

YAMAHA CORPORATION

Flash Report Consolidated Basis

Results for the Third Quarter of the Fiscal Year Ending March 31, 2010
(April 1, 2009—December 31, 2009)

February 3, 2010

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

Code number: 7951

Stock listing: Tokyo Stock Exchange (First Section)

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Scheduled date to submit Quarterly Securities Report: February 10, 2010

1. Results for the Third Quarter of FY2010.3 (April 1, 2009—December 31, 2009)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results (Accumulation)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
Through the third quarter of FY2010.3	¥316,883	(14.2)%	¥10,495	(52.8)%	¥8,785	(58.2)%
Through the third quarter of FY2009.3	¥369,401	—	¥22,246	—	¥21,016	—

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous year	Yen	Yen
Through the third quarter of FY2010.3	¥3,005	(67.8)%	¥15.24	—
Through the third quarter of FY2009.3	¥9,331	—	¥46.84	—

(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 FY2010.3	¥411,630	¥258,314	62.1%	¥1,295.57
FY2009.3	¥408,974	¥251,841	60.9%	¥1,262.42

(For reference) Shareholders' equity: **Third quarter of FY2010.3** ¥255,530 million FY2009.3 ¥248,995 million

2. Dividends

Base date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Full fiscal year
	Yen	Yen	Yen	Yen	Yen
FY2009.3	—	¥27.50	—	¥15.00	¥42.50
FY2010.3	—	¥15.00	—		
FY2010.3 (Forecast)				¥15.00	¥30.00

Note: Whether the dividend forecast has been revised in the third quarter: No

Breakdown of dividends for FY2009.3 and forecast for FY2010.3:

End of the second quarter of FY2009.3: Regular dividend of ¥17.50, special dividend of ¥10.00

End of the fiscal year of FY2009.3: Regular dividend of ¥5.00, special dividend of ¥10.00

End of the second quarter of FY2010.3: Regular dividend of ¥5.00, special dividend of ¥10.00

Forecast for the end of the fiscal year of FY2010.3: Regular dividend of ¥5.00, special dividend of ¥10.00

3. Consolidated Financial Forecasts for FY2010.3 (April 1, 2009—March 31, 2010)

(Percentage figures are changes from the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income (Loss)		Net income (Loss) per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2010.3	¥413,000	(10.1)%	¥6,000	(56.7)%	¥4,000	(66.6)%	¥(1,500)	—%	¥(7.61)

Note: Whether the forecasts for consolidated figures have been revised in the third quarter: Yes

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None

(2) The adoption of simplified accounting methods and/or special accounting treatment for the quarterly consolidated financial statements: Yes

Note: For further details, please refer to the item “4. Others” on page 8 in the section of “Commentary Information and Financial Statements.”

(3) Changes in principles, procedures, and methods of presentation, etc., in the preparation of the quarterly consolidated financial statements (Changes in material items that form the basis for the preparation of the quarterly consolidated financial statements)

(a) Changes accompanying revisions in accounting principles: Yes

(b) Changes other than those in (a) above: None

Note: For further details, please refer to the item “4. Others” on page 8 in the section of “Commentary Information and Financial Statements.”

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)

Third quarter of FY2010.3 197,255,025 shares

FY2009.3 197,255,025 shares

(b) Number of treasury stock at the end of the period

Third quarter of FY2010.3 20,793 shares

FY2009.3 17,461 shares

(c) Average number of shares issued during the period (quarterly accumulation period)

Third quarter of FY2010.3 197,235,635 shares

Third quarter of FY2009.3 199,201,601 shares

* Explanation of the appropriate use of performance forecasts and other related items

Forecasts of consolidated performance shown on this page were prepared based on information available at the time of the forecast. Actual consolidated performance may differ from forecasts owing to a wide range of factors.

For further information, please refer to the item “3. Commentary Information on Consolidated Financial Forecast” on page 7 in the section of “Commentary Information and Financial Statements.”

Commentary Information and Financial Statements

1. Consolidated Management Performance

During the third quarter of the fiscal year (FY2010.3) (hereinafter referred to as “third quarter (three months)”), uncertainty about future trends continued in the economic environment for Yamaha and its consolidated subsidiaries. Economic recovery was apparent in Asia, especially in China, in part because of the positive effects of economic stimulus measures adopted in various countries. On the other hand, although personal consumption was no longer declining in Europe, the United States, and Japan, the employment environment was harsh.

Amid this operating environment, to cope with the changes in worldwide demand and the management environment, the Yamaha Group formed a Management Reform Committee in November 2008. Centering on the Management Reform Committee, the Company continued to implement emergency measures to improve performance, including conducting reviews of expenses and paring back on capital investment and events. In addition, Yamaha moved forward with a thorough review of its business operations, while, on the other hand, it selected investments in the development of high-value-added products and investments in growth business domains that will lead the way to the future and concurrently implemented these initiatives from a medium- to long-term perspective.

Net sales during the third quarter (three months) declined ¥6.3 billion (5.3%) from the same period of the previous fiscal year, to ¥112.5 billion. Sales declined compared to the same period of the previous fiscal year due to the drop in sales in the musical instruments and lifestyle-related products segments, stemming from the stagnation in consumption, as well as a decline in sales of about ¥2.0 billion as a result of foreign currency factors.

During the third-quarter accumulation of the fiscal year (hereinafter referred to as “third-quarter accumulation (nine months)”), net sales fell ¥52.5 billion (14.2%), compared with the same nine-month period of the previous year, to ¥316.9 billion. Foreign currency factors resulted in a decline in sales of approximately ¥20.7 billion.

Profitwise, operating income during the third quarter (three months) declined ¥2.5 billion (28.5%) from the same period of the previous fiscal year, to ¥6.4 billion. Income before income taxes and minority interests fell ¥1.5 billion (20.2%), to ¥5.9 billion. Net income for the quarter declined ¥1.1 billion (22.5%), to ¥3.8 billion.

During the third-quarter accumulation (nine months), operating income decreased ¥11.8 billion (52.8%), compared with the same period of the previous year, to ¥10.5 billion. Income before income taxes and minority interests fell ¥11.8 billion (58.2%) compared with the same period of the previous year, to ¥8.5 billion. Net income for the quarter declined ¥6.3 billion (67.8%), to ¥3.0 billion.

(1) Performance by Business Segment

Musical Instruments

During the third quarter (three months), sales declined ¥6.3 billion (8.1%) compared with the same period of the previous year, to ¥71.4 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥1.4 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥4.9 billion compared with the same period of the previous year.

By product, sales of portable keyboards in the European market declined in comparison with the same period of the previous year. There were signs of a bottoming out of piano sales in the North American market, and sales held firm in the Chinese market; however, piano sales decreased in the Japanese and European markets.

Operating income for this segment declined ¥5.6 billion (65.8%) from the same period of the previous year and amounted to ¥2.9 billion.

During the third-quarter accumulation (nine months), sales declined ¥33.0 billion (13.5%) compared with the same period of the previous year, to ¥211.0 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥16.3 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥16.8 billion compared with the same period of the previous year. Operating income declined ¥14.5 billion (65.1%) from the same period of the previous year, to ¥7.8 billion.

AV/IT

During the third quarter (three months), sales increased ¥0.8 billion (4.5%), compared with the same period of the previous year, to ¥17.4 billion. Foreign currency factors has a negative impact of about ¥0.6 billion, and, after excluding these factors, sales were about ¥1.4 billion higher compared with the same period of the previous year.

By product, sales in the audio products business held firm mainly in the Japanese market but declined in the North American market.

Operating income of this segment rose ¥0.8 billion (73.3%), compared with the same period of the previous year, to ¥2.0 billion.

Note that sales in the third-quarter accumulation (nine months) decreased ¥5.0 billion (10.7%) compared with the same period of the previous year, to ¥41.9 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥4.4 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥0.6 billion compared with the same period of the previous year. Operating income for the period increased ¥0.6 billion (43.2%), to ¥1.9 billion, compared with the same period of the previous year.

Electronic Devices

During the third quarter (three months), sales of this segment increased ¥0.6 billion (13.5%) compared with the same period of the previous year, to ¥5.3 billion.

By product, sales of sound-generating LSI for amusement devices began to bottom out.

Operating income amounted to ¥0.6 billion, compared with an operating loss of ¥0.4 billion reported for the same period of the previous year.

Note that sales in the third-quarter accumulation (nine months) were down ¥2.8 billion (15.9%) compared with the same period of the previous year, to ¥15.0 billion. The operating loss amounted to ¥0.2 billion, compared with an operating loss of ¥1.0 billion in the same period of the previous year.

Lifestyle-Related Products

During the third quarter (three months), sales were down ¥2.5 billion (19.7%), compared with the same period of the previous year, to ¥10.1 billion, because of a decline in sales of system kitchens and system bathrooms owing to the continued low level of new housing starts.

The operating income of this segment decreased ¥0.1 billion (18.3%) compared with the same period of the previous year, to ¥0.4 billion.

Note that sales in the third-quarter accumulation (nine months) were down ¥6.3 billion (18.3%) compared with the same period of the previous year, to ¥28.0 billion. Operating income was ¥0.3 billion, compared with an operating loss of ¥0.0 billion in the same period of the previous year.

In addition, the Company announced that its Board of Directors, at their meeting held on November 19, 2009, has decided to begin negotiations with Japan Industrial Partners, Inc. (hereinafter, JIP), regarding the transfer of a majority of its holdings of the shares of the consolidated subsidiary Yamaha Livingtec Corporation, which is in charge of Yamaha's lifestyle-related products business, to JIP. The date scheduled for the transfer of shares is the end of March 2010.

Others

During the third quarter (three months), sales of this segment were up ¥1.1 billion (14.9%) compared with the same period of the previous year, to ¥8.4 billion.

By product, sales of automobile interior wood components began to recover. Sales of golf products also held firm in the Japanese market.

The operating income of this segment amounted to ¥0.5 billion compared with an operating loss of ¥0.9 billion for the same period of the previous year.

Sales in the third-quarter accumulation (nine months) posted a decline of ¥5.4 billion (20.4%) compared with the same period of the previous year, to ¥21.0 billion. Operating income amounted to ¥0.7 billion, compared with an operating loss of ¥0.4 billion for the same period of the previous year.

(2) Performance by Geographical Segment

During the third quarter (three months), sales in Japan amounted to ¥57.6 billion, a ¥4.0 billion (6.5%) decline compared with the same period of the previous year, and the operating income was ¥0.8 billion, a ¥0.6 billion (44.4%) decrease compared with the same period of the previous year. Sales in North America for the third quarter (three months) amounted to ¥15.3 billion, ¥0.3 billion (2.0%) lower than during the same period of the previous year, and operating income was ¥0.5 billion, ¥0.2 billion (67.2%) higher than for the same period of the previous year. Sales in Europe were ¥23.4 billion, ¥3.4 billion (12.7%) lower than for the same period of the previous year, and operating income amounted to ¥1.7 billion, ¥1.4 billion (44.6%) lower than for the same period of the previous year. Sales in Asia, Oceania, and other areas amounted to ¥16.2 billion, a ¥1.4 billion (9.3%) increase compared with the same period of the previous year, and operating income was ¥2.3 billion, which was ¥0.6 billion (39.1%) higher than for the same period of the previous year.

Note that during the third-quarter accumulation (nine months), sales in Japan amounted to ¥169.5 billion, ¥25.0 billion (12.9%) lower than during the same period of the previous year, and the operating loss for the period amounted to ¥1.9 billion, compared with operating income of ¥6.7 billion in the same period of the previous year. In North America, sales were ¥44.3 billion, representing a decline of ¥8.9 billion (16.7%) from the same period of the previous year, and operating income amounted to ¥1.8 billion, ¥0.4 billion (19.3%) lower than a year earlier. Sales in Europe totaled ¥57.7 billion, which was ¥15.0 billion (20.6%) lower than for the same period of the previous year, and operating income stood at ¥3.3 billion, ¥2.5 billion (43.0%) lower than for a year earlier. Sales in Asia, Oceania, and other areas posted a decrease of ¥3.6 billion (7.4%), compared with the same period a year earlier, to ¥45.4 billion, and operating income fell ¥1.2 billion (15.4%) compared with the same period of the prior year, to ¥6.5 billion.

(3) Sales by Region

The ratio of overseas sales to total sales for the third quarter (three months) increased 0.5 percentage points from the same period of the previous year, to 51.5%.

For the third-quarter accumulation (nine months), this ratio fell 1.3 percentage points, to 49.0%.

Japan

Sales in Japan for the third quarter (three months) decreased ¥3.6 billion (6.3%) compared with the same period of the previous year, to ¥54.6 billion. The decline in sales was due mainly to lower sales of lifestyle-related products and pianos.

Sales in the third-quarter accumulation (nine months) were down ¥21.8 billion (11.9%) from the same period in the previous year and amounted to ¥161.7 billion.

North America

Sales in North America for the third quarter (three months) decreased ¥0.1 billion (0.7%) from the same period of the previous year, to ¥15.6 billion. Although piano sales began to show signs of bottoming out, sales of audio products and wind instruments and other products declined. Foreign currency movements had negative impact on sales of about ¥0.9 billion. After excluding foreign currency factors, sales in this segment were higher approximately ¥0.8 billion compared with the same period of the previous year.

Sales in the third-quarter accumulation (nine months) showed a drop of ¥8.3 billion (15.5%) from the same period in the previous year and amounted to ¥45.0 billion. After excluding foreign currency factors, sales decreased about ¥3.6 billion from the same period in the previous year.

Europe

Sales in Europe for the third quarter (three months) declined ¥3.7 billion (13.6%) from the same period of the previous year, to ¥23.3 billion. Sales of portable keyboards and other products declined, owing to delayed market recovery. After excluding foreign currency factors, sales were down approximately ¥3.1 billion compared with the same period of the previous year.

Sales in the third-quarter accumulation (nine months) showed a decline of ¥16.6 billion (22.6%) from a year earlier, to ¥57.0 billion. After excluding foreign currency factors, sales were down about ¥7.6 billion from a year earlier.

Asia, Oceania, and Other Areas

Sales in these areas for the third quarter (three months) posted an increase of ¥1.1 billion (6.1%) from the same period of the previous year and amounted to ¥19.1 billion. Sales in China, principally sales of pianos, expanded partly due to economic recovery in that country. Sales in other areas held generally firm. Foreign currency movements had a negative impact of about ¥0.6 billion. After excluding foreign currency factors, sales increased approximately ¥1.6 billion compared with the same period of the previous year.

Sales in the third-quarter accumulation (nine months) recorded a decrease of ¥5.9 billion (10.0%) over the same quarter of the previous year, to ¥53.2 billion. Foreign currency movements had a negative impact of about ¥7.1 billion. After excluding foreign currency factors, sales posted an increase of about ¥1.2 billion.

2. Consolidated Financial Position

(1) Assets

Total assets increased ¥2.7 billion (0.6%) from the end of the previous fiscal year, to ¥411.6 billion.

Of this total, current assets increased ¥0.1 billion (rounding off to 0.0%), to ¥202.2 billion, and noncurrent assets increased ¥2.6 billion (1.3%), to ¥209.5 billion.

The increase in noncurrent assets was primarily due to valuation gains accompanying the increase in the market value of available-for-sale securities.

(2) Liabilities

Liabilities decreased ¥3.8 billion (2.4%) from the end of the previous fiscal year, to ¥153.3 billion.

Of this total, current liabilities fell ¥10.0 billion (11.1%), to ¥80.1 billion. In addition, noncurrent liabilities increased ¥6.2 billion (9.2%), to ¥73.2 billion.

The decline in current liabilities was mainly due to decreases in accounts payable—other and accrued expenses. The increase in noncurrent liabilities was primarily due to the increase in provision for retirement benefits.

(3) Net Assets

Net assets increased ¥6.5 billion (2.6%) from the end of the previous fiscal year, to ¥258.3 billion. This was due to a rise in valuation and translation adjustments owing to the increase in the market value of available-for-sale securities.

(4) Cash Flows

During the third quarter (three months), cash and cash equivalents (hereinafter, cash) increased ¥1.7 billion (compared with a decrease of ¥17.2 billion during the same period of the previous year), to a balance of ¥44.3 billion.

During the third-quarter accumulation (nine months), cash increased ¥2.4 billion (compared with a decrease of ¥60.5 billion during the same period of the previous year).

Net Cash Provided by (Used in) Operating Activities

During the third quarter (three months), cash provided by operating activities was ¥10.2 billion, (compared with cash used in operating activities of ¥2.7 billion during the same period of the previous year). This improvement in comparison with the same period of the previous year was due to lower income tax payments and a decrease in inventories during the third quarter (three months) versus an increase in inventories for the same period of the previous year.

Note that during the third-quarter accumulation (nine months) cash provided by operating activities was ¥22.9 billion, compared with cash used in operating activities of ¥17.5 billion in the same period of the previous year. The main cause of this change is that, in the third-quarter accumulation (nine months) of the previous fiscal year, there was an increase in inventories and payment of income taxes; on the other hand, in the third-quarter accumulation (nine months) of this fiscal year, inventories decreased and income taxes were refunded.

Net Cash Provided by (Used in) Investing Activities

During the third quarter (three months), cash used in investing activities decreased ¥1.1 billion, to ¥2.5 billion. This was mainly due to the decrease in payment for the purchase of noncurrent assets compared with the same period of the previous year.

Note that, during the third-quarter accumulation (nine months), cash used in investing activities decreased ¥6.2 billion, compared with the same period of the previous year, to ¥12.5 billion. This was mainly because of payment for the acquisition of the stocks of subsidiaries in the same period of the previous year that was accompanied by a change in the scope of consolidation.

Net Cash Provided by (Used in) Financing Activities

During the third quarter (three months), cash used in financing activities increased ¥0.2 billion, compared with the same period of the previous year, to ¥6.6 billion. This increase was mainly due to a larger net decrease in short-term loans payable.

Note that, during the third-quarter accumulation (nine months), cash used in financing activities amounted to ¥8.0 billion, which was ¥12.2 billion lower than for the same period of the previous year. This decrease was mainly due to a decrease of expenditures for purchasing treasury stocks.

3. Commentary Information on Consolidated Financial Forecast

Regarding the consolidated forecast for the full fiscal year ending March 31, 2010, after taking account of trends in performance through the third quarter and the business environment, the Company has reduced the forecast for net sales for the fiscal year to ¥413.0 billion. However, after considering the positive impact of reductions in manufacturing costs and selling, general and administrative expenses, the Company has retained its previously announced forecast for operating income of ¥6.0 billion. In addition, regarding ordinary income, in view of the prospects for declines in sales discounts accompanying the decrease in net sales, the improvement in the financial balance, and other factors, the Company has increased the forecast to ¥4.0 billion. However, since expenses that will give rise to deferred tax assets are expected to be lower than previously anticipated, deferred tax assets will decline and tax expenses will increase. As a result, the Company is now forecasting a net loss of ¥1.5 billion.

Consolidated Financial Forest for FY2010.3

(April 1, 2009 to March 31, 2010)

(Millions of yen, except per share figure)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)	Net Income (Loss) per Share (¥)
Previous forecast (A)	¥439,000	¥ 6,000	¥ 3,000	¥ 0	¥0.00
Revised forecast (B)	413,000	6,000	4,000	(1,500)	(7.61)
Change (B-A)	(26,000)	0	1,000	(1,500)	—
% change	(5.9)%	0.0%	33.3%	—%	—
Actual of the previous fiscal year (FY2009.3)	¥459,284	¥13,845	¥11,979	¥(20,615)	¥(103.73)

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 forecast presented here, depending on risks and uncertainty factors.

4. Others

- (a) Changes in the state of material subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (b) The adoption of simplified accounting methods and/or special accounting treatment for the quarterly consolidated financial statements:

Simplified accounting methods:

1. Method for evaluating inventories

In calculating the value of inventories on a consolidated basis at the end of the third quarter, the Company has omitted on-site inventory inspections and used methods deemed to be reasonable that are based on the value of inventories determined through on-site inspection at the end of the second quarter. In addition, for those inventories whose contribution to revenues and income has clearly diminished, the Company has adopted the method of estimating the net sale value of such inventories and reduced their book value to their net sale value.

2. Method for allocation of cost variances

As a result of the use of scheduled standard prices, etc., cost variances may arise. In the case that cost variances arise, the allocation of such cost variances to inventories and cost of sales was determined by major product using a simplified method compared with year-end annual closing work.

3. Method for calculating income taxes

The amount of corporate income tax, etc., to be paid was calculated by limiting the items to be added and subtracted, and items to be deducted from the tax amount to material items.

Special accounting treatment used in preparation of the quarterly consolidated financial statements: None

- (c) Changes in principles, procedures, and methods of presentation, etc., in the preparation of the quarterly consolidated financial statements:

1. Change in Accounting Standards for Construction Completions and Cost of Completed Construction

The Company has previously applied the completed-contract method for recognizing the revenues for construction contracts. However, beginning with the first quarter of the fiscal year ending March 31, 2010, accompanying the application of “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (ASBJ) Statement No. 15, issued by ASBJ on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, issued by ASBJ on December 27, 2007), the percentage-of-completion method has been applied for the construction work under contract that commenced in the first quarter of the fiscal year ending March 31, 2010, if the outcome of the construction activity is deemed certain during the course of the activity (based on the percentage of the cost incurred to the estimated total cost to estimate the percentage of completion of construction activity). Otherwise, the completed-contract method has been applied.

Please note that the effect of this change on profit and loss for the third-quarter accumulation (nine months) was not material.

2. Beginning with the first quarter of the fiscal year ending March 31, 2010, “Guidance on Determining a Subsidiary and an Affiliate” (ASBJ Guidance No. 22, issued by ASBJ on May 13, 2008) has been applied.

Please note that this change had no effect on profit or loss through the third quarter (nine months).

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Third quarter of FY2010.3 (as of December 31, 2009)	FY2009.3 (as of March 31, 2009)
ASSETS		
Current assets		
Cash and deposits	¥ 46,597	¥ 41,373
Notes and accounts receivable—trade	65,041	51,938
Short-term investment securities	870	1,280
Merchandise and finished goods	51,094	56,580
Work in process	14,563	13,526
Raw materials and supplies	8,814	10,588
Other	16,654	28,213
Allowance for doubtful accounts	(1,473)	(1,401)
Total current assets	<u>202,163</u>	<u>202,097</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	37,852	38,885
Machinery, equipment and vehicles, net	12,860	13,271
Tools, furniture and fixtures, net	9,105	9,925
Land	56,894	56,690
Lease assets, net	551	521
Construction in progress	6,230	8,318
Total property, plant and equipment	<u>123,496</u>	<u>127,613</u>
Intangible assets	3,306	3,596
Investments and other assets		
Investment securities	69,654	57,131
Other	14,152	19,690
Allowance for doubtful accounts	(1,142)	(1,155)
Total investments and other assets	<u>82,663</u>	<u>75,667</u>
Total noncurrent assets	<u>209,467</u>	<u>206,876</u>
Total assets	<u>¥411,630</u>	<u>¥408,974</u>

(Millions of yen)

	Third quarter of FY2010.3 (as of December 31, 2009)	FY2009.3 (as of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	¥ 26,711	¥ 25,625
Short-term loans payable	10,461	14,216
Current portion of long-term loans payable	823	1,483
Accounts payable—other and accrued expenses	27,314	34,012
Income taxes payable	2,269	2,090
Provision	5,262	6,701
Other	7,233	5,919
Total current liabilities	<u>80,077</u>	<u>90,050</u>
Noncurrent liabilities		
Long-term loans payable	5,444	3,491
Provision for retirement benefits	32,451	27,628
Other	35,342	35,963
Total noncurrent liabilities	<u>73,238</u>	<u>67,083</u>
Total liabilities	<u>153,316</u>	<u>157,133</u>
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	175,074	176,739
Treasury stock	(33)	(29)
Total shareholders' equity	<u>243,630</u>	<u>245,298</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	27,440	19,817
Deferred gains or losses on hedges	(21)	(394)
Revaluation reserve for land	18,769	18,769
Foreign currency translation adjustment	(34,288)	(34,495)
Total valuation and translation adjustments	<u>11,900</u>	<u>3,697</u>
Minority interests	<u>2,783</u>	<u>2,845</u>
Total net assets	<u>258,314</u>	<u>251,841</u>
Total liabilities and net assets	<u>¥411,630</u>	<u>¥408,974</u>

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

(2) Consolidated Statements of Operations**Accumulated Consolidated Results through the Third Quarter of FY2010.3**

(Millions of yen)

	Accumulated through the third quarter of FY2010.3 (April 1, 2009–December 31, 2009)	Accumulated through the third quarter of FY2009.3 (April 1, 2008–December 31, 2008)
Net sales	¥316,883	¥369,401
Cost of sales	203,433	226,315
Gross profit	113,449	143,086
Selling, general and administrative expenses	102,953	120,839
Operating income	10,495	22,246
Non-operating income		
Interest income	200	721
Dividends income	437	1,651
Other	1,010	850
Total non-operating income	1,647	3,222
Non-operating expenses		
Sales discounts	2,157	2,732
Other	1,200	1,719
Total non-operating expenses	3,357	4,452
Ordinary income	8,785	21,016
Extraordinary income		
Gain on sales of noncurrent assets	120	135
Reversal of provision for product warranties	101	146
Other	5	5
Total extraordinary income	227	286
Extraordinary loss		
Loss on retirement of noncurrent assets	252	525
Business structure improvement expenses	—	170
Loss on valuation of investment securities	125	—
Loss on valuation of stocks of subsidiaries and affiliates	145	154
Other	10	179
Total extraordinary losses	533	1,028
Income before income taxes and minority interests	8,479	20,274
Income taxes—current	2,618	3,794
Income taxes—deferred	2,556	6,925
Total income taxes	5,175	10,719
Minority interests in income	298	223
Net income	¥ 3,005	¥ 9,331

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

Consolidated Results for the Third Quarter of FY2010.3

(Millions of yen)

	Third quarter of FY2010.3 (October 1, 2009–December 31, 2009)	Third quarter of FY2009.3 (October 1, 2008–December 31, 2008)
Net sales	¥112,536	¥118,857
Cost of sales	71,800	70,859
Gross profit	40,735	47,998
Selling, general and administrative expenses	34,378	39,101
Operating income	6,356	8,896
Non-operating income		
Interest income	66	174
Dividends income	101	227
Other	316	33
Total non-operating income	485	434
Non-operating expenses		
Sales discounts	808	936
Other	95	680
Total non-operating expenses	904	1,617
Ordinary income	5,937	7,713
Extraordinary income		
Gain on sales of noncurrent assets	52	82
Reversal of provision for product warranties	4	10
Other	—	35
Total extraordinary income	56	127
Extraordinary loss		
Loss on retirement of noncurrent assets	113	156
Business structure improvement expenses	—	170
Loss on valuation of investment securities	13	—
Loss on valuation of stocks of subsidiaries and affiliates	—	154
Other	0	6
Total extraordinary losses	127	486
Income before income taxes and minority interests	5,866	7,354
Income taxes—current	879	(89)
Income taxes—deferred	1,037	2,398
Total income taxes	1,916	2,309
Minority interests in income	106	88
Net income	¥ 3,843	¥ 4,957

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

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Accumulated through the third quarter of FY2010.3 (April 1, 2009–December 31, 2009)	Accumulated through the third quarter of FY2009.3 (April 1, 2008–December 31, 2008)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	¥ 8,479	¥ 20,274
Depreciation and amortization	10,345	13,565
Decrease (Increase) in notes and accounts receivable—trade	(13,306)	(6,275)
Decrease (increase) in inventories	8,109	(15,595)
Increase (decrease) in notes and accounts payable—trade	858	(3,102)
Income taxes (paid) refund	5,019	(22,245)
Other, net	3,361	(4,108)
Net cash provided by (used in) operating activities	22,867	(17,487)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(10,881)	(13,861)
Proceeds from sales of property, plant and equipment	913	1,031
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(8,073)
Purchase of investment securities	—	(59)
Proceeds from sales and redemption of investment securities	5	3,015
Purchase of stocks of subsidiaries and affiliates	(847)	(630)
Other, net	(1,656)	(89)
Net cash provided by (used in) investing activities	(12,466)	(18,667)
Net cash provided by (used in) financing activities		
Net increase (decrease) increase in short-term loans payable	(3,176)	10,750
Proceeds from long-term loans payable	2,804	1,742
Repayment of long-term loans payable	(1,260)	(3,442)
Purchase of treasury stock	(3)	(18,031)
Cash dividends paid	(5,917)	(10,581)
Other, net	(421)	(614)
Net cash provided by (used in) financing activities	(7,975)	(20,176)
Effect of exchange rate change on cash and cash equivalents	10	(4,174)
Net increase (decrease) in cash and cash equivalents	2,435	(60,506)
Cash and cash equivalents at beginning of period	41,223	103,371
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,308	1,107
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(672)	(311)
Cash and cash equivalents at end of period	¥44,295	¥ 43,661

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

(4) Notes Regarding Assumptions as a Going Concern

None

(5) Segment Information**(a) Business Segments****Third quarter of FY2010.3 (October 1, 2009—December 31, 2009)**

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥71,359	¥17,356	¥5,330	¥10,131	¥8,358	¥112,536		¥112,536
Intersegment sales or transfers			147			147	(147)	
Total sales	¥71,359	¥17,356	¥5,477	¥10,131	¥8,358	¥112,683	¥(147)	¥112,536
Operating income	¥ 2,908	¥ 1,955	¥ 571	¥ 416	¥ 504	¥ 6,356		¥ 6,356

Third quarter of FY2009.3 (October 1, 2008—December 31, 2008)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥77,670	¥16,605	¥4,694	¥12,610	¥7,275	¥118,857		¥118,857
Intersegment sales or transfers			194			194	(194)	
Total sales	¥77,670	¥16,605	¥4,889	¥12,610	¥7,275	¥119,052	¥(194)	¥118,857
Operating income (loss)	¥ 8,498	¥ 1,128	¥ (388)	¥ 510	¥ (852)	¥ 8,896		¥ 8,896

Notes: 1. Business segments:

Segments are divided into the categories of musical instruments, AV/IT, electronic devices, lifestyle-related products, and others based on consideration of similarities of product type, characteristics, and market, etc.

2. Major products in each business segment:

Business Segment	Major Products and Services
Musical Instruments	Pianos, Digital musical instruments, Wind, string, and percussion instruments, Educational musical instruments, Professional audio equipment, Soundproof rooms, Music schools, English-language schools, Musical entertainment software, and Piano tuning
AV/IT	Audio products, Information and telecommunication equipment
Electronic Devices	Semiconductors
Lifestyle-Related Products	System kitchens, System bathrooms, Washstands
Others	Golf products, Automobile interior wood components, Factory automation equipment, Metallic molds and components, Accommodation and sports facilities

Accumulated through the third quarter of FY2010.3 (April 1, 2009—December 31, 2009)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥211,045	¥41,904	¥14,978	¥27,994	¥20,960	¥316,883		¥316,883
Intersegment sales or transfers			538			538	(538)	
Total sales	¥211,045	¥41,904	¥15,516	¥27,994	¥20,960	¥317,421	¥(538)	¥316,883
Operating income (loss)	¥ 7,798	¥ 1,929	¥ (230)	¥ 316	¥ 682	¥ 10,495		¥ 10,495

Accumulated through the third quarter of FY2009.3 (April 1, 2008—December 31, 2008)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥244,092	¥46,916	¥17,812	¥34,245	¥26,334	¥369,401		¥369,401
Intersegment sales or transfers			839			839	(839)	
Total sales	¥244,092	¥46,916	¥18,652	¥34,245	¥26,334	¥370,241	¥(839)	¥369,401
Operating income (loss)	¥ 22,334	¥ 1,346	¥ (989)	¥ (16)	¥ (429)	¥ 22,246		¥ 22,246

Notes: 1. Business segments:

Segments are divided into the categories of musical instruments, AV/IT, electronic devices, lifestyle-related products, and others based on consideration of similarities of product type, characteristics, and market, etc.

2. Major products in each business segment:

Business Segment	Major Products and Services
Musical Instruments	Pianos, Digital musical instruments, Wind, string, and percussion instruments, Educational musical instruments, Professional audio equipment, Soundproof rooms, Music schools, English-language schools, Musical entertainment software, and Piano tuning
AV/IT	Audio products, Information and telecommunication equipment
Electronic Devices	Semiconductors
Lifestyle-Related Products	System kitchens, System bathrooms, Washstands
Others	Golf products, Automobile interior wood components, Factory automation equipment, Metallic molds and components, Accommodation and sports facilities

(b) Geographical Segments

Third quarter of FY2010.3 (October 1, 2009—December 31, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥57,591	¥15,300	¥23,449	¥16,195	¥112,536		¥112,536
Intersegment sales or transfers	26,962	203	400	14,551	42,117	(42,117)	
Total sales	¥84,553	¥15,503	¥23,849	¥30,746	¥154,653	¥(42,117)	¥112,536
Operating income	¥ 812	¥ 452	¥ 1,690	¥ 2,299	¥ 5,255	¥ 1,101	¥ 6,356

Third quarter of FY2009.3 (October 1, 2008—December 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥61,583	¥15,616	¥26,846	¥14,810	¥118,857		¥118,857
Intersegment sales or transfers	37,261	346	387	17,636	55,632	(55,632)	
Total sales	¥98,844	¥15,963	¥27,234	¥32,447	¥174,489	¥(55,632)	¥118,857
Operating income	¥ 1,460	¥ 270	¥ 3,051	¥ 1,653	¥ 6,436	¥ 2,460	¥ 8,896

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, Republic of Korea, Australia

Accumulated through the third quarter of FY2010.3 (April 1, 2009—December 31, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥169,498	¥44,322	¥57,665	¥45,396	¥316,883		¥316,883
Intersegment sales or transfers	86,840	673	1,056	43,483	132,053	(132,053)	
Total sales	¥256,338	¥44,996	¥58,721	¥88,879	¥448,936	¥(132,053)	¥316,883
Operating income (loss)	¥ (1,948)	¥ 1,819	¥ 3,340	¥ 6,521	¥ 9,733	¥ 762	¥ 10,495

Accumulated through the third quarter of FY2009.3 (April 1, 2008—December 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥194,497	¥53,215	¥72,659	¥ 49,028	¥369,401		¥369,401
Intersegment sales or transfers	123,718	1,134	1,034	57,692	183,579	(183,579)	
Total sales	¥318,216	¥54,350	¥73,693	¥106,721	¥552,981	¥(183,579)	¥369,401
Operating income	¥ 6,605	¥ 2,255	¥ 5,857	¥ 7,706	¥ 22,424	¥ (177)	¥ 22,246

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, Republic of Korea, Australia

(c) Overseas Sales

Third quarter of FY2010.3 (October 1, 2009—December 31, 2009)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥15,566	¥23,279	¥19,126	¥ 57,971
Net sales				112,536
% of net sales	13.8%	20.7%	17.0%	51.5%

Third quarter of FY2009.3 (October 1, 2008—December 31, 2008)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥15,670	¥26,949	¥18,033	¥ 60,654
Net sales				118,857
% of net sales	13.2%	22.7%	15.2%	51.0%

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, Republic of Korea, Australia

Accumulated through the third quarter of FY2010.3 (April 1, 2009—December 31, 2009)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥44,950	¥56,971	¥53,219	¥155,141
Net sales				316,883
% of net sales	14.2%	18.0%	16.8%	49.0%

Accumulated through the third quarter of FY2009.3 (April 1, 2008—December 31, 2008)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥53,207	¥73,558	¥59,121	¥185,887
Net sales				369,401
% of net sales	14.4%	19.9%	16.0%	50.3%

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, Republic of Korea, Australia

(6) Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity**Accumulated through the third quarter of FY2010.3 (April 1, 2009—December 31, 2009)**

None