

Company Name: YAMAHA CORPORATION
President and Representative Executive Officer: Takuya Nakata
Code Number: 7951 (First Section of Tokyo Stock Exchange)

**Outline of the Yamaha Consolidated Financial Results through the Second Quarter
(Six Months) of the Fiscal Year Ending March 31, 2018 (FY2018.3)
and Outlook for Consolidated Performance in FY2018.3**

■ **Consolidated Performance through the Second Quarter of FY2018.3**

Year-on-Year Increase in Net Sales but Decline in Operating Income

Through the second quarter of FY2018.3 (April 1 to September 30, 2017), net sales rose ¥10.6 billion (+5.3%) year on year to ¥209.8 billion. Foreign currency fluctuations had a positive impact of ¥8.0 billion.

Operating income declined ¥0.7 billion (-2.9%) to ¥23.9 billion, but ordinary income rose ¥0.2 billion (+1.0%) to ¥24.7 billion. Net income attributable to owners of the parent declined ¥7.6 billion (-27.8%) to ¥19.6 billion, primarily reflecting the booking of ¥13.6 billion in deferred tax assets in the same period of the previous fiscal year. Foreign currency fluctuations had a negative impact of ¥1.3 billion.

➤ **Sales and Operating Income by Reportable Segment**

Figures in parentheses are percentage changes from the same period of the previous fiscal year, except as indicated.

Musical Instruments

Sales of ¥134.2 billion (+4.4%) and Operating Income of ¥16.6 billion (-11.5%)

Sales of acoustic pianos and digital pianos rose, driven by double-digit growth in China. Portable keyboard sales stalled partially due to the shift in demand to digital pianos. Sales continued to be favorable for wind instruments in Japan and China. In addition, sales of guitars expanded in China and the rest of Asia.

Overall sales in the Musical Instruments segment increased ¥5.7 billion (+4.4%) year on year to ¥134.2 billion, which included a positive impact of ¥5.2 billion due to foreign currency fluctuations.

Operating income declined ¥2.2 billion (-11.5%), to ¥16.6 billion. Factors accounting for this decline included the negative impact of foreign currency fluctuations of ¥1.1 billion and the payment of temporary expenses.

Audio Equipment

Sales of ¥57.6 billion (+8.6%) and Operating Income of ¥5.2 billion (+7.1%)

Audio equipment posted solid sales growth overall, and professional audio equipment sales remained strong in the emerging countries, including in China. Sales of ICT (information and communications technology) equipment expanded for voice communications devices and for network equipment.

Overall sales in this segment rose ¥4.6 billion (+8.6%) year on year to ¥57.6 billion, which included ¥2.7 billion due to the positive impact of foreign currency fluctuations.

Operating income rose ¥0.3 billion (+7.1%) to ¥5.2 billion, and offset the ¥0.2 billion negative impact due to foreign currency fluctuations.

Others

Sales of ¥18.1 billion (+2.1%) and Operating Income of ¥2.1 billion (+108.2%)

Sales were strong in the Others segment, with major gains in factory automation (FA) equipment and favorable performances in the electronic devices as well as golf products businesses. As a result, overall sales in this segment expanded ¥0.4 billion (+2.1%), to ¥18.1 billion.

Operating income increased ¥1.1 billion (+108.2%), to ¥2.1 billion.

■ Outlook for Consolidated Performance in FY2018.3

Forecasts for the Full Fiscal Year Remain Unchanged, and the Outlook Is for Record-high Operating Income

The Company's previous forecasts announced on August 1 for consolidated performance for the full fiscal year ending March 31, 2018, remain unchanged and call for net sales of ¥432.0 billion (+5.8%), operating income of ¥50.0 billion (+12.9%), ordinary income of ¥50.0 billion (+11.3%), and net income attributable to owners of the parent of ¥39.0 billion (-16.5%). The forecast for operating income of ¥50.0 billion represents a new record, surpassing the previous high of ¥45.1 billion reached in FY2004.3.

Yamaha's NEXT STAGE 12 Medium-Term Management Plan announced in April 2016 sets a management objective for the plan's final year of FY2019.3 to achieve a 12% ratio of operating income to net sales. Management expects the ratio to rise to 11.6% in FY2018.3.

The Company's assumptions regarding foreign exchange rates, which form the basis for these forecasts, remain unchanged, with US\$1 at the ¥110 and €1 at the ¥125.

Note: Figures less than ¥100 million for net sales and income in the text of this release have, in principle, been rounded to the nearest ¥100 million.

Second Quarter of FY2018.3 Performance Outline

YAMAHA CORPORATION

November 1, 2017

(Billions of yen)

	Six Months Results Ended Sept. 30, 2016	Six Months Results Ended Sept. 30, 2017	Results (Previous Year)	Projections (Full Year)	Previous Projections (Full Year) (announced on August 1, 2017)
	FY2017.3	FY2018.3	FY2017.3	FY2018.3	FY2018.3
Net Sales	199.2	209.8	408.2	432.0	432.0
Japan Sales	67.6 (33.9%)	66.7 (31.8%)	138.4 (33.9%)	137.7 (31.9%)	138.2 (32.0%)
Overseas Sales	131.6 (66.1%)	143.1 (68.2%)	269.8 (66.1%)	294.4 (68.1%)	293.8 (68.0%)
Operating Income	24.6 (12.4%)	23.9 (11.4%)	44.3 (10.9%)	50.0 (11.6%)	50.0 (11.6%)
Ordinary Income	24.5 (12.3%)	24.7 (11.8%)	44.9 (11.0%)	50.0 (11.6%)	50.0 (11.6%)
Net Income ^(*)	27.2 (13.7%)	19.6 (9.4%)	46.7 (11.4%)	39.0 (9.0%)	39.0 (9.0%)
Currency Exchange Rate (Settlement Rate) (=yen) ^(**)	107/US\$ 123/EUR	111/US\$ 122/EUR	108/US\$ 121/EUR	111/US\$ ^(***) 126/EUR	110/US\$ 123/EUR
ROE ^(***)	17.7%	10.2%	14.0%	10.0%	10.2%
ROA ^(***)	11.5%	7.0%	9.4%	7.0%	7.2%
Earnings per Share	145.1yen	104.8yen	249.2yen	208.0yen	208.1yen
Capital Expenditures (Depreciation Expenses)	6.3 (5.4)	11.2 (5.4)	17.5 (11.1)	26.3 (10.8)	25.9 (10.8)
R&D Expenses	11.9	12.2	24.4	25.7	26.3
Cash Flows					
Operating Activities	5.3	9.6	39.1	51.0	51.0
Investing Activities	-6.3	-11.7	-9.7	-27.0	-27.0
Free Cash Flow	-1.0	-2.1	29.4	24.0	24.0
Inventories at End of Period	94.5	103.9	93.1	92.7	92.1
Number of Employees					
Japan	6,149	5,952	5,937	5,900	5,900
Overseas	14,384	14,479	14,238	15,000	15,000
Total ^(***)	20,533	20,431	20,175	20,900	20,900
(Changes from the changes in the scope of consolidation)	(- 124)	-	-	-	-
Temporary Staff (average during the period)	8,087	7,987	7,938	7,400	7,400
Sales by Business Segment					
Musical Instruments	128.5 (64.5%)	134.2 (64.0%)	257.7 (63.1%)	271.5 (62.9%)	271.5 (62.9%)
Audio Equipment	53.0 (26.6%)	57.6 (27.4%)	115.5 (28.3%)	124.5 (28.8%)	124.5 (28.8%)
Others	17.7 (8.9%)	18.1 (8.6%)	35.1 (8.6%)	36.0 (8.3%)	36.0 (8.3%)
Operating Income by					
Musical Instruments	18.8	16.6	32.1	35.5	35.5
Audio Equipment	4.8	5.2	10.4	12.0	12.0
Others	1.0	2.1	1.7	2.5	2.5

Non-Consolidated Basis

Net Sales	118.7	122.3	215.8
Operating Income	10.7 (9.1%)	15.6 (12.7%)	15.6 (7.2%)
Ordinary Income	18.5 (15.6%)	25.1 (20.5%)	26.6 (12.3%)
Net Income	23.4 (19.7%)	20.6 (16.8%)	34.0 (15.7%)

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

* 2, 6 Currency exchange rate is the export and import transaction rate applied to profit calculation.

2H Currency Exchange Rates US\$=110JPY EUR=125JPY (exchange contract rate for: Q3 EUR1=130JPY, Q4 EUR1=132JPY)

* 3, 4 The ROE and ROA for the interim period are calculated on an annually adjusted basis.

* 5 Number of Employees = Number of full-time staff at end of the period

Consolidated financial forecasts were prepared based on information available at the time of the announcement and do not represent promises by the Company or its management that these performance figures will be attained.

Actual consolidated results may differ from forecasts owing to a wide range of factors.