

Analyst and Investor Briefing on 2Q FY2019.3

(Fiscal year ending March 31, 2019)



 GOOD DESIGN AWARD 2018
BEST 100

November 2, 2018
Yamaha Corporation

FY2019.3 1H Highlights

Overview

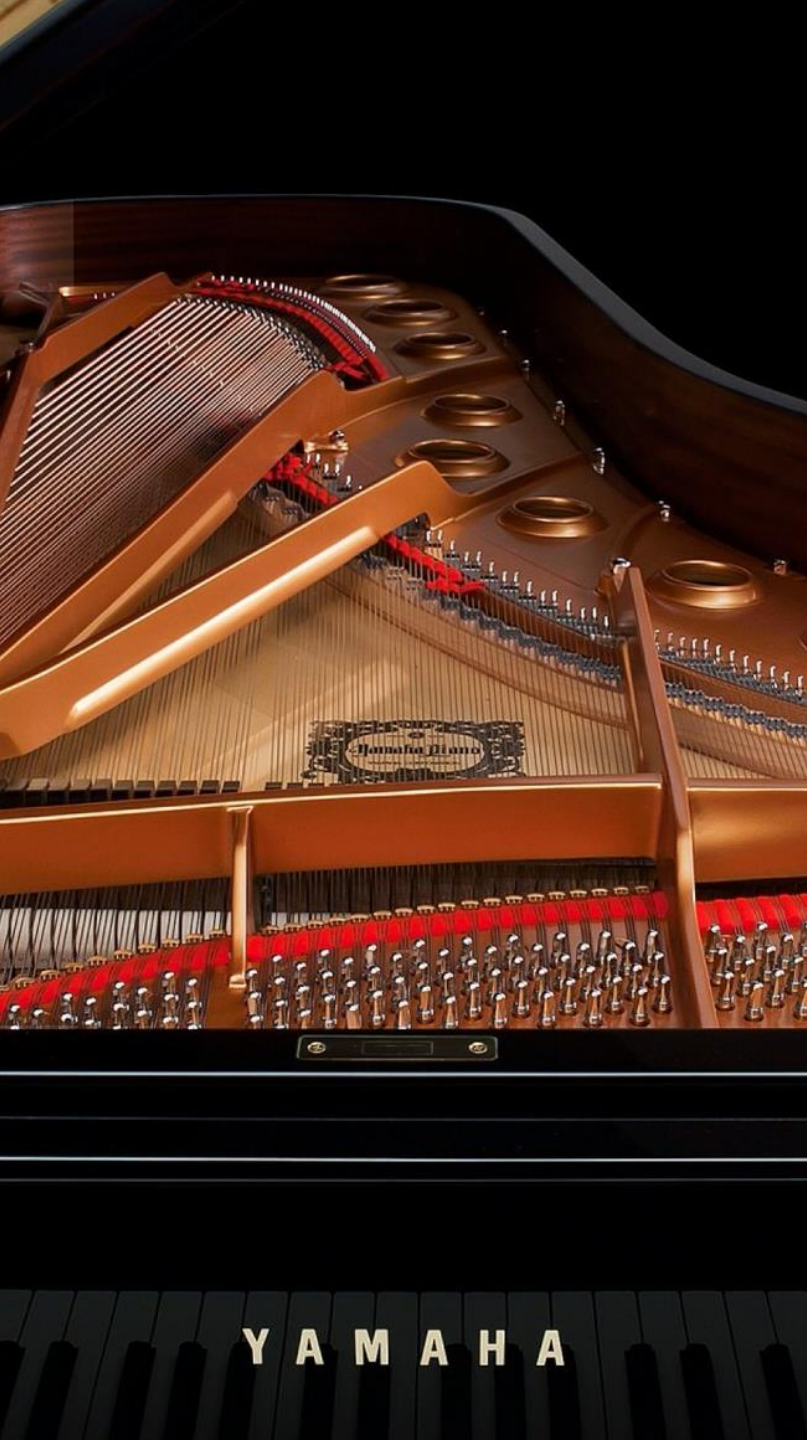
FY2019.3 1H Achievements

- Sales and income both increased year-on-year. Performance was on target to meet full-year projections.
- Sales were robust in the key musical instruments and others segments (up 2.3%).
- Operating income amounted to ¥28.5 billion (up 19.1%), and the operating income ratio reached 13.3% (up 1.9 percentage points).

*Note: figures in brackets are year-on-year comparisons.

FY2019.3 Full Year Outlook

- Full year projections remain unchanged from those previously announced.
(Net sales ¥442.0 billion, operating income ¥55.0 billion, and operating income ratio 12.4%)
- Exchange rate assumptions for 3Q and beyond also remain unchanged, at US\$1 = ¥105 and EUR1 = ¥125.



1. Performance Summary

FY2019.3 1H Summary

(billions of yen)

	FY2018.3 1H	FY2019.3 1H	Change	
Net Sales	209.8	214.6	+4.8	+2.3% ^{*2}
Operating Income (Operating Income Ratio)	23.9 (11.4%)	28.5 (13.3%)	+4.6	+19.1%
Ordinary Income	24.7	29.8	+5.0	+20.4%
Net Income ^{*1}	19.6	21.9	+2.2	+11.4%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	111	110
	EUR	126	130
Operating Income (Settlement rate)	US\$	111	110
	EUR	122	132

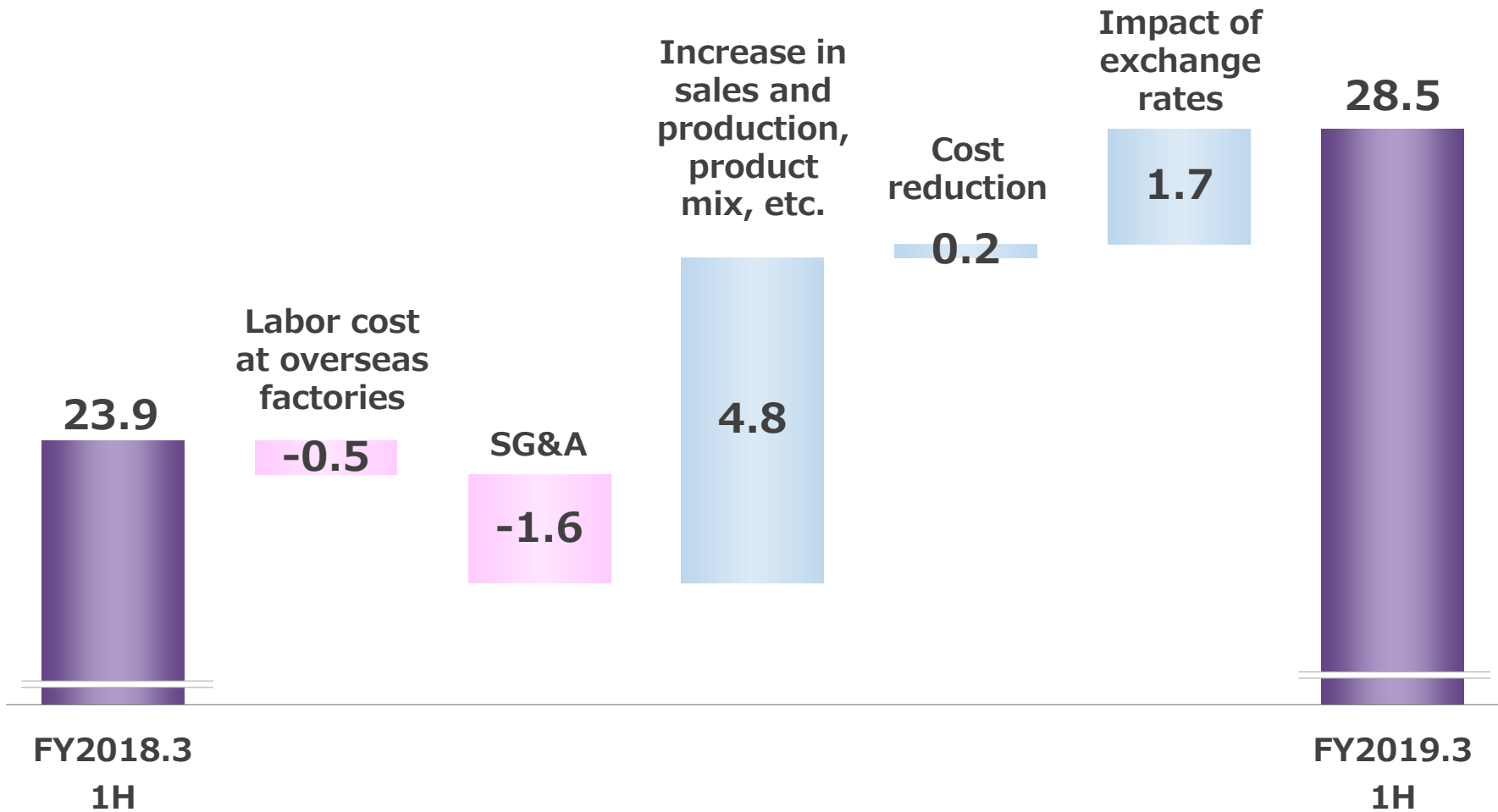
^{*2} +2.2%
(Excluding the impact of
exchange rate)

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

Operating Income Analysis

Versus previous year

(billions of yen)



Performance by Business Segment

(billions of yen)

		FY2018.3 1H	FY2019.3 1H	Change	Exchange rate impact
Musical Instruments	Net Sales	134.2	139.0	+4.8	+0.2
	Operating Income	16.6	21.6	+5.0	+1.2
	Operating Income Ratio	12.4%	15.5%	+3.1P	
Audio Equipment	Net Sales	57.6	56.5	-1.1	0
	Operating Income	5.2	4.7	-0.5	+0.5
	Operating Income Ratio	9.0%	8.2%	-0.8P	
Others	Net Sales	18.1	19.1	+1.1	-0.1
	Operating Income	2.1	2.2	+0.1	0
	Operating Income Ratio	11.7%	11.7%	0P	

FY2019.3 Outlook

(billions of yen)

	FY2018.3 Full year	FY2019.3 Full year (projections)	Change	
Net Sales	433.0	442.0	+9.0	+2.1% ^{*2}
Operating Income (Operating Income Ratio)	48.8 (11.3%)	55.0 (12.4%)	+6.2	+12.6%
Ordinary Income	49.2	55.0	+5.8	+11.7%
Net Income ^{*1}	54.4	40.0	-14.4	-26.4%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	111	108
	EUR	130	127
Operating Income (Settlement rate)	US\$	111	107
	EUR	126	129

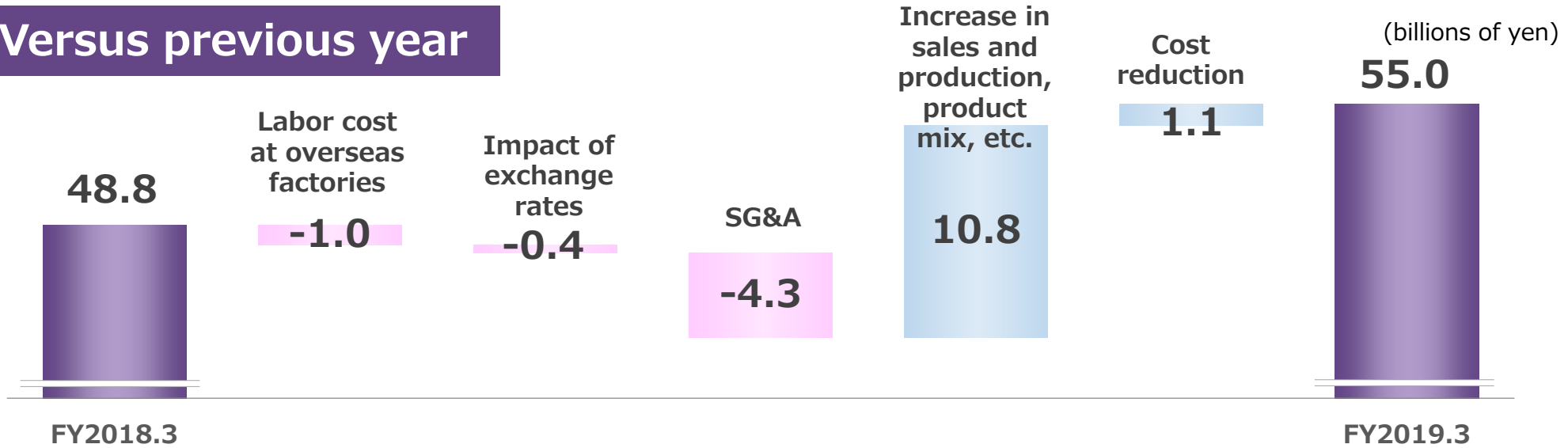
*2 +4.3%
(Excluding the impact
of exchange rate)

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

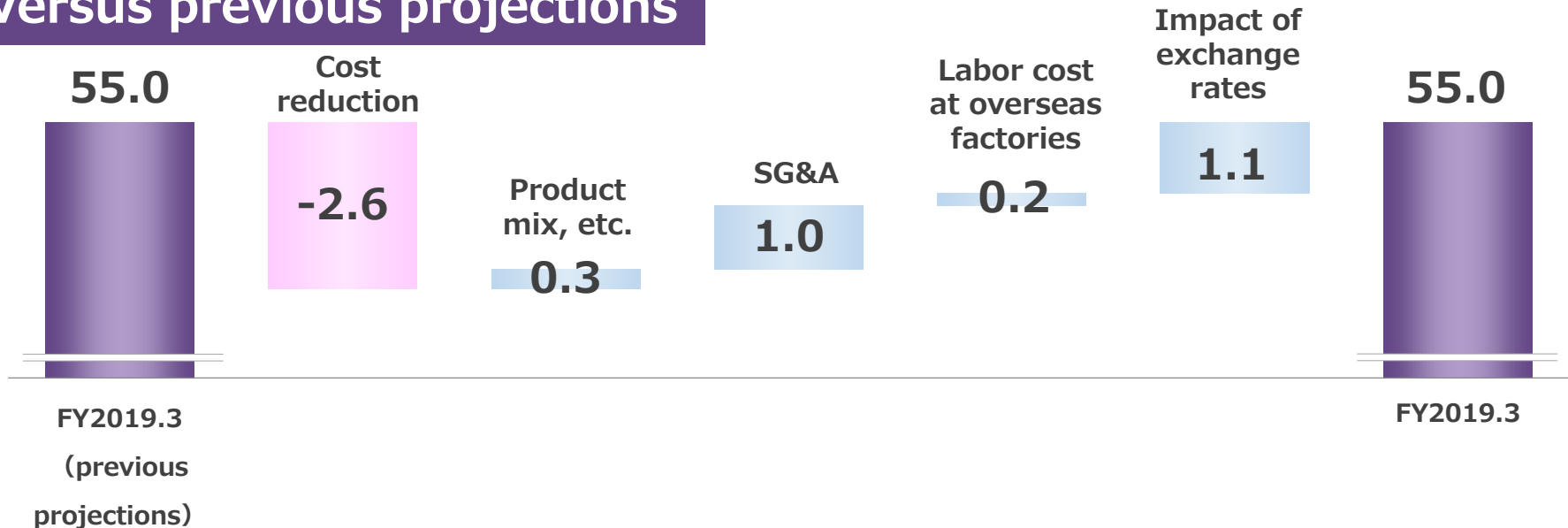
*Exchange rate assumptions for 3Q and beyond remain unchanged, at US\$1 = ¥105 and EUR1 = ¥125.

Operating Income Analysis

Versus previous year



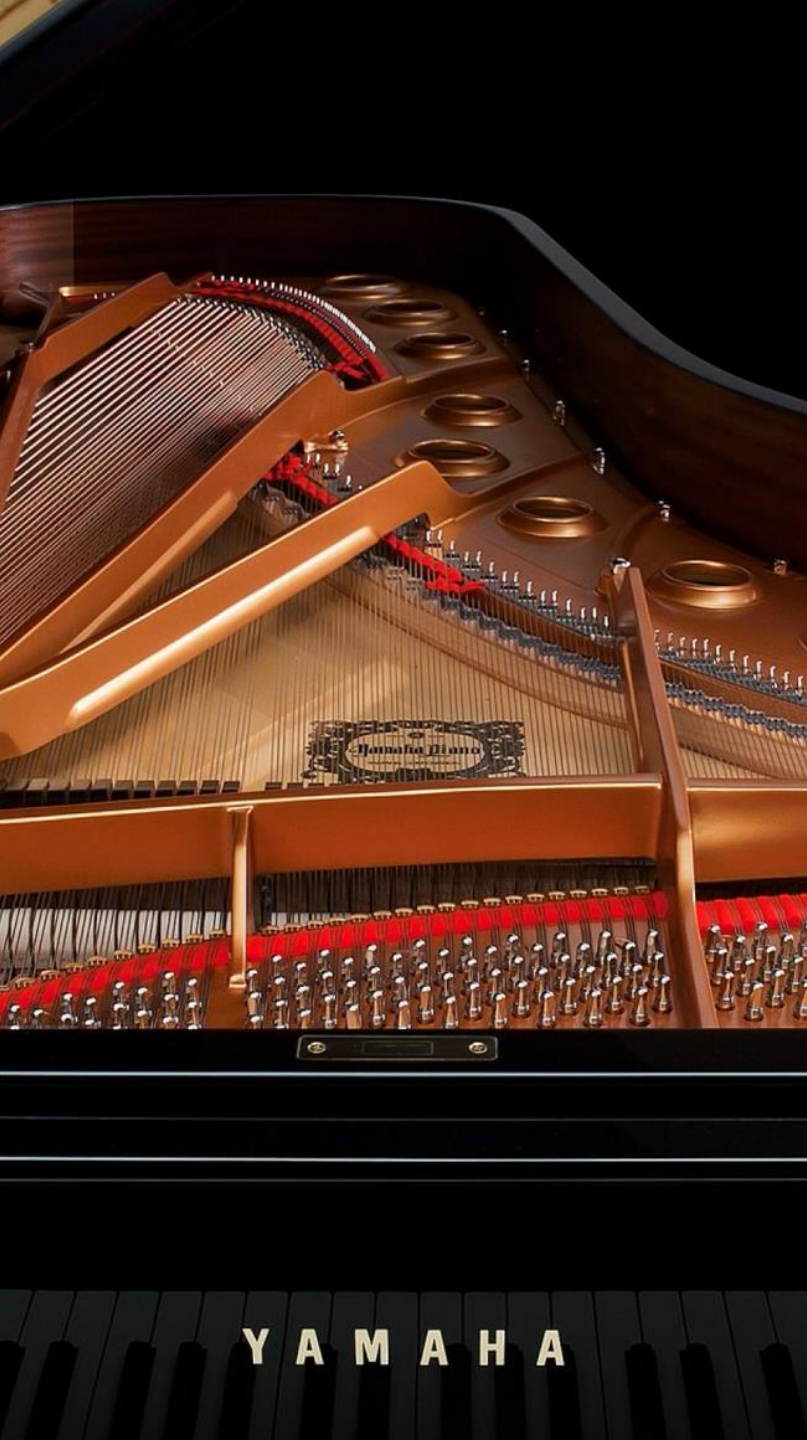
Versus previous projections



Outlook by Business Segment

(billions of yen)

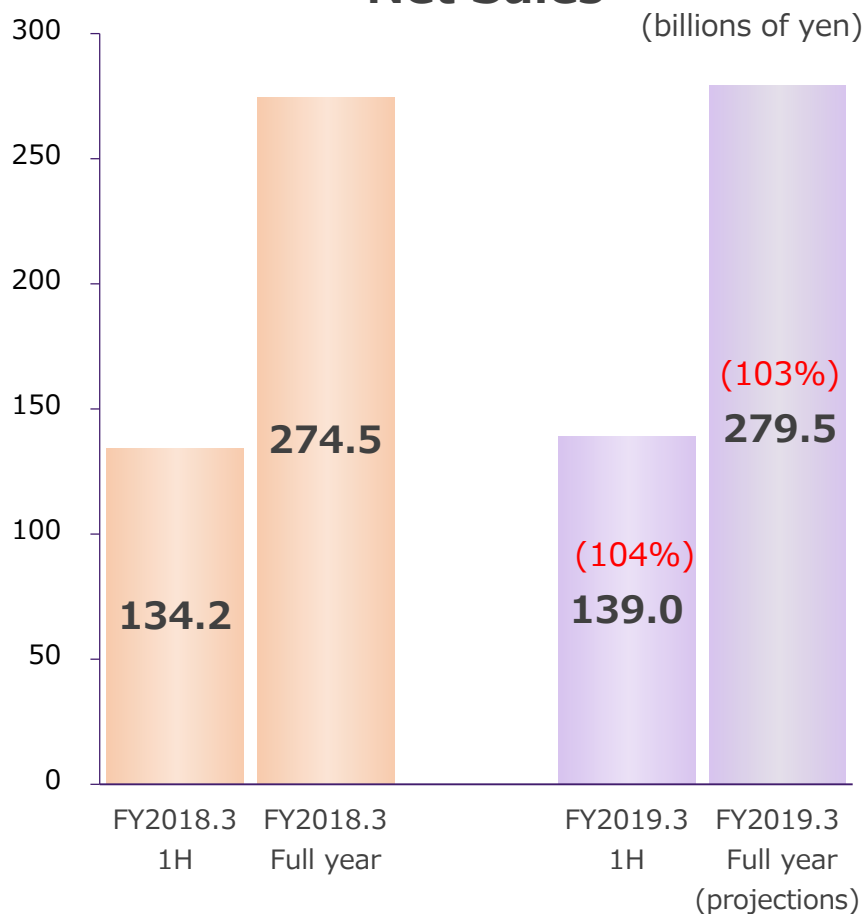
		FY2018.3 Full Year	FY2019.3 Full Year (projections)	Change	Exchange rate impact
Musical Instruments	Net Sales	274.5	279.5	+5.0	-4.1
	Operating Income	34.6	40.5	+5.9	-0.4
	Operating Income Ratio	12.6%	14.5%	+1.9P	
Audio Equipment	Net Sales	121.8	123.5	+1.7	-2.3
	Operating Income	10.7	11.0	+0.3	+0.1
	Operating Income Ratio	8.8%	8.9%	+0.1P	
Others	Net Sales	36.7	39.0	+2.3	-0.3
	Operating Income	3.5	3.5	0	0
	Operating Income Ratio	9.5%	9.0%	-0.5p	



2. Segment Overview

Segment Sales and Operating Income

Net Sales



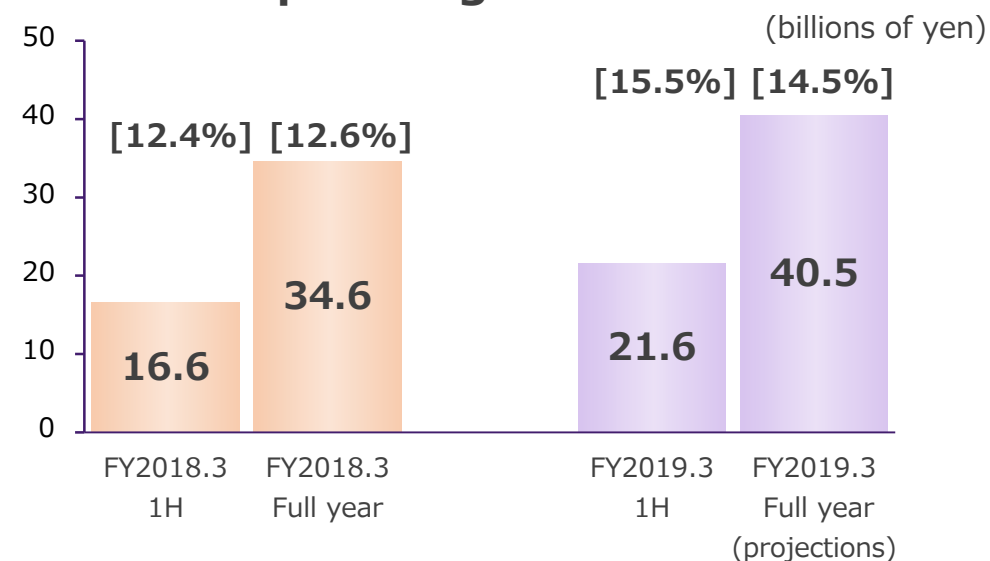
[1H overview] Achieved sales growth in all product categories

- **By product:** Piano sales were robust in all regions except Europe. New entry-level products contributed to strong sales of digital pianos. Wind instrument sales increased in all regions. Guitar sales grew by double digits in China, North America, and emerging markets.
- **By market:** Double-digit growth in China and North America.

[Full year projection] Sales expected to increase in all product categories

- **By market:** Continuing double-digit growth is anticipated in China. Strong sales are expected in North America and emerging markets. Revised sales conditions in Europe are likely to lead to stable results on a par with the previous year.

Operating Income



Sales by Major Product Category

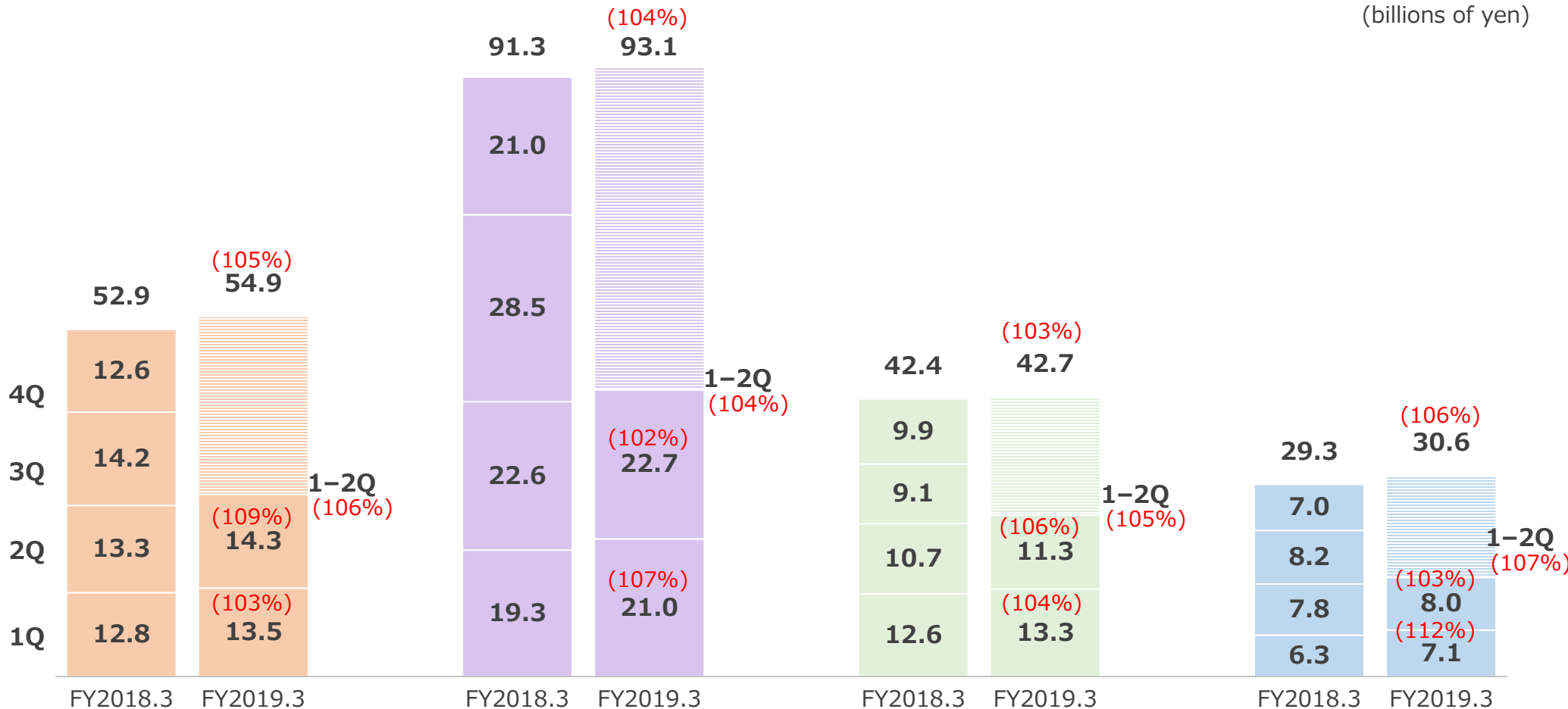
Pianos

Digital Musical Instruments

Winds

Strings/ Percussion

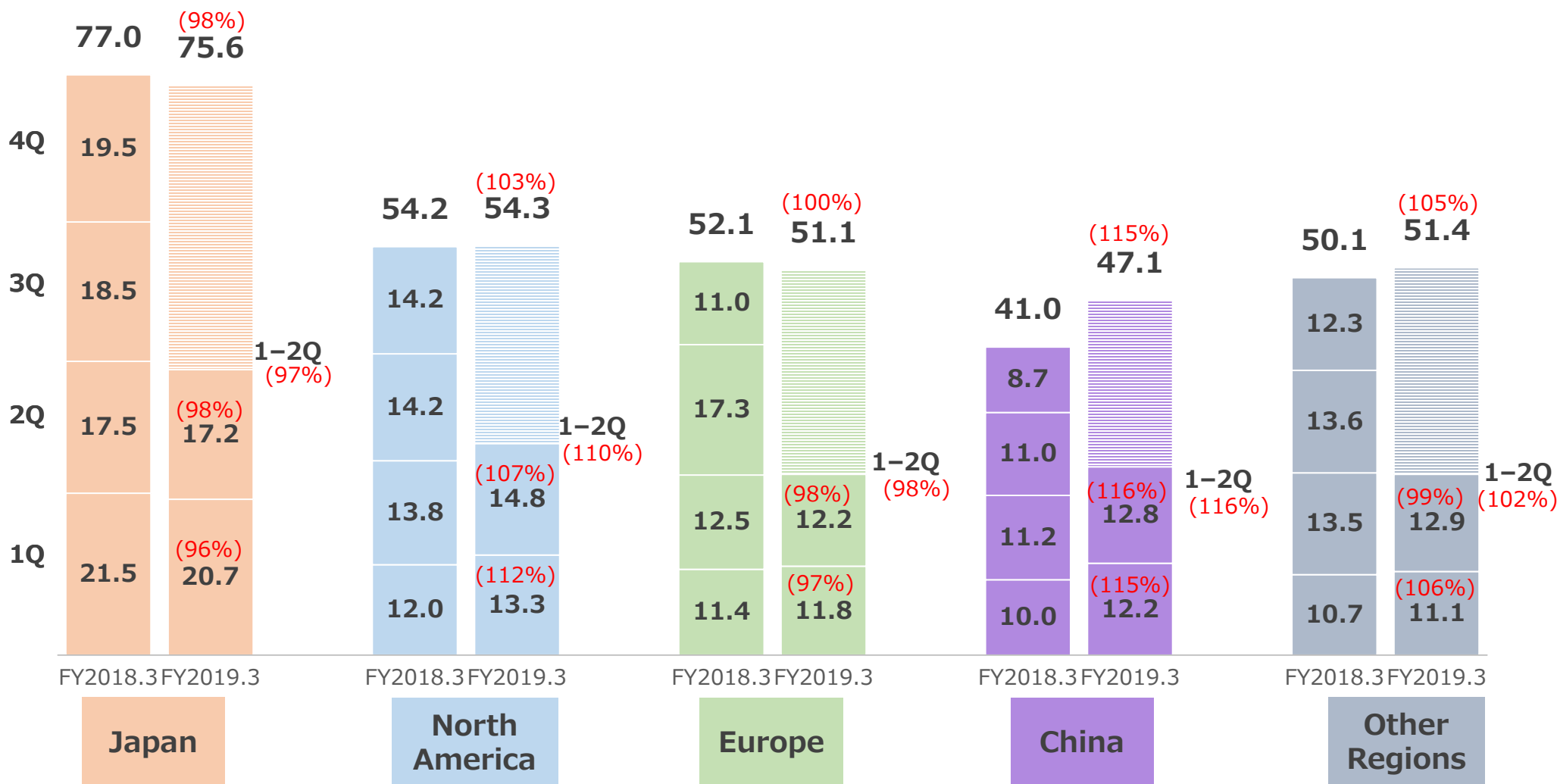
(billions of yen)



Red figures show actual YoY changes discounting impact of exchange rates

Sales by Region

(billions of yen)



*Software products and music schools included

Red figures show actual YoY changes discounting impact of exchange rates

Develop Products with Distinctive Individuality

Unique products integrating various technologies

Integrating acoustic and electronic technologies to create new customer value

New TransAcoustic™ Piano
and SILENT Piano™ line-ups



Two new models added to
the P-Series of compact
digital pianos popular with
adult hobbyists



P-515 Digital Piano

Top model in the series is equipped with a wooden keyboard and combines genuine piano performance with smart design



P-121 Digital Piano

The first compact 73-key model in the series is easy to move and position

EAD10
Electronic acoustic drum
module

Simple settings can pick up overall
drum sounds and enable high-quality
acoustic drum recording



Good Design Award 2018

VOCALOID™ Keyboard "VKB-100" Selected for the Good Design Best 100



**GOOD DESIGN
AWARD 2018**



**VKB-100
VOCALOID™ Keyboard**

Four Yamaha designs including digital pianos and hybrid piano system were selected for the Good Design Awards 2018

Winners of the Good Design Awards 2018 (October 2018):

- VOCALOID™ Keyboard "VKB-100"*1
- Digital Piano "P-121" "P-125"*2
- Digital Piano "P-515"
- Hybrid Piano System "TransAcoustic™ TA2"

*1 "VKB-100" selected for the Good Design Best 100

*2 "P-121" and "P-125" counted as a single award



**P-125
Digital Piano**



**P-515
Digital Piano**



**TransAcoustic™ TA2
Hybrid Piano System**

Updates on Key Measures

New Yamaha Guitar Group Makes Progress

Acquisition of Ampeg Brand (May 2018)

Acquired the Ampeg brand and its business operations, globally renowned for products including guitar bass amps.

Yamaha Guitar Group



Yamaha Guitar Story

- Created brand story to convey the value of Yamaha guitars
- Key messages of scale of business, technical skill, and spirit
- Launched media roll-out: 1st phase was posting on the website of Sweetwater, a major US dealer

QUALITY INSTRUMENTS FOR OVER 130 YEARS



Tradition

Yamaha's been creating fine musical instruments since day one, bringing in top-level craftsmen to build some of the finest pianos and reed instruments the world has ever seen. Right from the beginning, they set the bar high, and only real passion for music and technology has allowed them to meet and exceed their own standards over the following 130 years. Today, Yamaha is a giant in many aspects of the music industry and beyond, and countless guitarists, bass players, and other musicians count on their gear every day.

Innovation

The name Yamaha conjures up a lot of different images for a lot of different people. Some people immediately think of their grand pianos or trumpets, while others think of motorcycles and watercraft. And that's not all — Yamaha has made furniture, sporting goods supplies, semiconductors, and even industrial robots. So how can a giant company that's diversified that much possibly build guitars that not only rival but surpass many of the most popular guitar makers in the world? The answer might surprise you.



HIGH-TECH HARMONY



Collaboration

In fact, this symphony of talent that gives Yamaha guitars such an edge. The same kind of equipment and expertise involved in designing Yamaha Motors cutting-edge sport bikes and watercraft is behind the hardware that keeps your Yamaha guitar in tune and stable. If you think carving a maple neck or tracing a square top is difficult or complex, then you should see what goes into crafting the soundboard of a CR1S Concert Grand piano.

Depth

When it comes to technical skill, you can bet that a company capable of engineering a 7-axis industrial robotic arm can design cool and creative guitars. And that respect of Yamaha musical instrument goes far deeper than the surface. While the sleek curves and contours of that beautiful electric guitar may conjure up images of a Supersport bike, the technology under the hood is just as impressive.



RELATIONSHIPS COME FIRST



Omotenashi

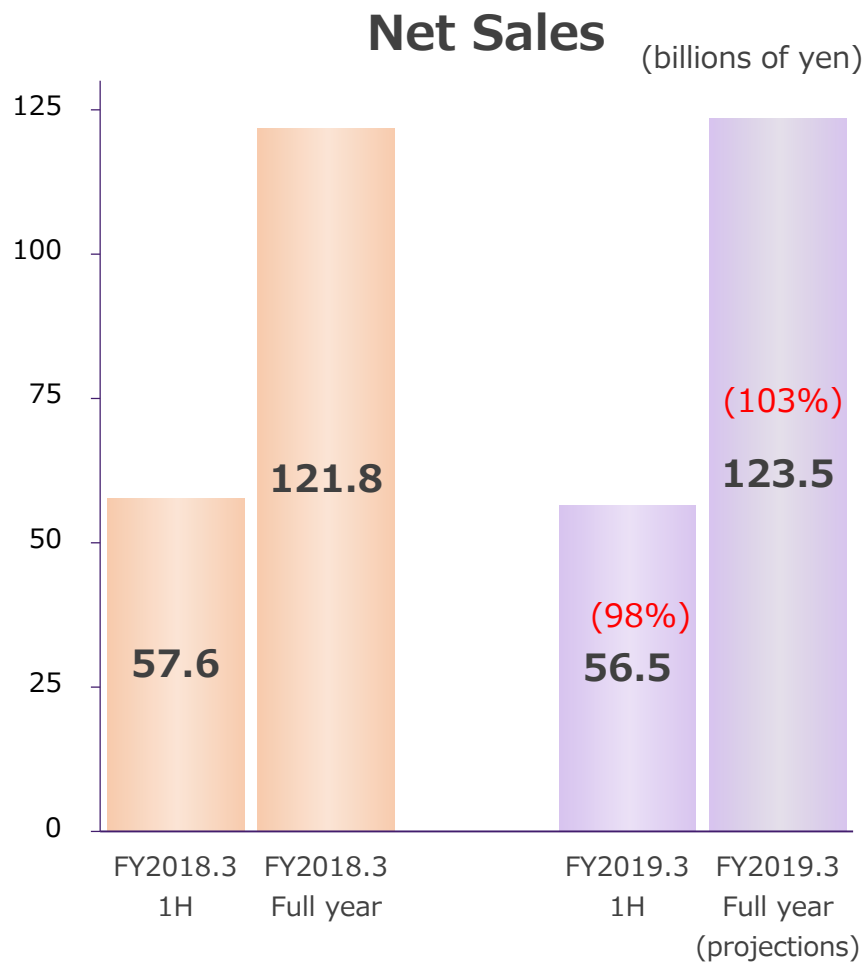
There's one final aspect of Yamaha guitars and basses that makes them truly special, and it's something that runs through all Yamaha products: it's the Japanese philosophy of Omotenashi. Loosely translated, Omotenashi means "hospitality," but its connotations run deeper than that. Its origin is in the Japanese tea ceremony (sadō), in which the host takes care of every detail, going beyond merely meeting expectations to taking pride in the wholehearted care they provide.

Integrity

As guitarists, we can feel the cultural spirit of Omotenashi in every Yamaha guitar we play. It's as though the guitar we just picked up was personally built for a dear friend. It doesn't matter if it's their least-expensive student model or their latest custom creation, the instrument clearly transcends its price. What sets these guitars apart is an indefinable quality — the special combination of sound, feel, and aesthetics that's more than the sum of its parts. It's why Sweetwater is always proud to recommend Yamaha guitars.



Segment Sales and Operating Income

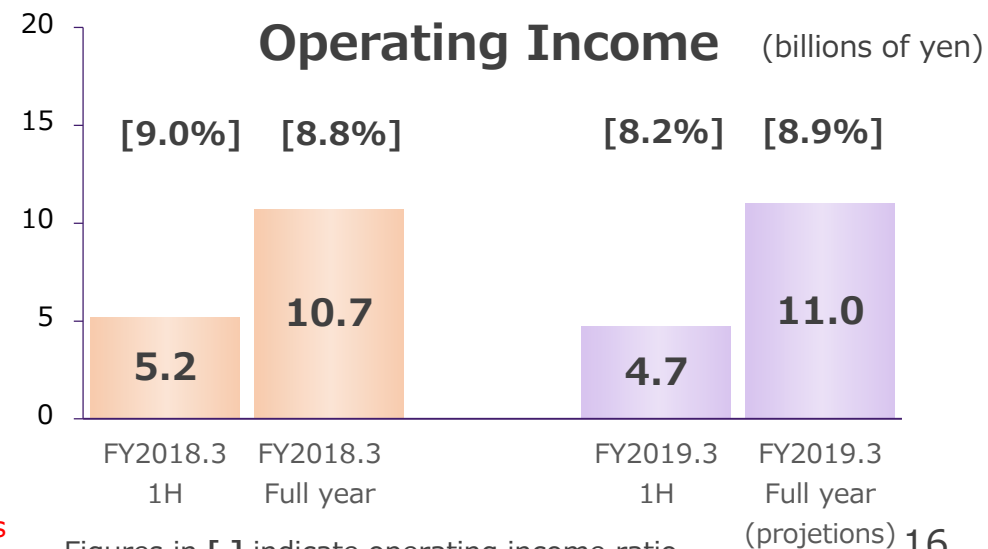


[1H overview] PA equipment sales grew but overall segment sales declined YoY

- AV product sales declined year-on-year due to the impact of delayed shipments to mass channels in the US and changes in demand for receivers.
- In the PA equipment category, brisk sales of flagship mixers drove strong results for commercial audio equipment.
- ICT devices sales decreased year-on-year due to factors including a reduction in OEM production in China.

[Full year projections] Growth expected to outstrip the previous year

- In the AV category, MusicCast sales are expected to expand in Europe, and a rebound in sales to mass channels in the US is anticipated.
- In the PA equipment category, commercial audio equipment sales are projected to expand in all regions, and music production is likely to remain robust.
- In the ICT devices category, sales growth is expected for routers, LAN products, and conference systems.



Red figures show actual YoY changes discounting impact of exchange rates

Figures in [] indicate operating income ratio

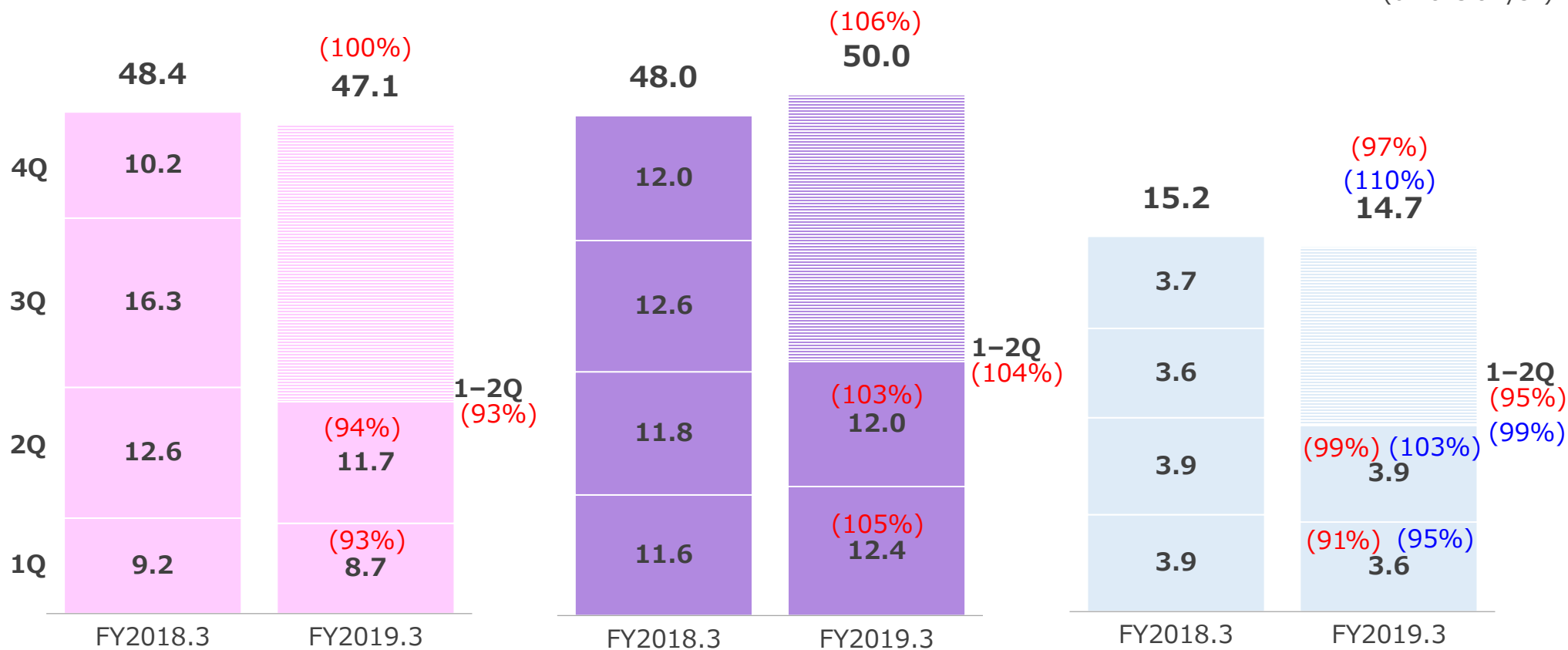
Sales by Major Product Category

AV Products

PA Equipment

ICT Devices

(billions of yen)

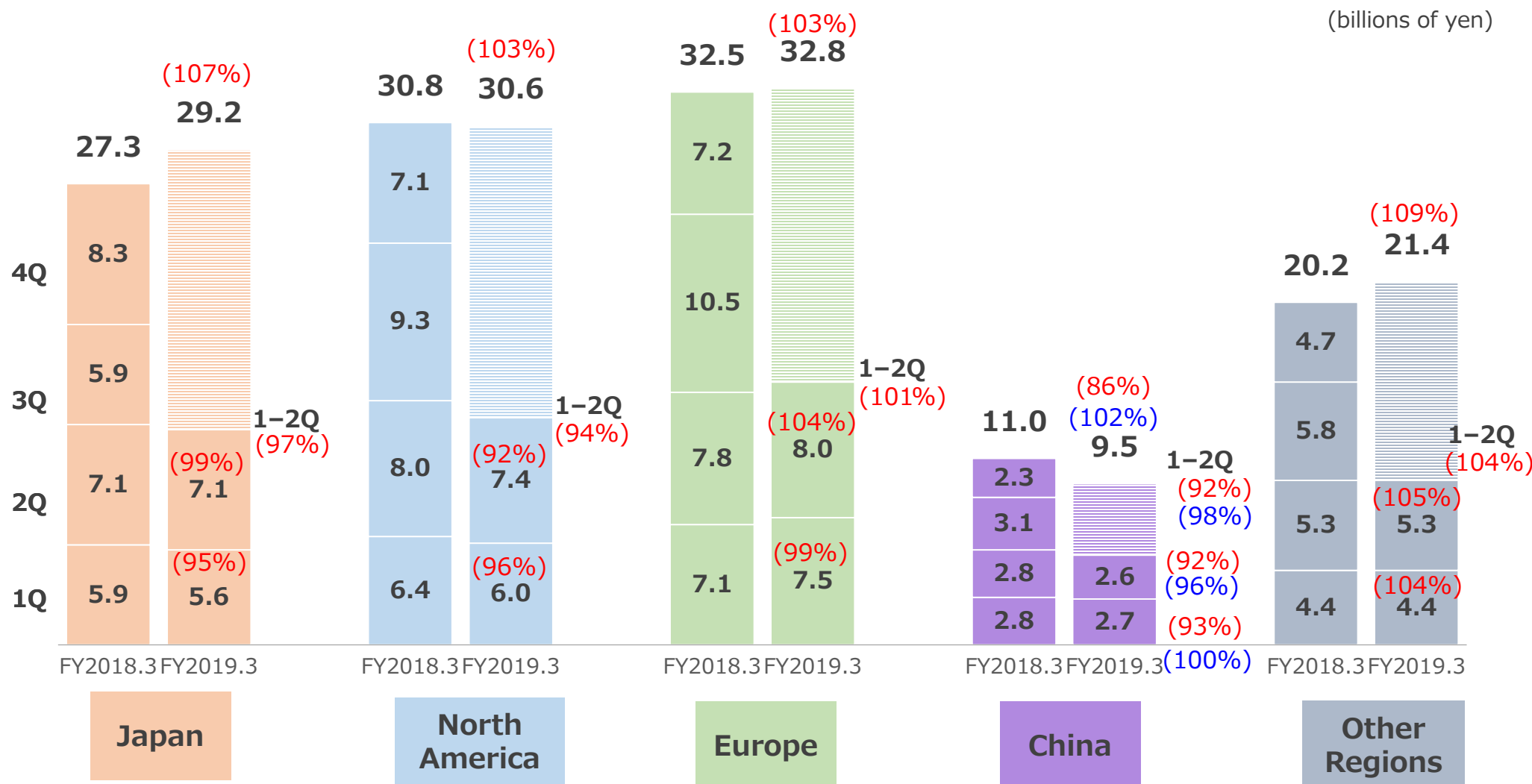


*Includes only hardware products for PA Equipment (excluding engineering and installation services)

Red figures show actual YoY changes discounting impact of exchange rates

Blue figures show actual YoY changes excluding the sales of OEM products

Sales by Region



Red figures show actual YoY changes discounting impact of exchange rates

Blue figures show actual YoY changes excluding the sales of OEM products

Develop Products with Distinctive Individuality

Connecting with Music

Connected systems offer ground-breaking value through uncompromising sound quality and creative technologies



MusicCast Surround

(wireless rear speakers + wireless sub-woofers)

MusicCast
SURROUND / STEREO



MusicCast Stereo

(stereo base amp + wireless sub-woofers)

What is MusicCast™?

An original Yamaha wireless network system enabling users to enjoy their favorite music anywhere in the house whenever they like.

A single app offers ways of enjoying music with greater freedom and comfort. Select and play songs you like from the music library loaded on the network and stream them simultaneously to devices in different rooms such as bedrooms and kitchen.



MusicCast™ 20

Wireless streaming speaker



MusicCast™ VINYL 500

Wireless turntable



MusicCast™ BAR 400
Sound bar system

Develop Products with Distinctive Individuality

Fresh product line-up integrates state-of-the-art technologies to create new value

New additions to the digital mixing system line-up enable full-scale market launch of flagship models

- Increased usage on world tours this summer and greater exposure extends to all markets -



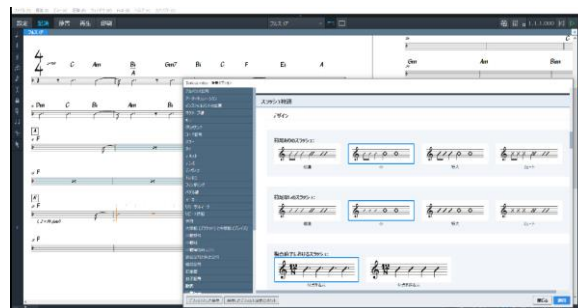
RIVAGE™ PM10
Digital mixing system



RIVAGE™ PM7
Digital mixing system



Dorico Pro and Dorico Elements
Steinberg software



Enables efficient editing of full orchestra scores, etc. and production of professional-style printed scores

- Offers intuitive workflow, flexible layout capabilities, and high-quality sound reproduction -

Develop Products with Distinctive Individuality

Awarded 1st place for the third consecutive year in the network device category of the Nikkei Computer Customer Satisfaction Survey 2018-2019

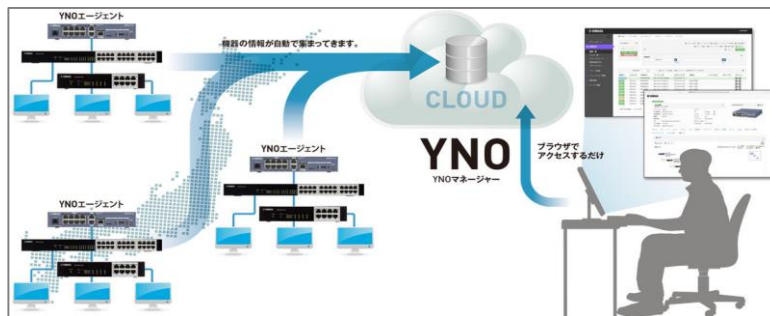
For the third consecutive year, Yamaha was awarded 1st place in the Customer Satisfaction Survey 2018-2019 published by Nikkei Business Publications, Inc. (Head office: Minato-ku, Tokyo, President & CEO: Suguru Niinomi) in the September 13, 2018 issue of Nikkei Computer Magazine.

In this survey, managers responsible for introducing new products and services to the office, such as CIOs and information systems department managers, rate their satisfaction with vendors of IT-related products and services. Of five evaluation categories, Yamaha scored top for reliability and operability. Yamaha was highly assessed for creating products and functions suited to actual in-store environments.



Yamaha Network Organizer (YNO)

An integrated, cloud-based network management service enabling supervision and control of network functions

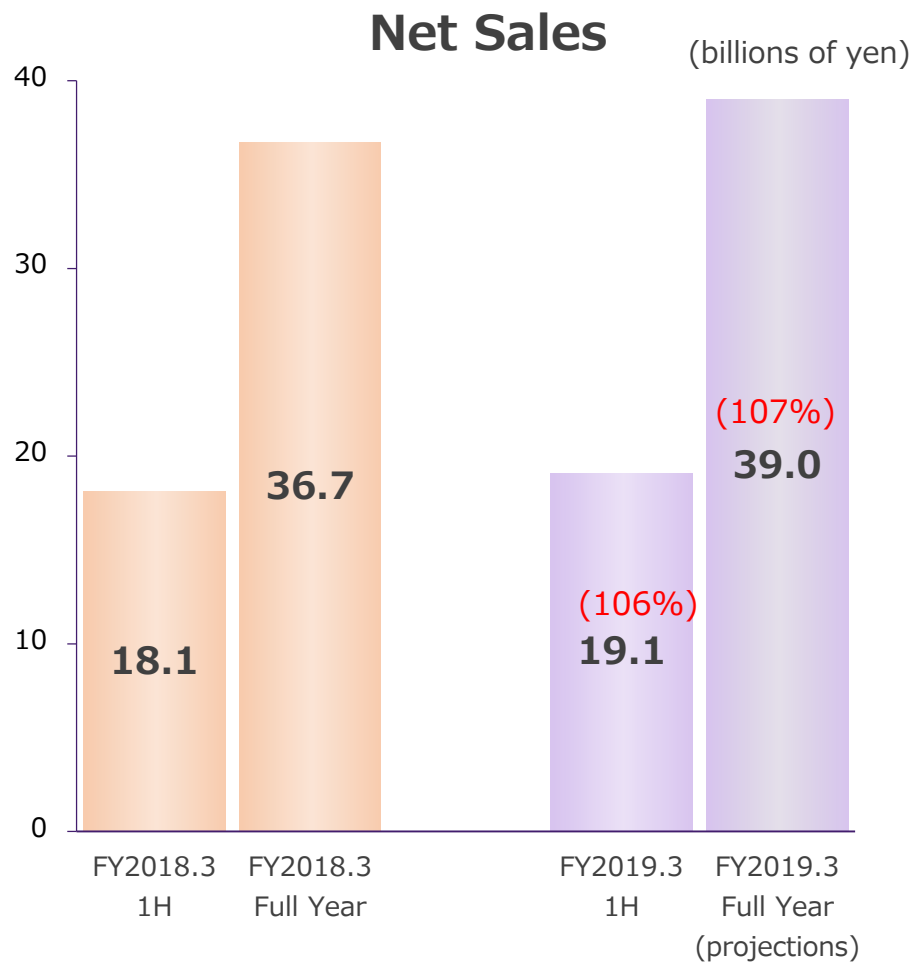


- Controls all network device information on the cloud.
- Enables secure, unified control of settings data without carrying information around.
- Minimizes burden of supervising and controlling Yamaha network devices and enables more efficient device management that is also resilient to problems.



RTX830
Giga access VPN router

Segment Sales and Operating Income

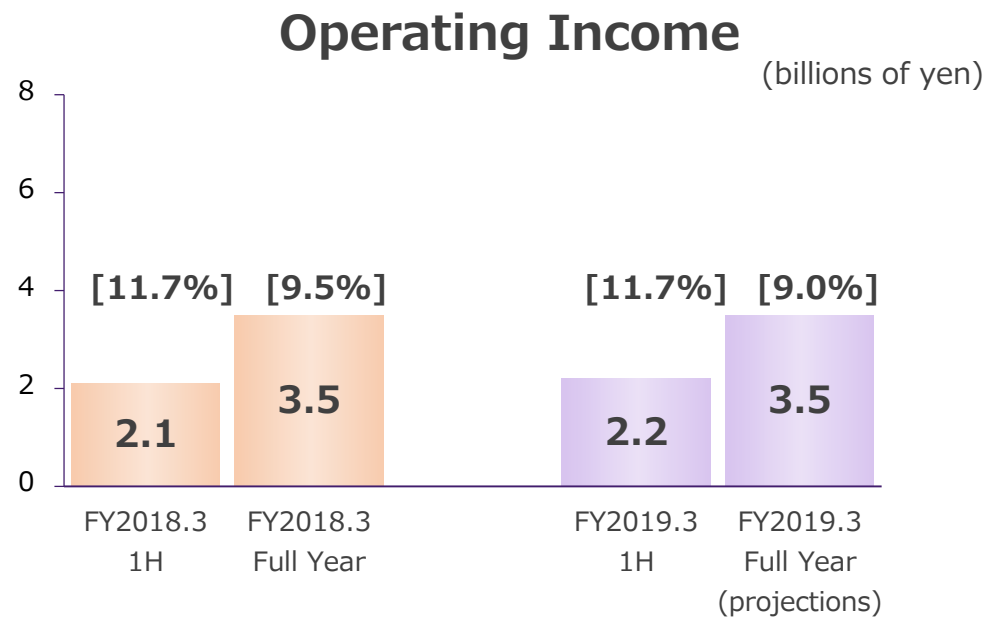


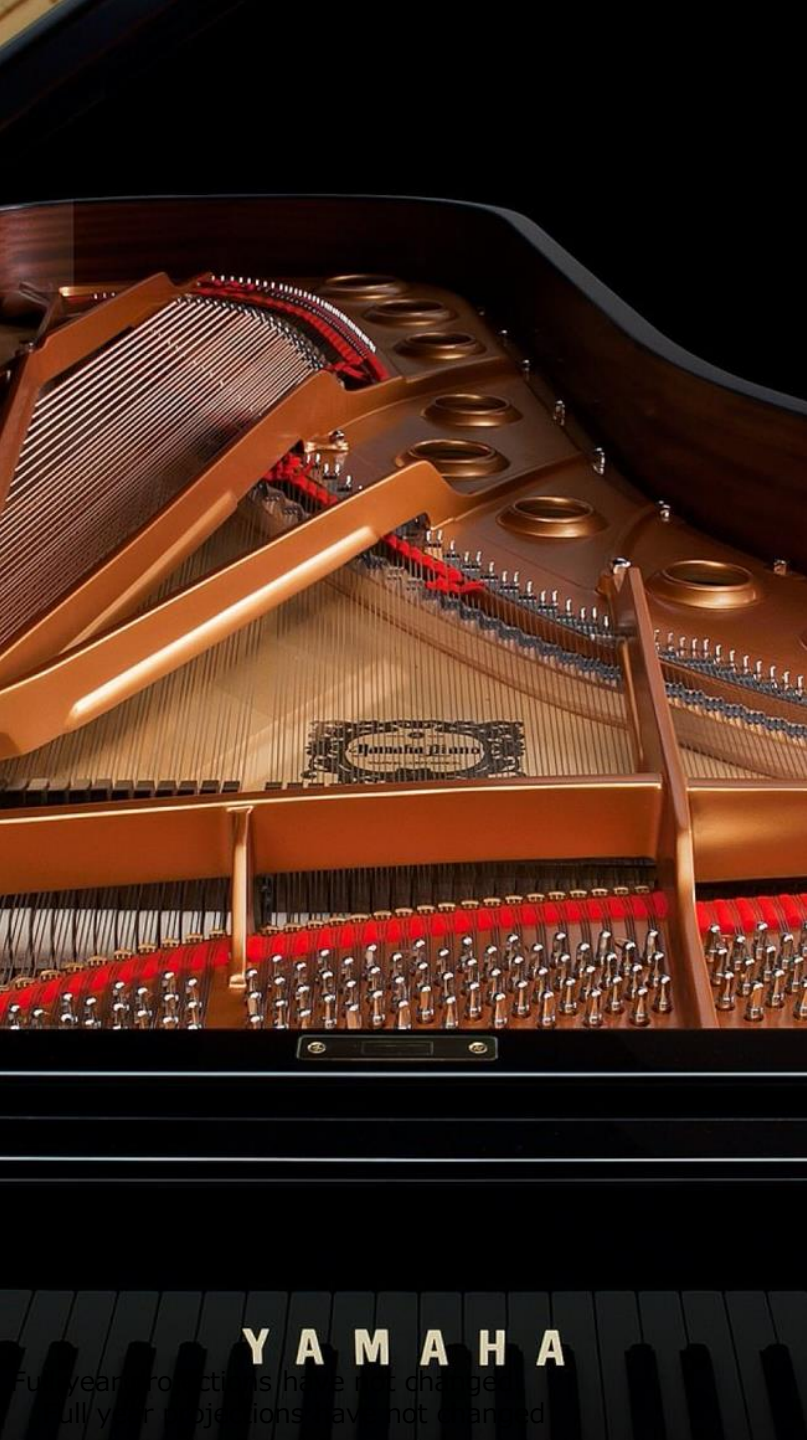
[1H overview]

- Sales of factory automation equipment rose sharply due to strength in testing machineries for smartphone production, and sales of automobile interior wood components remained robust due to customer growth.

[Full year projections]

- Although orders for factory automation equipment are expected to decline sharply in the second half, full-year results are projected to remain stable year-on-year.





3. ESG Topics

Y A M A H A

Full year projections have not changed
Full year projections have not changed

Environment

Sustainable Wood Procurement Initiative

Joint research agreement signed with Kyoto University aimed at cultivation and use of sustainable forestry resources



Rich sound and user responsibility: research results will be published proactively in the aim of ensuring prompt returns to society



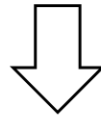
Generate research topics focused on sustainability of forestry resources



- Wood use techniques developed through musical instrument production
- Technical knowledge in the acoustics field, etc.
- Sustainable use of materials/musical instrument manufacturing
- Resolution of social issues in the forestry sector

• Provide R&D resources (facilities, personnel, etc.)

• Provide R&D environment (facilities, personnel, etc.)



Conduct joint research
Actively exchange ideas
Share research results
Feed back research results to society

- Latest research in forestry science
- Excellent research resources
- Broad perspectives informed by integration with other fields
- Utilization of research personnel

Raise the value of forests and wood, leading to greater sustainability of society as a whole



Social

Supporting youth development by music promotion activities

A program to encourage children's musical aspirations and dreams

-Yamaha Launched the I'm a HERO Program in Colombia-

Children took the field at a match in the Categoría Primera A, Colombia's premier football league, to perform the national anthem in front of a huge crowd.



On Sunday September 30, 2018 (local time), 26 children took the field with players from Colombia's powerhouse soccer clubs at a match in the Categoría Primera A, the country's premier football league, to perform the national anthem on their newly acquired Venova™ wind instruments in front of a huge crowd.

Supporting Youth Development through Music Promotion Activities

Crime, poverty, and inequality are serious social issue in many Latin American countries. Yamaha contributes to sound upbringings for young people and a culture of music education through activities that use music and instruments to help local communities and promote music activities, so that children growing up in this environment can become healthy in spirit, without falling into crime, delinquency, and violence.

Social

Making steady progress with music promotion activities in emerging countries

- Expansion of music promotion activities aimed at increasing player numbers

Musical instruments, teaching materials, and instruction guidance are provided as a package to public elementary schools in emerging countries in order to create an environment conducive to musical instrument education in extracurricular activities.

Musical Instrument Education Initiatives in the Middle East and Africa

In FY2017, recorder lessons were given to approximately 3,300 pupils in 33 schools in five countries: South Africa, Nigeria, Kuwait, UAE, and Kenya. These activities are now being expanded with the addition of a further three countries: Pakistan, Morocco, and Uganda.



A recorder lesson in South Africa



A recorder lesson in Nigeria



Seminar for music teachers in UAE

Social

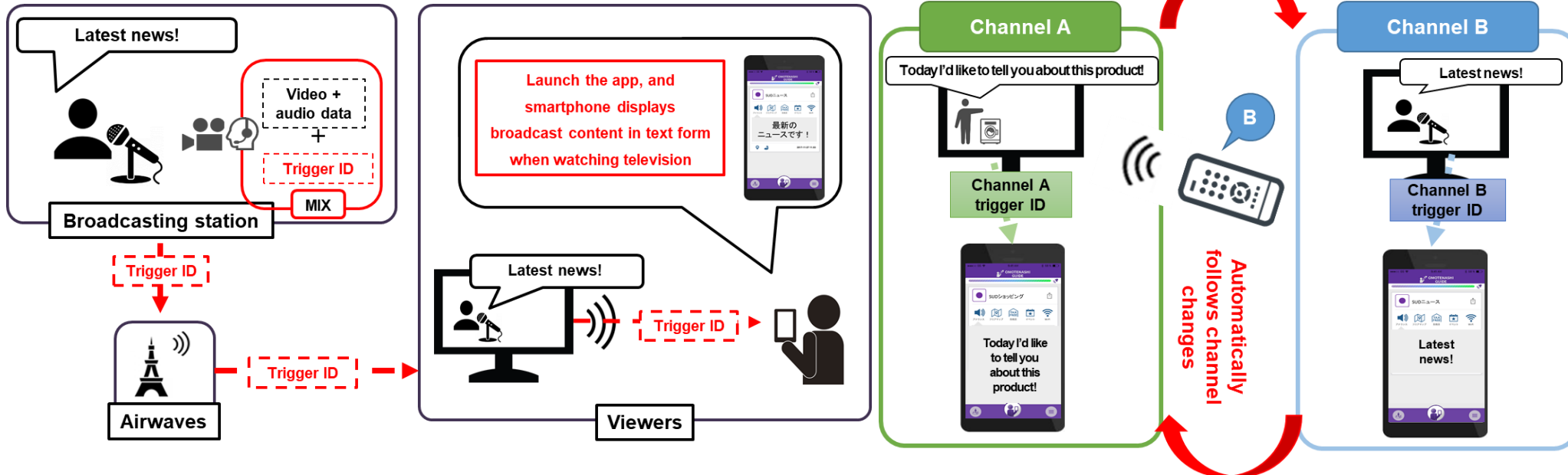
Extending universal design to audio for TV and radio

Start of subtitling support project utilizing “Sound UD”* in partnership with 16 TV and radio stations throughout Japan



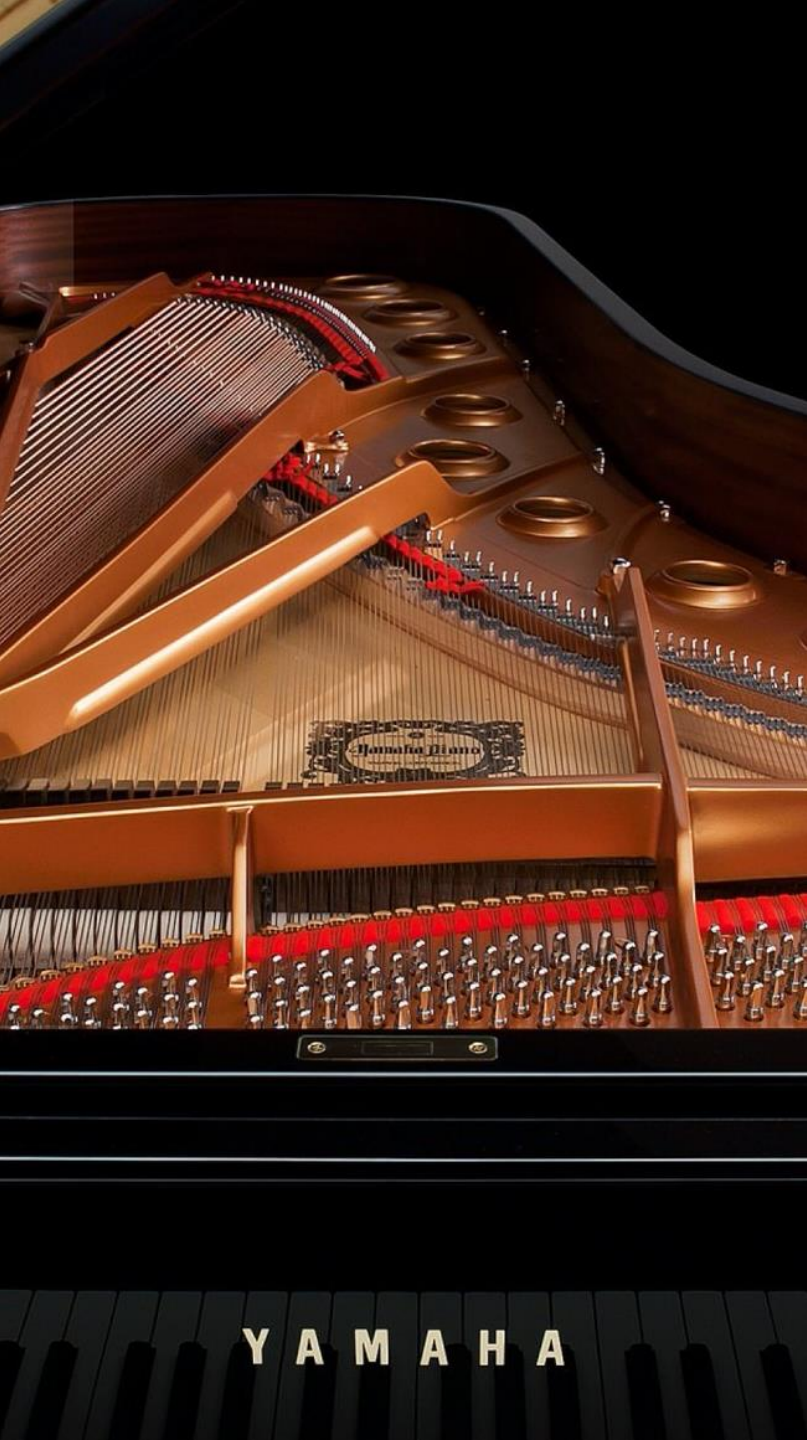
Selected by the Ministry of Internal Affairs and Communications as an FY2018 “Television and Radio Broadcasting Support Project for People with Visual or Hearing Impairment”

Giving all viewers and listeners—including the elderly and people with visual or hearing impairment—the opportunity to enjoy equal access to information by enabling them to understand the content of TV and radio broadcasts.



*Sound Universal Design

Universal Design: Design facilitating access by all people regardless of disability, age, gender, ethnicity, etc.



4. Other Financial Figures

Balance Sheet Summary

*Full year projections remain unchanged from the original announcement (on May 2018)

(billions of yen)

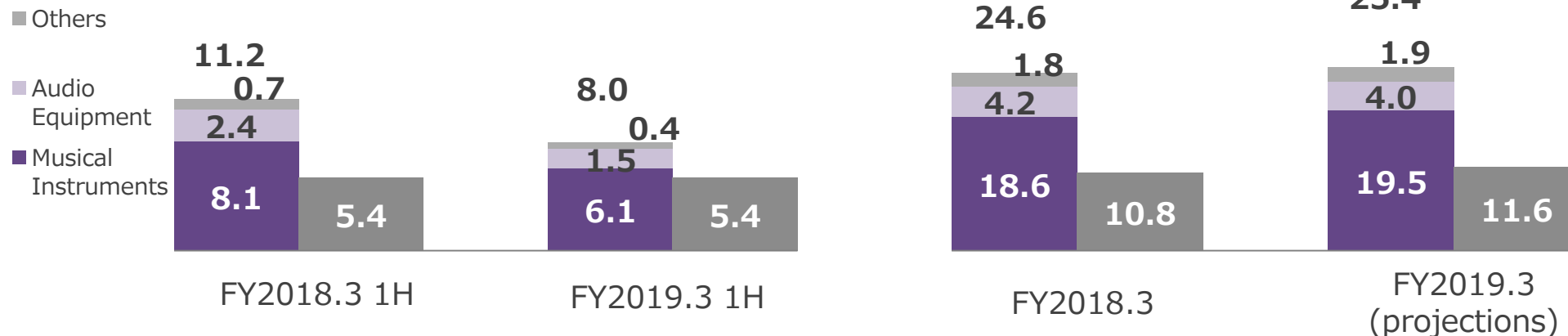
	As of Sep.30, 2017	As of Sep.30, 2018	Change	As of Mar.31, 2018	As of Mar.31,2019 (projections)	Change
Cash and deposits	115.3	117.1	+1.8	122.7	119.9	-2.8
Notes and accounts receivable	60.2	57.7	-2.5	55.3	58.5	+3.2
Inventories	103.9	107.2	+3.3	94.1	91.0	-3.1
Other current assets	17.1	16.4	-0.7	17.4	18.3	+0.9
Fixed assets	290.4	267.3	-23.1	262.8	275.7	+12.9
Total assets	586.9	565.7	-21.2	552.3	563.4	+11.1
Notes and accounts payable	20.0	22.5	+2.5	19.9	20.4	+0.5
Short- and long-term loans	27.6	20.2	-7.4	11.1	9.9	-1.2
Other liabilities	129.1	114.8	-14.3	133.0	116.8	-16.2
Total net assets	410.2	408.2	-2.0	388.3	416.3	+28.0
Total liabilities and net assets	586.9	565.7	-21.2	552.3	563.4	+11.1

*Previous year's figures have been adjusted to reflect revision of Accounting Standards for Tax Effect Accounting.

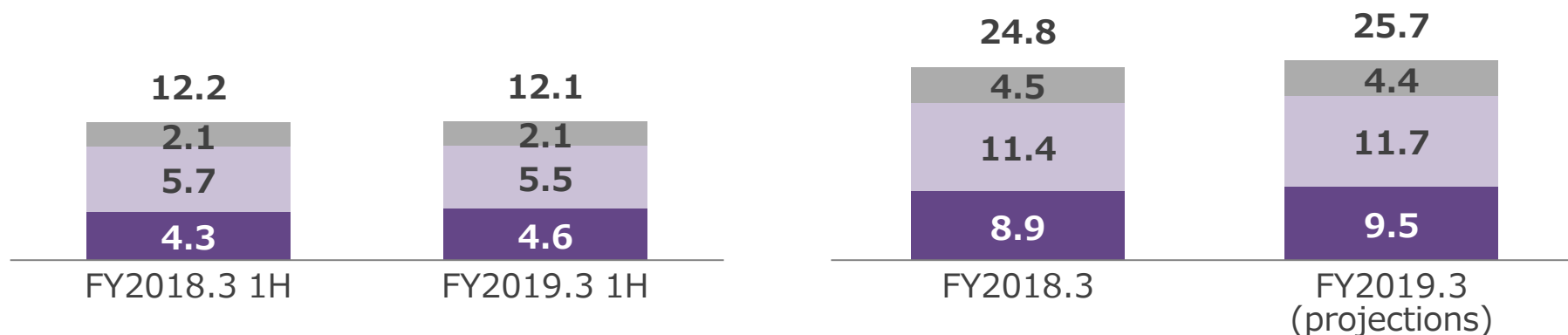
Capital Expenditure/Depreciation, R&D Expenses

Capital Expenditure/ Depreciation

(billions of yen)



R&D Expenses



Annual Report

Yamaha Group Annual Report 2018

The Yamaha Group Annual Report 2018 was released on October 24, 2018, and offers both financial and non-financial perspectives on progress in the Group's efforts to create medium- and long-term value

Format: A4 paper size, 90 pages

Japanese version: Brochure and PDF

English version: PDF (to be issued in December 2018)

Key Contents:

•Yamaha's Vision and Value Creation

History of Growth/Yamaha's Business and Value Creation/
Financial and Non-Financial Highlights

•Management Strategy

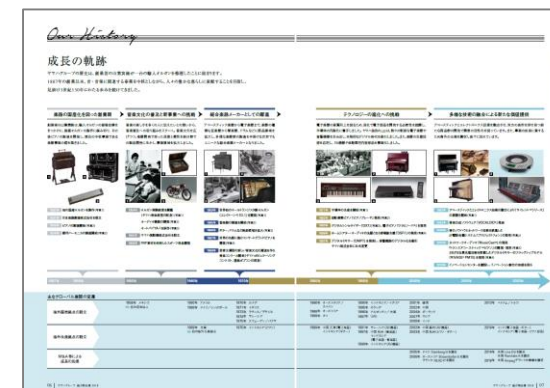
Message from the President/Financial Strategies/Strategies
by Business/Strategies by Function

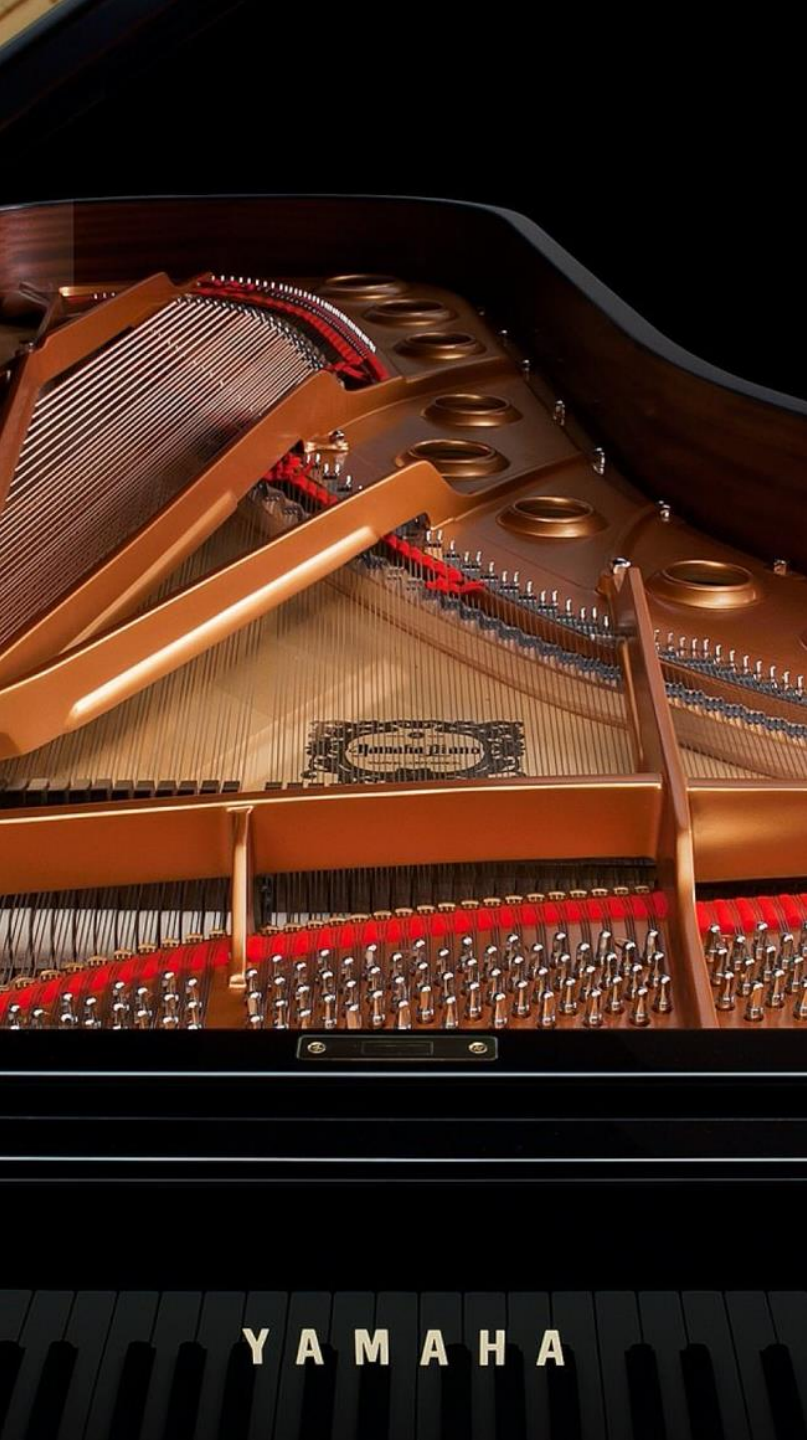
•Foundation for Growth

Sustainability/Human Resources/Corporate Governance

•Financial and Corporate Information

Financial Summary/Financial Review/Corporate and stock
information





Appendix

Performance in 2Q FY2019.3 (Three Months)

(billions of yen)

	FY2018.3 2Q	FY2019.3 2Q	Change	
Net Sales	108.6	109.5	+0.9	+0.9% ^{*2}
Operating Income (Operating Income Ratio)	12.4 (11.4%)	15.2 (13.9%)	+2.9	+23.4%
Ordinary Income	13.5	16.2	+2.7	+20.2%
Net Income ^{*1}	10.3	12.5	+2.2	+21.2%

Exchange Rate (yen)

Net Sales (Average rate during the period)	US\$	111	111
	EUR	130	130
Operating Income (Settlement rate)	US\$	111	111
	EUR	123	131

^{*2} +1.9%
(Excluding the impact of
exchange rate)

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

Performance by Business Segment in 2Q FY2019.3 (Three Months)

(billions of yen)

		FY2018.3 2Q	FY2019.3 2Q	Change	Exchange rate impact
Musical Instruments	Net Sales	68.6	69.9	+1.3	-0.8
	Operating Income	8.4	11.4	+3.0	+0.4
	Operating Income Ratio	12.2%	16.3%	+4.1P	
Audio Equipment	Net Sales	31.1	30.3	-0.7	-0.3
	Operating Income	3.2	3.1	-0.2	+0.1
	Operating Income Ratio	10.5%	10.2%	-0.3P	
Others	Net Sales	8.9	9.2	+0.3	0
	Operating Income	0.7	0.7	0	0
	Operating Income Ratio	8.0%	7.9%	-0.1P	

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

(billions of yen)

		FY2018.3 1H	2019.3 1H
Non-Operating Income/Loss	Net financial income	2.1	2.2
	Other	-1.3	-1.0
	Total	0.8	1.3
Extraordinary Income/Loss	Income from (loss on) disposal of fixed assets	-0.1	0
	Others	-0.3	0.2
	Total	-0.4	0.1
Income Taxes and Other Expenses	Income taxes -current	7.4	8.1
	Income taxes -deferred	-2.8	-0.2
	Net income attributable to non-controlling interests	0	0
	Total	4.6	8.0

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

(billions of yen)

		FY2018.3 Full year	FY2019.3 Full year (projections)
Non-Operating Income/Loss	Net financial income	4.3	3.7
	Other	-3.9	-3.7
	Total	0.4	0
Extraordinary Income/Loss	Income from (loss on) disposal of fixed assets	-0.2	0
	Others	25.5	0
	Total	25.2	0
Income Taxes and Other Expenses	Income taxes -current	21.4	13.9
	Income taxes -deferred	-1.3	1.0
	Net income attributable to non-controlling interests	0	0
	Total	20.1	15.0

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

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 projections 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.