

**Analyst and Investor Briefing on  
the Third Quarter of FY2007.3\*  
(April 1 to December 31, 2006)**

**February 8, 2007  
YAMAHA CORPORATION**

**\*Fiscal year ending March 31, 2007**

# Overview of Performance in the Third Quarter



## Third Quarter Results

- Sales were lower than the projection announced October 31, while operating income was higher. Sales and operating income were both higher than the same quarter of the previous year.
- Strong sales of lifestyle-related products continued. Sales also exceeded projections for products such as automobile interior wood components, which began full-scale production, and magnesium molded parts for mobile phones, which benefited from large orders. However, sales were lower than expected in the key areas of musical instruments and AV, and overall sales were 1.3% lower than the October 31 projection.
- Overall sales were 1.9% higher than the same quarter of the previous year. This was due to growth in component sales and increased sales of musical instruments resulting from the strong euro and higher sales of professional audio equipment and wind instruments.
- Operating income from musical instruments exceeded both the October 31 projection and the figure for the same quarter of the previous year.

## Results for the First Three Quarters

- Over the first three quarters (April-December) sales and income both increased year-on-year, partly due to the impact of exchange rates. Musical instrument sales and income rose year-on-year, but income from electronic equipment and metal products fell considerably due to lower semiconductor sales and reduced gross profit margins.
- Discounting the effect of exchange rates, inventory at the end of the third quarter was lower than figures for the same quarter of the previous year, but higher than the previous projection.

# Business Performance in the Third Quarter



- Sales and income were up year-on-year
- Sales were lower than previous projections, while income was higher

(Billions of yen)

|  | FY2006.3<br>(3Q)<br>actual | FY2007.3<br>(3Q)<br>Actual | Change<br>from FY<br>2006.3 3Q | Previous<br>projections<br>(Oct. 31, 2006) | Change from<br>previous<br>projections |
|--|----------------------------|----------------------------|--------------------------------|--|--|
| Net sales                                    | 149.2                      | 152.0                      | + 1.9%                         | 154.0                                      | - 1.3%                                 |
| Operating income<br>(Operating income ratio) | 11.5                       | 13.0<br>(8.6%)             | + 13.9%                        | 11.2                                       | + 17.0%                                |
| Recurring profit<br>(recurring profit ratio) | 14.2                       | 15.5<br>(10.2%)            | + 9.9%                         | 13.1                                       | + 19.1%                                |
| Net income<br>(net income ratio)             | 10.9                       | 12.5<br>(8.2%)             | + 13.8%                        | 9.0  | + 37.8%                                |
| Equity method income                         | 3.9                        | 3.6                        |                                | 3.4  |  |

## Currency exchange rates

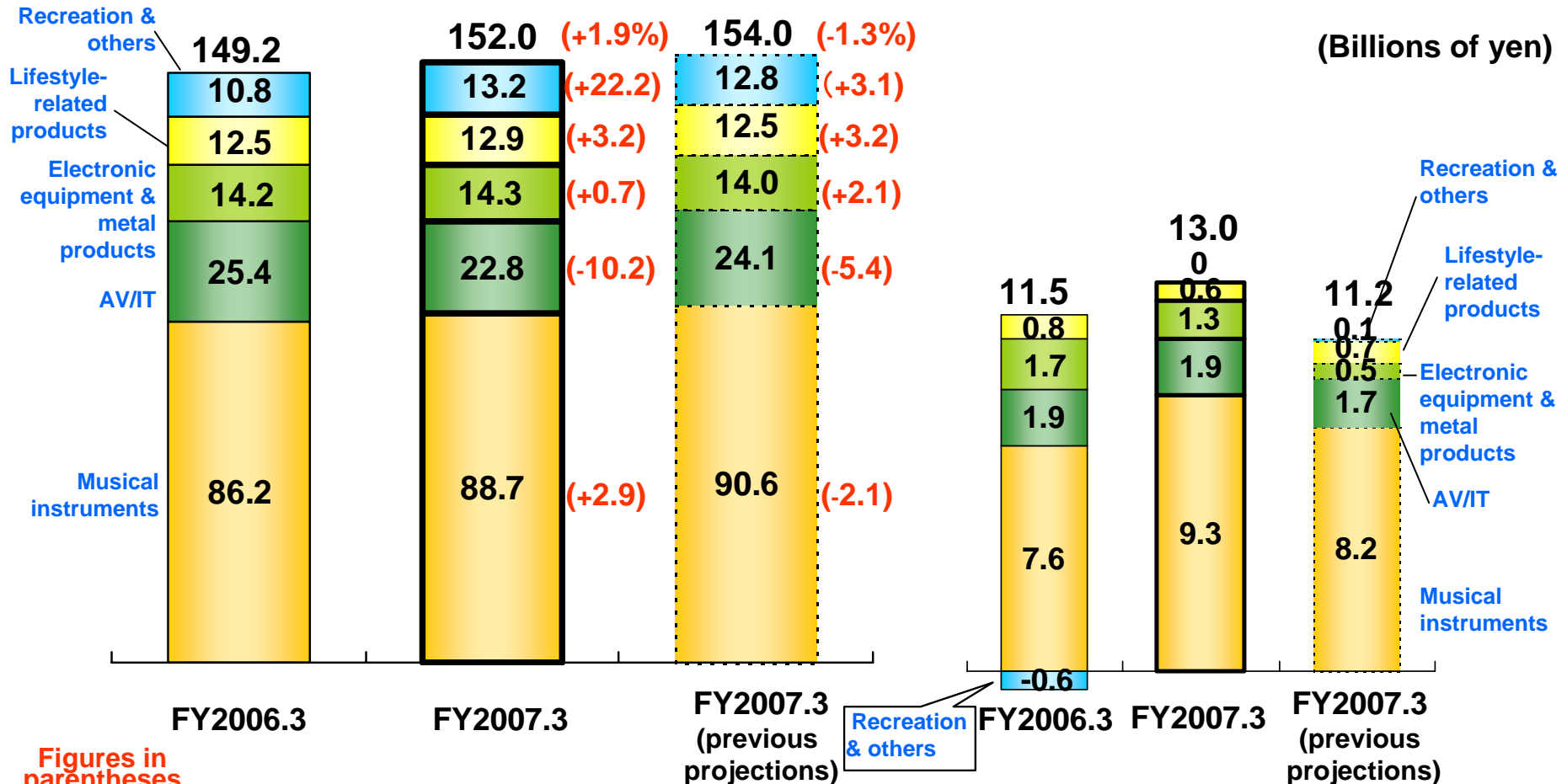
|                  |      |     |     |     |
|------------------|------|-----|-----|-----|
| Net sales        | US\$ | 117 | 118 | 115 |
|                  | EUR  | 139 | 152 | 141 |
| Operating Income | US\$ | 116 | 117 | 115 |
|                  | EUR  | 135 | 146 | 141 |

# Performance by Business Segment in the Third Quarter



## Net Sales

## Operating Income



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year: + ¥3.7 billion  
 (musical instruments + ¥2.7 billion, AV/IT + ¥1.0 billion)  
 Versus previous projections: + ¥4.1 billion (musical instruments + ¥3.1 billion, AV/IT + 1.0 billion)

**Impact of exchange rates**  
 Year-on-year: + ¥1.7 billion  
 (musical instruments + ¥1.3 billion, AV/IT + ¥0.4 billion)  
 Versus previous projections: + ¥0.9 billion  
 (musical instruments + ¥0.8 billion, AV/IT + 0.1 billion)

# Forecast for Business Performance in the Fourth Quarter



➤ Sales and operating income in the fourth quarter are forecast to be lower than previous projections

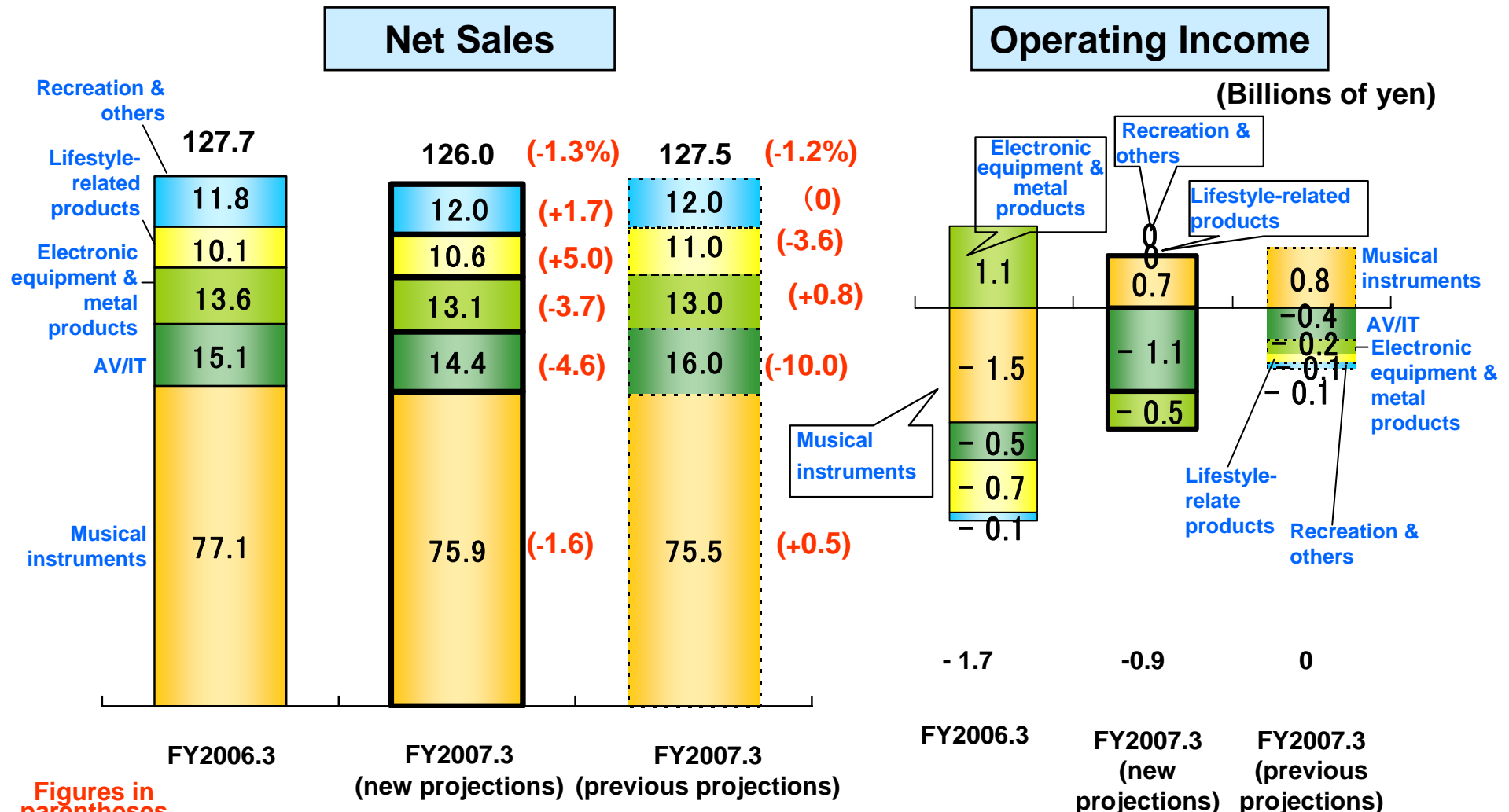
(Billions of yen)

|  | FY2006.3<br>(4Q)<br>actual | FY2007.3<br>(4Q)<br>(projections) | Change from<br>FY2006.3 4Q | Previous<br>projections<br>(Oct. 31, 2006) | Change from<br>previous<br>projections |
|--|----------------------------|-----------------------------------|----------------------------|--|--|
| Net sales                                    | 127.7                      | 126.0                             | - 1.3%                     | 127.5                                      | - 1.2%                                 |
| Operating income<br>(Operating income ratio) | - 1.7                      | - 0.9                             | -                          | 0  | -                                      |
| Recurring profit<br>(recurring profit ratio) | - 0.3                      | 2.5                               | -                          | 2.0  | -                                      |
| Net income<br>(net income ratio)             | 0.7                        | 0.6                               | - 14.3%                    | 1.5  | - 60.0%                                |
| Equity method income                         | 2.4                        | 4.0                               |                            | 3.7  |  |

## Currency exchange rates

|                     |      |     |     |     |
|---------------------|------|-----|-----|-----|
| Net sales           | US\$ | 117 | 115 | 115 |
|                     | EUR  | 141 | 148 | 141 |
| Operating<br>Income | US\$ | 117 | 115 | 115 |
|                     | EUR  | 138 | 148 | 141 |

# Forecast for Performance by Business Segment in the Fourth Quarter



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year: - ¥0.1 billion  
 (musical instruments - ¥0.2 billion, AV/IT + ¥0.1 billion)  
 Versus previous projections: + ¥0.7 billion  
 (musical instruments + ¥0.5 billion, AV/IT + 0.2 billion)

**Impact of exchange rates**  
 Year-on-year: + ¥0.7 billion  
 (musical instruments + ¥0.4 billion, AV/IT + ¥0.3 billion)  
 Versus previous projections: + ¥0.5 billion  
 (musical instruments + ¥0.4 billion, AV/IT + 0.1 billion)

# Forecast for Business Performance in 2007.3



➤ Estimated 4Q exchange rates: US\$=¥115 EUR=¥148 (Only EUR estimate has changed, from ¥141 to ¥148)

➤ Full-year projection for sales is lower than previous projections, while that for income is higher

(Billions of yen)

(%)

|                  | 1Q-3Q actual   | 4Q projections | FY2007.3 (new projections) | FY2007.3 (previous projections) | FY2006.3 actual | Change from previous projections | Change from previous year results |
|------------------|----------------|----------------|----------------------------|---------------------------------|-----------------|----------------------------------|-----------------------------------|
| Net sales        | 416.5          | 126.0          | 542.5                      | 546.0                           | 534.1           | - 0.6%                           | +1.6%                             |
| Operating income | 26.9<br>(6.5%) | - 0.9          | 26.0<br>(4.8%)             | 25.0<br>(4.6%)                  | 24.1<br>(4.5%)  | +4.0%                            | +7.9%                             |
| Recurring profit | 38.5<br>(9.2%) | 2.5            | 41.0<br>(7.6%)             | 38.0<br>(7.0%)                  | 35.2<br>(6.6%)  | +7.9%                            | +16.5%                            |
| Net income       | 29.9<br>(7.2%) | 0.6            | 30.5<br>(5.6%)             | 29.0<br>(5.3%)                  | 28.1<br>(5.3%)  | +5.2%                            | +8.5%                             |

Equity method income

13.8

4.0

17.8

17.3

14.8

Currency exchange rates

1Q-3Q actual

4Q projections

FY2007.3 (new projections)

FY2007.3 (previous projections)

FY2006.3 actual

Net sales

US\$

116

115

116

115

113

EUR

148

148

148

143

138

Operating Income

US\$

116

115

116

115

113

EUR

142

148

143

141

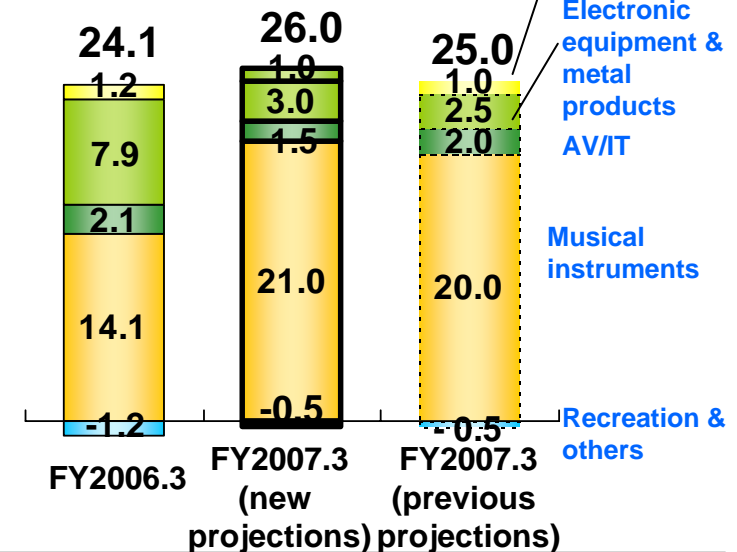
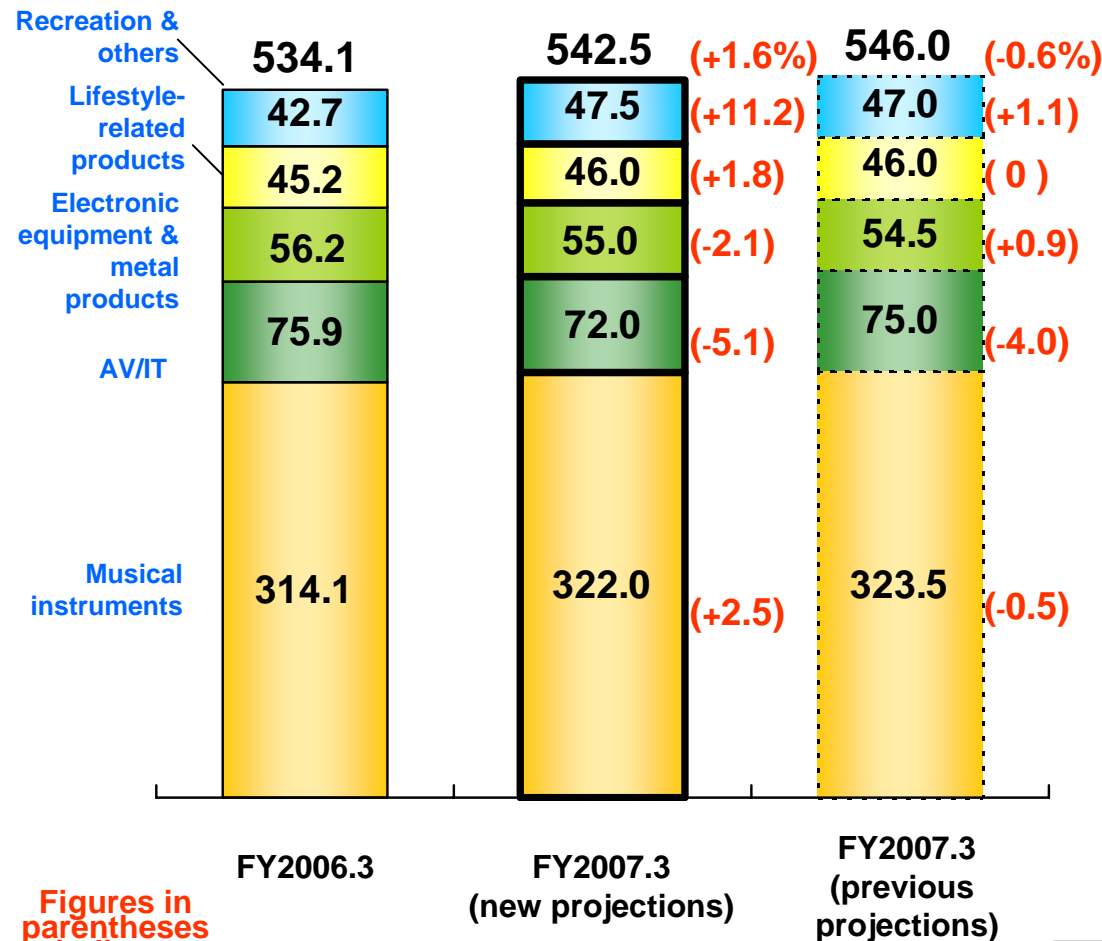
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# FY2007.3 Full Year Forecast for Performance by Segment YAMAHA

## Net Sales

## Operating Income

(Billions of yen)



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year: + ¥11.3 billion  
 (musical instruments + ¥8.4 billion, AV/IT + ¥2.8 billion)  
 Versus previous projections: + ¥4.9 billion  
 (musical instruments + ¥3.6 billion, AV/IT + 1.2 billion)

**Impact of exchange rates**  
 Year-on-year: + ¥5.0 billion  
 (musical instruments + ¥4.2 billion, AV/IT + ¥0.9 billion, electronic equipment & metal products - ¥0.1 billion)  
 Versus previous projections: + ¥1.4 billion (musical instruments + ¥1.2 billion, AV/IT + 0.2 billion)



# Musical Instruments

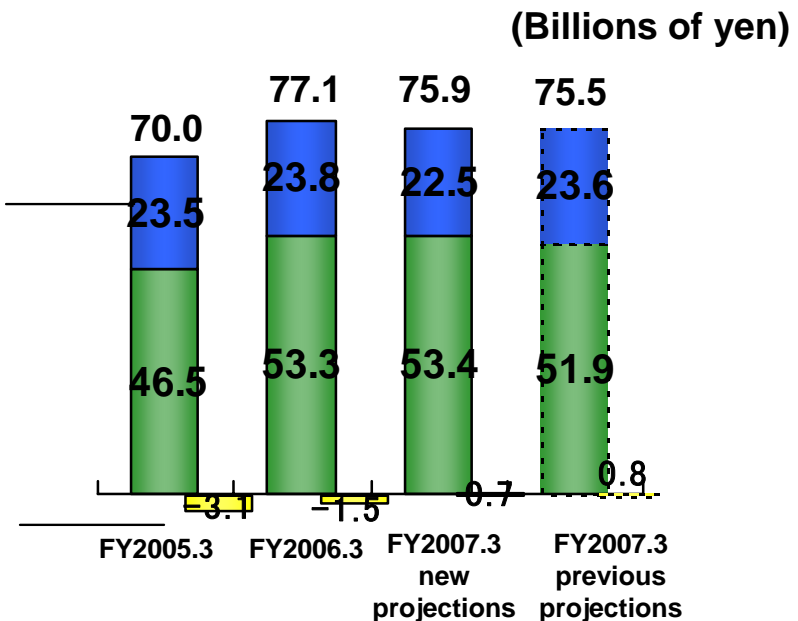
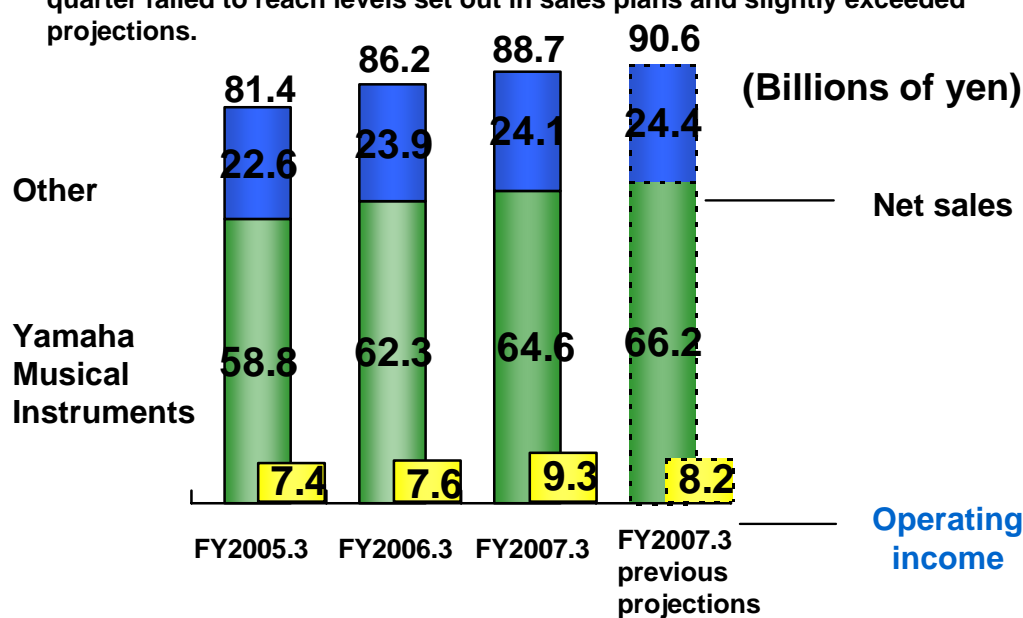


## 3Q Overview

- Sales and income rose year-on-year, partly due to the weaker yen.
- Discounting the effect of exchange rates, actual 3Q sales were around the same level as the previous year. Professional audio equipment sales grew, especially in Europe and the U.S. Shipments of wind instruments were made as scheduled.
- Actual sales were 5.5% lower than projected figures. Sales in the American market were down, especially for pianos.
- Excluding Electones™, Japan sales were at the same level as 3Q of the previous year.
- Strong sales continued in Korea. Shipments to China and Latin America were also steady.
- In spite of materials price hikes, operating income increased year-on-year and exceeded projections due to favorable exchange rates and other factors including the effects of cost-cutting measures.
- Discounting the effect of exchange rates, inventory at the end of the third quarter failed to reach levels set out in sales plans and slightly exceeded projections.

## 4Q Projections and Priority Policies

- Excluding the effect of exchange rate fluctuations, actual 4Q sales are expected to be in line with previous projections.
- However, operating income is expected to be slightly lower than previous projections.
- Push ahead with growth strategy:
  - Professional audio equipment, emerging markets
  - High-added-value products
- Revitalize Japanese market (focus on attracting music school students).
- Strengthen production capacity in Hangzhou and Indonesia.
- Smoothly wind down production at plants earmarked for closure: Kaohsiung and two plants in U.S.

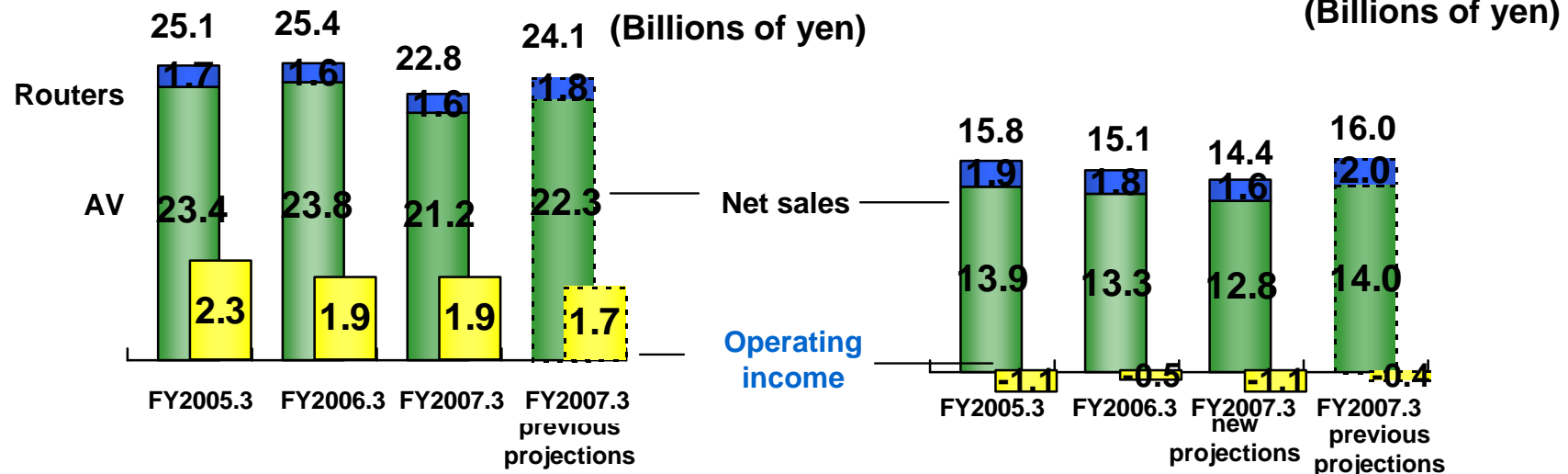


## 3Q Overview

- Sales fell and operating income declined slightly year-on-year.
- Actual 3Q sales were 14.6% lower than those in the previous year (10% lower than previous projections).
- Although year-end sales in Europe were at the same level as the previous year, they declined in North America. Japan continued to languish. Sales of on-line karaoke equipment fell significantly year-on-year.
- High expectations for “YSP” were met, with sales over the first three quarters (April – December) increasing 38% year-on-year to ¥5.4 billion (76,500 units).
- Operating income declined slightly year-on-year, but the fall was alleviated by currency exchange gains associated with the weaker yen, while it was higher than previous projections.
- Inventory at the end of 3Q was higher than in the previous year and exceeded projections.

## 4Q Projections and Priority Policies

- 4Q sales and income projections were revised downward.
- Smooth market launch of new AV products ready for spring demand.
- Expand “YSP” business.
- Reinforce 2-channel Hi-Fi business.
- Move ahead with development of next-generation models of on-line karaoke equipment.
- Raise awareness of IP conferencing systems and develop sales channels.



# Electronic Equipment & Metal Products

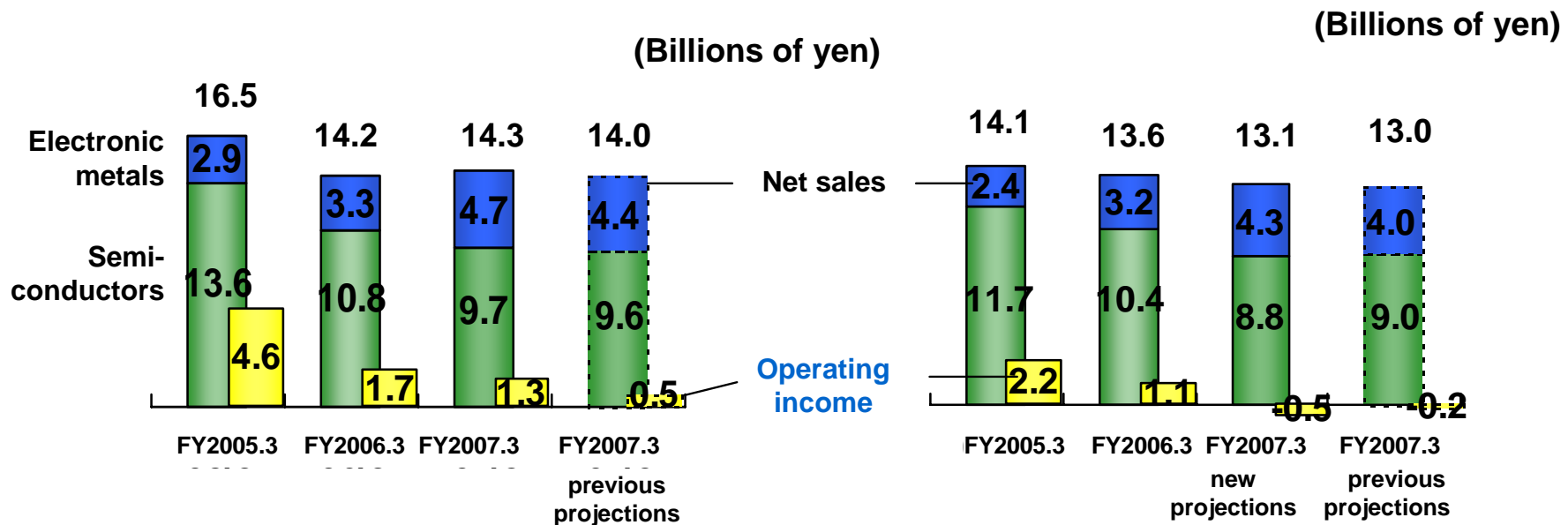


## 3Q Overview

- Sales increased year-on-year, while income declined. Sales and income were both higher than previous projections.
- In semiconductor business, sales declined year-on-year due to weaker demand for LSI sound chips for mobile phones. As a result, operating income fell by half.
- In electronic metals business, passing on of costs associated with higher materials prices resulted in a large rise in sales year-on-year.

## 4Q Projections and Priority Policies

- Downward revision of 4Q operating income projection.
- Unit prices for LSI sound chips for mobile phones continue to fall. Maintain share with increased sales of products with advanced functions.
- Increase sales of LSI chips for pachinko machines, digital amplifiers and rearview monitor for vehicle use.
- Develop new devices and expand customer base.
- Declining orders for semiconductor products are a concern in the electronic metals business. Secure profitability by reducing manufacturing costs and improving yields.



# Lifestyle-related Products



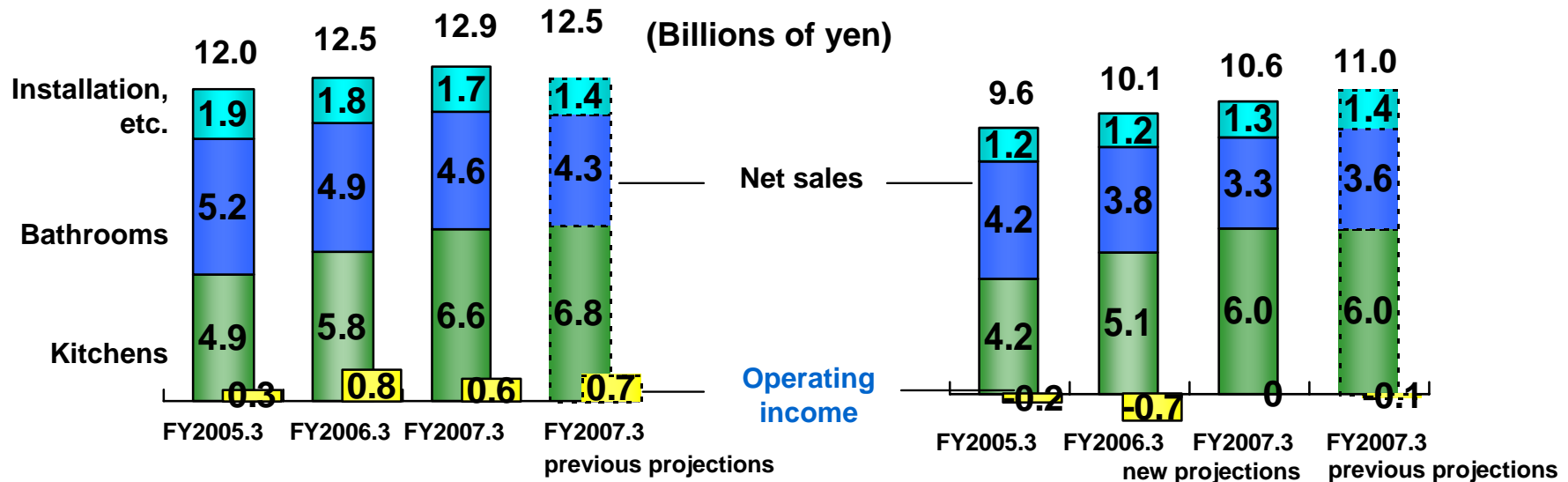
## 3Q Overview

- Sales rose and income fell, both year-on-year and against projections.
- System kitchen sales remained strong thanks to the success of the marble products strategy. Share in the system bathroom market fell as price competition heated up.
- By channel, sales to new home builders and housing companies were robust, while the remodeling sector was sluggish.
- Operating income was lower than both last year's figures and previous projections due to reduced gross profit margins associated with lower unit prices for system bathroom products and higher prices for resin and other materials.

## 4Q Projections and Priority Policies

- 4Q sales are expected to be lower than previous projections, while operating income is expected to be slightly higher.
- Increase sales of competitive system kitchen products.
- Enhance showroom functions and reinforce remodeling business strategy.
- Boost cost competitiveness by further promoting manufacturing reforms.

(Billions of yen)



# Recreation

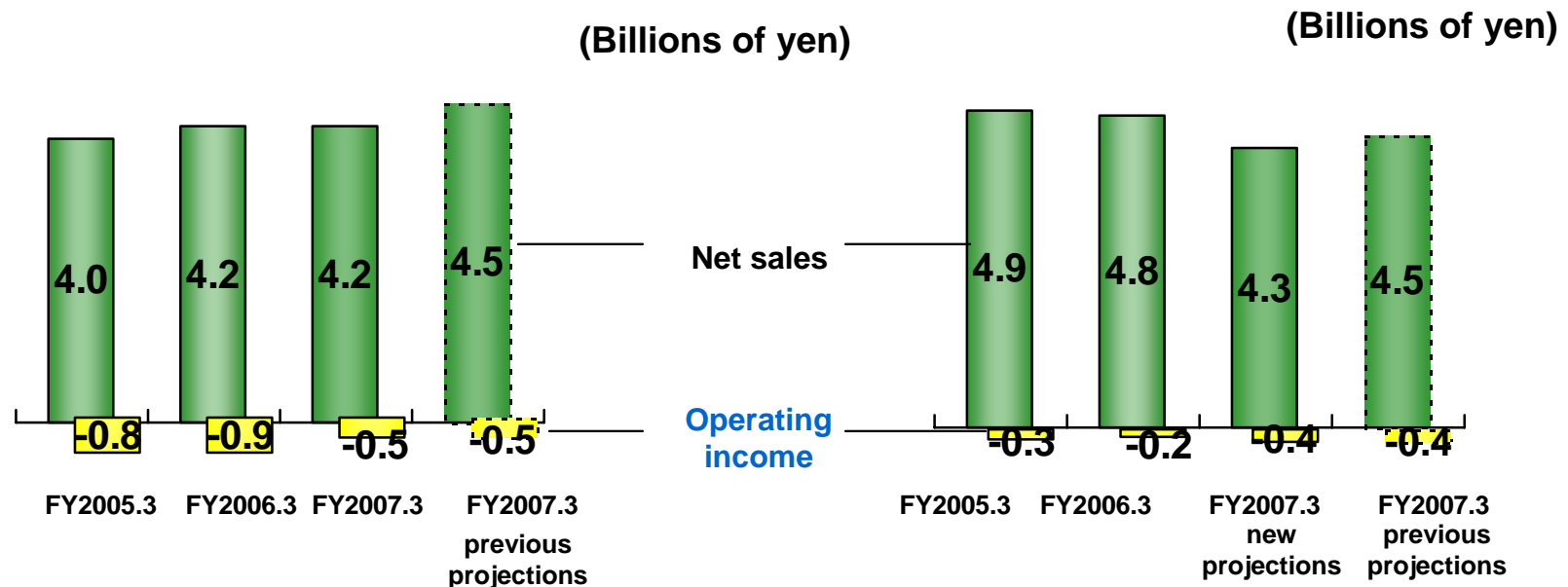


## 3Q Overview

- 3Q sales were at the same level as the previous year, but lower than previous projections.
- Operating income was ¥0.4 billion higher than the same quarter of the previous year, due to lower depreciation costs and the absence of the previous year's expenses for slope upgrades at the Kiroro ski resort.

## 4Q Projections and Priority Policies

- 4Q sales are expected to be lower than previous projections. Income projections remain unchanged.
- Attracting visitors to the Kiroro ski resort is a key focus.
- Boost profitability at all facilities by making the most of special features to attract guests and further improving operating efficiency.



# Others

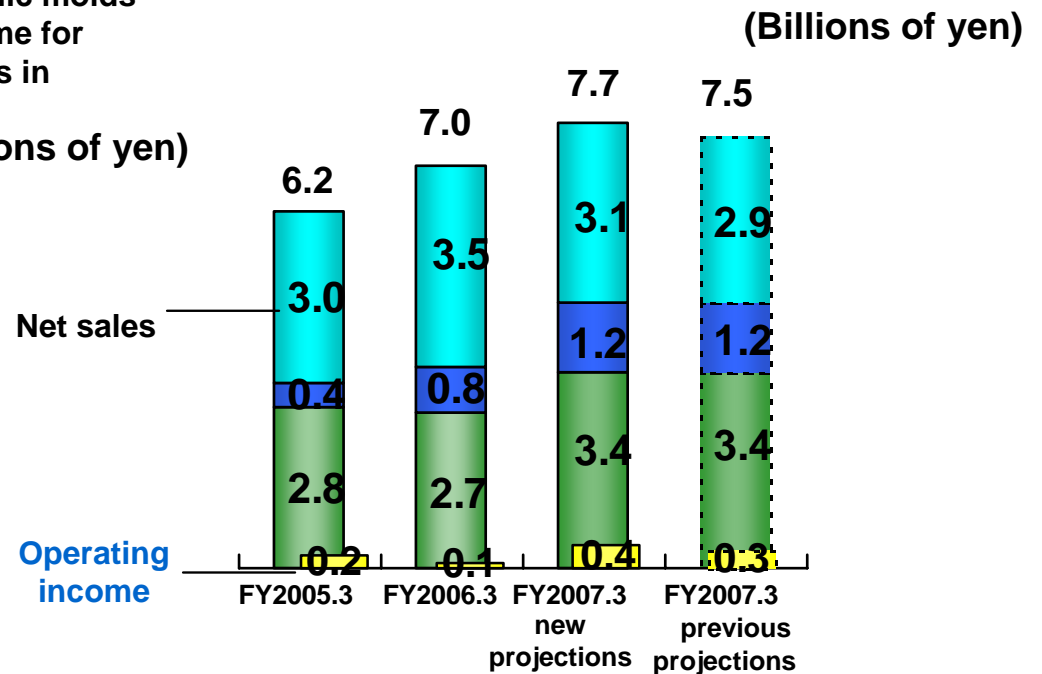
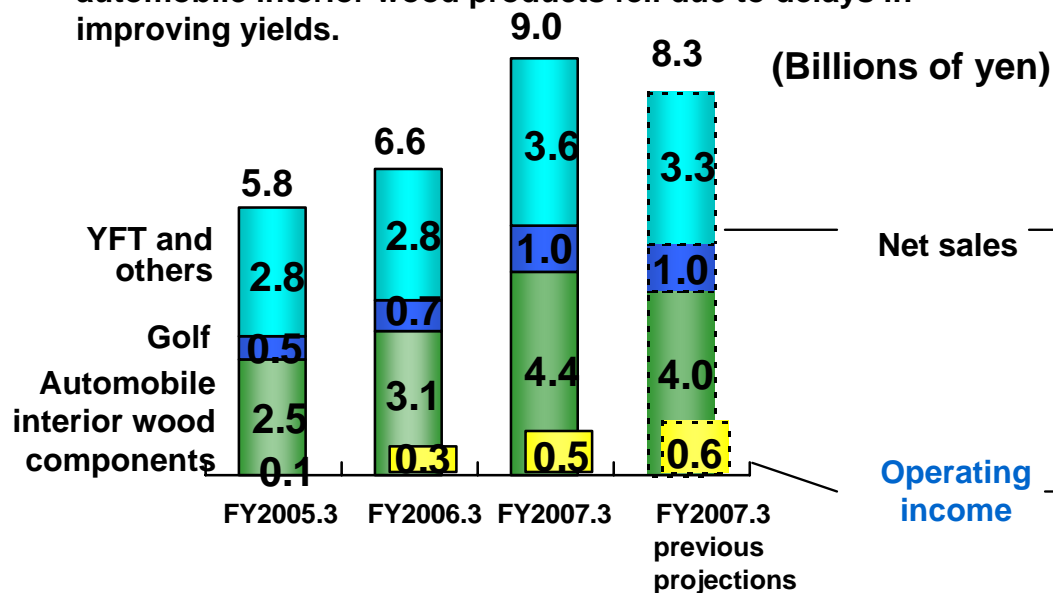


## 3Q Overview

- Sales for the segment as a whole rose both year-on-year and against previous projections.
- Sales of automobile interior wood components increased both year-on-year and against projections, thanks to full-scale production of new models that had earlier been postponed.
- In metallic molds and components business, production of both magnesium molded parts for mobile phones and plastic parts for video game equipment increased.
- Operating income rose year-on-year for both metallic molds and components and golf products. However, income for automobile interior wood products fell due to delays in improving yields.

## 4Q Projections and Priority Policies

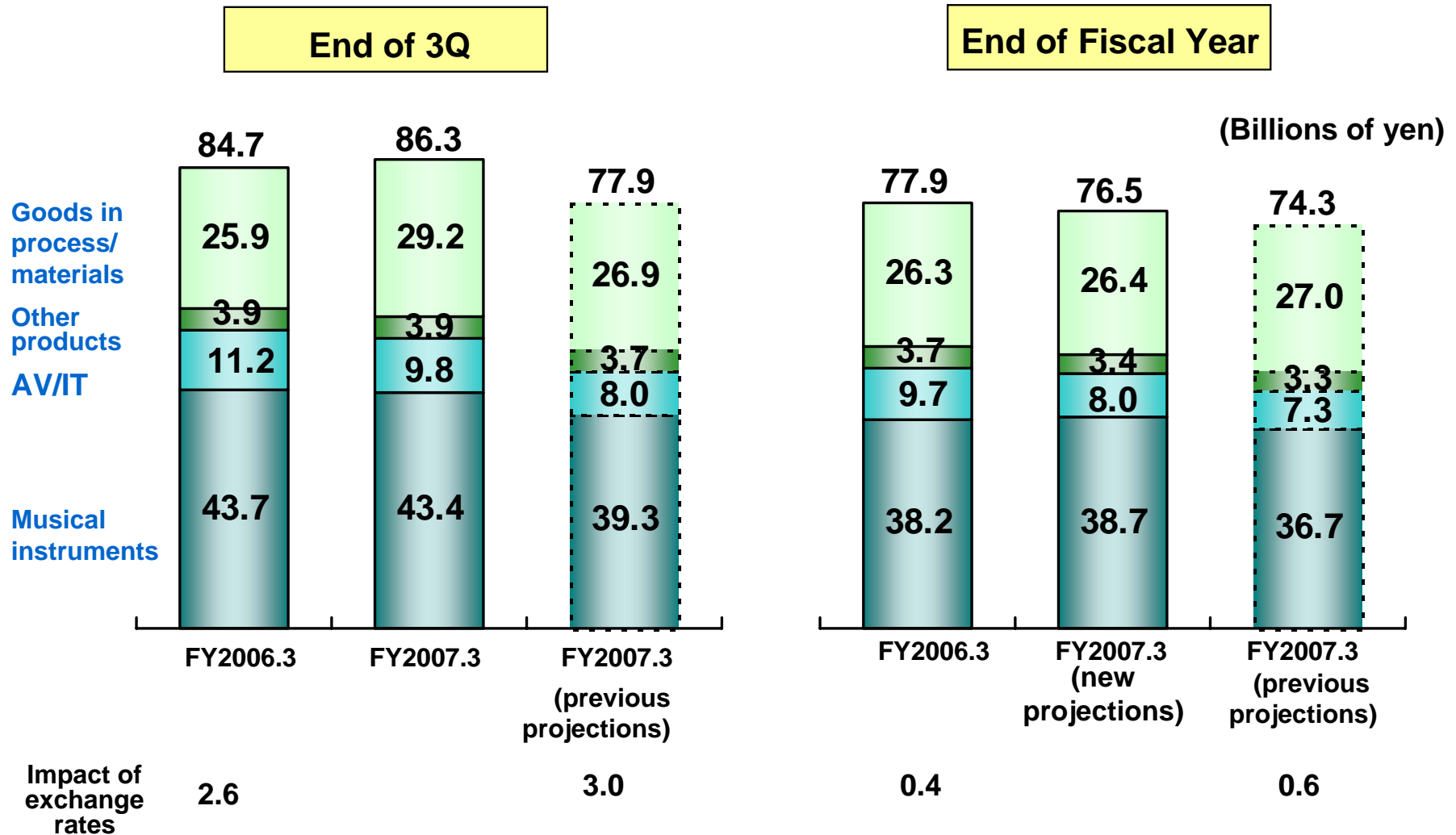
- 4Q sales are forecast to be higher than both the previous year's 4Q results and projections. Production of magnesium molded parts will increase significantly.
- For both magnesium molded parts and automobile interior wood components, key focuses are flexible production, lower manufacturing costs and improved yields.



# Inventories



- Discounting the effect of exchange rates, inventories at the end of 3Q were ¥1 billion lower than the same quarter of the previous year. (Finished product inventories were ¥3.9 billion lower)
- They were ¥4.4 billion higher than previous projections due to increases in unsold products, goods in process and materials.





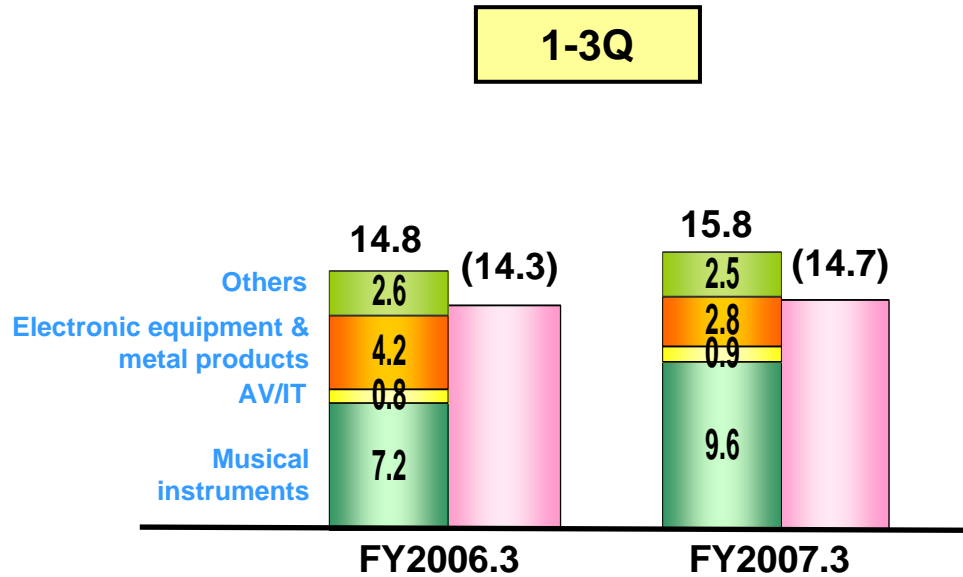


# Appendix

# Capital Expenditure/Depreciation/R&D Expenses

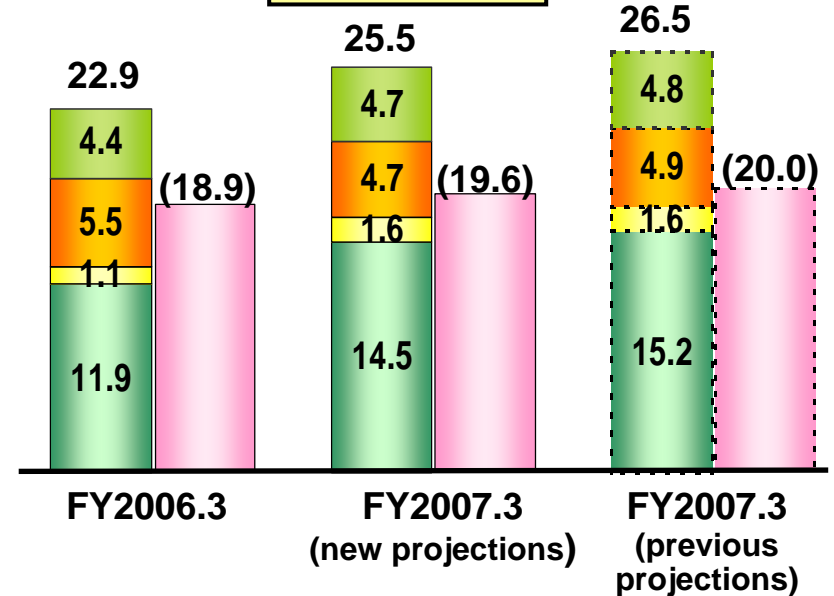
## Capital Expenditure/Depreciation

1-3Q

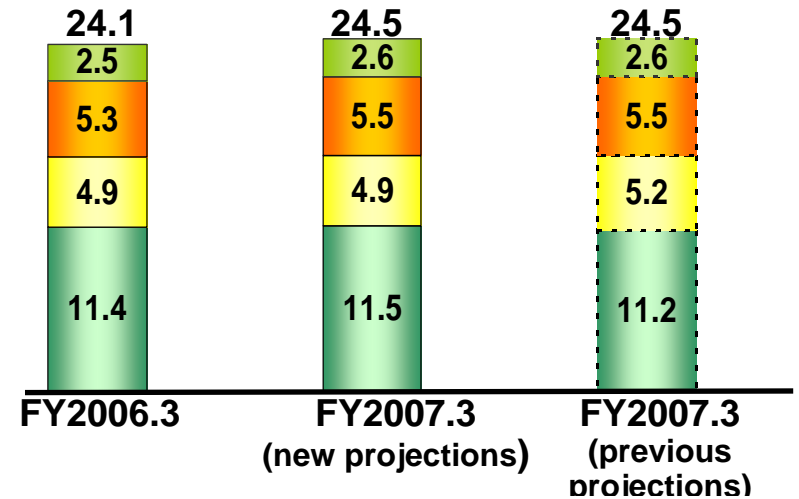
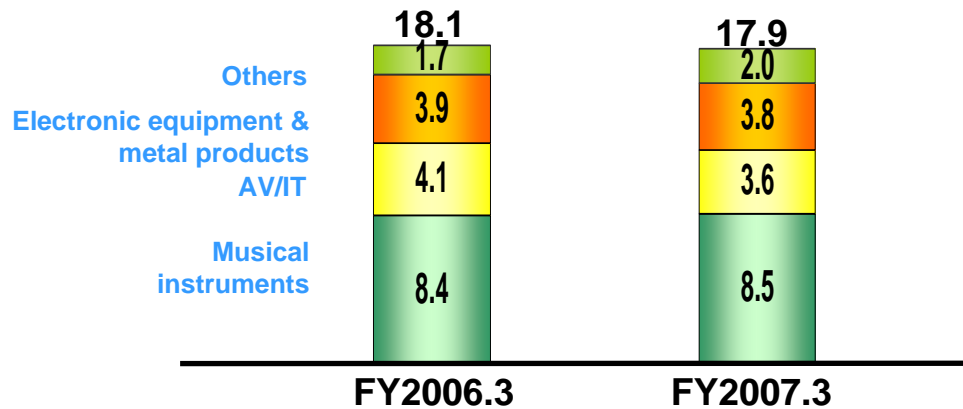


Full Year

(Billions of yen)



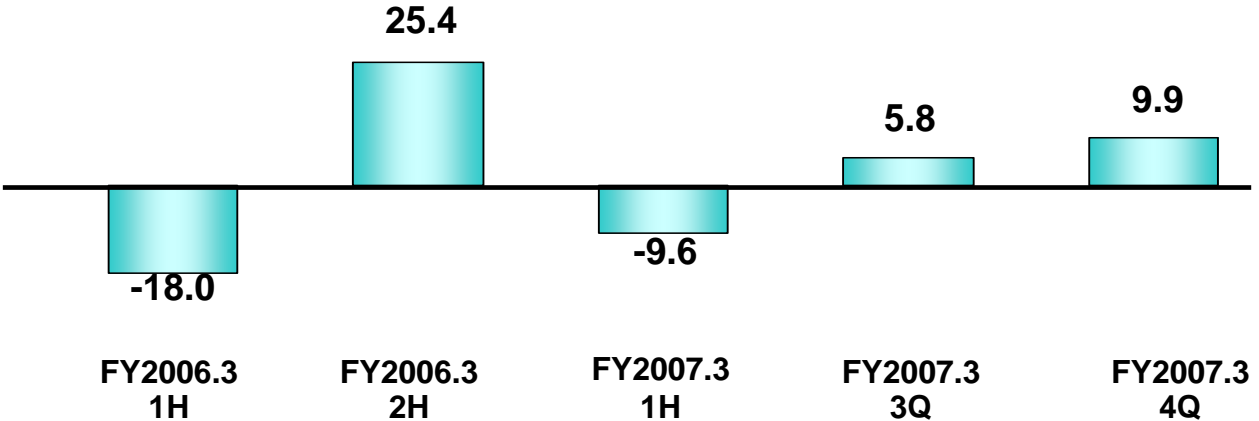
## R&D Expenditure



# Interest-bearing Liabilities (Actual Balance)

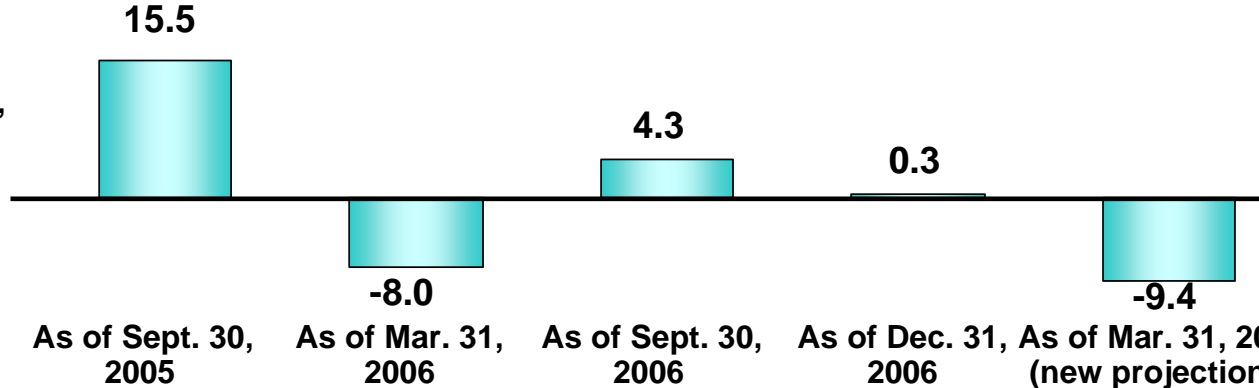
(Billions of yen)

**Free Cash Flows**



**Interest-bearing Liabilities**

Long- and short-term borrowings, less cash and deposits



Not included in above:

**Balance of resort security deposits**

|                      |      |                     |      |                      |      |                     |      |                                       |      |
|----------------------|------|---------------------|------|----------------------|------|---------------------|------|---------------------------------------|------|
| As of Sept. 30, 2005 | 28.0 | As of Mar. 31, 2006 | 27.6 | As of Sept. 30, 2006 | 27.0 | As of Dec. 31, 2006 | 26.8 | As of Mar. 31, 2007 (new projections) | 26.5 |
|----------------------|------|---------------------|------|----------------------|------|---------------------|------|---------------------------------------|------|

# Balance Sheet Summary



(Billions of yen)

|   | As of end of 3Q        |                        |             | Full Year              |                        |             |
|---|------------------------|------------------------|-------------|------------------------|------------------------|-------------|
|   | As of Dec. 31,<br>2005 | As of Dec. 31,<br>2006 | Change      | As of Mar. 31,<br>2006 | As of Mar. 31,<br>2007 | Change      |
| Cash and bank deposits                  | 30.0                   | 34.9                   | 4.9         | 36.4                   | 34.5                   | - 1.9       |
| Accounts & notes receivable             | 88.6                   | 89.8                   | 1.2         | 70.3                   | 76.0                   | 5.7         |
| Inventories                             | 84.7                   | 86.3                   | 1.6         | 77.9                   | 76.5                   | - 1.4       |
| Other current assets                    | 24.9                   | 26.6                   | 1.7         | 24.8                   | 23.9                   | - 0.9       |
| Fixed assets                            | 303.3                  | 323.7                  | 20.4        | 310.6                  | 330.1                  | 19.5        |
| <b>Total assets</b>                     | <b>531.5</b>           | <b>561.3</b>           | <b>29.8</b> | <b>520.0</b>           | <b>541.0</b>           | <b>21.0</b> |
| Accounts & notes payable                | 40.4                   | 42.5                   | 2.1         | 37.2                   | 37.5                   | 0.3         |
| Short- and long-term borrowings         | 43.6                   | 35.2                   | - 8.4       | 28.5                   | 25.1                   | - 3.4       |
| Other liabilities                       | 127.6                  | 131.4                  | 3.8         | 133.8                  | 131.0                  | - 2.8       |
| Total net assets                        | 319.9                  | 352.2                  | 32.3        | 320.5                  | 347.4                  | 26.9        |
| <b>Total liabilities and net assets</b> | <b>531.5</b>           | <b>561.3</b>           | <b>29.8</b> | <b>520.0</b>           | <b>541.0</b>           | <b>21.0</b> |

# Third Quarter Non-operating Income/Loss & Extraordinary Income/Loss



|   | FY2006.3 (3Q)<br>results | FY2007.3 (3Q)<br>results | FY2007.3 (3Q) previous<br>projections |
|---|--------------------------|--------------------------|---------------------------------------|
|   |                          |                          | (Billions of yen)                     |
| <b>Non-operating income (loss)</b>              |                          |                          |                                       |
| Equity method income                            | 3.9                      | 3.6                      | 3.4                                   |
| Net financial income (loss)                     | - 0.1                    | - 0.1                    | - 0.2                                 |
| Other   | - 1.1                    | - 1.0                    | - 1.3                                 |
| <b>Total</b>                                    | <b>+ 2.7</b>             | <b>+ 2.5</b>             | <b>+ 1.9</b>                          |
| <b>Extraordinary income/loss</b>                |                          |                          |                                       |
| Income from (loss on) disposal of fixed assets  | - 0.2                    | 0                        | - 0.2                                 |
| Other   | 0.1                      | - 0.1                    | - 0.2                                 |
| <b>Total</b>                                    | <b>- 0.1</b>             | <b>- 0.1</b>             | <b>- 0.4</b>                          |
| <b>Corporate income tax and other expenses</b>  |                          |                          |                                       |
| Corporate income tax, etc.                      | 3.1                      | 2.9                      | 3.6                                   |
| Minority interests in consolidated subsidiaries | 0.1                      | 0.2                      | 0.1                                   |
| <b>Total</b>                                    | <b>3.2</b>               | <b>3.1</b>               | <b>3.7</b>                            |

# Full-year Non-operating Income/Loss & Extraordinary Income/Loss



|   | FY2006.3<br>results | FY2007.3 new<br>projections | FY2007.3 previous<br>projections |
|---|---------------------|-----------------------------|----------------------------------|
| (Billions of yen)                               |                     |                             |                                  |
| <b>Non-operating income (loss)</b>              |                     |                             |                                  |
| Equity method income                            | 14.8                | 17.8                        | 17.3                             |
| Net financial income (loss)                     | - 0.2               | - 0.1                       | - 0.2                            |
| Other   | - 3.5               | - 2.7                       | - 4.1                            |
| <b>Total</b>                                    | <b>+ 11.1</b>       | <b>+ 15.0</b>               | <b>+13.0</b>                     |
| <b>Extraordinary income/loss</b>                |                     |                             |                                  |
| Income from (loss on) disposal of fixed assets  | - 0.2               | - 0.9                       | - 0.6                            |
| Other   | 0.8                 | - 3.1                       | - 1.4                            |
| <b>Total</b>                                    | <b>+ 0.6</b>        | <b>- 4.0</b>                | <b>- 2.0</b>                     |
| <b>Corporate income tax and other expenses</b>  |                     |                             |                                  |
| Corporate income tax, etc.                      | 7.2                 | 5.9                         | 6.5                              |
| Minority interests in consolidated subsidiaries | 0.5                 | 0.6                         | 0.5                              |
| <b>Total</b>                                    | <b>7.7</b>          | <b>6.5</b>                  | <b>7.0</b>                       |

• Gain on sales of investment securities: 0.6

• Dissolution of Kaohsiung Yamaha: (1.6)  
• Dissolution of N. American plants: (1.3)

• Expenses associated with dissolution of Kaohsiung Yamaha (1.7)

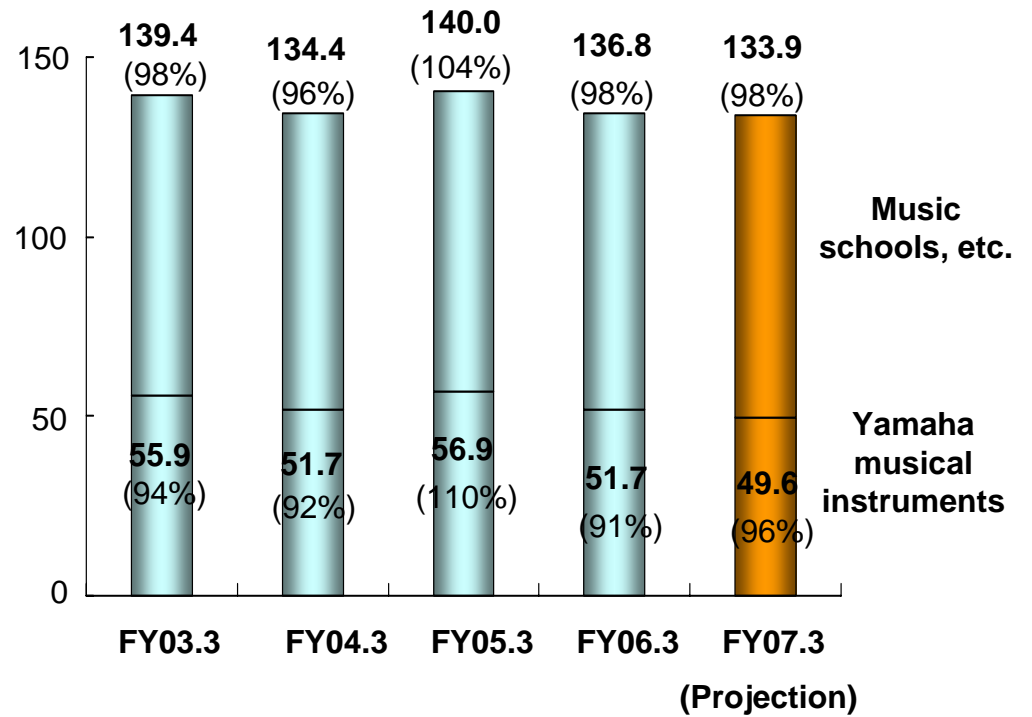
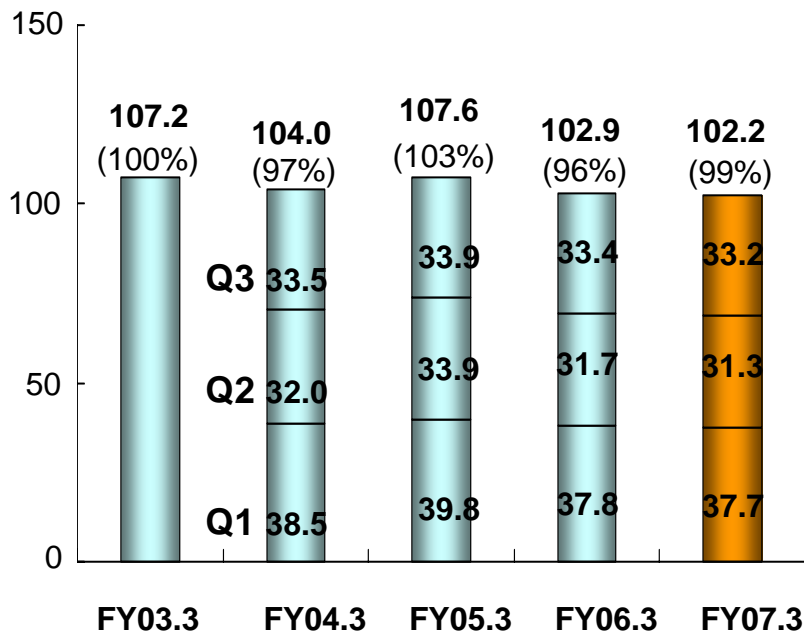
# Yamaha Musical Instrument Sales in the Japanese Market



Apart from Electones™, which continued their downward trend, sales of other products for the first three quarters were in line with the previous year. Share in the digital piano market began to increase from the end of the year.

Figures in parentheses are year-on-year comparisons

(Billions of yen)



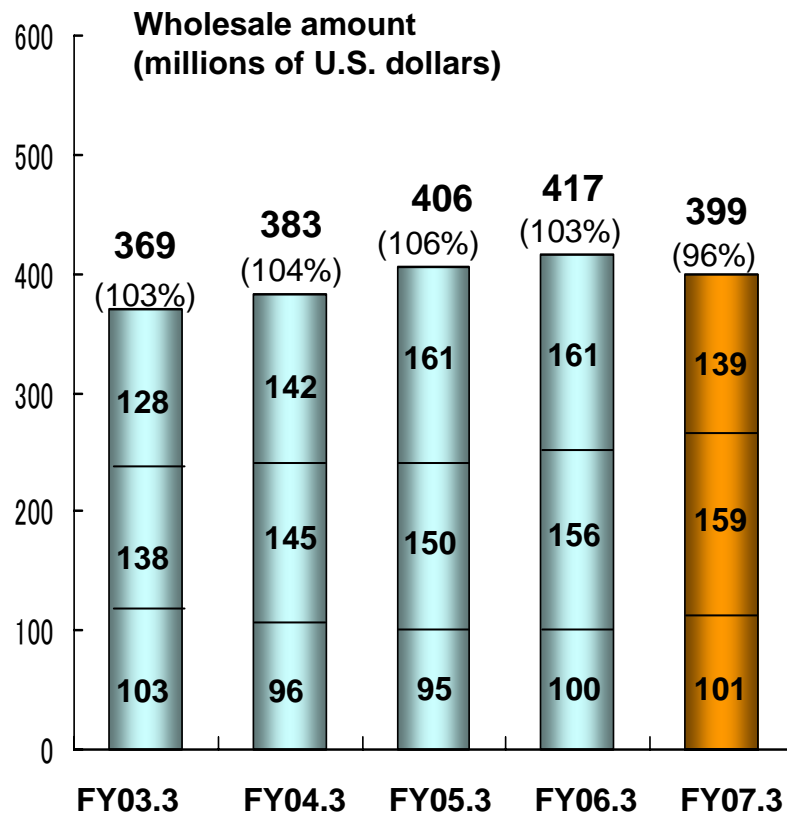
1-3Q Results

Full Year

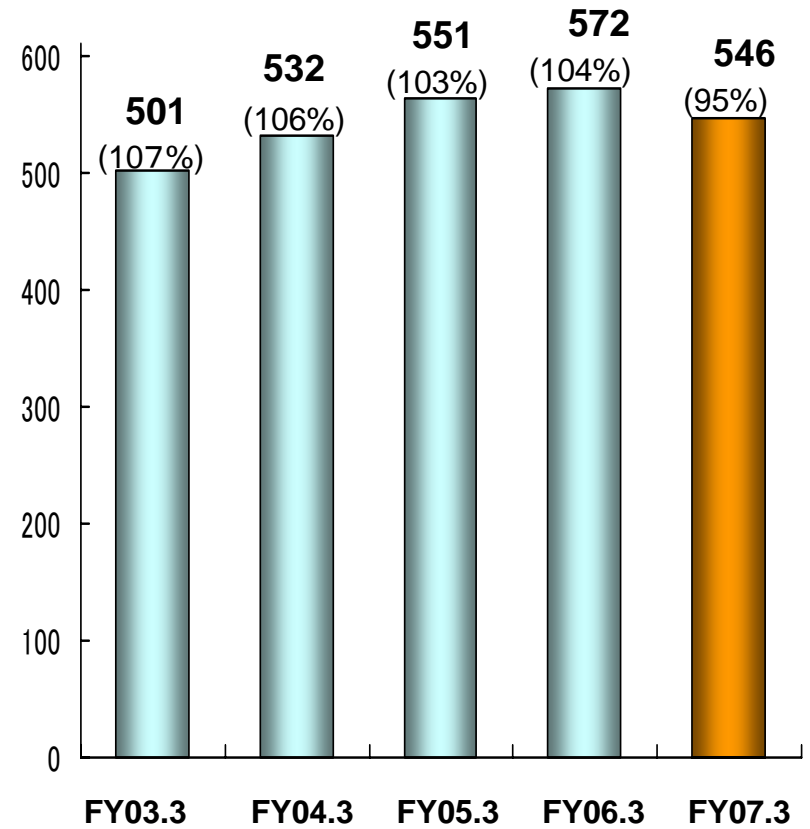
# Yamaha Musical Instrument Sales in the U.S. Market



The U.S. market struggled, with sales amounting to just 96% of those in the same period of the previous year. Retail sales failed to grow from early December to Christmas, and piano imports (Jan. – Oct.) fell some 25%. However, sales of professional audio equipment and wind instruments remained strong. Full-year sales are expected to fall year-on-year.



**1-3Q Results**



(Projection)

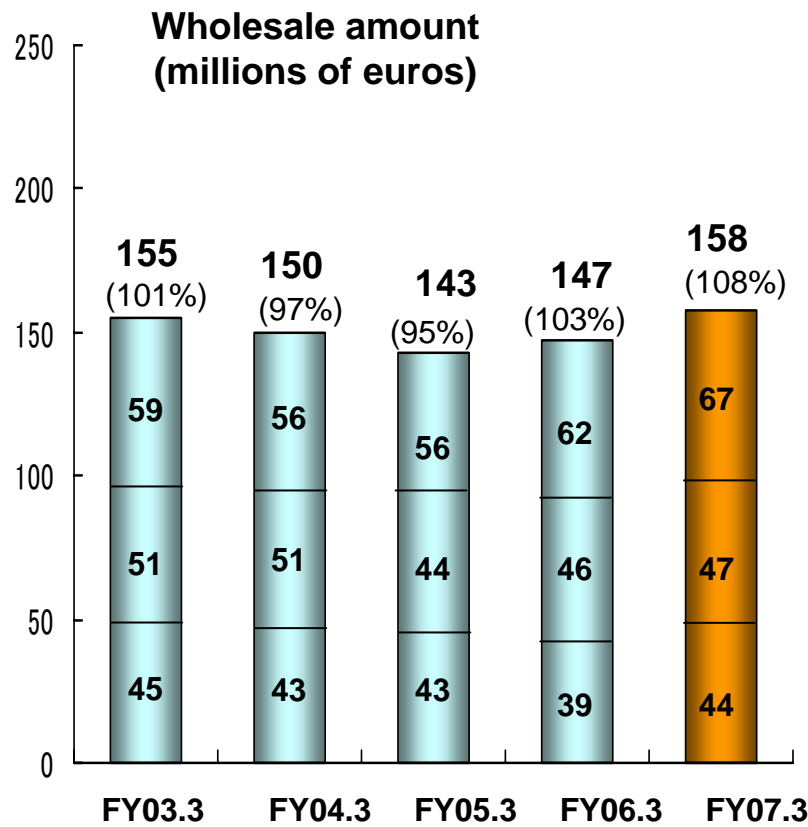
**Full Year**



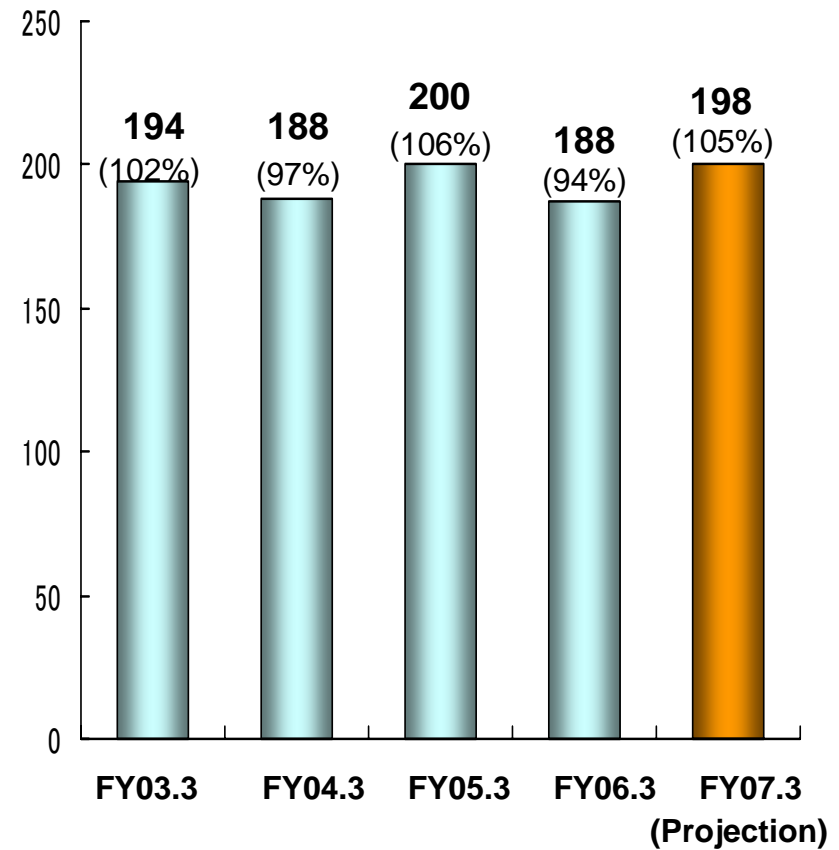
# Yamaha Musical Instrument Sales in the German Market



The rallying European economy drove strong sales, amounting to 108% of those in the same period of the previous year. (103% in Germany and 127% in Eastern Europe). Shipments were steady, especially for pianos, electronic pianos and professional audio equipment.



1-3Q Results

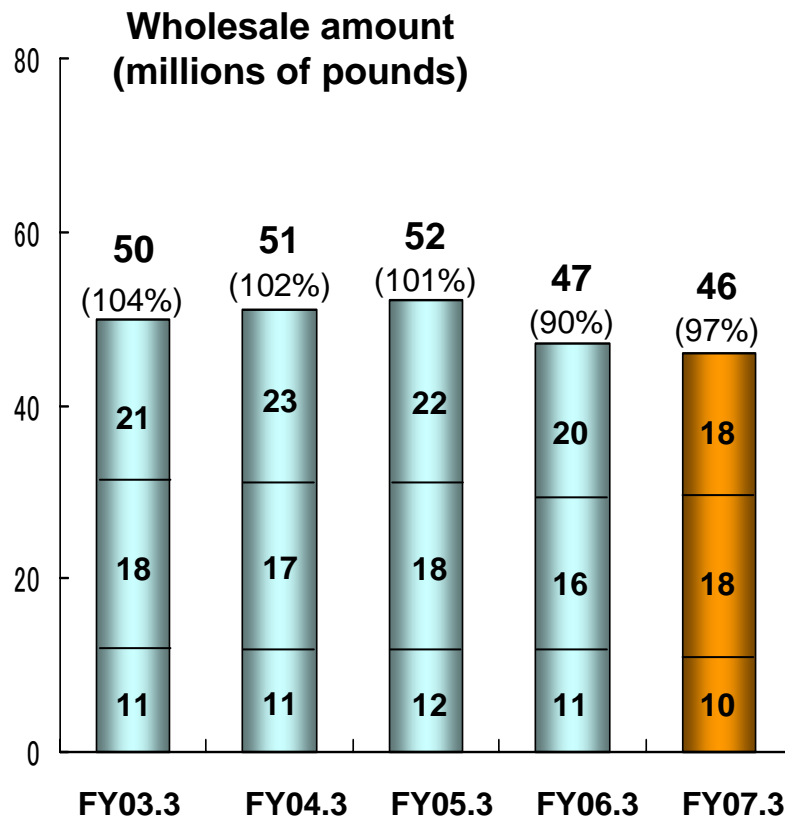


Full Year

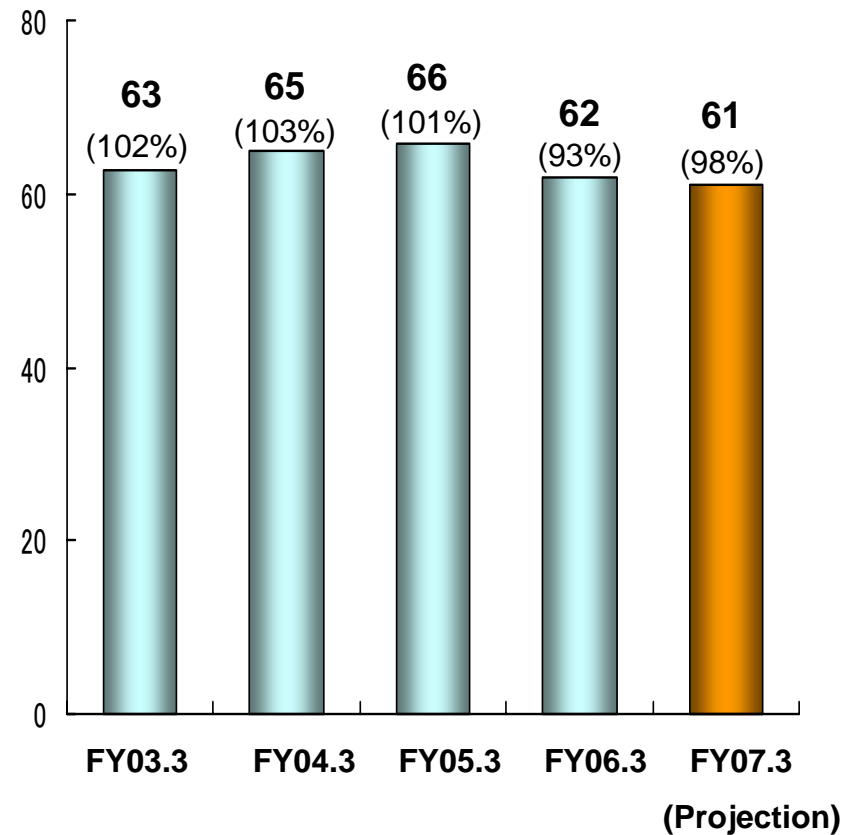
# Yamaha Musical Instrument Sales in the U.K. Market



The LS9 digital mixer and other professional audio equipment sold well amid a generally slow Christmas sale season characterized by fierce cost competition and sluggish sales of musical instruments overall. Sales amounted to 97% of those in the same period of the previous year.



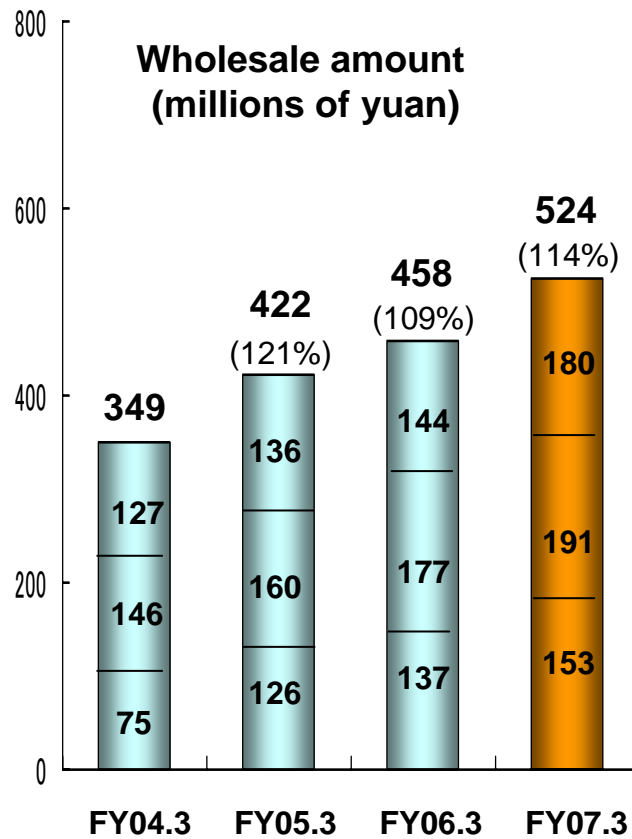
**1-3Q Results**



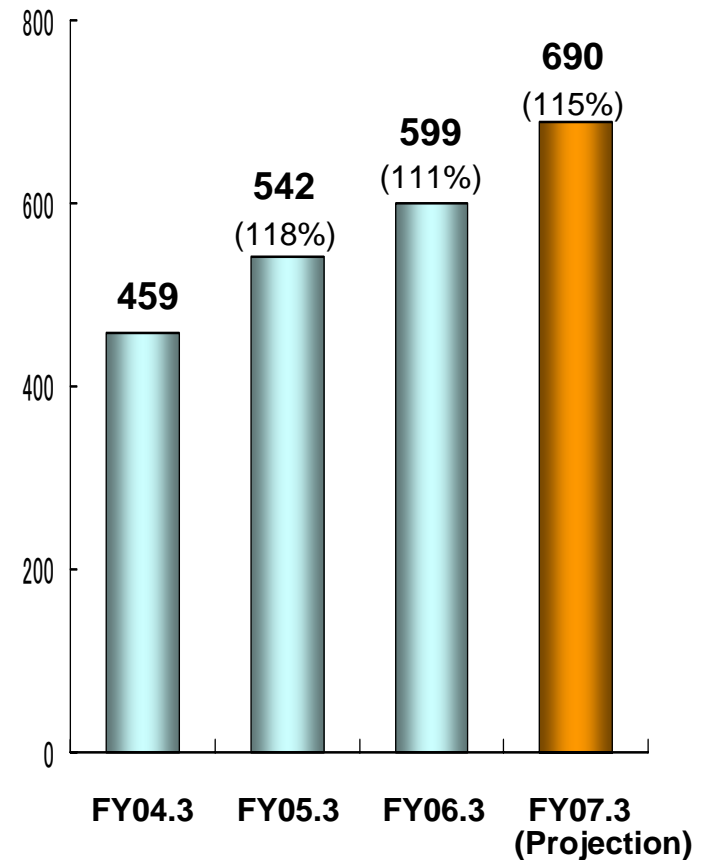
**Full Year**

# Yamaha Musical Instrument Sales in the Chinese Market YAMAHA

Shipments were steady for both upright pianos manufactured in Hangzhou and imported upright and grand pianos, partly due to large orders from schools. Sales of professional audio equipment and digital mixers were robust, driven by demand from TV/radio stations and professional audio companies. Full-year sales are again expected to show double-digit growth.



**1-3Q Results**



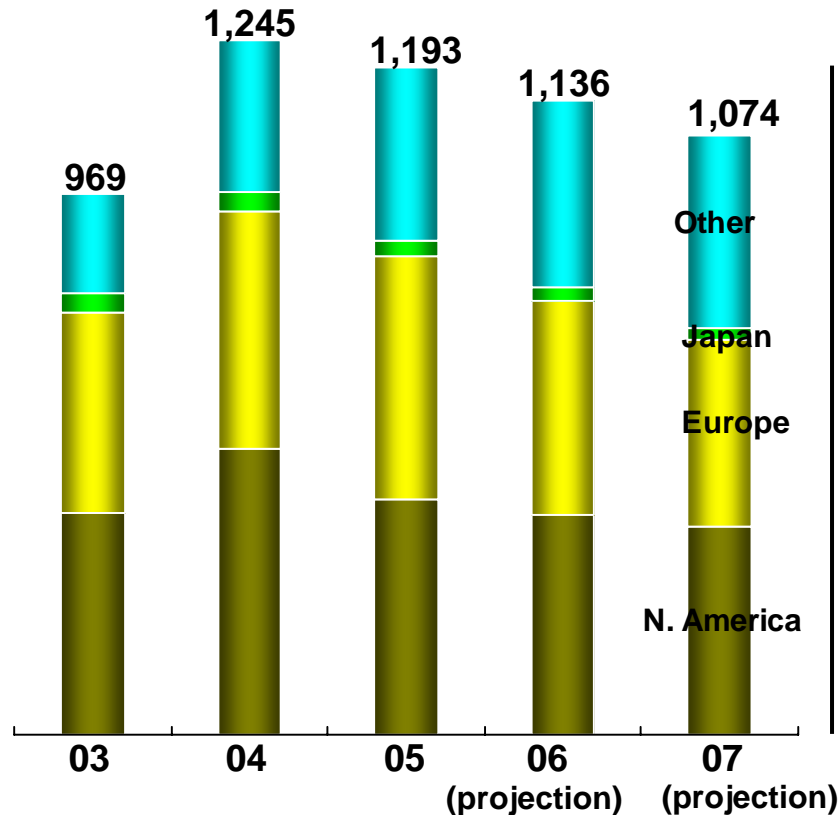
**Full Year**

# Scale of Home Theater Market (Home theater systems, amplifiers and receivers)



## Home Theater Systems

- The market is on a downward trend, especially in Europe and the U.S. (2007 forecast: 11 million units).
- North America: Market for HTiB products shrank by more than 10% year-on-year.
- Europe: Market for DVD-integrated products, which represent 90% of systems, is predicted to decline by more than 10%.
- Japan: Market forecast to shrink by approximately 8% annually from 2005 (projection for 2007: 240,000 units).
- Market growth continues in the rest of Asia and Central/Eastern Europe.

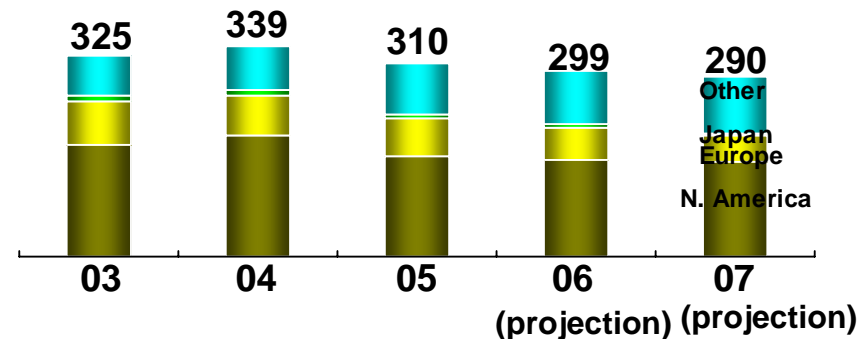


Market scales revised for North America from 2004 and Japan/Europe from 2006

## AV Amplifiers and Receivers

- The global market is shrinking by 3-4 % annually.
- Europe/U.S. markets shrinking.
- Japan: 30% year-on-year decline predicted for 2006.
- China, other Asia, Eastern Europe, Russia: Markets expanding, especially for low-priced products.

Volume  
(10,000 units)

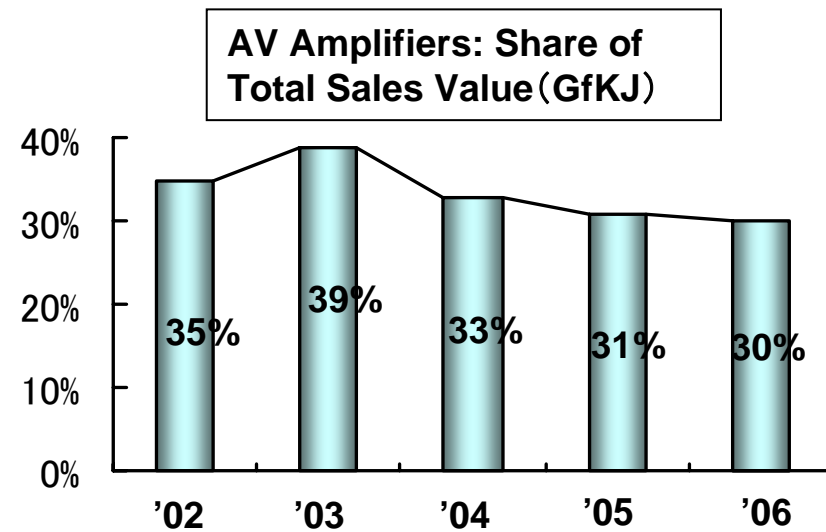
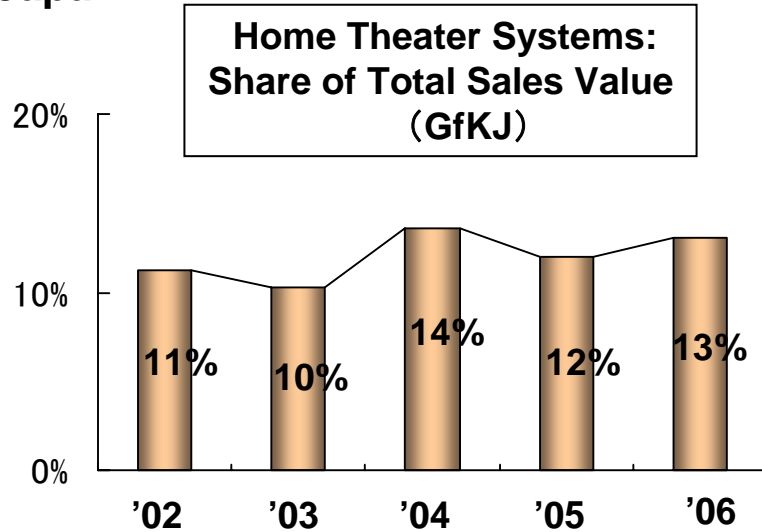


Market scales revised for North America from 2004 and Japan/Europe from 2006

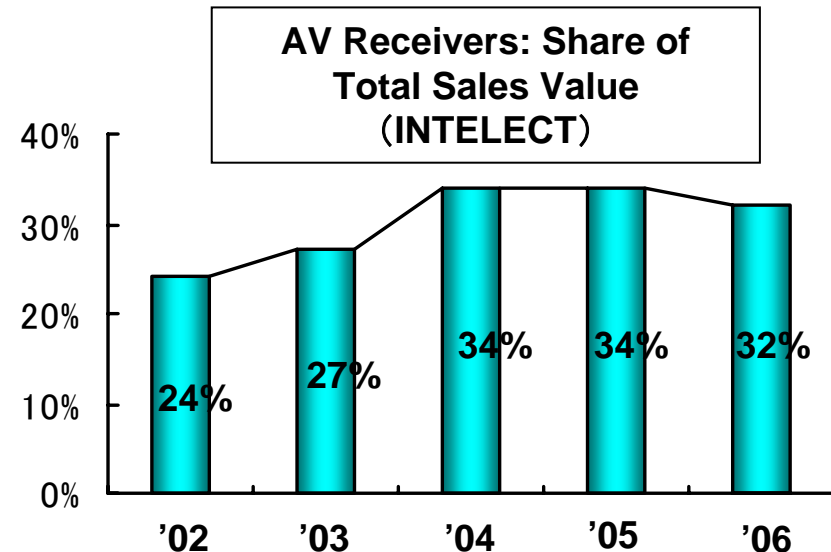
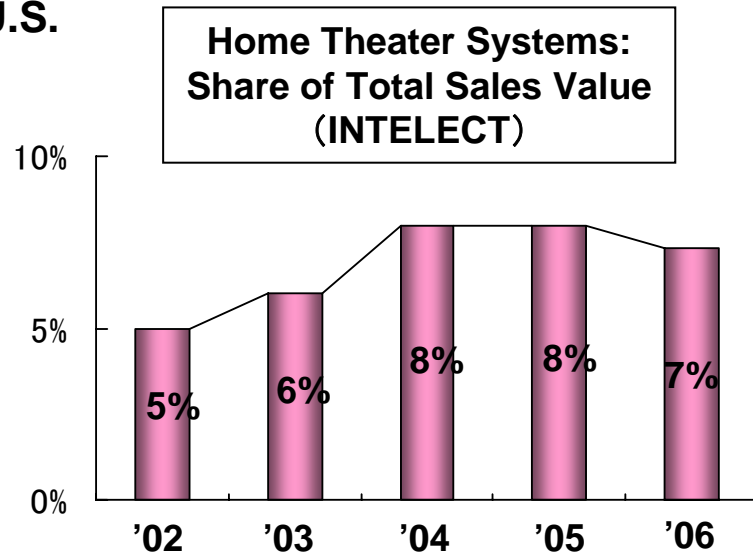
# AV Market Share



## Japan



## U.S.



**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.**