

YAMAHA CORPORATION

Overview of Consolidated Performance in the First Quarter of the Fiscal Year Ending March 31, 2007 (April 1, 2006, to June 30, 2006)

August 2, 2006

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

(See No. 6 on page 7 for details.)

(2) Differences in Accounting Policies from the Fiscal Year Ended March 31, 2006: None

(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 FIRST QUARTER OF FY2007.3

(April 1, 2006, to June 30, 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
First quarter of FY2007.3	¥126,664	2.1	¥ 6,731	(2.1)	¥12,664	9.2
First quarter of FY2006.3	¥124,112	(6.6)	¥ 6,878	(54.2)	¥11,594	(32.8)
(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
First quarter of FY2007.3	¥10,022	1.9%	¥ 48.62	¥ 48.58
First quarter of FY2006.3	¥ 9,832	—	¥ 47.70	¥ 47.66
(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	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY2007.3	¥527,230	¥327,857	61.4	¥1,569.50
First quarter of FY2006.3	¥498,899	¥284,499	57.0	¥1,380.10
(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
First quarter of FY2007.3	¥ 335	¥ (6,777)	¥ (646)	¥28,365
First quarter of FY2006.3	¥(14,188)	¥ (5,461)	¥ (266)	¥32,210
(Reference) FY2006.3	¥ 25,510	¥(18,104)	¥(25,834)	¥35,434

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

No changes have been made in the Company's outlook.

4. OPERATING RESULTS AND FINANCIAL CONDITION

(1) Operating Results

During the first quarter of the fiscal year (April 1, 2006, to June 30, 2006), sales of the musical instruments segment remained firm, and, as a consequence, Yamaha's net sales rose 2.1% from the same quarter of the previous fiscal year, to ¥126,664 million. Of this total, domestic sales declined 3.9%, to ¥73,904 million, and overseas sales posted a gain of 11.8%, to ¥52,759 million.

Regarding product categories by segment, within the musical instruments segment, despite a slight decline in sales of pianos and a decrease in sales of Electones™, sales of portable keyboards and other electronic musical instruments, wind instruments, and professional audio equipment rose, while revenues from music schools also increased.

In the AV/IT segment, sales of home theater related products were firm, principally in the North American market, but overall sales declined.

Within the electronic equipment and metal products segment, sales of LSI sound chips for mobile phones recorded a decline, due to weaker demand. However, sales of electronic metal products rose.

In the lifestyle-related products segment, overall sales declined, but revenue from the recreation and others segments expanded.

Turning to profits, although gross profit increased, selling, general and administrative expenses also rose. As a result, operating income showed a slight decrease of 2.1% from the same quarter of the previous year, to ¥6,731 million.

As a result of higher equity in earnings of unconsolidated subsidiaries and affiliates, recurring profit increased 9.2%, to ¥12,664 million. Also, as a consequence of a decline in other profit, net income rose 1.9%, to ¥10,022 million.

(2) Financial Condition

Regarding cash flows during the first quarter (April 1, 2006, to June 30, 2006), income before taxes and minority interests was ¥12,718 million. Net cash provided by operating activities totaled ¥335 million, due to an increase in inventories.

Among cash flows used in investing activities, the Company used ¥6,777 million to implement capital investments.

Among cash flows used in financing activities, the Company used ¥646 million for the payment of cash dividends and other finance-related activities.

As a result of these movements in cash flows, cash and cash equivalents at the end of the quarter amounted to ¥28,365 million, ¥7,036 million lower than at the beginning of the quarter.

(3) Qualitative Comments on the Outlook for Consolidated Performance

The Company has not revised its outlook for the fiscal year ending March 31, 2007. The outlook issued at the time of the announcement of the consolidated financial statements on April 28, 2006, is as follows.

Outlook of Results for FY2007.3 (April 1, 2006, to March 31, 2007)

Consolidated

	Net Sales	Recurring Profit	Net Income
	Millions of yen	Millions of yen	Millions of yen
Interim period	¥265,000	¥17,000	¥14,000
Full year	¥546,000	¥35,000	¥28,000

Reference: Net income per share for the fiscal year is forecasted to be ¥135.83.

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

	First quarter of FY2007.3 (as of June 30, 2006)	First quarter of FY2006.3 (as of June 30, 2005)	Increase (decrease)		FY2006.3 (as of March 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
ASSETS					
Current assets					
Cash and bank deposits	¥ 29,400	¥ 35,554	¥ (6,154)	(17.3)	¥ 36,429
Notes and accounts receivable	73,013	74,849	(1,836)	(2.5)	72,613
Inventories	84,456	84,675	(219)	(0.3)	77,943
Other current assets	23,850	20,430	3,420	16.7	22,395
Total current assets	210,720	215,510	(4,790)	(2.2)	209,381
Fixed assets					
Tangible assets	152,388	146,024	6,364	4.4	150,990
Intangible assets	3,356	3,949	(593)	(15.0)	3,545
Investments and other assets	160,765	133,415	27,350	20.5	156,059
Total fixed assets	316,509	283,388	33,121	11.7	310,595
Total assets	¥527,230	¥498,899	¥28,331	5.7	¥519,977
LIABILITIES					
Current liabilities					
Notes and accounts payable	¥ 42,157	¥ 38,679	¥ 3,478	9.0	¥ 37,153
Short-term loans	19,152	22,206	(3,054)	(13.8)	17,147
Current portion of long-term debt	4,809	21,323	(16,514)	(77.4)	5,132
Accrued expenses and accrued payables	34,418	31,807	2,611	8.2	43,098
Other current liabilities	17,029	16,374	655	4.0	14,516
Total current liabilities	117,567	130,391	(12,824)	(9.8)	117,047
Long-term liabilities					
Long-term debt	6,164	6,960	(796)	(11.4)	6,195
Accrued employees' retirement benefits	27,865	28,260	(395)	(1.4)	27,978
Other fixed liabilities	47,775	45,034	2,741	6.1	48,277
Total long-term liabilities	81,806	80,255	1,551	1.9	82,452
Total liabilities	199,373	210,647	(11,274)	(5.4)	199,499
MINORITY INTERESTS	—	3,753	—	—	4,472
SHAREHOLDERS' EQUITY					
Common stock	—	28,534	—	—	28,534
Capital surplus	—	40,054	—	—	40,054
Earned surplus	—	220,314	—	—	236,913
Reserve for land revaluation	—	22,125	—	—	18,426
Net unrealized holding gains on other securities	—	7,231	—	—	15,470
Translation adjustments	—	(33,478)	—	—	(23,091)
Treasury stock, at cost	—	(282)	—	—	(302)
Total shareholders' equity	—	284,499	—	—	316,005
Total liabilities, minority interests and shareholders' equity	—	¥498,899	—	—	¥519,977

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

	First quarter of FY2007.3 (as of June 30, 2006)	First quarter of FY2006.3 (as of June 30, 2005)	Increase (decrease)		FY2006.3 (as of March 31, 2006)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
NET ASSETS					
Shareholders' equity					
Common stock	¥ 28,534	¥—	¥—	¥—	¥—
Capital surplus	40,054	—	—	—	—
Earned surplus	244,660	—	—	—	—
Treasury stock, at cost	(307)	—	—	—	—
Total shareholders' equity	312,941	—	—	—	—
Revaluations and translation adjustments					
Net unrealized holding gains on other securities	14,530	—	—	—	—
Gain (loss) on deferral hedge	(274)	—	—	—	—
Reserve for land revaluation	18,421	—	—	—	—
Translation adjustments	(22,096)	—	—	—	—
Total revaluations and translation adjustments	10,580	—	—	—	—
Minority interests	4,334	—	—	—	—
Total net assets	327,857	—	—	—	—
Total liabilities and net assets	¥527,230	¥—	¥—	¥—	¥—

2. SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS

	First quarter of FY2007.3 (Apr. 1, 2006– June 30, 2006)	First quarter of FY2006.3 (Apr. 1, 2005– June 30, 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	¥126,664	¥124,112	¥2,552	2.1	¥534,084
Cost of sales	80,215	78,190	2,025	2.6	341,886
Unrealized profit	0	28	—	—	69
Total gross profit	46,449	45,950	499	1.1	192,267
Selling, general and administrative expenses	39,717	39,071	646	1.7	168,132
Operating income	6,731	6,878	(147)	(2.1)	24,135
Non-operating income	7,198	5,915	1,283	21.7	17,612
Non-operating expenses	1,264	1,199	65	5.4	6,503
Recurring profit	12,664	11,594	1,070	9.2	35,244
Other profit	128	1,325	(1,197)	(90.3)	1,874
Other loss	74	117	(43)	(36.8)	1,276
Income before income taxes and minority interests	12,718	12,802	(84)	(0.7)	35,842
Current income taxes	1,082	1,766	(684)	(38.7)	8,922
Deferred income taxes (benefit)	1,517	1,150	367	31.9	(1,736)
Minority interests	96	52	44	84.6	532
Net income	¥ 10,022	¥ 9,832	¥ 190	1.9	¥ 28,123

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

3. SUMMARY OF CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Millions of yen				
	First quarter of FY2007.3 (Apr. 1, 2006– June 30, 2006)		First quarter of FY2006.3 (April 1, 2005– June 30, 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	¥ —		¥9,832		¥28,123
Effect of change in scope of consolidation	—		863		827
Effect of change in interests in subsidiaries	—		—		99
Reversal of reserve for land revaluation	—		282		282
Reversal of reserve for land revaluation resulting from change of interest in subsidiaries	—	—	—	10,978	97
29,429					
Deduction from earned surplus					
Cash dividends paid	—		2,579		4,642
Bonuses to directors and statutory auditors	—		100		100
Effect of change in scope of consolidation	—		120		115
Effect of change in interests in subsidiaries	—	—	205	3,005	—
4,857					
Balance at end of period		¥ —		¥220,314	¥236,913

4. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE QUARTER

(First quarter of FY2007.3 (April 1, 2006, to June 30, 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	Net unrealized holding gains on other securities	Gain (loss) on deferred hedges	Reserve for land revaluation	Translation adjustments	Total revaluations and translation adjustments		
Balance at end of period	¥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			(2,063)		(2,063)							(2,063)
Net income for the period			10,022		10,022							10,022
Purchases of treasury stock				(5)	(5)							(5)
Changes in the scope of consolidation			(0)		(0)							(0)
Changes of interest in subsidiaries			(131)	0	(131)							(131)
Bonuses to directors and statutory auditors			(80)		(80)							(80)
Changes, net, in items other than shareholders' equity						(940)	(274)	(4)	994	(224)	(137)	(362)
Total changes during the period	—	—	7,747	(5)	7,742	(940)	(274)	(4)	994	(224)	(137)	7,379
Balance at end of period	¥28,534	¥40,054	¥244,660	¥(307)	¥312,941	¥14,530	¥(274)	¥18,421	¥(22,096)	¥10,580	¥4,334	¥327,857

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

5. SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		
	First quarter of FY2007.3 (Apr. 1, 2006– June 30, 2006)	First quarter of FY2006.3 (Apr. 1, 2005– June 30, 2005)	FY2006.3 (Apr. 1, 2005– Mar. 31, 2006)
Cash flows from operating activities			
Income before income taxes and minority interests	¥12,718	¥12,802	¥35,842
Depreciation and amortization	4,838	4,703	18,944
Decrease (increase) in accounts and notes receivable—trade	(488)	(1,211)	3,008
Decrease (increase) in inventories	(6,623)	(4,513)	4,944
Increase (decrease) in accounts and notes payable	5,101	789	(1,716)
Income taxes paid and refunded	(1,680)	(9,575)	(16,979)
Other, net	(13,530)	(17,184)	(18,533)
Net cash provided by (used in) operating activities	335	(14,188)	25,510
Cash flows from investing activities			
Purchases of fixed assets	(7,011)	(4,583)	(20,401)
Proceeds from sale of fixed assets	244	1,577	2,327
Other, net	(10)	(2,455)	(30)
Net cash used in investing activities	(6,777)	(5,461)	(18,104)
Cash flows from financing activities			
Increase in short-term loans	2,280	3,749	(1,753)
Decrease in long-term loans	(264)	(619)	(17,848)
Cash dividends paid	(2,063)	(2,579)	(4,642)
Other, net	(599)	(818)	(1,589)
Net cash used in financing activities	(646)	(266)	(25,834)
Effect of exchange rate changes on cash and cash equivalents	51	48	1,783
Net decrease in cash and cash equivalents	(7,036)	(19,868)	(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	¥28,365	¥32,210	¥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 first quarter.
2. A simplified method is used to calculate tax expenses.

7. SEGMENT INFORMATION

(1) Business Segments

(First quarter of FY2007.3 (April 1, 2006, to June 30, 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	¥75,912	¥16,004	¥13,551	¥10,819	¥4,135	¥6,242	¥126,664	¥ —	¥126,664
Intersegment sales or transfers	—	—	440	—	—	—	440	(440)	—
Total sales	75,912	16,004	13,991	10,819	4,135	6,242	127,104	(440)	126,664
Operating expenses	70,093	15,747	12,691	10,771	4,576	6,492	120,372	(440)	119,932
Operating income (loss)	¥ 5,819	¥ 256	¥ 1,299	¥ 47	¥ (441)	¥ (250)	¥ 6,731	¥ —	¥ 6,731

(First quarter of FY2006.3 (April 1, 2005, to June 30, 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	¥73,345	¥16,223	¥13,829	¥11,177	¥4,047	¥5,488	¥124,112	¥ —	¥124,112
Intersegment sales or transfers	—	—	409	—	—	—	409	(409)	—
Total sales	73,345	16,223	14,238	11,177	4,047	5,488	124,521	(409)	124,112
Operating expenses	68,980	16,171	11,664	10,899	4,544	5,382	117,642	(409)	117,233
Operating income (loss)	¥ 4,365	¥ 52	¥ 2,574	¥ 277	¥ (497)	¥ 105	¥ 6,878	¥ —	¥ 6,878

(FY2006.3 (April 1, 2005, to 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

(First quarter of FY2007.3 (April 1, 2006, to June 30, 2006))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥ 77,551	¥18,190	¥18,602	¥12,319	¥126,664	¥ —	¥126,664
Intersegment sales or transfers	37,097	447	289	16,073	53,908	(53,908)	—
Total sales	114,648	18,638	18,892	28,393	180,572	(53,908)	126,664
Operating expenses	108,698	18,665	18,312	27,007	172,684	(52,751)	119,932
Operating income (loss)	¥ 5,950	¥ (26)	¥ 579	¥ 1,385	¥ 7,888	¥ (1,156)	¥ 6,731

(First quarter of FY2006.3 (April 1, 2005, to June 30, 2005))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥ 79,530	¥16,981	¥17,183	¥10,417	¥124,112	¥ —	¥124,112
Intersegment sales or transfers	32,595	427	188	13,132	46,343	(46,343)	—
Total sales	112,125	17,409	17,371	23,549	170,456	(46,343)	124,112
Operating expenses	106,108	17,233	16,891	22,577	162,811	(45,577)	117,233
Operating income	¥ 6,017	¥ 175	¥ 479	¥ 972	¥ 7,644	¥ (766)	¥ 6,878

(FY2006.3 (April 1, 2005, to 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, U.K.

Asia, Oceania and other areas: China, Australia

(3) Overseas Sales

(First quarter of FY2007.3 (April 1, 2006, to June 30, 2006))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥18,320	¥19,093	¥15,346	¥ 52,759
Net sales	—	—	—	126,664
% of net sales	14.5	15.1	12.1	41.7

(First quarter of FY2006.3 (April 1, 2005, to June 30, 2005))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥17,169	¥17,409	¥12,631	¥ 47,210
Net sales	—	—	—	124,112
% of net sales	13.8%	14.0%	10.2%	38.0%

(FY2006.3 (April 1, 2005, to 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, U.K.

Asia, Oceania and other areas: China, Australia