

Yamaha Corporation
Analyst and Investor Briefing on
the Second Quarter of the Fiscal
Year Ending March 31, 2014
(FY2014.3)

November 1, 2013



Overview of Performance in the First Half of FY2014.3 (Six Months)



Results Summary

- **First half sales and income increased year-on-year and exceeded previous projections announced on July 31.**
- **Although sales of musical instruments and audio equipment improved over 1Q results on a local currency basis, actual first half sales were down from the same period of the previous year.**
- **The electronic devices business recorded robust sales.**
- **Exchange rates had a major impact on operating income, and actual income amounted to ¥13.7 billion, up year-on-year and against previous projections.**

Note: FY2013.3 figures have been adjusted to reflect segment composition changes effective from FY2014.3

Performance in the First Half of FY2014.3



(Billions of yen)

	FY2013.3 1H results	FY2014.3 1H results	Changes from same period of the previous year	FY2014.3 1H previous projections	Changes from previous projection
Net Sales	176.8	197.7	+11.8%	196.5	+0.6%
Operating Income (Operating Income Ratio)	6.8 (3.9%)	13.7 (6.9%)	+100.7%	11.5 (5.9%)	+18.9%
Ordinary Income (Ordinary Income Ratio)	6.1 (3.5%)	13.5 (6.8%)	+120.6%	11.0 (5.6%)	+22.5%
Net Income (Net Income Ratio)	3.3 (1.9%)	12.5 (6.3%)	+273.4%	10.0 (5.1%)	+25.1%

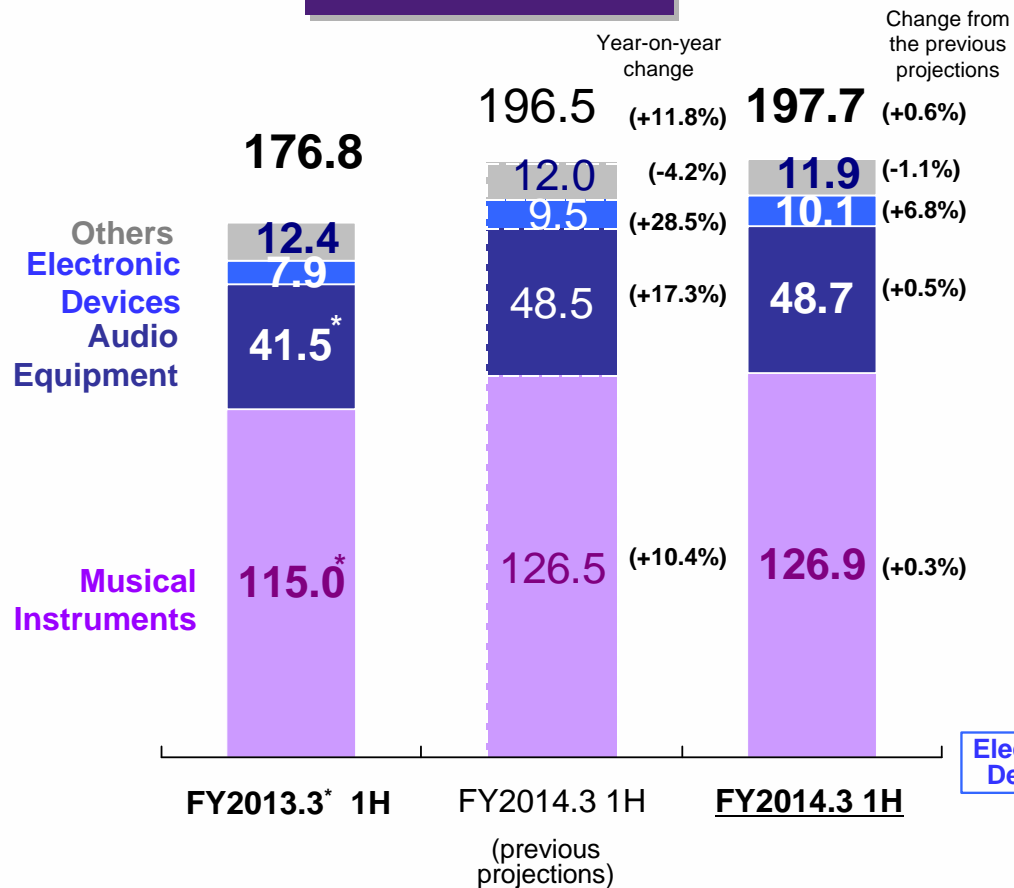
Exchange Rate (yen)

Net Sales	US\$	79	99	97
	EUR	101	130	127
Operating Income	US\$	80	98	96
	EUR	105	125	123

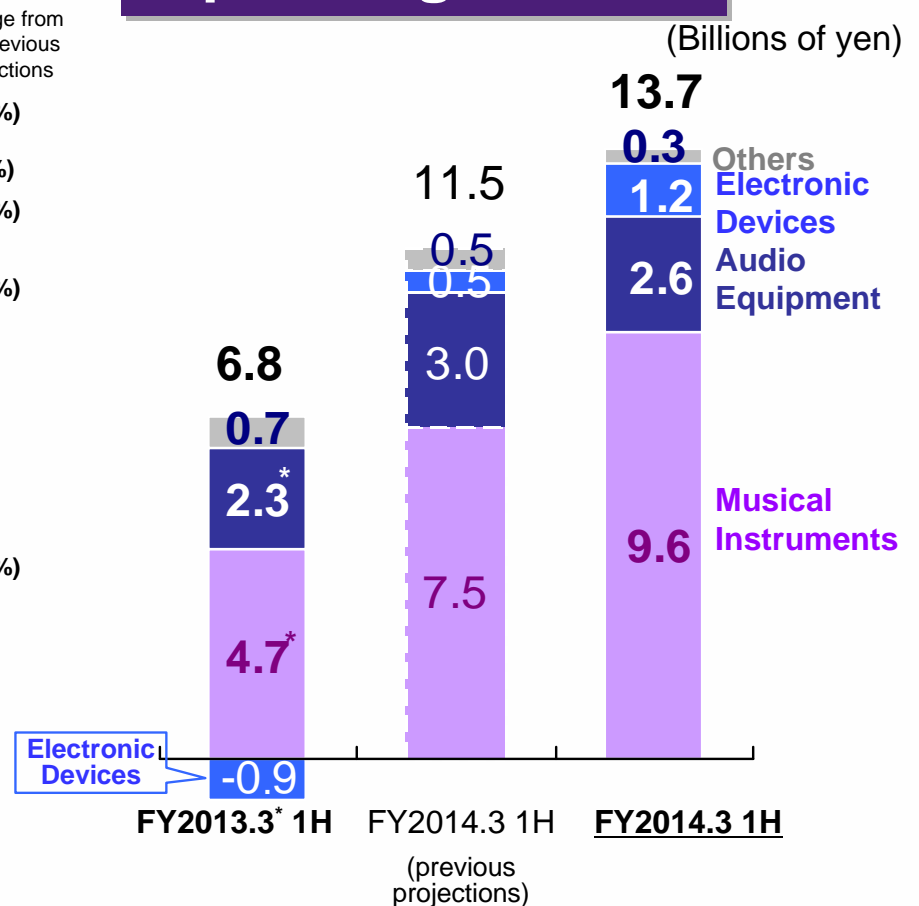
Performance by Business Segment in the First Half of FY2014.3



Net Sales



Operating Income



Impact of Exchange Rates

Year-on-Year	+¥23.5 billion (musical instruments +¥15.4 billion, audio equipment +¥7.5 billion, electronic devices +¥0.6 billion)
Versus previous projections	+¥2.0 billion (musical instruments +¥1.4 billion, audio equipment +¥0.6 billion, electronic devices +¥0.1 billion)

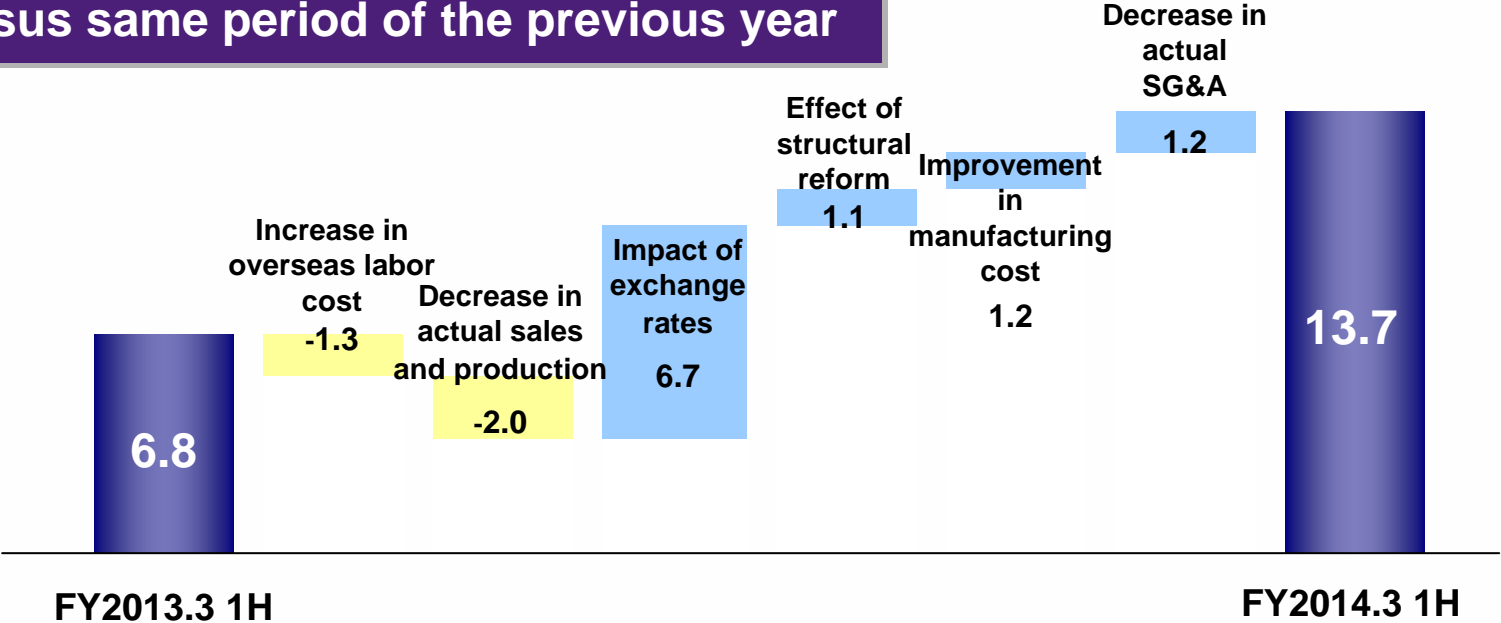
Year-on-Year	+¥6.7 billion (musical instruments +¥4.6 billion, audio equipment +¥1.7 billion, electronic devices +¥0.4 billion)
Versus previous projections	+¥0.5 billion (musical instruments +¥0.4 billion, electronic devices +¥0.1 billion)

FY2014.3 1H Operating Income Analysis

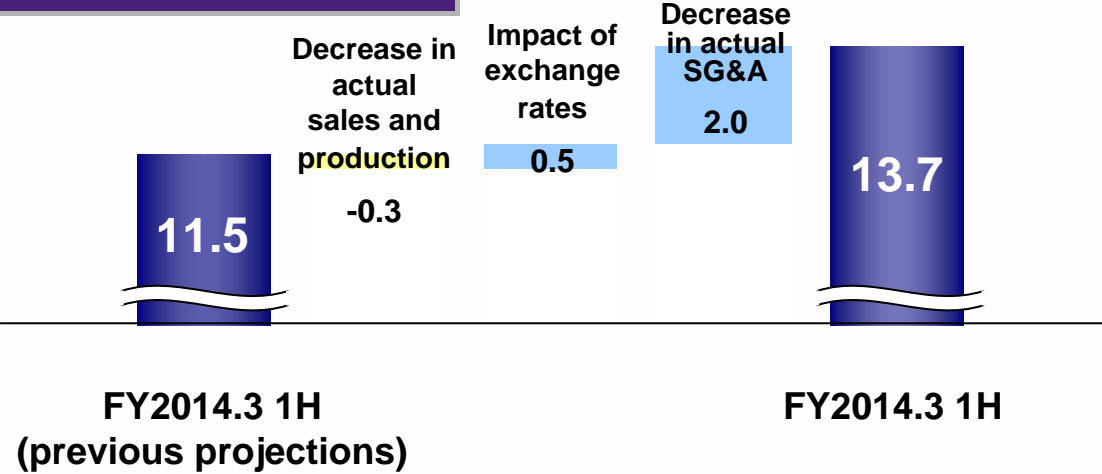


(Billions of yen)

Versus same period of the previous year



Versus previous projections

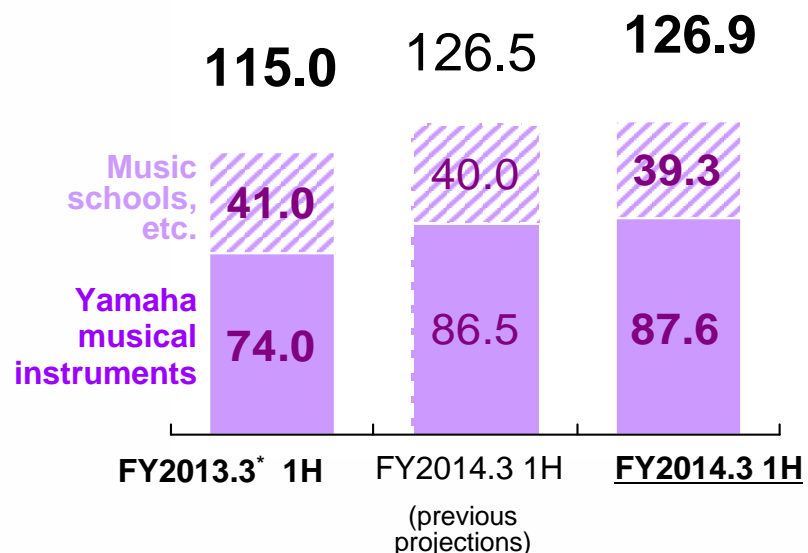


Musical Instruments 1H

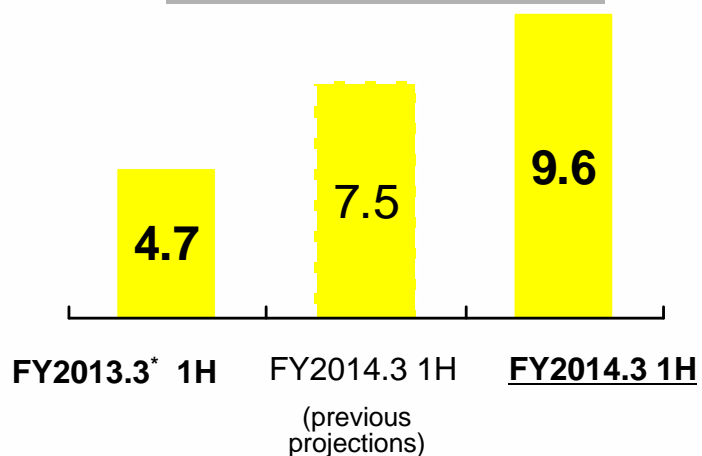


(Billions of yen)

Net Sales



Operating Income



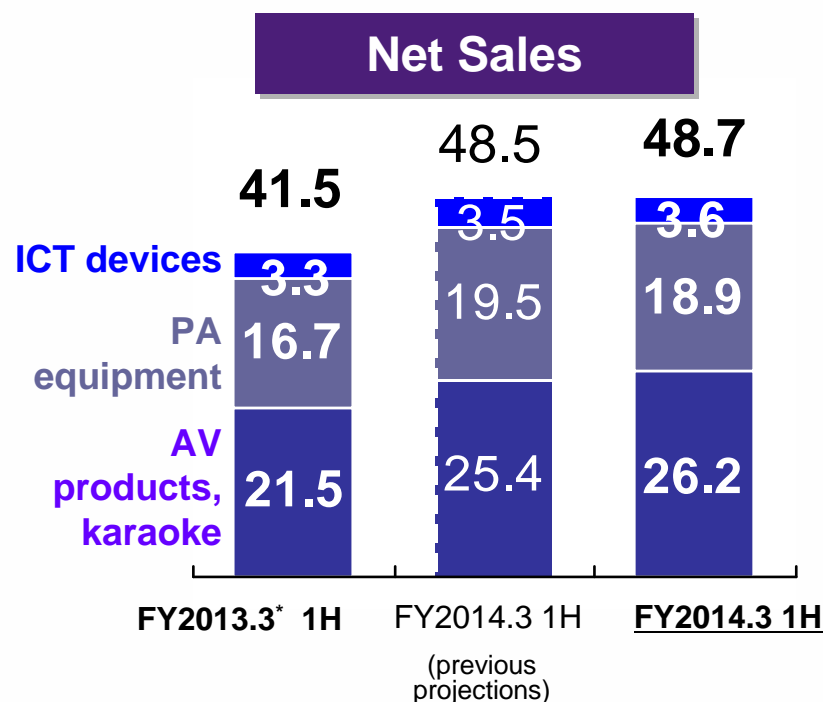
1H Overview

- Sales increased year-on-year and exceeded previous projections
- Discounting the impact of exchange rates (+¥15.4 billion), actual sales were lower than the same period of the previous year
- Actual sales in the Chinese market rebounded to increase year-on-year
- Actual sales of digital pianos, guitars, and drums increased, but those of other products declined

Audio Equipment 1H

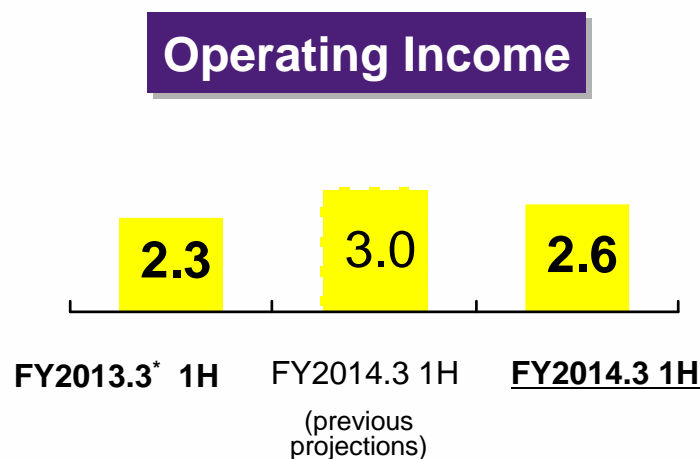


(Billions of yen)



1H Overview

- Sales were up year-on-year and against previous projections
- Discounting the impact of exchange rates (+¥7.5 billion), actual sales decreased from the same period of the previous year
- Professional audio equipment sales faced headwinds
- Despite the positive impact of exchange rates (+¥1.7 billion), actual operating income declined year on year, due to increased SG&A expenses

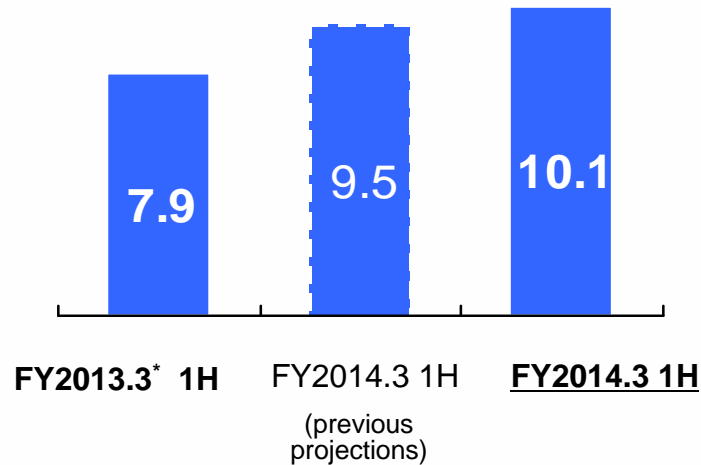


Electronic Devices 1H

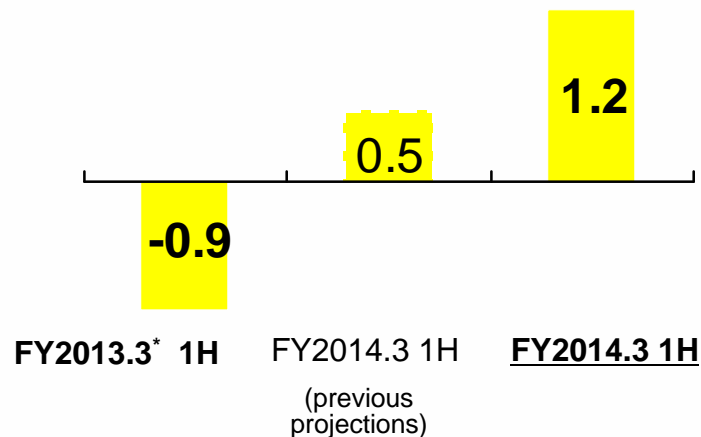


(Billions of yen)

Net Sales



Operating Income (Loss)



1H Overview

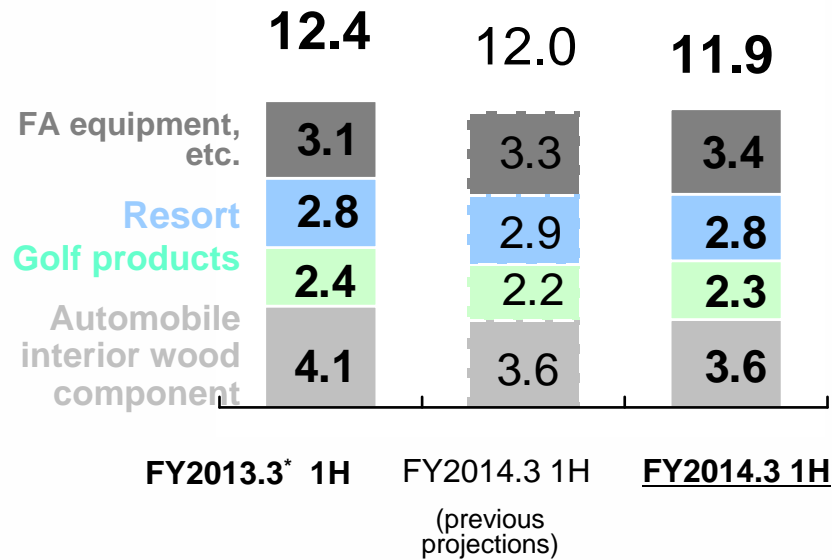
- Sales were higher than the same period of the previous year and surpassed previous projections
- Geomagnetic sensor and codec product sales were robust
- Lower fixed costs achieved through business structural reform carried out in the previous year and increased sales resulted in continuing profitability in the second quarter

Others 1H



(Billions of yen)

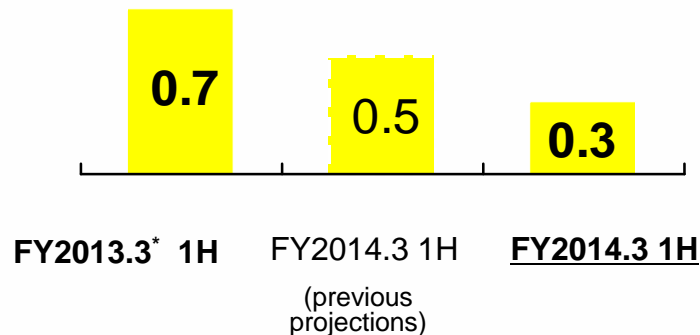
Net Sales



1H Overview

- Sales and income declined year-on-year
- Sales of automobile interior wood components and factory automation equipment were lower than the same period of the previous year
- Golf product sales grew in overseas markets, but remained sluggish in Japan, resulting in overall golf sales to decrease from the same period of the previous year

Operating Income



Outlook for Second Half and Full Year



Outlook for 2H

- Musical instrument sales lacks strength, but on the recovery trend against the same period of the previous year
- The North American and European markets are gradually rebounding, and Chinese and other region markets are also forecast to recover
- Despite strong sales in the first half, prospects for electronic devices are uncertain in the second half
- The Indonesian guitar factory strike will have an impact on results

Full Year Outlook

- The estimated 2H exchange rate for the euro has been revised to EUR=¥130
- Full year projections have been revised to ¥408 billion for net sales and ¥22 billion for operating income
- Expenses related to structural reform of musical instrument retail sales companies in Japan will incur an extraordinary loss of ¥750 million

Forecast for Performance in FY2014.3 (Full Year)



(Billions of yen)

	FY2013.3			FY2014.3			Changes from the previous year	FY2014.3 Previous projections	Changes from the previous projections
	1H	2H	Full Year	1H results	2H new projections	Full Year			
Net Sales	176.8	190.1	366.9	197.7	210.3	408.0	+11.2%	408.0	—
Operating Income (Operating Income Ratio)	6.8 (3.9%)	2.4 (1.3%)	9.2 (2.5%)	13.7 (6.9%)	8.3 (4.0%)	22.0 (5.4%)	+138.7%	20.0 (4.9%)	+10.0%
Ordinary Income (Ordinary Income Ratio)	6.1 (3.5%)	2.5 (1.3%)	8.6 (2.3%)	13.5 (6.8%)	7.0 (3.3%)	20.5 (5.0%)	+138.9%	18.5 (4.5%)	+10.8%
Net Income (Net Income Ratio)	3.3 (1.9%)	0.8 (0.4%)	4.1 (1.1%)	12.5 (6.3%)	5.5 (2.6%)	18.0 (4.4%)	+336.6%	16.5 (4.0%)	+9.1%

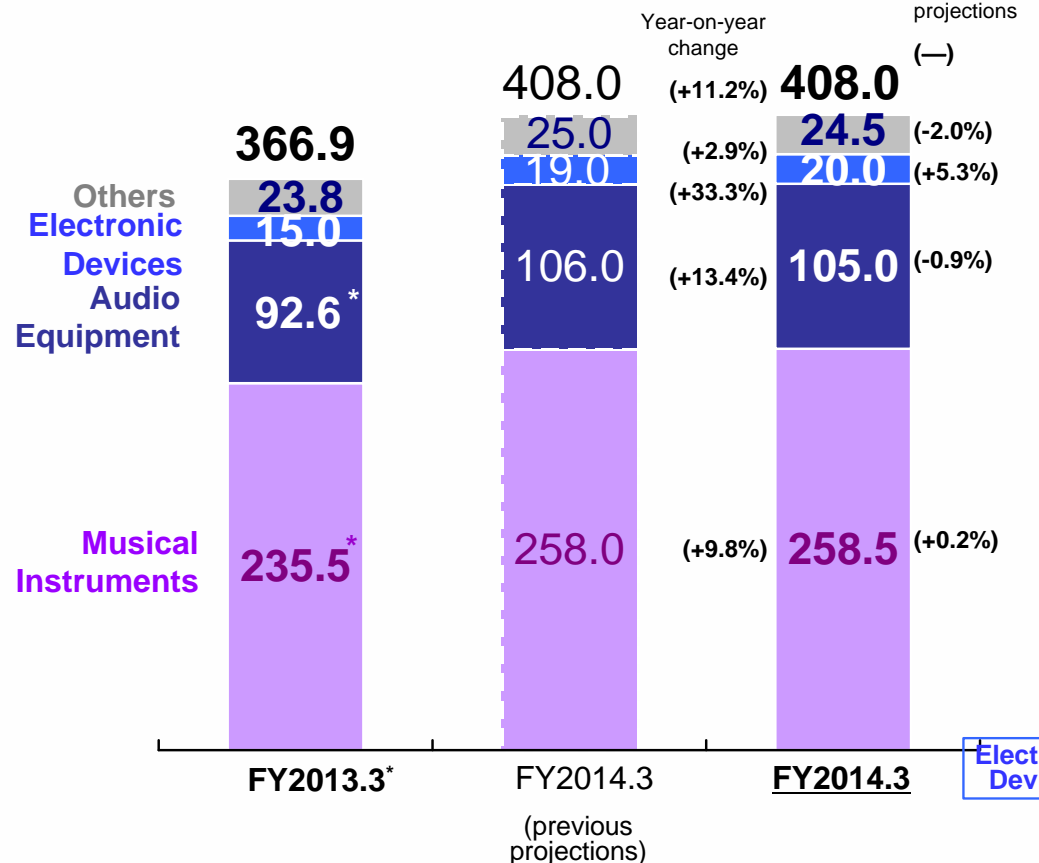
Exchange Rate (yen)

Net Sales	US\$	79	87	83	99	95	97	96
	EUR	101	113	107	130	130	130	126
Operating Income	US\$	80	85	82	98	95	97	96
	EUR	105	101	103	125	130	127	124

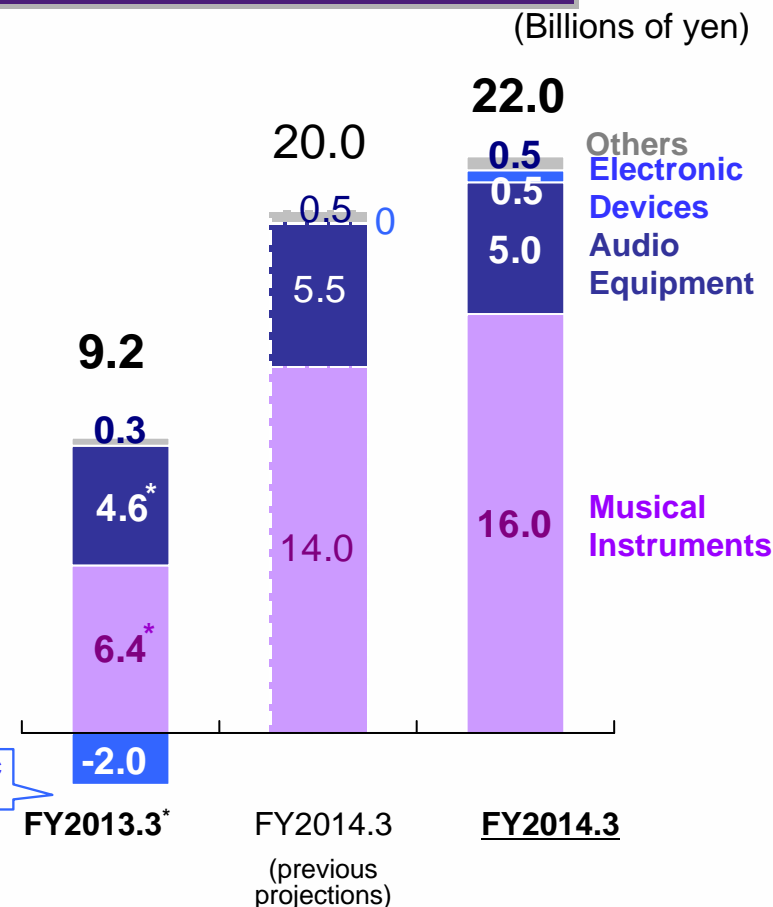
FY2014.3 Full Year Forecast for Performance by Business Segment



Net Sales



Operating Income



Impact of Exchange Rates

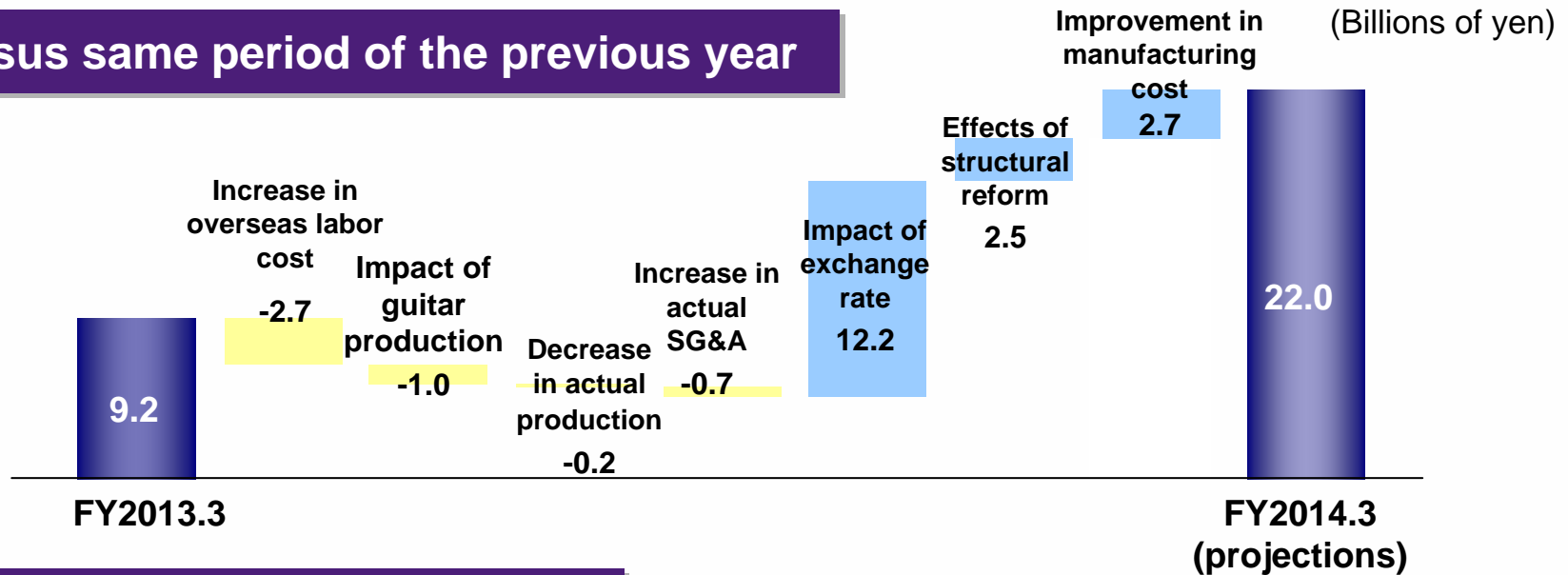
Year-on-Year	+¥37.2 billion (musical instruments +¥23.9 billion, audio equipment +¥12.5 billion, electronic devices +¥0.9 billion)
Versus previous projections	+¥3.9 billion (musical instruments +¥2.6 billion, audio equipment +¥1.2 billion, electronic devices +¥0.1 billion)

Year-on-Year	+¥12.2 billion (musical instruments +¥8.5 billion, audio equipment +¥3.1 billion, electronic devices +¥0.6 billion)
Versus previous projections	+¥0.8 billion (musical instruments +¥0.7 billion, audio equipment +¥0.1 billion, electronic devices +¥0.1 billion)

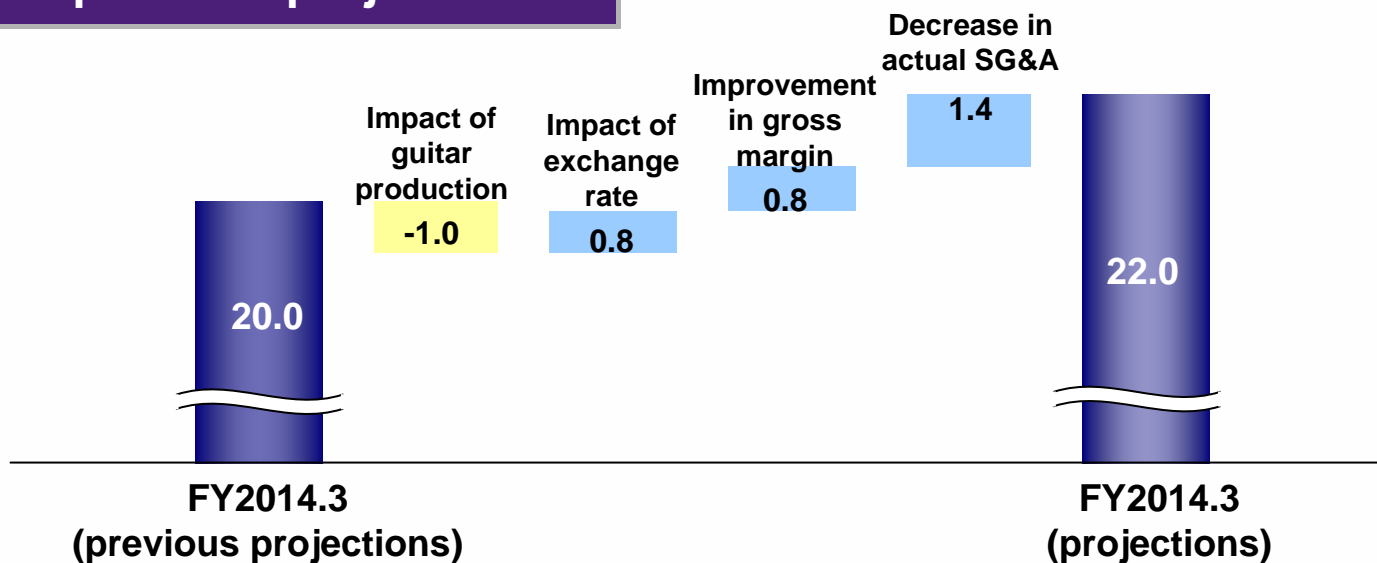
FY2014.3 Full Year Operating Income Analysis



Versus same period of the previous year



Versus previous projections



Musical Instruments Full Year Projections

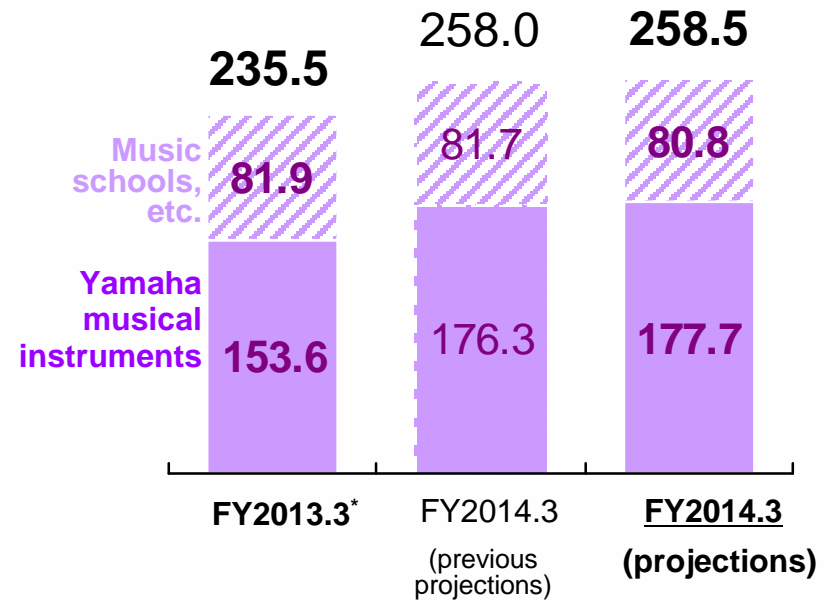


(Billions of yen)

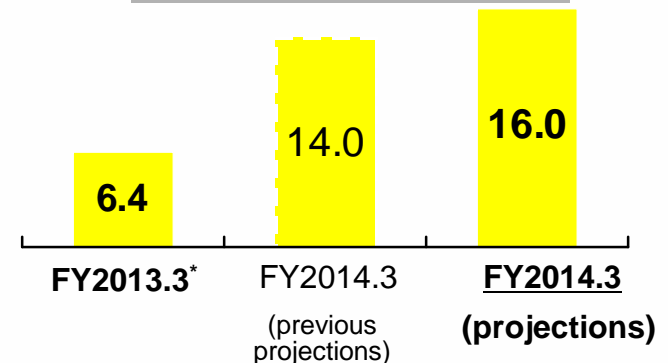
Full Year Projections

- Sales and income are projected to increase year-on-year and exceed previous projections, due to factors including exchange rate revisions
- The Chinese market is rallying and growth is anticipated
- The strike at the guitar manufacturing factory in Indonesia has been taken into account for the full year forecast

Net Sales



Operating Income

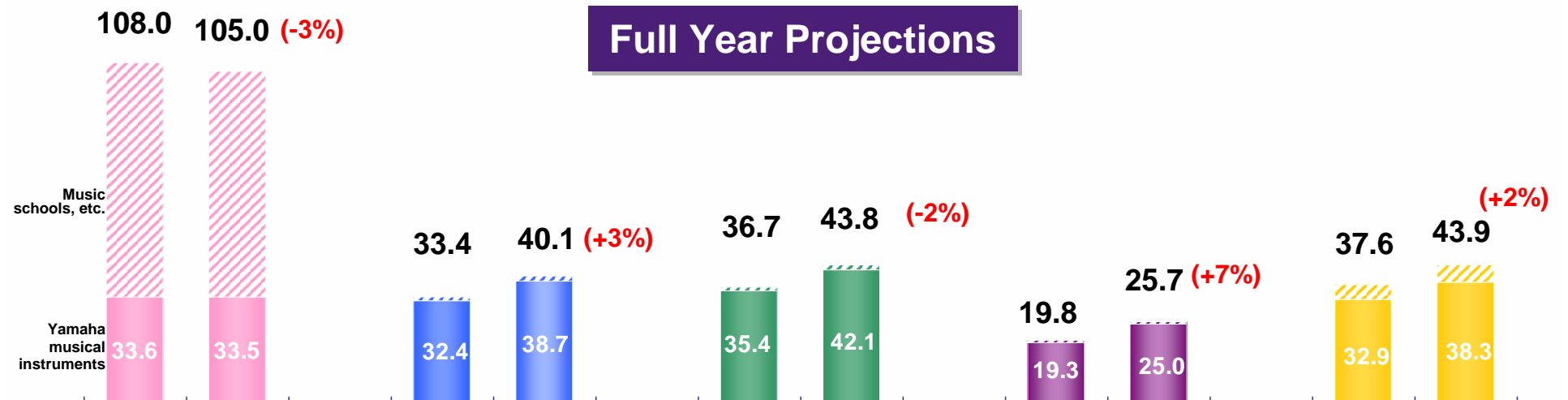
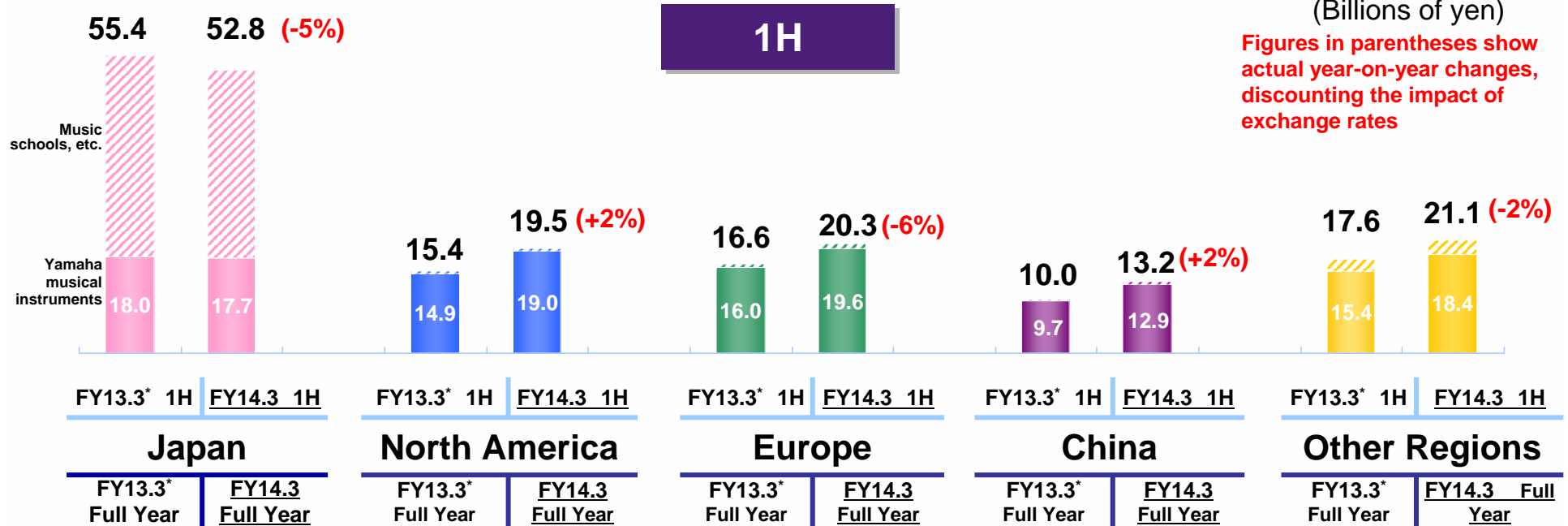


Musical Instruments Sales by Region



(Billions of yen)

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



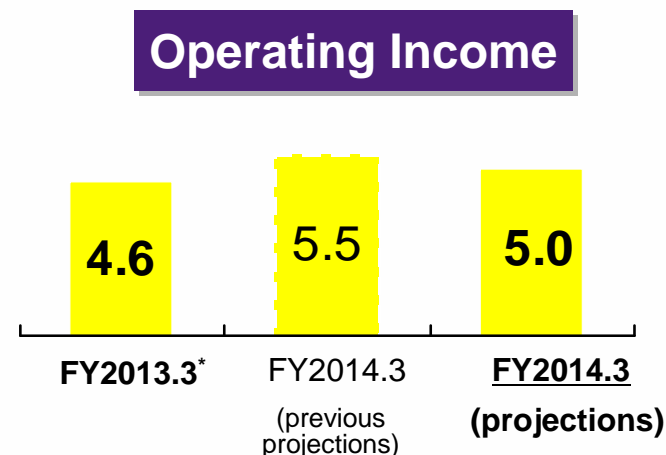
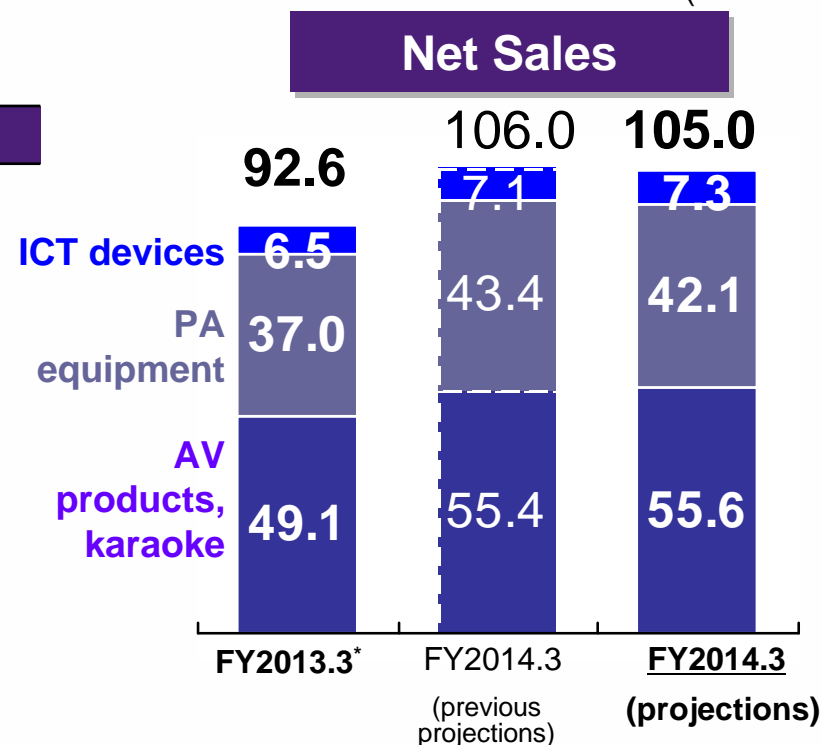
Audio Equipment Full Year Projections



(Billions of yen)

Full Year Projections

- Sales and income are expected to be lower than previous projections
- Focus on rebound in professional audio equipment market
- Router sales are projected to increase year-on-year, while karaoke equipment sales will decline
- Operating income is expected to be lower than previous projections due to reduced sales and higher SG&A expenses

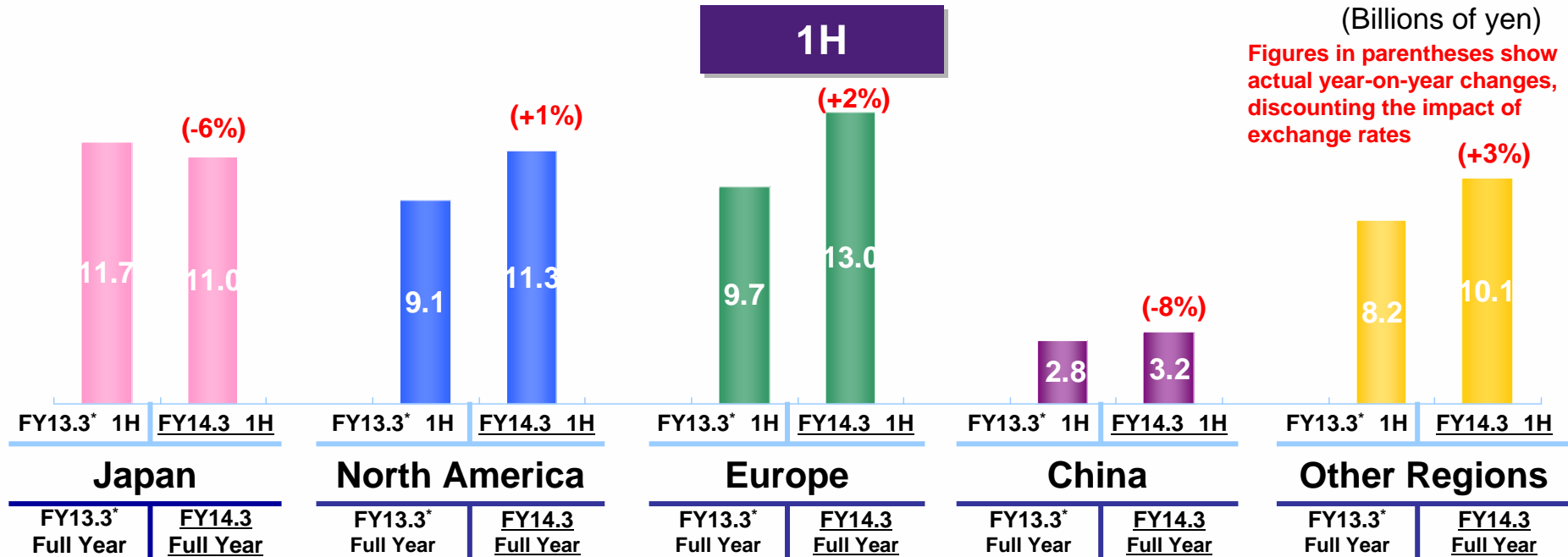


Audio Equipment Sales by Region

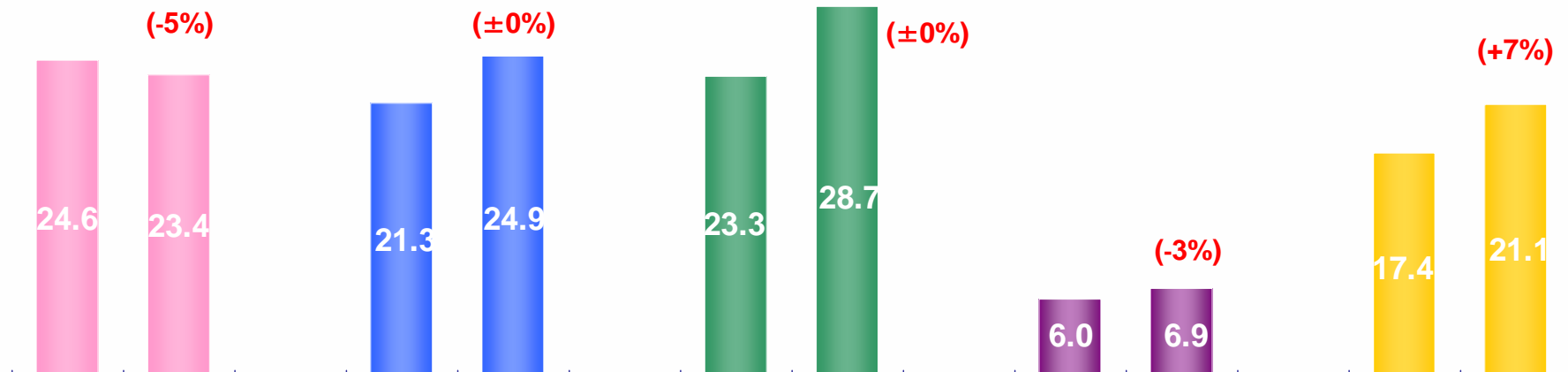


(Billions of yen)

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



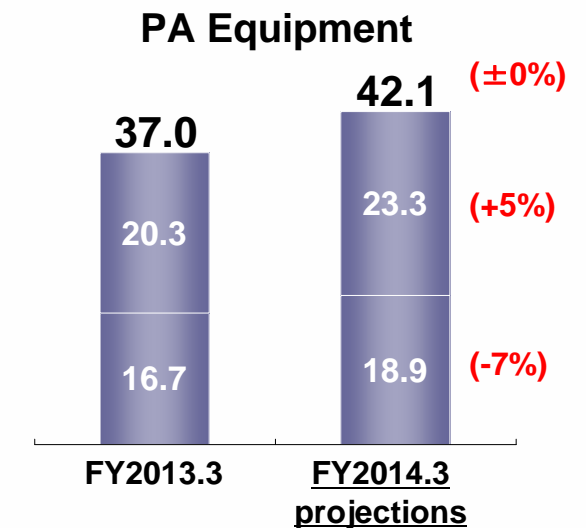
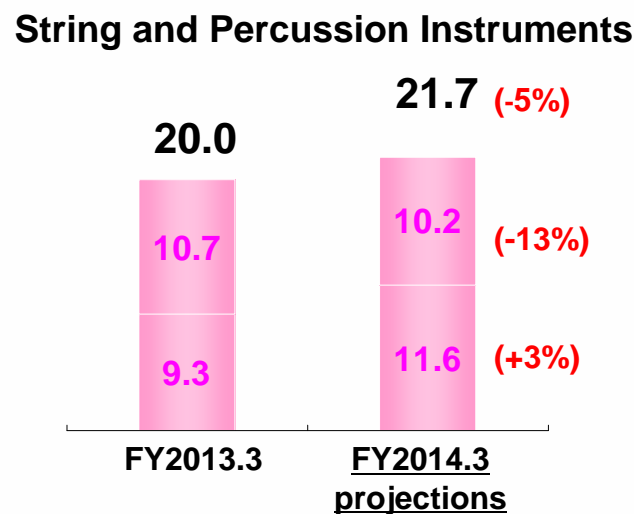
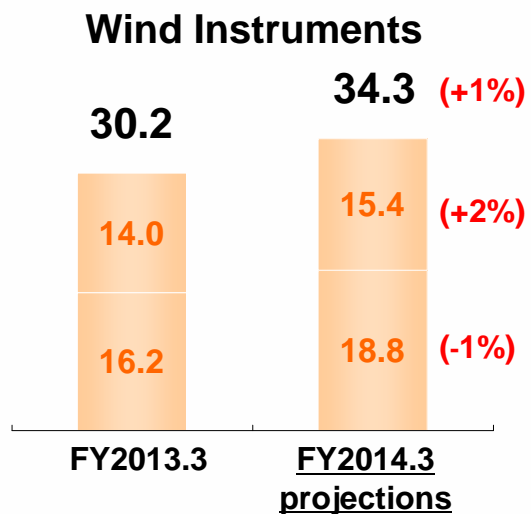
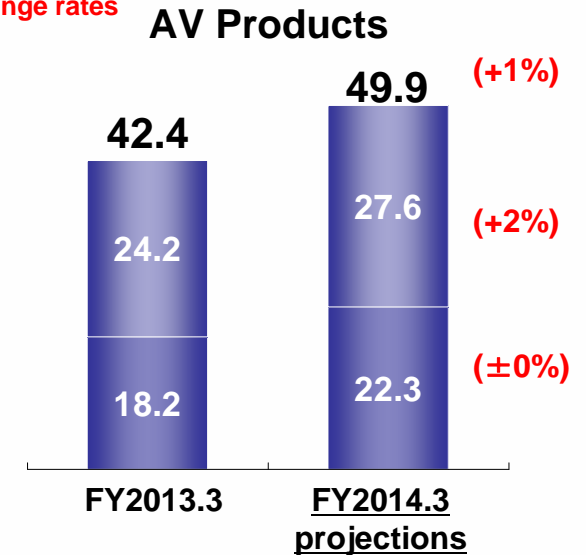
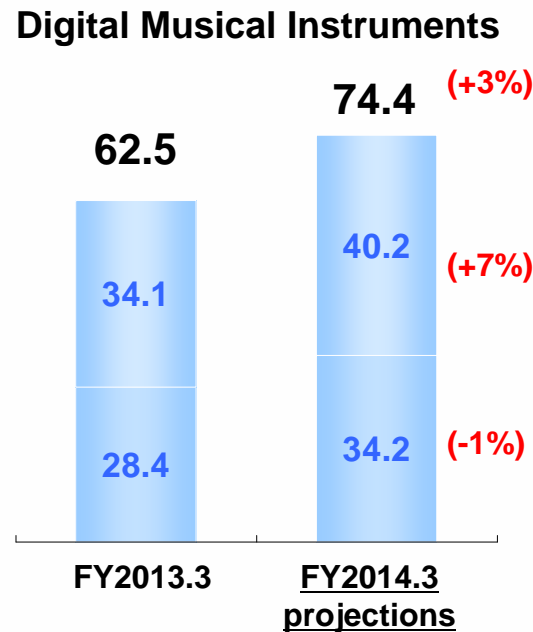
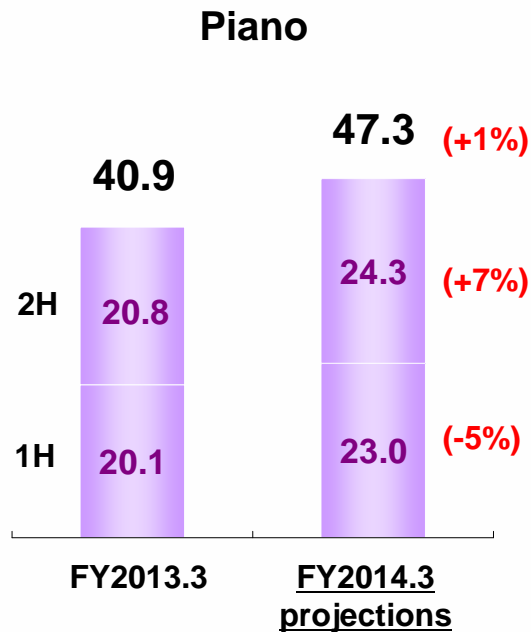
Full Year Projections



Musical Instruments/Audio Equipment: Sales by Major Product Category



Figures in parentheses show actual year-on-year changes, discounting the impact of exchange rates (Billions of yen)



Electronic Devices Full Year Projections

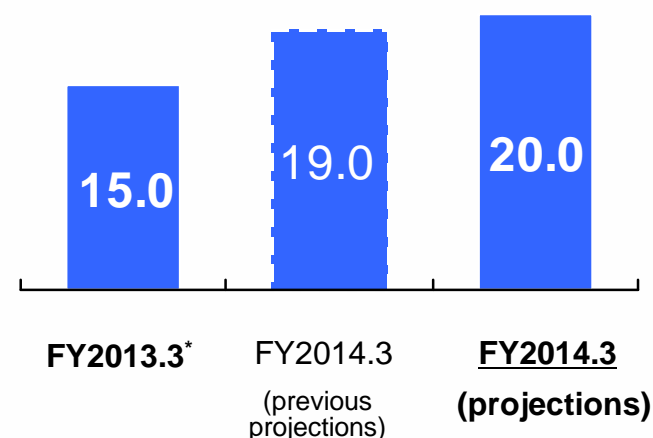


(Billions of yen)

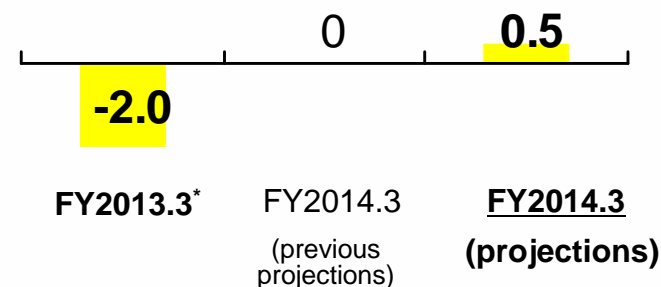
Full Year Projections

- Sales are expected to increase year-on-year, and a return to profit is targeted
- Higher sales of geomagnetic sensors and codec products are anticipated, driven by demand from smartphone manufacturers
- Profitability is likely to decline in the second half, due to the impact of deferred R&D expenses

Net Sales



Operating Income (Loss)



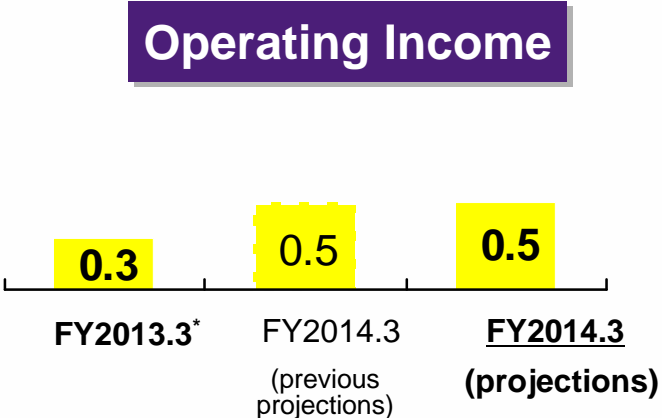
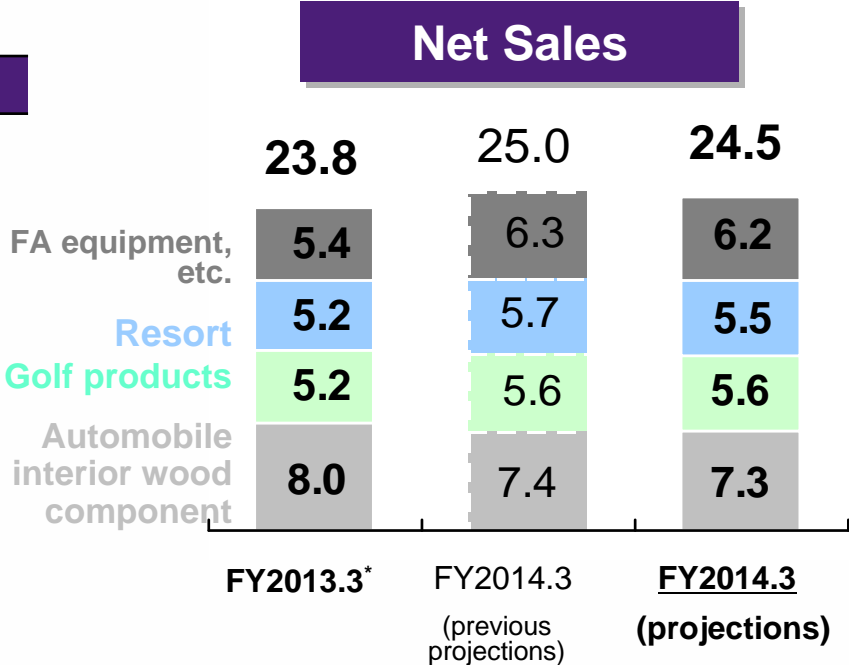
Others Full Year Projections



(Billions of yen)

Full Year Projections

- Sales are expected to be slightly below previous projections
- Sales of automobile interior wood components and factory automation equipment are likely to be lower than previous projections
- Focus on new golf products launch

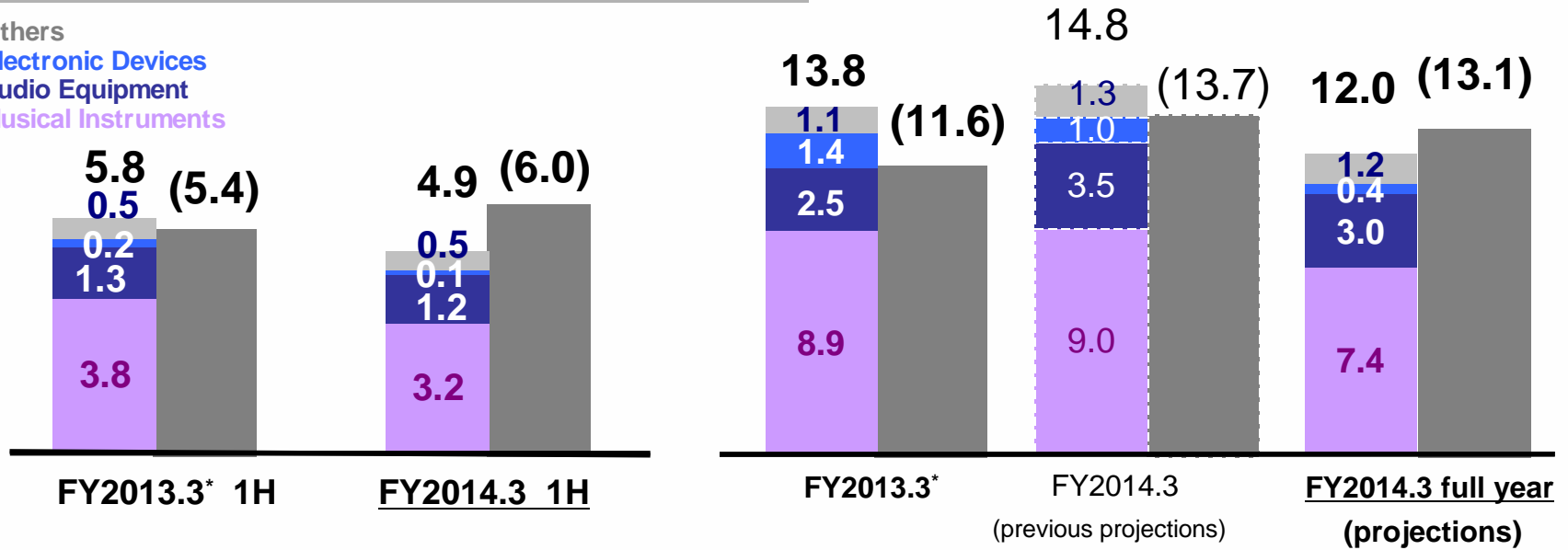


Capital Expenditure/Depreciation/R&D Expenses

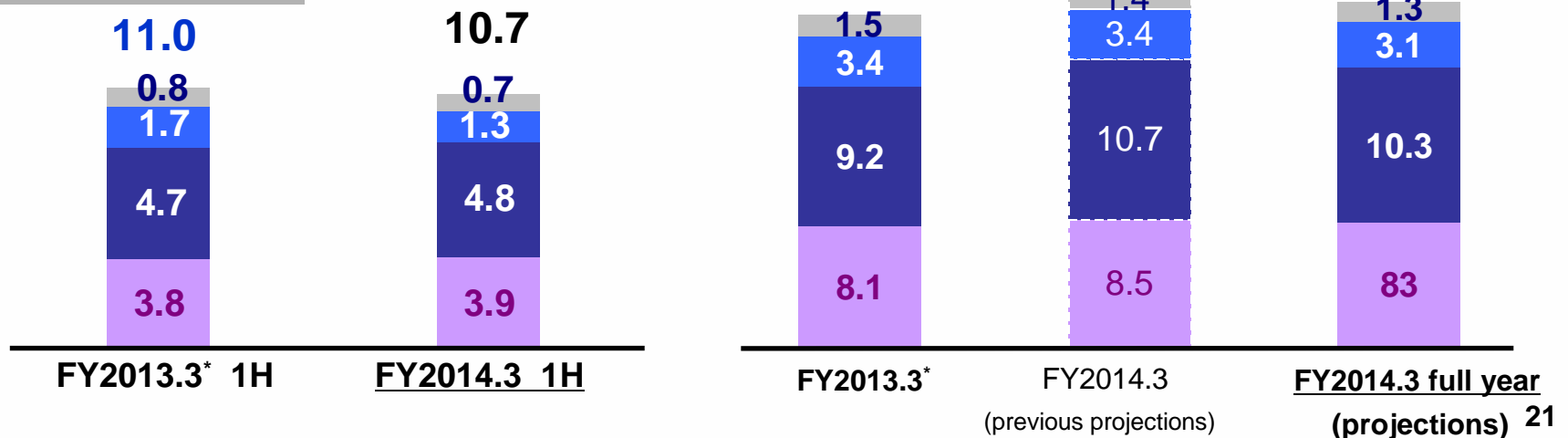
Capital Expenditure (Depreciation)

(Billions of yen)

- Others
- Electronic Devices
- Audio Equipment
- Musical Instruments



R&D Expenses



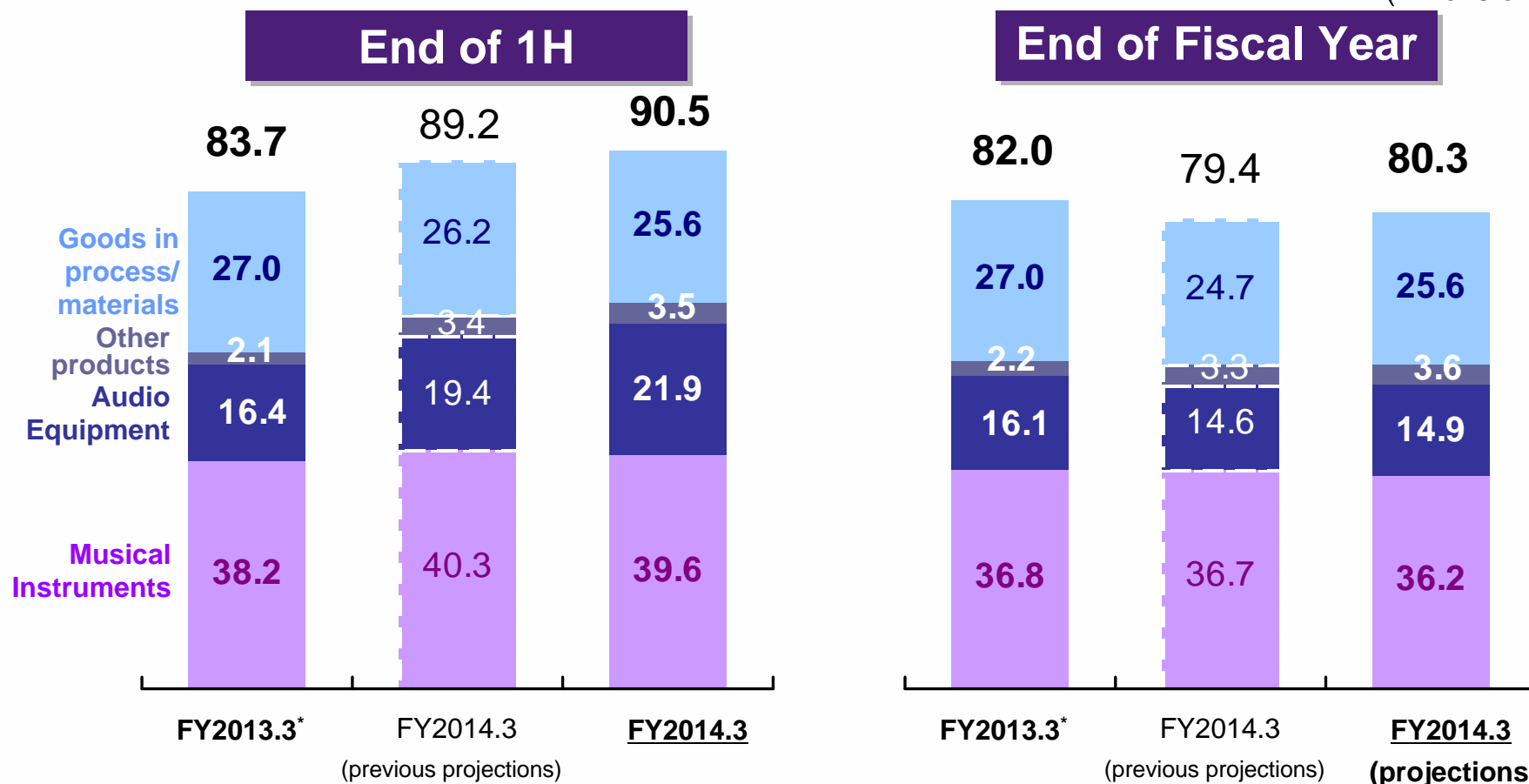
Inventories



➤ Inventories at the end of September were ¥6.9 billion higher than the same period of the previous year (discounting the +¥14.2 billion impact of exchange rates, actual inventories were down by ¥7.4 billion)

➤ Projections at the end of March 2014 is ¥80.3 billion (impact of exchange rate is ¥1.3 billion versus the previous year and ¥0.3 billion versus the previous projections)

(Billions of yen)



Balance Sheet Summary



(Billions of yen)

	1H			As of fiscal year end		
	As of Sept. 30, 2012	As of Sept. 30, 2013	Change	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
Cash and deposits	50.0	62.7	12.7	51.4	64.1	12.7
Notes and accounts receivable	48.8	56.6	7.8	51.0	56.3	5.3
Inventories	83.7	90.5	6.9	82.0	80.3	-1.7
Other current assets	9.6	13.1	3.5	13.5	12.6	-0.9
Fixed assets	156.7	201.4	44.7	192.7	199.8	7.1
Total assets	348.8	424.3	75.5	390.6	413.1	22.5
Notes and accounts payable	21.7	22.1	0.5	20.3	21.0	0.7
Short- and long-term loans	18.2	20.1	1.9	10.0	5.8	-4.2
Resort membership deposits	15.4	15.4	0	15.4	15.4	0
Other liabilities	103.5	118.0	14.5	115.3	117.6	2.4
Total net assets	190.0	248.6	58.6	229.6	253.3	23.7
Total liabilities and net assets	348.8	424.3	75.5	390.6	413.1	22.5

*Unrecognized pension liabilities have been recorded on the balance sheet as of end of the first quarter of FY2014.3

Appendix

Performance in the Second Quarter of FY2014.3 (Three Months)



(Billions of yen)

	FY2013.3 2Q results	FY2014.3 2Q results	Changes from same period of the previous year	FY2014.3 2Q previous projections	Changes from previous projection
Net Sales	86.8	100.7	+16.0%	99.5	+1.2%
Operating Income (Operating Income Ratio)	2.6 (2.9%)	7.5 (7.5%)	+193.4%	5.3 (5.3%)	+41.7%
Ordinary Income (Ordinary Income Ratio)	2.3 (2.7%)	7.2 (7.1%)	+210.3%	4.7 (4.7%)	+52.9%
Net Income (Net Income Ratio)	0.7 (0.8%)	6.7 (6.6%)	+831.5%	4.2 (4.2%)	+59.2%

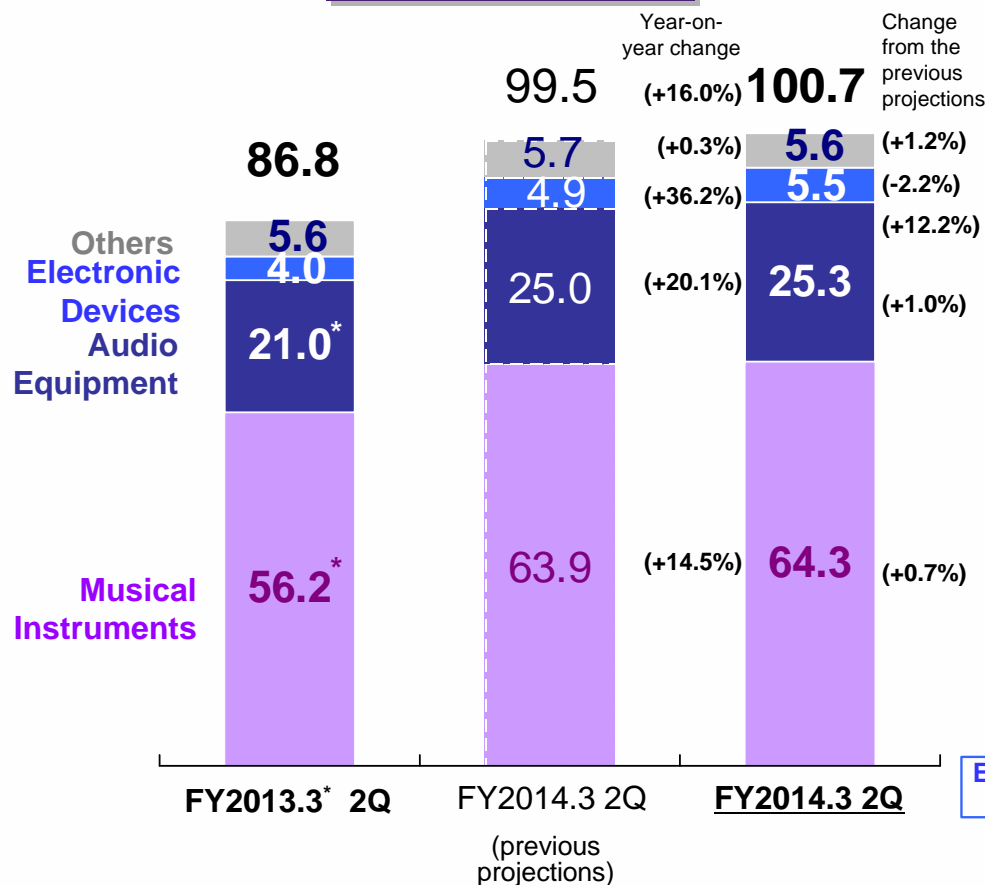
Exchange Rate (yen)

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Operating Income	US\$	79	98	95
	EUR	103	129	125

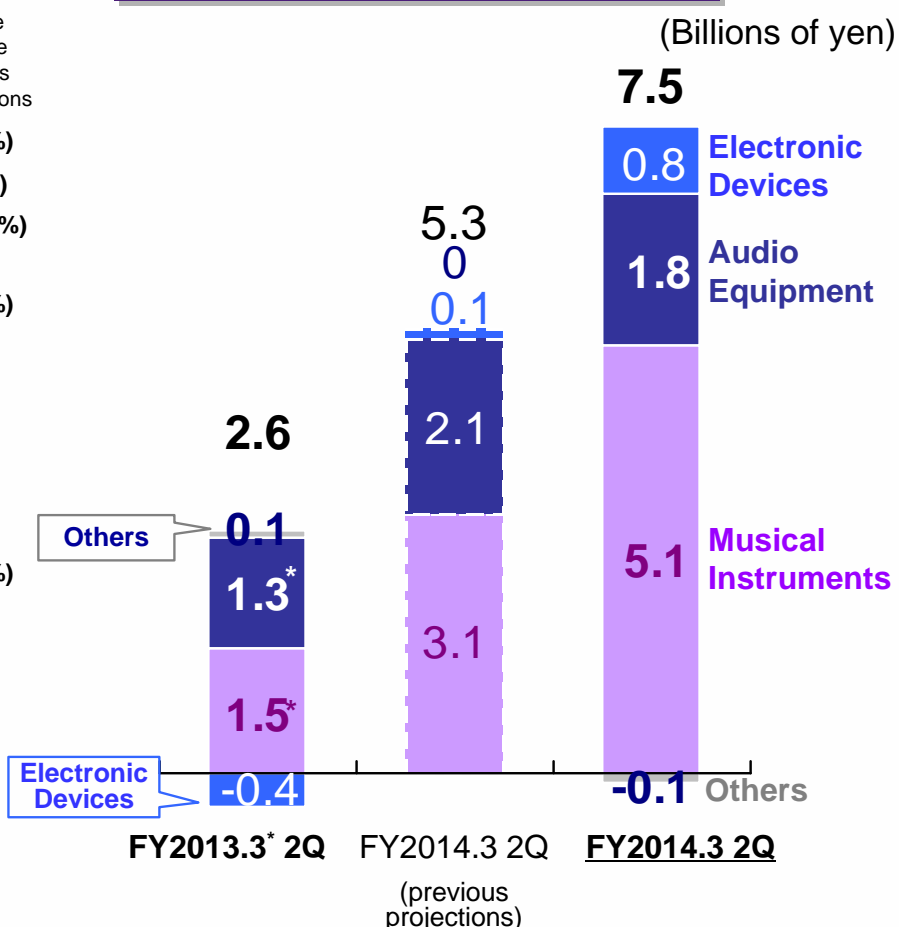
Performance by Business Segment in the Second Quarter of FY2014.3 (Three Months)



Net Sales



Operating Income



Impact of Exchange Rates

Year-on-Year	+¥13.1 billion (musical instruments +¥8.8 billion, audio equipment +¥4.0 billion, electronic devices +¥0.3 billion)
Versus previous projections	+¥2.0 billion (musical instruments +¥1.4 billion, audio equipment +¥0.6 billion, electronic devices +¥0.1 billion)

+¥4.1 billion

(musical instruments +¥2.7 billion, audio equipment +¥1.2 billion, electronic devices +¥0.3 billion)

+¥0.5 billion

(musical instruments +¥0.4 billion, electronic devices +¥0.1 billion)

First Half Non-Operating Income/Loss & Extraordinary Income/Loss



(Billions of yen)	FY2013.3 1H	FY2014.3 1H previous projections	FY2014.3 1H
Non-Operating Income/Loss			
Net financial income	0.5	0.7	0.9
Other	-1.2	-1.2	-1.1
Total	-0.7	-0.5	-0.2
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	0.3	-0.1	0
Others	-1.0	1.1	0.9
Total	-0.7	1.0	0.9
Income Taxes and Other Expenses			
Income taxes -current	2.1	3.3	3.4
Income taxes -deferred	-0.2	-1.3	-1.7
Minority interests in income	0.2	0	0.2
Total	2.1	2.0	1.9

Gain on sales of investment securities 1.0

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



(Billions of yen)	FY2013.3	FY2014.3 previous projections	FY2014.3 new projections
Non-Operating Income/Loss			
Net financial income	1.1	1.1	1.4
Other	-1.7	-2.6	-2.9
Total	-0.6	-1.5	-1.5
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	1.6	-0.3	0.3
Others	-2.4	1.3	0.2
Total	-0.8	1.0	0.5
Income Taxes and Other Expenses			
Income taxes -current	3.7	4.1	4.3
Income taxes -deferred	-0.2	-1.1	-1.5
Minority interests in income	0.2	0	0.2
Total	3.7	3.0	3.0

Structural Reform Expenses -3.1

-Gain on sales of investment securities 1.0
-Structural Reform Expenses -0.8

Musical Instruments/Audio Equipment: Sales by Region

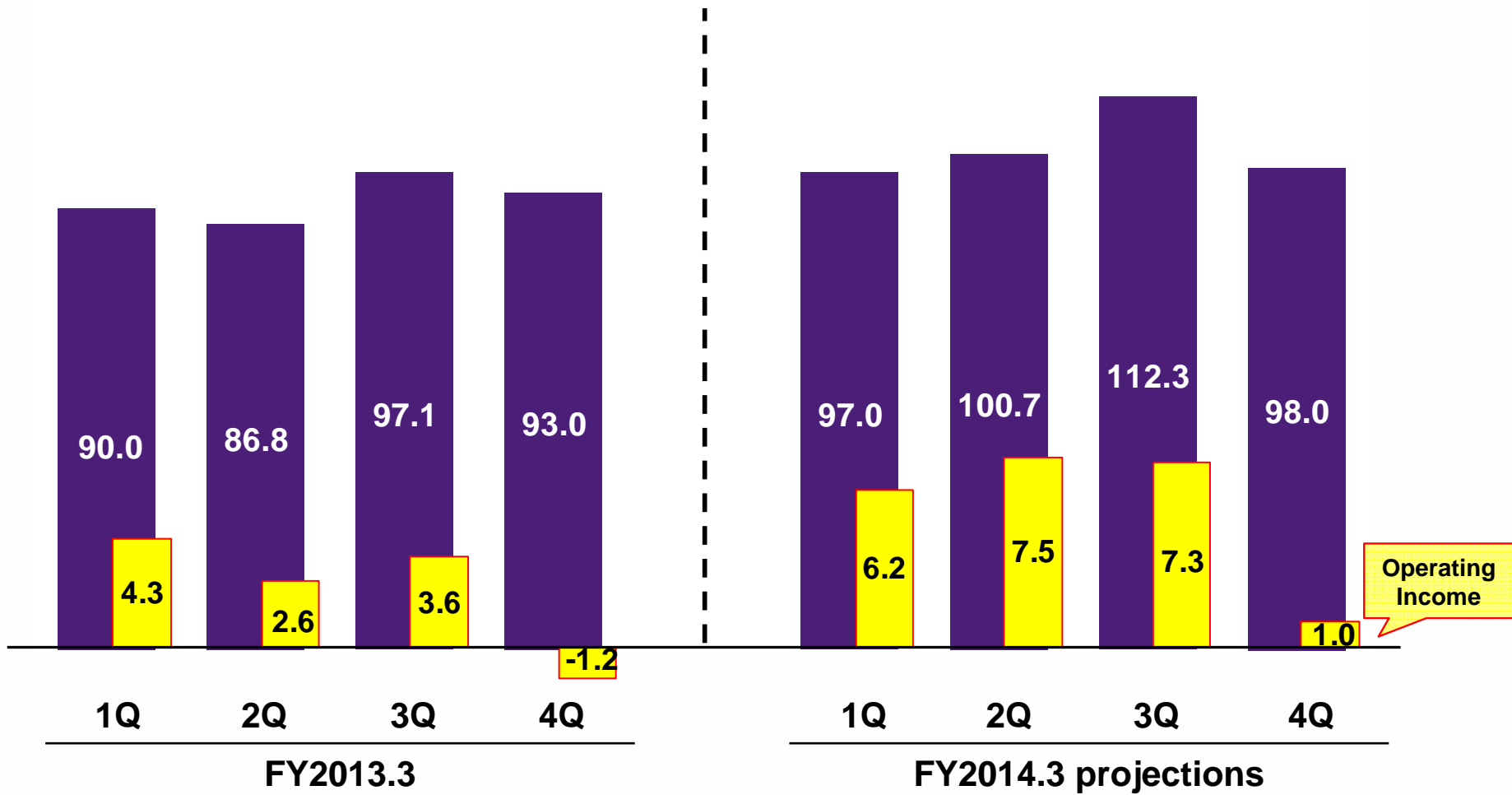


Sales by Region	
Note: Year-on-year comparisons discount the impact of exchange rates	
Japan	<p>Market conditions began to appear slightly more positive from the summer, and overall sales were steady in the second quarter. Although pianos and Electones still struggled from the first quarter, sales of high-end upright pianos started to pick up. There was a backlog in filling orders for hybrid pianos as sales of the NU1 model remained robust. Digital piano sales recorded double-digit year-on-year growth, and wind instruments also rebounded from the previous year as a raft of new products was launched. Guitar sales were healthy, especially for acoustic models. However, first half sales of musical instruments were still lower than in the same period of the previous year.</p> <p>Professional audio equipment faced a tough environment with low shipments in the first half. For audio products, demand for TV peripherals declined, and sound bars struggled despite a large market share as competitors entered the sector. High-end audio products and AV receivers sold well, but overall 1H results were down year-on-year.</p>
North America	<p>Gradual recovery continued throughout the North American market, with 1H sales up year-on-year in both the US and Canada. Piano sales exceeded the previous year's results amid strong performance by grand pianos and Disklavier models. Although sales of digital pianos were up year-on-year, those of portable keyboards were down. Wind instruments sold briskly, partly due to demand for mid-range products and large orders. Double-digit growth in guitar sales was driven by moderately-priced acoustic models sold by major musical instrument chain stores. However, electronic drums faced tough conditions. Sales of music production equipment increased year-on-year. Despite active sales promotion efforts for professional audio equipment, orders were low and results declined from the same period of the previous year. In the AV product segment, the sound bar market was tight due to the entry of competitors, but strong sales of AV receiver kept its results on a par with the previous year.</p>
Europe	<p>Musical instrument sales were lower than in the same period of the previous year. Digital piano sales remained robust and increased year-on-year as low-priced models sold steadily through retail channels, but portable keyboards continued to struggle and sales declined amid difficult market conditions. Sales of wind instruments, percussion and guitars were also down from the first half of the previous year. Active promotional efforts and new product launches drove overall sales of AV products, and audio equipment also sold well, leading to improved year-on-year results for the audio equipment segment as a whole. Germany and other mature markets were on a par with the previous year, but growth markets sales declined as the demand recoiled after a last-minute rush in Turkey last year.</p>
China	<p>The entire market picked up from the beginning of the first half, with 7% year-on-year growth in 2Q driving improved 1H results. Although conditions remain challenging in the major cities, sales were boosted by strong local economies in second-tier inland cities. Piano sales rebounded to the previous year's levels, and demand for digital keyboard instruments was healthy, especially in inland cities. Guitar sales were still robust, but wind instrument shipments were sluggish as store inventories remained high. The professional audio equipment market remains subdued. Retail sales of AV products continued to face headwinds, and overall audio equipment sales were below the same period of the previous year.</p>
Other Regions	<p>Overall 1H musical instrument sales were down from the previous year, but a year-on-year increase in 2Q sales indicated a turnaround. Digital piano sales remained strong. The Middle East/Africa market is rallying from the previous year's downturn, and sales are steadily increasing in Russia. In Latin America, solid sales led to a year-on-year improvement in Argentina despite import restrictions, but overall results were down as other major countries struggled. The Oceania market is settling down and showing signs of recovery after musical instrument store restructuring. The standout performer in Southeast Asia was Indonesia, where a fast-expanding middle class helped to maintain double-digit growth.</p>

Quarterly Sales and Income



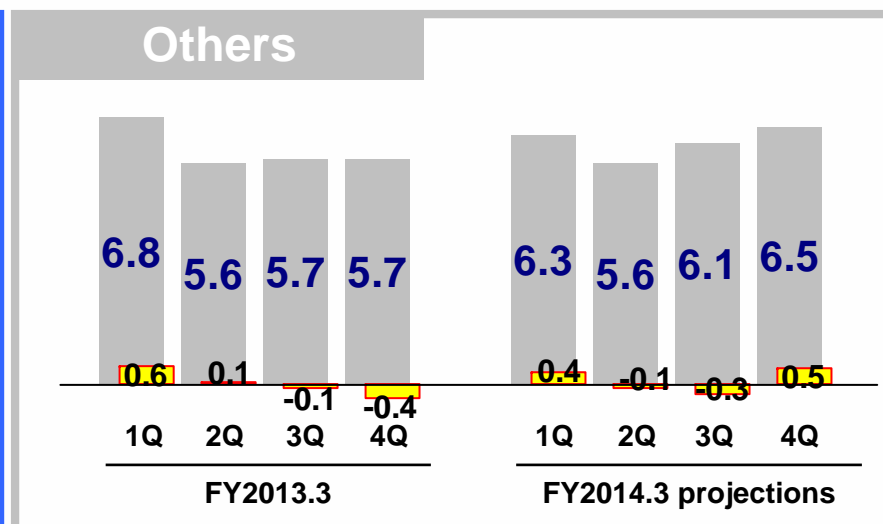
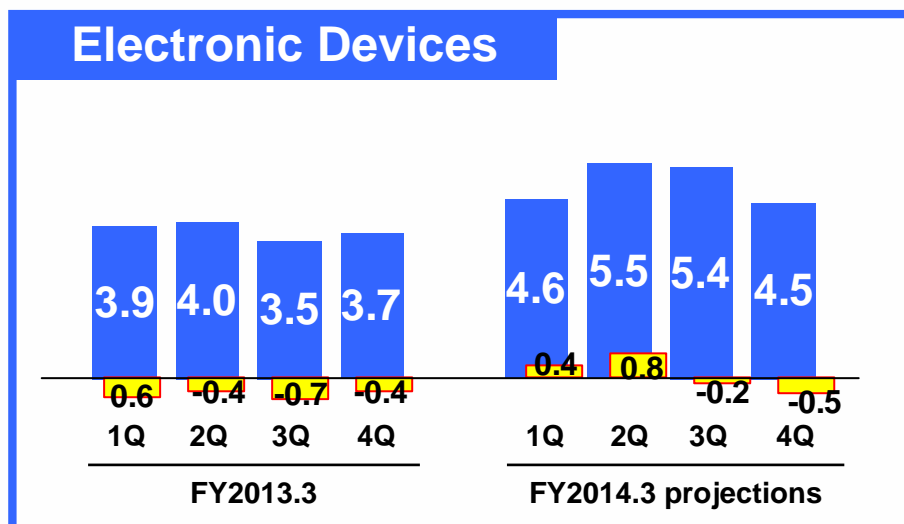
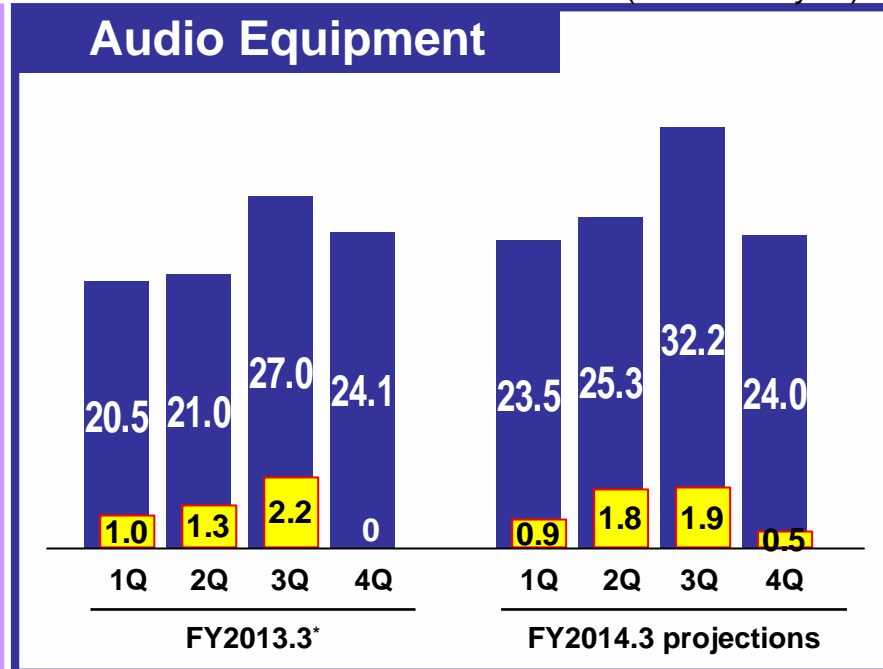
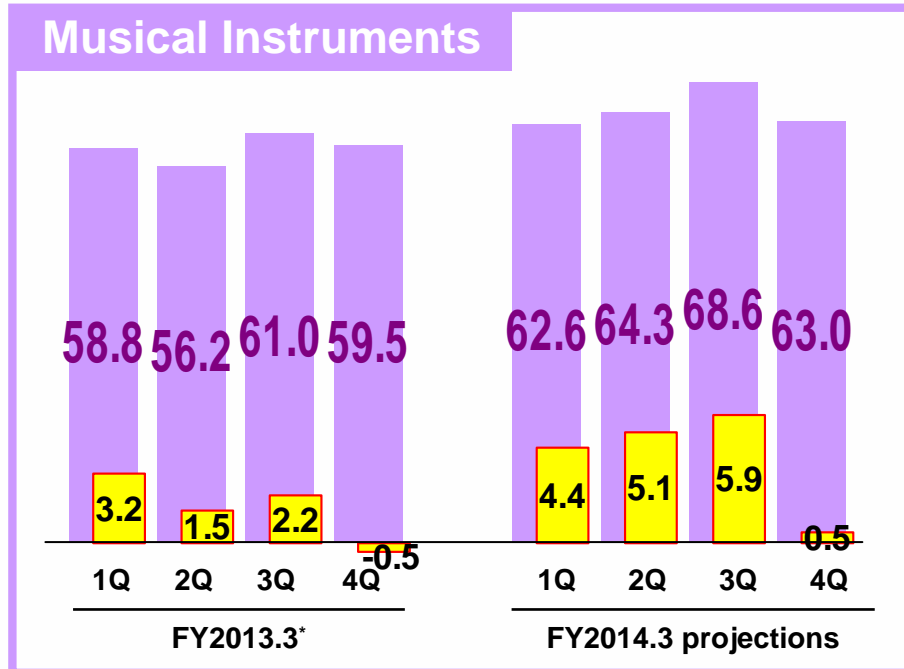
(Billions of yen)



Quarterly Sales and Income by Segment



(Billions of yen)



Important Notice



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.