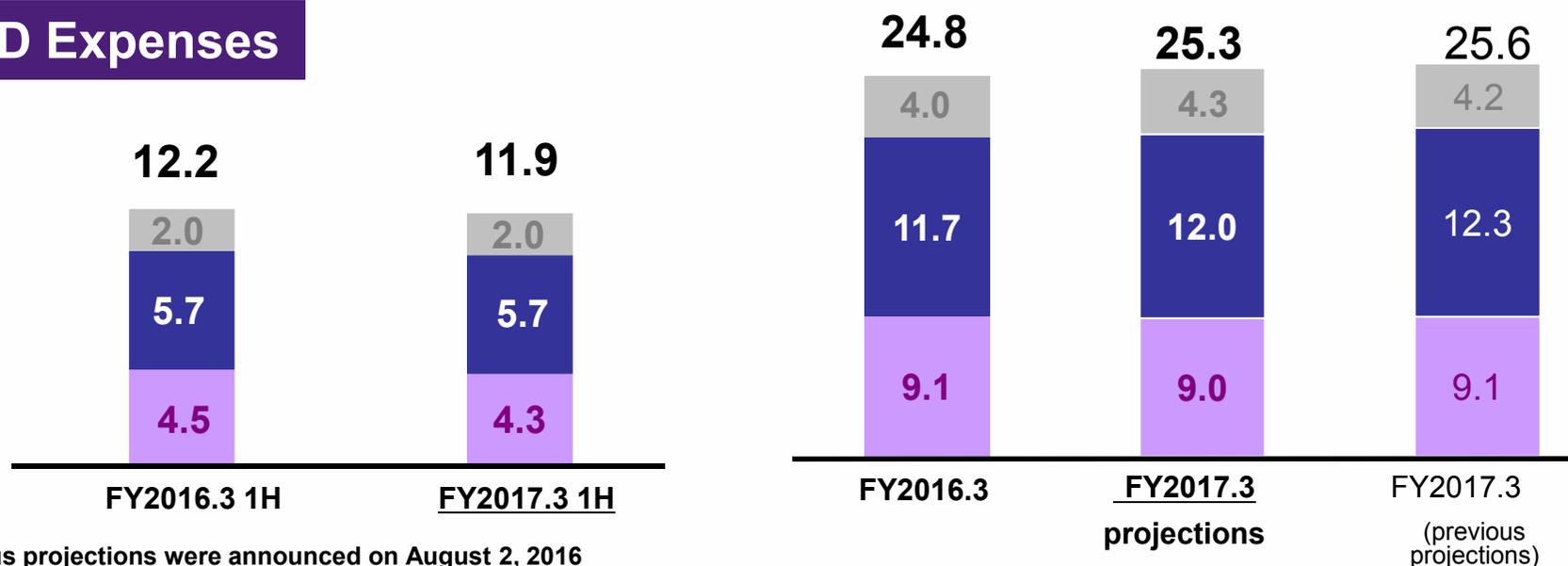
Capital Expenditure (Depreciation)

(Billions of yen)

- Others
- Audio Equipment
- Musical Instruments



R&D Expenses



* Previous projections were announced on August 2, 2016

Balance Sheet Summary



(Billions of yen)

	As of end of 1H			As of end of fiscal year end		
	As of Sept 30, 2015	As of Sept 30, 2016	Change	As of Mar. 31, 2016	As of Mar. 31, 2017 projections	Change
Cash and deposits	87.6	94.4	+6.8	88.2	89.1	+0.9
Notes and accounts receivable	59.6	53.0	-6.6	47.8	45.5	-2.3
Inventories	99.3	94.5	-4.8	91.9	84.8	-7.1
Other current assets	22.1	22.6	+0.5	27.2	23.0	-4.2
Fixed assets	254.3	214.4	-39.9	214.6	221.0	+6.4
Total assets	522.9	478.9	-44.0	469.7	463.4	-6.3
Notes and accounts payable	21.2	17.0	-4.2	19.4	20.4	+1.0
Short- and long-term loans	21.4	24.4	+3.0	8.5	9.8	+1.3
Other liabilities	136.6	121.5	-15.1	137.9	114.4	-23.5
Total net assets	343.7	316.0	-27.7	303.9	318.8	+14.9
Total liabilities and net assets	522.9	478.9	-44.0	469.7	463.4	-6.3

Appendix

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



(Billions of yen)

	FY2016.3 2Q results	FY2017.3 2Q results	Changes from same period of the previous year	FY2017.3 2Q previous projections	Changes from the previous projection
Net Sales	111.9	100.8	-10.0%	102.1	-1.3%
Operating Income (Operating Income Ratio)	12.4 (11.1%)	12.9 (12.8%)	+3.9%	11.2 (11.0%)	+14.9%
Ordinary Income (Ordinary Income Ratio)	13.8 (12.3%)	13.0 (12.9%)	-5.5%	12.0 (11.8%)	+8.5%
Net Income* (Net Income Ratio)	11.2 (10.0%)	4.7 (4.7%)	-57.6%	9.0 (8.8%)	-47.5%

Exchange Rate (yen)

Net Sales (average rate during the period)	US\$	122	102	105
	EUR	136	114	115
Operating Income (settlement rate)	US\$	123	104	105
	EUR	134	121	121

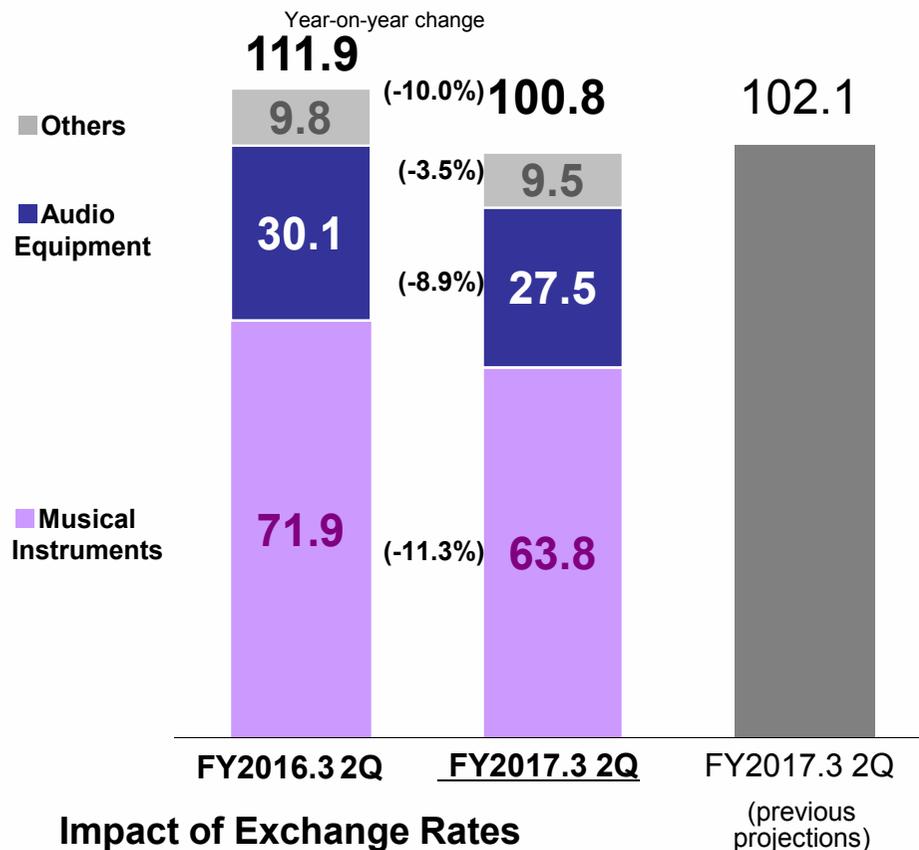
* Net income is presented as net income attributable to owners of parent (quarterly or full year) on the consolidated financial statements

**Previous projections were announced on August 2, 2016

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

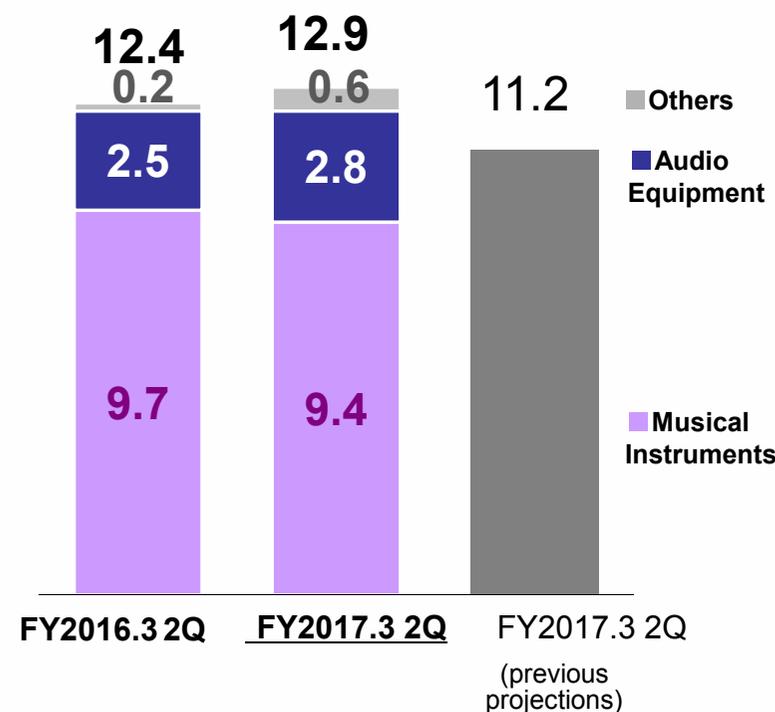


Net Sales



Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥13.6 billion (musical instruments -¥9.1 billion, audio equipment -¥4.2 billion, others -¥0.3 billion)
Versus previous projections	-¥0.5 billion (musical instruments -¥0.3 billion, audio equipment -¥0.2 billion)

Year-on-Year	-¥4.0 billion (musical instruments -¥3.1 billion, audio equipment -¥0.8 billion)
Versus previous projections	+¥0.1 billion (musical instruments +¥0.1 billion, audio equipment +¥0.1 billion)

* Previous projections were announced on August 2, 2016

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

1H Non-Operating Income/Loss & Extraordinary Income/Loss



(Billions of yen)	FY2016.3 1H	FY2017.3 1H	FY2017.3 1H previous projections
Non-Operating Income/Loss			
Net financial income	1.3	1.8	1.8
Other	-0.3	-2.0	-1.3
Total	1.0	-0.2	0.5
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	0.5	0.1	0.1
Others	-0.2	-5.3	-0.1
Total	0.3	-5.2	0
Income Taxes and Other Expenses			
Income taxes -current	5.7	5.6	5.9
Income taxes -deferred	-0.7	-13.6	-14.1
Net income attributable to non-controlling interests	0.1	0.1	0.2
Total	5.1	-7.9	-8.0

-Restructuring of resort business -¥4.9
-Impairment loss -¥0.4

*Previous projections were announced on August 2, 2016

** In conjunction with the recent improvement in profitability, scope of recording deferred tax assets has expanded from FY2017.3 and deferred tax assets of ¥13.6 billion were recorded in the first half.

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	3.2	3.6
Other	-2.5	-3.2	-3.6
Total	0.2	0	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	8.3	0	0
Others	-7.6	-5.0	0
Total	0.7	-5.0	0
Income Taxes and Other Expenses			
Income taxes -current	9.5	8.8	10.3
Income taxes -deferred	-0.6	-12.8	-13.9
Net income attributable to non-controlling interests	0.1	0	0.1
Total	9.0	-4.0	-3.5

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

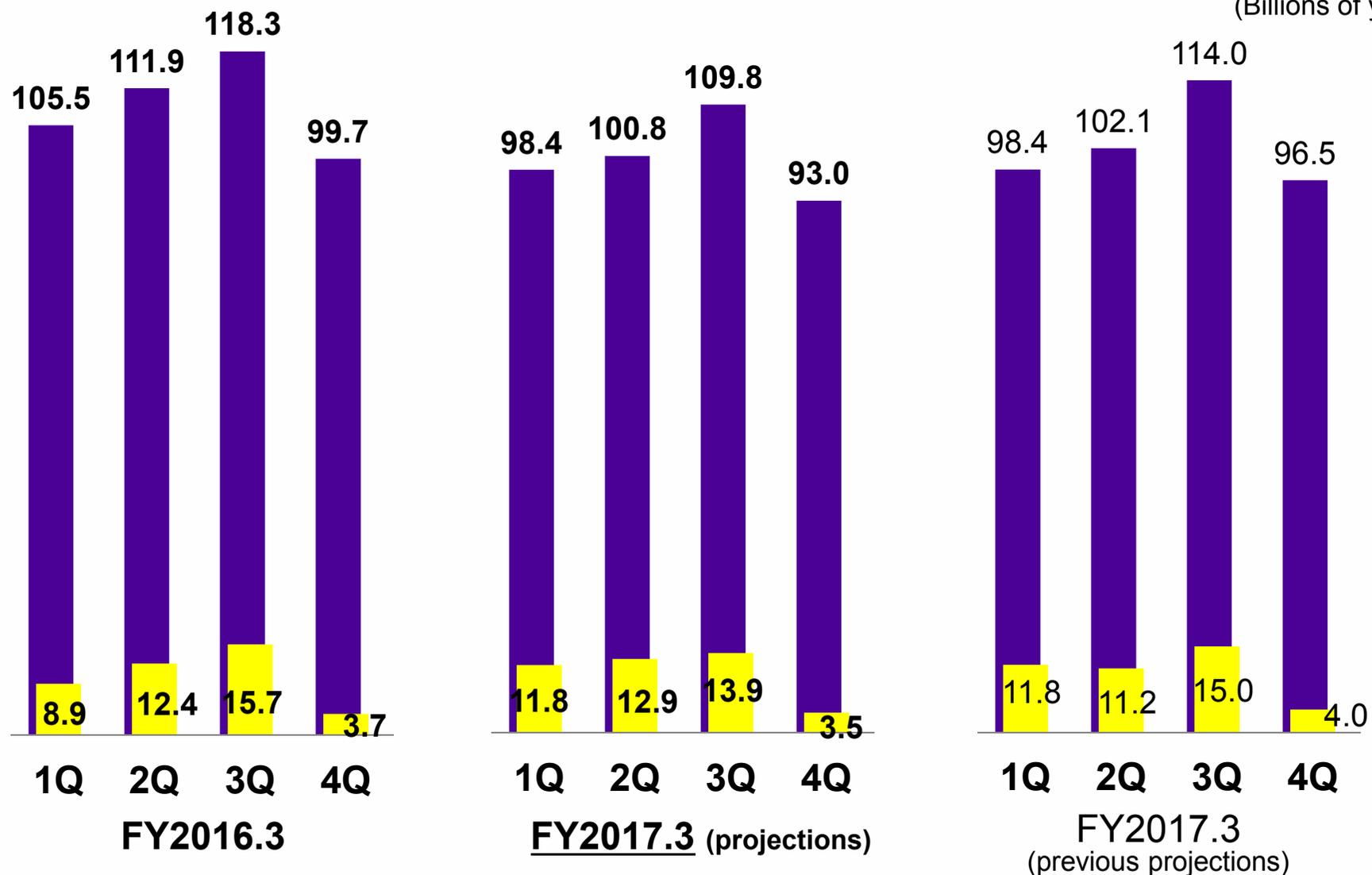
-Immediate amortization of goodwill of Line 6 -¥4.5
-Immediate amortization of goodwill of Revolabs -¥2.3
-Impairment loss on fixed asset -¥0.8

*Previous projections were announced on August 2, 2016

Quarterly Sales and Income



(Billions of yen)



Net Sales	435.5
Operating Income	40.7

Net Sales	402.0
Operating Income	42.0

Net Sales	411.0
Operating Income	42.0

*Previous projections were announced on August 2, 2016

Key Products in FY2017.3



An acoustic player piano that offers immersive new user experience and exciting new ways to listen, learn and play

Disklavier ENSPIRE™

Disklavier ENSPIRE retains its category-leading position as the only fully-integrated and most accurate high-resolution reproducing piano system available.

Wireless network connectivity and seamless compatibility with mobile devices, smartphones and computers allows intuitive access to all of the instrument's exclusive content and unique capabilities.



YUS1ENST



C3X ENPRO

disklavier ENSPIRE™



(scheduled to be released in December 2016)

Key Products in FY2017.3



A guitar of built-in sounding reverb/chorus
with no need for external amplification or effects

TransAcoustic™ Guitar

The Yamaha TransAcoustic guitar recreates an experience of playing in a rich, live room without needing any external amplification or effects, just the guitar itself. An actuator installed on the inner surface of the guitar back vibrates, thereby generating authentic reverb and chorus sounds from inside the body.



LL-TA VT



An actuator installed on the inner surface of the guitar back vibrates in response to the vibrations of the strings. The vibrations of the actuator are then conveyed to the body of the guitar, and to the air in and around the guitar body, generating authentic reverb and chorus sounds from inside the body.



(scheduled to be released in November 2016)

Key Products in FY2017.3



MusicCast™ home theater package

MUSICCAST-P306

MusicCast-P306 is a MusicCast home theater package of a sound bar and a wireless speaker in one box to offer wireless multiroom audio enjoyment.



MUSICCAST-P306

(released in October 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.