

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

**November 2, 2017**



# Overview of Performance in the First Half (1H) of 2018.3



## Results Summary

- **Sales increased by ¥10.6 billion year-on-year, partly due to the impact of exchange rates (+¥8.0 billion). Operating income was ¥0.7 billion lower comparing to the same period of the previous year, also partly due to the impact of exchange rates (-¥1.3 billion).**
  - **Musical instrument sales rose from the same period of the previous year, but income declined. Sales decreased from the previous year in developed markets, but double-digit growth continued in China, and Other Regions showed a trend toward recovery. Operating income declined due to the impact of exchange rates and several temporary factors.**
  - **Audio equipment sales and income both rose year-on-year. AV and ICT product sales were robust, and professional audio equipment sold briskly in China and emerging markets.**
  - **In the others segment, strong sales of electronic devices and factory automation equipment drove an increase in sales and income.**
- **Musical instrument sales were ¥1.2 billion below previous projections. Operating income was also ¥2.6 billion lower than previous projections, due to reduced income and the product mix in the musical instrument business.**
- **1H net income declined year-on-year, due to the impact of recording deferred tax assets of ¥13.6 billion in the first half of the previous year.**

# Performance in the 1H of FY2018.3



(Billions of yen)

	FY2017.3 1H results	FY2018.3 1H results	Changes from same period of the previous year	FY2018.3 1H previous projections	Changes from the previous projection
<b>Net Sales</b>	<b>199.2</b>	<b>209.8</b>	<b>+5.3%</b>	211.0	-0.6%
<b>Operating Income</b> (Operating Income Ratio)	<b>24.6</b> (12.4%)	<b>23.9</b> (11.4%)	<b>-2.9%</b>	26.5 (12.6%)	-9.7%
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>24.5</b> (12.3%)	<b>24.7</b> (11.8%)	<b>+1.0%</b>	26.5 (12.6%)	-6.7%
<b>Net Income*</b> (Net Income Ratio)	<b>27.2</b> (13.7%)	<b>19.6</b> (9.4%)	<b>-27.8%</b>	21.5 (10.2%)	-8.7%

## Exchange Rate (yen)

<b>Net Sales</b> (average rate during the period)	US\$	105	111	111
	EUR	118	126	124
<b>Operating Income</b> (settlement rate)	US\$	107	111	111
	EUR	123	122	122

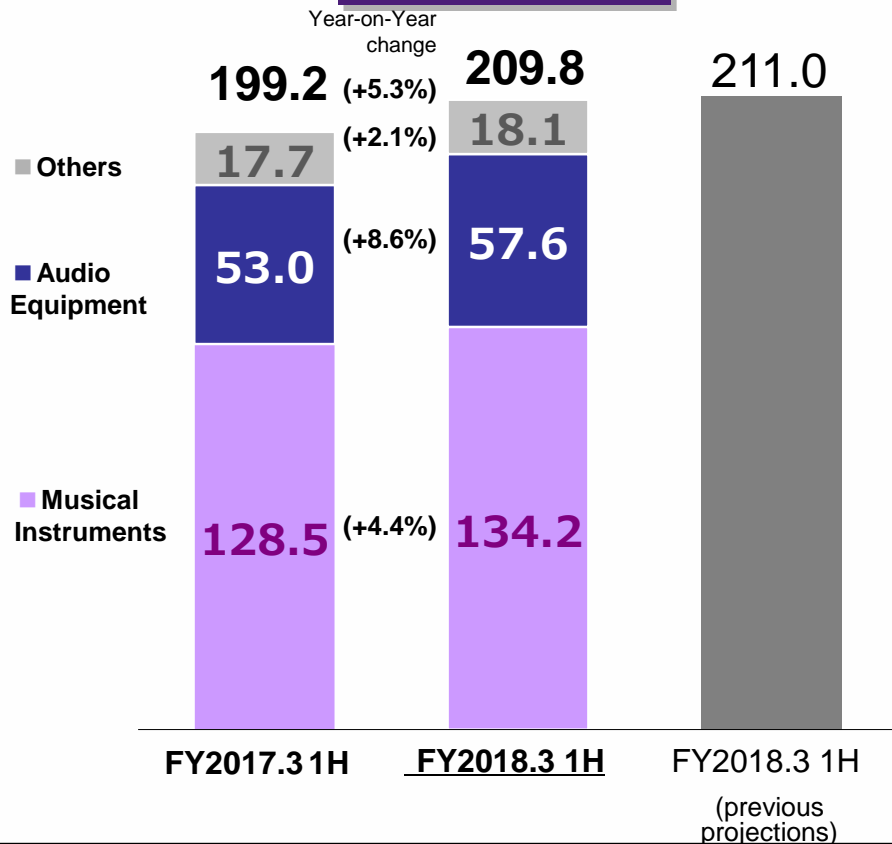
\*Net income is presented as net income attributable to owners of parent (quarterly or full year) on the consolidate financial statements

\*\*Previous projections were announced on August 1, 2017

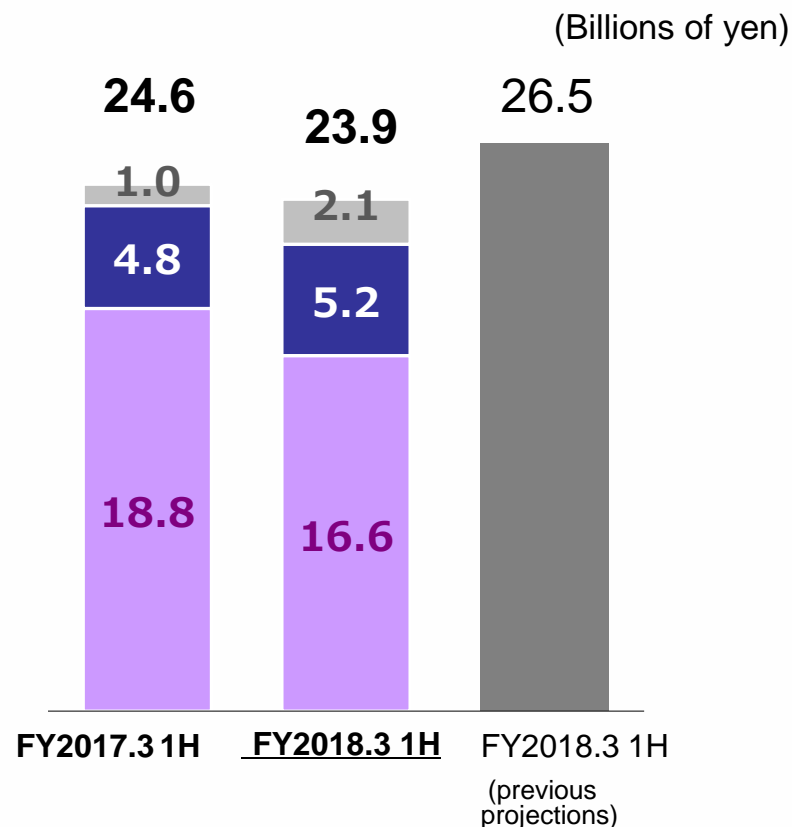
# Performance by Business Segment in the 1H of FY2018.3



## Net Sales



## Operating Income



### Impact of Exchange Rates (billions of yen)

<b>Year-on-Year</b>	<b>+8.0</b>	Musical Instruments	+5.2
		Audio Equipment	+2.7
		Others	+0.1
<b>Versus previous projections</b>	<b>+2.2</b>	Musical Instruments	+1.4
		Audio Equipment	+0.8

### Impact of Exchange Rates (billions of yen)

<b>Year-on-Year</b>	<b>-1.3</b>	Musical Instruments	-1.1
		Audio Equipment	-0.2
<b>Versus previous projections</b>	<b>-0.2</b>	Musical Instruments	-0.2

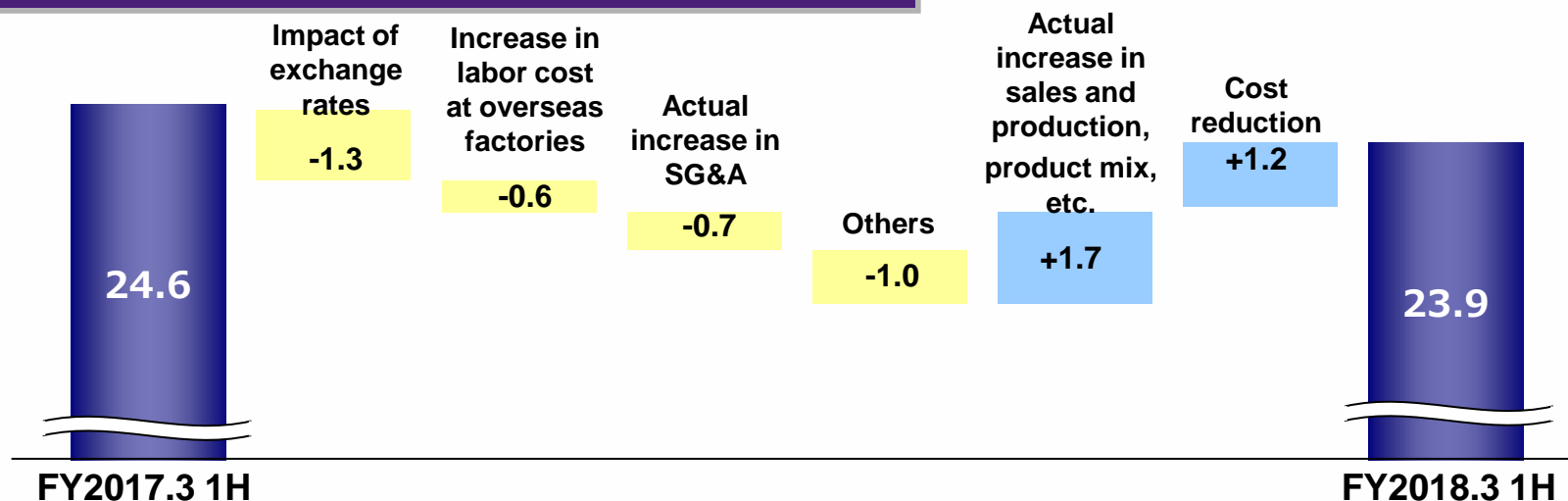
\* Previous projections were announced on August 1, 2017

# FY2018.3 1H Operating Income Analysis

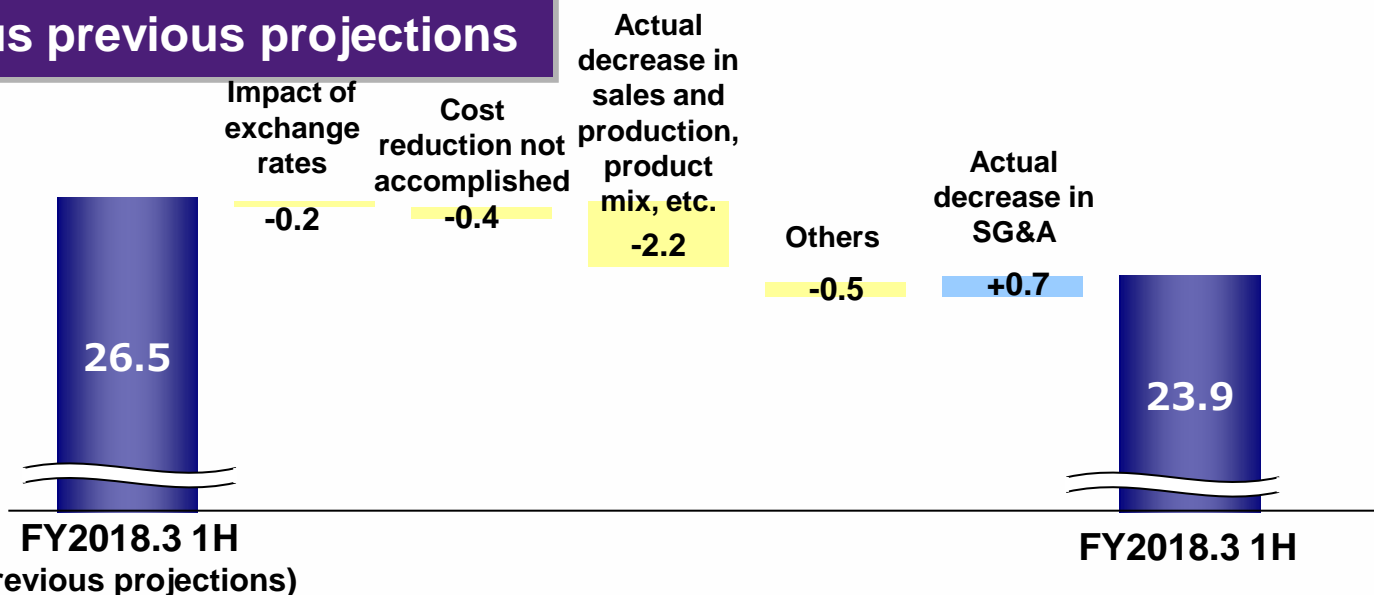


(Billions of yen)

## Versus same period of the previous year



## Versus previous projections



\*Previous projections were announced on August 1, 2017

# Musical Instruments: 1H Overview



(Billions of yen)

1H

■ Net Sales

■ Operating Income

128.5

134.2

Music schools, etc.

26.3

26.0

Yamaha musical instruments

102.2

108.1

18.8

16.6

FY2017.3 1H

FY2018.3 1H

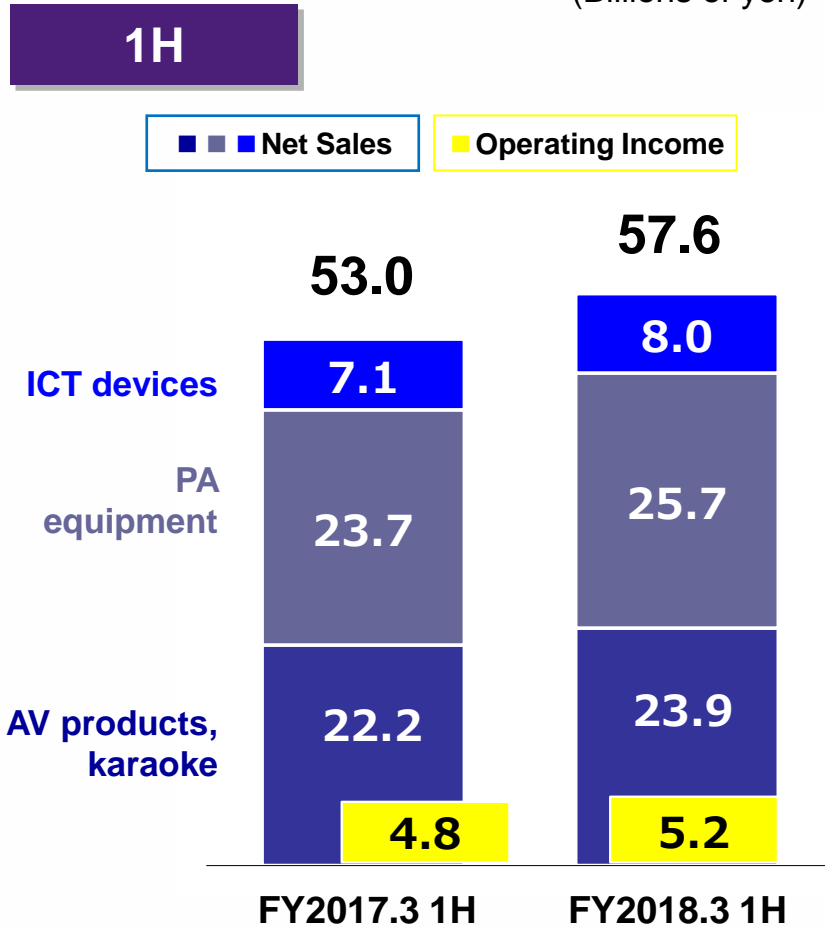
## 1H Overview

- Sales increased year-on-year, but income declined
- Pianos, digital pianos, and guitars showed strong sales
- New digital piano models were launched in all regions, and sold especially well in China and emerging markets
- Although sell-out proceeded smoothly and reduced inventories of dealers in North America, sell-in was affected by temporary issues at major dealers
- Sell-in in the European market faced temporary headwinds due to the impact of adjustments in terms of trade conditions combined with the timing of transition to new key product models
- China maintained the sales strength achieved in 1Q, and most categories achieved double-digit year-on-year growth
- In Other Regions, full-scale launch of new digital piano models and guitar sales drove strong results
- Operating income declined, partly due to lower sales in the European and North American markets combined with the product mix and other temporary factors

# Audio Equipment: 1H Overview



(Billions of yen)



**1H Overview**

- Sales and income rose year-on-year
- In the AV product segment, sound bars and network audio products sold briskly. Most regions recorded strong sales, with results improving year-on-year.
- Professional audio equipment sales grew by double digits in emerging markets and China, and commercial audio equipment drove strong sales in the European market
- ICT device sales were also robust, spurred by growth in network and communication devices

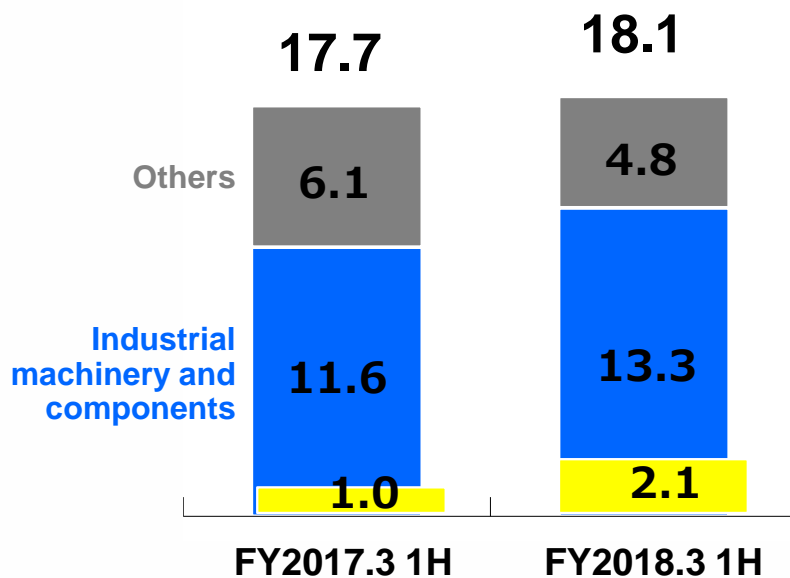
# Others: 1H Overview

(Billions of yen)

1H

■ Net Sales

■ Operating Income



## 1H Overview

- Sales and income were up year-on-year.
- In the industrial machinery and components category, sales were solid for factory automation equipment, as well as electronic devices including sound generators for amusement equipment and on-board screens for vehicles
- For others, golf showed strong results  
(Note: the previous year's results for the others category included ¥1.5 billion in operating revenue for transferred resorts)



## Outlook for 2H

- **The musical instrument segment suffered a downturn in 1H, but is expected to rebound in 2H.**
  - **Musical instruments: results are expected to rally, especially in the European and North American markets, due to the positive effects of new digital instrument products. Ongoing dynamism is anticipated in China and emerging markets.**
  - **Audio equipment: AV and communication devices are forecast to retain the strength shown in 1H, and professional audio equipment sales are expected to rebound in the North American market.**
  - **Others: automobile interior wood components and factory automation equipment sales are projected to grow.**
  - **The US dollar and Euro exchange rate forecasts remain unchanged for 2H, at US\$1=¥110, and EUR1=¥125.**

## Full Year Outlook

- **Previous projections for sales, operating income, ordinary income, and net income remain unchanged.**

# 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
<b>Net Sales</b>	<b>408.2</b>	<b>432.0</b>	<b>+5.8%</b>	432.0	-
<b>Operating Income</b> (Operating Income Ratio)	<b>44.3</b> (10.9%)	<b>50.0</b> (11.6%)	<b>+12.9%</b>	50.0 (11.6%)	-
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>44.9</b> (11.0%)	<b>50.0</b> (11.6%)	<b>+11.3%</b>	50.0 (11.6%)	-
<b>Net Income*</b> (Net Income Ratio)	<b>46.7</b> (11.4%)	<b>39.0</b> (9.0%)	<b>-16.5%</b>	39.0 (9.0%)	-

## Exchange Rate (yen)

<b>Net Sales</b> (average rate during the period)	US\$	108	111	110
	EUR	119	126	124
<b>Operating Income</b> (settlement rate)	US\$	108	111	110
	EUR	121	126	123

\* 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 1, 2017

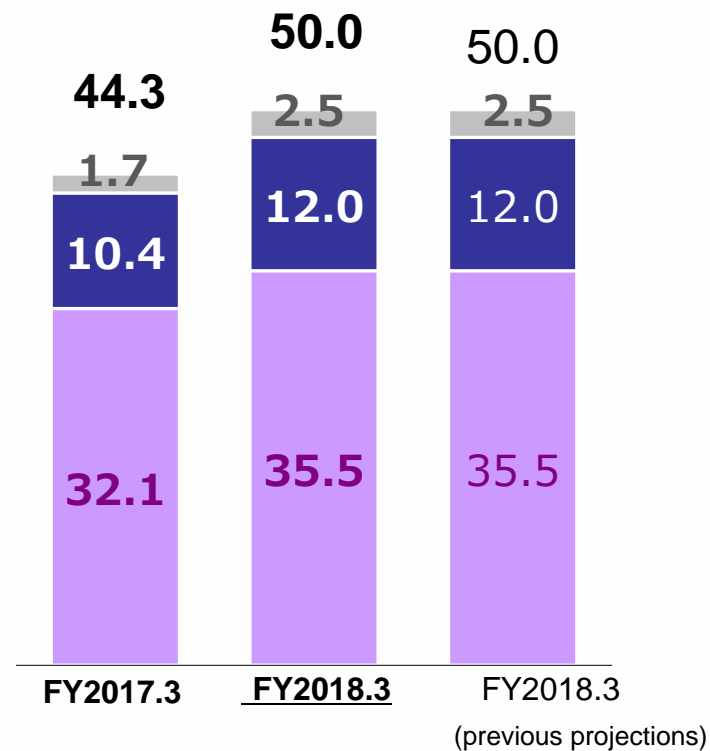
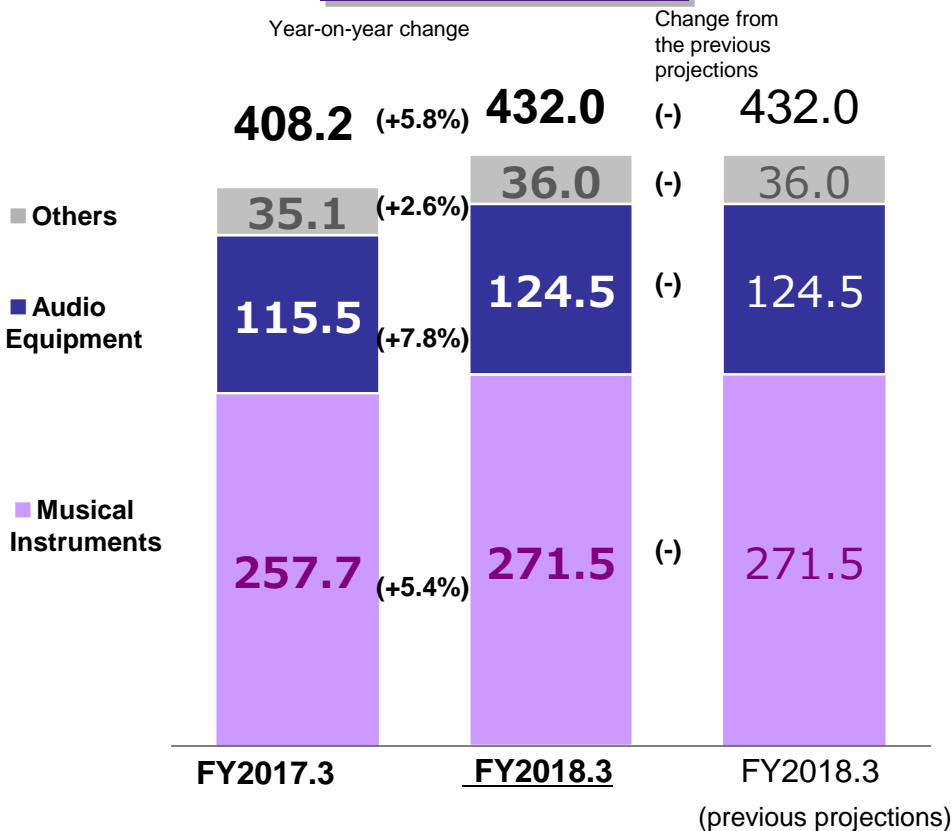
# FY2018.3 Full Year Forecast for Performance by Business Segment



## Net Sales

## Operating Income

(Billions of yen)



Impact of Exchange Rates		(billions of yen)	
Year-on-Year	<b>+9.7</b>	Musical Instruments	+6.3
		Audio Equipment	+3.3
		Others	+0.1
Versus previous projections	<b>+2.9</b>	Musical Instruments	+1.9
		Audio Equipment	+1.0

Impact of Exchange Rates		(billions of yen)	
Year-on-Year	<b>+3.0</b>	Musical Instruments	+1.8
		Audio Equipment	+1.2
Versus previous projections	<b>+1.7</b>	Musical Instruments	+1.0
		Audio Equipment	+0.7

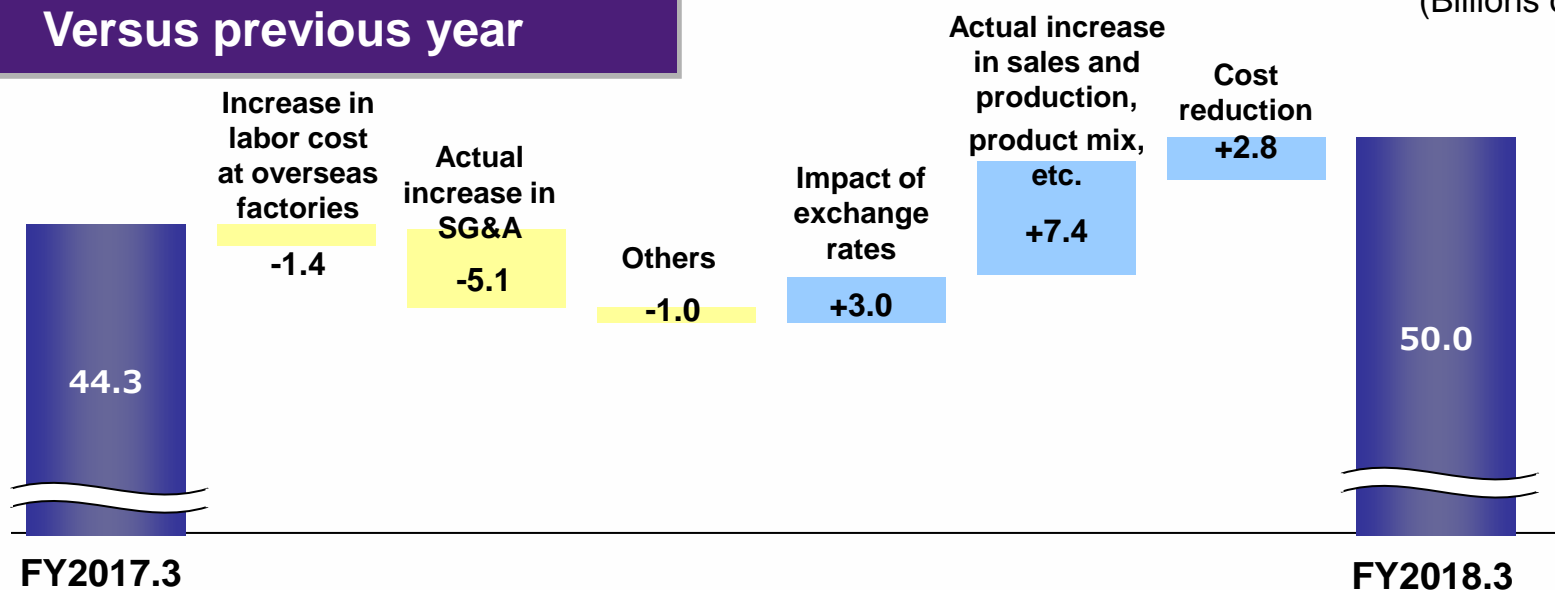
\* Previous projections were announced on August 1, 2017

# FY2018.3 Full Year Operating Income Analysis

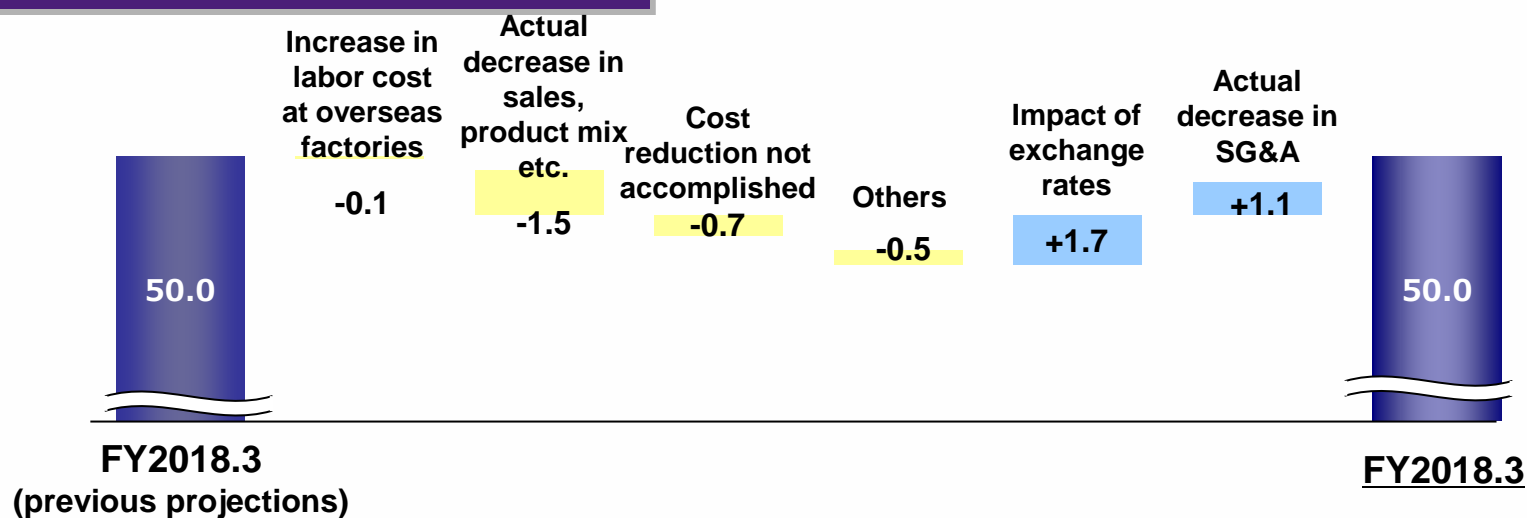


(Billions of yen)

## Versus previous year



## Versus previous projections



\*Previous projections were announced on August 1, 2017

# Musical Instruments: Full Year Projections

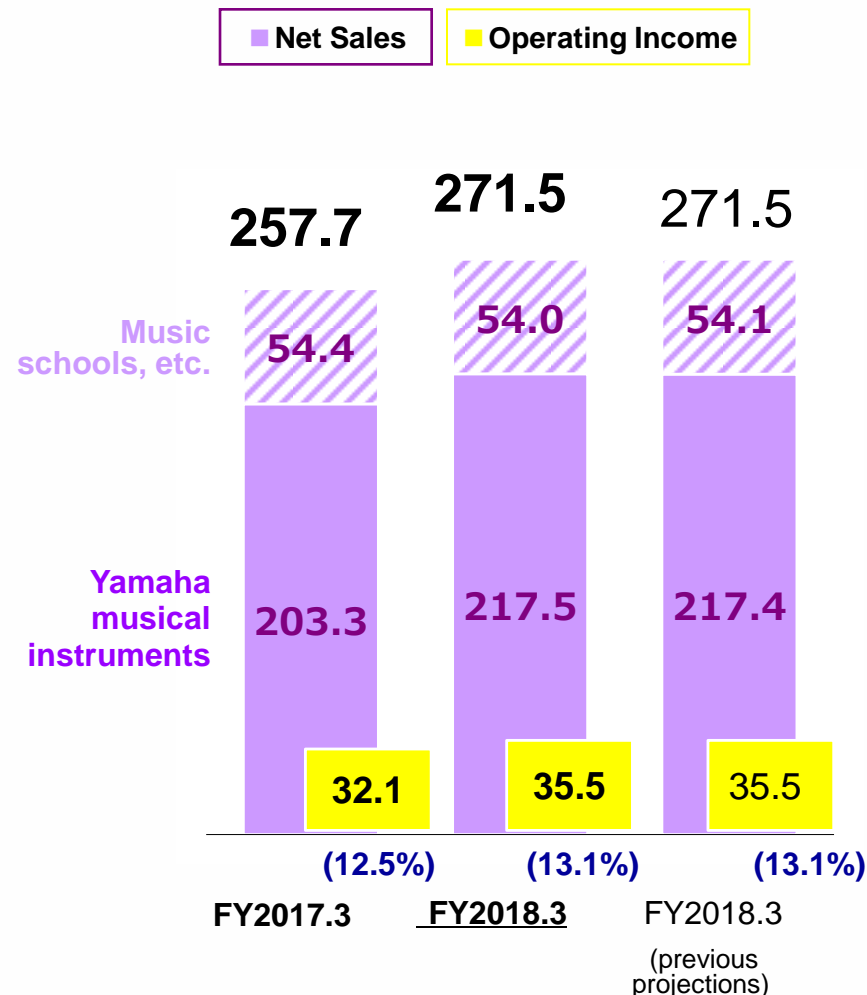


## Full Year

(Billions of yen)

### Full Year Projections

- Previous projections remain unchanged
- A rebound in sales is anticipated as new digital instrument product launches scheduled for 2H restore vigor to the European and North American markets. The Chinese market is expected to remain robust.
- Operating income is projected to benefit from the effects of higher actual sales, improved product mix, and cost reductions



\* Previous projections were announced on August 1, 2017

\*Figures in parentheses show operating income ratio

Expand customer needs by introducing new products with innovative technologies



Digital Piano-Clavinova  
**CLP-600 series**



New Clavinova series introducing newly developed GrandTouch keys, enabling more responsive touch and a greater dynamic range



Casual Wind Instruments  
**Venova**

A unique instrument with a compact body and authentic sound achieved through innovative technologies



Digital Piano-Clavinova  
**CSP series**



Clavinova series introducing the world's first "Audio to Score" function, that automatically creates a piano accompaniment score from various audio data



Digital Workstation  
**Genos**

The new flagship Digital Workstation with the latest features having great global demand especially in Europe

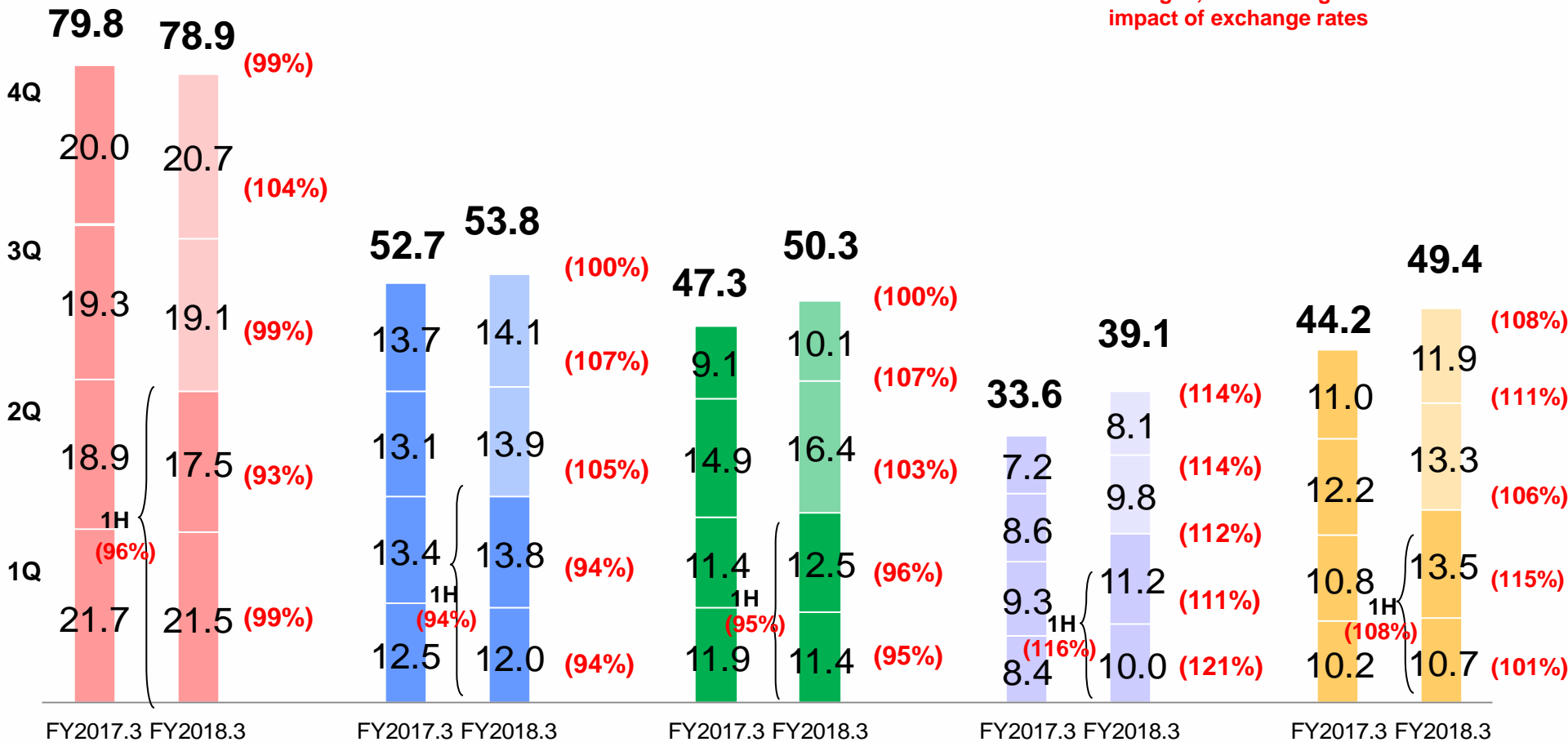
# Musical Instruments: Sales by Region

(including software products and music schools)



**Net Sales for All Regions** Full year forecast: **¥271.5 billion (103%)** (Billions of yen)

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



FY2017.3 FY2018.3

FY2017.3 FY2018.3

FY2017.3 FY2018.3

FY2017.3 FY2018.3

FY2017.3 FY2018.3

Japan

North America

Europe

China

Other Regions

# Audio Equipment: Full Year Projections

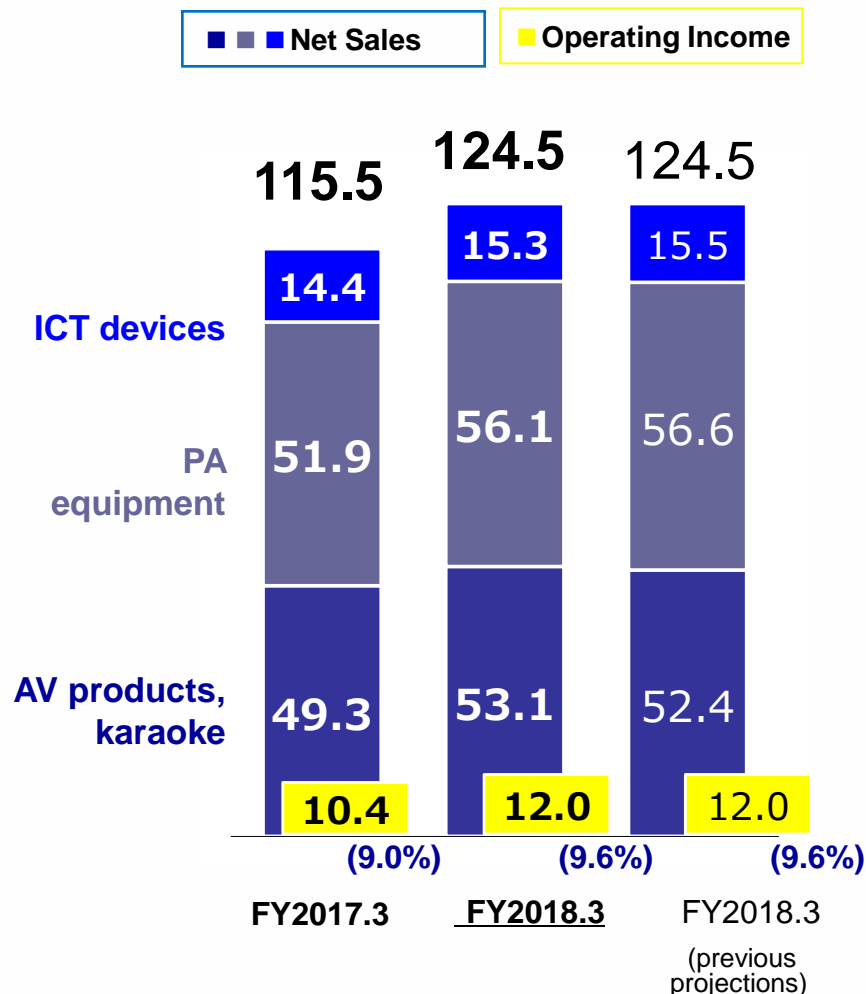


## Full Year

(Billions of yen)

### Full Year Projections

- Previous projections remain unchanged
- AV product sales are expected to remain brisk for sound bars and net-work audio products, and higher sales are anticipated via mass-market channels in North America
- Professional audio equipment sales are forecast to retain their strength, driven by commercial audio products in North America and emerging markets, together with sales of audio equipment through musical instrument stores in emerging markets
- ICT device sales are also projected to remain robust, partly due to the launch of new communication device products



\* Previous projections were announced on August 1, 2017

\*Figures in parentheses show operating income ratio



Drive consumer demand by introducing the latest digital audio and network technologies



Development of products compatible with voice recognition function using AI (MusicCast products)

\*Available within 2017 in areas where Amazon's Alexa is already introduced.



Expansion of MusicCast Products displays with new products (Hamburg, Germany)



Digital Mixing System RIVAGE PM10

A new generation of PM consoles used for large-scale live concerts, that continues to evolve as new software and hardware are rolled out



Video sound collaboration system CS-700

An all-in-one collaboration system to equip huddle rooms with best in class audio, video, and screen sharing capability

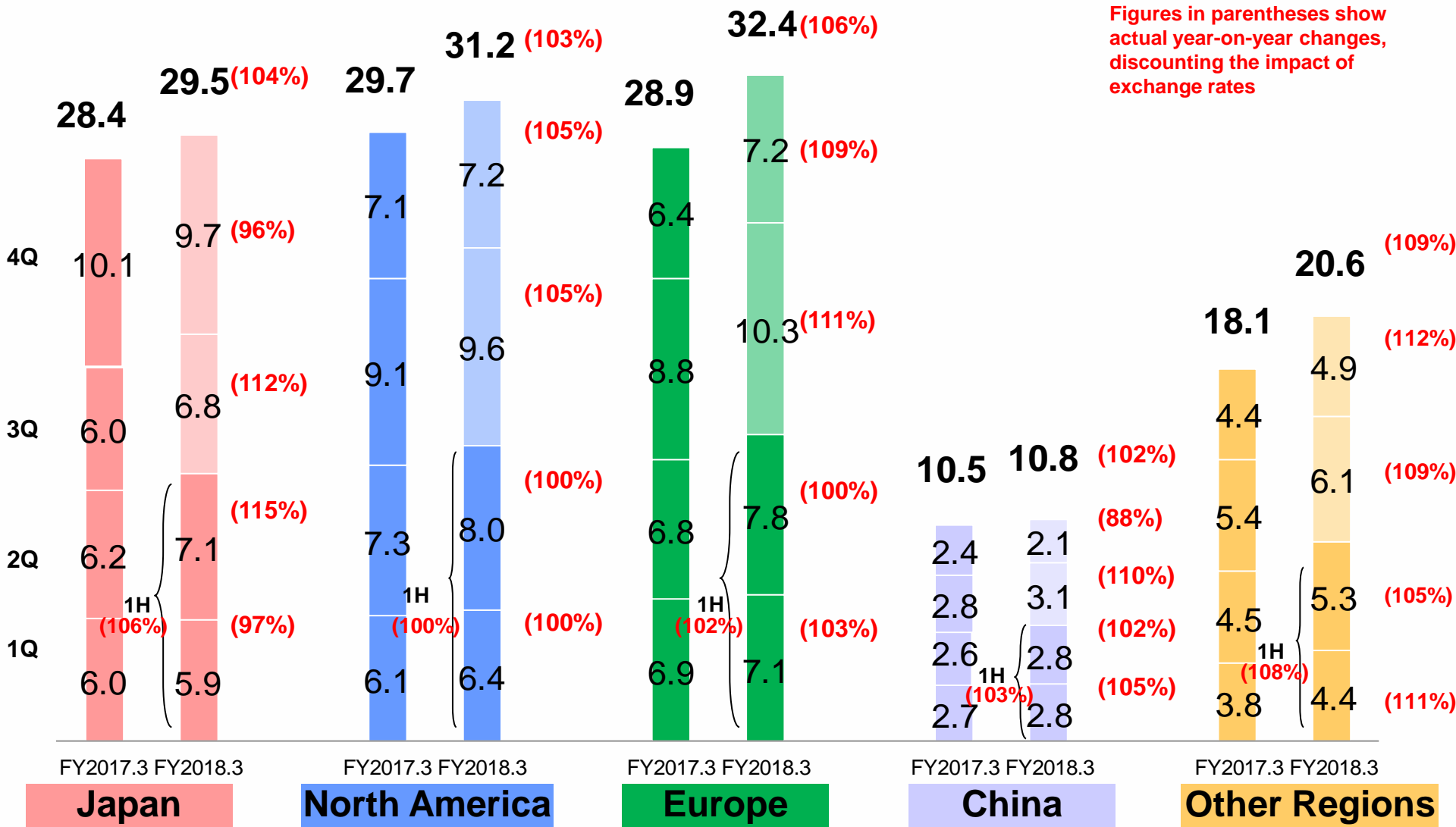
# Audio Equipment: Sales by Region



**Net Sales for All Regions Full year forecast: ¥124.5 billion (105%)**

(Billions of yen)

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

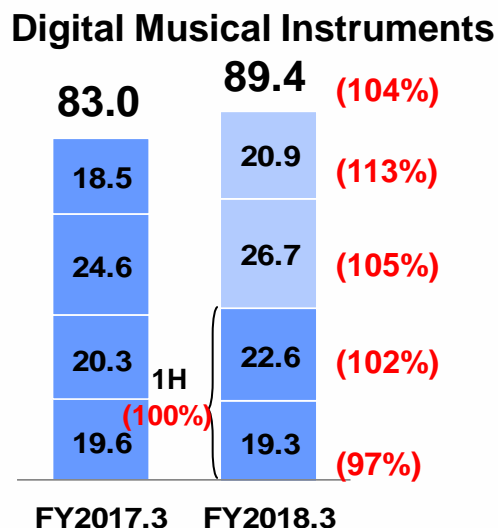
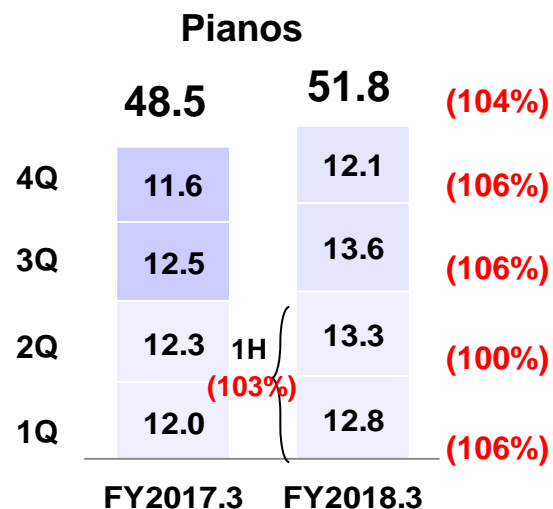


# Musical Instruments/Audio Equipment: Sales by Major Product Category

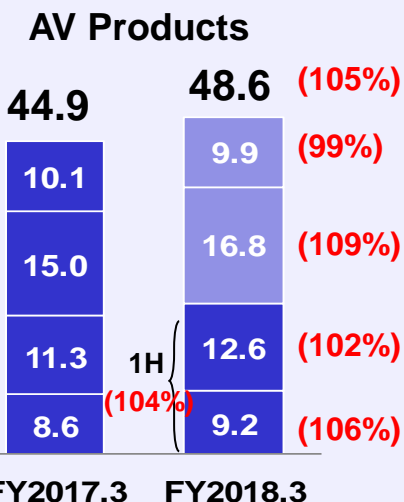


(Billions of yen)

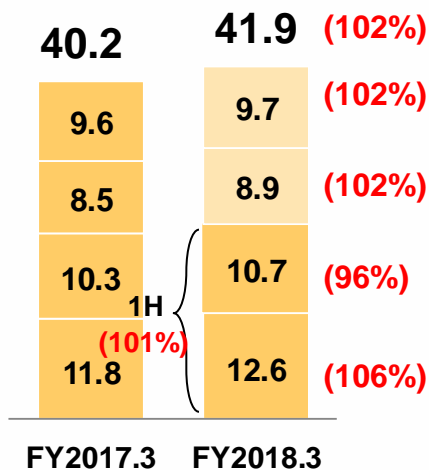
## Musical Instruments



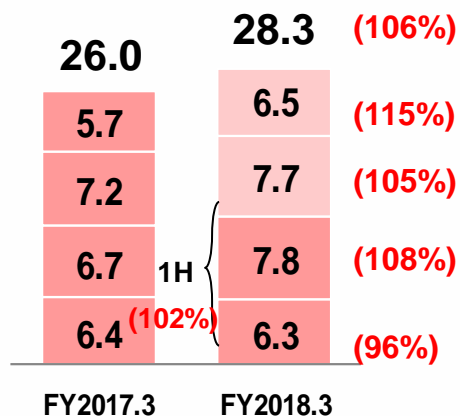
## Audio Equipment



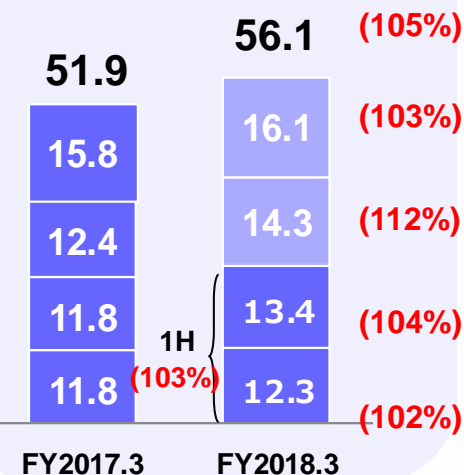
## Wind Instruments



## String and Percussion Instruments



## PA Equipment



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

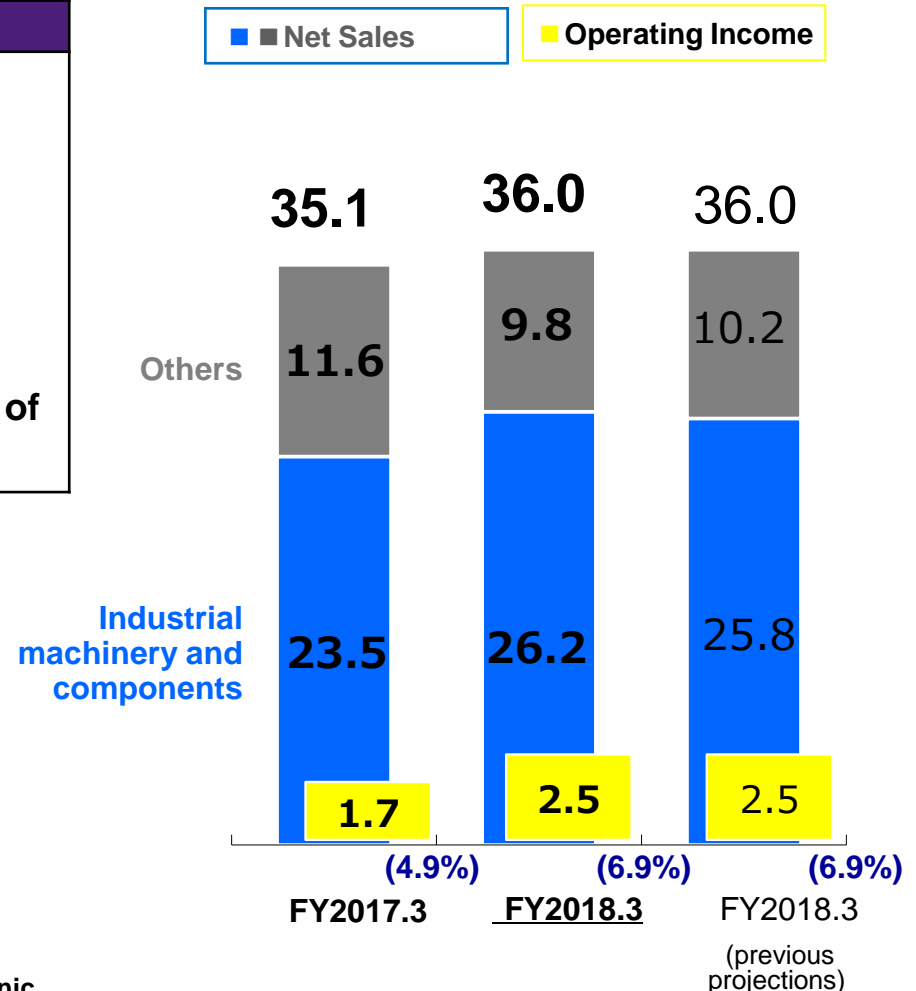
# Others: Full Year Projections

Full Year

(Billions of yen)

## Full Year Projections

- Previous projections remain unchanged
- In the industrial machinery and components category, factory automation equipment sales are expected to benefit from new smartphone models, and automobile interior wood components from strong demand for new car models
- New products are forecast to drive brisk sales of golf products



\* Previous projections were announced on August 1, 2017

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

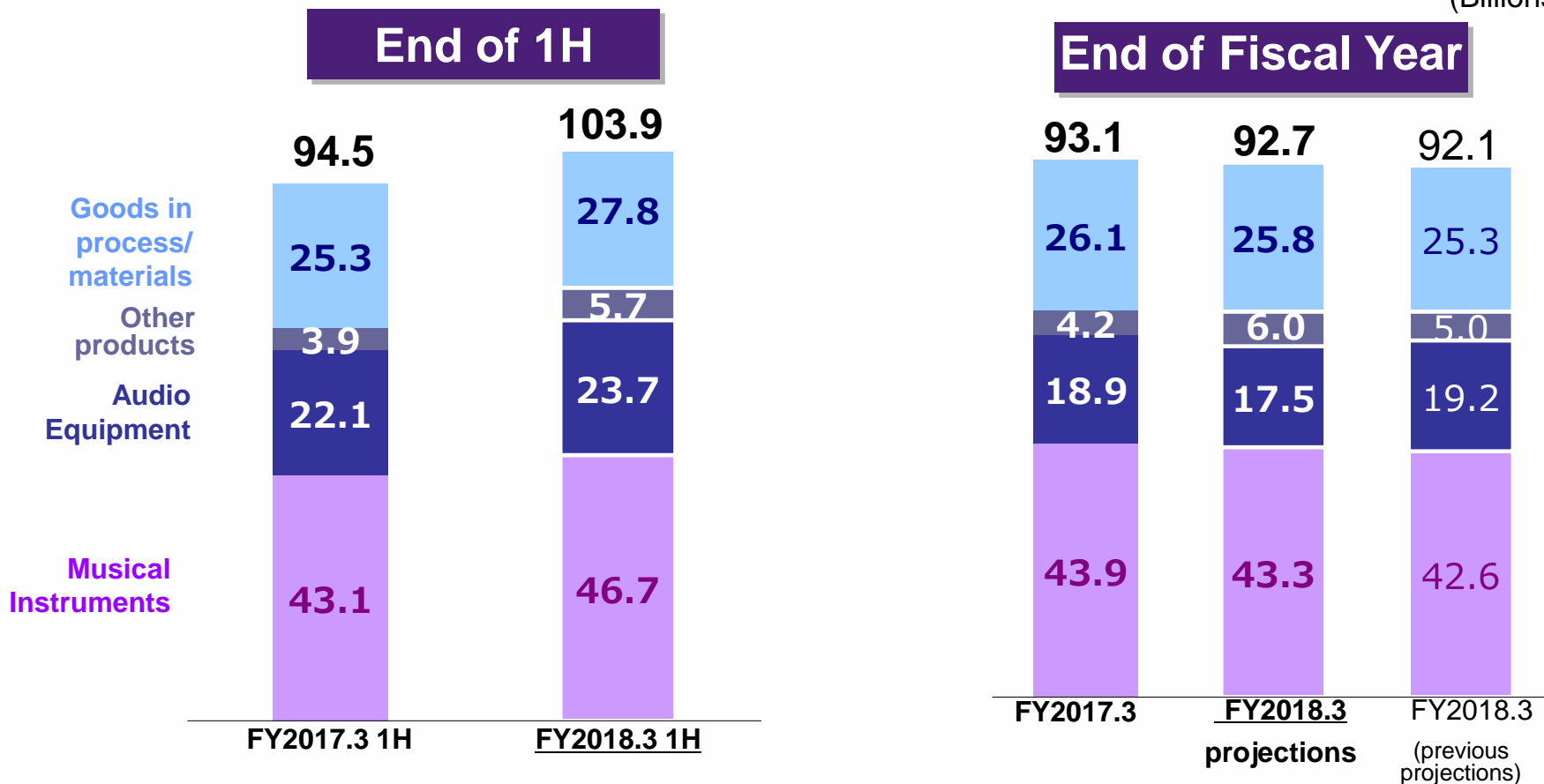
\*Figures in parentheses show operating income ratio

# Inventories



- Inventories at the end of 1H were ¥103.9 billion. Discounting the exchange rate impact of +¥9.9 billion, this was around the same level as the same period of the previous year.
- Inventories at the end of fiscal 2018 are forecast to be ¥92.7 billion.

(Billions of yen)



Impact of Exchange Rates	(billions of yen)
Year-on-Year	+9.9

Impact of Exchange Rates	(billions of yen)
Year-on-Year	0
Versus previous projections	+0.2

\* Previous projections were announced on August 1, 2017

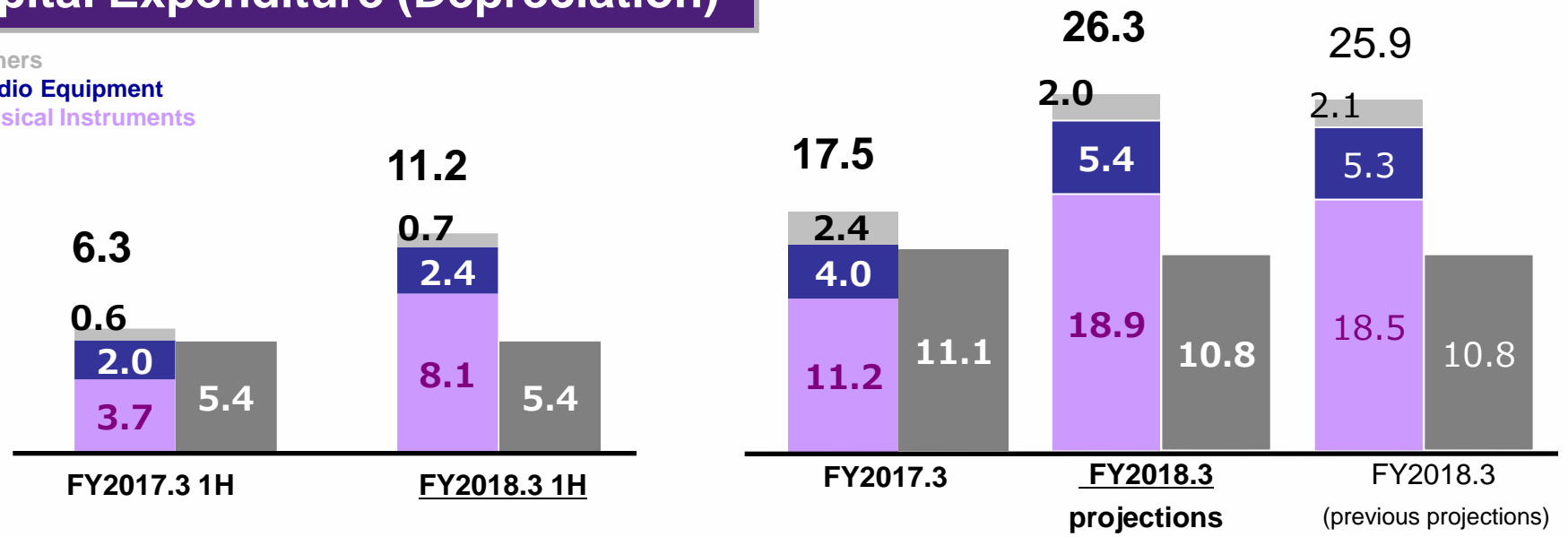
# Capital Expenditure/Depreciation/ R&D Expenses



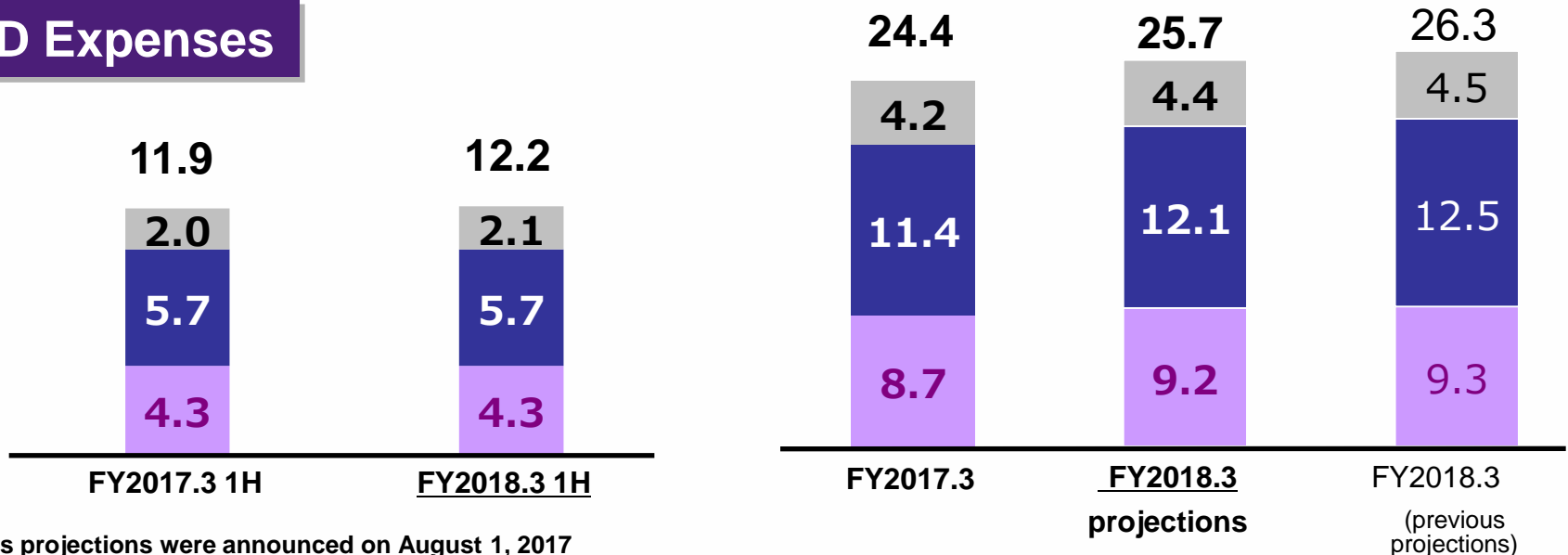
## Capital Expenditure (Depreciation)

(Billions of yen)

- Others
- Audio Equipment
- Musical Instruments



## R&D Expenses



\* Previous projections were announced on August 1, 2017

# Balance Sheet Summary



(Billions of yen)

	As of end of 1H			As of end of fiscal year end		
	As of Sept 30, 2016	As of Sept 30, 2017	Change	As of Mar. 31, 2017	As of Mar. 31, 2018 projections	Change
Cash and deposits	94.4	115.3	+20.9	105.9	119.0	+13.1
Notes and accounts receivable	53.0	60.2	+7.2	49.8	51.0	+1.2
Inventories	94.5	103.9	+9.4	93.1	92.7	-0.4
Other current assets	22.6	29.1	+6.5	23.9	27.4	+3.5
Fixed assets	214.4	2.87.4	+73.0	249.7	297.4	+47.7
<b>Total assets</b>	<b>478.9</b>	<b>595.9</b>	<b>+117.0</b>	<b>522.4</b>	<b>587.5</b>	<b>+65.1</b>
Notes and accounts payable	17.0	20.0	+3.0	17.8	17.6	-0.2
Short- and long-term loans	24.4	27.6	+3.2	11.2	10.7	-0.5
Other liabilities	121.5	138.1	+16.6	126.0	140.7	+14.7
Total net assets	316.0	410.2	+94.2	367.4	418.5	+51.1
<b>Total liabilities and net assets</b>	<b>478.9</b>	<b>595.9</b>	<b>+117.0</b>	<b>522.4</b>	<b>587.5</b>	<b>+65.1</b>

# Appendix



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



(Billions of yen)

	FY2017.3 2Q results	FY2018.3 2Q results	Changes from same period of the previous year	FY2018.3 2Q previous projections	Changes from the previous projection
<b>Net Sales</b>	<b>100.8</b>	<b>108.6</b>	<b>+7.7%</b>	109.8	-1.1%
<b>Operating Income</b> (Operating Income Ratio)	<b>12.9</b> (12.8%)	<b>12.4</b> (11.4%)	<b>-4.0%</b>	14.9 (13.6%)	-17.1%
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>13.0</b> (12.9%)	<b>13.5</b> (12.4%)	<b>+3.7%</b>	15.3 (13.9%)	-11.7%
<b>Net Income*</b> (Net Income Ratio)	<b>4.7</b> (4.7%)	<b>10.3</b> (9.5%)	<b>+118.0%</b>	12.2 (11.1%)	-15.5%

## Exchange Rate (yen)

<b>Net Sales</b> (average rate during the period)	US\$	102	111	110
	EUR	114	130	125
<b>Operating Income</b> (settlement rate)	US\$	104	111	110
	EUR	121	123	123

\* 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 1, 2017

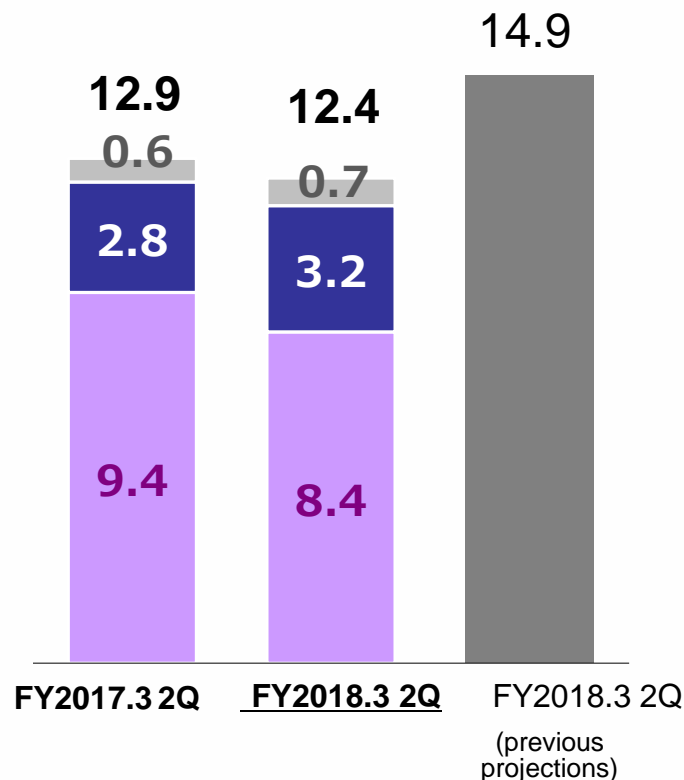
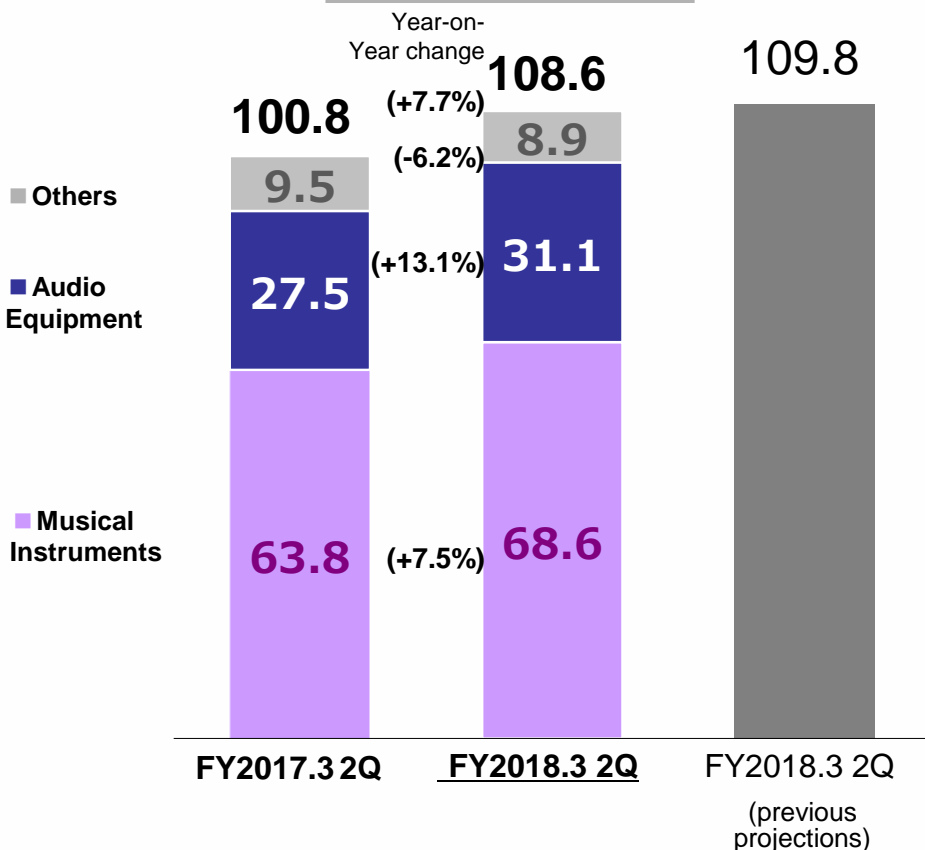
# Performance by Business Segment in the Second Quarter of FY2018.3 (Three Months)



## Net Sales

## Operating Income

(Billions of yen)



### Impact of Exchange Rates (billions of yen)

	Year-on-Year	Versus previous projections
Musical Instruments	+4.7	+1.4
Audio Equipment	+2.3	+0.8
Others	+0.1	
<b>Total</b>	<b>+7.1</b>	<b>+2.2</b>

### Impact of Exchange Rates (billions of yen)

	Year-on-Year	Versus previous projections
Musical Instruments	+0.3	-0.2
Audio Equipment	+0.2	
<b>Total</b>	<b>+0.5</b>	<b>-0.2</b>

\* Previous projections were announced on August 1, 2017

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



(Billions of yen)	FY2017.3 1H	FY2018.3 1H	FY2018.3 1H previous projections
<b>Non-Operating Income/Loss</b>			
Net financial income	1.8	2.1	1.8
Other	-2.0	-1.3	-1.8
<b>Total</b>	<b>-0.2</b>	<b>0.8</b>	0
<b>Extraordinary Income/Loss</b>			
Income from (loss on) disposal of fixed assets	0.1	-0.1	-0.1
Others	-5.3	-0.3	0.1
<div style="border: 1px solid black; padding: 2px; display: inline-block;">                     -Restructuring of resort business -¥4.9                      -Impairment loss -¥0.4                 </div>			
<b>Total</b>	<b>-5.2</b>	<b>-0.4</b>	0
<b>Income Taxes and Other Expenses</b>			
Income taxes -current	5.6	7.4	7.2
Income taxes -deferred	-13.6	-2.8	-2.3
Net income attributable to non-controlling interests	0.1	0	0.1
<b>Total</b>	<b>-7.9</b>	<b>4.6</b>	5.0

\*Previous projections were announced on August 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
<b>Non-Operating Income/Loss</b>			
Net financial income	3.5	3.9	3.3
Other	-2.9	-3.9	-3.3
<b>Total</b>	<b>0.6</b>	<b>0</b>	<b>0</b>
<b>Extraordinary Income/Loss</b>			
Income from (loss on) disposal of fixed assets	3.5	-0.2	-0.2
Others	-5.5	0.2	0.2
<b>Total</b>	<b>-2.0</b>	<b>0</b>	<b>0</b>
<b>Income Taxes and Other Expenses</b>			
Income taxes -current	8.7	13.0	12.1
Income taxes -deferred	-12.7	-2.0	-1.1
Net income attributable to non-controlling interests	0.2	0.1	0
<b>Total</b>	<b>-3.8</b>	<b>11.0</b>	<b>11.0</b>

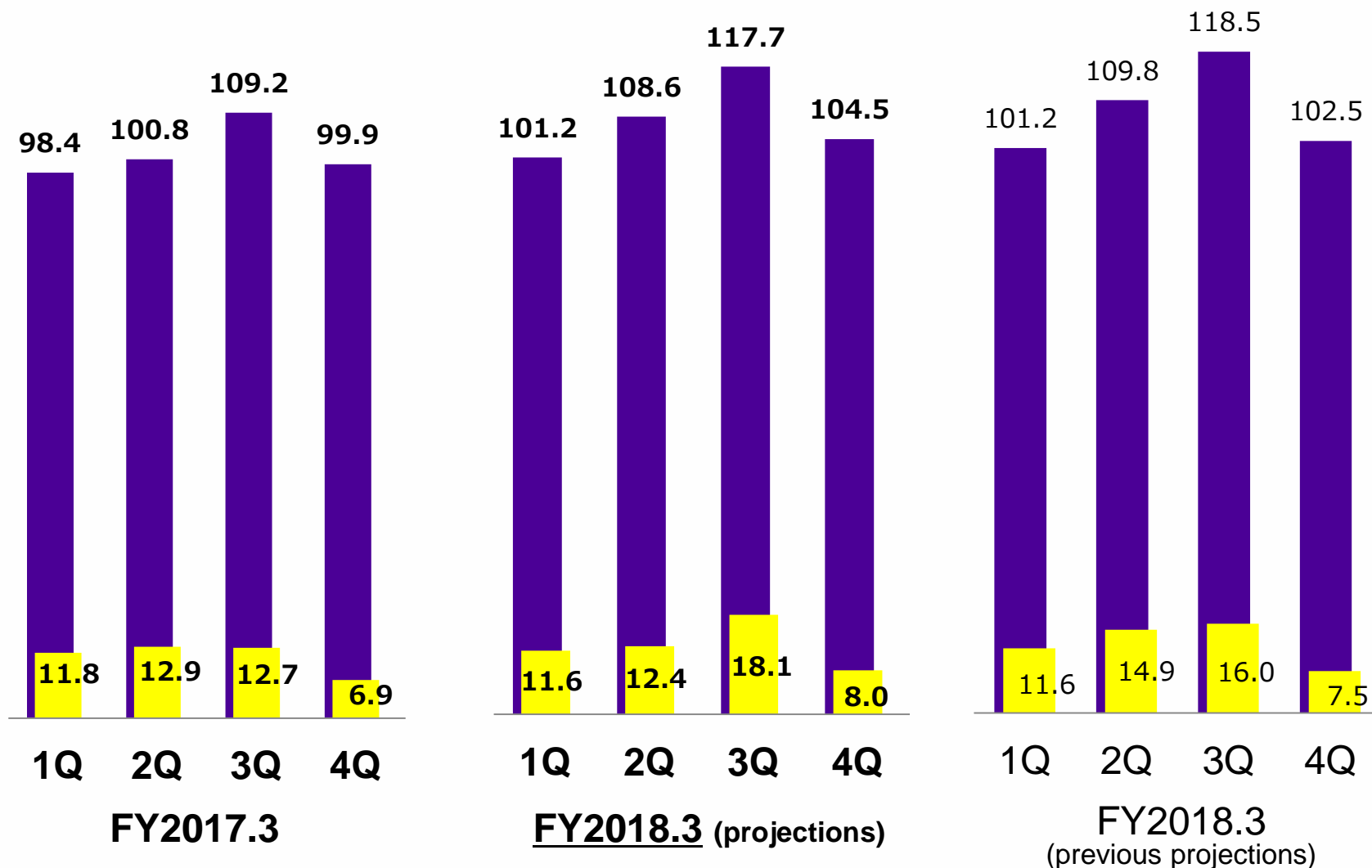
-Structural reform expenses -¥3.0  
 -Impairment loss -¥0.6  
 -Transfer of defined contribution pension plan for retirement benefits -¥0.9  
 -Immediate amortization of goodwill of Revolabs -¥1.5

\*Previous projections were announced on August 1, 2017

# Quarterly Sales and Income



(Billions of yen)



Net Sales	408.2
Operating Income	44.3

Net Sales	432.0
Operating Income	50.0

Net Sales	432.0
Operating Income	50.0

\*Previous projections were announced on August 1, 2017

## Yamaha SX Series Grand Pianos

Launched  
October  
2017

Premium pianos for high-end users such as lead pianists and performers  
- Heir to the tradition of technical excellence established by the CFX Concert Grand -

By combining traditional and innovative technologies, the SX series offers high-grade grand pianos with powerful resonance and a richness of expressive tones that belie their size.

The greatest innovations are A.R.E.-treated\* wooden rims and newly designed hammers. Numerous innovations meld with traditional craftsmanship to expand the tonal palette for added warmth and depth of sound.

This series is designed for high-end users such as lead pianists and performers, and for use in small concert halls, salons, and music conservatories.

\*Acoustic Resonance Enhancement (A.R.E.) is an original wood reforming technology developed by Yamaha to imbue wood with the acoustic properties of a beloved vintage instrument.



Yamaha Grand Piano S3X



Yamaha Grand Piano S6X

## Yamaha Clavinova CLP-600 Series Digital Piano

Launched  
May 2017

First model upgrade in three years for the CLP Series, a key digital piano product

- Featuring new GrandTouch keyboard, the first major upgrade to the key action mechanism in 20 years -

The Clavinova CLP Series harnesses Yamaha's innate sense for piano-making and its technologies to create digital pianos with the feel and touch of a grand piano.

To equip players with a broad range of expression through touch and tone that is true to their imaginations, the key action mechanism, which has a major impact on instrument feel, has been upgraded for the first time in 20 years.

The newly developed GrandTouch keyboard not only enables a wide range of expression from forte to piano, but also improves keyboard touch right to the very backs of the keys to offer a player experience that is closer to an acoustic instrument than ever before.



Clavinova CLP-685PE



## Yamaha Clavinova CSP Series Digital Piano

New series in the long-selling Clavinova digital piano line-up

- World-first technology automatically creates piano scores from audio data -

Launched  
October  
2017

The Clavinova CSP series offers a new type of digital piano, responding to the needs of those who want to play their favorite songs on the piano.

Simply download Yamaha's SmartPianist app to a smartphone or tablet, and it will read the chord progressions of any song stored on the device and automatically create a piano score on the spot.

Even those unaccustomed to reading music can play easily, thanks to Yamaha's Stream Light System, which guides players through hand movement and timing using LEDs above the keys.

Featuring high-quality Clavinova keyboards and speakers, the CSP series harbors rich tones that let players enjoy authentic touch and tonal range as they play their favorite tunes.



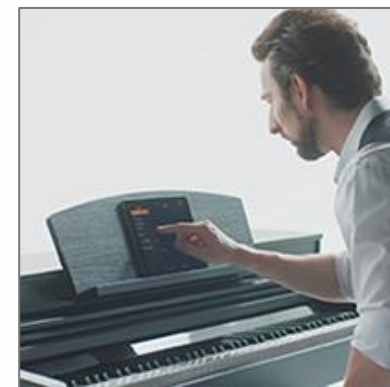
**Clavinova CSP-170PE**

Note: iPad not included



**Screenshots from Yamaha's SmartPianist app**

Reads chord progressions from audio data and uses them to create piano accompaniment scores (source: in-house study conducted September 2017)





## Yamaha Venova Casual Wind Instrument

Launched  
August  
2017

A completely new type of beginner-friendly wind instrument with rich saxophone-like tone  
- Compact instrument made from strong, light ABS resin -



Developed to bring the authentic feel and sound of a musical instrument within easy reach, Venova is a completely new type of casual acoustic wind instrument.

Yamaha's original branched pipe structure and meandering pipe design give Venova a surprisingly rich tone and an amazingly compact size to satisfy beginners and experienced musicians alike.

The light, durable ABS resin body is water washable, with a simple structure that's easy to handle and clean.



**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.**