

YAMAHA CORPORATION

Overview of Consolidated Performance in the Third Quarter of the Fiscal Year Ending March 31, 2007 (April 1, 2006—December 31, 2006)

February 7, 2007

Company name: YAMAHA CORPORATION
(URL <http://www.global.yamaha.com/ir/report/>)

Code number: 7951

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Stock listings: Tokyo Stock Exchange (First Section)

1. ITEMS RELATED TO THE PREPARATION OF PERFORMANCE DATA FOR THE PERIOD

- (1) Whether the Company Has Adopted Simplified Accounting Procedures: Yes
(Refer to Article 6 on page 8.)
- (2) Difference in Accounting Policies from the Fiscal Year Ended March 31, 2006: No
- (3) Changes in the Status of Consolidated Companies and Companies Accounted for Using the Equity Method: Yes

Consolidated companies:

Number of companies newly consolidated: 1
Number of companies removed from consolidation: 1

Equity method:

Number of companies newly accounted for using the equity method: —
Number of companies removed from the equity method: —

2. OVERVIEW OF CONSOLIDATED PERFORMANCE IN THE THIRD QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2007 (April 1, 2006–December 31, 2006)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year
Third quarter of FY2007.3	¥416,501	2.5	¥26,877	4.0	¥38,462	8.3
Third quarter of FY2006.3	¥406,426	(1.7)	¥25,848	(32.1)	¥35,503	(20.6)
(Reference) FY2006.3	¥534,084		¥24,135		¥35,244	

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous fiscal year	Yen	Yen
Third quarter of FY2007.3	¥29,922	9.0	¥145.17	¥145.10
Third quarter of FY2006.3	¥27,451	42.0	¥133.17	¥133.06
(Reference) FY2006.3	¥28,123		¥136.04	¥135.92

Note: Percentages represent changes compared with the same quarter of the previous fiscal year.

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of FY2007.3	¥561,251	¥352,187	61.9	¥1,684.30
Third quarter of FY2006.3	¥531,467	¥315,515	59.4	¥1,530.62
(Reference) FY2006.3	¥519,977	¥316,005	60.8	¥1,532.62

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Third quarter of FY2007.3	¥13,320	¥(17,064)	¥ 1,227	¥34,136
Third quarter of FY2006.3	¥(1,735)	¥(11,854)	¥(10,882)	¥29,033
(Reference) FY2006.3	¥25,510	¥(18,104)	¥(25,834)	¥35,434

3. OUTLOOK OF RESULTS FOR FY2007.3 (April 1, 2006–March 31, 2007)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2007.3	¥542,500	¥41,000	¥30,500

Reference: Net income per share for the fiscal year is forecast to be ¥147.97 on a consolidated basis.

For further information regarding forecasts, please see page 4.

4. OPERATING RESULTS AND FINANCIAL CONDITION

(1) Operating Results

During the first three quarters of the fiscal year (April 1, 2006—December 31, 2006), there was a 2.5% year-on-year increase in consolidated net sales to ¥416.5 billion. Growth was due in part to the contribution of the yen's depreciation to firm sales of musical instruments. Sales in Japan decreased 2.3% to ¥219.1 billion but overseas sales climbed 8.4% to ¥197.4 billion.

In the musical instrument segment, piano sales were higher compared to the same period a year earlier. With regard to electronic musical instruments, sales of *Electone*TM products decreased, but there were strong sales of digital keyboards and other products outside Japan. Performance in this segment also reflected growth in wind instruments and professional audio equipment sales and higher revenues at music schools.

In the AV/IT products segment, sales were supported by strong demand for home theater products, mainly in Europe and North America, but there was a downturn in sales of on-line karaoke equipment.

In the electronic equipment and metal products segment, sales were lower because of a decline in demand for LSI sound chips used in mobile phones. However, there was an increase in sales of electronic metal products, primarily because of the price increase reflecting the higher cost of raw materials.

In the lifestyle-related products segment and in the recreation segment, sales were largely unchanged, but sales in the others segment increased.

Operating income rose 4.0% to ¥26.9 billion, mainly a reflection of higher musical instrument earnings. Supported by growth in equity-method income, recurring profit rose 8.3% to ¥38.5 billion. Net income was up 9.0% to ¥29.9 billion.

(2) Financial Condition

During the first three quarters (April 1, 2006—December 31, 2006), among cash flows from operating activities, income before income taxes and minority interests amounted to ¥36.3 billion; however, net cash provided by operating activities totaled ¥13.3 billion, mainly due to an increase in accounts and notes receivables—trade.

Net cash used in investing activities was ¥17.1 billion due to capital investment.

Net cash provided by financing activities was ¥1.2 billion, mainly because of an increase in short-term loans.

The net result of these cash flows was a decrease of ¥1.3 billion in cash and cash equivalents to ¥34.1 billion as of December 31, 2006.

(3) Qualitative Comments on the Outlook for Consolidated Performance

Regarding consolidated business results for the current fiscal year ending March 31, 2007, we expect earnings to exceed the previous forecast as improved profit, led by the musical instruments segment, offsets the effects of lower sales in the musical instruments, AV/IT products and recreation segments.

Non-consolidated business results are also expected to be favorable, with earnings topping the previous forecast.

Revision of Full-Year Earnings Forecast for FY2007.3 (April 1, 2006—March 31, 2007)

(1) Consolidated

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A)	¥546,000	¥38,000	¥29,000
Revised forecast (B)	542,500	41,000	30,500
Increase (decrease) (B-A)	(3,500)	3,000	1,500
Change (%)	(0.6)	7.9	5.2
Fiscal 2006 (fiscal year ended March 31, 2006) results	¥534,084	¥35,244	¥28,123

(2) Non-Consolidated

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A)	¥320,000	¥16,000	¥11,000
Revised forecast (B)	320,000	18,500	12,500
Increase (decrease) (B-A)	—	2,500	1,500
Change (%)	—	15.6	13.6
Fiscal 2006 (fiscal year ended March 31, 2006) results	¥321,252	¥13,950	¥10,242

Some portions of the content of this document are forward-looking statements that are based on forecasts and plans regarding future developments. Accordingly, actual results and performance may differ from the outlook presented here, depending on risk and uncertainty factors.

(Supplementary Data)

1. SUMMARY OF CONSOLIDATED BALANCE SHEETS

	Third quarter of FY2007.3 (as of Dec. 31, 2006)	Third quarter of FY2006.3 (as of Dec. 31, 2005)	Increase (decrease)		FY2006.3 (as of Mar. 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
ASSETS					
Current assets:					
Cash and bank deposits	¥ 34,908	¥ 30,028	¥ 4,880	16.3	¥ 36,429
Notes and accounts receivable	92,134	90,803	1,331	1.5	72,613
Inventories	86,256	84,654	1,602	1.9	77,943
Other current assets	24,294	22,722	1,572	6.9	22,395
Total current assets	237,593	228,209	9,384	4.1	209,381
Fixed assets:					
Tangible assets	151,422	148,386	3,036	2.0	150,990
Intangible assets	3,090	3,699	(609)	(16.5)	3,545
Investments and other assets	169,143	151,170	17,973	11.9	156,059
Total fixed assets	323,657	303,257	20,400	6.7	310,595
Total assets	¥561,251	¥531,467	¥29,784	5.6	¥519,977
LIABILITIES					
Current liabilities:					
Notes and accounts payable	¥ 42,496	¥ 40,388	¥ 2,108	5.2	¥ 37,153
Short-term loans	24,552	32,176	(7,624)	(23.7)	17,147
Current portion of long-term debt	5,352	599	4,753	793.5	5,132
Accrued expenses and accrued payables	34,714	36,312	(1,598)	(4.4)	43,098
Other current liabilities	21,665	18,312	3,353	18.3	14,516
Total current liabilities	128,781	127,789	992	0.8	117,047
Long-term liabilities:					
Long-term debt	5,259	10,834	(5,575)	(51.5)	6,195
Accrued employees' retirement benefits	27,947	28,226	(279)	(1.0)	27,978
Other long-term liabilities	47,076	44,721	2,355	5.3	48,277
Total long-term liabilities	80,282	83,782	(3,500)	(4.2)	82,452
Total liabilities	¥209,064	¥211,571	¥ (2,507)	(1.2)	¥199,499
NET ASSETS					
Shareholders' equity:					
Common stock	28,534	—	—	—	—
Capital surplus	40,054	—	—	—	—
Earned surplus	262,528	—	—	—	—
Treasury stock, at cost	(329)	—	—	—	—
Total shareholders' equity	330,789	—	—	—	—
Revaluation and translation adjustments:					
Revaluation difference of other securities	14,007	—	—	—	—
Gain (loss) on deferred hedges	(414)	—	—	—	—
Land price revaluation difference	18,206	—	—	—	—
Translation adjustments	(15,417)	—	—	—	—
Total revaluation and translation adjustments	16,382	—	—	—	—
Minority interests	5,015	—	—	—	—
Total net assets	352,187	—	—	—	—
Total liabilities and net assets	¥561,251	—	—	—	—
MINORITY INTERESTS	—	4,379	—	—	4,472
SHAREHOLDERS' EQUITY					
Common stock	—	28,534	—	—	28,534
Capital surplus	—	40,054	—	—	40,054
Earned surplus	—	236,220	—	—	236,913
Reserve for land revaluation difference	—	22,045	—	—	18,426
Net unrealized holding gains on other securities	—	14,261	—	—	15,470
Translation adjustments	—	(25,304)	—	—	(23,091)
Treasury stock, at cost	—	(296)	—	—	(302)
Total shareholders' equity	—	315,515	—	—	316,005
Total liabilities, minority interests and shareholders' equity	—	¥531,467	—	—	¥519,977

Note: Figures of less than ¥1 million have been omitted.

2. SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS

	Third quarter of FY2007.3 (Apr. 1, 2006– Dec. 31, 2006)	Third quarter of FY2006.3 (Apr. 1, 2005– Dec. 31, 2005)	Increase (decrease)		FY2006.3 (Apr. 1, 2005– Mar. 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
Net sales	¥416,501	¥406,426	¥10,075	2.5	¥534,084
Cost of sales	265,270	257,828	7,442	2.9	341,886
Unrealized profit	0	59			69
Total gross profit	151,231	148,657	2,574	1.7	192,267
Selling, general and administrative expenses	124,353	122,808	1,545	1.3	168,132
Operating income	26,877	25,848	1,029	4.0	24,135
Non-operating income	15,927	14,201	1,726	12.2	17,612
Non-operating expenses	4,342	4,546	(204)	(4.5)	6,503
Recurring profit	38,462	35,503	2,959	8.3	35,244
Extraordinary income	443	1,365	(922)	(67.5)	1,874
Extraordinary loss	2,620	663	1,957	295.2	1,276
Income before income taxes and minority interests	36,285	36,204	81	0.2	35,842
Current income taxes	6,794	9,964	(3,170)	(31.8)	8,922
Deferred income taxes (benefit)	(936)	(1,650)	714	—	(1,736)
Minority interests	504	439	65	14.8	532
Net income	¥ 29,922	¥ 27,451	¥ 2,471	9.0	¥ 28,123

3. SUMMARY OF CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Millions of yen			
	Third quarter of FY2006.3 (Apr. 1, 2005–Dec. 31, 2005)		FY2006.3 (Apr. 1, 2005–Mar. 31, 2006)	
CAPITAL SURPLUS				
Balance at beginning of period		¥ 40,054		¥ 40,054
Balance at end of period		40,054		40,054
EARNED SURPLUS				
Balance at beginning of period		212,340		212,340
Additional earned surplus:				
Net income	¥27,451		¥28,123	
Effect of change in scope of consolidation	827		827	
Effect of change in interests in subsidiaries	106		99	
Reversal of reserve for land revaluation difference	274		282	
Reversal of reserve for land revaluation difference resulting from change of interest in subsidiaries	77	28,737	97	29,429
Deduction from earned surplus:				
Cash dividends paid	4,642		4,642	
Bonuses to directors and statutory auditors	100		100	
Effect of change in scope of consolidation	115	4,857	115	4,857
Balance at end of period		¥236,220		¥236,913

Note: Figures of less than ¥1 million have been omitted.

4. SUMMARY OF CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Third quarter of FY2007.3 (April 1, 2006–December 31, 2006)

(Millions of yen)

	Shareholders' Equity					Revaluation and Translation Adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock, at cost	Total shareholders' equity	Revaluation difference of other securities	Gain (loss) on deferred hedges	Land price revaluation difference	Translation adjustments	Total revaluation and translation adjustments		
Balance at March 31, 2006	¥28,534	¥40,054	¥236,913	¥(302)	¥305,199	¥15,470	¥ —	¥18,426	¥(23,091)	¥10,805	¥4,472	¥320,477
Changes during the period												
Dividends from surplus			(4,126)		(4,126)							(4,126)
Net income for the period			29,922		29,922							29,922
Changes in the scope of consolidation			(0)		(0)							(0)
Changes of interests in subsidiaries			(132)	0	(132)							(132)
Reversal of reserve for land revaluation difference			32		32							32
Bonuses to directors and statutory auditors			(80)		(80)							(80)
Purchases of treasury stock				(26)	(26)							(26)
Changes, net, in items other than shareholders' equity						(1,462)	(414)	(219)	7,673	5,577	543	6,120
Total changes during the period	—	—	25,615	(26)	25,589	(1,462)	(414)	(219)	7,673	5,577	543	31,709
Balance at December 31, 2006	¥28,534	¥40,054	¥262,528	¥(329)	¥330,789	¥14,007	¥(414)	¥18,206	¥(15,417)	¥16,382	¥5,015	¥352,187

Note: Figures of less than ¥1 million have been omitted.

5. SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		
	Third quarter of FY2007.3 (Apr. 1, 2006–Dec. 31, 2006)	Third quarter of FY2006.3 (Apr. 1, 2005–Dec. 31, 2005)	FY2006.3 (Apr. 1, 2005–Mar. 31, 2006)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥36,285	¥36,204	¥35,842
Depreciation and amortization	14,672	14,316	18,944
(Increase) decrease in accounts and notes receivable—trade	(17,177)	(14,722)	3,008
(Increase) decrease in inventories	(5,933)	(1,553)	4,944
Increase (decrease) in accounts and notes payable	4,535	1,475	(1,716)
Income taxes paid and refunded	(2,998)	(15,544)	(16,979)
Other, net	(16,064)	(21,911)	(18,533)
Net cash provided by (used in) operating activities	13,320	(1,735)	25,510
Cash flows from investing activities:			
Purchases of fixed assets	(18,104)	(13,861)	(20,401)
Proceeds from sale of fixed assets	731	2,080	2,327
Other, net	308	(73)	(30)
Net cash used in investing activities	(17,064)	(11,854)	(18,104)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	7,112	12,791	(1,753)
Decrease in long-term loans	(781)	(17,766)	(17,848)
Cash dividends paid	(4,126)	(4,642)	(4,642)
Other, net	(976)	(1,265)	(1,589)
Net cash provided by (used in) financing activities	1,227	(10,882)	(25,834)
Effect of exchange rate changes on cash and cash equivalents	1,249	1,427	1,783
Net decrease in cash and cash equivalents	(1,266)	(23,045)	(16,644)
Cash and cash equivalents at beginning of period	35,434	50,393	50,393
Cash and cash equivalents arising from inclusion of subsidiaries in consolidation at beginning of period	—	1,685	1,685
Cash and cash equivalents arising from exclusion of subsidiaries in consolidation at beginning of period	(31)	—	—
Cash and cash equivalents at end of period	¥34,136	¥29,033	¥35,434

6. BASIC ITEMS FOR THE PREPARATION OF THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

Whether the Company Has Adopted Simplified Accounting Procedures

The following simplified accounting procedures are based on the standards used in the Company's interim consolidated financial statements and will help investors and other stakeholders make sound decisions.

Simplified Procedures

1. Depreciation expenses represent the portion for total planned annual depreciation as of the end of the third quarter.
2. A simplified method is used to calculate tax expenses.

7. SEGMENT INFORMATION

(1) Business Segments

(Third quarter of FY2007.3 (April 1, 2006–December 31, 2006))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥246,066	¥57,634	¥41,875	¥35,380	¥13,249	¥22,294	¥416,501	¥ —	¥416,501
Intersegment sales or transfers	—	—	1,312	—	—	—	1,312	(1,312)	—
Total sales	246,066	57,634	43,188	35,380	13,249	22,294	417,814	(1,312)	416,501
Operating expenses	225,764	55,060	39,693	34,359	14,395	21,663	390,937	(1,312)	389,624
Operating income (loss)	¥ 20,301	¥ 2,574	¥ 3,495	¥ 1,020	¥ (1,145)	¥ 630	¥ 26,877	¥ —	¥ 26,877

(Third quarter of FY2006.3 (April 1, 2005–December 31, 2005))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥237,015	¥60,842	¥42,566	¥35,113	¥13,185	¥17,704	¥406,426	¥ —	¥406,426
Intersegment sales or transfers	—	—	1,351	—	—	—	1,351	(1,351)	—
Total sales	237,015	60,842	43,917	35,113	13,185	17,704	407,777	(1,351)	406,426
Operating expenses	221,361	58,249	37,061	33,249	14,768	17,240	381,929	(1,351)	380,577
Operating income (loss)	¥ 15,654	¥ 2,593	¥ 6,856	¥ 1,863	¥ (1,583)	¥ 463	¥ 25,848	¥ —	¥ 25,848

(FY2006.3 (April 1, 2005–March 31, 2006))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥314,078	¥75,939	¥56,167	¥45,214	¥18,013	¥24,671	¥534,084	¥ —	¥534,084
Intersegment sales or transfers	—	—	1,668	—	—	—	1,668	(1,668)	—
Total sales	314,078	75,939	57,836	45,214	18,013	24,671	535,753	(1,668)	534,084
Operating expenses	299,946	73,825	49,908	44,045	19,802	24,089	511,617	(1,668)	509,949
Operating income (loss)	¥ 14,132	¥ 2,113	¥ 7,927	¥ 1,169	¥(1,789)	¥ 582	¥ 24,135	¥ —	¥ 24,135

Note: Business sectors: Divided into the categories of musical instruments, AV/IT, electronic equipment and metal products, lifestyle-related products, recreation and others based on consideration of similarities of product type, characteristics and market, etc.

(2) Geographical Segments

(Third quarter of FY2007.3 (April 1, 2006–December 31, 2006))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥230,677	¥70,854	¥73,706	¥41,262	¥416,501	¥ —	¥416,501
Intersegment sales or transfers	124,834	1,500	1,021	54,478	181,835	(181,835)	—
Total sales	355,512	72,355	74,727	95,741	598,336	(181,835)	416,501
Operating expenses	337,367	69,450	70,202	91,351	568,373	(178,748)	389,624
Operating income	¥ 18,145	¥ 2,904	¥ 4,524	¥ 4,389	¥ 29,963	¥ (3,086)	¥ 26,877

(Third quarter of FY2006.3 (April 1, 2005–December 31, 2005))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥232,806	¥70,782	¥67,228	¥35,608	¥406,426	¥ —	¥406,426
Intersegment sales or transfers	118,894	1,170	714	51,861	172,641	(172,641)	—
Total sales	351,700	71,953	67,943	87,470	579,067	(172,641)	406,426
Operating expenses	335,102	69,000	63,937	83,300	551,340	(170,762)	380,577
Operating income	¥ 16,598	¥ 2,952	¥ 4,006	¥ 4,169	¥ 27,727	¥ (1,878)	¥ 25,848

(FY2006.3 (April 1, 2005–March 31, 2006))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥306,813	¥94,311	¥85,570	¥ 47,389	¥534,084	¥ —	¥534,084
Intersegment sales or transfers	143,667	1,525	862	63,234	209,290	(209,290)	—
Total sales	450,481	95,837	86,433	110,623	743,375	(209,290)	534,084
Operating expenses	438,564	92,164	83,021	106,103	719,853	(209,904)	509,949
Operating income	¥ 11,916	¥ 3,673	¥ 3,412	¥ 4,519	¥ 23,522	¥ 613	¥ 24,135

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, South Korea, Australia

(3) Overseas Sales

(Third quarter of FY2007.3 (April 1, 2006–December 31, 2006))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥71,355	¥75,309	¥50,735	¥197,400
Net sales	—	—	—	416,501
% of net sales	17.1%	18.1%	12.2%	47.4%

(Third quarter of FY2006.3 (April 1, 2005–December 31, 2005))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥71,127	¥68,543	¥42,459	¥182,129
Net sales	—	—	—	406,426
% of net sales	17.5%	16.9%	10.4%	44.8%

(FY2006.3 (April 1, 2005–March 31, 2006))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥94,694	¥87,494	¥56,681	¥238,870
Net sales	—	—	—	534,084
% of net sales	17.7%	16.4%	10.6%	44.7%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, South Korea, Australia