

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

August 2, 2017

Overview of Performance in the First Quarter (April-June) of FY2018.3



Results Summary

- Sales increased ¥2.8 billion year-on-year (including +¥0.9 billion due to the impact of exchange rates), to reach ¥101.2 billion. Operating income declined to ¥11.6 billion, down ¥0.2 billion (including -¥1.8 billion due to the impact of exchange rates) from the same period of the previous year.
 - In the musical instrument segment, the North American and European markets started the fiscal year quietly in 1Q, partly due to the effects of strong sales in the preceding 4Q. The Chinese market remained robust, and overall results were on a par with the previous year.
 - Audio equipment sales maintained growth momentum after achieving double-digit growth in actual terms in the previous year.
 - In the others segment, electronic devices sold briskly, and sales and income were both up year-on-year.
- Net income declined year-on-year, due to the impact of recording deferred tax assets of ¥13.5 billion in 1Q of the previous year.

Performance in the First Quarter of FY2018.3



(billions of yen)

	FY2017.3 1Q results	FY2018.3 1Q results	Changes from the previous year	FY2018.3 1Q previous projections**	Changes from the previous projection
Net Sales	98.4	101.2	+2.9%	102.0	-0.7%
Operating Income (Operating Income Ratio)	11.8 (12.0%)	11.6 (11.4%)	-1.7%	12.0 (11.8%)	-3.5%
Ordinary Income (Ordinary Income Ratio)	11.5 (11.6%)	11.2 (11.1%)	-2.1%	11.5 (11.3%)	-2.4%
Net Income* (Net Income Ratio)	22.5 (22.9%)	9.3 (9.2%)	-58.5%	10.0 (9.8%)	-6.7%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	108	111	110
	EUR	122	122	120
Operating Income (Settlement rate)	US\$	111	111	110
	EUR	126	121	120

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

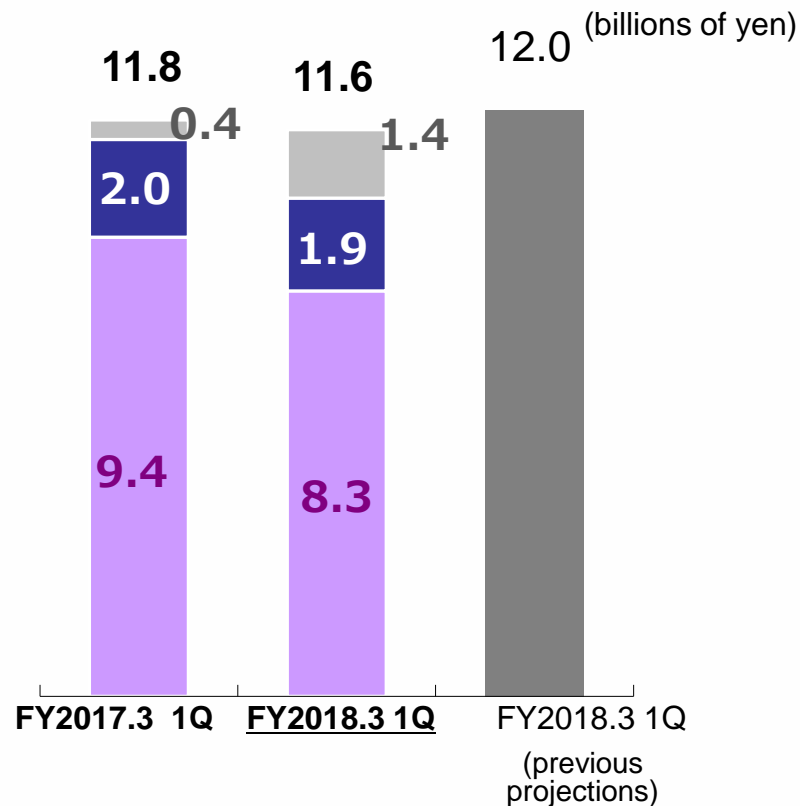
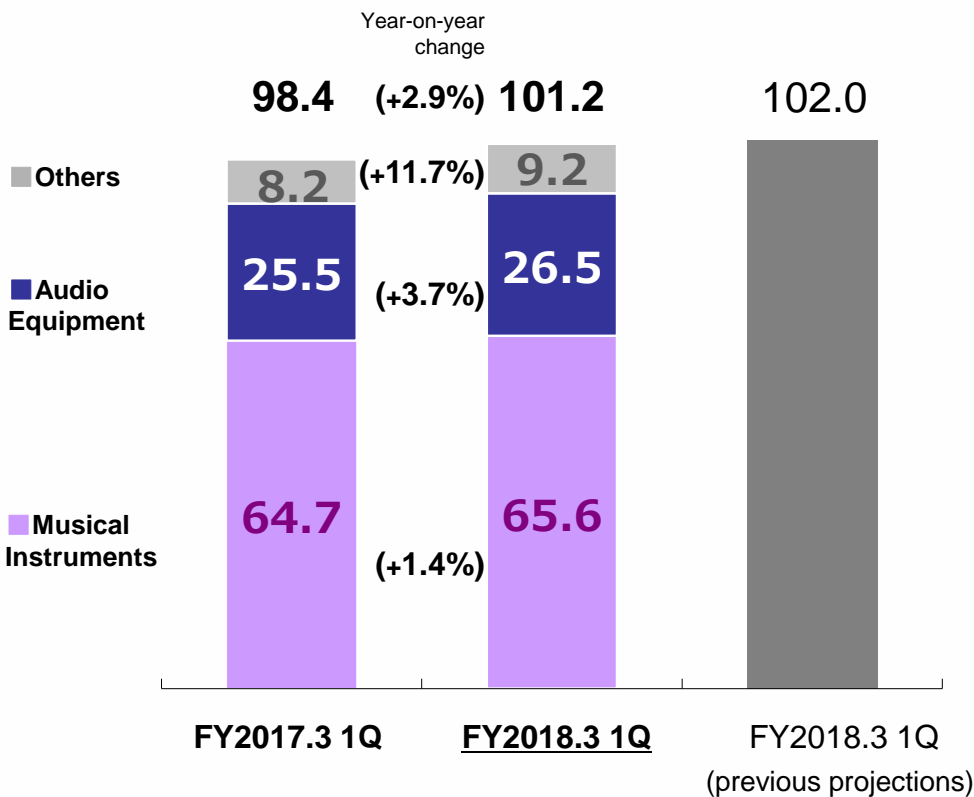
**Previous projections were announced on May 1, 2017

Performance by Business Segment in the First Quarter of FY2018.3



Net Sales

Operating Income



Impact of Exchange Rates (billions of yen)			
Year-on-Year	+0.9	Musical Instruments	+0.6
		Audio Equipment	+0.4
Versus previous projections	+1.0	Musical Instruments	+0.6
		Audio Equipment	+0.4

Impact of Exchange Rates (billions of yen)			
Year-on-Year	-1.8	Musical Instruments	-1.4
		Audio Equipment	-0.4
Versus previous projections	+0.1	Audio Equipment	+0.1

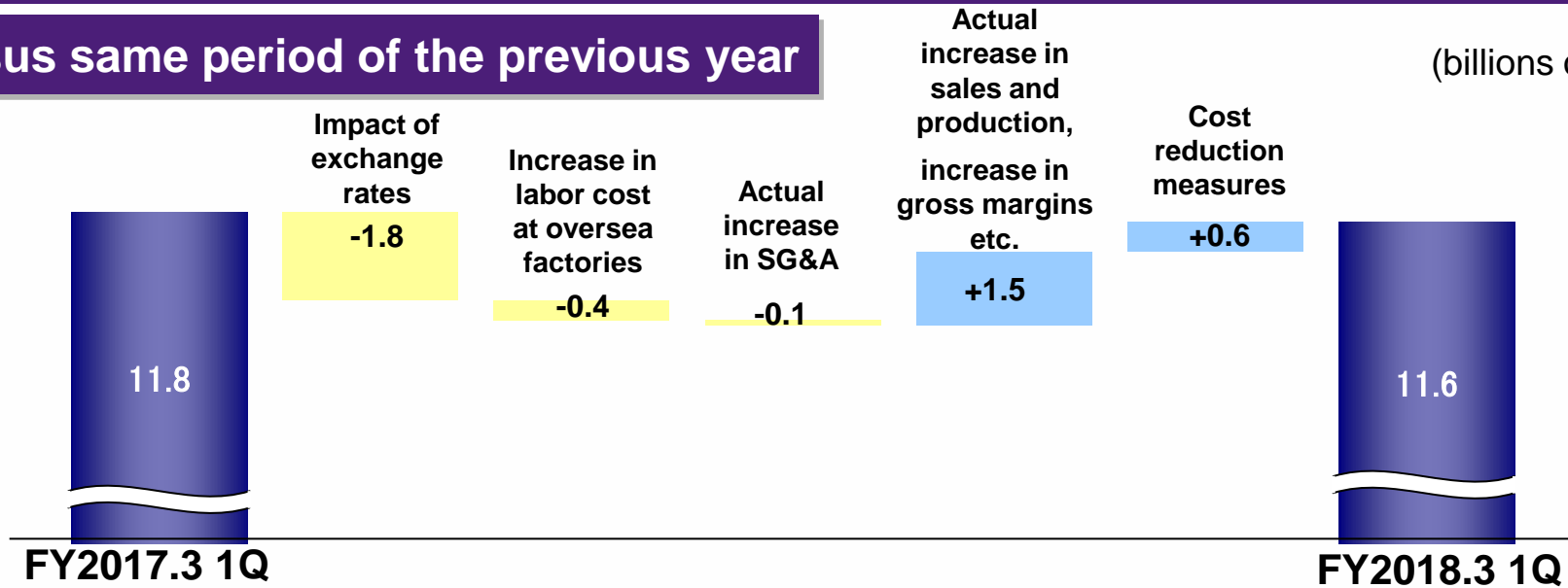
*Previous projections were announced on May 1, 2017

FY2018.3 1Q Operating Income Analysis

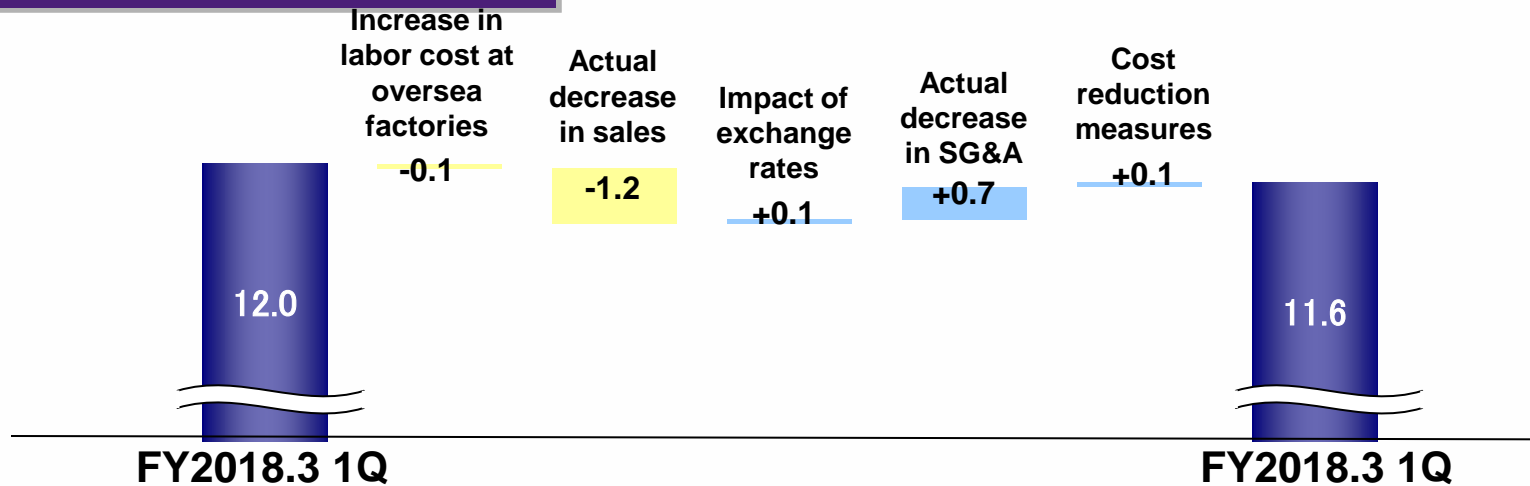


Versus same period of the previous year

(billions of yen)



Versus previous projections



(previous projections)

* Previous projections were announced on May 1, 2017

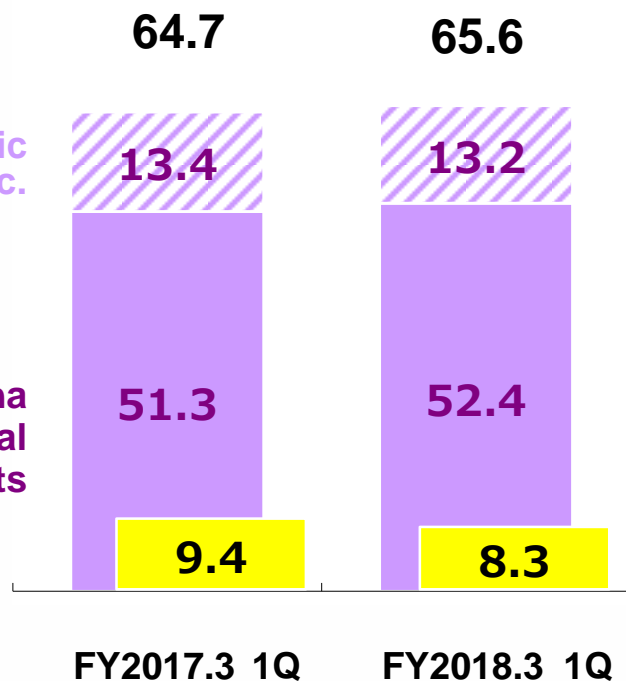
Musical Instruments: 1Q Overview



1Q

(billions of yen)

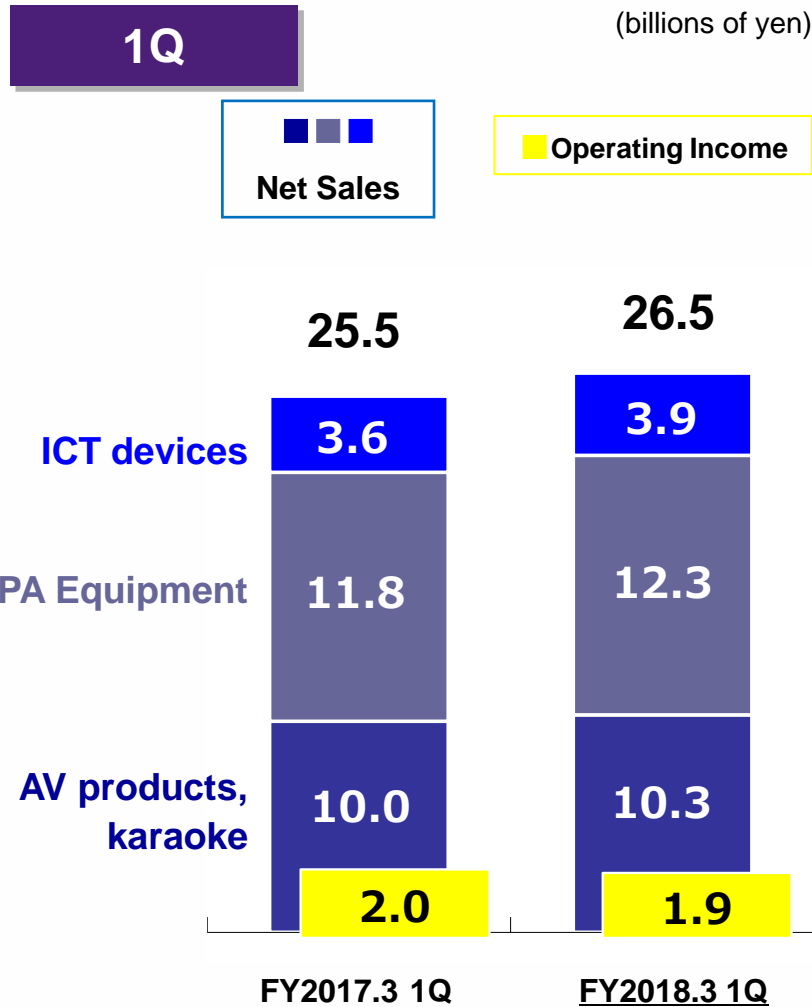
Net Sales Operating Income



1Q Overview

- Sales increased year-on-year, but income declined
 - Piano sales remained brisk in the Chinese Market, partly due to rising unit prices, and were strong overall
 - The timing for the launch of new digital piano products differed depending on the market, and the full effects of these new products will appear from 2Q onward
 - Sales of wind instruments were robust, driven especially by good sell-through in Japan and sales to schools in North America
 - Operating income declined, due to the impact of exchange rates regarding inventories of group companies
- HIGHLIGHTS
- Market launch of CLP600 series digital pianos (with new keyboard featuring major upgrade to the action mechanism)
 - High actual growth rates for musical instruments other than acoustic pianos in the Chinese market (more than 30% for digital pianos, over 30% for guitars, and exceeding 40% for wind instruments)

Audio Equipment: 1Q Overview



1Q Overview

- Sales rose year-on-year, but income was flat
- Building on double-digit growth in actual 1Q sales the previous year, AV products and professional audio equipment continued to grow
- Sales of professional audio equipment were robust in China and emerging markets, but sales for installation in Japan declined year-on-year
- Network and communication devices achieved strong sales through expansion of related product fields and services
- Discounting the impact of exchange rates, actual income increased year-on-year

□ HIGHLIGHTS

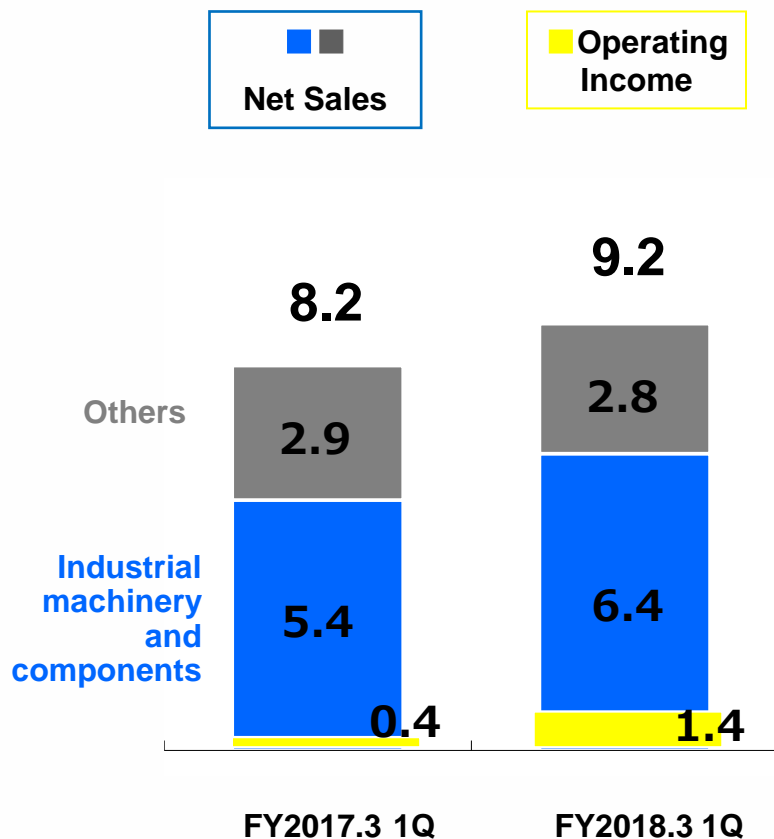
- Greater exposure for MusicCast network audio systems in the European and North American markets through product displays, etc.

Others: 1Q Overview



1Q

(billions of yen)



1Q Overview

- Sales and income were both up from the same period of the previous year
- Sales of electronic devices were robust, especially sound generators for amusement equipment, and automobile interior wood components also recorded strong sales
- New golf products continued to sell briskly
- Income rose sharply, driven by the effects of restructuring in the resort business as well as strong sales of electronic devices and golf products

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

Outlook for 2-4Q

- **Musical instruments:** initial targets will be met by focusing on full-scale launch of new digital music instrument products
- **Audio equipment:** 1Q results are largely in line with targets, and steady sales are projected, especially for professional audio equipment
- **Others:** steady results are anticipated, especially for electronic devices
- **Procurement costs of electronic parts** are projected to rise, and cost reduction targets are unlikely to be met
- **The US dollar exchange rate forecast for 2Q onward remains unchanged from initial assumptions, at US\$1=¥110. Only the forecast for the Euro has been revised, from EUR1=¥120 to EUR1=¥125.**

Full Year Outlook

Previous projections of ¥427.0 billion for sales and ¥48.5 billion for operating income have been revised to ¥432.0 billion for sales and ¥50.0 billion for operating income, given that 1Q sales and operating income were generally at the levels initially anticipated, market outlooks are steady, and some exchange rate assumptions have altered.

Forecast for Performance in FY2018.3 (Full Year) **YAMAHA**

(billions of yen)

	FY2017.3 results	FY2018.3 projections	Changes from same period of the previous year	FY2018.3 previous projections**	Changes from the previous projection
Net Sales	408.2	432.0	+5.8%	427.0	+1.2%
Operating Income (Operating Income Ratio)	44.3 (10.9%)	50.0 (11.6%)	+12.9%	48.5 (11.4%)	+3.1%
Ordinary Income (Ordinary Income Ratio)	44.9 (11.0%)	50.0 (11.6%)	+11.3%	48.5 (11.4%)	+3.1%
Net Income* (Net Income Ratio)	46.7 (11.4%)	39.0 (9.0%)	-16.5%	39.0 (9.1%)	-

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	108	110	110
	EUR	119	124	120
Operating Income (Settlement rate)	US\$	108	110	110
	EUR	121	123	120

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

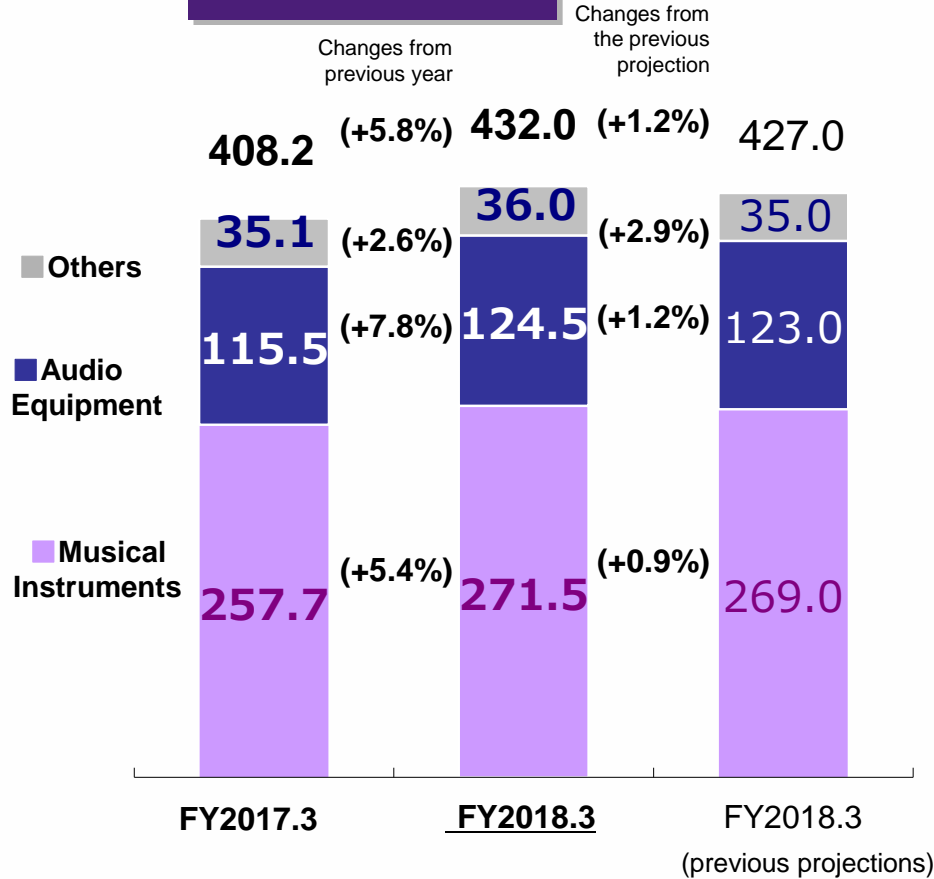
**Previous projections were announced on May 1, 2017

Forecast for Performance by Business Segment in FY2018.3 (Full Year)

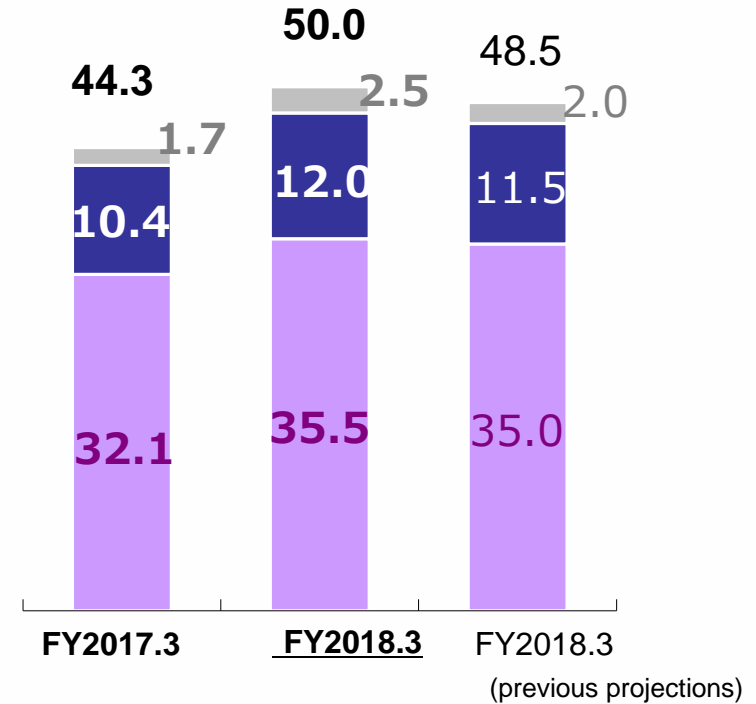


(billions of yen)

Net Sales



Operating Income



Impact of Exchange Rates (billions of yen)

Year-on-Year	+7.4	Musical Instruments	+4.8
		Audio Equipment	+2.5
		Others	+0.2
Versus previous projections	+3.7	Musical Instruments	+2.4
		Audio Equipment	+1.3

Impact of Exchange Rates (billions of yen)

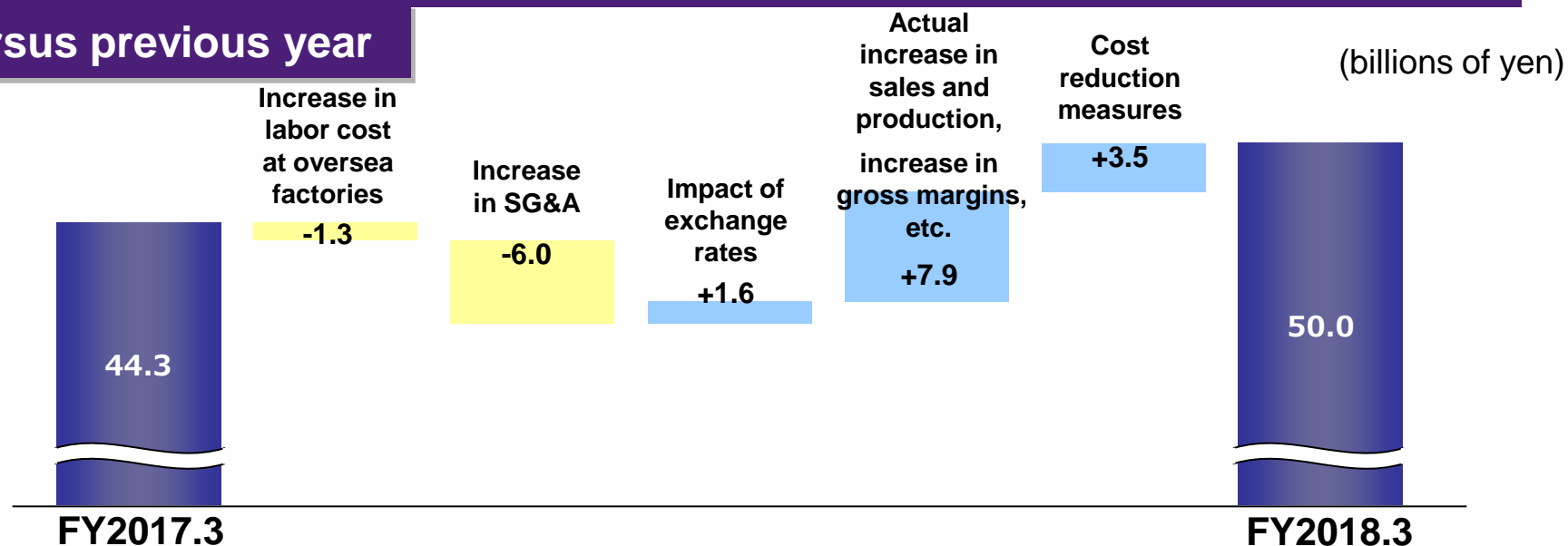
Year-on-Year	+1.6	Musical Instruments	+1.1
		Audio Equipment	+0.5
		Others	
Versus previous projections	+2.0	Musical Instruments	+1.3
		Audio Equipment	+0.8

*Previous projections were announced on May 1, 2017

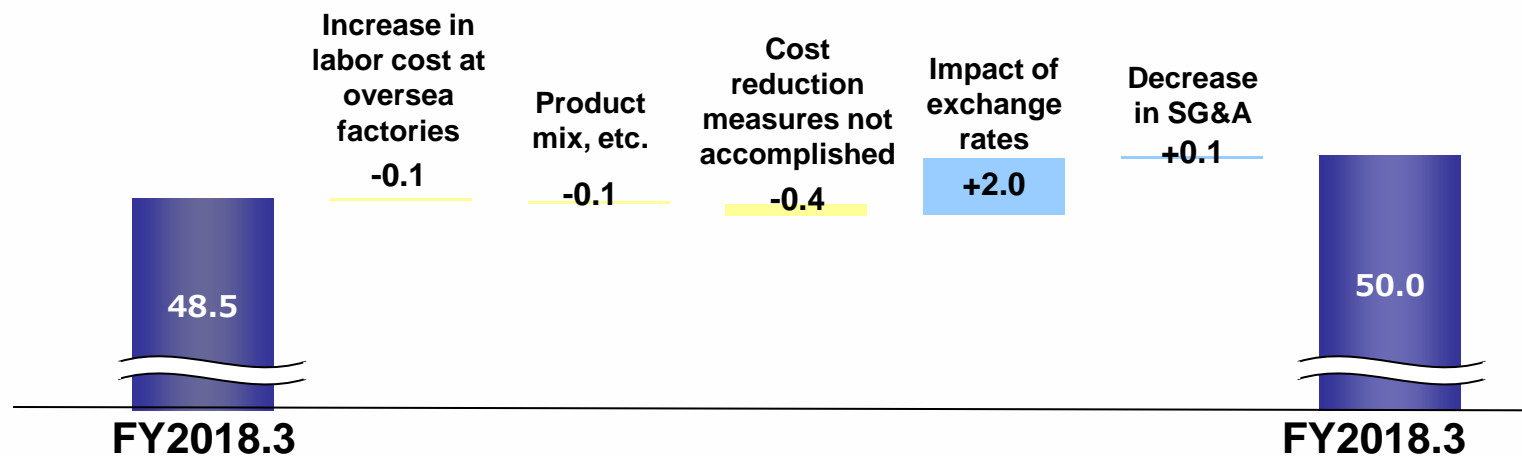
FY2018.3 Full Year Operating Income Analysis



Versus previous year



Versus previous projections



(previous projections)

* Previous projections were announced on May 1, 2017

Musical Instruments: FY2018.3 Full Year Projections



Full Year

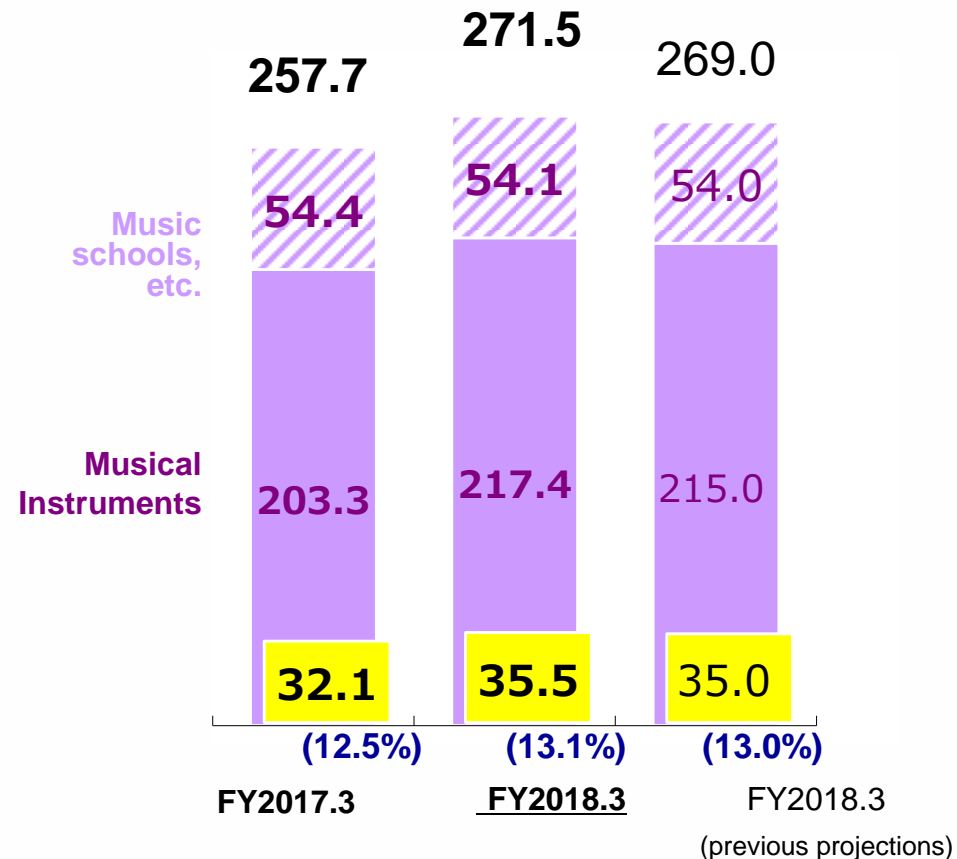
(billions of yen)

Net Sales

Operating Income

Projections

- Sales and income are expected to increase year-on-year and exceed previous projections
- Changes in exchange rate assumptions are the main reason for these revised projections
- Actual double-digit growth is projected to continue in the Chinese market, and the North American and European markets are expected to rally from their 1Q performance
- The new electronic musical instrument products are expected to contribute to the sales greatly, and guitar sales are expected to grow in all markets.



* Previous projections were announced on May 1, 2017

*Figures in blue parentheses show operating income ratio

Musical Instruments: Sales by Region

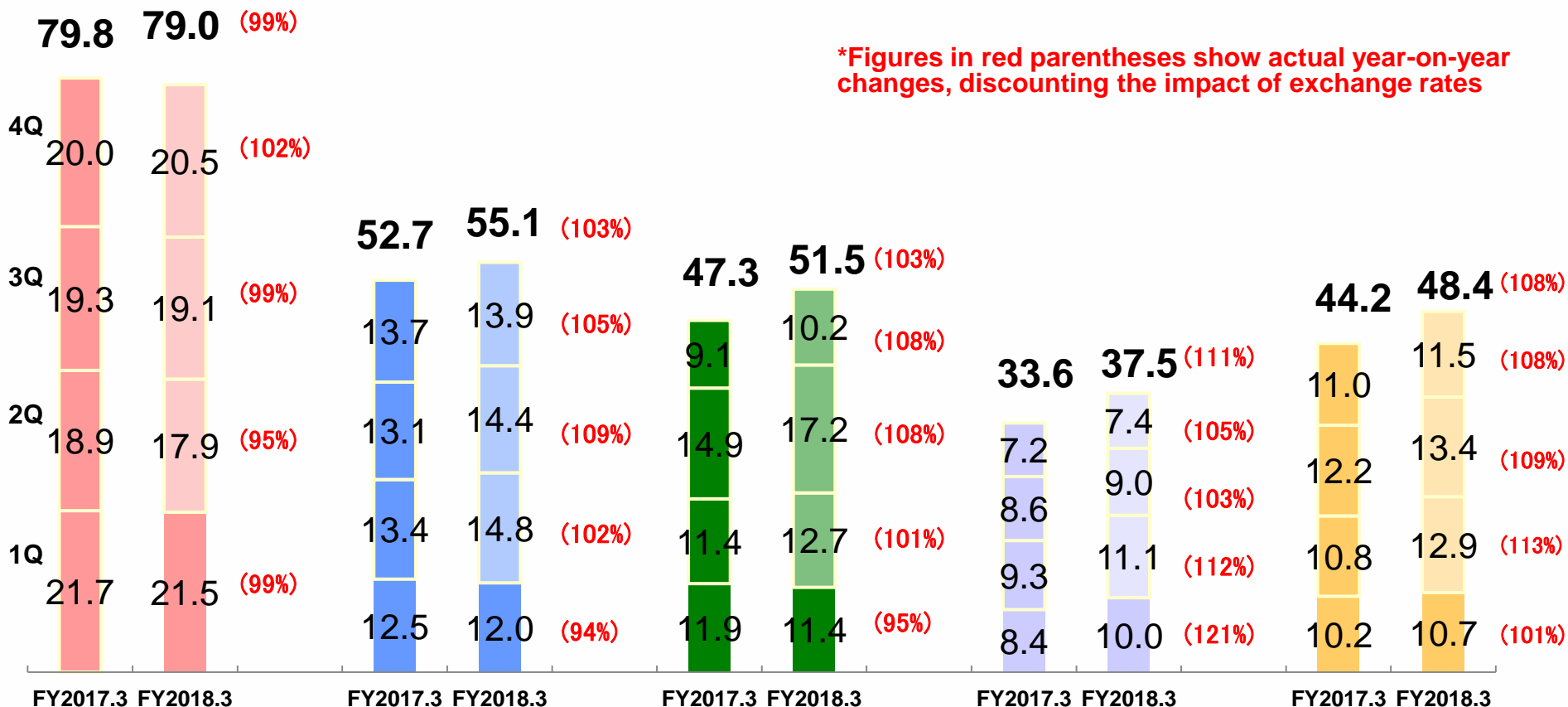
(including software products and music schools)



All regions: Net Sales (Full year) ¥271.5 (104%)

(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: FY2018.3 Full Year Projections YAMAHA

Full Year

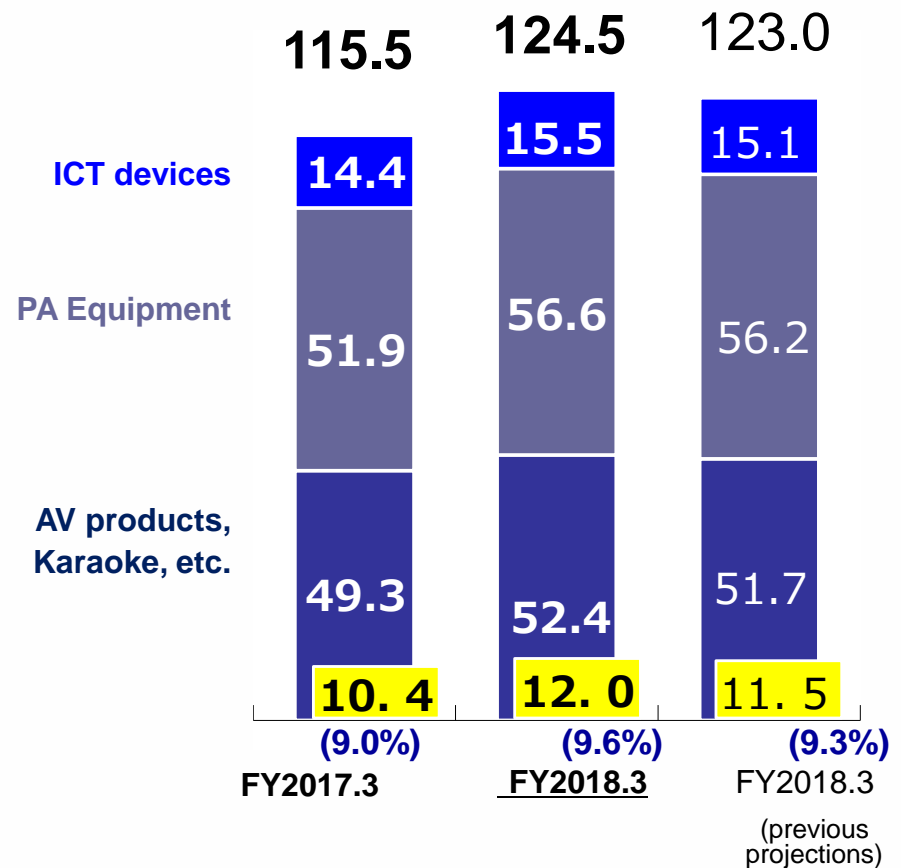
(billions of yen)

Net Sales

Operating Income

Projections

- Sales and income are expected to increase year-on-year and exceed previous projections
- AV products are expected to maintain the strong performance recorded in 1Q, and steady growth is anticipated in network audio products.
- Factors including recovery in the North American market are likely to drive developed market growth in professional audio equipment sales, especially for commercial audio



* Figures in blue parentheses show operating income ratio

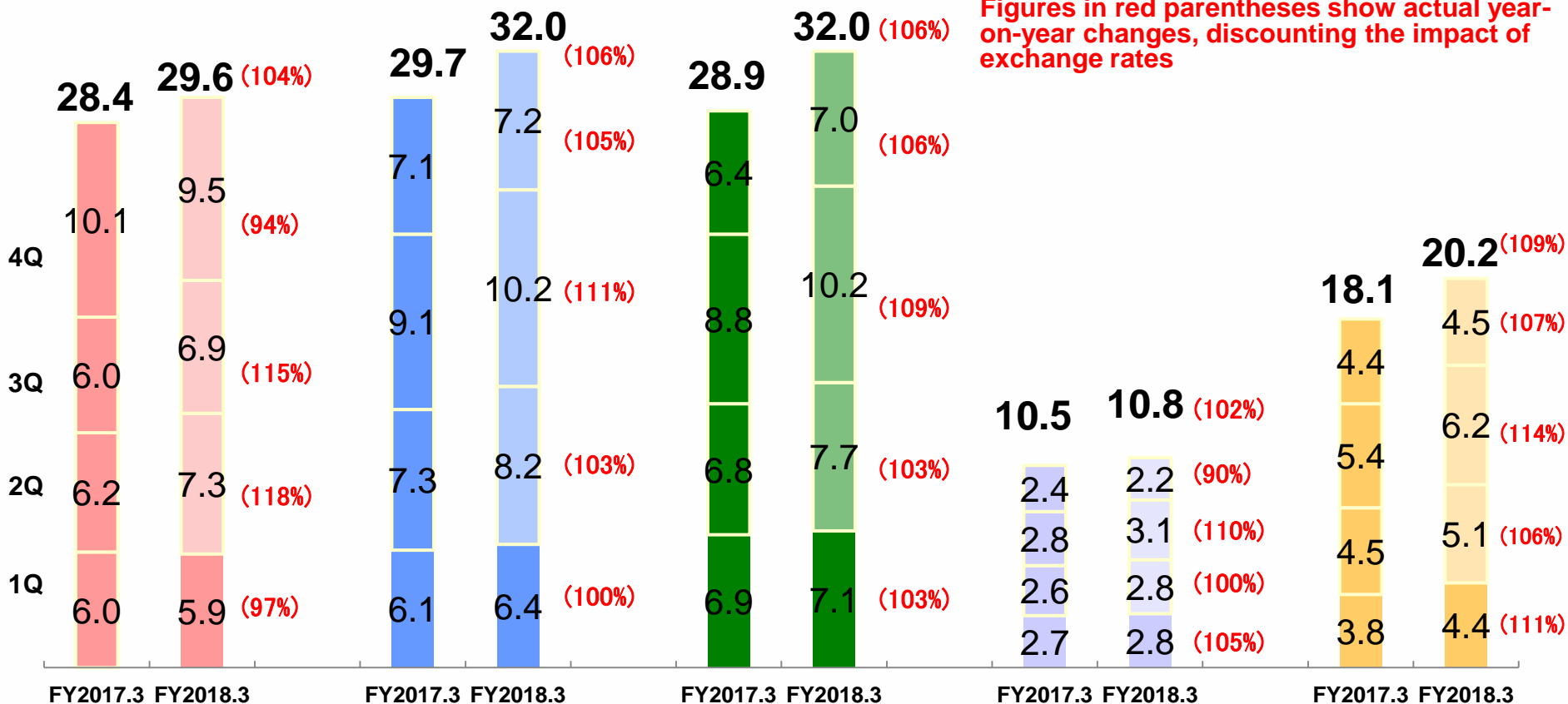
Audio Equipment: Sales by Region



All regions: Net Sales (Full year) **¥124.5 (106%)**

(billions of yen)

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



Japan

North America

Europe

China

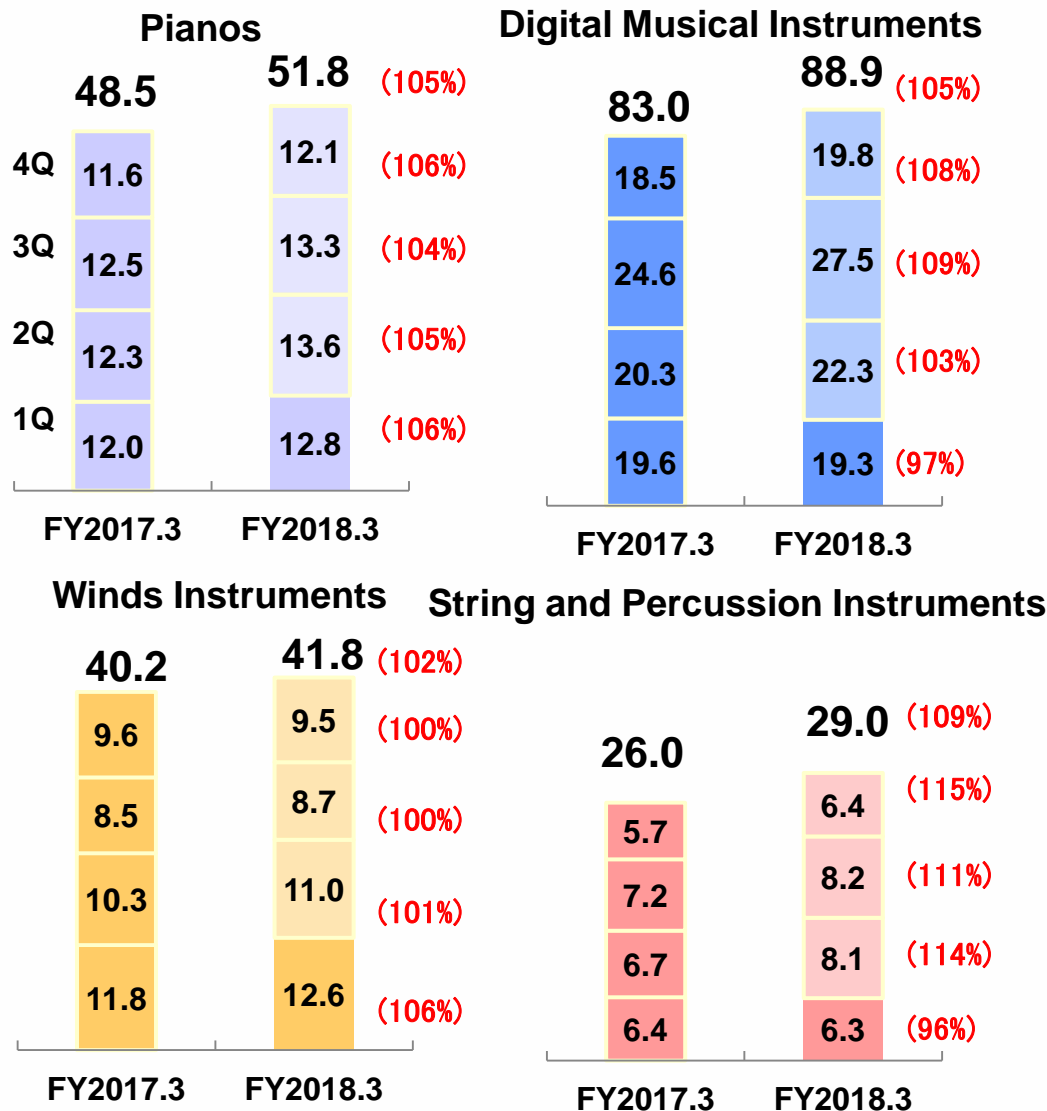
Other Regions

Musical Instruments/Audio Equipment: Sales by Major Product Category

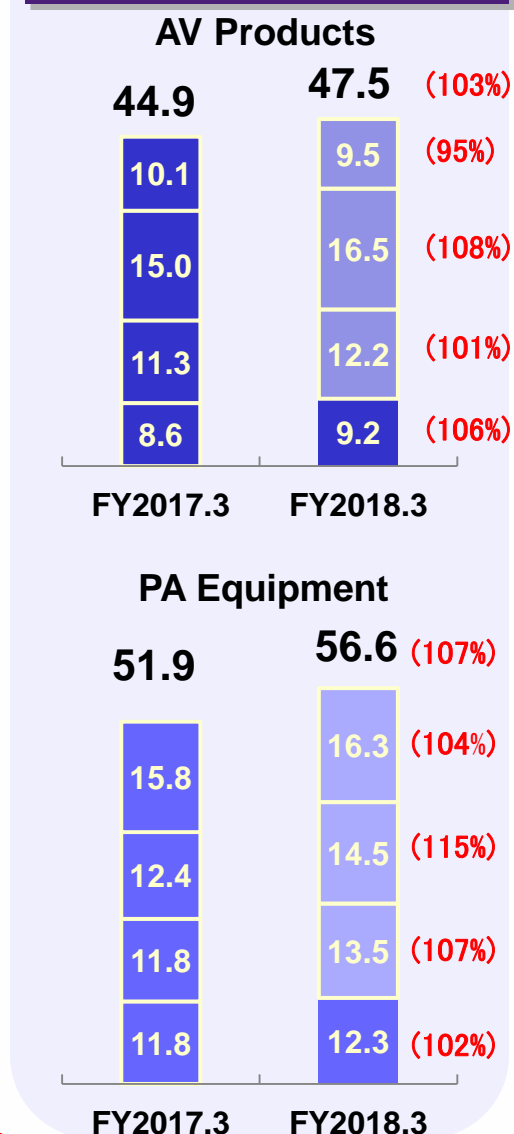


(billions of yen)

Musical Instruments



Audio Equipment



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

Others: FY2018.3 Full Year Projections



Full Year

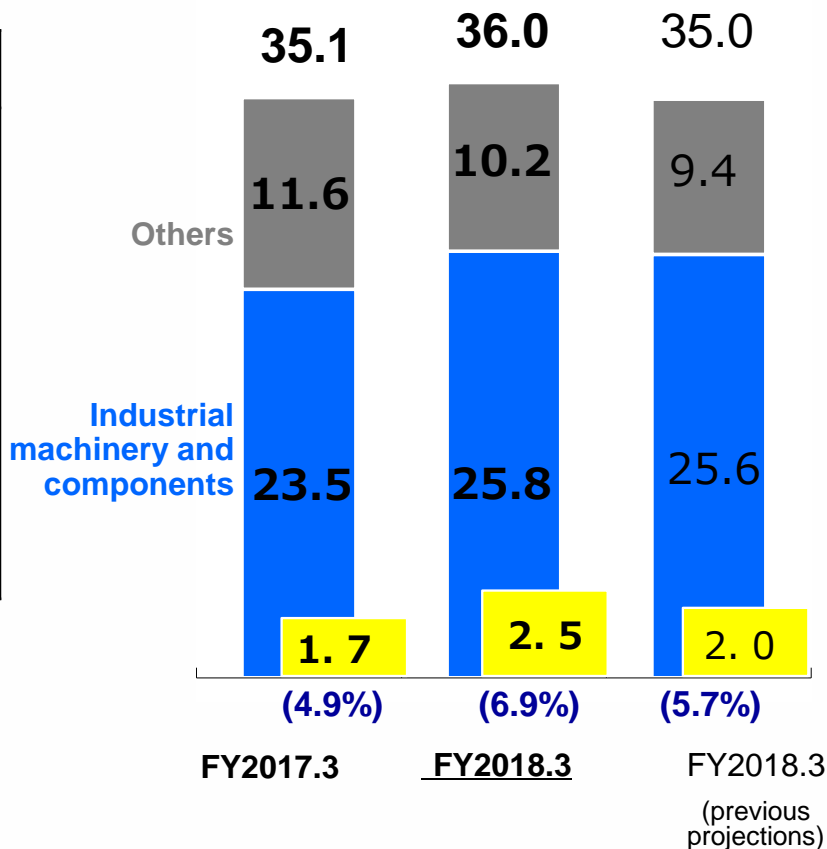
(billions of yen)

Net Sales

Operating Income

Projections

- Sales and income are expected to increase year-on-year and exceed previous projections
- Strong sales of electronic devices are anticipated over the full year, and sales of automobile interior wood components and factory automation equipment are expected to rise from the previous year
- Golf product sales are projected to remain robust throughout the year
- Income is forecast to increase from the previous year, due to strong sales in each business category



* Previous projections were announced on May 1, 2017

* Figures in blue parentheses show operating income ratio

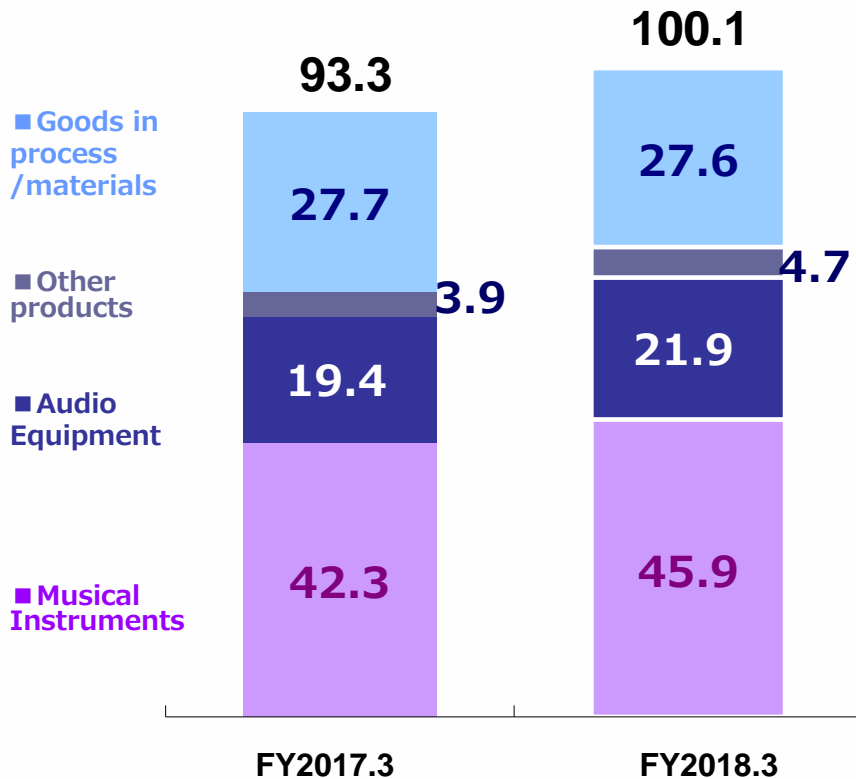
Inventories



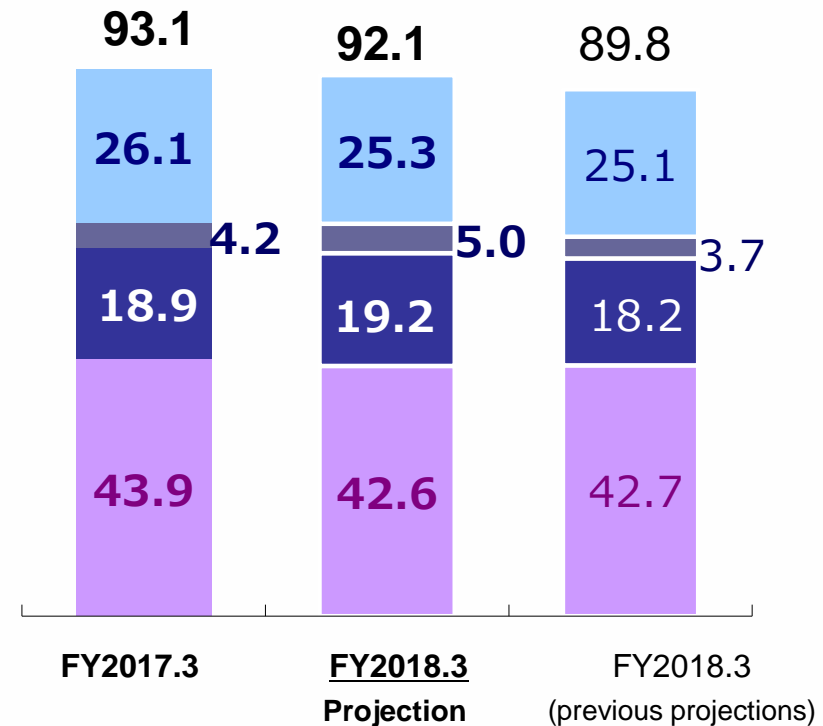
- Inventories at the end of 1Q were ¥100.1 billion. Taking into account exchange rate impact of +¥6.3 billion, this was around the same level as at fiscal year-end.
- Anticipating steady 2-4Q sales, inventories at the end of fiscal 2018 are forecast to be ¥92.1 billion

(billions of yen)

End of 1Q



End of Fiscal Year



Impact of Exchange Rates (billions of yen)	
Year-on-Year	+6.3

Impact of Exchange Rates (billions of yen)	
Year-on-Year	-0.2
Versus previous projections	+0.8

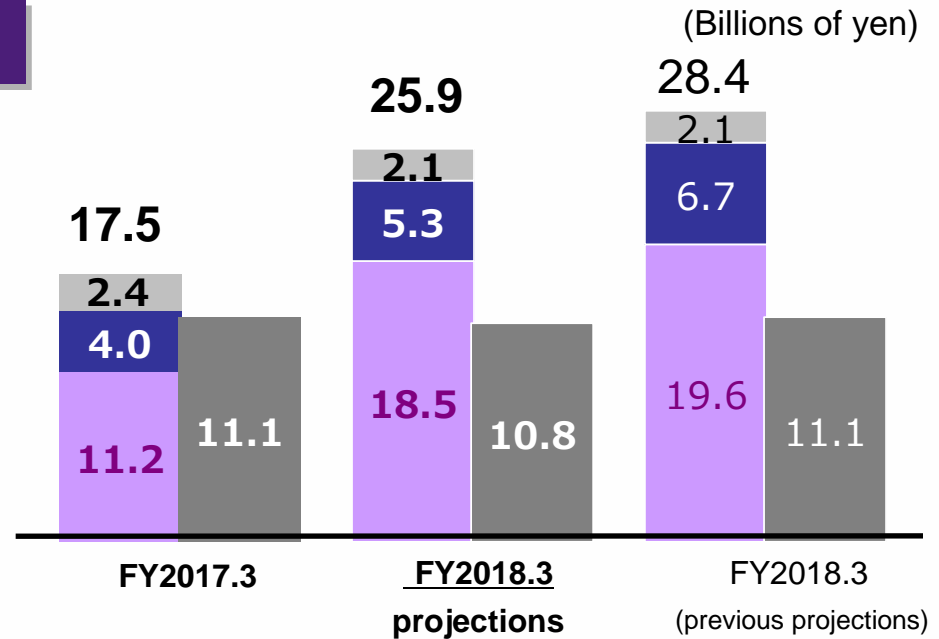
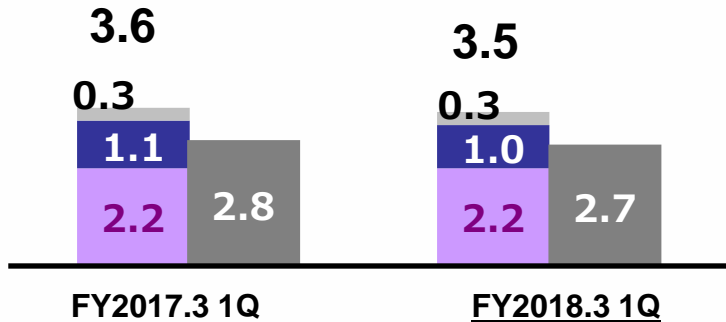
*Previous projections were announced on May 1, 2017

Capital Expenditure/Depreciation/ R&D Expenses

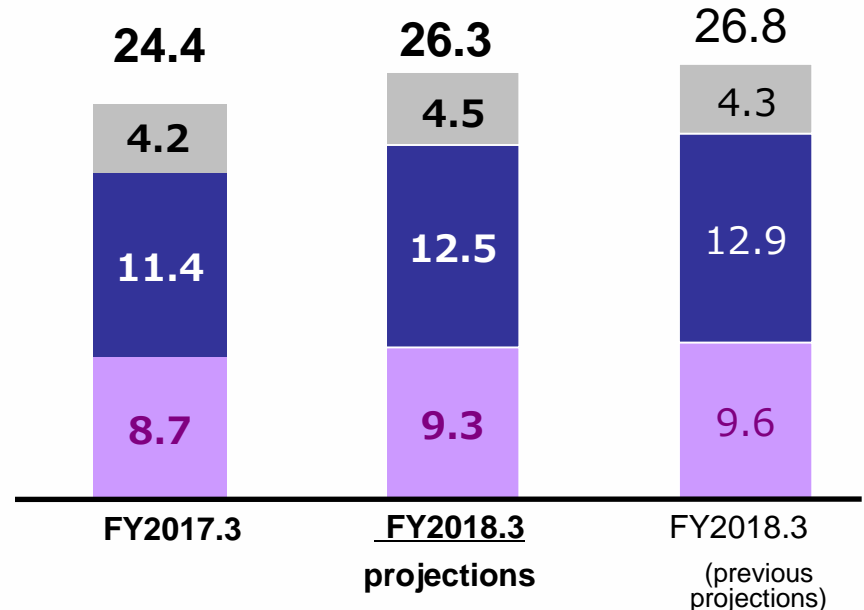
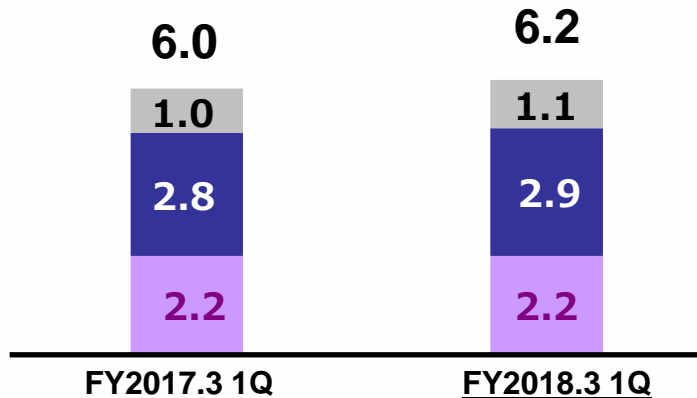


Capital Expenditure (Depreciation)

■ Others
■ Audio Equipment
■ Musical Instruments



R&D Expenses



* Previous projections were announced on May 1, 2017

Balance Sheet Summary



(Billions of yen)

	As of end of 1Q			As of end of fiscal year end		
	As of June 30, 2016	As of June 30, 2017	Change	As of Mar. 31, 2017	As of Mar. 31, 2018 projections	Change
Cash and deposits	84.7	102.7	+18.0	105.9	118.6	+12.7
Notes and accounts receivable	45.0	51.0	+6.0	49.8	52.0	+2.2
Inventories	93.3	100.1	+6.8	93.1	92.1	-1.0
Other current assets	23.1	24.8	+1.7	23.9	26.1	+2.2
Fixed assets	195.2	261.3	+66.1	249.7	275.2	+25.5
Total assets	441.3	539.9	+98.6	522.4	564.0	+41.6
Notes and accounts payable	18.9	18.9	0	17.8	17.5	-0.3
Short- and long-term loans	14.1	18.0	+3.9	11.2	11.6	+0.4
Other liabilities	110.1	121.5	+11.4	126.0	131.5	+5.5
Total net assets	298.2	381.5	+83.3	367.4	403.4	+36.0
Total liabilities and net assets	441.3	539.9	+98.6	522.4	564.0	+41.6

Appendix

First Quarter Non-Operating Income/Loss & Extraordinary Income/Loss



(Billions of yen)	FY2017.3 1Q	FY2018.3 1Q	FY2018.3 1Q previous projections
Non-Operating Income/Loss			
Net financial income	0.4	0.4	0.2
Other	-0.7	-0.8	-0.7
Total	-0.3	-0.4	-0.5
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	0.2	0.0	0.0
Others	-0.4	-0.2	0.0
Total	-0.2	-0.2	0.0
Income Taxes and Other Expenses			
Income taxes -current	2.2	2.1	2.8
Income taxes -deferred	-13.5	-0.5	-1.3
Net income attributable to non-controlling interests	0.1	0.1	
Total	-11.2	1.7	1.5

* Previous projections were announced on May 1, 2017

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



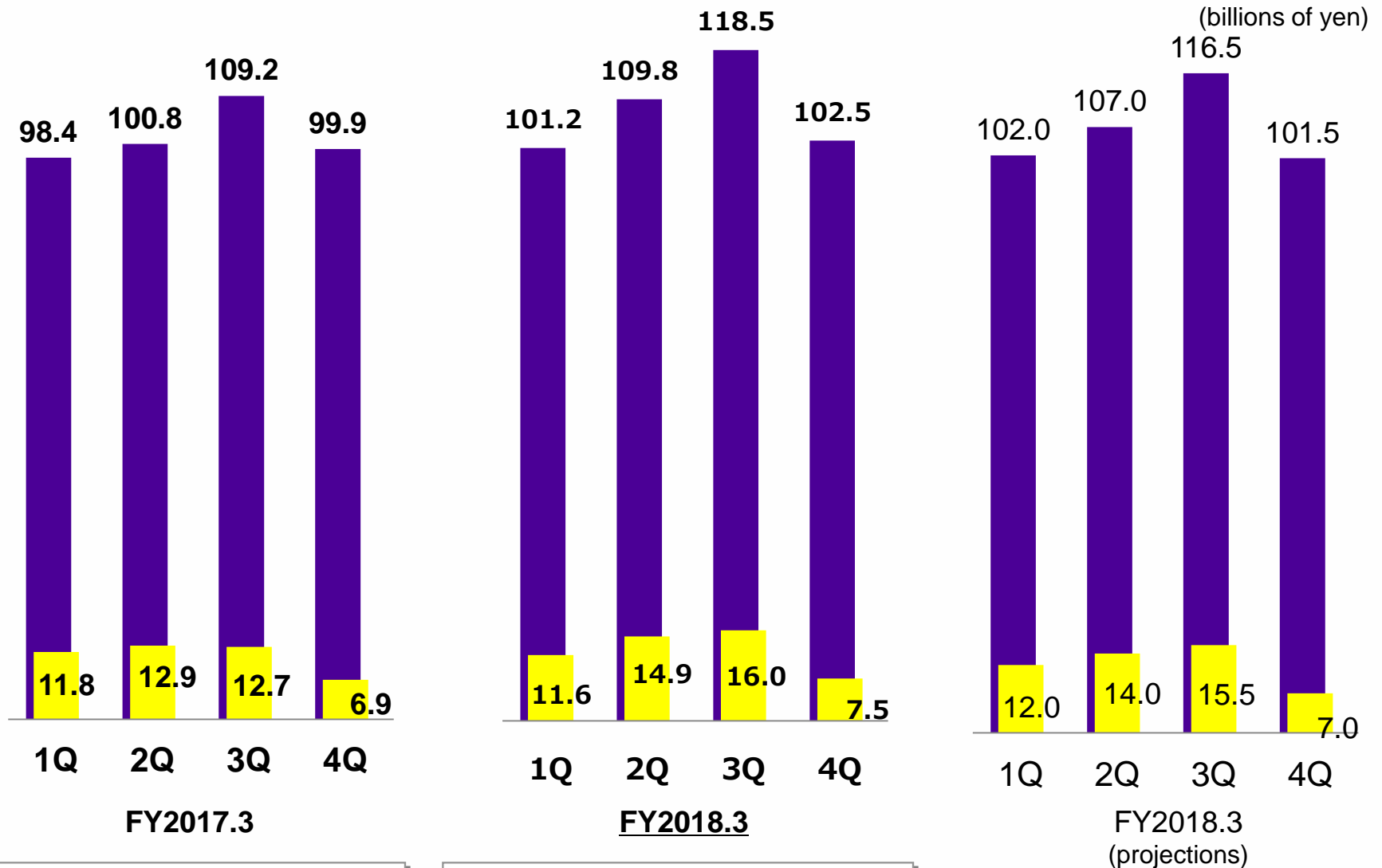
(Billions of yen)

	FY2017.3 full year	FY2018.3 full year projections	FY2018.3 full year previous projections
Non-Operating Income/Loss			
Net financial income	3.5	3.3	3.1
Other	-2.9	-3.3	-3.1
Total	0.6	0	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	3.5	-0.2	-0.1
Others	-5.5	0.2	0.1
Total	-2.0	0	0
Income Taxes and Other Expenses			
Income taxes -current	8.7	12.1	12.0
Income taxes -deferred	-12.7	-1.1	-2.4
Net income attributable to non-controlling interests	0.2	0	0
Total	-3.8	11.0	9.5

-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

* Previous projections were announced on May 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) 427.0
Operating Income (Full Year) 48.5

* Previous projections were announced on May 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.