

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

**May 2, 2017**

## Results Summary

- **Although full year sales declined year-on-year, income increased for the fifth consecutive year.**
  - **Musical instrument sales decreased from the previous year due to the impact of exchange rates and transfer of music school operations, but strong performance in all markets, including double-digit growth in actual sales in China, drove an increase in income.**
  - **Sales in the audio equipment segment were also down due to the impact of exchange rates, but solid results in the Japanese, North American, and European markets boosted income above the previous year to exceed ¥10 billion.**
  - **In the others segment, sales fell year-on-year, but income rose sharply as electronic devices and golf products maintained robust performance.**
- **Full year net income was higher than the previous year and surpassed previous projections to reach a new record.**
  - **The year-on-year increase was chiefly due to posting ¥13.5 billion in deferred tax assets.**
  - **Although a one-time amortization of goodwill for subsidiaries was recorded, previous projections were exceeded mainly due to a rebound from structural reform expenses incurred in association with transfer of resort facilities.**

# Performance in FY2017.3



(billions of yen)

	FY2016.3	FY2017.3	Changes from the previous year	FY2017.3 previous projections**	Changes from the previous projection
<b>Net Sales</b>	<b>435.5</b>	<b>408.2</b>	<b>-6.3%</b>	405.0	+0.8%
<b>Operating Income</b> (Operating Income Ratio)	<b>40.7</b> (9.3%)	<b>44.3</b> (10.9%)	<b>+8.9%</b>	42.0 (10.4%)	+5.5%
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>40.9</b> (9.4%)	<b>44.9</b> (11.0%)	<b>+9.8%</b>	43.0 (10.6%)	+4.5%
<b>Net Income*</b> (Net Income Ratio)	<b>32.6</b> (7.5%)	<b>46.7</b> (11.4%)	<b>+43.2%</b>	42.0 (10.4%)	+11.2%

## Exchange Rate (yen)

<b>Net Sales</b> (Average rate during the period)	US\$	<b>120</b>	<b>108</b>	107
	EUR	<b>133</b>	<b>119</b>	118
<b>Operating Income</b> (Settlement rate)	US\$	<b>121</b>	<b>108</b>	107
	EUR	<b>134</b>	<b>121</b>	121

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

\*\*Previous projections were announced on February 3, 2017

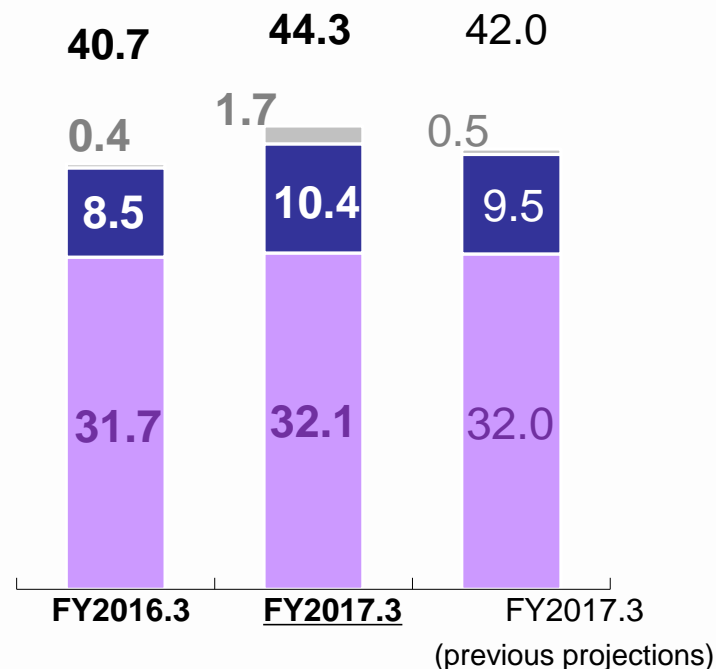
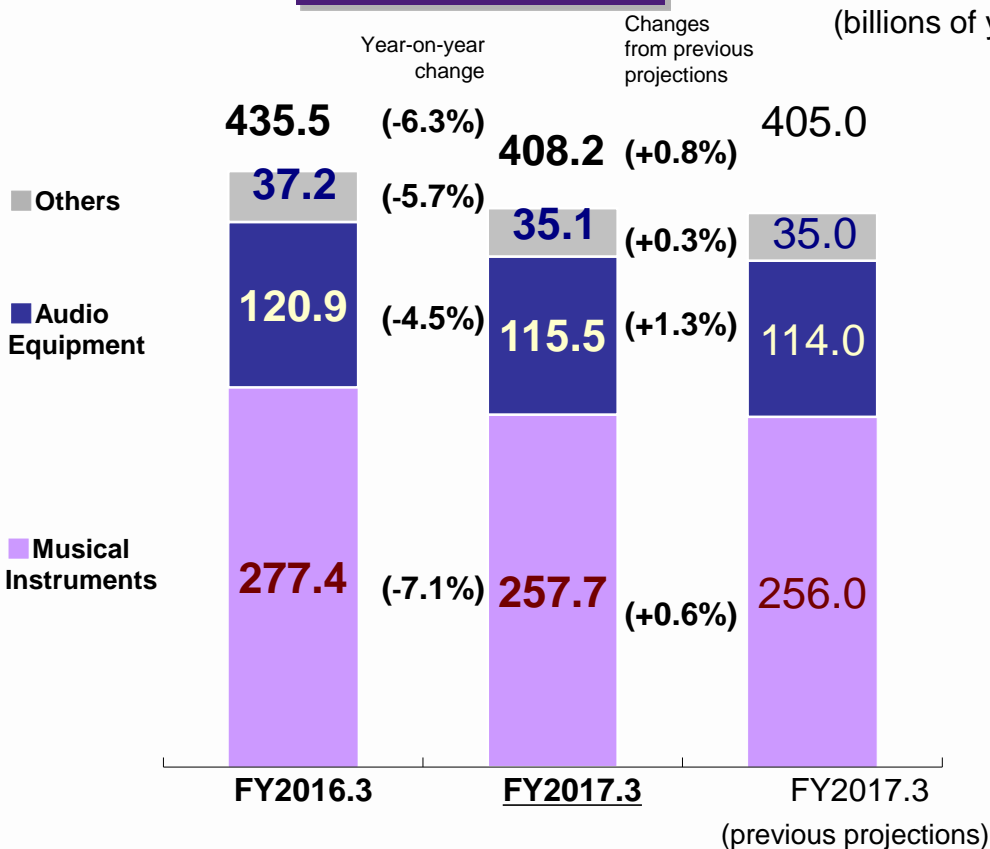
# Performance by Business Segment in FY2017.3 YAMAHA

## Net Sales

## Operating Income

(billions of yen)

(billions of yen)



Impact of Exchange Rates (billions of yen)		
Year-on-Year	-33.4	Musical Instruments -22.2 Audio Equipment -10.6 Others -0.6
Versus previous projections	+2.6	Musical Instruments +1.8 Audio Equipment +0.8 Others +0.1

Impact of Exchange Rates (billions of yen)		
Year-on-Year	-11.1	Musical Instruments -8.6 Audio Equipment -2.6 Others +0.1
Versus previous projections	+0.4	Musical Instruments +0.3 Audio Equipment +0.1

\*Previous projections were announced on February 3, 2017

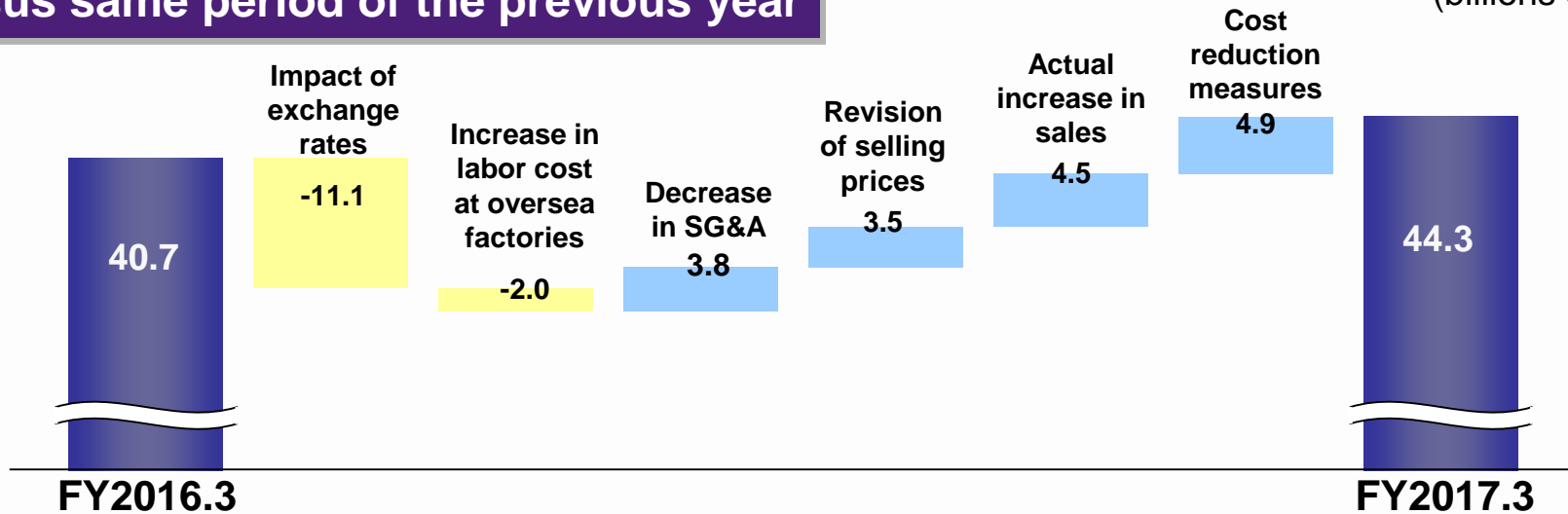
\*\*FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

# FY2017.3 Operating Income Analysis

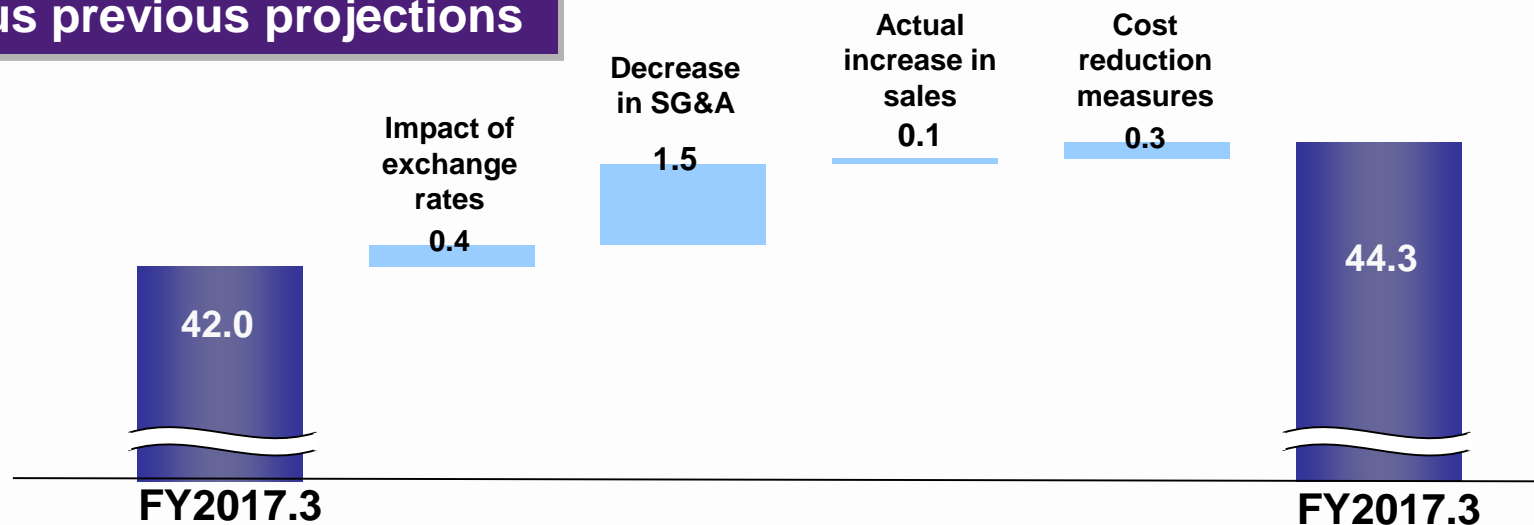


## Versus same period of the previous year

(billions of yen)



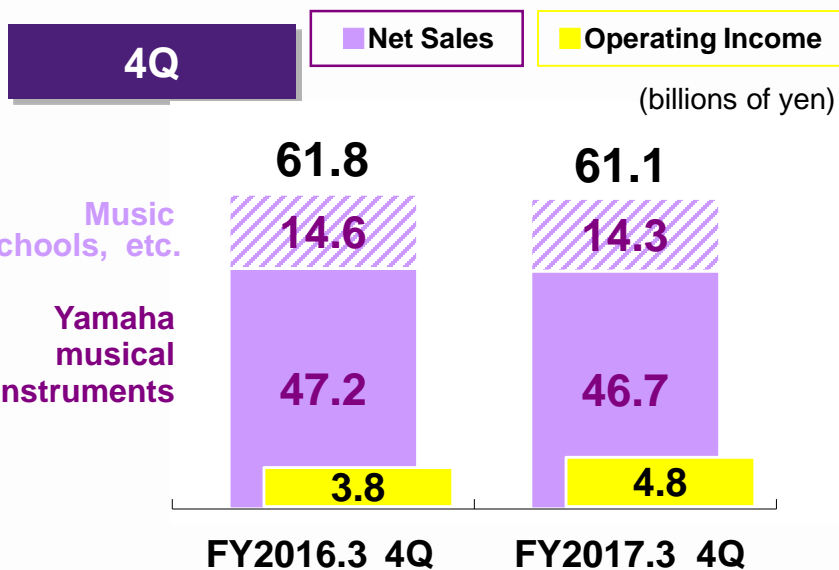
## Versus previous projections



(previous projections)

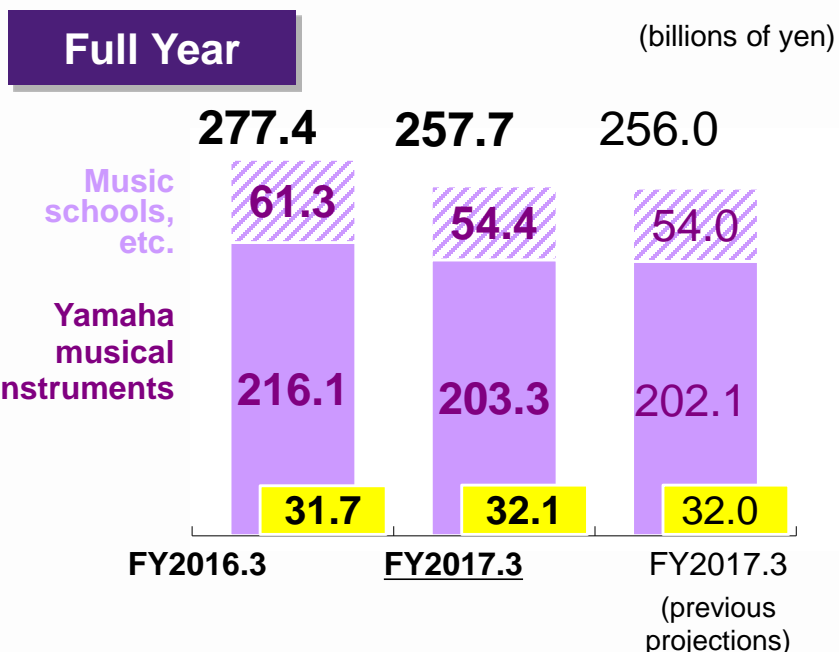
\* Previous projections were announced on February 3, 2017

# Musical Instruments: 4Q/Full Year



**4Q Overview (Three Months)**

- Sales decreased year-on-year, but income rose.
- The Chinese market achieved double-digit year-on-year growth, and all markets except Japan showed strong results.
- Sales of acoustic and digital pianos were robust.
- Cost reduction measures, revision of selling prices, and reduction of SG&A expenses absorbed the impact of exchange rates, and income rose year-on-year.



**Full Year Overview**

- Sales declined year-on-year, but income increased.
- The Chinese market achieved double-digit growth, and sales were also favorable in North America, Europe, and other markets.
- Guitar sales were brisk, and key acoustic and digital pianos also showed strong sales, with almost all product categories achieving actual growth.
- Cost reduction measures, revision of selling prices, higher actual sales, and reduction of SG&A expenses absorbed the impact of exchange rates.

\* Previous projections were announced on February 3, 2017

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

# Musical Instruments: Sales by Region



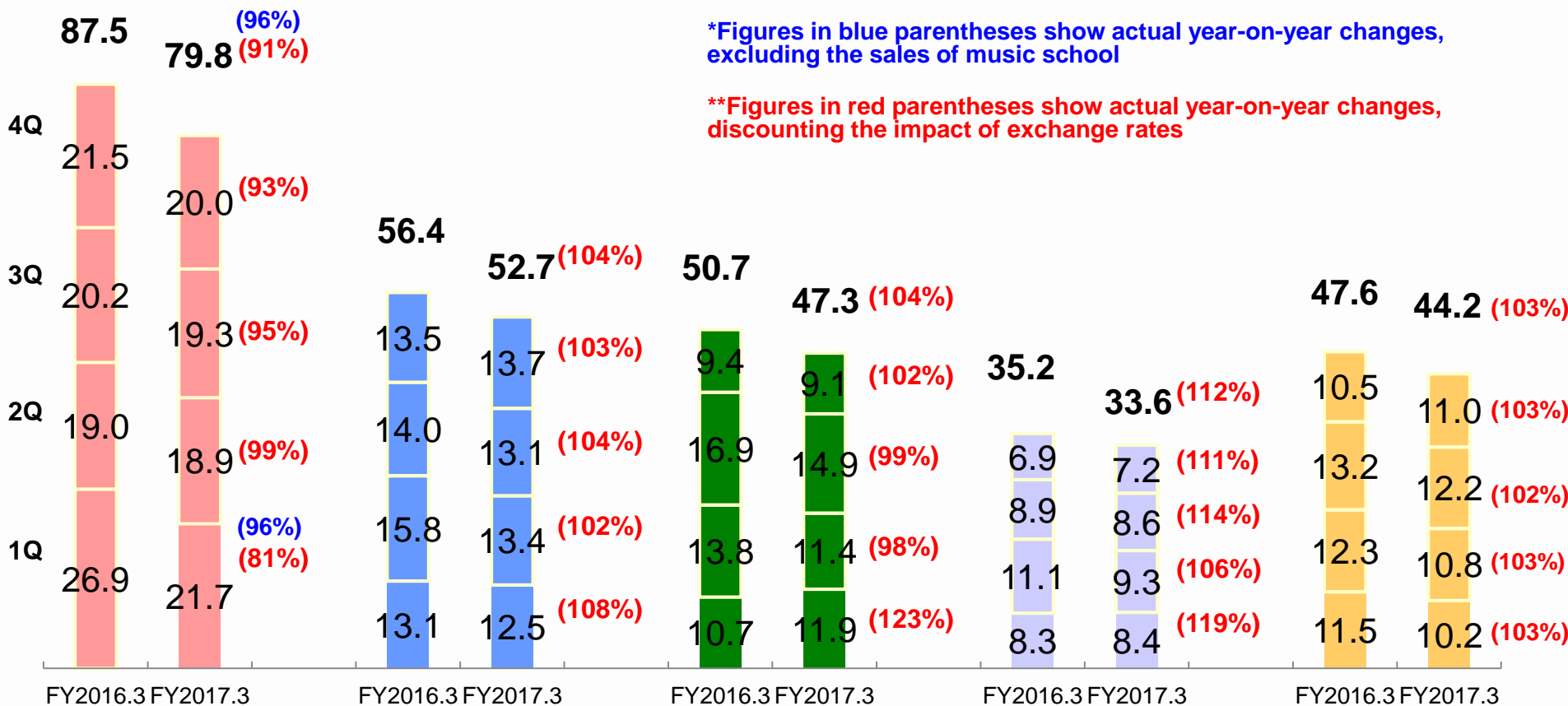
(including software products and music schools)

**All regions: Net Sales (Full year) ¥257.7 (102%)**

(billions of yen)

\*Figures in blue parentheses show actual year-on-year changes, excluding the sales of music school

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



Japan

North America

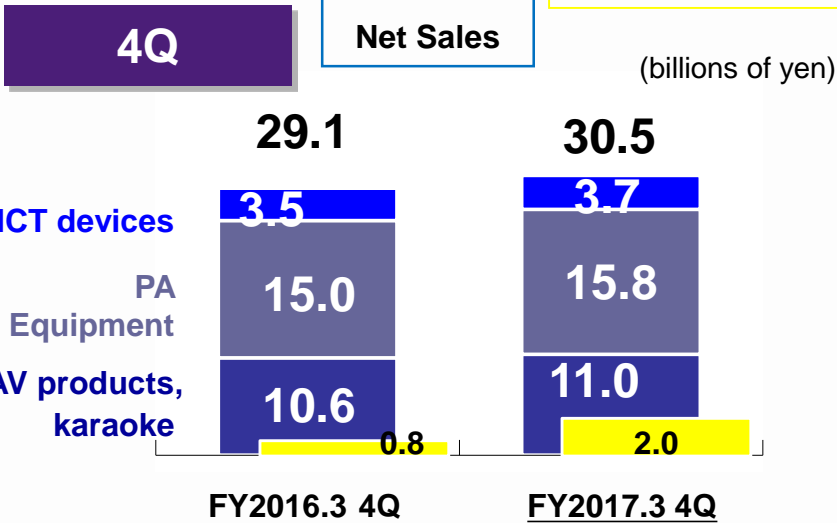
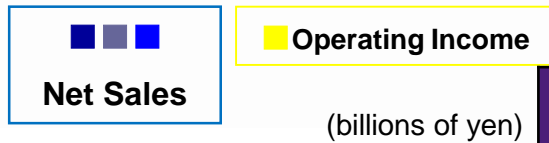
Europe

China

Other Regions

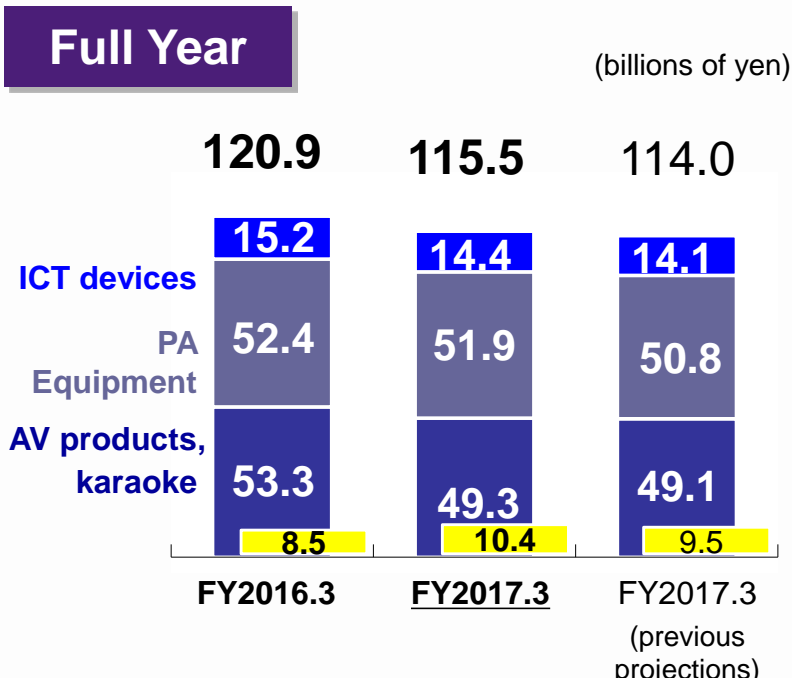
\*\*\*FY2016.3 figures have been adjusted to reflect the segmentation change of soundproof room business

# Audio Equipment: 4Q/Full Year



### 4Q Overview (Three Months)

- Sales and income increased year-on-year.
- Sales were robust in the Japanese and North American markets.
- Key AV and professional audio equipment products sold briskly, and ICT devices achieved double-digit growth in actual sales, driven especially by router sales.
- Operating income was up year-on-year, due especially to higher actual sales, cost reduction measures, and revision of selling prices.



### Full Year Overview

- Although sales declined from the previous year, income increased.
- The Japanese and North American markets recorded strong sales of professional audio equipment, achieving double-digit actual growth.
- Sales of professional audio equipment and routers were especially robust.
- Operating income reached over 10 billion yen, due to factors including higher actual sales, cost reduction measures, and reduction of SG&A expenses.

\* Previous projections were announced on February 3, 2017

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



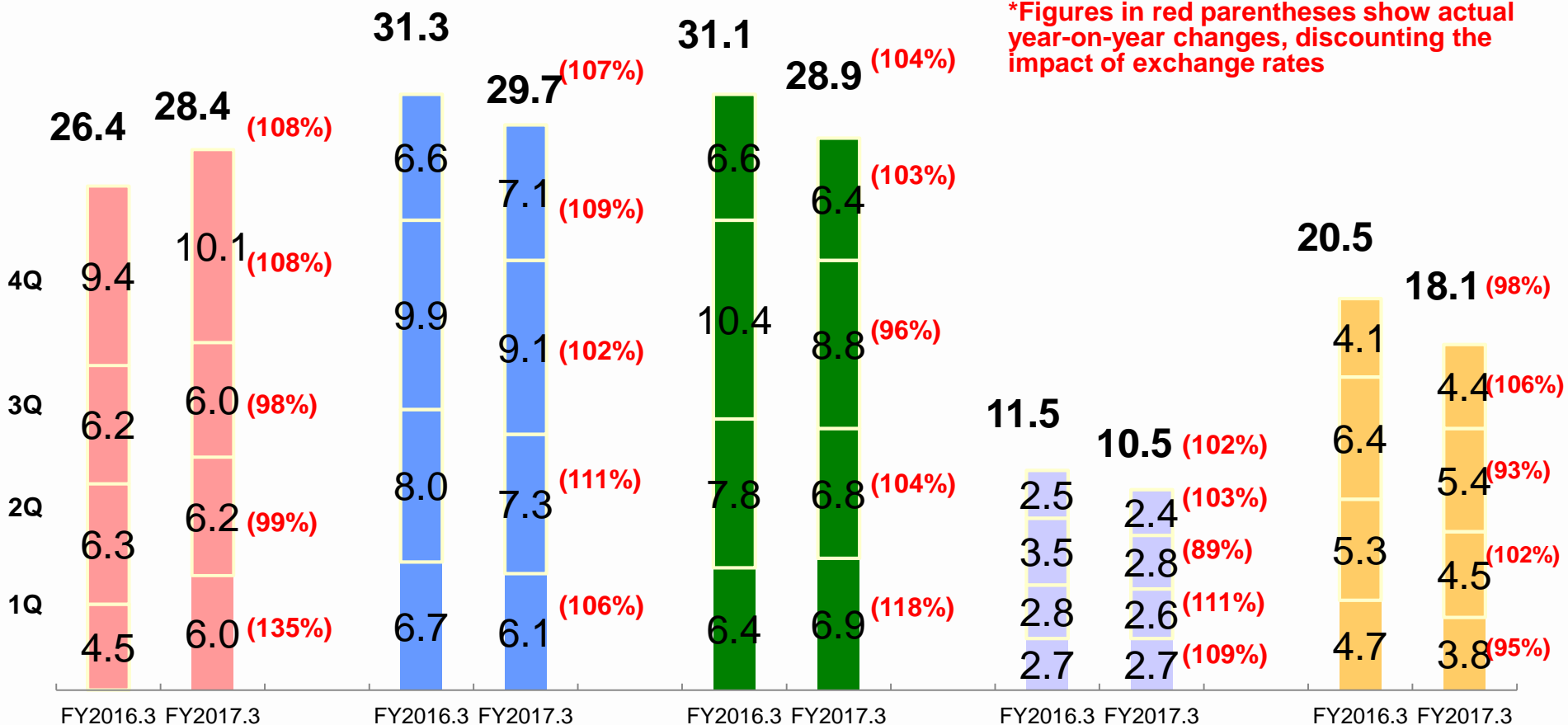
# Audio Equipment: Sales by Region



**All regions: Net Sales (Full year) ¥115.5 (104%)**

(billions of yen)

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



Japan

North America

Europe

China

Other Regions

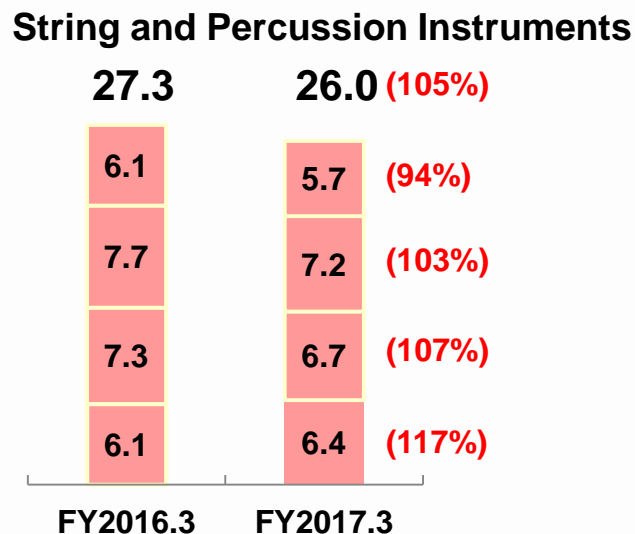
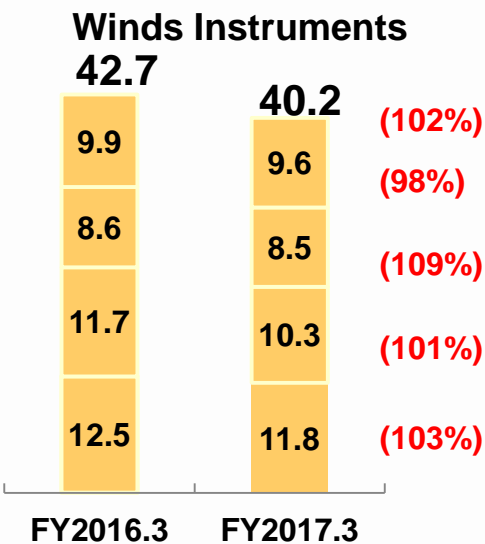
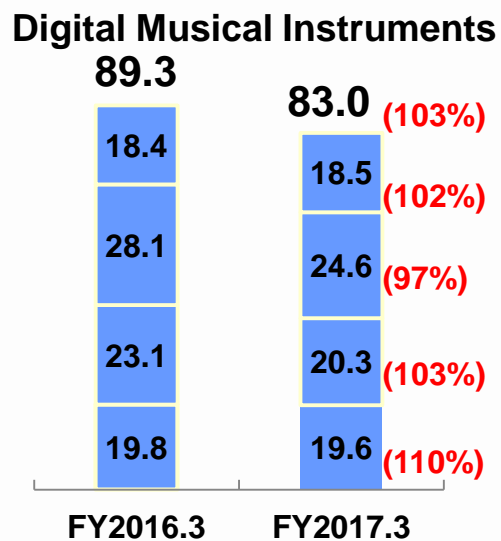
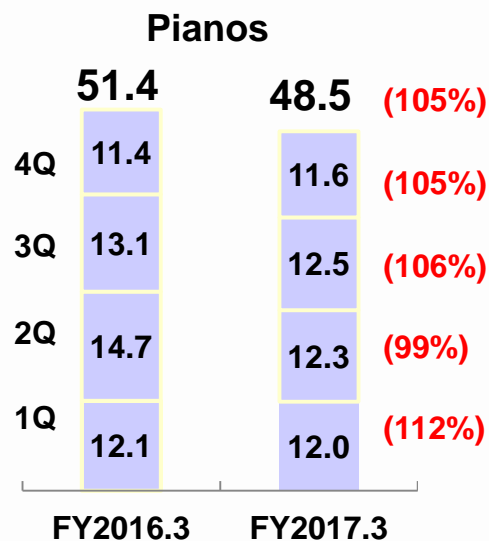
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# Musical Instruments/Audio Equipment: Sales by Major Product Category

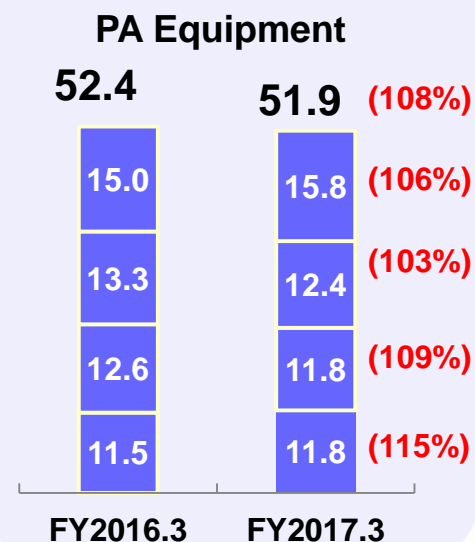
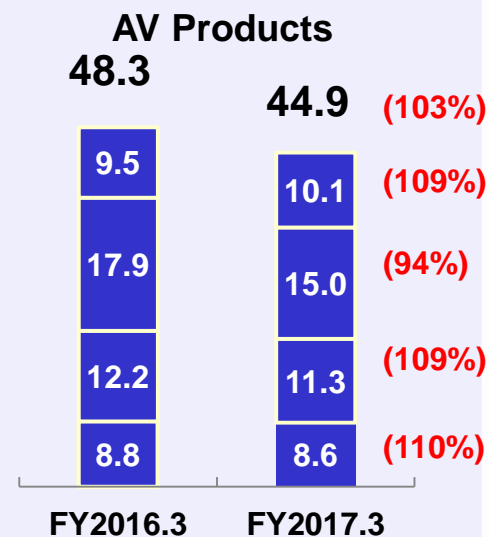


(billions of yen)

## Musical Instruments



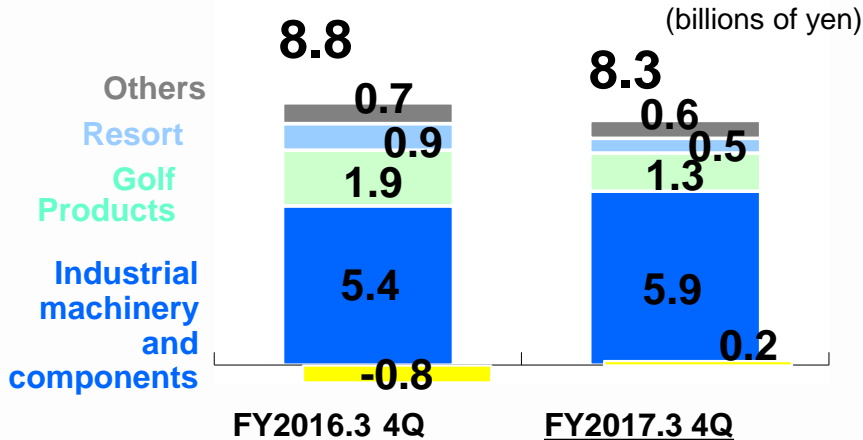
## Audio Equipment



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

# Others: 4Q/Full Year

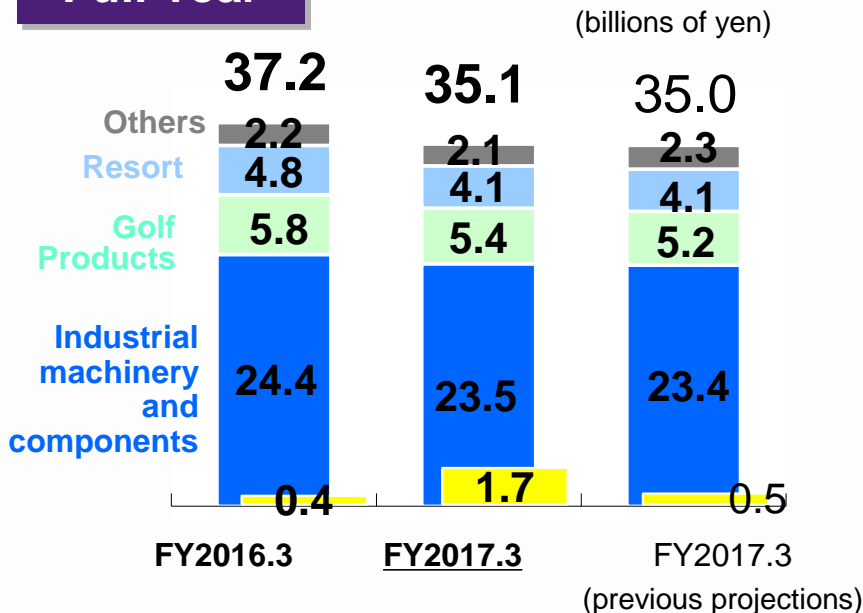
## 4Q



## 4Q Overview (Three Months)

- Although sales were down year-on-year, operating income returned to positive figures.
- Operating income improved to exceed previous projections, due to factors including higher gross margins on electronic devices, improved manufacturing profitability, control of development expenses, and lower costs, as well as strong sales of new golf products.

## Full Year



## Full Year Overview

- Sales decreased year-on-year, but income rose.
- Although sales of electronic devices were down year-on-year, income increased due to factors including higher gross margins and reduced costs.
- Income from golf products also rose, due to the effect of new products and increased Japanese market share.
- Automobile interior wood components continued to struggle.

\*Previous projections were announced on February 3, 2017

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

## Assumptions

- Despite uncertainty in the global economy and market environment due to political tensions and other unexpected factors, markets are projected to remain firm.
- **Musical instruments:** high growth is expected in China and emerging markets. In addition to steady growth for key acoustic and digital piano products, sales of guitars and other string and percussion instruments are prospected to expand.
- **Audio equipment:** continued growth is projected for professional audio equipment, especially commercial audio, and sales of AV products are expected to expand steadily.
- **Others:** growth in sales of components, industrial machinery and golf products is forecast to absorb the effects of transferring resort facilities.
- **Exchange rate forecast:** reflecting yen appreciation from the previous year, rates are projected to be US\$1=¥110, EUR1=¥120.

## Forecast

- Full year sales and income are both projected to rise year-on-year in FY2018.3, with operating income reaching a new record high of ¥48.5 billion.

# Forecast for Performance in FY2018.3 (Full Year) YAMAHA

- Full year sales and income are both projected to rise year-on-year in FY2018.3, with operating income reaching a new record high.
- Net income is forecast to decline, due to the impact of posting deferred tax assets in the previous year.

(billions of yen)

	FY2017.3	FY2018.3 projections	Changes from the previous year	Year-on-year percentage change
<b>Net Sales</b>	<b>408.2</b>	<b>427.0</b>	<b>+18.8</b>	<b>+4.6%</b>
<b>Operating Income</b> (Operating Income Ratio)	<b>44.3</b> (10.9%)	<b>48.5</b> (11.4%)	<b>+4.2</b>	<b>+9.5%</b>
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>44.9</b> (11.0%)	<b>48.5</b> (11.4%)	<b>+3.6</b>	<b>+8.0%</b>
<b>Net Income*</b> (Net Income Ratio)	<b>46.7</b> (11.4%)	<b>39.0</b> (9.1%)	<b>-7.7</b>	<b>-16.5%</b>

## Exchange Rate (yen)

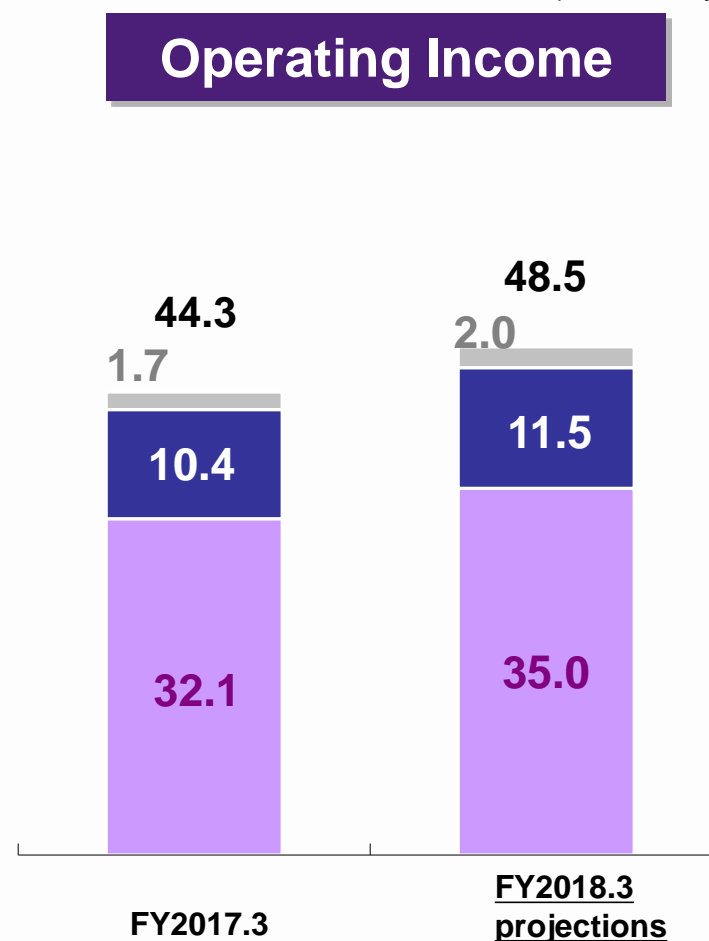
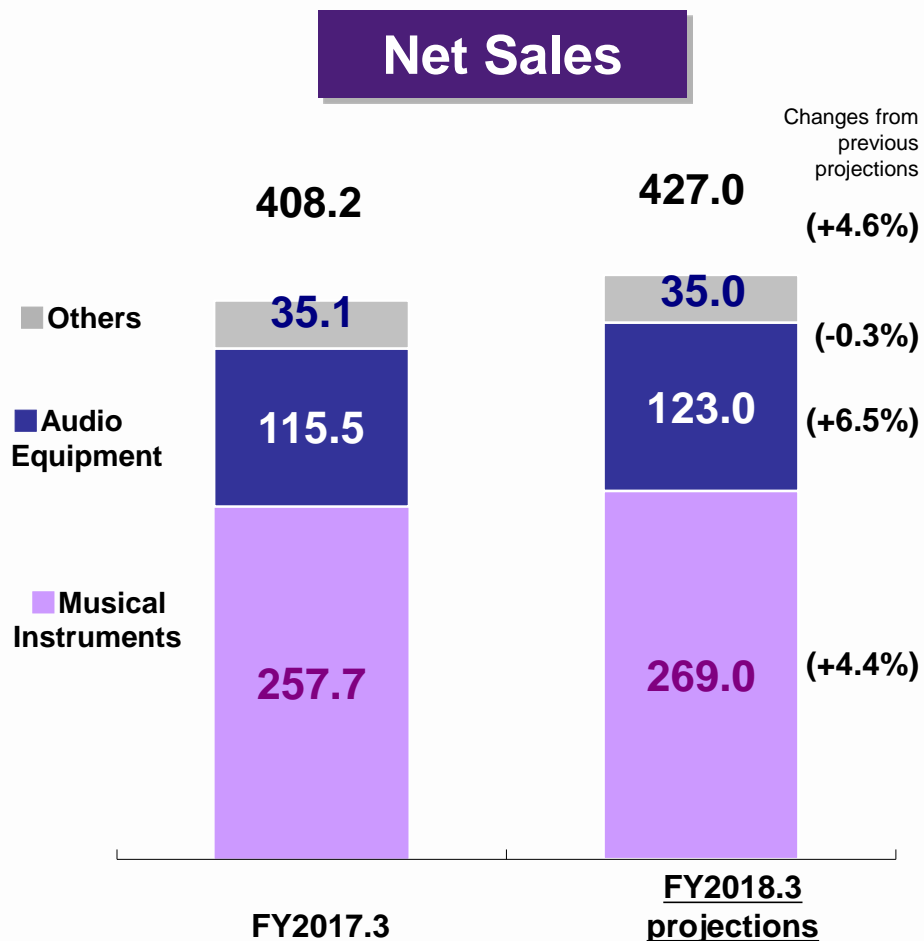
<b>Net Sales</b> (Average rate during the period)	US\$	108	110
	EUR	119	120
<b>Operating Income</b> (Settlement rate)	US\$	108	110
	EUR	121	120

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

# Forecast for Performance by Business Segment in FY2018.3



(billions of yen)



Impact of Exchange Rates		(billions of yen)	
Versus previous projections	<b>+3.7</b>	Musical Instruments	+2.4
		Audio Equipment	+1.2
		Others	+0.1

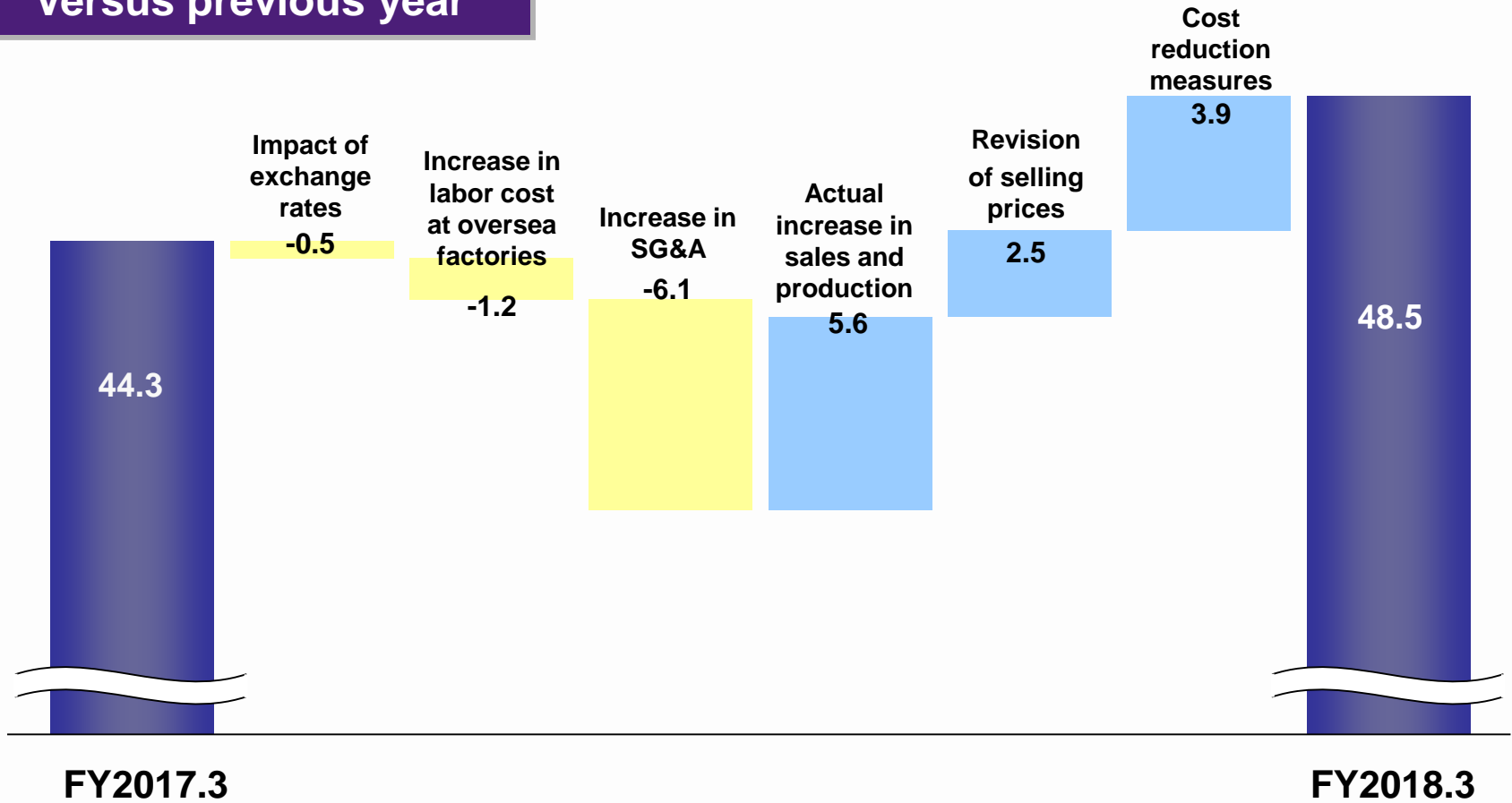
Impact of Exchange Rates		(billions of yen)	
Versus previous projections	<b>-0.5</b>	Musical Instruments	-0.2
		Audio Equipment	-0.3

# FY2018.3 Operating Income Analysis



(billions of yen)

## Versus previous year



# Musical Instruments: FY2018.3 Projections

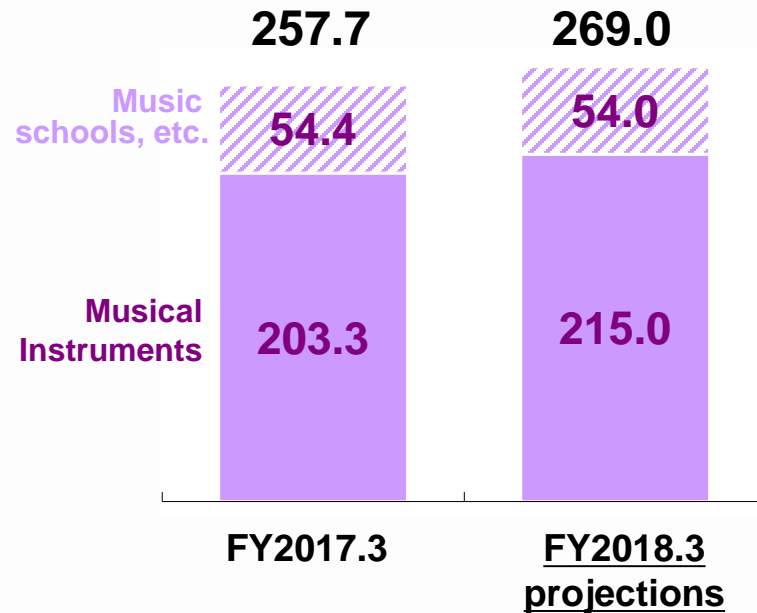


## Projections

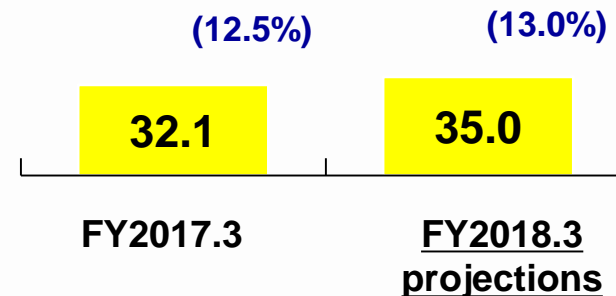
- Sales and income are both expected to be higher than the previous year.
- Double-digit growth is projected to continue in the Chinese market, and expansion is anticipated in other markets.
- New product launches are expected to drive growth in sales of digital pianos, and growth is also forecast for string and percussion instruments, especially guitars.

## Net Sales

(billions of yen)



## Operating Income



\*Figures in blue parentheses show operating income ratio



# Musical Instruments: Sales by Region

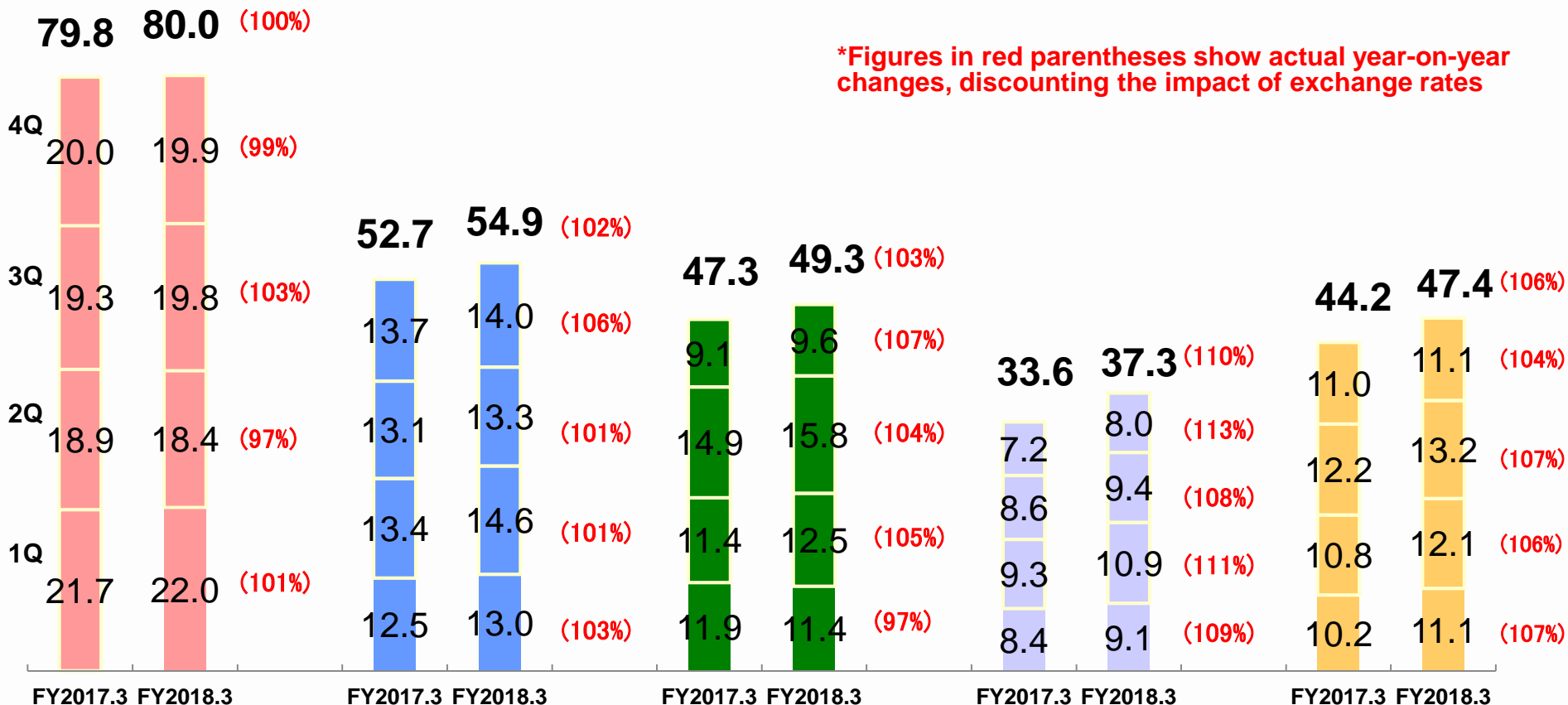
(including software products and music schools)



**All regions: Net Sales (Full year) ¥269.0 (103%)**

(billions of yen)

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



Japan

North America

Europe

China

Other Regions

# Audio Equipment: FY2018.3 Projections

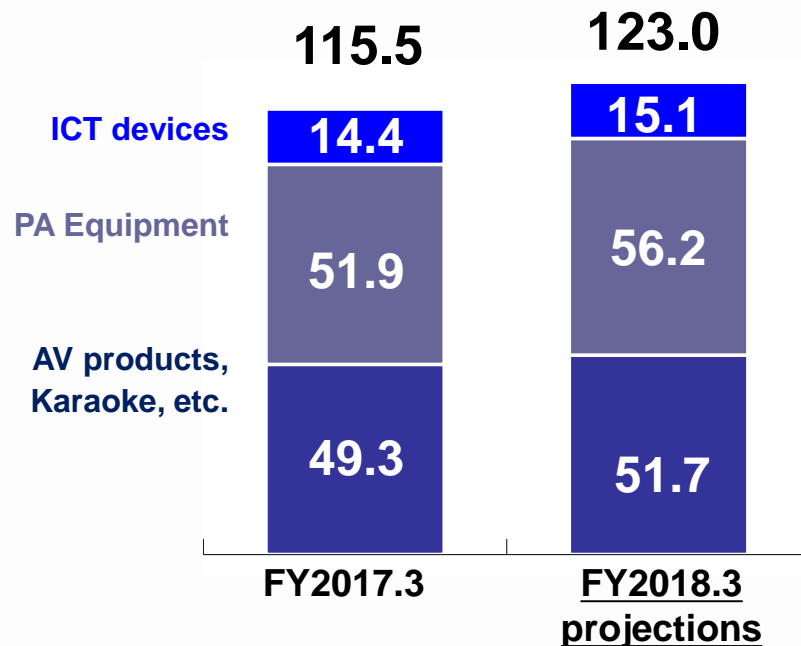


## Projections

- Sales and income are both projected to increase year-on-year.
- Professional audio equipment sales are expected to grow, especially for commercial audio.
- Growing awareness of network audio will drive expansion in sales of AV equipment.
- Strong sales of conference systems are anticipated.

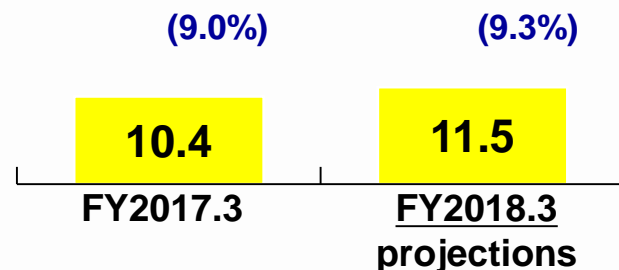
## Net Sales

(billions of yen)



## Operating Income

(billions of yen)



\* Figures in blue parentheses show operating income ratio

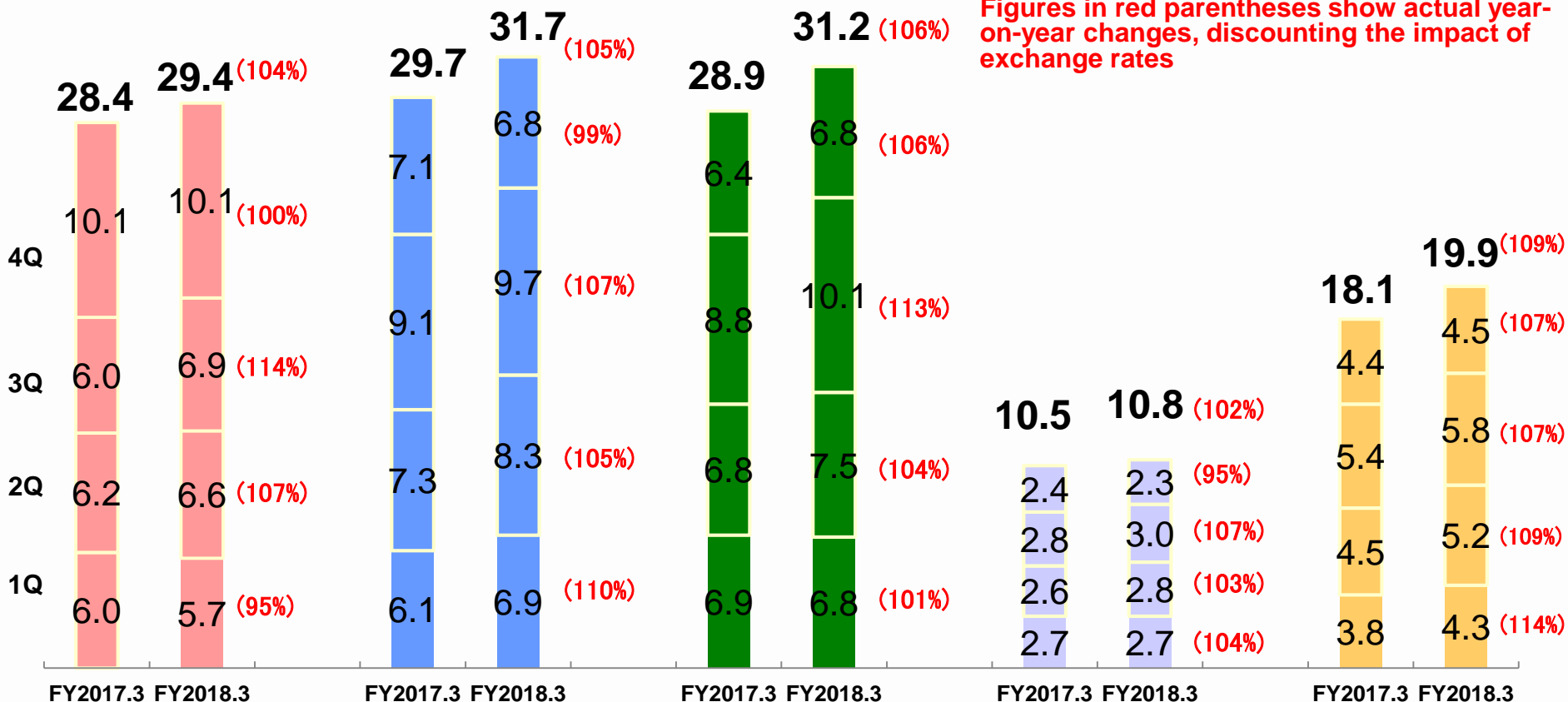
# Audio Equipment: Sales by Region



All regions: Net Sales (Full year) ¥123.0 (105%)

(billions of yen)

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



Japan

North America

Europe

China

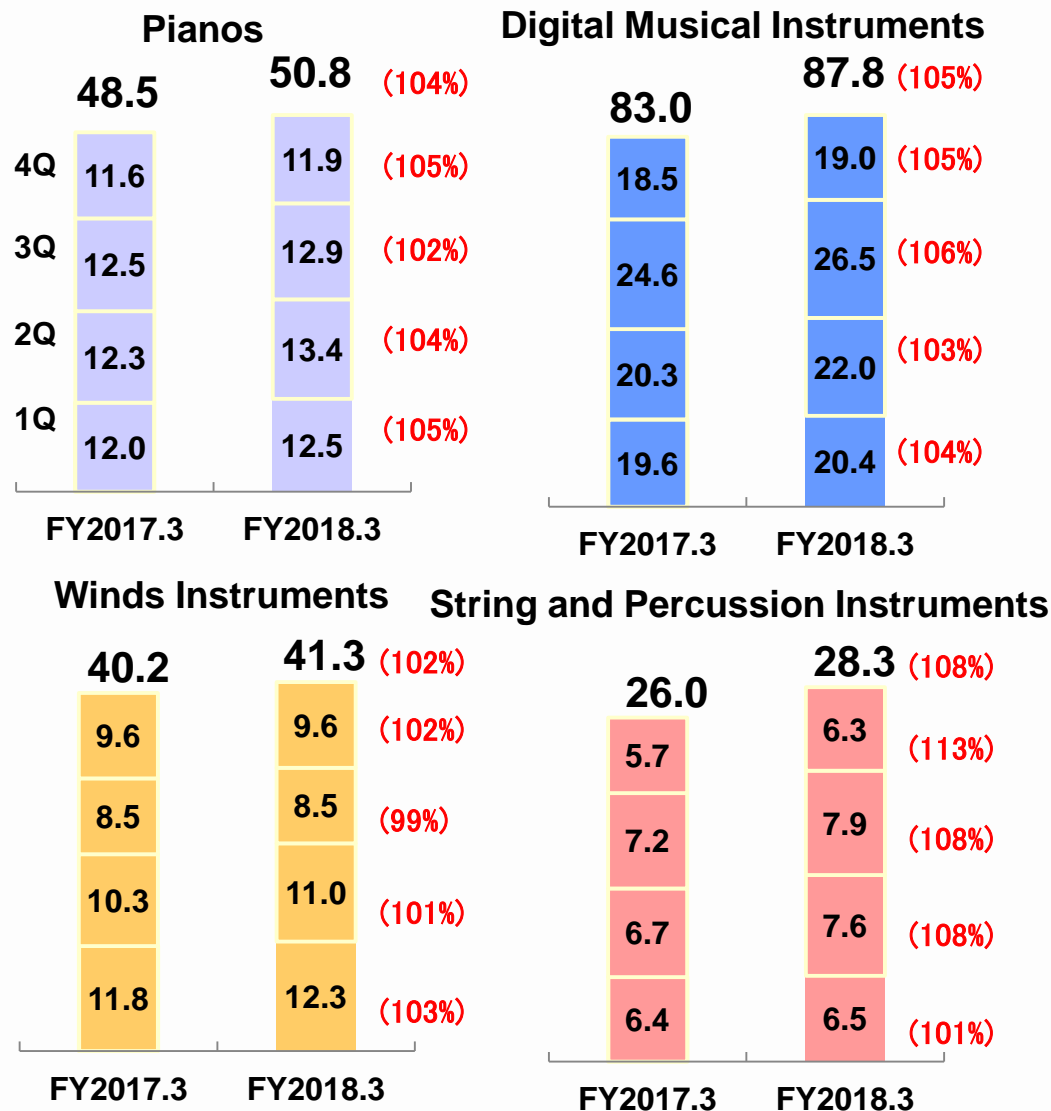
Other Regions

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

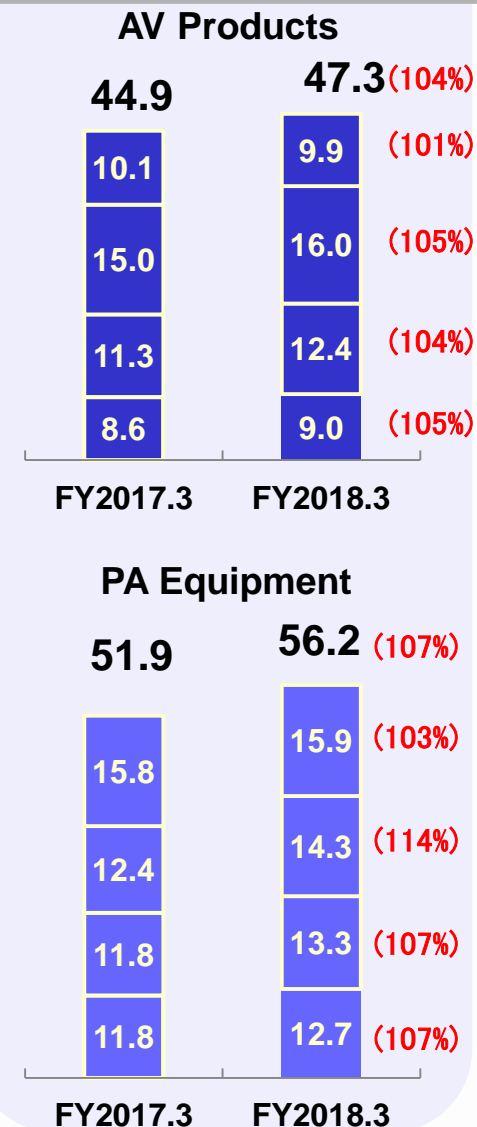


(billions of yen)

## Musical Instruments



## Audio Equipment



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

# Others: FY2018.3 Projections

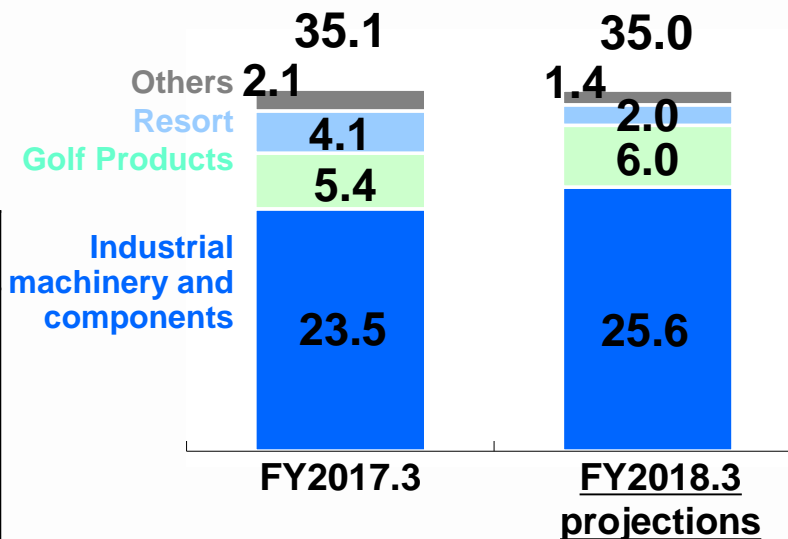


## Projections

- Sales are projected to be on a par with the previous year, and income is expected to rise.
- The impact of lower sales resulting from transfer of resort facilities will be absorbed by sales of components, industrial machinery, and golf products.
- Income is forecast to increase, partly due to the effects of restructuring in the resort business.

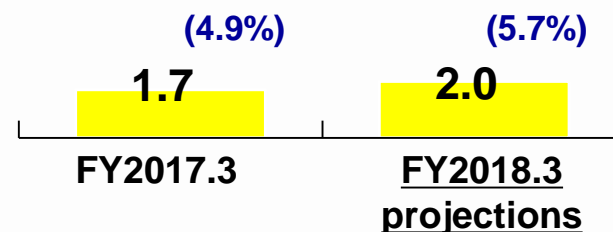
## Net Sales

(billions of yen)



## Operating Income

(billions of yen)



\* Figures in blue parentheses show operating income ratio

# Full Year Non-Operating Income/Loss & Extraordinary Income/Loss



(billions of yen)	FY2016.3 full year	FY2017.3 full year	FY2018.3 full year projections
<b>Non-Operating Income/Loss</b>			
Net financial income	2.7	3.5	3.1
Other	-2.5	-2.9	-3.1
<b>Total</b>	<b>0.2</b>	<b>0.6</b>	<b>0</b>
<b>Extraordinary Income/Loss</b>			
Income from (loss on) disposal of fixed assets	8.3	3.5	-0.1
Others	-7.6	-5.5	0.1
<b>Total</b>	<b>0.7</b>	<b>-2.0</b>	<b>0</b>
<b>Income Taxes and Other Expenses</b>			
Income taxes -current	9.5	8.7	12.0
Income taxes -deferred	-0.6	-12.7	-2.4
Minority interests in income	0.1	0.2	0
<b>Total</b>	<b>9.0</b>	<b>-3.8</b>	<b>9.5</b>

-Gain on disposal of idle land +¥9.0  
-Others -¥0.7

-Immediate amortization of goodwill of:  
Line 6 -¥4.5  
Revolabs -¥2.3  
-Impairment loss on fixed asset -¥0.8

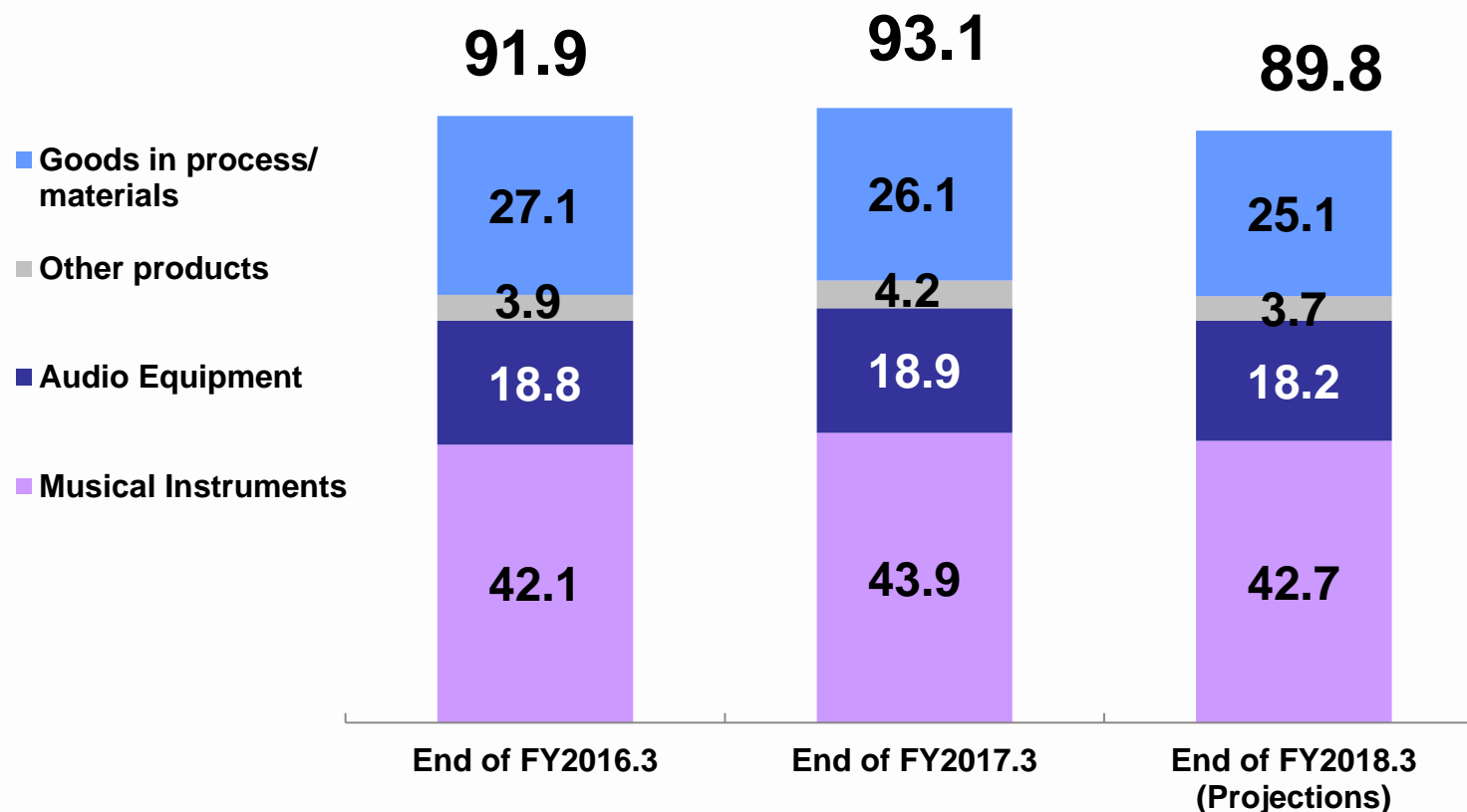
-Structural reform expenses -¥3.0  
-Impairment loss -¥0.6  
-Transfer of defined contribution pension plan for retirement benefits -¥0.9  
-Immediate amortization of goodwill of Revolabs -¥1.5

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

# Inventories

- Inventories at the end of fiscal 2017 amounted to ¥93.1 billion. Although inventories continued to fall in the fourth quarter, they were higher than at the end of the previous year.
- Inventories at the end of fiscal 2018 are forecast to be ¥89.8 billion.

(billions of yen)



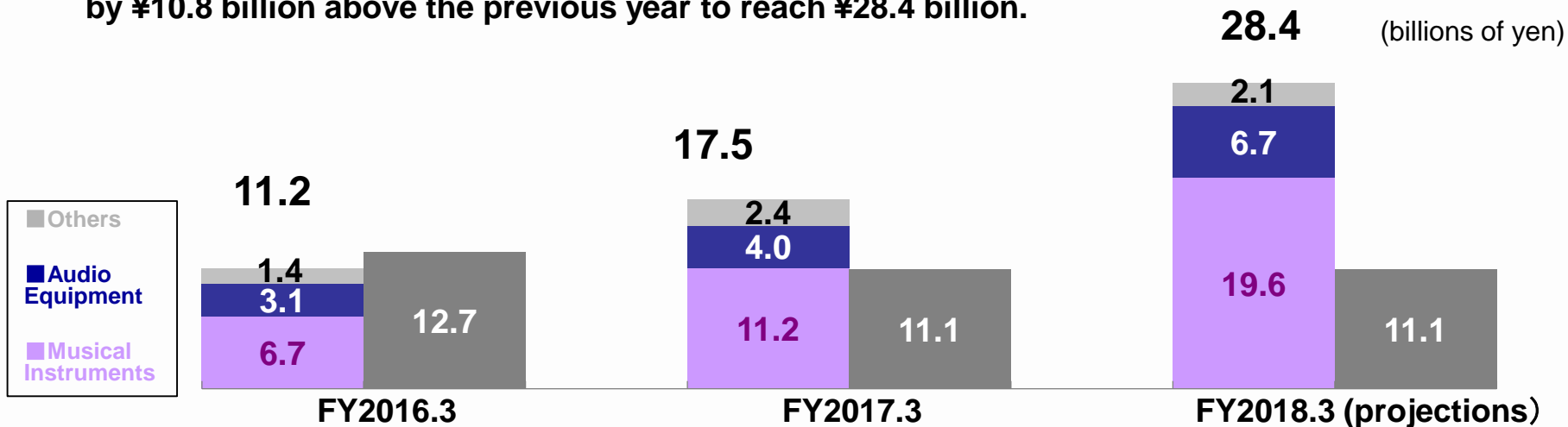
Impact of Exchange Rates (billions of yen)	
Versus previous projections	-2.4

Impact of Exchange Rates (billions of yen)	
Versus previous projections	-0.9

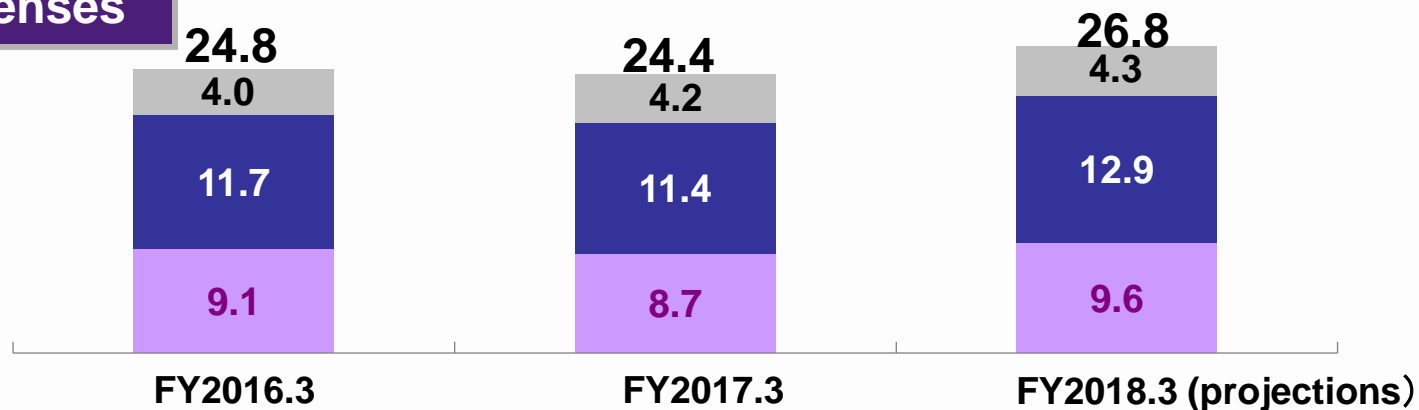
\* The sales of FY2016.3 has been adjusted to reflect the segment reallocation of soundproof room business

## Capital Expenditure (Depreciation)

- Due to projects including construction of the new Innovation Center on the headquarters site and investment in overseas production facilities, capital expenditure in FY2018.3 will increase by ¥10.8 billion above the previous year to reach ¥28.4 billion.



## R&D Expenses



\* The sales of FY2016.3 has been adjusted to reflect the segment reallocation of soundproof room business



# Balance Sheet Summary



(billions of yen)

	As of March 31, 2016	As of March 31, 2017	As of March 31, 2018 projections
Cash and deposits	88.2	105.9	119.2
Notes and accounts receivable	47.8	49.8	52.0
Inventories	91.9	93.1	89.8
Other current assets	27.2	23.9	26.0
Fixed assets	214.6	249.7	267.0
<b>Total assets</b>	<b>469.7</b>	<b>522.4</b>	<b>553.9</b>
Notes and accounts payable	19.4	17.8	18.2
Short- and long-term loans	8.5	11.2	11.5
Other liabilities	137.9	126.0	125.9
Total net assets	303.9	367.4	398.3
<b>Total liabilities and net assets</b>	<b>469.7</b>	<b>522.4</b>	<b>553.9</b>

# Key Financial Figures



(billions of yen)

	FY2015.3	FY2016.3	FY2017.3	FY2018.3 projections	FY2019.3 Mid-term target
<b>Net Sales</b>	<b>432.2</b>	<b>435.5</b>	<b>408.2</b>	<b>427.0</b>	<b>465.0</b>
<b>Operating Income</b>	<b>30.1</b>	<b>40.7</b>	<b>44.3</b>	<b>48.5</b>	<b>55.0</b>
<b>Operating Income Ratio</b>	<b>7.0%</b>	<b>9.3%</b>	<b>10.9%</b>	<b>11.4%</b>	<b>12%</b>
<b>ROE</b>	<b>8.1%</b>	<b>10.1%</b>	<b>14.0%*</b>	<b>10.2%</b>	<b>10% level</b>
<b>Earnings per Share (EPS) (yen)</b>	<b>129</b>	<b>169</b>	<b>249*</b>	<b>208</b>	<b>¥200 level</b>

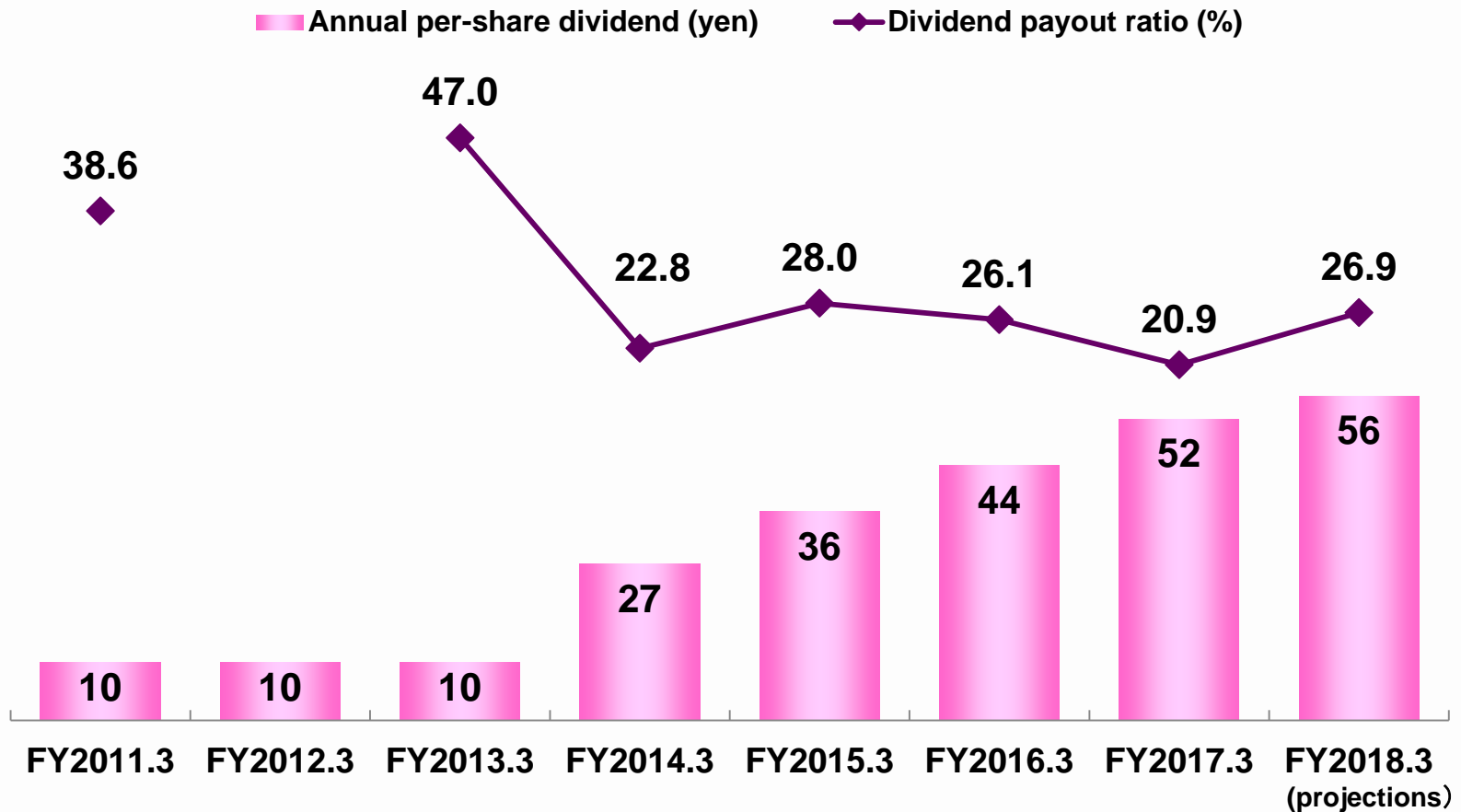
## Exchange Rate (yen)

<b>Net Sales</b> <small>(Average rate during the period)</small>	<b>US\$</b>	<b>110</b>	<b>120</b>	<b>108</b>	<b>110</b>	<b>115</b>
	<b>EUR</b>	<b>139</b>	<b>133</b>	<b>119</b>	<b>120</b>	<b>125</b>
<b>Operating Income</b> <small>(Settlement rate)</small>	<b>US\$</b>	<b>109</b>	<b>121</b>	<b>108</b>	<b>110</b>	<b>115</b>
	<b>EUR</b>	<b>141</b>	<b>134</b>	<b>121</b>	<b>120</b>	<b>125</b>

\*The year-on-year increase on ROE and ESP for FY2017.3 was due to increase in net income by posting deferred tax assets.

# Return to Stockholders

- The annual dividend for FY2017.3 is ¥52, representing an increase for the fourth consecutive year.
- The annual dividend for FY2018.3 is forecast to be ¥56.



\*(For reference only) Projected dividend payout ratio for FY2017.3 excluding the tax effect is 29.4%

# Transition to a Company with Nominating Committee, etc.



## Objectives

To make a clear separation between oversight and execution in management, thereby enhancing the overall management oversight function by the Board of Directors and speeding up the execution of management.

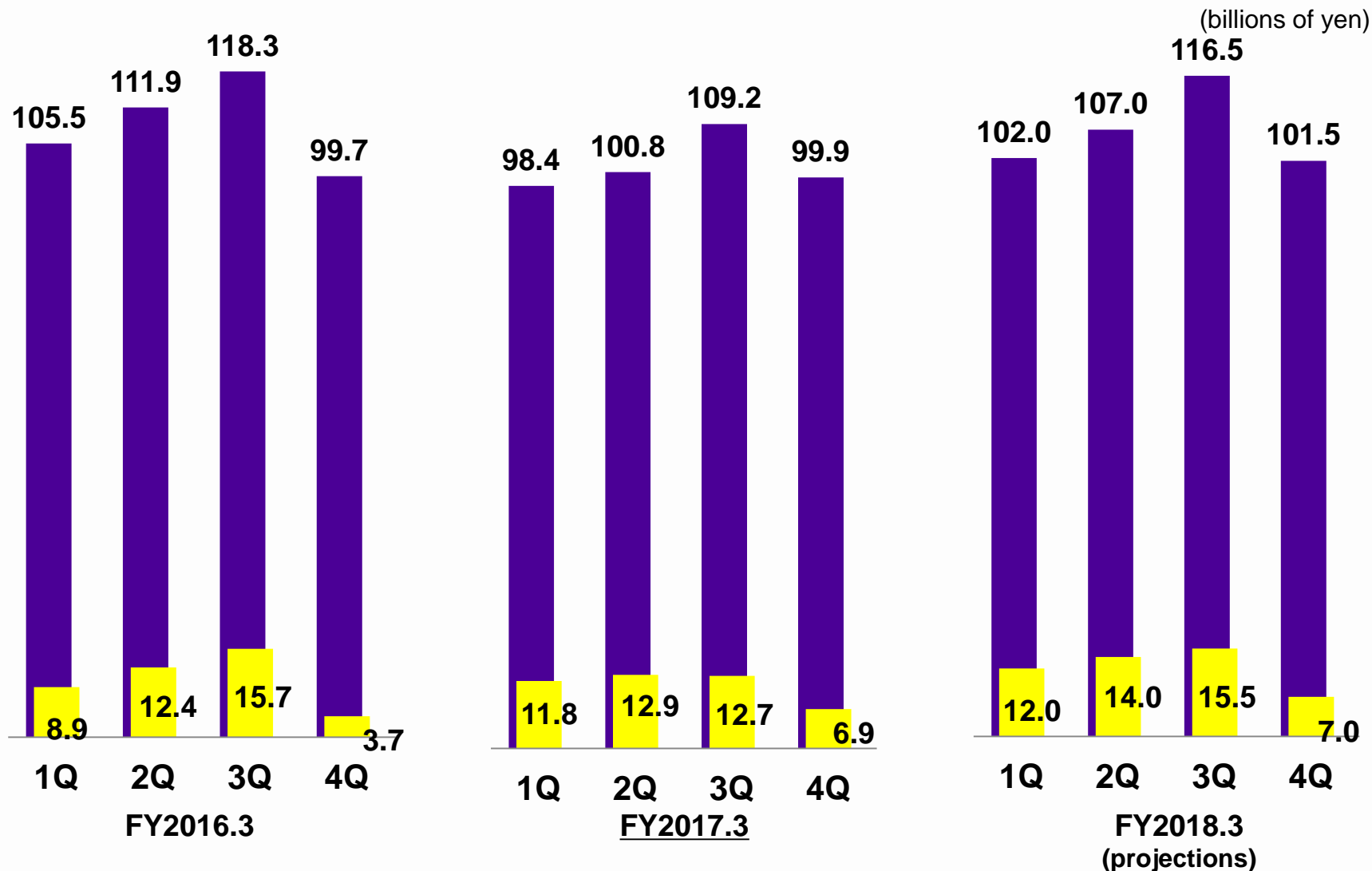
## Post-transition Structure

- **Enhancing the overall management oversight function**
  - **Board of Directors to consist of 9 members (two-thirds [6] of whom will be outside directors)**
  - **Nominating Committee, Audit Committee, and Compensation Committee to be established as provided for by law (Each Committee include majority of outside directors)**
  
- **Speeding up the execution of management**
  - **New executive officer structure: 7 executive officers**  
**Board of Directors to delegate extensive authority to executive officers.**

**Note: Transition is subject to approval by the Ordinary General Meeting of Shareholders to be held on June 22.**

# Appendix

# Quarterly Sales and Income



Net Sales (Full Year)	435.5
Operating Income (Full Year)	40.7

Net Sales (Full Year)	408.2
Operating Income (Full Year)	44.3

Net Sales (Full Year)	427.0
Operating Income (Full Year)	48.5

An acoustic player piano that offers an immersive new user experience and exciting new ways to listen, learn and play

## **Disklavier ENSPIRE™**

**Disklavier ENSPIRE retains its category-leading position as the only fully-integrated and most accurate high-resolution reproducing piano system available.**

**Wireless network connectivity and seamless compatibility with mobile devices, smartphones and computers allow intuitive access to all of the instrument's exclusive content and unique capabilities.**



**YUS1ENST**



**C3X ENPRO**

disklavier **ENSPIRE™**



Pursuing the true grand piano-like experiences with new GrandTouch keys

## Clavinova CLP Series

The new CLP-600 Series captures the soul of a remarkable concert instrument in a digital piano to deliver a grand piano performance in a more personal environment. In order to achieve various expressions with the touch and sound as perceived by the performer, we have upgraded the key actions for the first time in 20 years.

The newly developed Grand-Touch keys offer more responsive touch and a greater dynamic range than ever before, offering the player a true acoustic piano-like experience.



CLP-685PE





# Key Products in FY2018.3



## Inspired by custom bikes and Japanese craft, engineered for the stage **REVSTAR Series Electric Guitars**

Drawing inspiration from London and Tokyo's vintage street-racing motorbikes, Japan's heritage of engineering excellence and the 50-year legacy of Yamaha guitar craftsmanship, every detail of each REVSTAR model has been carefully engineered to bring out the unique personality of each guitar in the lineup.



RSP20CR RRT

A guitar of built-in sounding reverb/chorus  
with no need for external amplification or effects

## TransAcoustic™ Guitar

The Yamaha TransAcoustic guitar recreates the experience of playing in a rich, live room without needing any external amplification or effects, just the guitar itself. An actuator installed on the inner surface of the guitar back vibrates, thereby generating authentic reverb and chorus sounds from inside the body.



LL-TA VT



An actuator installed on the inner surface of the guitar back vibrates in response to the vibrations of the strings. The vibrations of the actuator are then conveyed to the body of the guitar, and to the air in and around the guitar body, generating authentic reverb and chorus sounds from inside the body.



# Key Products in FY2018.3



New-generation digital mixing system for large-scale live concerts

## RIVAGE PM10

RIVAGE PM10 is a new generation of PM console, a thoroughly refined flagship model realizing state-of-the-art sound quality operation, functionality, reliability and expandability to bring true innovation to the evolving live sound scene.



Suitable for delivering BGM at cafés and restaurants

## Speaker Systems VXS1MLB, VXS1MLW Subwoofers VXS3SB2, VXS3SW



Speaker Systems  
VXS1MLW VXS1MLB



Subwoofer  
VXS3SW



**The most compact models within VXS series speakers that are ideal for BGM delivery in various scenes such as restaurants, shops, and hotels.**

**These compact speakers are capable of providing high-quality sounds in a variety of settings, particularly locations where interior design is a consideration, by mounting them to walls and ceilings.**



An installation case of VXS series (at Itoya, a stationary store in Ginza)



3-way bookshelf speaker  
**NS-5000 HiFi Speaker**



Premium bookshelf speaker  
NS-5000



**Transparent, uncolored sound. Exceptionally wide range. Consistent tone color throughout the entire frequency spectrum. Overwhelmingly low distortion.**

**We have scientifically quantified each sound quality necessary in a flagship speaker of this high-resolution age.**

# Key Products in FY2018.3



State-of-the-art music production software  
**Cubase 9 by Steinberg**



**Cubase Pro 9, Cubase Artist 9 and Cubase Elements 9 are the latest versions of comprehensive music production software that supports every scene in contemporary music production, such as composition, arrangement, recording, waveform editing, and mixing.**

**The latest update enhances your favorite digital audio workstation in every direction and underlines Cubase's claim of being the most complete DAW available.**

**Since the release of Cubase in 1989, we have gathered the technologies that Steinberg has cultivated, pursuing the best music production environment to evolve more powerful digital audio work station software.**

**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.**