

Analyst and Investor Briefing on FY2018.3

(Fiscal year ended March 31, 2018)



May 2, 2018

Yamaha Corporation

FY2018.3 Highlights

Overview

FY2018.3 Achievements

- Sales and income both rose year-on-year. Operating income and net income reached record levels.
- Sales and income were higher than the previous year in all business segments.

FY2019.3 Outlook

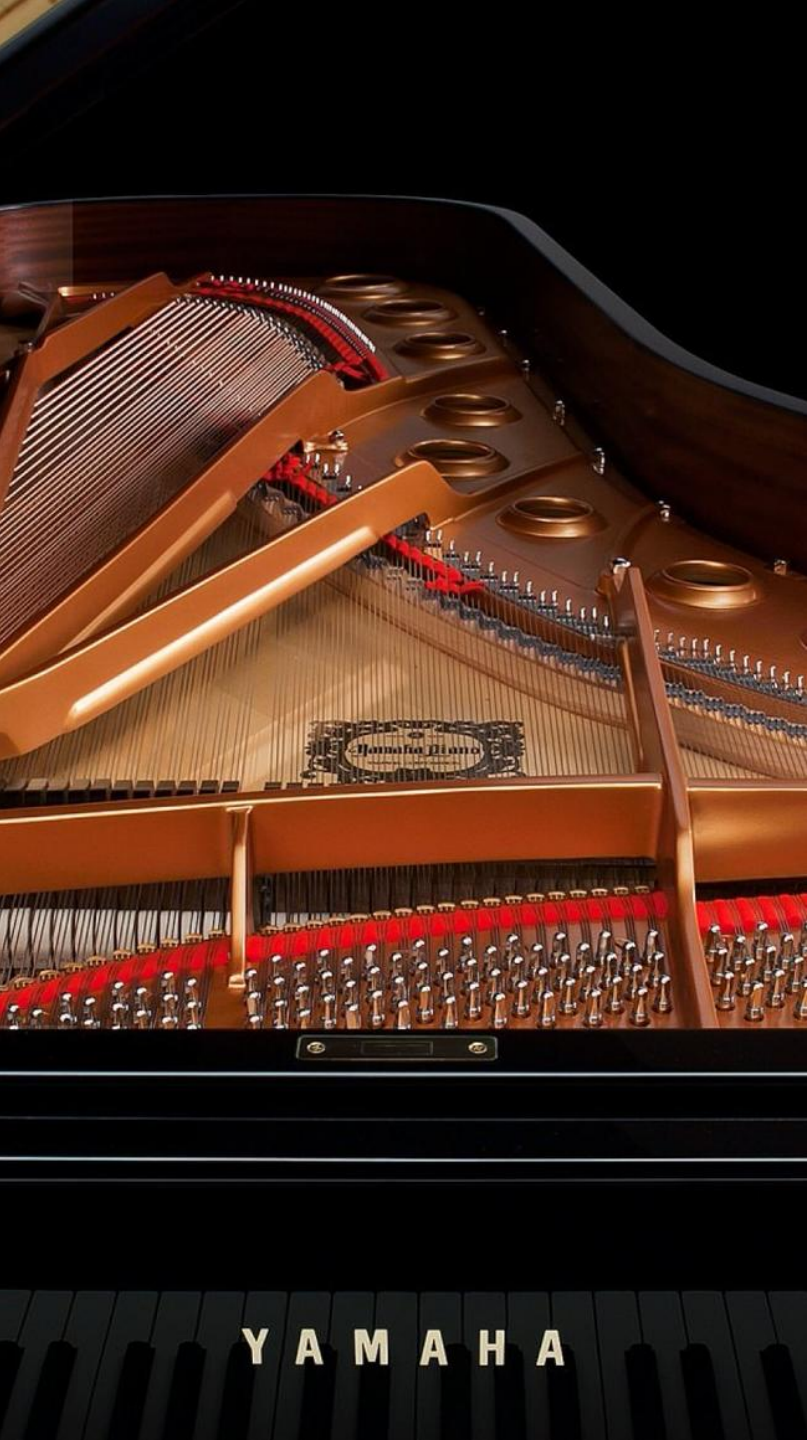
- Expect to achieve higher sales and income in the musical instrument and audio equipment segments, and fulfill medium-term management plan targets of 12% operating income ratio and ¥55.0 billion in operating income.

Updates on our Mid-term Plan

- Achieved operating income ratio of 11.3% in the second year of our medium-term plan, and expected to exceed the final target of 12%.
- Achieved higher ROE and EPS (earnings per share) compared to our medium-term plan targets.
- Carried out strategic investment (Construction of Innovation Center and two new factories in India and Indonesia).

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1. Performance Summary

FY2018.3 Summary

(billions of yen)

	FY2017.3	FY2018.3	Change (YoY)	YoY(%)	Previous projections for FY2018.3
Net Sales	408.2	433.0	+24.7	+6.1% ^{*2}	432.0
Operating Income (Operating Income Ratio)	44.3 (10.9%)	48.8 (11.3%)	+4.5	+10.2%	50.0 (11.6%)
Ordinary Income	44.9	49.2	+4.3	+9.6%	50.0
Net Income ^{*1}	46.7	54.4	+7.7	+16.4%	57.0

Exchange Rate (yen)

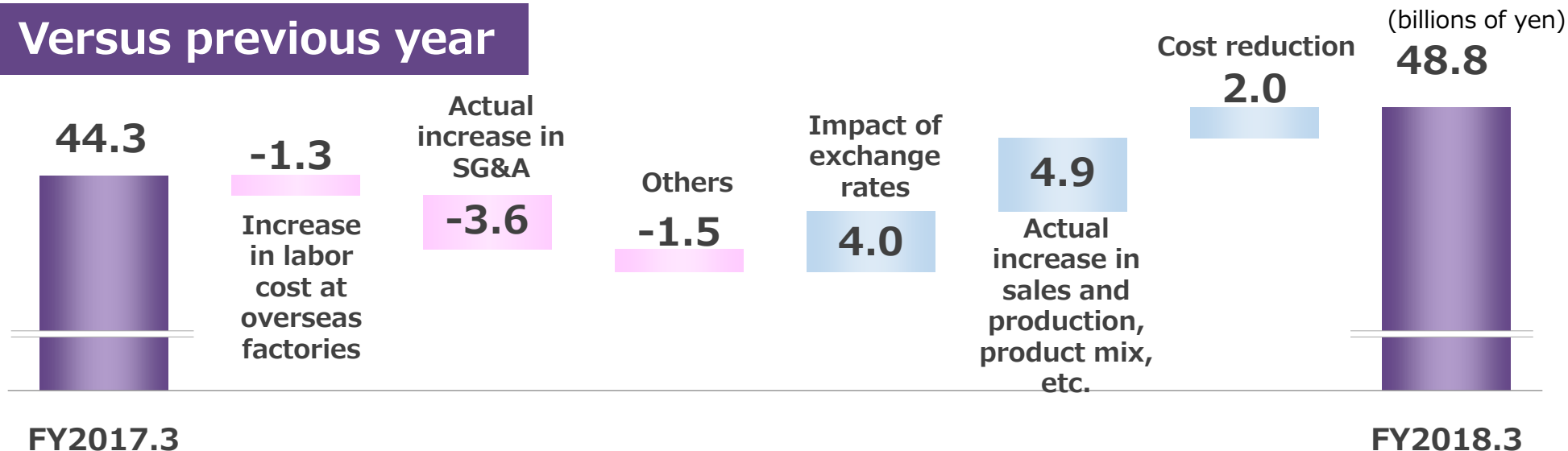
Net Sales (Average rate during the period)	US \$	108	111	110
	EUR	119	130	129
Operating Income (Settlement rate)	US \$	108	111	110
	EUR	121	126	126

^{*2} +2.4%
(Excluding the impact of
exchange rate)

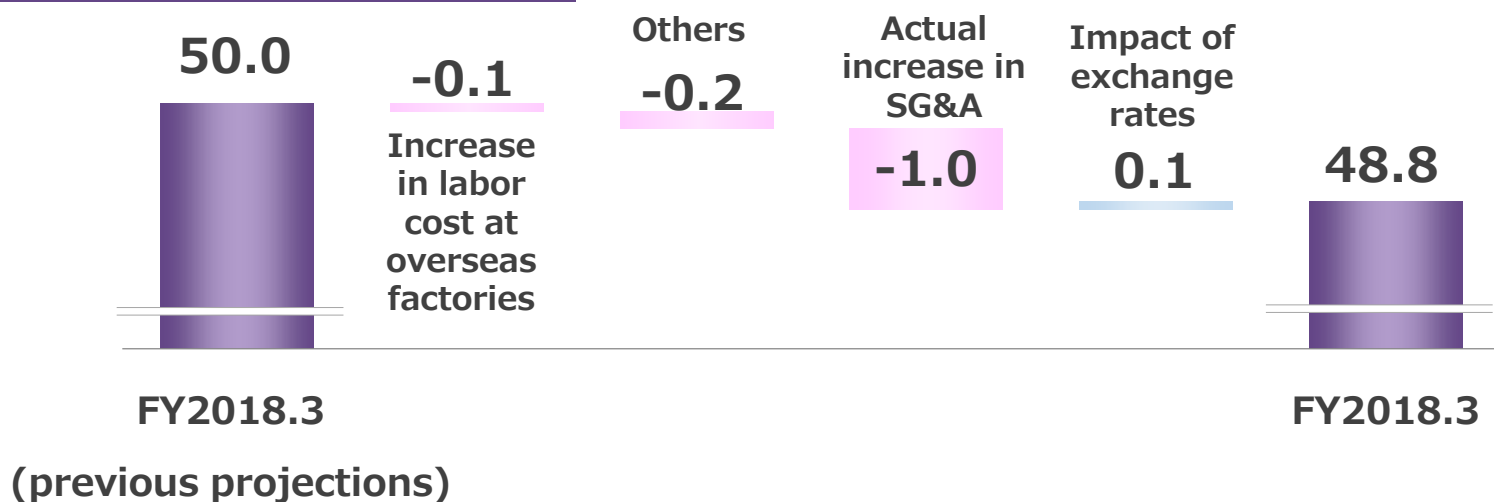
*1 Net income is presented as net income attributable to owners of parent on the consolidate financial statements

Operating Income Analysis

Versus previous year



Versus previous projections



Performance by Business Segment

(billions of yen)

		FY2017.3	FY2018.3	Change (YoY)	Exchange rate impact
Musical Instruments	Net Sales	257.7	274.5	+16.8	+9.7
	Operating Income	32.1	34.6	+2.5	+2.8
	Operating Income Ratio	12.5%	12.6%	+0.1P	
Audio Equipment	Net Sales	115.5	121.8	+6.3	+4.9
	Operating Income	10.4	10.7	+0.3	+1.2
	Operating Income Ratio	9.0%	8.8%	-0.2P	
Others	Net Sales	35.1	36.7	+1.6	+0.2
	Operating Income	1.7	3.5	+1.8	0.0
	Operating Income Ratio	4.9%	9.5%	+4.6P	

FY2019.3 Outlook

(billions of yen)

	FY2018.3	FY2019.3 (projections)	Change (YoY)	YoY(%) ^{*2}
Net Sales	433.0	442.0	+9.0	+2.1%
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	105
	EUR	130	125
Operating Income (Settlement rate)	US\$	111	105
	EUR	126	125

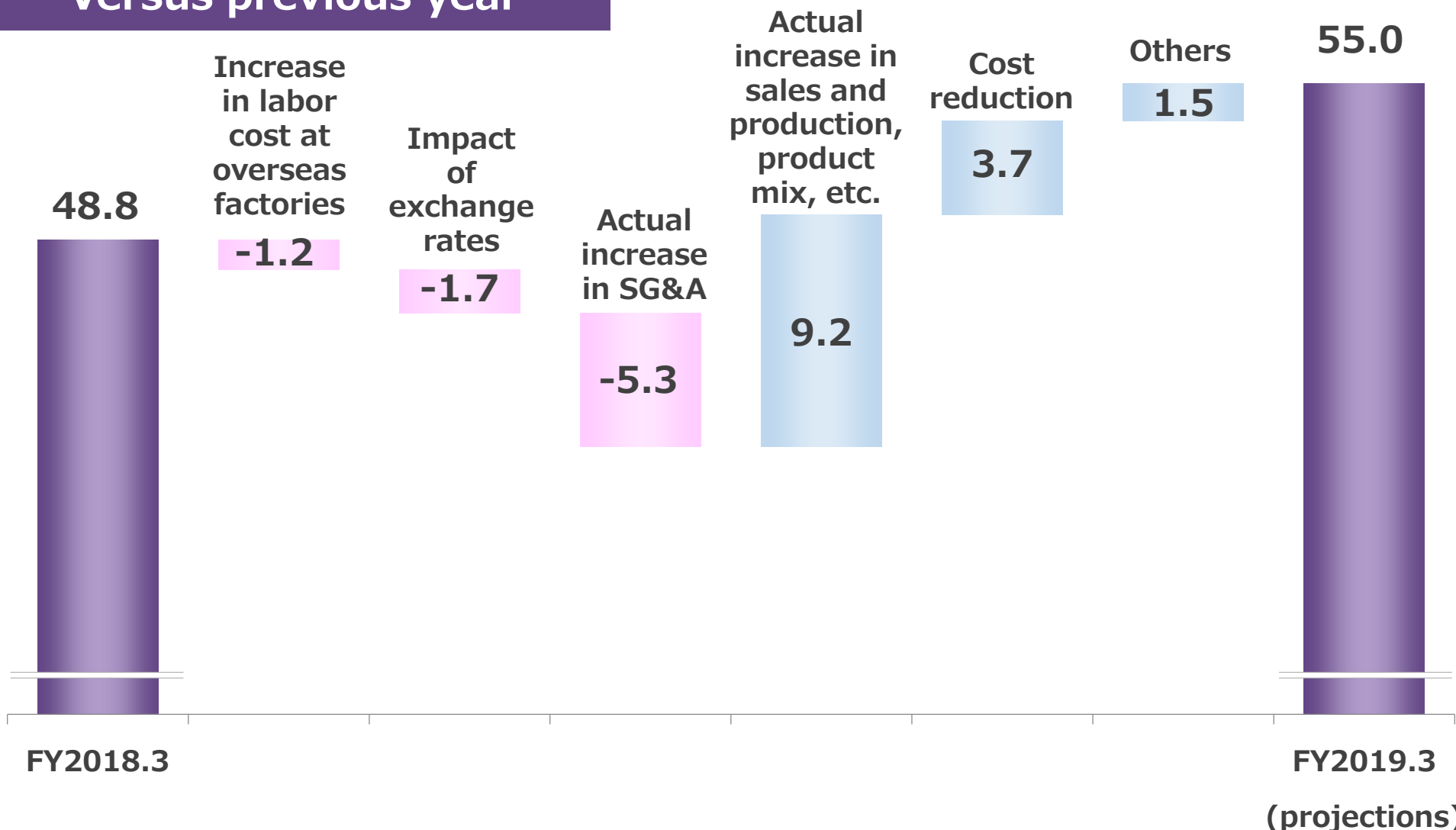
^{*2} **+4.3%**
(Excluding the
impact of
exchange rate)

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

Outlook on Operating Income Analysis

Versus previous year

(billions of yen)

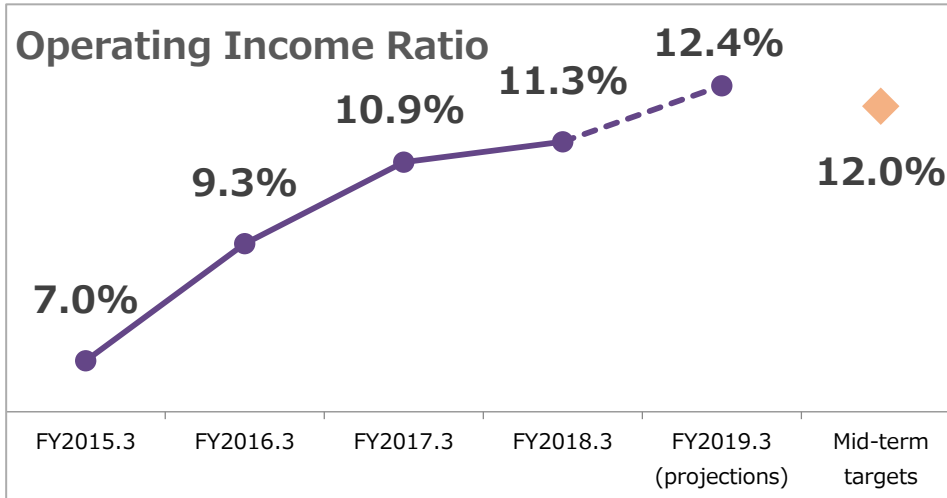


Outlook by Business Segment

(billions of yen)

		FY2018.3	FY2019.3 (projections)	Change (YoY)	Exchange rate impact
Musical Instruments	Net Sales	274.5	277.5	+3.0	-5.9
	Operating Income	34.6	39.5	+4.9	-1.4
	Operating Income Ratio	12.6%	14.2%	+1.6P	
Audio Equipment	Net Sales	121.8	125.5	+3.7	-3.4
	Operating Income	10.7	12.0	+1.3	-0.2
	Operating Income Ratio	8.8%	9.6%	+0.8P	
Others	Net Sales	36.7	39.0	+2.3	-0.4
	Operating Income	3.5	3.5	0.0	-0.0
	Operating Income Ratio	9.5%	9.0%	-0.5P	

Trends in Key Management Figures

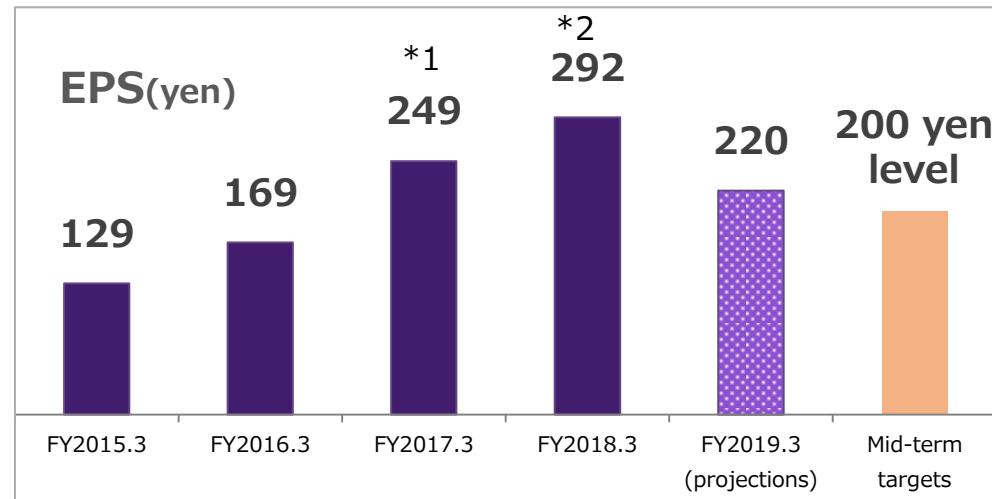
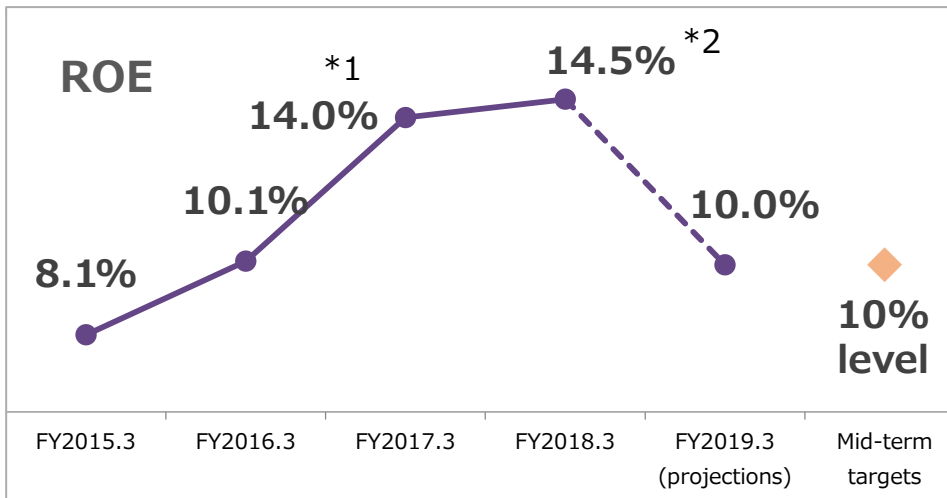


FY2018.3

Operating income ratio reached 11.3% due to improvements in the others segment, although it was lower than expected due to incurrence of one-off expenses, procurement cost increases, front loading of strategic expenditure, and lower 2H production.

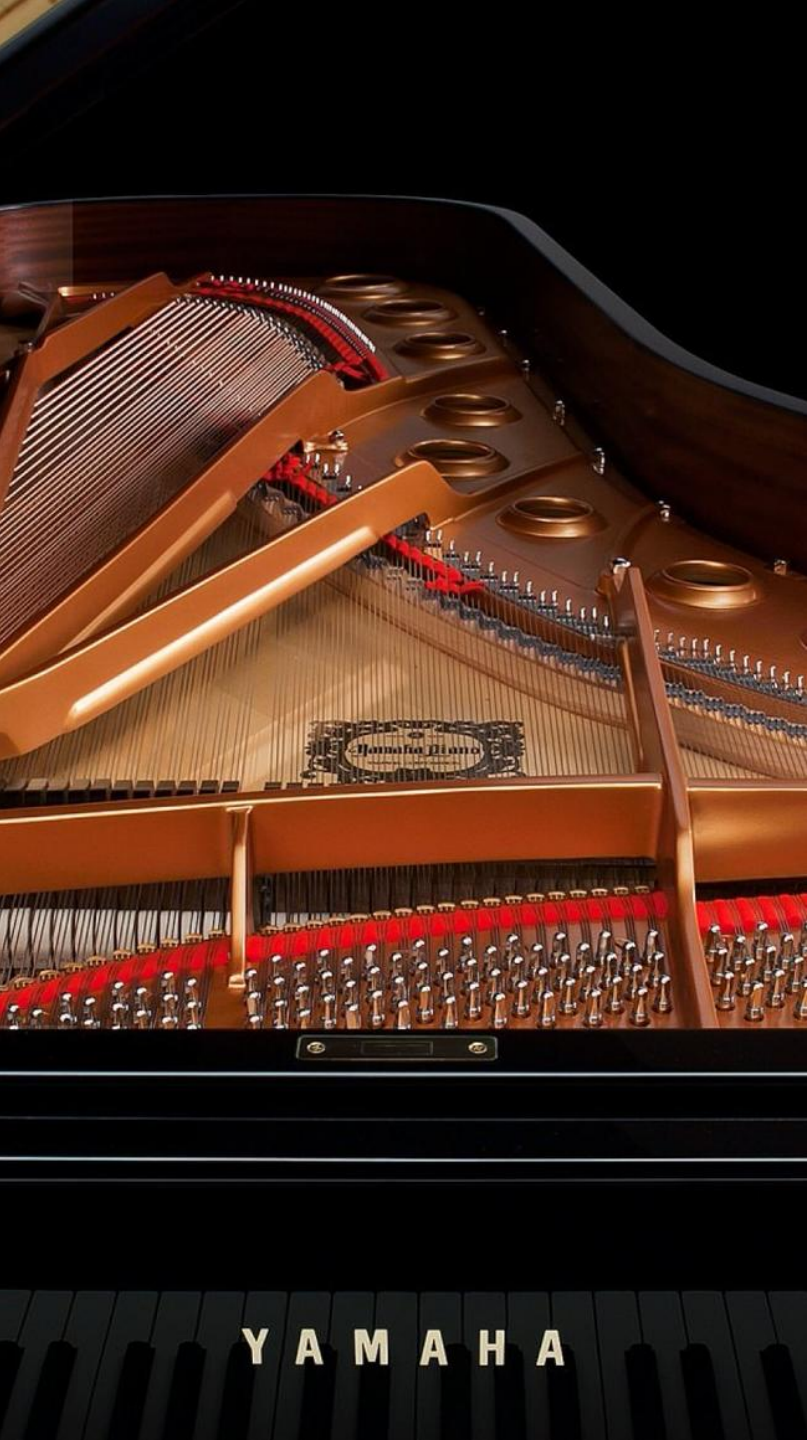
FY2019.3

Operating income ratio is expected to reach 12.4%, surpassing the medium-term plan target of 12%, by increased sales in the musical instrument and audio equipment segments, revision of selling prices, and cost reductions.



*1 Figures for deferred tax assets included

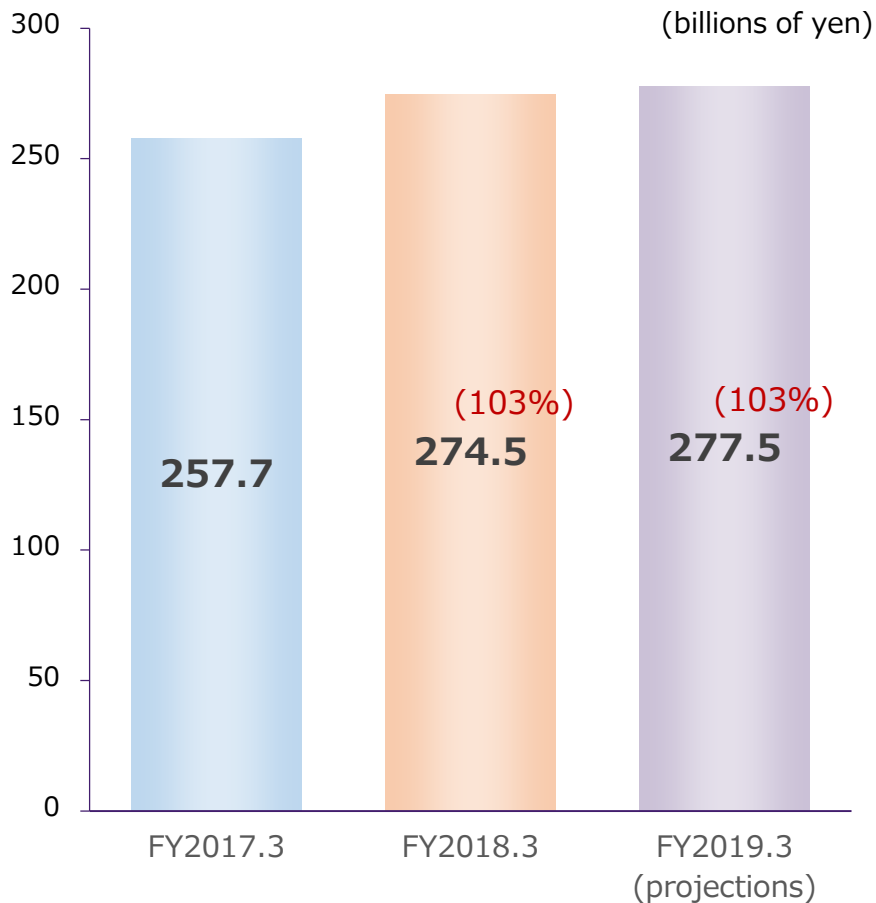
*2 Figures for gain on sales of a portion of Yamaha Motor Co., Ltd. shares included



2. Segment Overview and Updates

Segment Sales and Operating Income

Net Sales



FY2018.3 Results improved year-on-year in all product categories.

-Guitar sales grew by double digits, and digital musical instruments showed strong sales due to the impact of new products

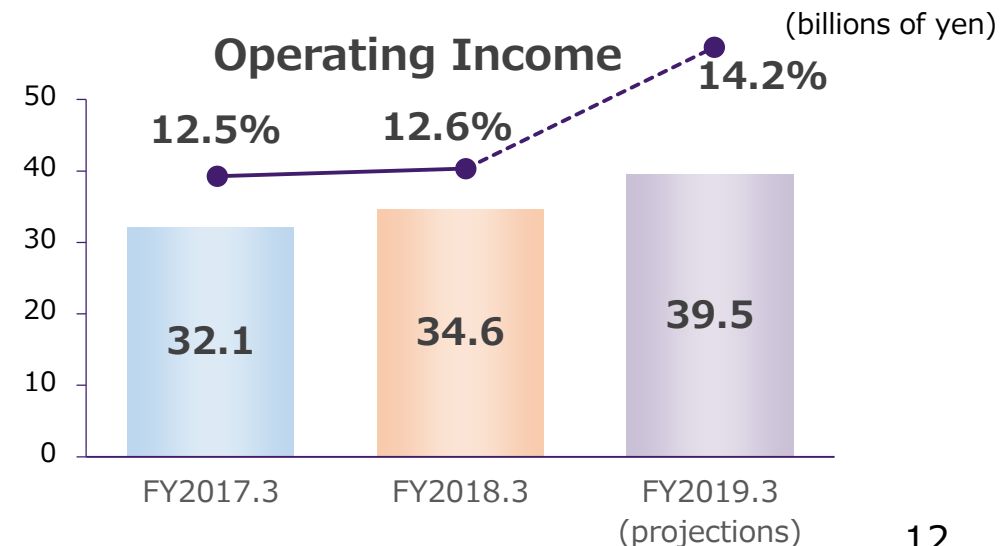
-Double-digit growth continued in China, and the growth rate in emerging markets exceeded the previous year.

FY2019.3 Growth is projected to outpace the previous year in all product categories.

-Guitars, pianos, and digital musical instruments, are expected to continue showing strong growth.

-Double-digit growth is anticipated in China, and sales are likely to remain robust in emerging markets.

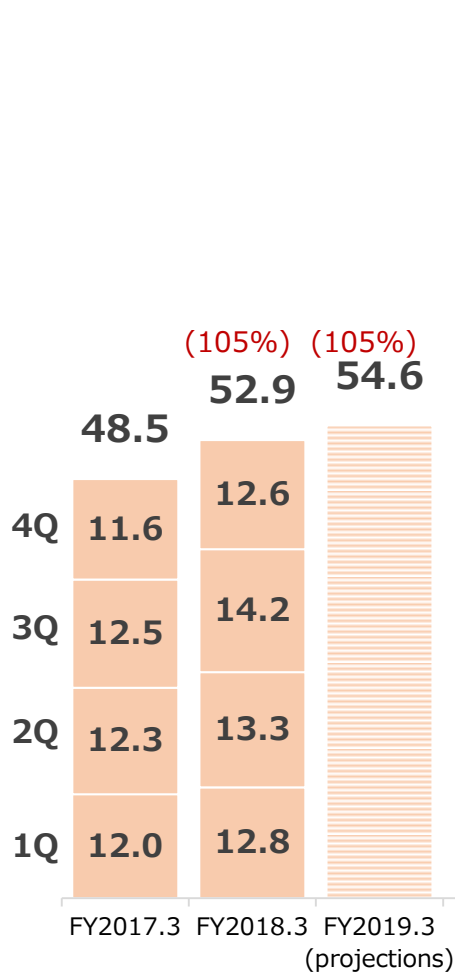
Operating Income



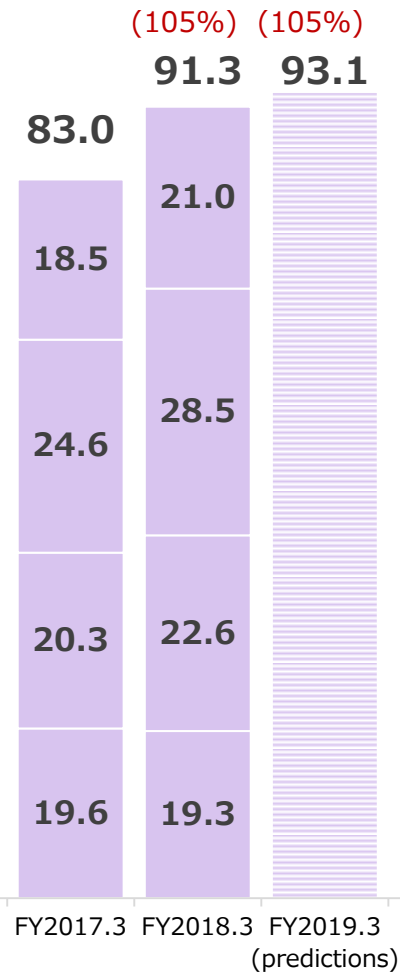
Red figures show actual YoY changes on constant currency basis

Sales by Major Product Category

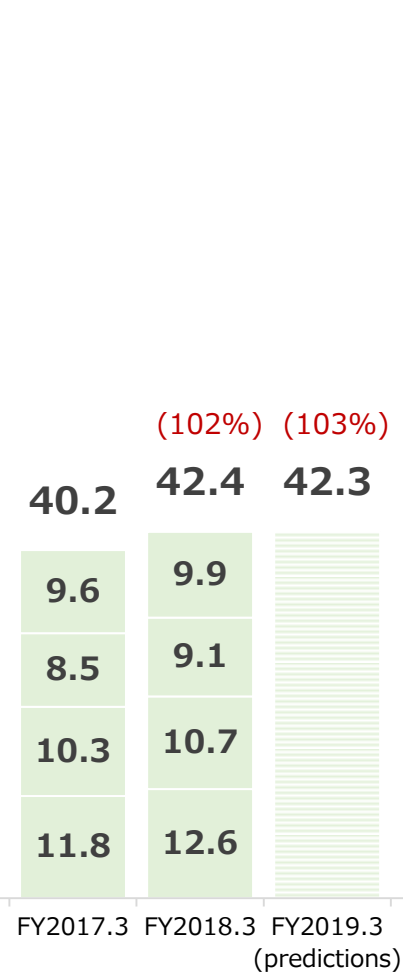
Pianos



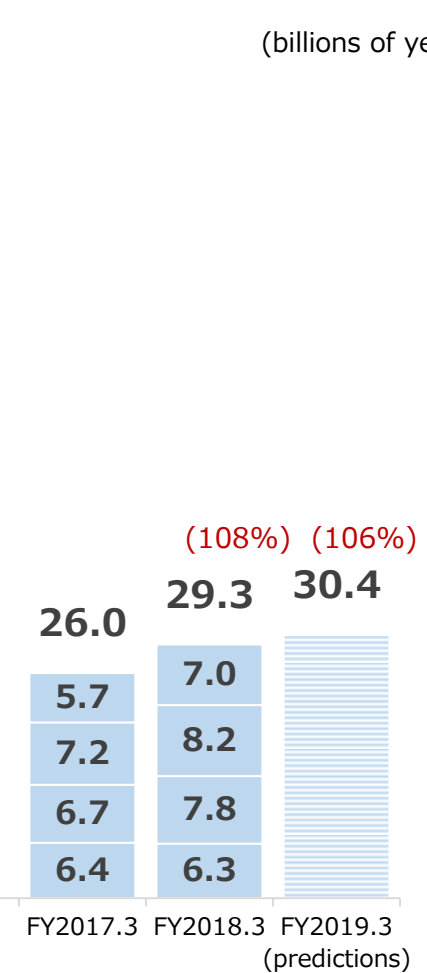
Digital Musical Instruments



Winds



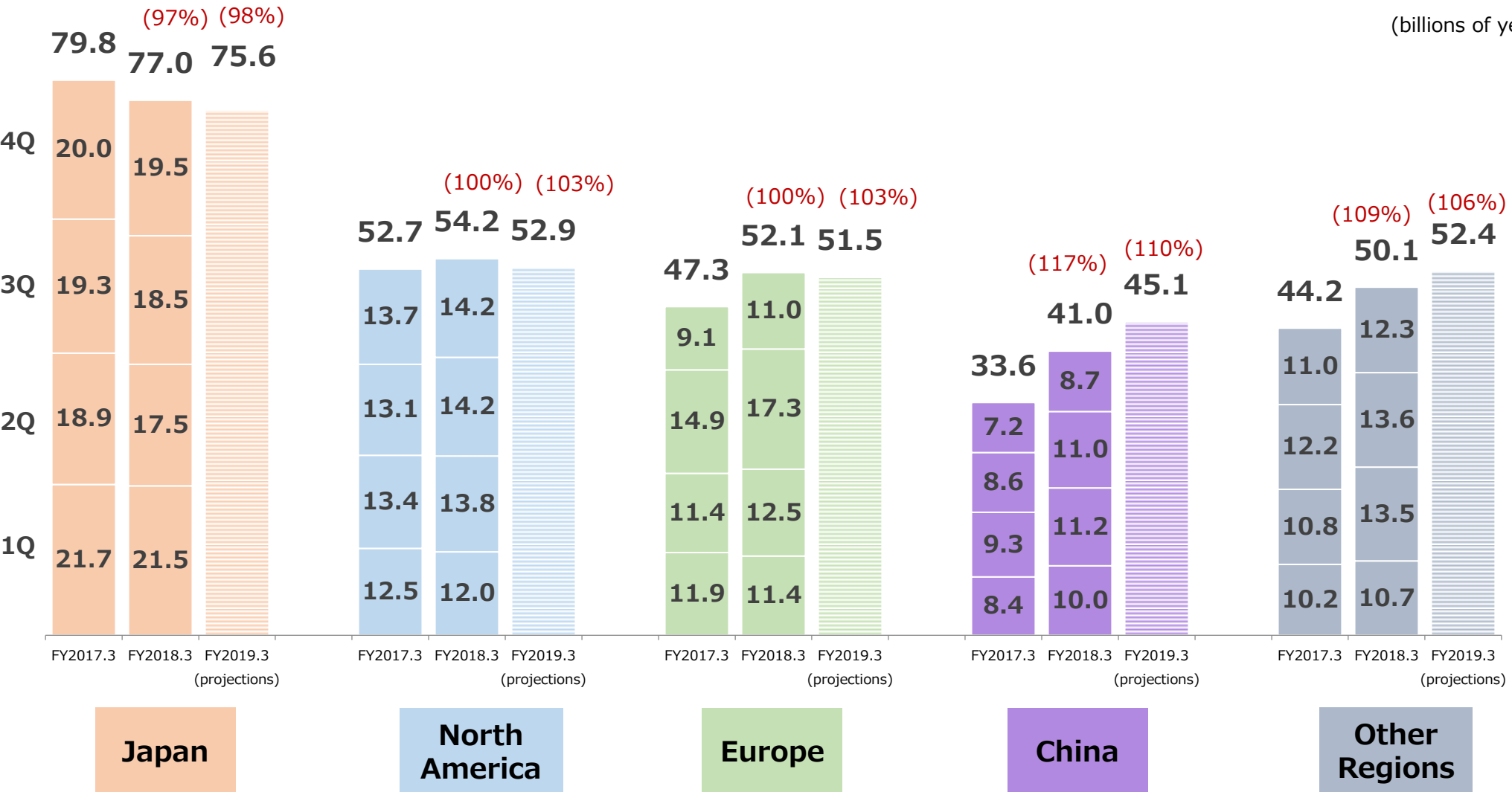
Strings/ Percussion



Sales by Region

(including software products and music schools)

(billions of yen)



Develop Products with Distinctive Individuality

Constantly evolving new generation pianos



Clavinova: CLP-600 series

Introducing GrandTouch keys, new action mechanism developed first in 20 years



Clavinova : CSP series

Enable you to play songs of your choice easily using smart devices

AvantGrand :NU1X

A hybrid piano renewed in 5 years



Integrating the real keyboard action of an acoustic piano and the latest digital technology

Develop Products with Distinctive Individuality

Unique products integrating various technologies



Venova
Casual wind instrument



Genos
Digital workstation



Following products received the highest awards in the 4 categories of "Musikmesse International Press Award 2018" during Musikmesse 2018, international trade fair for musical instruments held in Europe

Electronic Drums

Yamaha EAD10 Electronic Acoustic Drum Module



Guitar Effects

Line 6 HX Effects



Electric Bass
Yamaha BB-series



Recording Software & Apps
Steinberg Cubase9.5

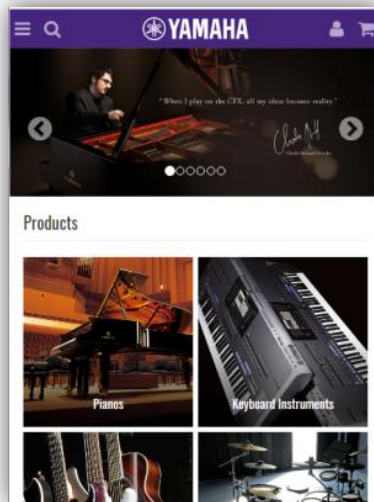
Enhance Customer Interaction

Expanding sales channel

- Increased the number of account in emerging countries by 16% (approximately 300 accounts additionally to handle our products)

Enhancing marketing initiatives

- Gradually shifting focus to sales promotion activities that prioritize end-customer interaction and sell-through.
- Established new dedicated marketing division, forged ahead with digital marketing initiatives utilizing social networks, etc.



Strengthen Global Business Platforms

Yamaha Guitar Group Established

New organization established in the U.S. to expand our guitar business

New subsidiary name : Yamaha Guitar Group, Inc.

Location: Calabasas City, California, U.S.

Effective date of change: April 1, 2018

-Shifted the headquarter function of strategy formulation for guitar businesses to the United State

- The new guitar business structure to begin in the U.S. to take the following positions:

Guitar business strategy formulation and implementation for both the Yamaha and Line 6 brands, planning/engineering/marketing of guitar and related products

Creating New Value

Providing new musical experiences through AI technology

“Duet with YOO”

Experiential installation enabling people to perform with AI music ensemble system.



In this experiential installation combining music and video images, YOO, an AI partner projected onto a screen, interactively accompanies the sound of a piano played by a real person.

- Showcased at events in the U.S. and Japan -

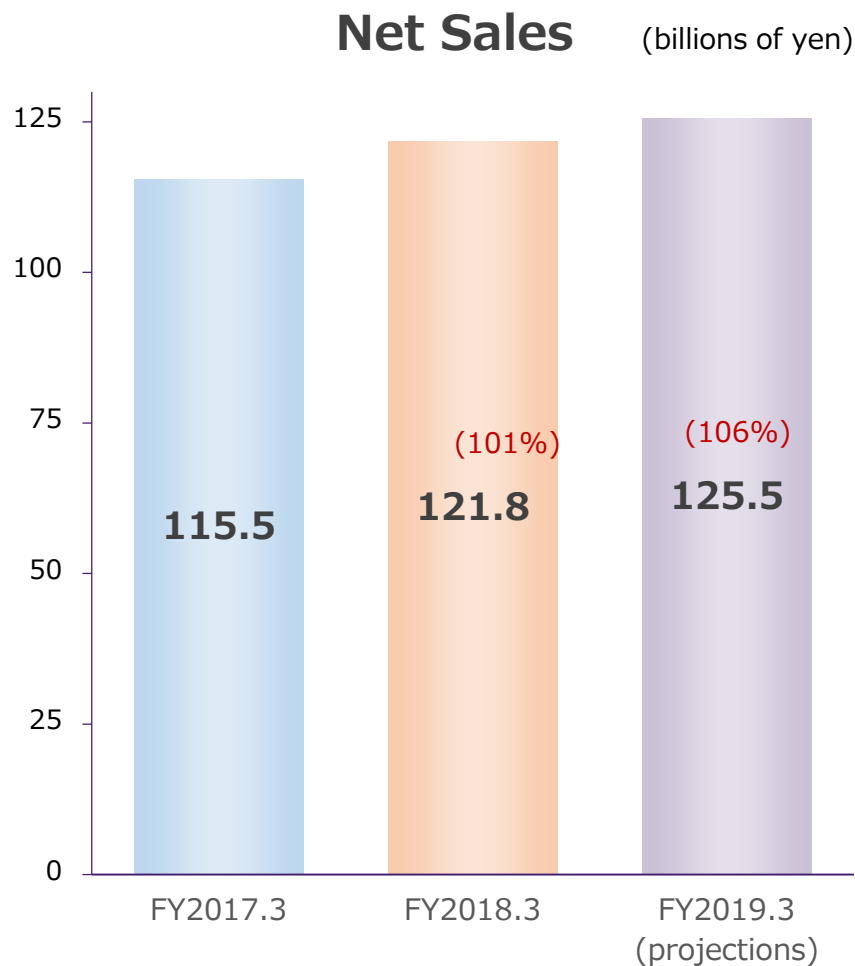
■ Date: March 11 – 14, 2018

Place: SXSW 2018, world's largest conference and festivals celebrating the convergence of the interactive, film and music industries (Texas, U.S.)

■ Date: April 25- May 22, 2018

Place: Yamaha Ginza Building, 1F portal (Ginza, Tokyo)

Segment Sales and Operating Income



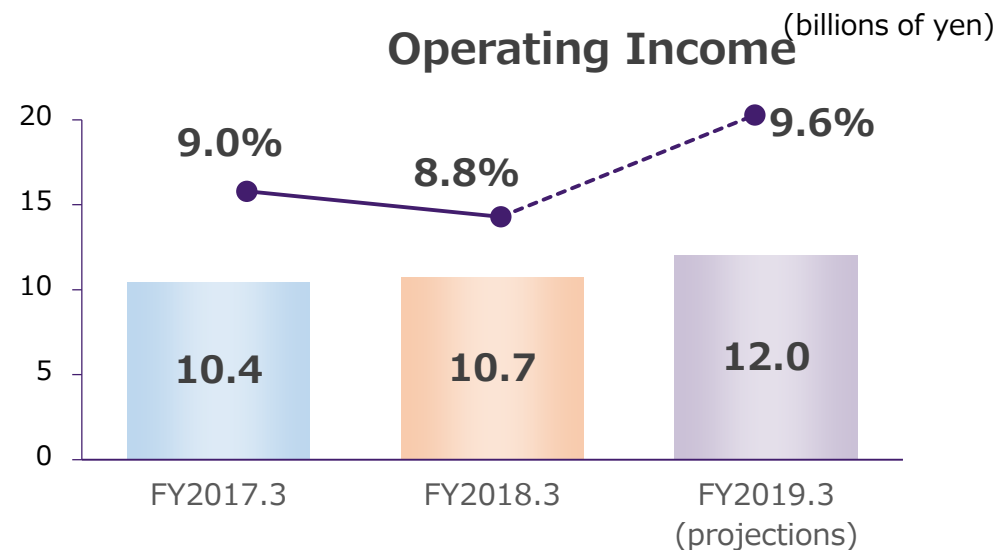
Red figures show actual YoY changes on constant currency basis

FY2018.3 Growth outpaced the previous year in all product categories.

- PA sales grew by double digits in emerging countries and China.
- Audio engineering and installations sales were lower than the previous year, which benefited from urgent demand.
- AV product sales expanded in all regions. ICT device sales were brisk in Japan, driven by routers and conference systems.

FY2019.3 Growth is expected to outstrip the previous year by a wide margin.

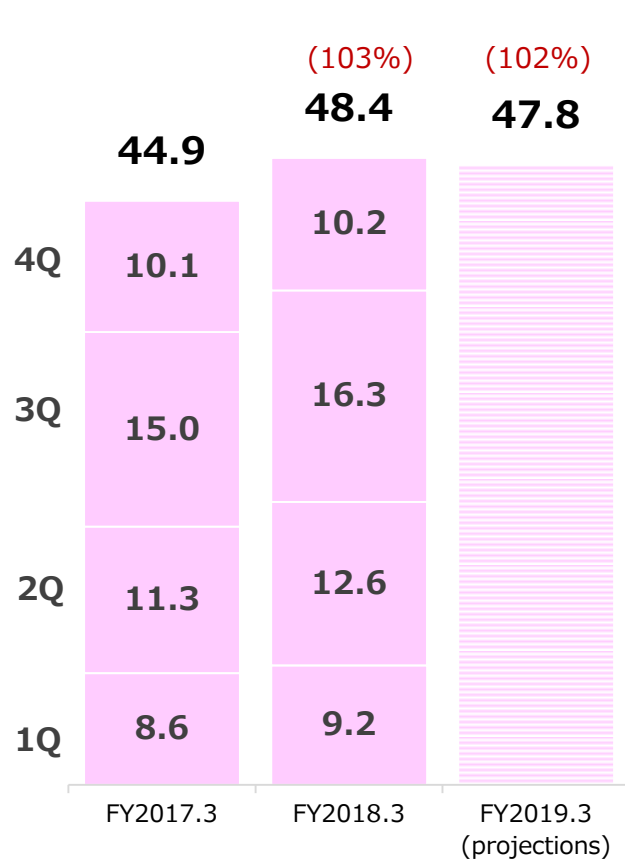
- Double-digit growth is anticipated in PA sales, driven by the impact of new products, the North American professional audio market, and an increase in audio engineering and installations.
- MusicCast sales in AV category are expected to expand in Europe, and growth is forecast in China and emerging markets.
- Routers and LAN products sales in the ICT device category are projected to rise.



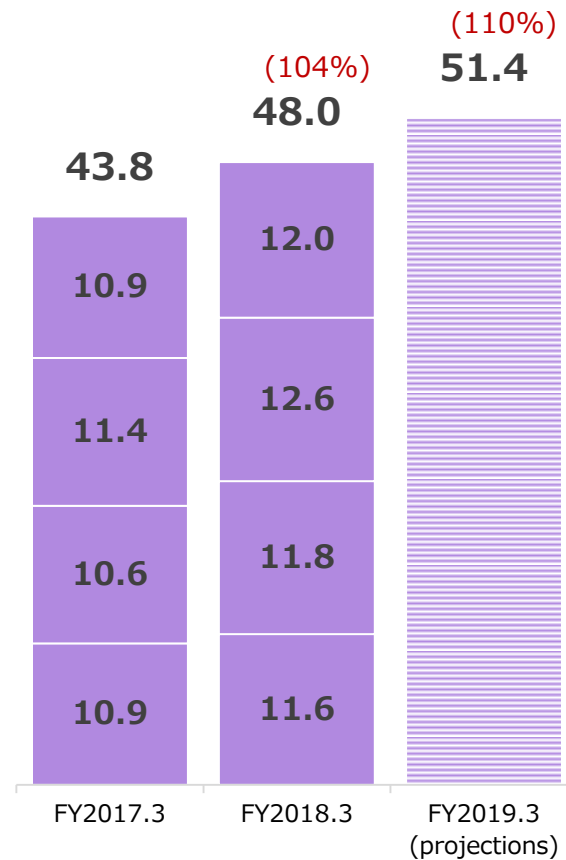
Sales by Major Product Category

(billions of yen)

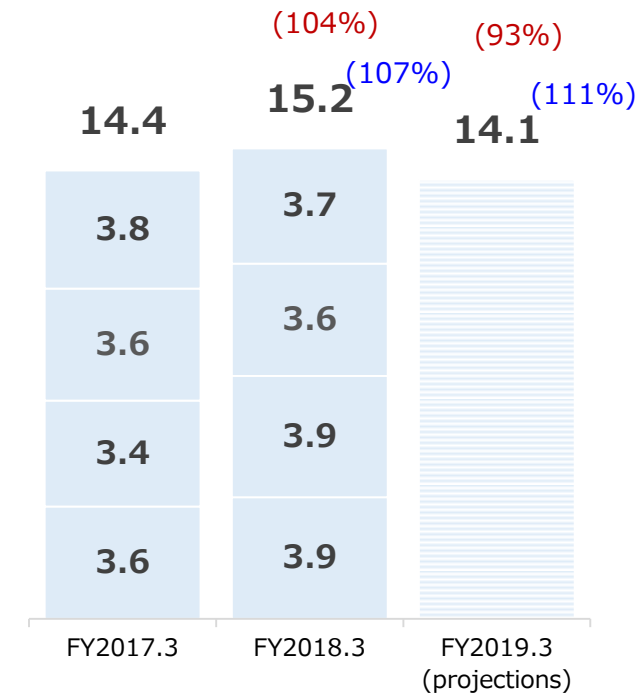
AV Products



PA Equipment



ICT Devices



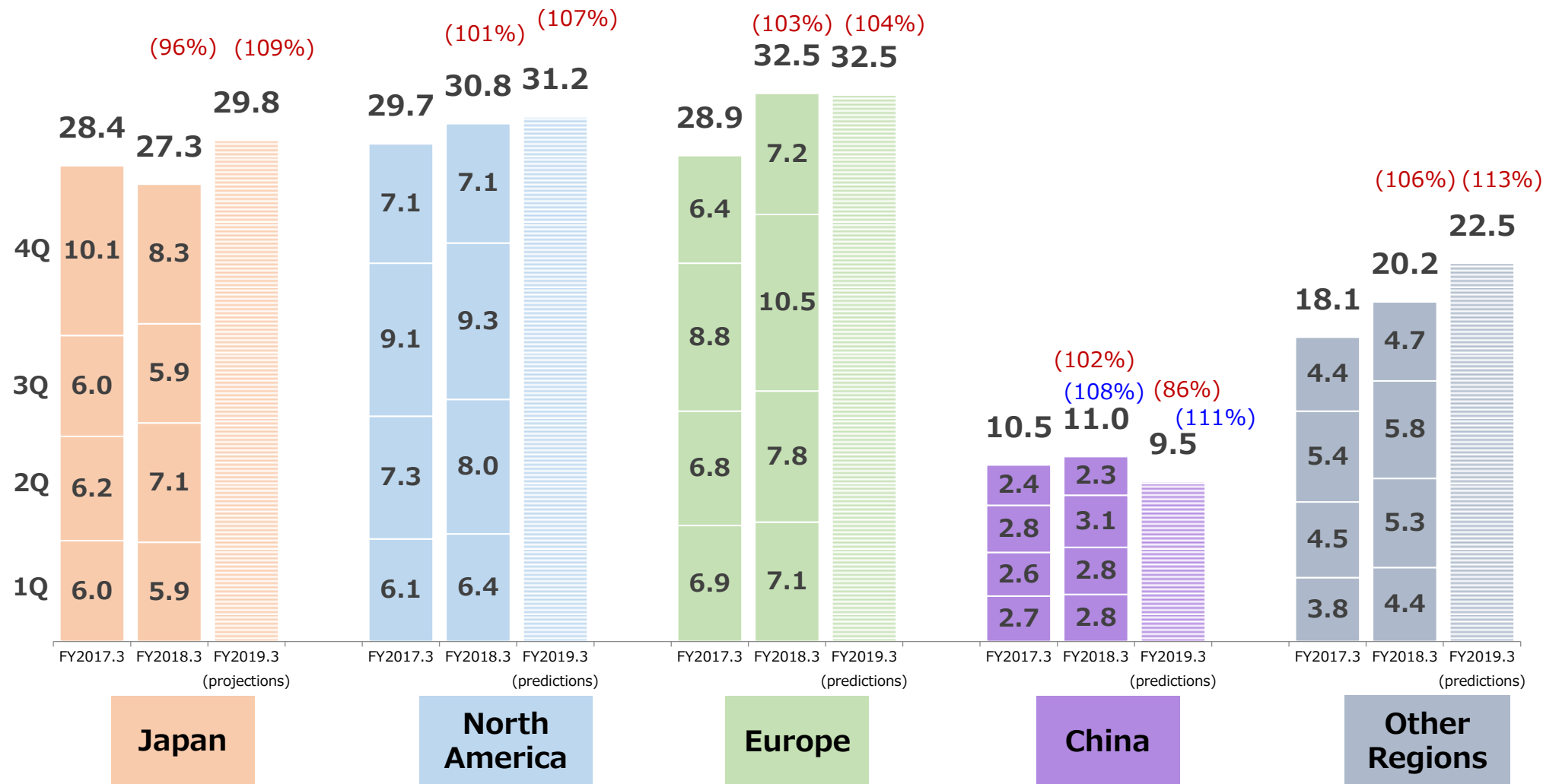
*Includes only hardware products for PA (excluding engineering and installation services)

Red figures show actual YoY changes on constant currency basis

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

Sales by Region

(billions of yen)



Develop Products with Distinctive Individuality

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

RIVAGE PM7 digital mixing system

Fresh line-up offers the mixing quality of the flagship RIVAGE PM10 model at a reasonable price



WLX313 wireless LAN access point

Tri-band compatibility enables fresh line-up of wireless LAN access points capable of connecting up to 150 devices



CS-700 video sound collaboration system for huddle rooms

Optimal all-in-one device for huddle rooms



Enhance Customer Interaction

Increasing store displays with MusicCast network audio

- MusicCast products are focused to display in stores, especially in key European and U.S. markets.
 - Improved in-store customer experience through consistent approach to POP display design and demo quality, particularly in Europe.



Established 78 Premium Y-island outlets in European market as key display centers



Integrated marketing campaigns to link online presence to store displays



Raised profile with brand promotion at IFA 2017 consumer electronics trade show in Berlin and through social networks

Enhance Customer Interaction

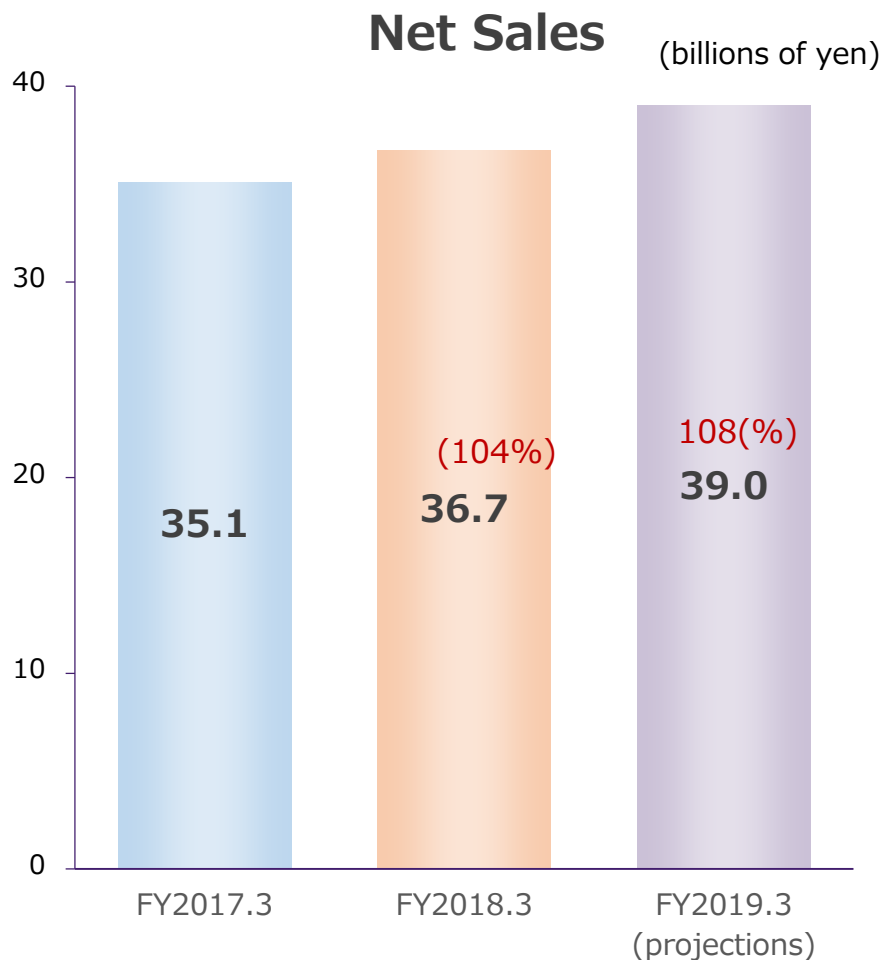
Strengthening personnel and service bases to improve support to corporate and B2B customers

- Over 20 equipment-related personnel are increased from last year (mainly in Europe, U.S., and emerging countries) . Support for audio contractors are enhanced, including expansion of contents such as web seminars.
- The number of audio facility operator accounts has grown by 37% over two years. (Mid-tem target: 50% in 3 years)



Increased system engineering and sales staff mainly in Europe, U.S., Japan and ASEAN countries.

Segment Sales and Operating Income

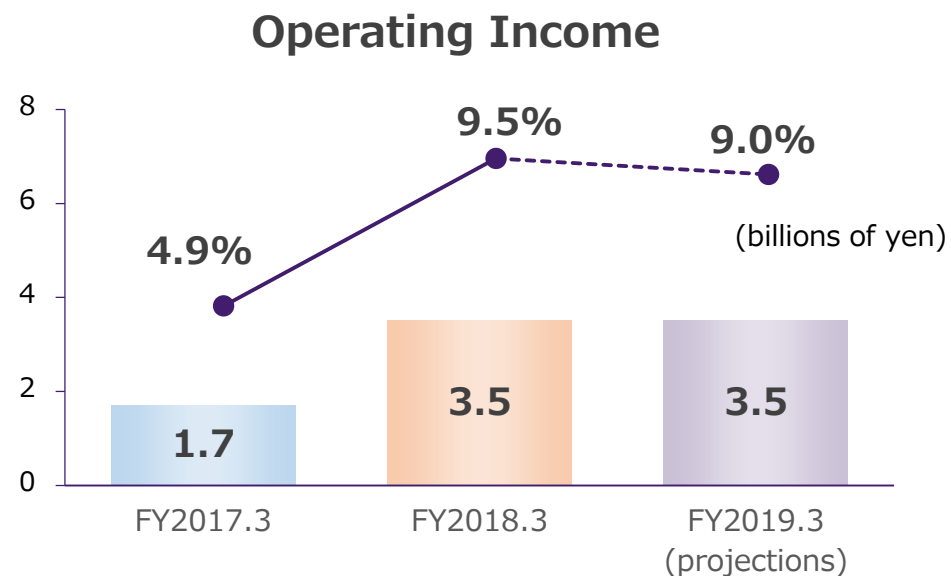


FY2018.3

- Ongoing strength in sales of factory automation equipment and automobile interior wood components drove double-digit growth in the industrial machinery and components category.
- Golf product sales also grew by double digits supported by new products.

FY2019.3

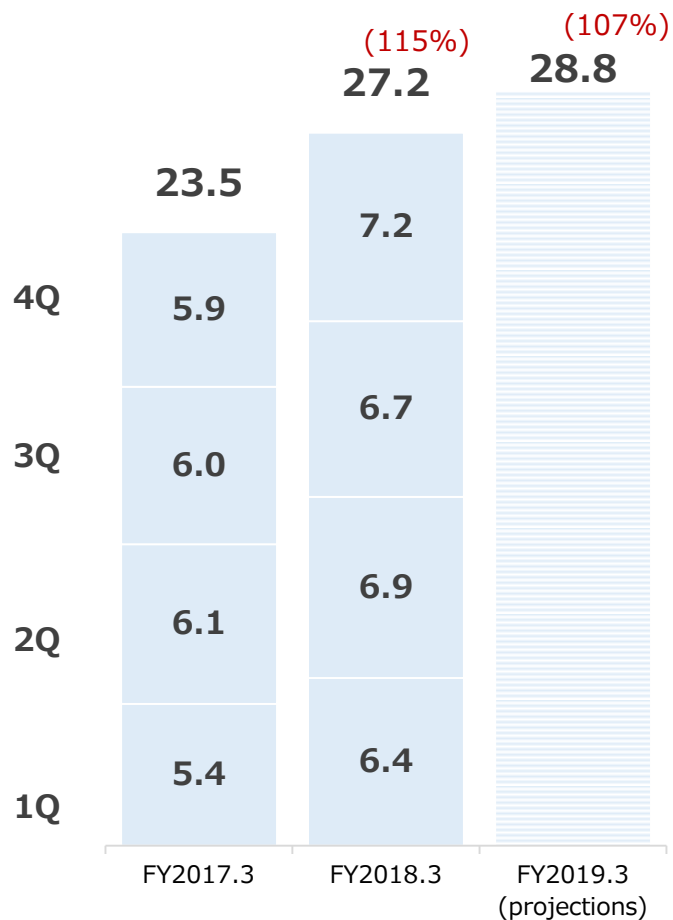
- Electronic devices is expected to see double-digit growth spurred by on-board communication modules.
- The impact of new products and branding initiatives are anticipated to maintain double-digit growth in golf product sales.



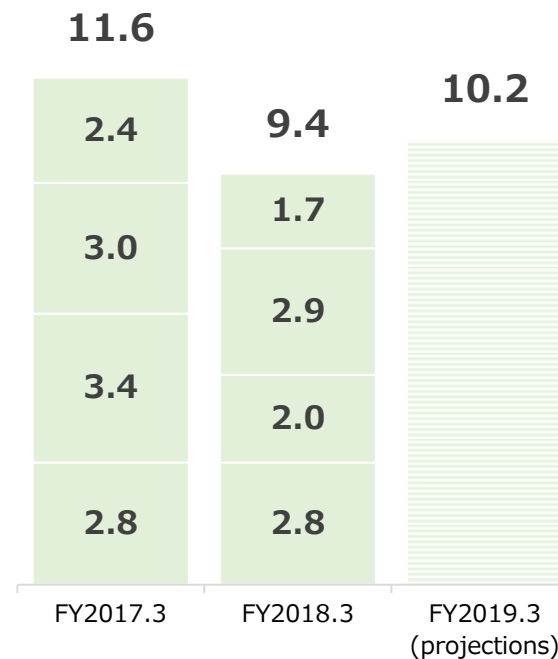
Sales by Major Product Category

(billions of yen)

Industrial machinery and components



Others



Red figures show actual YoY changes on constant currency basis

Develop Products with Distinctive Individuality/ Enhance Customer Interaction

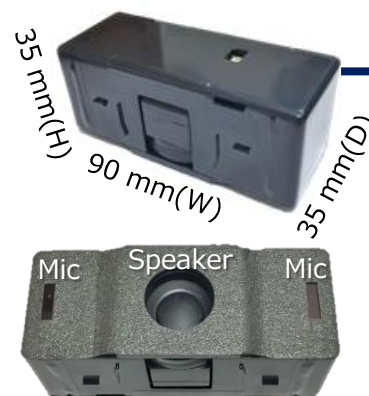
On-board communication modules for emergency call systems

- On-board emergency call systems has become mandatory in Russia and Europe.
- Such systems demand clear communication quality required in emergencies, and have been adopted by several manufacturers.
- Yamaha will start mass production and sales in 1Q of FY2019.3.



Emergency call system

- ✓ Emergency calls are automated from airbag sensors, etc.
- ✓ Emergency services are dispatched by connecting to operators.



On-board communication modules

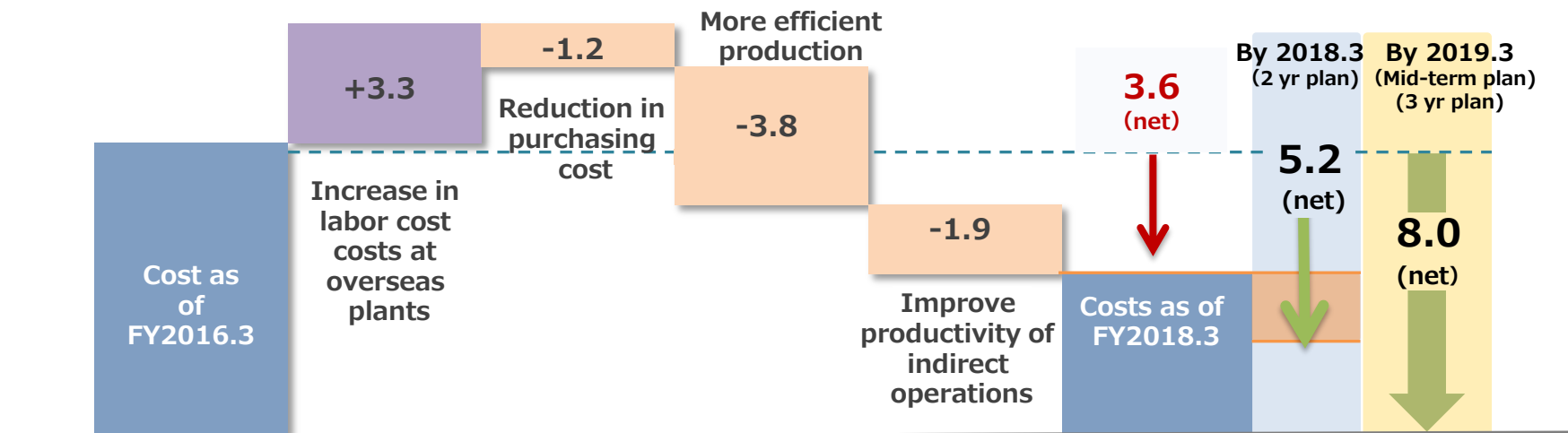
- ✓ Internal microphones and speakers are included, which eliminate need for vehicle-specific tuning.
- ✓ Triple functionality loaded in a single unit (emergency call, hands-free communications, and voice recognition).

Continually reduce costs

- Optimized procurement systems globally.
- Cost reduction targets for the second year of the medium-term plan were not met due to rising raw material prices and procurement costs

Progress in cost reduction (two years total)

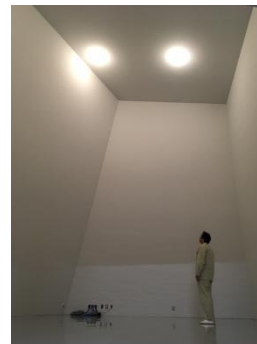
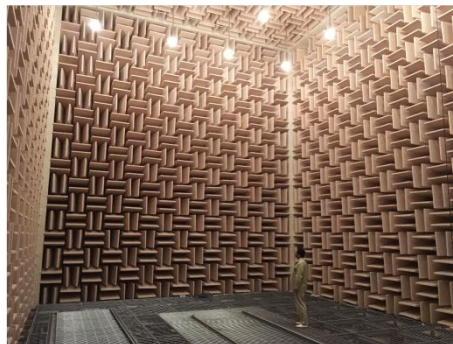
(billions of yen)



Implementing strategic investment for further growth

Construction of Innovation Center (R&D center) (scheduled to complete in June 2018)

- Assembled development staff in pursuit of technical synergy
 - It includes open, flexible office spaces to encourage employee interaction and energize the workplace.
- Equipped with global cutting-edge development and lab facilities relating to sound as followings:
 - Largest anechoic chamber in Japan, 360-degree 3D sound lab, and echo chamber.
 - Innovative labs including sensory lab and human engineering lab.



Implementing strategic investment for further growth

Constructing two new factories to meet expanding demand in emerging countries

■ India (Chennai) :Yamaha Music India Pvt. Ltd

-Scheduled to start operations in January, 2019

Supply optimal products locally for the huge Indian market comprising 1.3 billion people

A compound factory integrating **manufacturing, sales and techniques**. It aims to provide **cost competitive** products in affordable price ranges by introducing "**Indian optimized**" planning, procurement, production, and logistics.



Yamaha Music India Pvt. Ltd.

■ Indonesia (near Jakarta):Yamaha Musical Products Asia (YMPA)

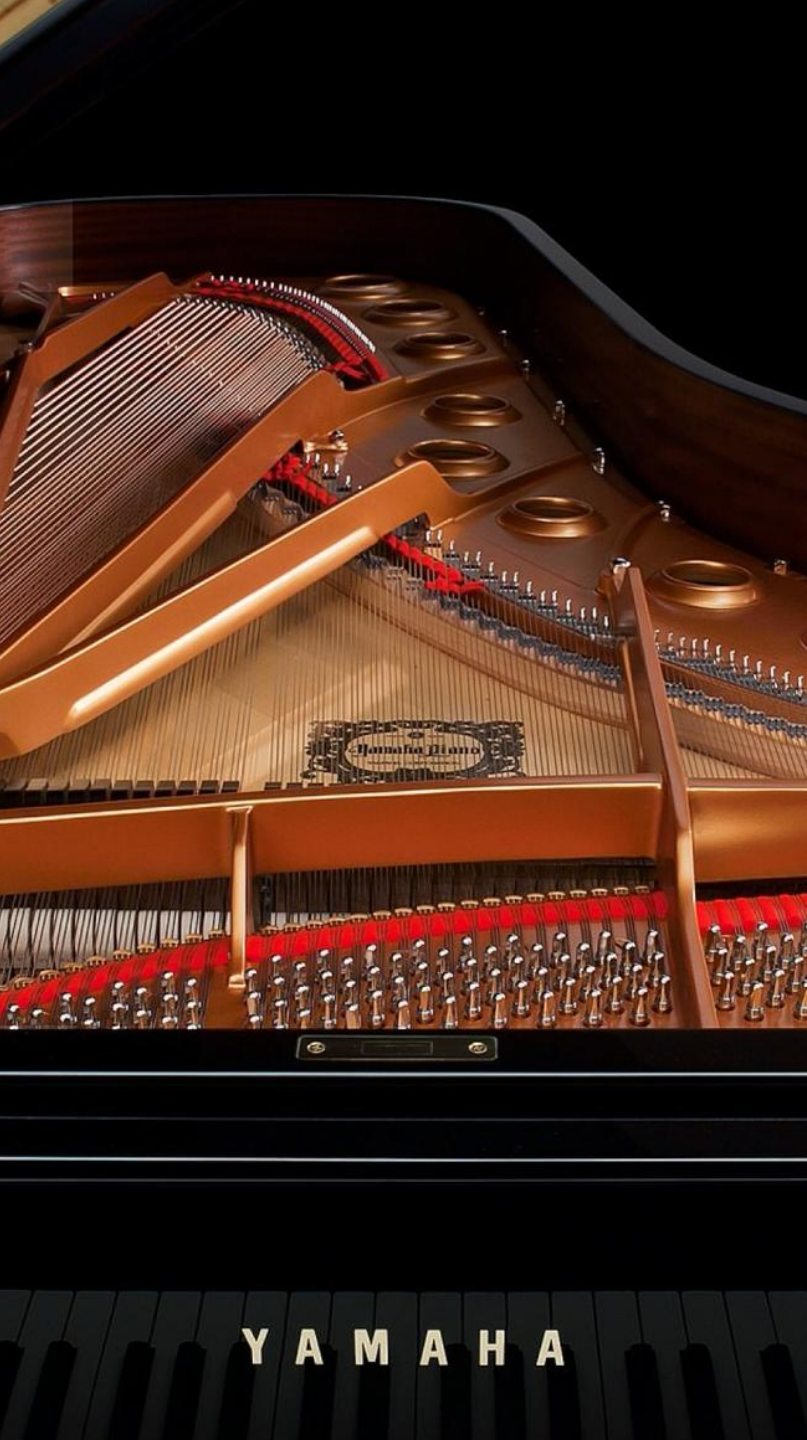
-Scheduled to start operations in March, 2019

Produce digital musical instruments and piano components for the global market

A musical instrument factory, which aims to produce the **world's top cost competitive wood finishes** by sharing the productive resources used for acoustic and digital pianos.



PT. Yamaha Musical Products Asia (YMPA)



3. ESG Topics

Environment

Actions for obtaining sustainable timber resources



Implemented a project in Tanzania to construct a business model to sustainably use “African blackwood,” which is the raw materials for making winds instruments



Environment

Developing Eco-friendly products



Yamaha Group has set product environmental quality goals based on factors including environmental preservation, resource sustainability, and customer utility, in order to manufacture eco-friendly products.

Products that meet the standards we have set for items making a major contribution to achieving these goals are specially certified as Yamaha Eco-Products.

In FY2018.3, 16 models were certified as Eco-Products,
making a total of 320 certified models

Example of a certified product

RX-V583 AV receiver
Reason for certification: reduced electricity
consumption on network standby



Social

Making steady progress with music promotion activities in emerging countries

- Expansion of School Project 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.



■ 2015: Project started



Malaysia

211 schools (portable keyboard/guitar)



Indonesia

630 schools
(portable keyboard/recorder/Pianica keyboard)



Russia

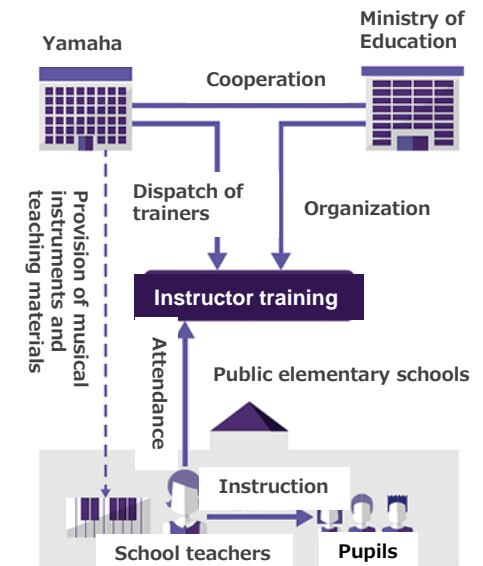
17 schools (portable keyboard/recorder)

■ 2016: Efforts started aimed at introduction of instrumental music lessons to the Course of Study



Vietnam

75 schools
(portable keyboard/recorder/pianica)



Example of Malaysia project

The medium-term plan sets a target of 1,000 schools with a total of 100,000 students, and 933 schools with 124,000 students have already been established in these four countries. The project is also expanding in other countries.

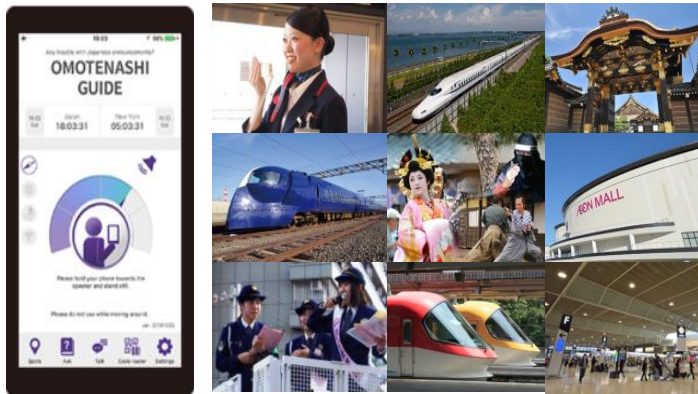
Social

Creating a society free from language and hearing barriers

Established Sound UD Consortium in the aim of encouraging universal design* in the sound field

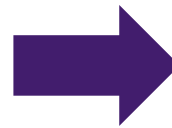


October 25, 2017: Launched officially at Ryogoku Kokugikan
 May 2018: Starts providing services and opens access to technology



2015: "Omotenashi Guide" trial began in approximately 60 locations, including airports, railways, and tourist facilities

Open access to some technology



Promote it as "Sound UD" facilitating external collaboration



Official launch at Ryogoku Kokugikan
 Attended by 167 Japanese companies and organizations

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

Governance

Transition to a Company with Three Committees and Review of Executive Compensation

Transition to a Company with Three Committees

(June, 2017)

■ Purpose of a transition

- To further clarify the oversight and execution roles in management
- To enhance the overall management oversight function by the Board of Directors, and speed up the execution of management.

■ Enhancing the overall management oversight function

- Board of Directors structure: 6 out of 9 members are outside directors (including 1 female director)

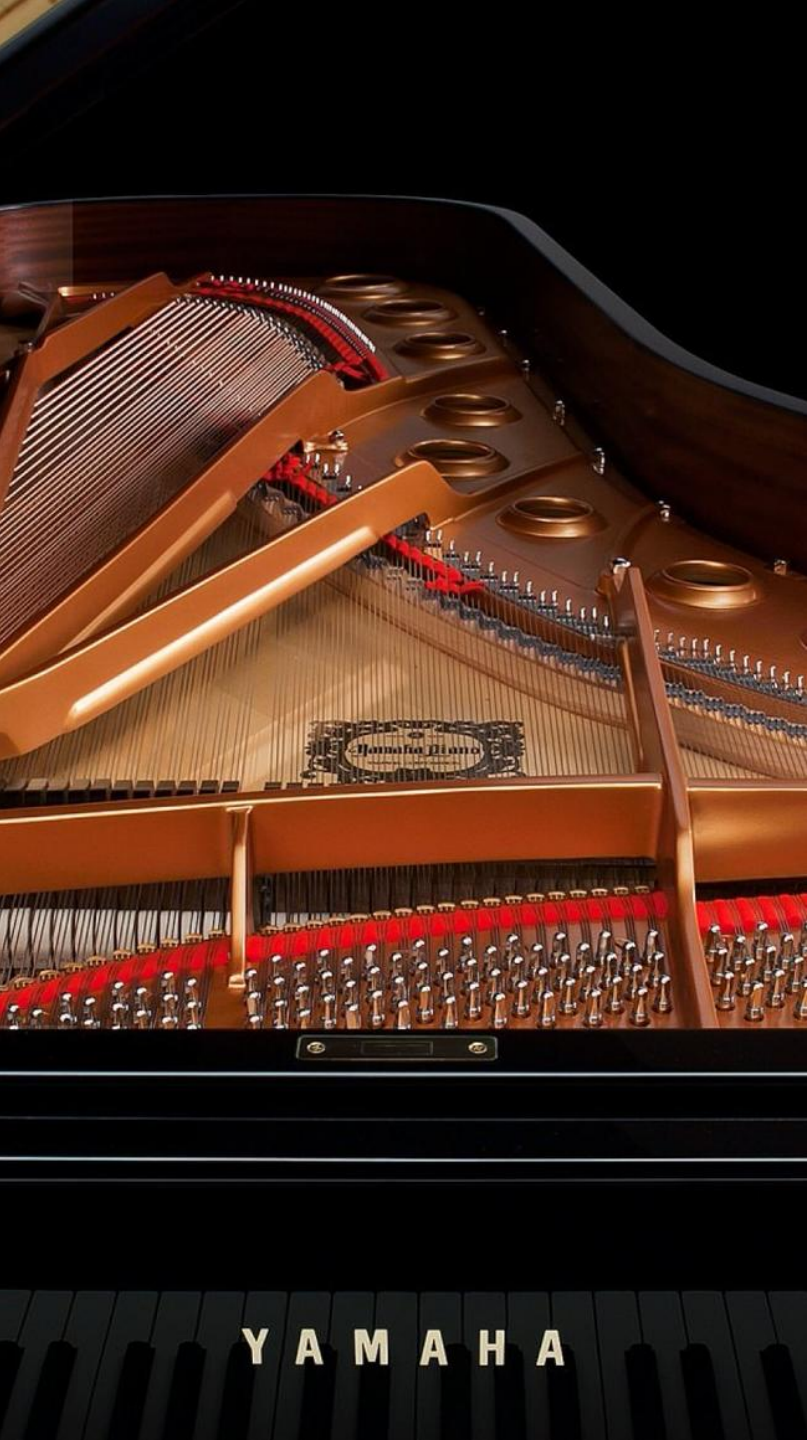
Review of Executive Compensation

■ Introduction of restricted stock compensation plan

The plan comprises fixed compensation, performance-linked bonuses, and restricted stock compensation at a ratio of around 5:3:2.

■ Adoption of “Clawback” clause

In the event that a major accounting fraud is discovered or a large loss is reported, executives will return all or a portion of restricted stocks without payment.



4. Other Financial Figures

Y A M A H A

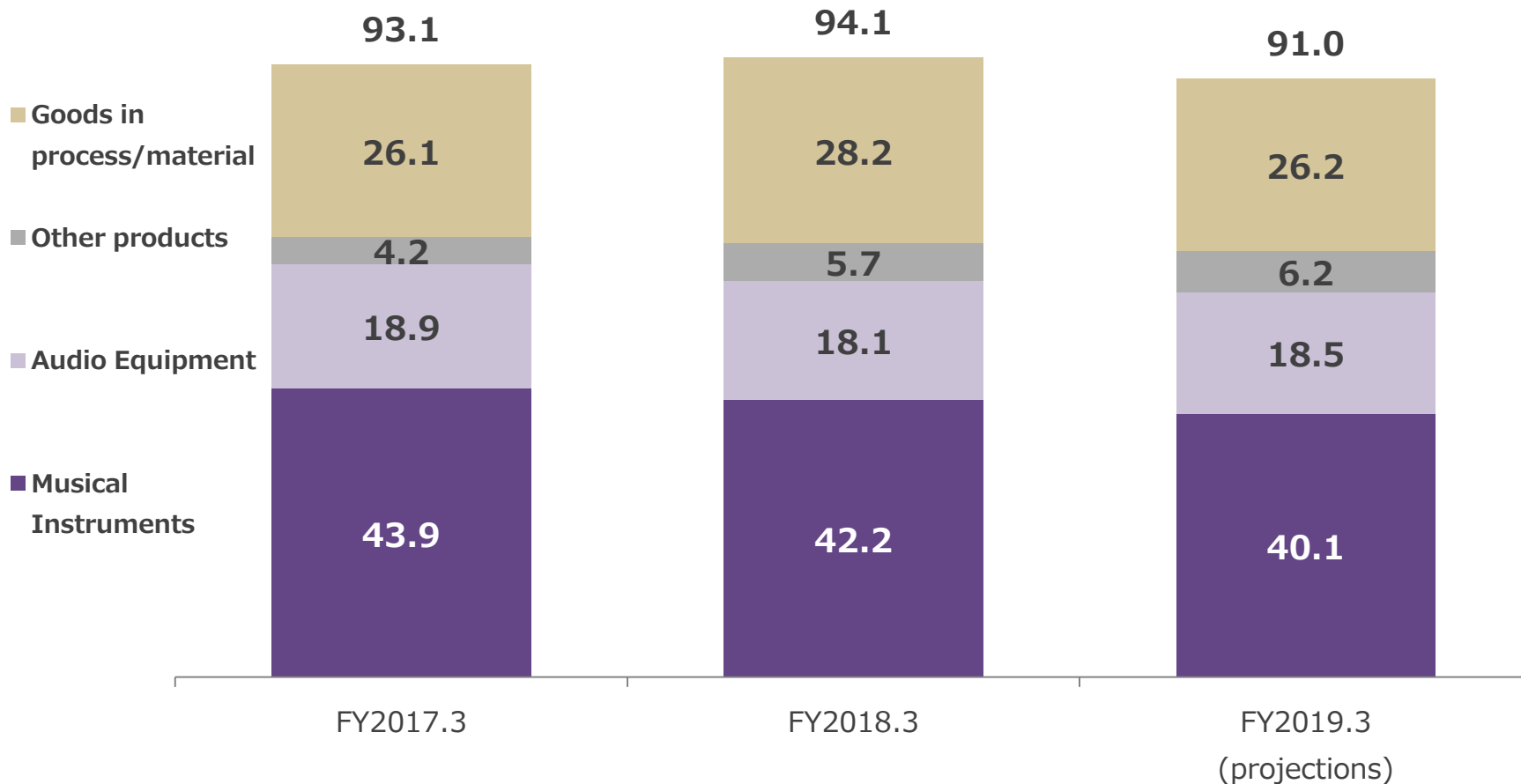
Balance Sheet Summary

(billions of yen)

	As of March 31, 2017	As of March 31, 2018	As of March 31, 2019 (projections)
Cash and deposits	105.9	122.7	119.9
Notes and accounts receivable	49.8	55.3	58.5
Inventories	93.1	94.1	91.0
Other current assets	23.9	27.7	18.3
Fixed assets	249.7	260.4	275.7
Total assets	522.4	560.2	563.4
Notes and accounts payable	17.8	19.9	20.4
Short- and long-term loans	11.2	11.1	9.9
Other liabilities	126.0	140.9	116.8
Total net assets	367.4	388.3	416.3
Total liabilities and net assets	522.4	560.2	563.4

Inventories

(billions of yen)



Impact of exchange rate (billions of yen)	
Versus previous projections	+0.5

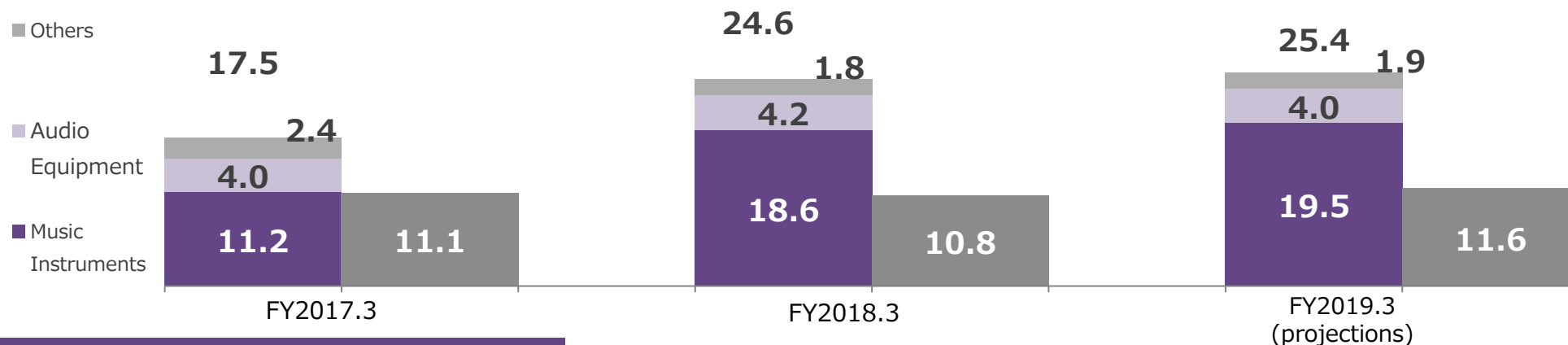
Impact of exchange rate (billions of yen)	
Versus previous projections	-1.0

Capital Expenditure/Depreciation, R&D Expenses

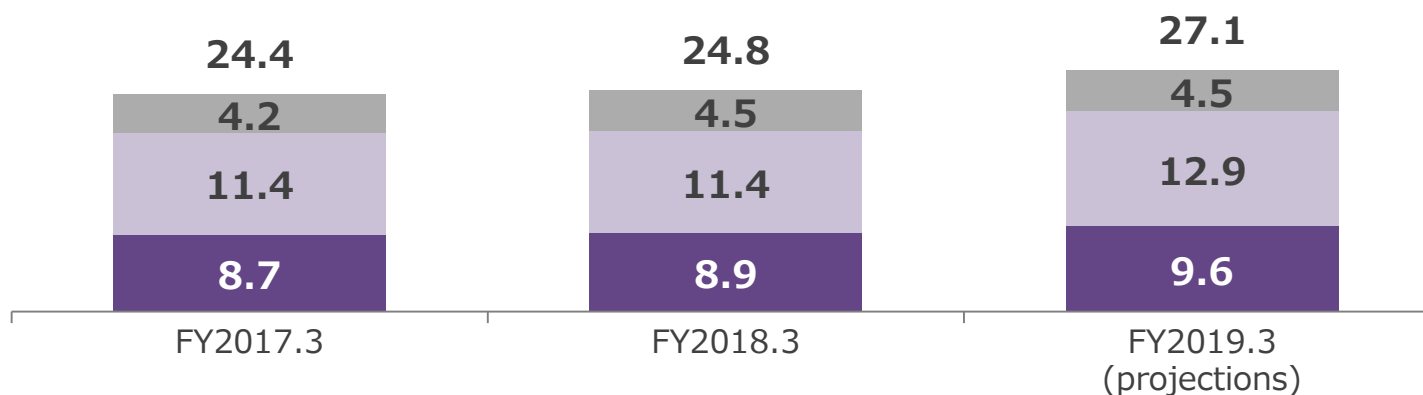
Capital Expenditure/ Depreciation

(billions of yen)

Capital expenditure in FY2018.3 increased by ¥7.1 billion above the previous year to reach ¥24.6 billion, due to projects including investment in new Innovation Center at headquarters and two new overseas factories



R&D Expenses

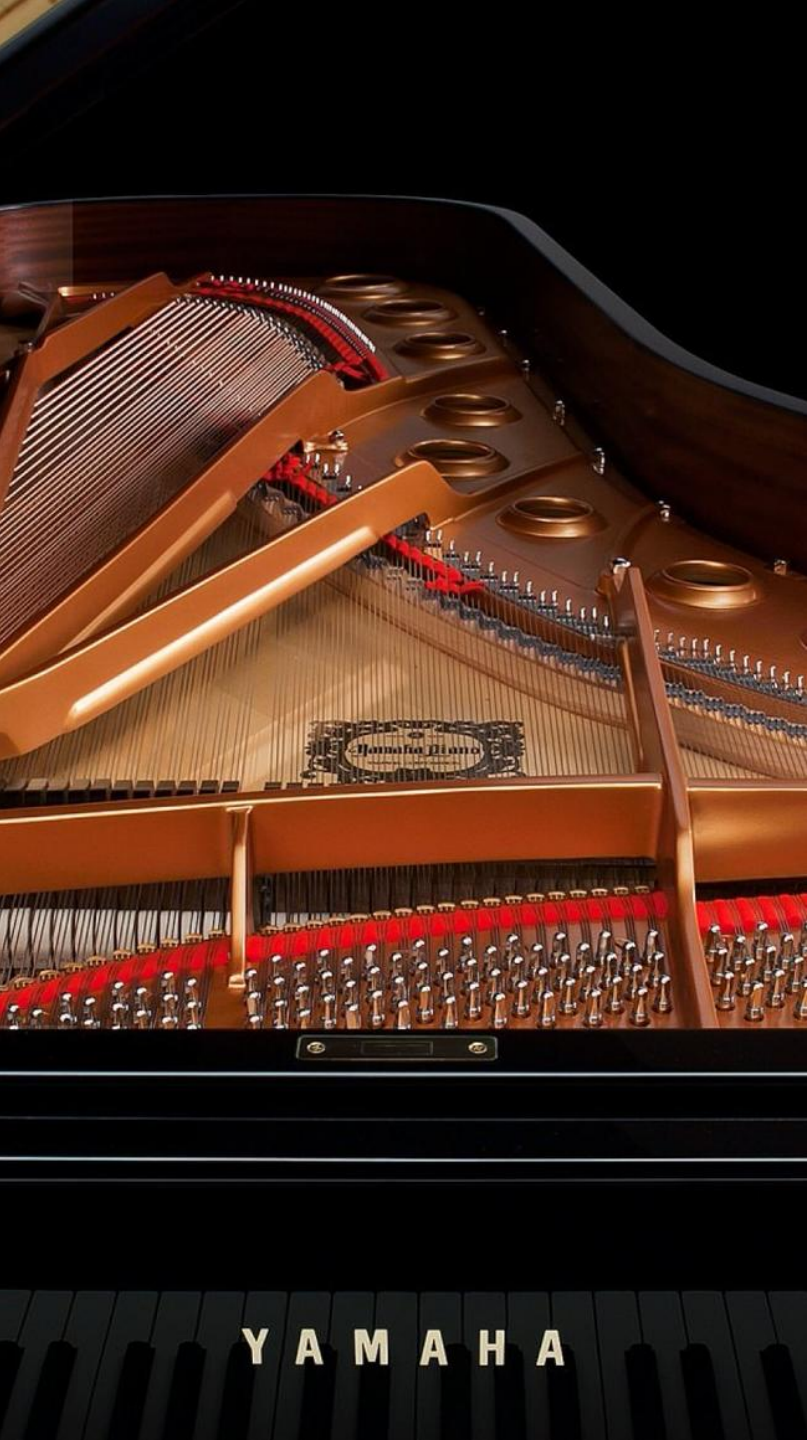


Adoption of IFRS

Adoption of International Financial Reporting Standards (IFRS)

- **Purpose of adoption**
 - Further improve the level of management control by standardizing Group accounting standards.
 - Enhance global investor convenience and ensure appropriate evaluation.

- **Schedule**
 - FY2020.3: Report in accordance with IFRS from FY2020.3 1Q.



5. Return to Shareholders

Acquisition of Treasury Stock and Dividends

Completion of Acquisition of Treasury Stock

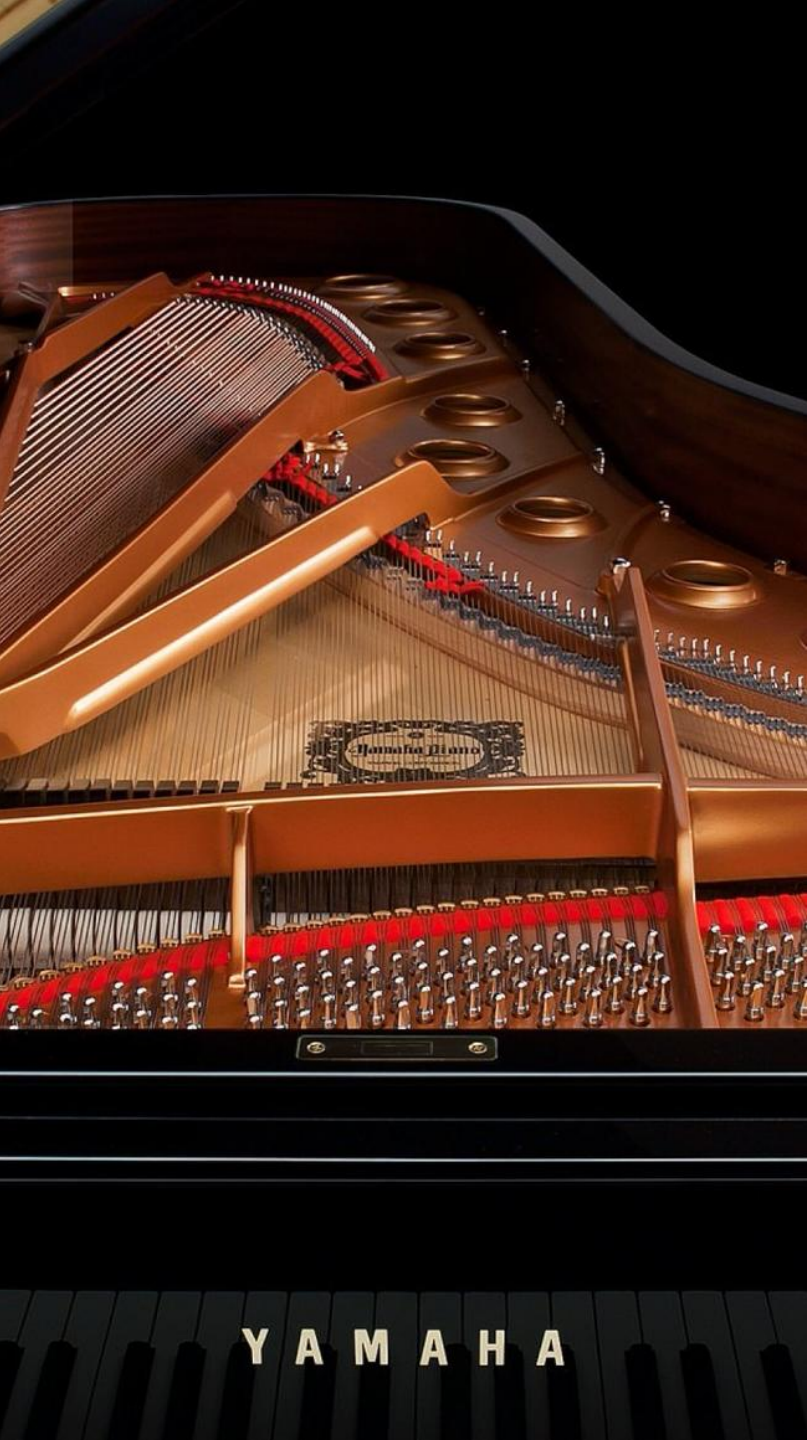
- Purpose of acquisition: To enhance shareholder returns and capital efficiency
- Type of shares acquired: Common stock in Yamaha
- Number of shares acquired: 5.66 million shares
- Amount of acquisition: 25 billion yen
- Acquisition period: December 1, 2017 to March 23, 2018

Dividends, payout ratios and total return ratios

	FY2013.3	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3	FY2019.3 (projections)
Annual per-share dividend	10 yen	27 yen	36 yen	44 yen	52 yen	56 yen	60 yen
Payout ratio	47.0%	22.8%	28.0%	26.1%	20.9% ^{*1}	19.2% ^{*2}	27.3%
Total return ratio	47.0%	22.8%	28.0%	78.8%	26.8%	65.0%	27.3%

*1 Figures for deferred tax assets included

*2 Figures for gain on sales of a portion of Yamaha Motor Co., Ltd. shares included



Appendix

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

(billions of yen)

		FY2017.3 Full year	FY2018.3 Full year	FY2019.3 Full year (projections)
Non-Operating Income/Loss	Net financial income	3.5	4.3	3.5
	Other	-2.9	-3.9	-3.5
	Total	0.6	0.4	0
Extraordinary Income/Loss	Income from (loss on) disposal of fixed assets	3.5	-0.2	0
	Others	-5.5	25.5	0
	Total	-2.0	25.2	0
Income Taxes and Other Expenses	Income taxes -current	8.7	21.4	13.7
	Income taxes -deferred	-12.7	-1.3	1.2
	Net income attributable to non-controlling interests	0.2	0	0.1
	Total	-3.8	20.1	15.0

-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

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

* In conjunction with the recent improvement in profitability, deferred tax assets of ¥13.5 billion were posted in FY2017.3.

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.