

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

August 3, 2016



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



Results Summary

- **Although first quarter sales declined year-on-year, income rose sharply. Sales and income both exceeded previous projections. 1Q operating income amounted to ¥11.8 billion, and the operating income ratio was 12.0%.
Discounting the impact of exchange rates (-¥8.8 billion) and the transfer of music school operations (-¥4.2 billion), actual sales increased from the same period of the previous year (106%).**
 - **In the musical instrument segment, both the European and Chinese markets achieved double-digit growth in actual terms, and sales were also robust in North America and Other Markets. Income increased sharply year-on-year to reach a new record.**
 - **In the audio equipment segment, actual sales showed double-digit year-on-year growth in the European and Japanese markets, and were also strong in China and North America. Actual sales of AV products and professional audio equipment rose by double digits from the same period of the previous year, and operating income doubled year-on-year.**
 - **Sales and income of others segment declined year-on-year.**
- **Due to strong performance, deferred tax assets of ¥13.5 billion were recorded in the first quarter, and net income rose sharply.**

Performance in the First Quarter of FY2017.3



(Billions of yen)

	FY2016.3 1Q results	FY2017.3 1Q results	Changes from same period of the previous year	FY2017.3 1Q previous projections	Changes from the previous projection
Net Sales	105.5	98.4	-6.8%	96.0	+2.5%
Operating Income (Operating Income Ratio)	8.9 (8.4%)	11.8 (12.0%)	+33.0%	8.5 (8.9%)	+38.5%
Ordinary Income (Ordinary Income Ratio)	8.5 (8.0%)	11.5 (11.6%)	+35.5%	8.5 (8.9%)	+34.9%
Net Income* (Net Income Ratio)	6.3 (5.9%)	22.5 (22.9%)	+259.7%	19.5 (20.3%)	+15.3%

Exchange Rate (yen)

Net Sales	US\$	121	108	110
	EUR	134	122	125
Operating Income	US\$	121	111	110
	EUR	133	126	125

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

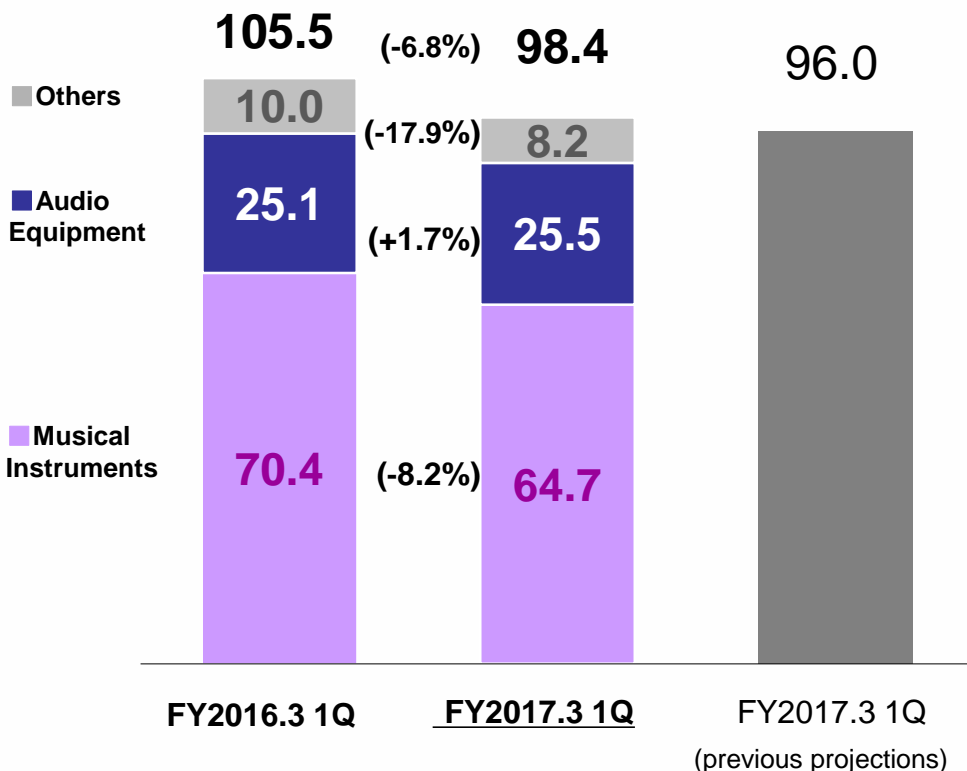
** Previous projections were announced on April 28, 2016

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



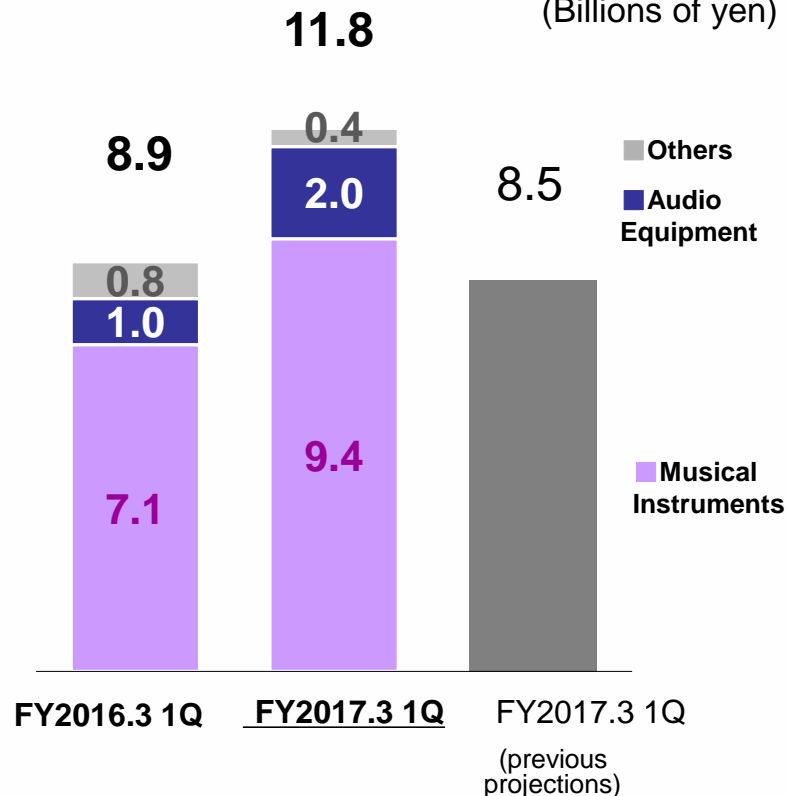
Net Sales

Year-on-year change



Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	-¥8.8 billion (musical instruments -¥6.0 billion, audio equipment -¥2.7 billion, others -¥0.1 billion)
Versus previous projections	-¥1.5 billion (musical instruments -¥1.0 billion, audio equipment -¥0.5 billion)

-¥2.4 billion	(musical instruments -¥2.0 billion, audio equipment -¥0.4 billion)
-¥0.3 billion	(musical instruments -¥0.2 billion, audio equipment -¥0.1 billion)

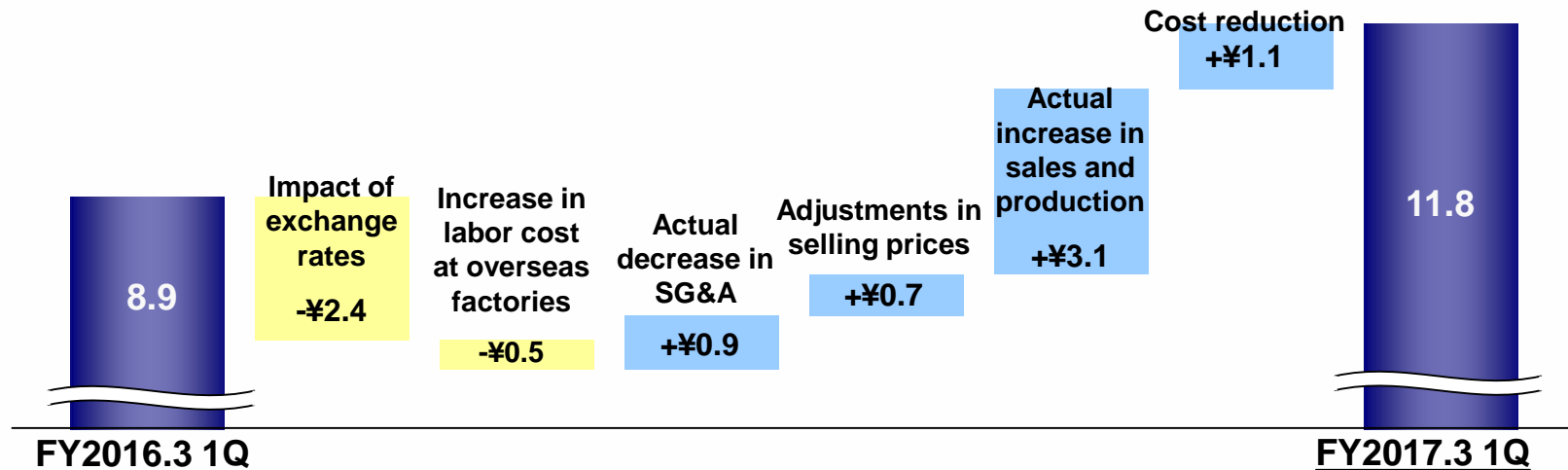
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** FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

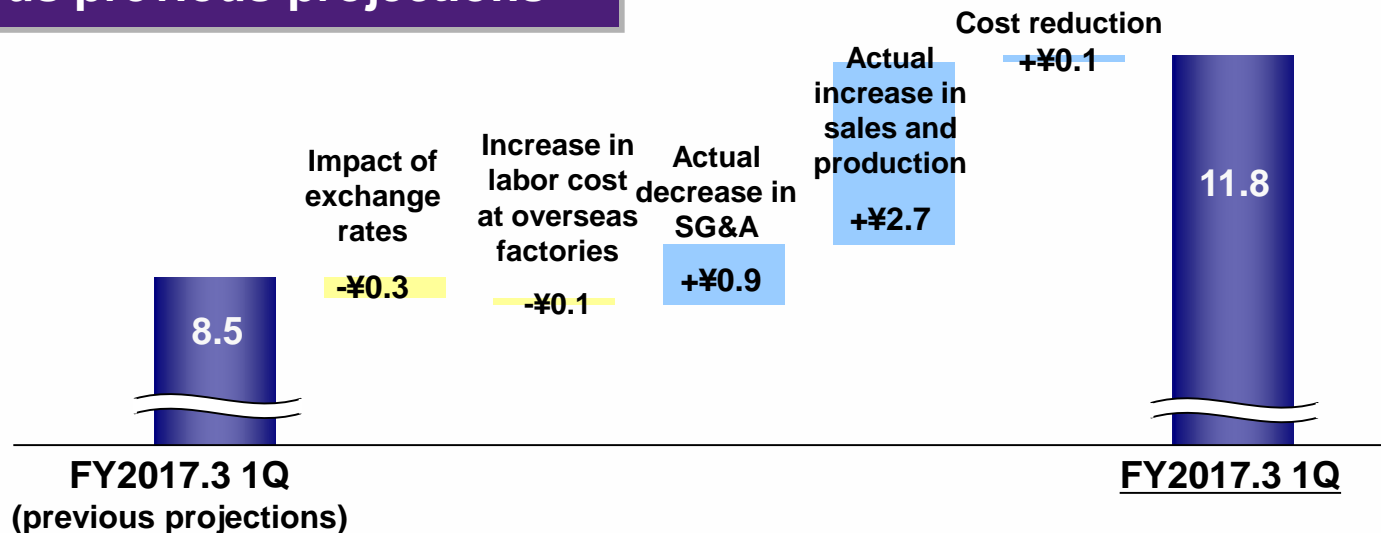
FY2017.3 1Q Operating Income Analysis

(Billions of yen)

Versus same period of the previous year



Versus previous projections



* Previous projections were announced on April 28, 2016

Musical Instruments 1Q



(Billions of yen)

1Q

Net Sales

Operating Income

70.4

64.7

18.7

13.4

51.8

51.3

7.1

9.4

FY2016.3 1Q

FY2017.3 1Q

Music schools, etc.

Yamaha musical instruments

1Q Overview

- Sales declined year-on-year, but income rose
- Transfer of music school operations and the impact of exchange rates were the main factors behind the decline in sales
- The European and Chinese markets achieved double-digit growth in actual terms. Sales were also strong in North America and Other Markets, and sales of hardware products in Japan were on a par with the previous year
- Pianos, digital musical instruments, and string and percussion instruments all recorded actual double-digit growth
- Operating income increased from the same period of the previous year due to factors including higher actual sales, sales price adjustments, and lower SG&A expenses

Audio Equipment 1Q



(Billions of yen)

1Q

Net Sales Operating Income

25.1

25.5

ICT devices

3.5

3.6

PA equipment

11.5

11.8

AV products, karaoke

10.1

10.0

1.0

2.0

FY2016.3 1Q

FY2017.3 1Q

1Q Overview

- Sales and income increased year-on-year
- AV products and professional audio equipment both achieved actual double-digit growth year-on-year
- Sales were strong in all regions except Other Markets
- Income from installation of audio equipment in Japan rose year-on-year as projects were completed ahead of schedule
- Actual sales of network devices and karaoke equipment grew by double digits
- Operating income doubled from the same period of the previous year due to factors including higher actual sales and cost reductions

Others 1Q

(Billions of yen)

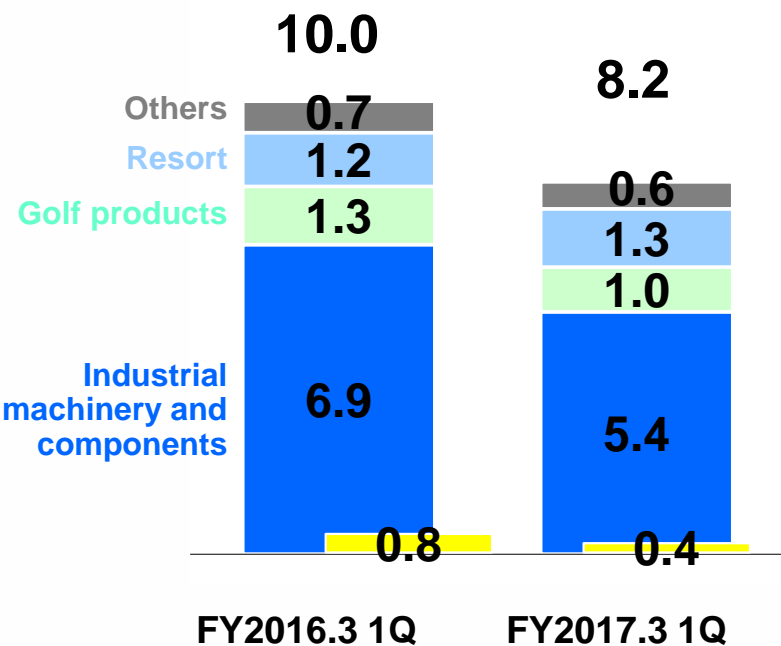
1Q

Net Sales

Operating Income

1Q Overview

- Sales and income decreased year-on-year
- Electronic devices, automobile interior wood components and golf products all struggled
- Advance shipment of electronic devices for amusement equipment in the first quarter of the previous year were a key factor behind the year-on-year decline in sales



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

Outlook for 2-4Q and Full Year



Outlook for 2-4Q

- **Musical instruments:** strong sales are expected to continue, and actual sales are likely to exceed previous projections
- **Audio equipment:** Actual growth is expected to be maintained for AV products and professional audio equipment
- **Others:** Although conditions in the electronic device market are likely to improve, overall results are expected to be in line with previous projections
- **Exchange rate forecasts for 2Q onward have been revised as follows:**
Previous forecast US\$1 = ¥110, EUR1=¥125
New forecast US\$1 = ¥105, EUR1=¥115 (the Euro has been hedged at ¥121 for 2Q)

Full Year Outlook

- Although 1Q sales were robust and higher sales from 2Q onward are expected to boost actual sales figures, the full year sales projection has been revised downward from ¥420.0 billion to ¥411.0 billion due to altered exchange rate assumptions.
- Exchange rates will also have an impact on operating income, but the previous income projection of ¥42.0 billion remains unchanged and income is still anticipated to rise year-on-year due to the compensatory effects of factors including increased actual sales, revised sales prices, reduced costs, and control of SG&A expenses

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	411.0	-5.6%	420.0	-2.1%
Operating Income (Operating Income Ratio)	40.7 (9.3%)	42.0 (10.2%)	+3.3%	42.0 (10.0%)	-
Ordinary Income (Ordinary Income Ratio)	40.9 (9.4%)	42.0 (10.2%)	+2.7%	42.0 (10.0%)	-
Net Income* (Net Income Ratio)	32.6 (7.5%)	45.5 (11.1%)	+39.4%	45.5 (10.8%)	-

Exchange Rate (yen)

Net Sales	US\$	120	106	110
	EUR	133	117	125
Operating Income	US\$	121	106	110
	EUR	134	120	125

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

** Previous projections were announced on April 28, 2016

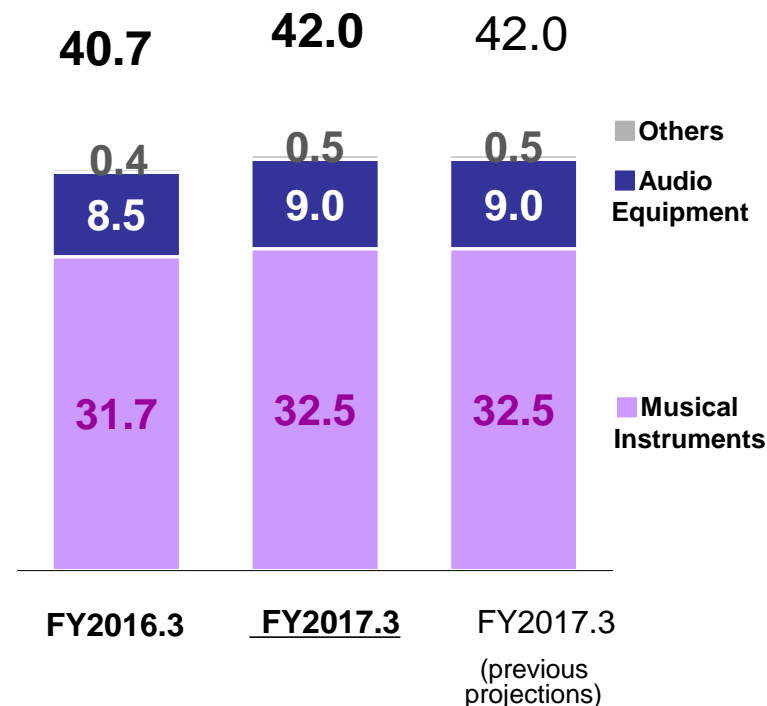
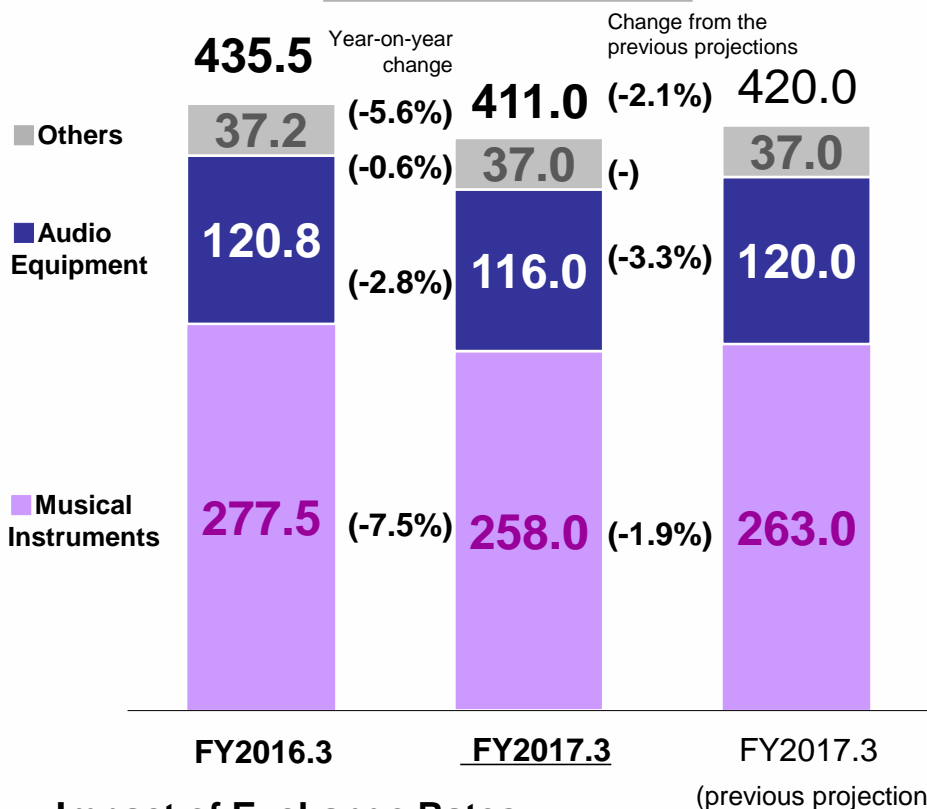
FY2017.3 Full Year Forecast for Performance by Business Segment



Net Sales

Operating Income

(Billions of yen)



Impact of Exchange Rates

Year-on-Year	+¥41.3 billion (musical instruments -¥27.2 billion, audio equipment -¥13.4 billion, others -¥0.6 billion)
Versus previous projections	-¥16.9 billion (musical instruments -¥11.2 billion, audio equipment -¥5.5 billion, others -¥0.2)

Year-on-Year	-¥12.8 billion (musical instruments -¥9.5 billion, audio equipment -¥3.4 billion)
Versus previous projections	-¥5.6 billion (musical instruments -¥4.0 billion, audio equipment -¥1.6 billion)

* Previous projections were announced on April 28, 2016

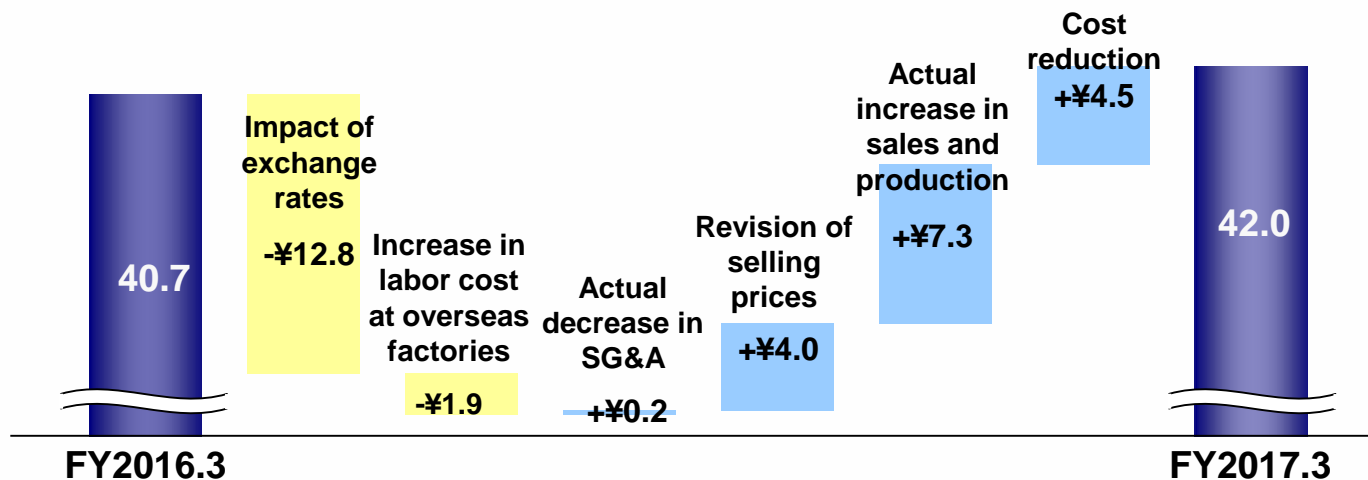
** FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

FY2017.3 Full Year Operating Income Analysis

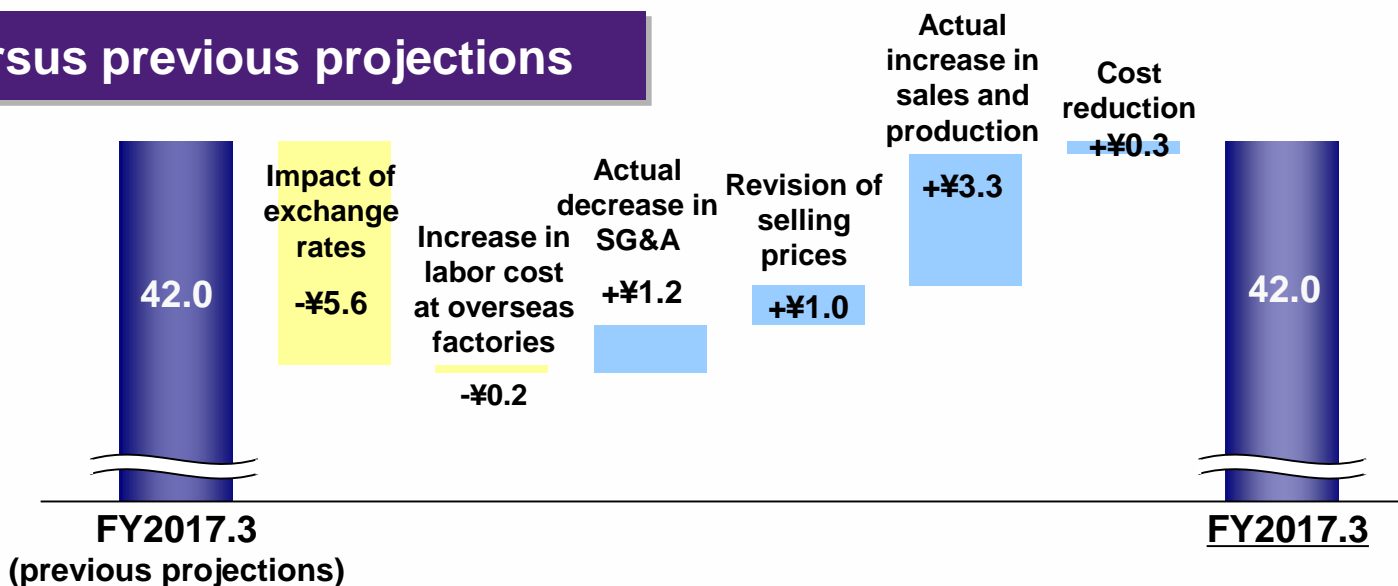


(Billions of yen)

Versus previous year



Versus previous projections



* Previous projections were announced on April 28, 2016

Musical Instruments Full Year Projections

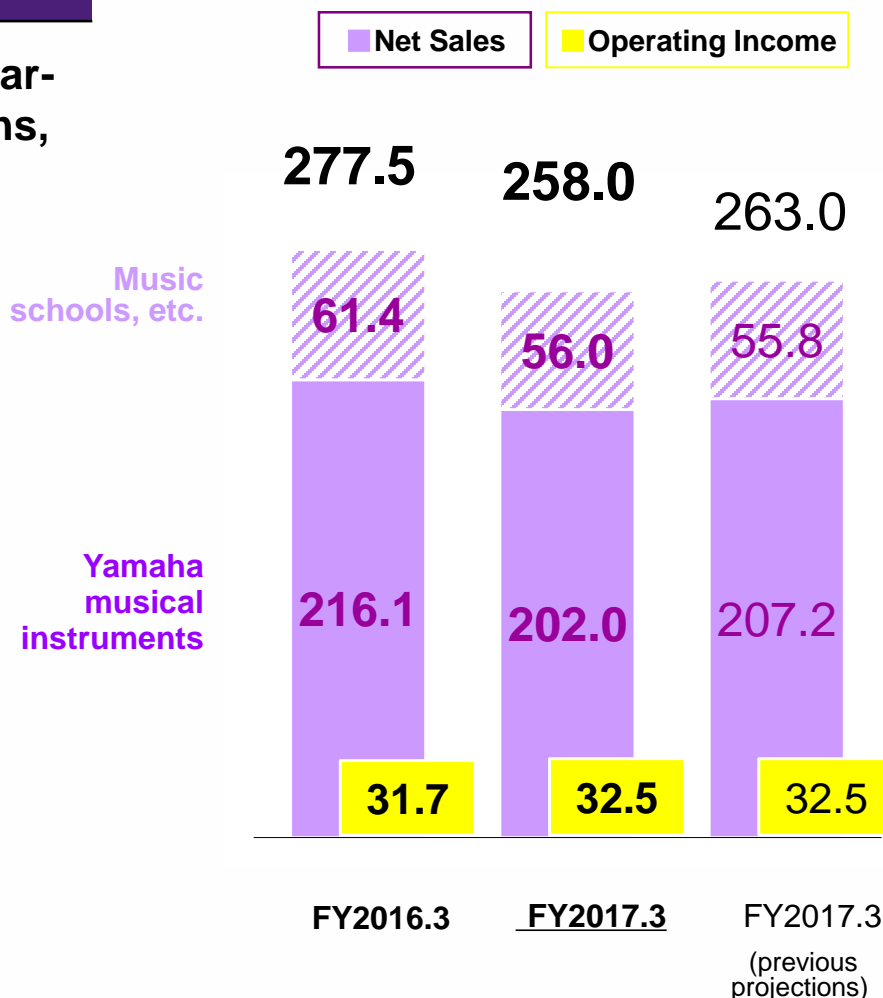


Full Year

(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 against previous projections is mainly due to revised exchange rate assumptions
- Although uncertainty is growing in all markets, sales are expected to remain robust
- Actual sales growth is anticipated for pianos, digital pianos, and guitars
- Increased actual sales, 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 April 28, 2016

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

Musical Instruments: Sales by Region

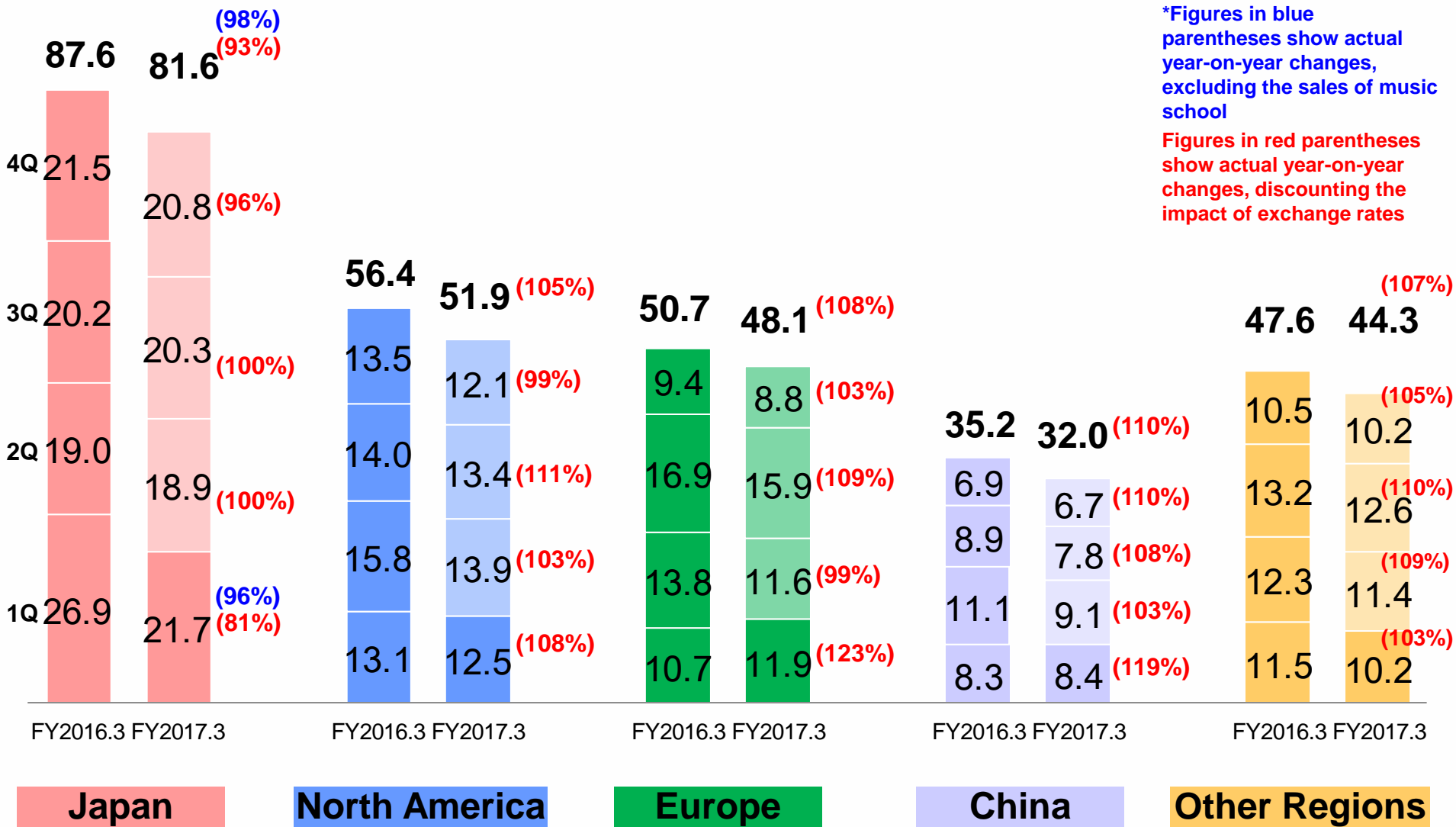
(including software products and music schools)



Net Sales for All Regions

1Q: ¥64.7 billion (107%) Full year forecast: ¥258.0 billion (104%)

(Billions of yen)



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

Audio Equipment Full Year Projections

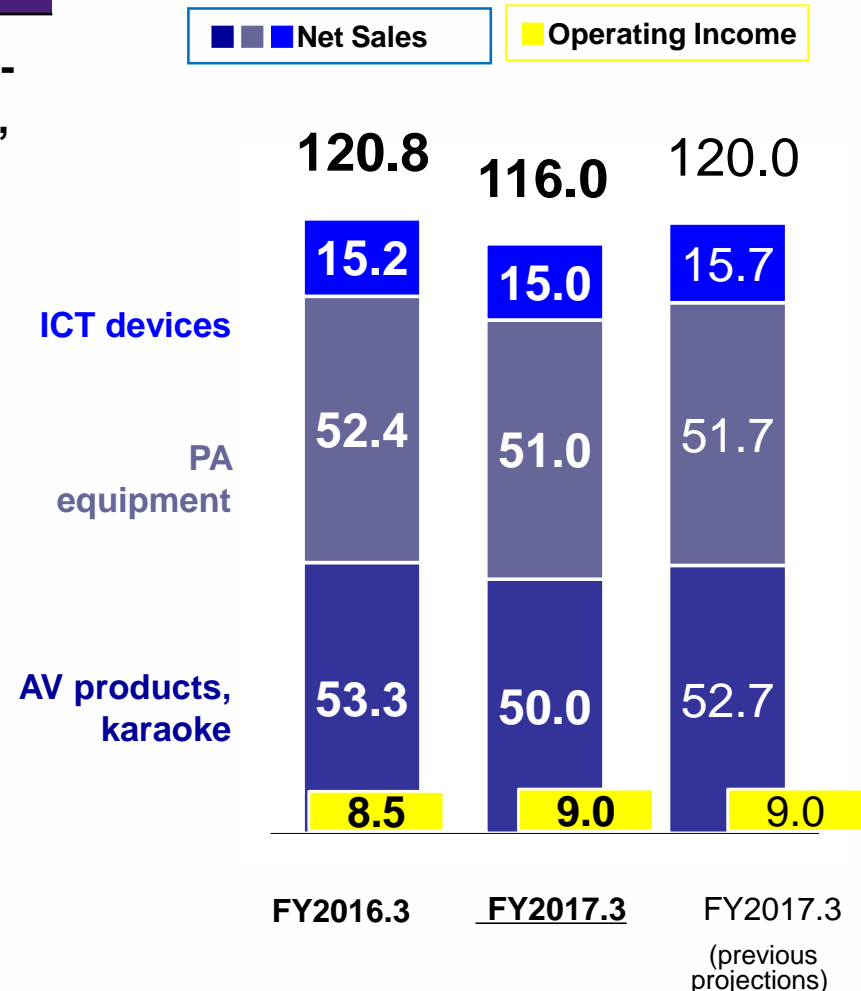


Full Year

(Billions of yen)

Full Year Projections

- Although sales are likely to be down year-on-year and against previous projections, income is expected to be in line with previous projections
- The decline in sales against previous projections is mainly due to revised exchange rate assumptions
- Actual sales growth is anticipated for AV products, professional audio equipment, and routers.
- Increased actual sales and control of SG&A expenses are expected to absorb the negative impact of exchange rates on operating income



* Previous projections were announced on April 28, 2016

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

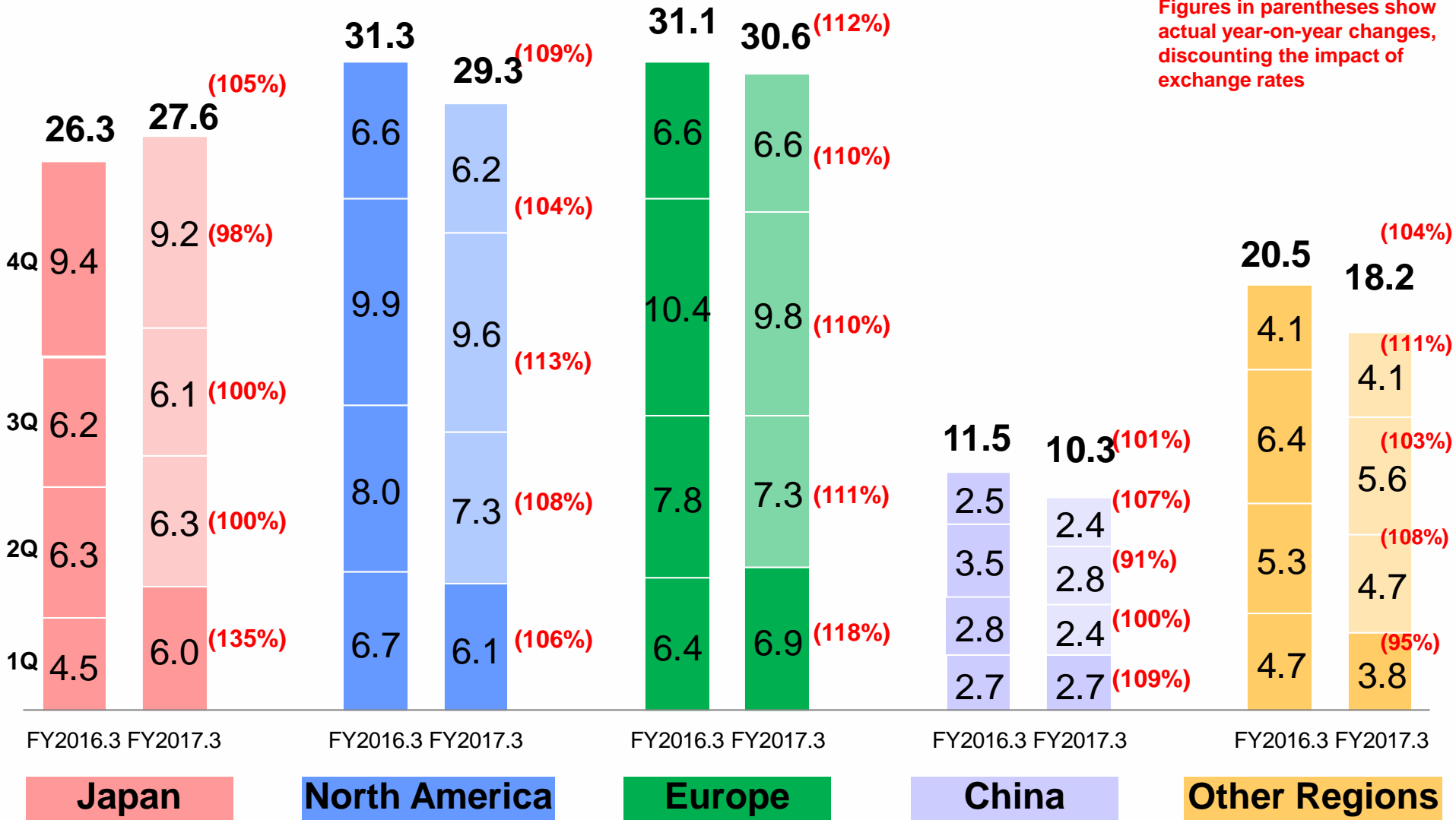
Audio Equipment: Sales by Region

Net Sales for All Regions

1Q: ¥25.5 billion **(113%)** Full year forecast: ¥116.0 billion **(107%)**

(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:

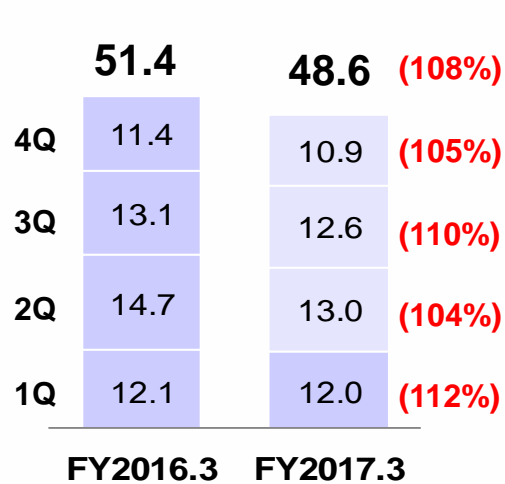
Sales by Major Product Category (Yamaha branded products)



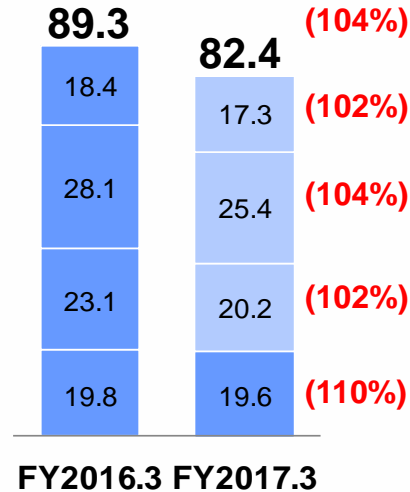
(Billions of yen)

Musical Instruments

Piano

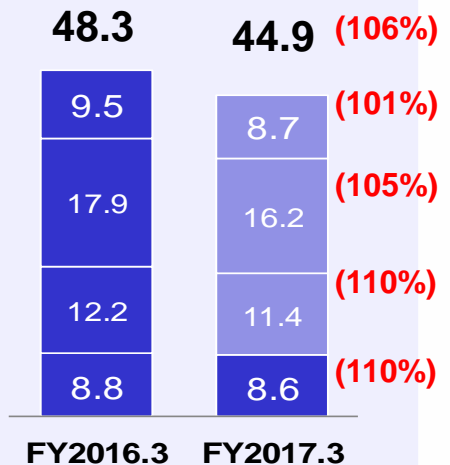


Digital Musical Instruments

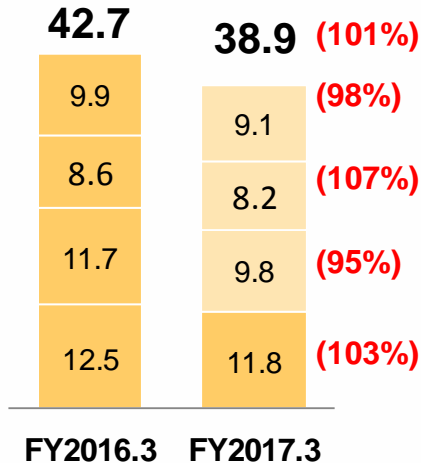


Audio Equipment

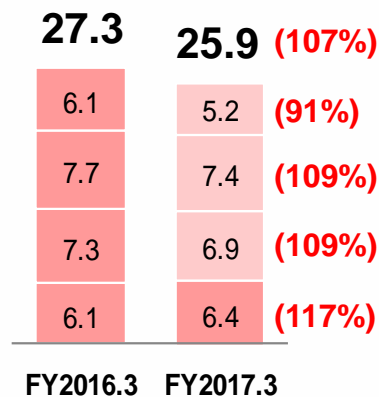
AV Products



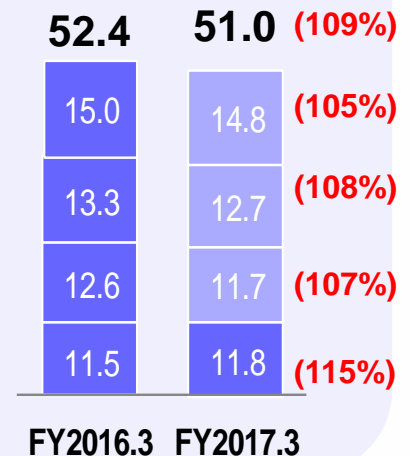
Wind Instruments



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

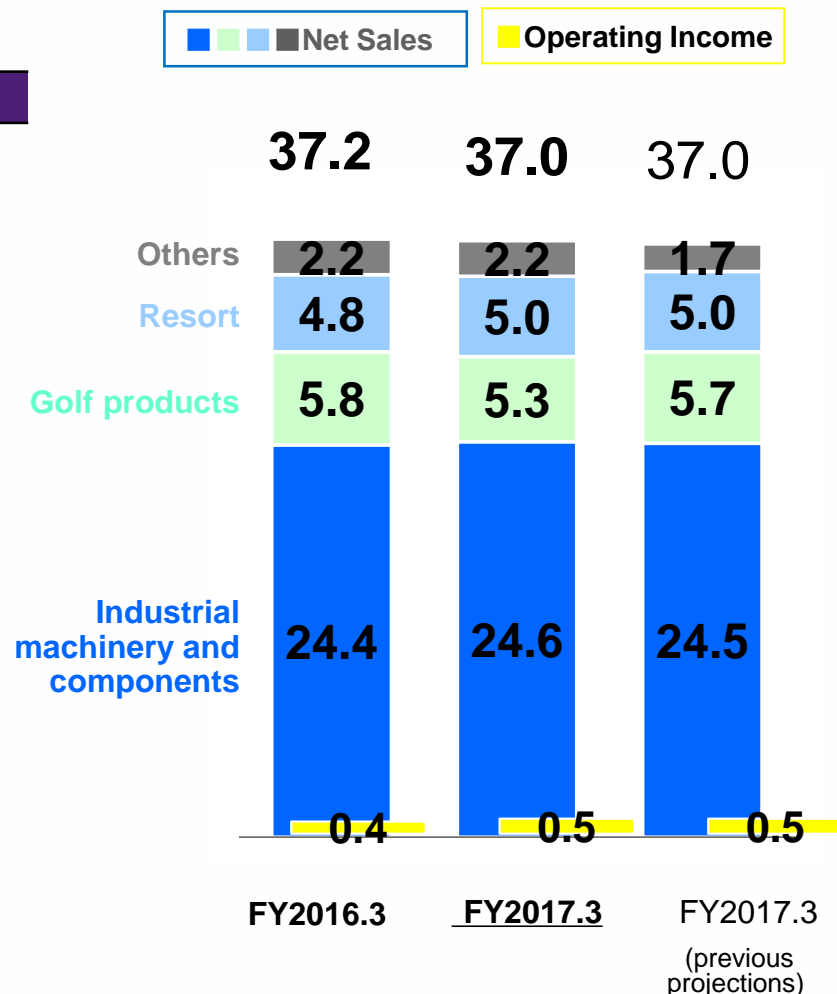


Full Year

(Billions of yen)

Full Year Projections

- Previous projections remain unchanged
- In the industrial machinery and components business, market conditions for electronic devices for amusement equipment are projected to rebound in the second half
- Sales of golf products and automobile interior wood components are expected to decline



* Previous projections were announced on April 28, 2016

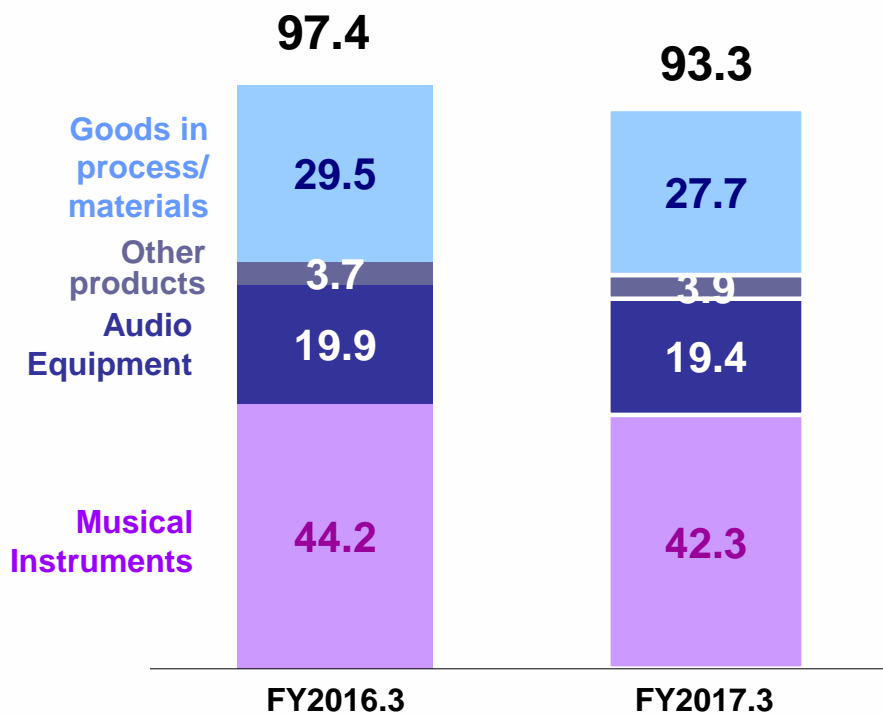
** Industrial machinery and components sales are the total for electronic devices, automobile interior wood components, factory automation equipment, etc.

Inventories

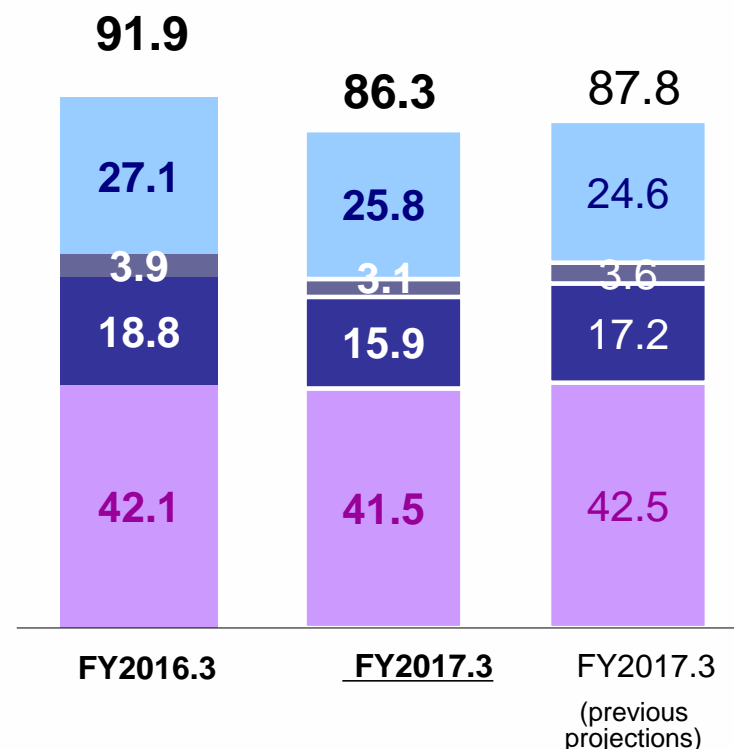
- Inventories at the end of 1Q amounted to ¥93.3 billion
- Inventories at the end of fiscal 2017 are forecast to be ¥86.3 billion

(Billions of yen)

End of 1Q



End of Fiscal Year



Impact of Exchange Rates

Year-on-Year -¥14.9 billion

Versus previous projections -

-¥4.9 billion

-¥3.3 billion

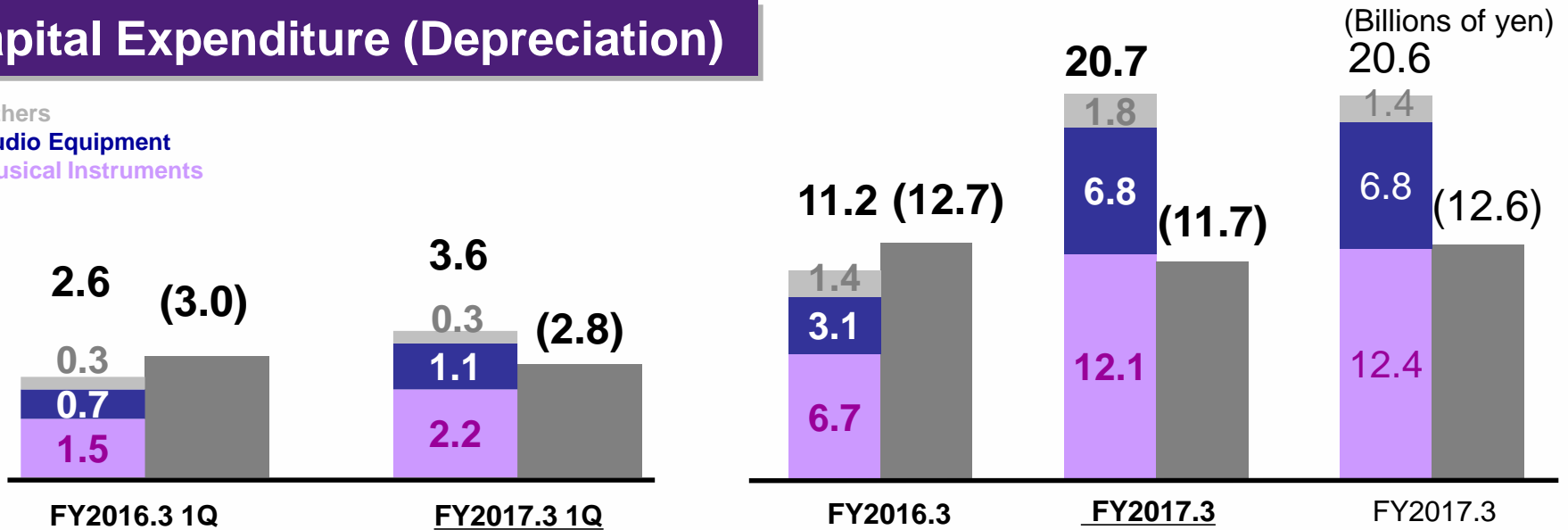
* Previous projections were announced on April 28, 2016

Capital Expenditure/Depreciation/ R&D Expenses

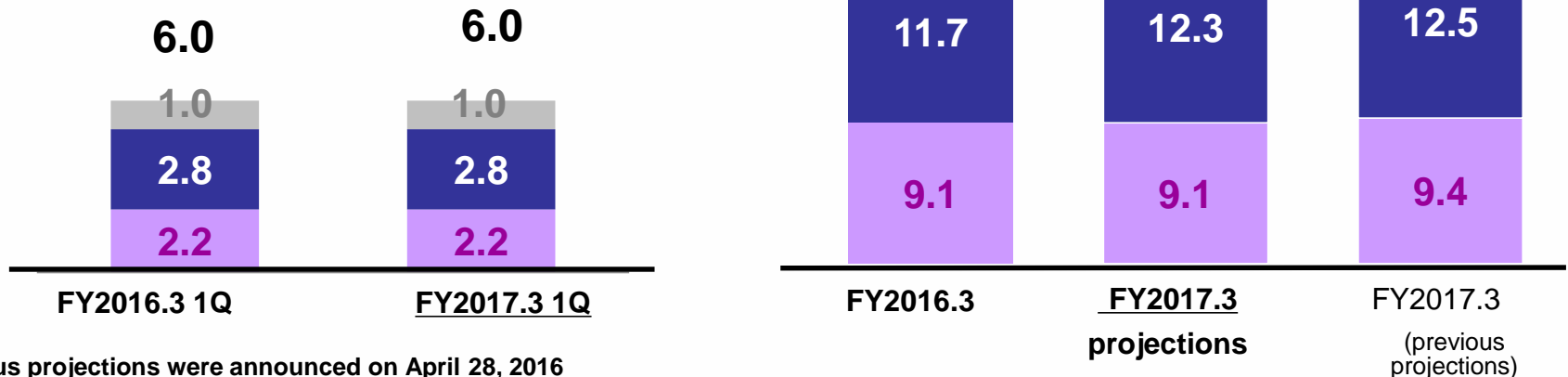


Capital Expenditure (Depreciation)

■ Others
■ Audio Equipment
■ Musical Instruments



R&D Expenses



* Previous projections were announced on April 28, 2016

Balance Sheet Summary



(Billions of yen)

	As of end of 1Q			As of end of fiscal year end		
	As of June 30, 2015	As of June 30, 2016	Change	As of Mar. 31, 2016	As of Mar. 31, 2017 projections	Change
Cash and deposits	84.3	84.7	+0.4	88.2	95.1	+6.9
Notes and accounts receivable	54.8	45.0	-9.8	47.8	47.5	-0.3
Inventories	97.4	93.3	-4.1	91.9	86.3	-5.6
Other current assets	19.9	23.1	+3.2	27.2	20.1	-7.1
Fixed assets	273.4	195.2	-78.2	214.6	205.7	-8.9
Total assets	529.8	441.3	-88.5	469.7	454.7	-15.0
Notes and accounts payable	25.6	18.9	-6.7	19.4	20.4	+1.0
Short- and long-term loans	16.0	14.1	-1.9	8.5	10.5	+2.0
Other liabilities	139.1	110.1	-29.0	137.9	113.3	-24.6
Total net assets	349.1	298.2	-50.9	303.9	310.5	+6.6
Total liabilities and net assets	529.8	441.3	-88.5	469.7	454.7	-15.0

Appendix

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



(Billions of yen)	FY2016.3 1Q	FY2017.3 1Q	FY2017.3 1Q previous projections
Non-Operating Income/Loss			
Net financial income	0.4	0.4	0.2
Other	-0.8	-0.7	-0.2
Total	-0.4	-0.3	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	-0.1	0.2	-0.1
Others	-0.1	-0.4	0.1
Total	-0.2	-0.2	0
Income Taxes and Other Expenses			
Income taxes -current	2.0	2.2	2.5
Income taxes -deferred	0.1	-13.5	-13.5
Net income attributable to non-controlling interests	-0.1	0.1	
Total	2.0	-11.2	-11.0

* Previous projections were announced on April 28, 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 ¥13.5 billion were recorded in the first quarter.

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	3.6	3.3
Other	-2.5	-3.6	-3.3
Total	0.2	0	0
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	8.3	0	-0.2
Others	-7.6	0	0.2
Total	0.7	0	0
Income Taxes and Other Expenses			
Income taxes -current	9.5	10.3	9.9
Income taxes -deferred	-0.6	-13.9	-13.5
Net income attributable to non-controlling interests	0.1	0.1	0.1
Total	9.0	-3.5	-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

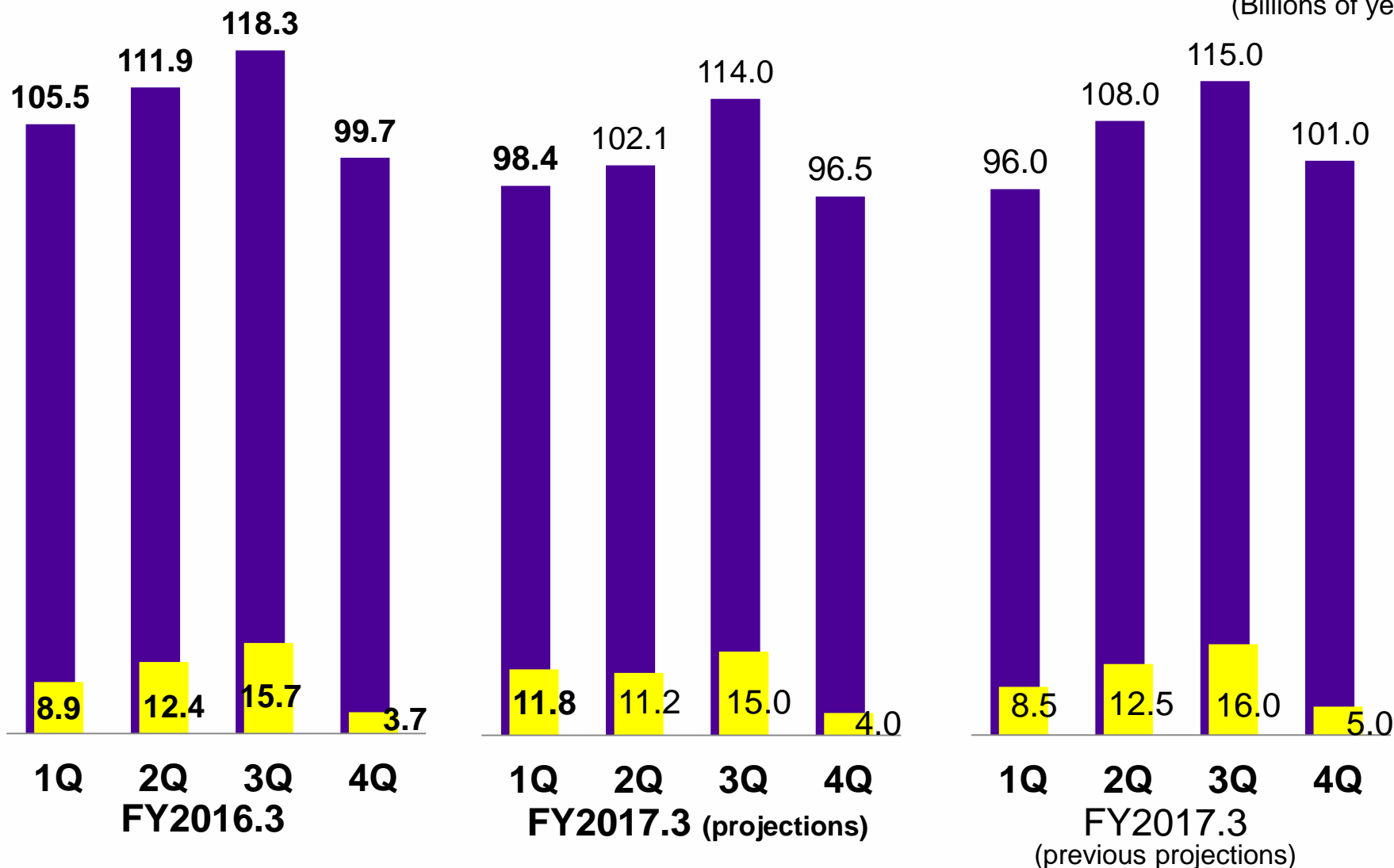
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** In conjunction with the recent improvement in profitability, scope of recording deferred tax assets has expanded from FY2017.3 and deferred tax assets of ¥13.5 billion were recorded in the first quarter.

Quarterly Sales and Income



(Billions of yen)



Net Sales	435.5
Operating Income	40.7

Net Sales	411.0
Operating Income	42.0

Net Sales	420.0
Operating Income	42.0

* Previous projections were announced on April 28, 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.