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).
Contents

1. Performance Summary
2. Segment Overview & Updates
3. ESG Topics
4. Other Financial Figures
5. Return on Shareholders
1. Performance Summary
## FY2018.3 Summary

<table>
<thead>
<tr>
<th></th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>Change (YoY)</th>
<th>YoY(%)</th>
<th>Previous projections for FY2018.3</th>
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</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>408.2</td>
<td>433.0</td>
<td>+24.7</td>
<td>+6.1%</td>
<td>432.0</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>44.3</td>
<td>48.8</td>
<td>+4.5</td>
<td>+10.2%</td>
<td>50.0 (11.6%)</td>
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<tr>
<td>(Operating Income</td>
<td>10.9%</td>
<td>11.3%</td>
<td></td>
<td></td>
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<tr>
<td>Ratio)</td>
<td></td>
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</tr>
<tr>
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<td>44.9</td>
<td>49.2</td>
<td>+4.3</td>
<td>+9.6%</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Net Income</strong> *1</td>
<td>46.7</td>
<td>54.4</td>
<td>+7.7</td>
<td>+16.4%</td>
<td>57.0</td>
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</table>

### Exchange Rate (yen)

<table>
<thead>
<tr>
<th></th>
<th>US$</th>
<th>USD</th>
<th>EUR</th>
<th>119</th>
<th>130</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>108</td>
<td>111</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>(Average rate during</td>
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<td></td>
<td></td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>the period)</td>
<td></td>
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</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>108</td>
<td>111</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Settlement rate)</td>
<td></td>
<td></td>
<td></td>
<td>121</td>
<td>126</td>
</tr>
</tbody>
</table>

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

*2 +2.4% (Excluding the impact of exchange rate)
Operating Income Analysis

**Versus previous year**

- **Increase in labor cost at overseas factories**: 44.3 - 1.3 = 43.0
- **Actual increase in SG&A**: -3.6
- **Others**: -1.5
- **Impact of exchange rates**: 4.0

**Cost reduction**: 2.0 (billions of yen) 48.8

**FY2017.3**

**FY2018.3**

**Versus previous projections**

- **Increase in labor cost at overseas factories**: 50.0 - 0.1 = 49.9
- **Actual increase in SG&A**: -0.2
- **Others**: -1.0
- **Impact of exchange rates**: 0.1

**FY2018.3 (previous projections)**

**FY2018.3**
## Performance by Business Segment

(billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>Change (YoY)</th>
<th>Exchange rate impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Musical Instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>257.7</td>
<td>274.5</td>
<td>+16.8</td>
<td>+9.7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>32.1</td>
<td>34.6</td>
<td>+2.5</td>
<td>+2.8</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>12.5%</td>
<td>12.6%</td>
<td>+0.1P</td>
<td></td>
</tr>
<tr>
<td><strong>Audio Equipment</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>115.5</td>
<td>121.8</td>
<td>+6.3</td>
<td>+4.9</td>
</tr>
<tr>
<td>Operating Income</td>
<td>10.4</td>
<td>10.7</td>
<td>+0.3</td>
<td>+1.2</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>9.0%</td>
<td>8.8%</td>
<td>-0.2P</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>35.1</td>
<td>36.7</td>
<td>+1.6</td>
<td>+0.2</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1.7</td>
<td>3.5</td>
<td>+1.8</td>
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<tr>
<td>Operating Income Ratio</td>
<td>4.9%</td>
<td>9.5%</td>
<td>+4.6P</td>
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</table>
## FY2019.3 Outlook

### Key Figures

<table>
<thead>
<tr>
<th></th>
<th>FY2018.3</th>
<th>FY2019.3 (projections)</th>
<th>Change (YoY)</th>
<th>YoY(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>433.0</td>
<td>442.0</td>
<td>+9.0</td>
<td>+2.1%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Operating Income Ratio)</td>
<td>48.8</td>
<td>55.0</td>
<td>+6.2</td>
<td>+12.6%</td>
</tr>
<tr>
<td>(<strong>11.3%</strong>)</td>
<td>(12.4%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>49.2</td>
<td>55.0</td>
<td>+5.8</td>
<td>+11.7%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>54.4</td>
<td>40.0</td>
<td>-14.4</td>
<td>-26.4%</td>
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</table>

### Exchange Rate (yen)

<table>
<thead>
<tr>
<th></th>
<th>US$</th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong> (Average rate during the period)</td>
<td>111</td>
<td>130</td>
</tr>
<tr>
<td><strong>Operating Income</strong> (Settlement rate)</td>
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<td>126</td>
</tr>
</tbody>
</table>

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

*2 +4.3%
(Excluding the impact of exchange rate)
Outlook on Operating Income Analysis

Versus previous year

FY2018.3: 48.8

**Increase in labor cost at overseas factories**

FY2019.3: 55.0

**Increase in labor cost at overseas factories**

**Impact of exchange rates**

**Actual increase in SG&A**

**Actual increase in sales and production, product mix, etc.**

**Cost reduction**

**Others**

(billions of yen)

FY2018.3 Performance

FY2019.3 Outlook

Key Management Figures
## Outlook by Business Segment

<table>
<thead>
<tr>
<th></th>
<th>FY2018.3</th>
<th>FY2019.3 (projections)</th>
<th>Change (YoY)</th>
<th>Exchange rate impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Musical Instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>274.5</td>
<td>277.5</td>
<td>+3.0</td>
<td>-5.9</td>
</tr>
<tr>
<td>Operating Income</td>
<td>34.6</td>
<td>39.5</td>
<td>+4.9</td>
<td>-1.4</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
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</tr>
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<td><strong>Audio Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
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<td>125.5</td>
<td>+3.7</td>
<td>-3.4</td>
</tr>
<tr>
<td>Operating Income</td>
<td>10.7</td>
<td>12.0</td>
<td>+1.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>8.8%</td>
<td>9.6%</td>
<td>+0.8P</td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>36.7</td>
<td>39.0</td>
<td>+2.3</td>
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</tr>
<tr>
<td>Operating Income</td>
<td>3.5</td>
<td>3.5</td>
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<td>-0.0</td>
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<tr>
<td>Operating Income Ratio</td>
<td>9.5%</td>
<td>9.0%</td>
<td>-0.5P</td>
<td></td>
</tr>
</tbody>
</table>
**Trends in Key Management Figures**

**Operating Income Ratio**

- **FY2015.3**: 7.0%
- **FY2016.3**: 9.3%
- **FY2017.3**: 10.9%
- **FY2018.3**: 11.3%
- **FY2019.3** (projections): 12.0%

*Mid-term targets: 12.0%*

**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.

**ROE**

- **FY2015.3**: 8.1%
- **FY2016.3**: 10.1%
- **FY2017.3**: 14.0%
- **FY2018.3**: 14.5%
- **FY2019.3** (projections): 10.0%

**EPS (yen)**

- **FY2015.3**: 129 yen
- **FY2016.3**: 169 yen
- **FY2017.3** (projected): 249 yen
- **FY2018.3**: 292 yen (target)
- **FY2019.3** (projections): 220 yen (target)

*Mid-term targets: 200 yen level*

*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

<table>
<thead>
<tr>
<th>FY</th>
<th>(billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>257.7</td>
</tr>
<tr>
<td>2018.3</td>
<td>274.5 (103%)</td>
</tr>
<tr>
<td>2019.3 (projections)</td>
<td>277.5 (103%)</td>
</tr>
</tbody>
</table>

### Operating Income

<table>
<thead>
<tr>
<th>FY</th>
<th>(billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>32.1</td>
</tr>
<tr>
<td>2018.3</td>
<td>34.6</td>
</tr>
<tr>
<td>2019.3 (projections)</td>
<td>39.5</td>
</tr>
</tbody>
</table>

**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.

Red figures show actual YoY changes on constant currency basis.
Sales by Major Product Category

Pianos

Digital Musical Instruments

Winds

Strings/ Percussion

Red figures show actual YoY changes on constant currency basis
Sales by Region
(including software products and music schools)

Japan | North America | Europe | China | Other Regions

Red figures show actual YoY changes on constant currency basis.
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.
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)
FY2018.3 *Growth outraced 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

**AV Products**
- 4Q: 44.9 → 48.4 (103%)
- 3Q: 15.0 → 16.3
- 2Q: 11.3 → 12.6
- 1Q: 8.6 → 9.2

**PA Equipment**
- FY2017.3: 43.8 → 48.0 (104%)
- FY2018.3: 10.9 → 12.0
- FY2019.3 (projections): 10.9 → 11.6

**ICT Devices**
- FY2017.3: 14.4 (104%)
- FY2018.3: 15.2 (107%)
- FY2019.3 (projections): 14.1

**Notes:**
- Red figures show actual YoY changes on constant currency basis.
- Blue figures show actual YoY change excluding the sales of OEM products.
- *Includes only hardware products for PA (excluding engineering and installation services).
Sales by Region

Red figures show actual YoY changes on constant currency basis. Blue figures show actual YoY change excluding the sales of OEM products.
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)
### 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 onboard communication modules.
- The impact of new products and branding initiatives are anticipated to maintain double-digit growth in golf product sales.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>FY2019.3 (projections)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (billions of yen)</td>
<td>35.1</td>
<td>36.7</td>
<td>39.0</td>
</tr>
<tr>
<td>Operating Income (billions of yen)</td>
<td>1.7</td>
<td>3.5</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Red figures show actual YoY changes on constant currency basis.
Sales by Major Product Category

### Industrial machinery and components

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>FY2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>5.4</td>
<td>6.4</td>
<td>6.7</td>
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<td>2Q</td>
<td>6.1</td>
<td>6.9</td>
<td>3.4</td>
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<tr>
<td>3Q</td>
<td>6.0</td>
<td>6.7</td>
<td>3.0</td>
</tr>
<tr>
<td>4Q</td>
<td>5.9</td>
<td>7.2</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Actual YoY changes on constant currency basis:
- FY2018.3: 27.2 billion yen (115% increase)
- FY2019.3: 28.8 billion yen (107% increase)

### Others

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>FY2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>23.5</td>
<td>11.6</td>
<td>10.2</td>
</tr>
<tr>
<td>2Q</td>
<td>6.1</td>
<td>3.4</td>
<td>2.8</td>
</tr>
<tr>
<td>3Q</td>
<td>6.0</td>
<td>3.0</td>
<td>2.9</td>
</tr>
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<td>4Q</td>
<td>5.9</td>
<td>2.4</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Projections (in billions of yen):
- FY2018.3: 9.4 billion yen
- FY2019.3: 10.2 billion yen

Red figures show actual YoY changes on constant currency basis.
On-board communication modules for emergency call systems

- On-board emergency call systems have 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 the 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)

<table>
<thead>
<tr>
<th>Improvement</th>
<th>FY2018.3</th>
<th>FY2019.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in purchasing cost</td>
<td>-3.8</td>
<td>-1.9</td>
</tr>
<tr>
<td>More efficient production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in labor cost costs at overseas plants</td>
<td>+3.3</td>
<td></td>
</tr>
<tr>
<td>Improve productivity of indirect operations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Costs as of FY2018.3: 5.2 (net)
Costs as of FY2016.3: +3.3

By 2018.3 (2 yr plan): 3.6 (net)
By 2019.3 (Mid-term plan): 8.0 (net)

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.

- Increase in labor cost costs at overseas plants
- Reduction in purchasing cost
- More efficient production
- Improve productivity of indirect operations
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.

■ 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.
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)

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.
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
## Balance Sheet Summary

(billions of yen)

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

FY2017.3
- Goods in process/material: 26.1
- Other products: 4.2
- Audio Equipment: 18.9
- Musical Instruments: 43.9

FY2018.3
- Goods in process/material: 28.2
- Other products: 5.7
- Audio Equipment: 18.1
- Musical Instruments: 42.2

FY2019.3 (projections)
- Goods in process/material: 26.2
- Other products: 6.2
- Audio Equipment: 18.5
- Musical Instruments: 40.1

Impact of exchange rate (billions of yen)
- Versus previous projections: +0.5
- Versus previous projections: -1.0
Capital Expenditure/Depreciation, R&D Expenses

Capital Expenditure/Depreciation

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

Audio Equipment
Music Instruments
Others

FY2017.3
FY2018.3
FY2019.3 (projections)
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
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

<table>
<thead>
<tr>
<th></th>
<th>FY2013.3</th>
<th>FY2014.3</th>
<th>FY2015.3</th>
<th>FY2016.3</th>
<th>FY2017.3</th>
<th>FY2018.3</th>
<th>FY2019.3 (projections)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual per-share dividend</td>
<td>10 yen</td>
<td>27 yen</td>
<td>36 yen</td>
<td>44 yen</td>
<td>52 yen</td>
<td>56 yen</td>
<td>60 yen</td>
</tr>
<tr>
<td>Payout ratio</td>
<td>47.0%</td>
<td>22.8%</td>
<td>28.0%</td>
<td>26.1%</td>
<td>20.9%*1</td>
<td>19.2%*2</td>
<td>27.3%</td>
</tr>
<tr>
<td>Total return ratio</td>
<td>47.0%</td>
<td>22.8%</td>
<td>28.0%</td>
<td>78.8%</td>
<td>26.8%</td>
<td>65.0%</td>
<td>27.3%</td>
</tr>
</tbody>
</table>

*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

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

*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.