

**Analyst and Investor Briefing on the  
Second Quarter of the Fiscal Year  
Ending March 31, 2009  
(FY2009.3)**

**November 4, 2008  
YAMAHA CORPORATION**

# Overview of Performance in the Second Quarter of FY2009.3



## 2Q External Environment

- Business confidence deteriorated compared to that of 1Q in the July-September period.
  - After showing strong 1Q results, the European market slowed, particularly in Germany and the UK.
  - Mobile phone shipments in Japan shrank further.
- Spiraling materials prices were joined by rising costs for utilities such as electricity and gas, and higher transport charges.

## 2Q (July-Sept) Results

- Second quarter sales and income were lower than previous projections (made on August 1) and were down year-on-year.
- Net sales were 4.1% (¥5.5 billion) lower than previous projections. Discounting the impact of exchange rates (+¥1.2 billion), actual sales were 5.0% (¥6.7 billion) below previous projections.  
Excluding the impact of business handover (-¥7.4 billion) and exchange rates (-¥4.2 billion), actual sales fell by 4.8% (¥6.7 billion) year-on-year.
- Operating income was ¥3.7 billion below previous projections. Discounting the impact of exchange rates (+¥0.7 billion) actual operating income was ¥4.4 lower than projected, chiefly due to reduced sales.

## First Half Results

- Sales and operating income fell year-on-year.
- Discounting the impact of business handover (-¥14.3 billion) and exchange rates (-¥9.1 billion) actual net sales decreased by 2.6% (¥6.8 billion) compared to the same period of the previous year.
- Operating income was down 37.4% (¥8.0 billion) year-on-year, due to lower sales, rising materials costs, unfavorable exchange rates (¥0.8 billion) and investment losses on retirement benefit obligations (¥1.0 billion).

# Performance in the First Half of FY2009.3



➤ Net sales and operating income were lower than last year's 1H figures and previous projections (made on August 1)

(Billions of yen)

	FY2008.3 (1H) actual	FY2009.3 (1H) actual	Change from same period of previous year	FY2009.3 (1H) previous projections	Change from projections	FY2009.3 2Q results	FY2008.3 2Q results
Net sales	280.7	250.5	-10.7%	256.0	-2.1%	127.3	145.5
Operating income (Operating income ratio)	21.3	13.3 (5.3%)	-37.4%	17.0	-21.6%	7.7	14.0
Ordinary income (Ordinary income ratio)	21.6	13.3 (5.3%)	-38.5%	16.5	-19.5%	7.5	14.1
Net income (Net income ratio)	30.8	4.4 (1.7%)	-85.8%	7.5	-41.7%	3.3	7.6

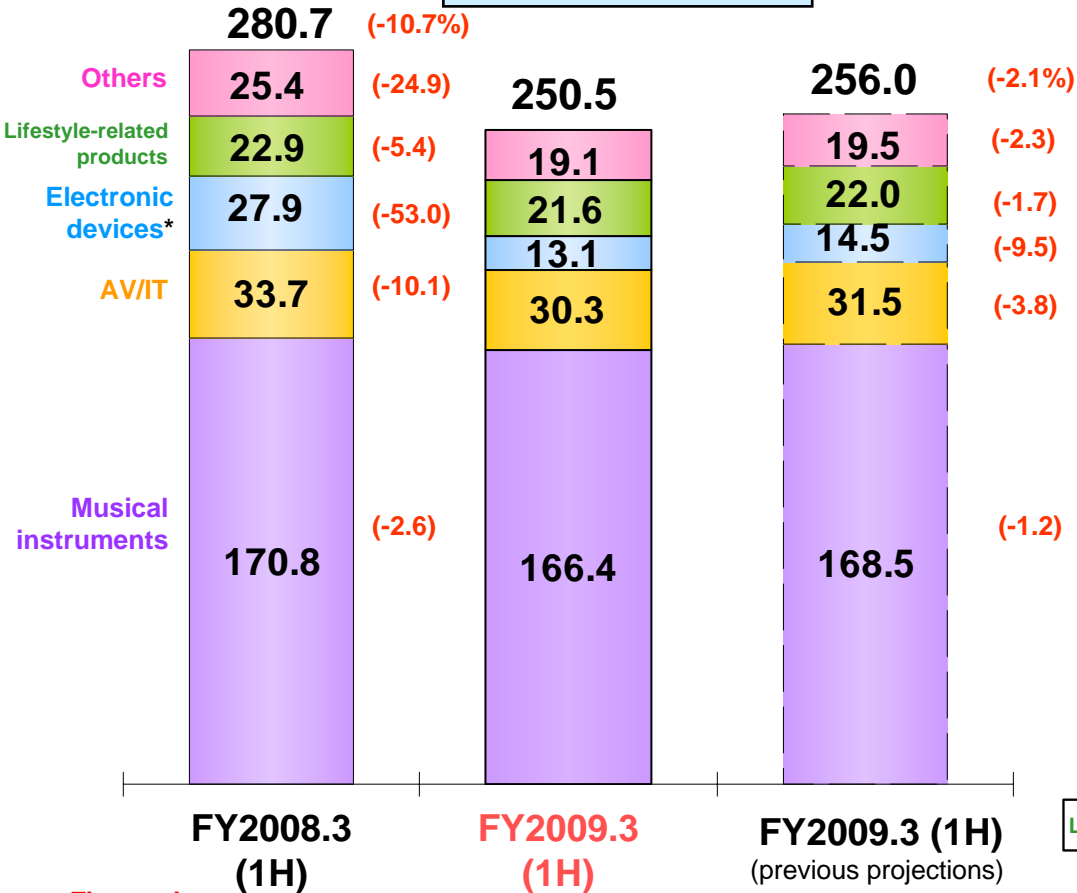
## Currency exchange rates (yen)

Net sales	US\$	119	106	105	108	118
	EUR	162	163	161	162	162
Operating income	US\$	120	106	104	108	119
	EUR	158	157	158	158	160

# Performance by Business Segment in First Half of FY2009.3

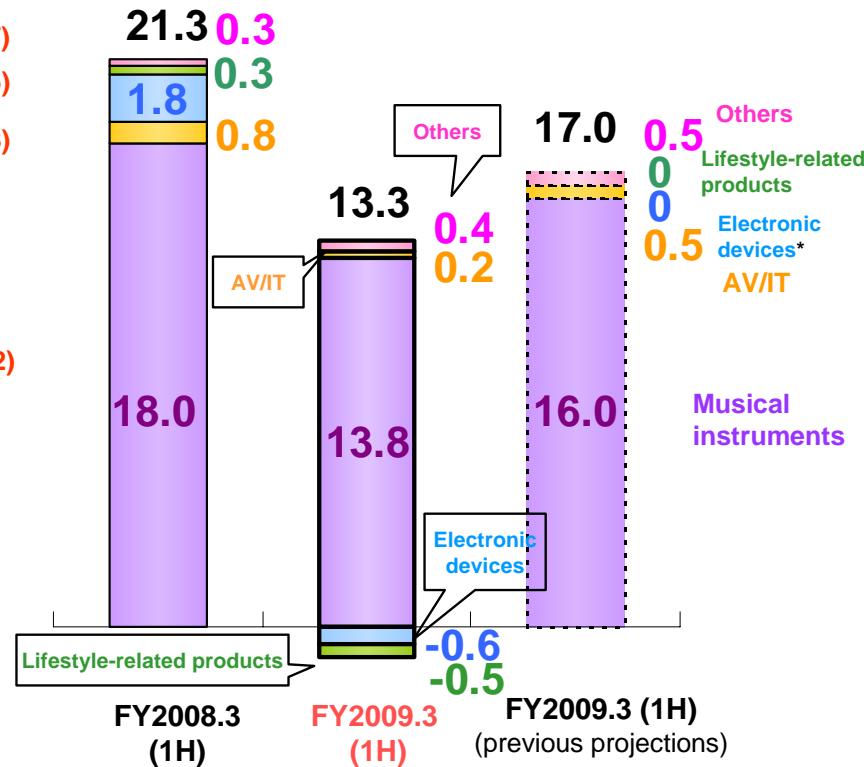


## Net Sales



## Operating Income

(Billions of yen)



Figures in parentheses represent changes from the previous period or from previous projections

### Impact of exchange rates

Year-on-year: -¥9.1 billion (musical instruments -¥7.1 billion, AV/IT -¥1.7 billion, semiconductors -¥0.2 billion)  
 Versus previous projections: +¥1.2 billion (musical instruments +¥0.9 billion, AV/IT +¥0.2 billion)

### Impact of exchange rates

Year-on-year: -¥0.8 billion (musical instruments -¥0.7 billion, AV/IT -¥0.2 billion, semiconductors +¥0.1 billion)  
 Versus previous projections: +¥0.7 billion (musical instruments +¥0.6 billion, AV/IT +¥0.1 billion)

\*FY2008.3 figures for electronic devices include electronic metal products which was transferred to DOWA during the FY2008.3.

# Business Environment in the Second Half of FY2009.3 and Full Year Performance Forecast



## Business Environment in the Second Half

- Further deterioration in the macroeconomic environment
  - Slowdown in individual consumption, especially in Japan, U.S. and Europe
  - Decline in corporate business orders  
(automotive components, mobile phone chips, pachinko machine chips, etc.)
- Sharp rise of the yen
- Costs for crude oil, energy, transportation, etc. remain high

## Full Year Performance Forecast

- Sales and income are projected to be lower than last year's figures and previous projections (made on August 1)
  - Further reductions in production as sales decline and inventories are cut back
- Tax burden will increase due to the impact of tax effect accounting, and net income is expected to show a substantial decline from the previous projection, to ¥1.5 billion
- Measures to improve performance
  - Reduction in expenses, cost-cutting
  - Review of capital expenditure and R&D expenses
  - Thorough inventory control through measures including reduced production and inventory sell-off

# Forecast for Performance in FY2009.3 (Full Year) YAMAHA

## ➤ Full year sales and income projections re-revised downward

(Billions of yen)

	FY2008.3 Actual			FY2009.3 New Projections			Change from previous fiscal year	Previous projections
	1H	2H	Total	1H	2H	Total		
Net sales	280.7	268.1	548.8	250.5	237.5	488.0	-11.1%	533.0
Operating income (operating income ratio)	21.3	11.5	32.8 (6.0%)	13.3	1.2	14.5 (3.0%)	-55.9%	30.5
Ordinary income (ordinary income ratio)	21.6	11.0	32.6 (5.9%)	13.3	-0.3	13.0 (2.7%)	-60.1%	28.5
Net income (net income ratio)	30.8	8.8	39.6 (7.2%)	4.4	-2.9	1.5 (0.3%)	-96.2%	16.5

### Currency exchange rates (yen)

Net sales	US\$	119	109	114	106	95	102	105
	EUR	162	161	162	163	120	145	161
Operating income	US\$	120	111	116	106	95	101	105
	EUR	158	159	159	157	150*	154	159

\*Regarding the 2H EUR rate, Yamaha has already entered into a foreign exchange forward contract at the rate of 159 yens for approximately 76% of projected EUR sales. As for the remaining 24%, the rate is forecast to be 120 yens.

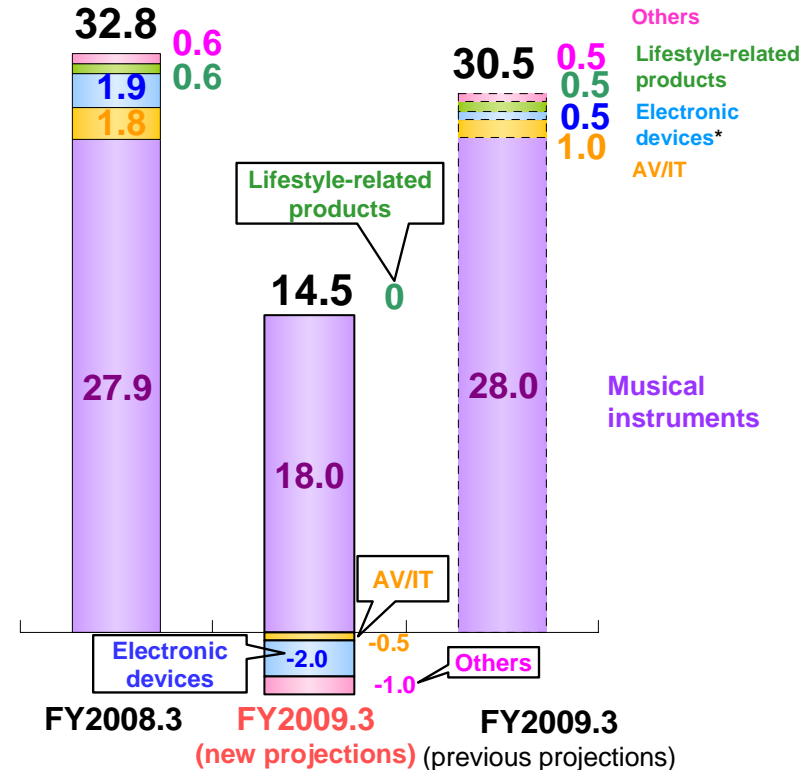
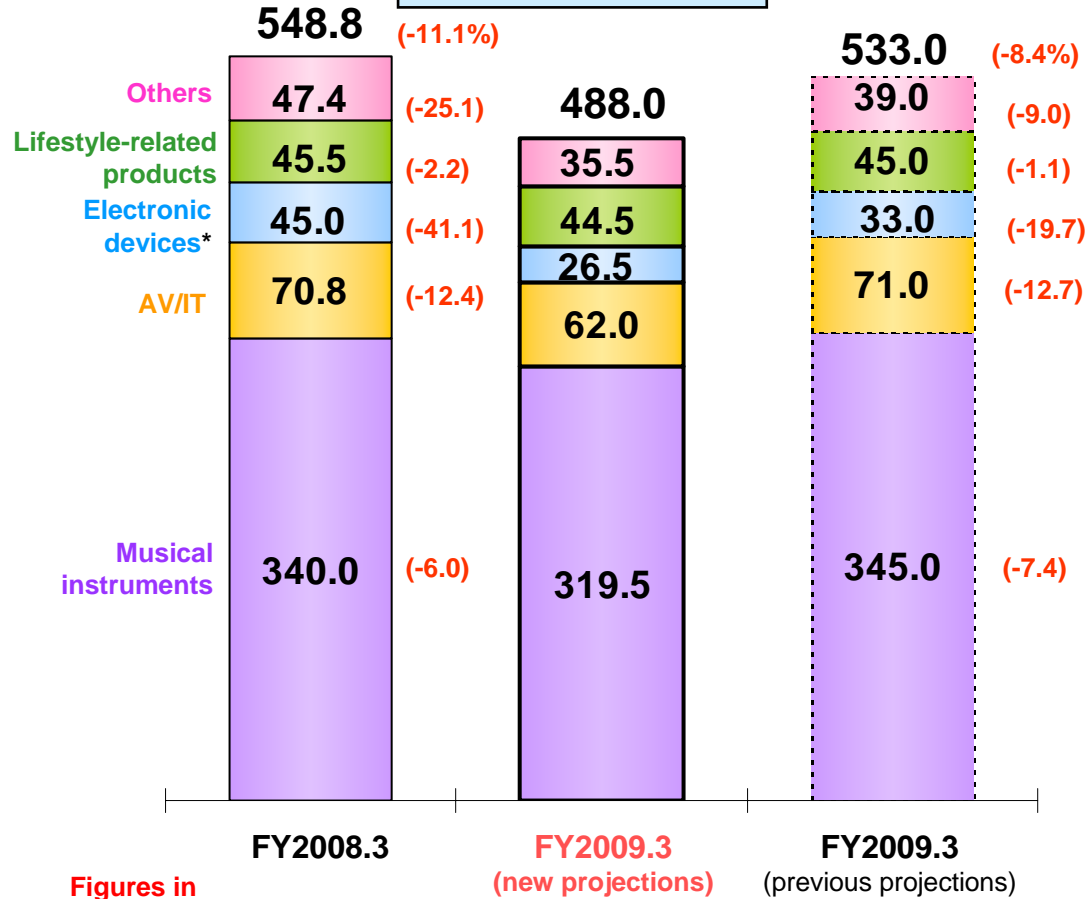
# FY2009.3 Full-Year Forecast for Performance by Business Segment



## Net Sales

## Operating Income

(Billions of yen)



Figures in parentheses represent changes from the previous period or from previous projections

### Impact of exchange rates

Year-on-year: -¥35.9 billion (musical instruments -¥27.2 billion, AV/IT -¥8.3 billion, semiconductors -¥0.4 billion)

Versus previous projections: -¥21.1 billion (musical instruments -¥15.8 billion, AV/IT -¥5.3 billion)

### Impact of exchange rates

Year-on-year: -¥6.7 billion (musical instruments -¥7.2 billion, AV/IT +¥0.4 billion, semiconductors +¥0.1 billion)

Versus previous projections: -¥2.9 billion (musical instruments -¥3.3 billion, AV/IT +¥0.4 billion)

\*FY2008.3 figures for electronic devices include electronic metal products which was transferred to DOWA during the FY2008.3.

# Musical Instruments

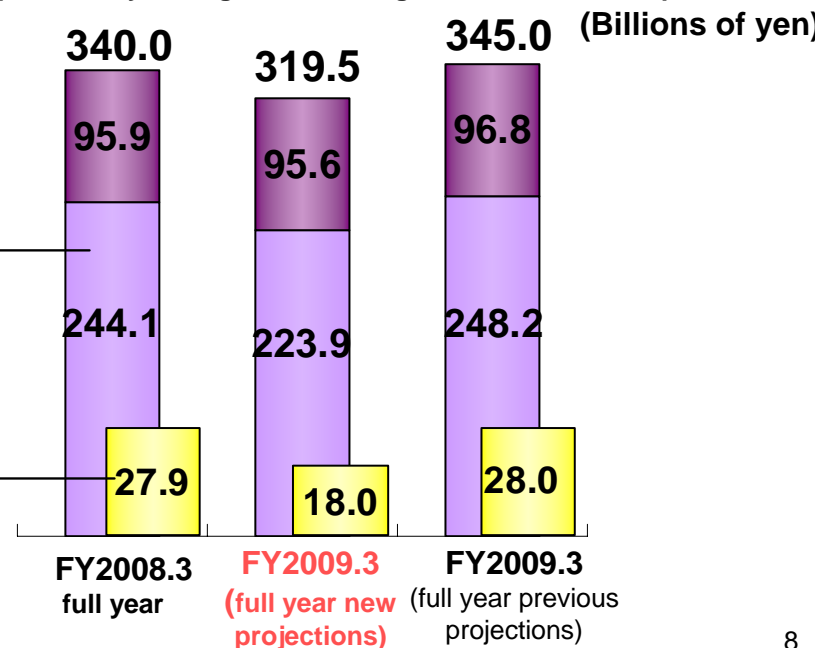
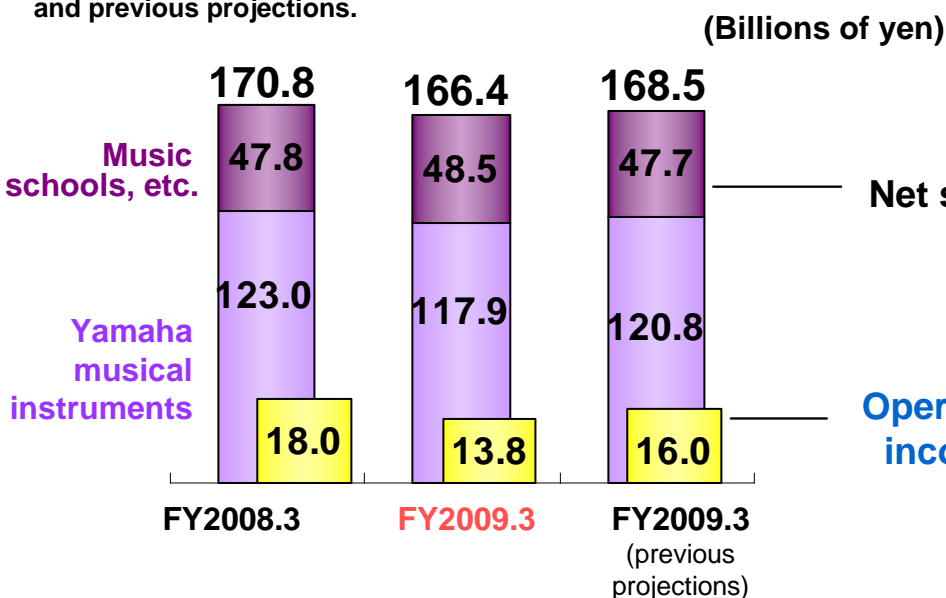


## 1H Overview

- Sales and income were lower than last year's 1H figures and previous projections.
- Discounting the impact of exchange rates, actual sales were 1.6% (¥2.7 billion) up on the same period of the previous year (including ¥1.5 billion of sales by newly-consolidated subsidiaries).
- Actual sales decreased year-on-year in North America, but rose in China and other emerging markets. Actual sales in North America and Europe were below previous projections.
  - Sales of guitars, electronic drums and professional audio equipment were up compared to both previous projections and the same period of the previous year. However, piano sales continued to struggle, particularly in Japan and North America.
- Operating income declined year-on-year due to factors including unfavorable exchange rates, raw material cost increases, and investment losses on retirement benefit obligations. Previous projections were not met due to falling sales and increased costs.
- Discounting the impact of exchange rates, inventories at the end of the first half were higher than the same period of the previous year and previous projections.

## Full Year Overview and 2H Priorities

- Full year sales and operating income are expected to be lower than previous projections.
- Discounting the impact of exchange rates and including ¥4.7 billion of sales by newly-consolidated subsidiaries, actual sales are projected to increase 2.0% (¥6.7 billion) year-on-year.
- Operating income will fall year-on-year due to factors including unfavorable exchange rates associated with the strong yen, raw material cost increases, investment losses on retirement benefit obligations, and amortization of goodwill.
- Steadily launch and expand sales of new products in time for the year-end sales rush in Europe and the U.S.
- Expand sales in emerging markets (China, Latin America, Eastern Europe, etc.)
- Improve profitability through cost-cutting and reduction in expenses.



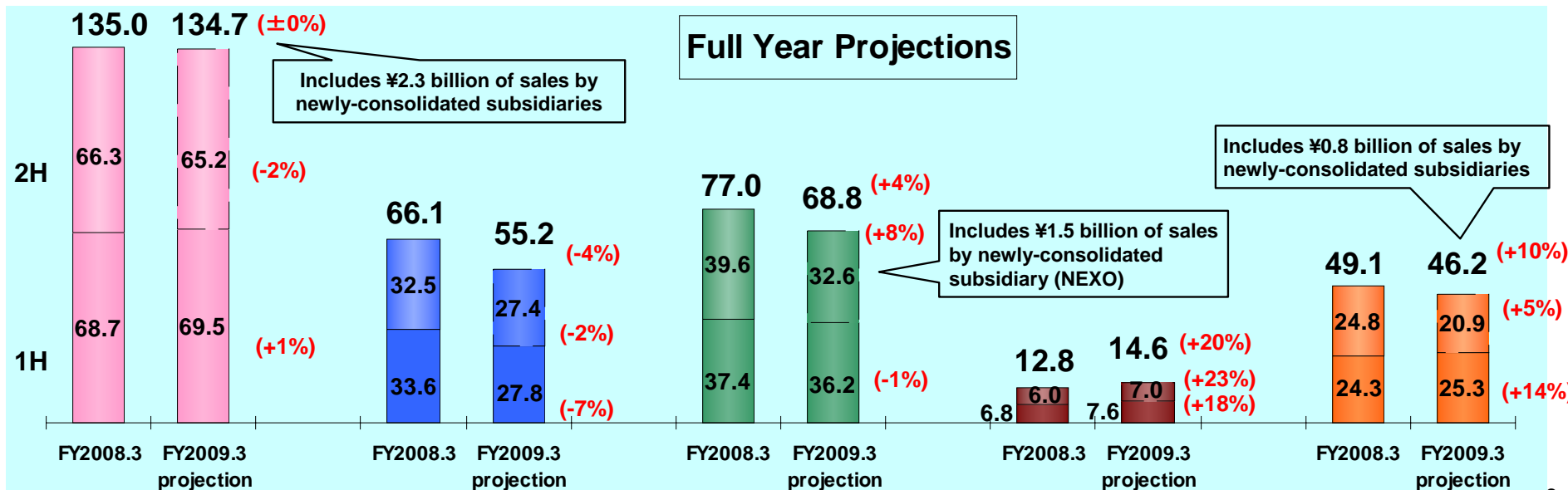
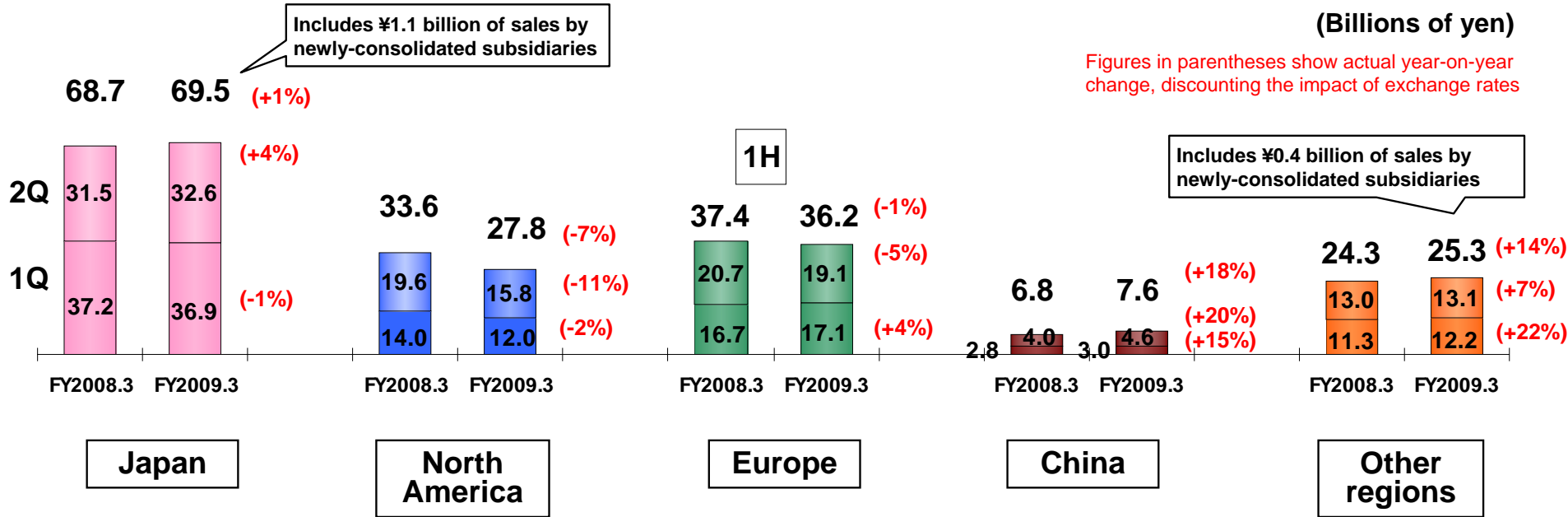


# Musical Instruments: Sales by Region



(Billions of yen)

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

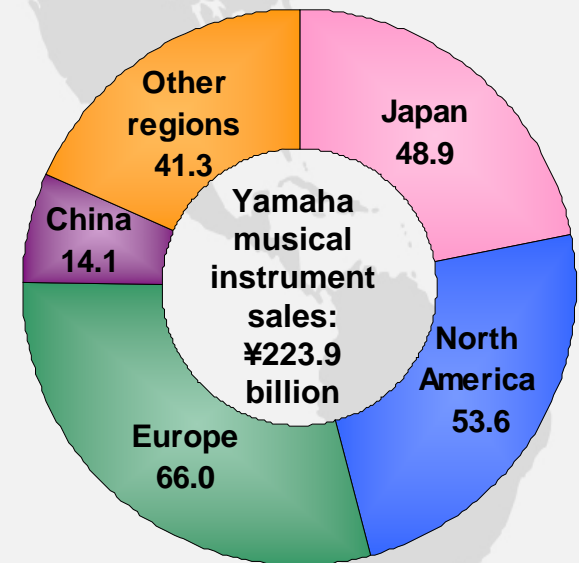


# Yamaha Musical Instruments: Sales by Region YAMAHA

(Billions of yen)

Musical Instrument Sales by Region	
Japan	Sales of large keyboard instruments (pianos, Electone™) were slow. While the launch of new digital piano models will recoup lost ground over the full year, it will be difficult to match the previous year's results.
North America	Large-ticket products such as pianos continue to struggle in the face of the housing slump and financial uncertainty. Overall sales are projected to decline year-on-year. Wind instrument and guitar sales remain robust. Sales of professional audio equipment are expected to be in line with the previous year, driven by digital mixer products.
Europe	First half sales were up in the emerging markets of Eastern Europe, but due to the slowdown in the mature markets of Western Europe, results for the region as a whole fell short of last year's figures. Wind instruments and synthesizers are struggling.
China	Continuing development of dealer networks for pianos, which account for approximately half of all sales, has seen sales rise 30% year-on-year. Although portable keyboards, wind instruments and professional audio equipment are showing only single-digit growth, overall sales growth is still projected to be 20%.
Other regions	Despite global economic slowdown and exchange rate concerns, platforms for growth continue to develop in Asia, Latin America and the Middle East. Local operations have begun in Russia and a local sales affiliate has been established in India.

## Yamaha Musical Instrument Sales by Region

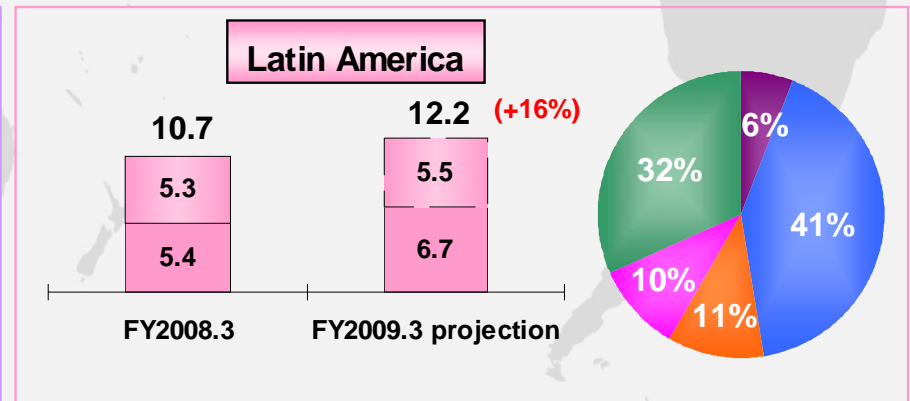
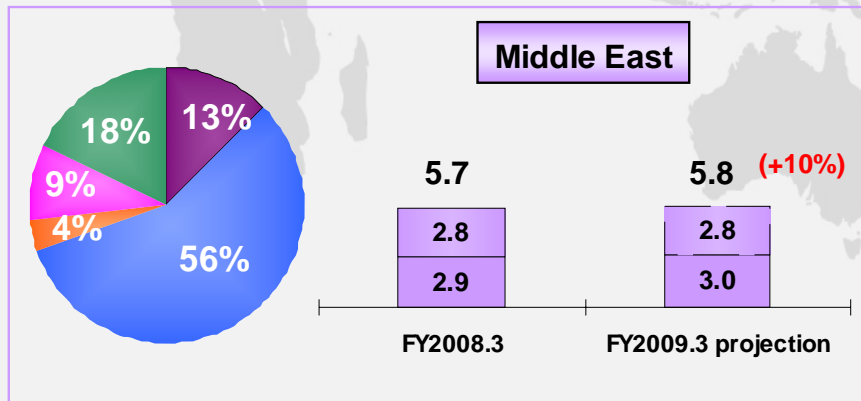
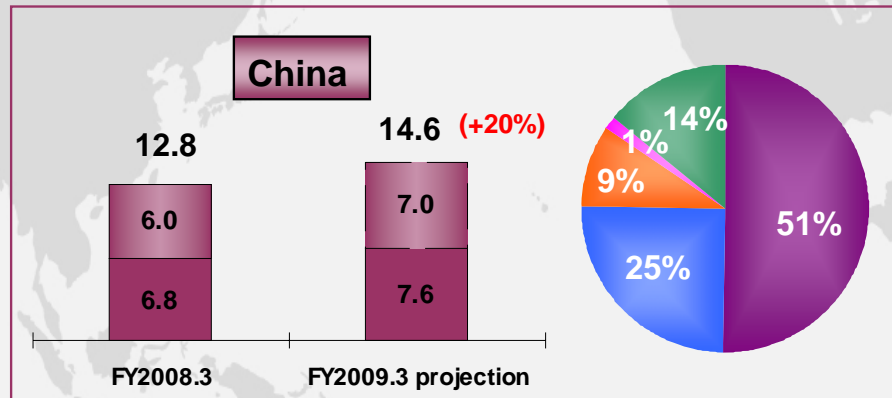
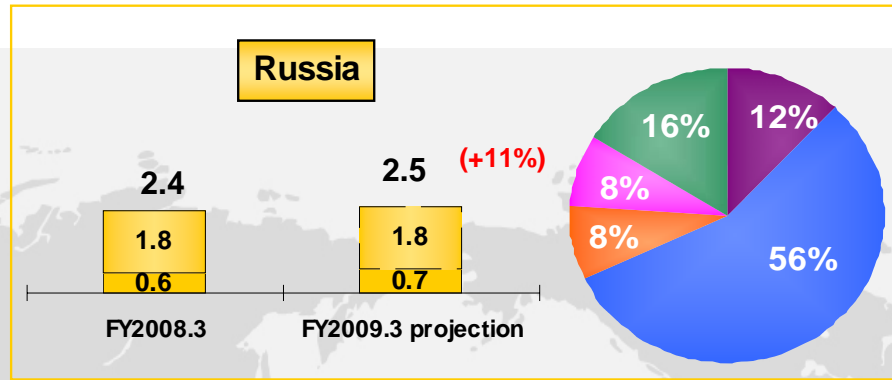
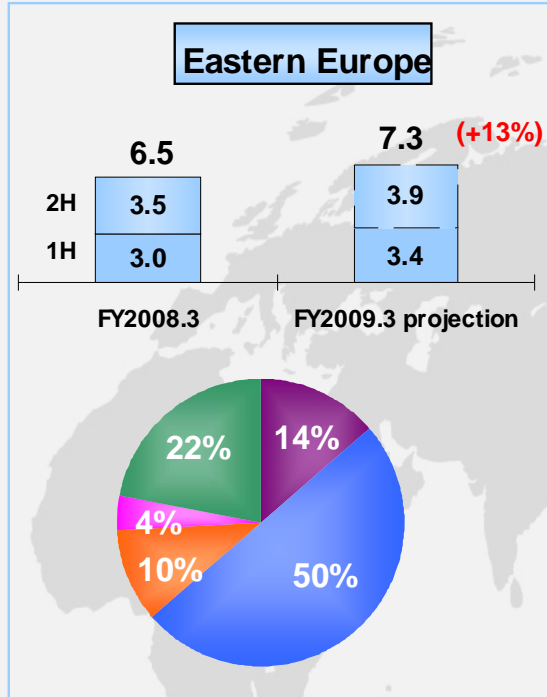


# Musical Instrument Sales in Emerging Markets



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

(Billions of yen)

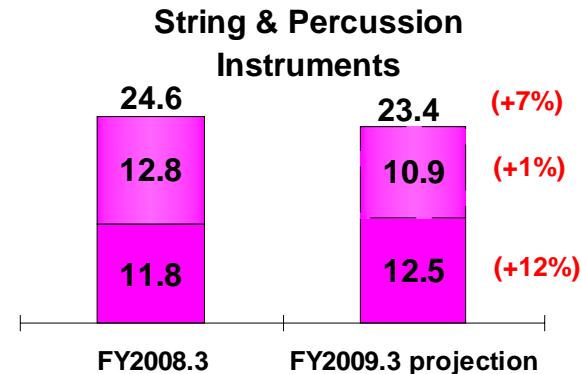
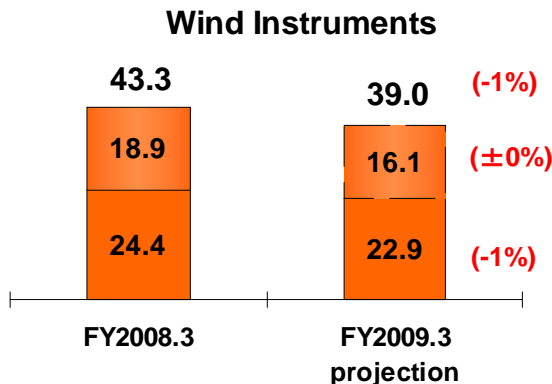
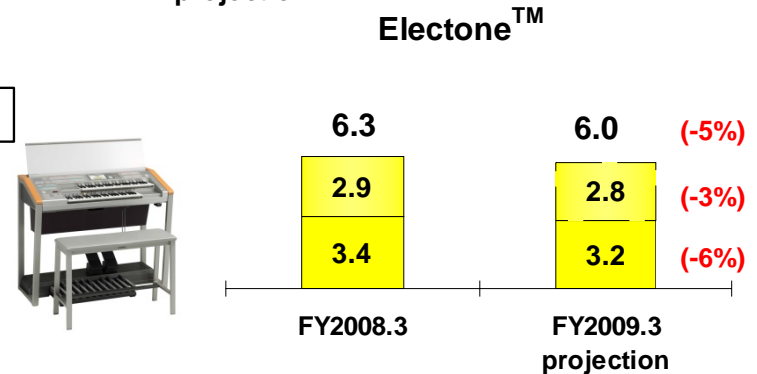
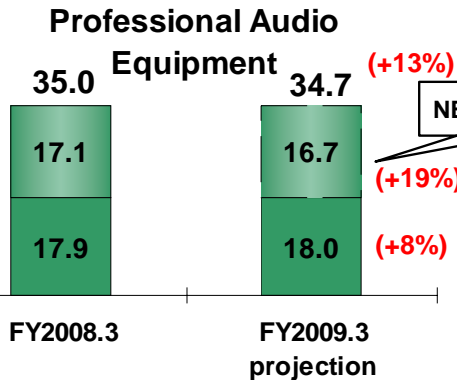
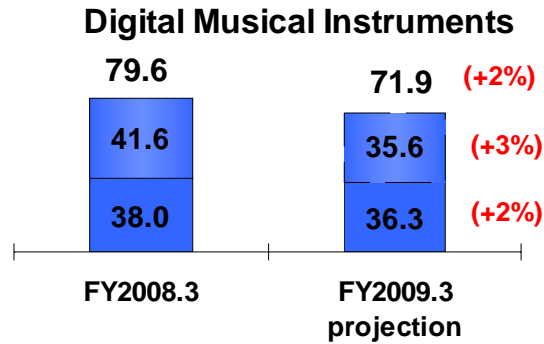
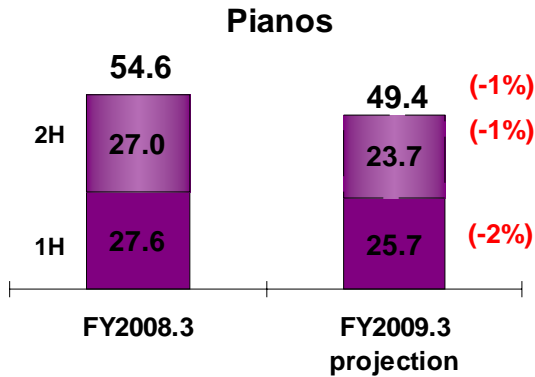


- Pianos
- Digital musical instruments
- Wind instruments
- String & percussion instruments
- Professional audio equipment

# Musical Instruments: Sales by Product Category

(Billions of yen)

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



# Musical Instruments: Sales by Product



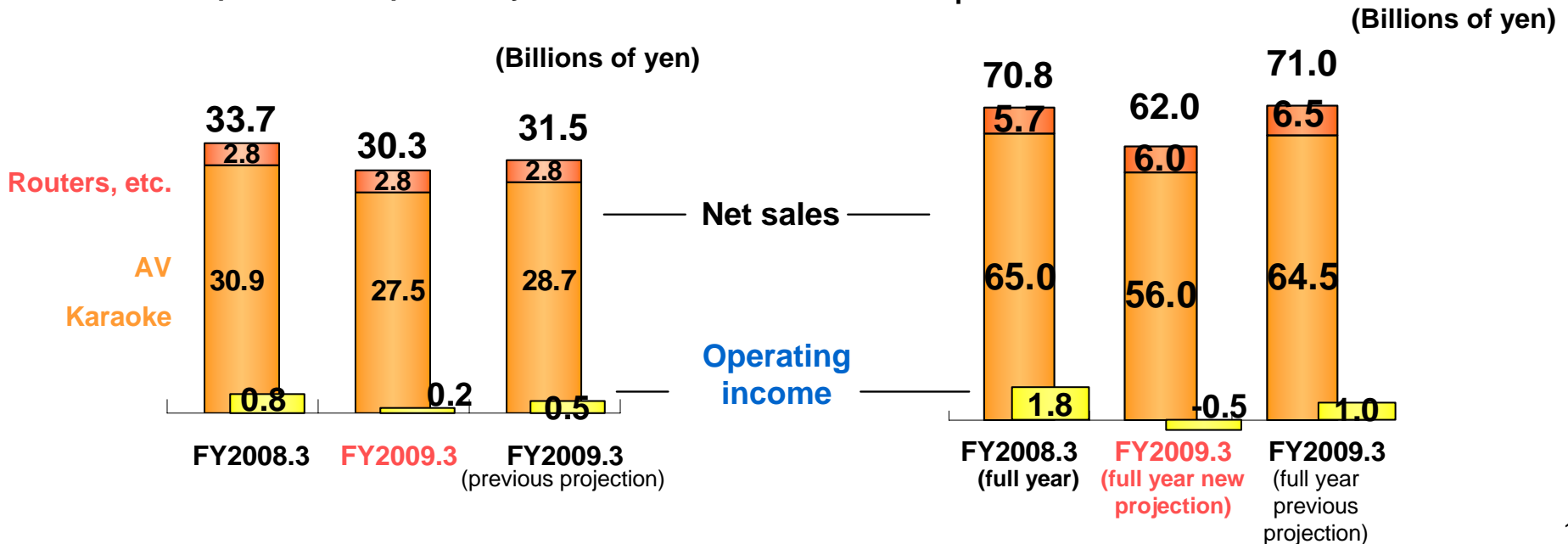
	Musical Instrument Sales by Product
<b>Pianos</b>	Developed countries continue to struggle, as stagnation in Japan and North America is compounded by economic slowdown in Europe . However, global unit sales are projected to increase due to growth in China and the rest of Asia, Latin America and the Middle East.
<b>Digital musical instruments</b>	First half digital piano sales rose year-on-year with the launch of the new CLP series Clavinova™ products. However, overall sales declined as portable keyboard business at mass merchandisers in North America reduced the number of display places and synthesizer sales struggled following the launch of new products last year. Electone™ sales also fell year-on-year.
<b>Wind instruments</b>	Sales remains robust in North America but is falling off in Europe. While sales of high-end products generally remain robust, low-priced products are sluggish.
<b>Guitars/drums</b>	Acoustic guitar sales are strong in North America as well as Europe and Asia. Electric-acoustic guitar sales are growing in line with expectations. While acoustic drums are struggling, electronic drums make up for the shortfall.
<b>Professional audio equipment</b>	Orders are dropping in both numbers and size amid the economic slowdown, but key digital mixer products are selling well.

## 1H Overview

- Sales and income were lower than last year's 1H figures and previous projections.
- Discounting the impact of exchange rates, actual sales declined by 5.0% (¥1.7 billion) year-on-year.
- Operating income was lower than the same period of the previous year, due to reduced sales and unfavorable exchange rates associated with the weak euro. Operating income was also below previous projections due to reduced sales.
- Discounting the impact of exchange rates, actual inventory at the end of the first half was broadly in line with the same period of the previous year.

## Full Year Overview and 2H Priorities

- Downward revision of full year sales projections. An operating loss is projected in conjunction with reduced productivity from production cutback.
- Expand sales of AV products during period of high demand at holiday shopping season.
  - Strengthen and expand front surround systems
  - Increase AV receiver sales
  - Launch desktop audio products such as i-Pod dock speakers
  - Reinforce HiFi audio products
- Continue to raise awareness of conferencing systems and develop sales channels.



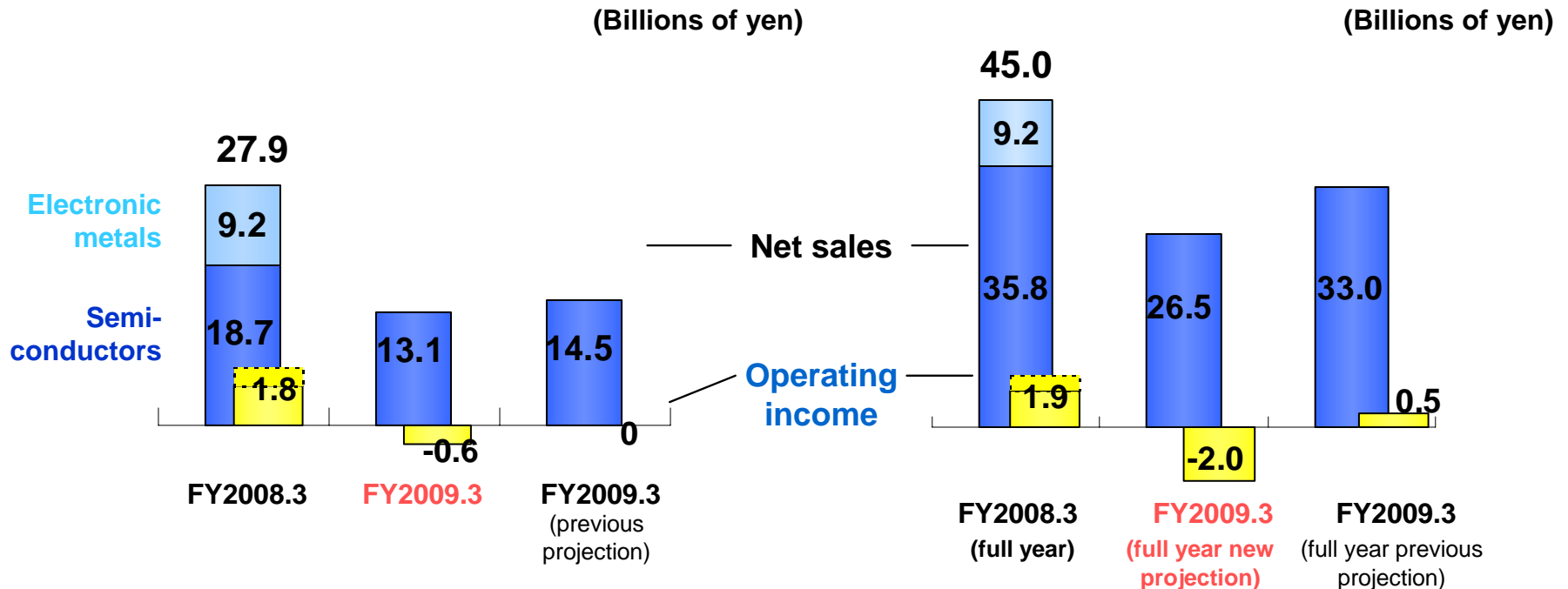
## 1H Overview

- Sales and income were lower than last year's 1H figures and previous projections.
- Sales declined sharply year-on-year due to factors including weak demand for LSI sound chips for mobile phones and a sluggish market for pachinko-related LSI products.

Previous projections were not met due to weak demand as a result of falling mobile phone sales in Japan.

## Full Year Overview and 2H Priorities

- Sharp downward revision of full year sales and operating income projections – key factors behind this are falling Japanese demand for LSI sound chips for mobile phones and LSI chips for pachinko-related products.
  - Expand digital amplifier LSI sales
- Put mass production of silicon microphones on track

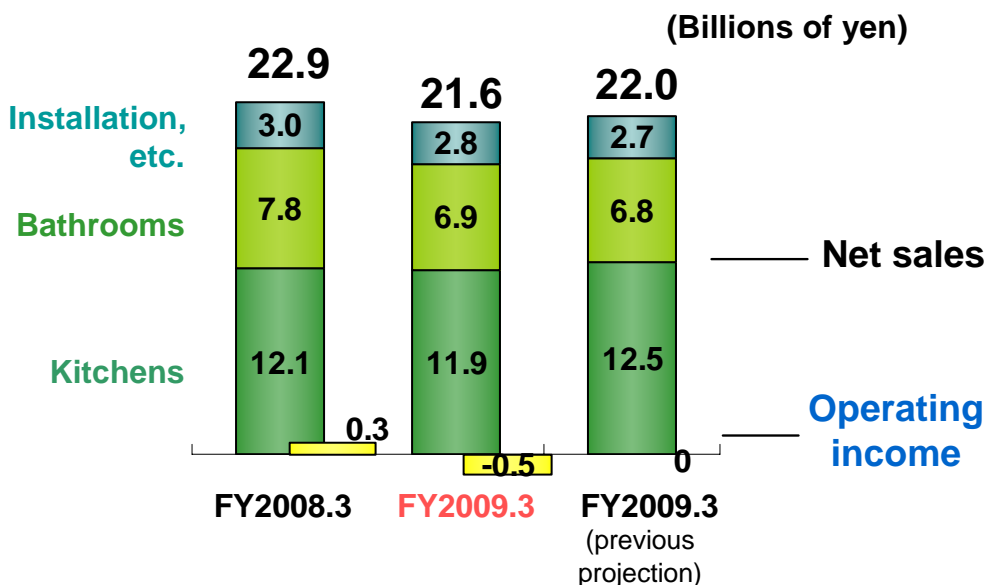


# Lifestyle-Related Products



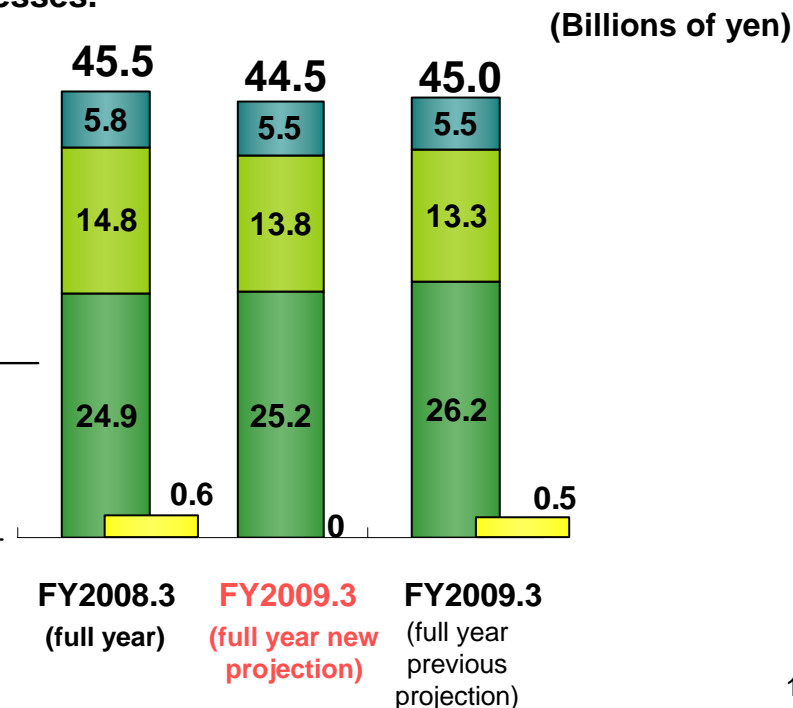
## 1H Overview

- Sales and income were lower than last year's 1H figures and previous projections.
- Although new housing starts rose year-on-year from August onward, they continue at historically low levels.
- Second quarter (July-Sept) system kitchen sales were broadly in line with the same period of the previous year. System bathroom sales again declined year-on-year.
- Remodeling business accounted for 23% of first half sales, about the same level as the same period of the previous year.
- Operating income was lower than both last year's figures and previous projections due to reduced gross profit margins associated with lower unit prices.



## Full Year Overview and 2H Priorities

- Downward revision of full year sales and operating income projections.
- Reinforce remodeling business through enhancement of sales channels and showrooms.
- Expand system kitchen sales by promoting appeal of artificial marble products, a Yamaha strength.
- Further cut production costs by reducing expenses and streamlining manufacturing processes.





## 1H Overview

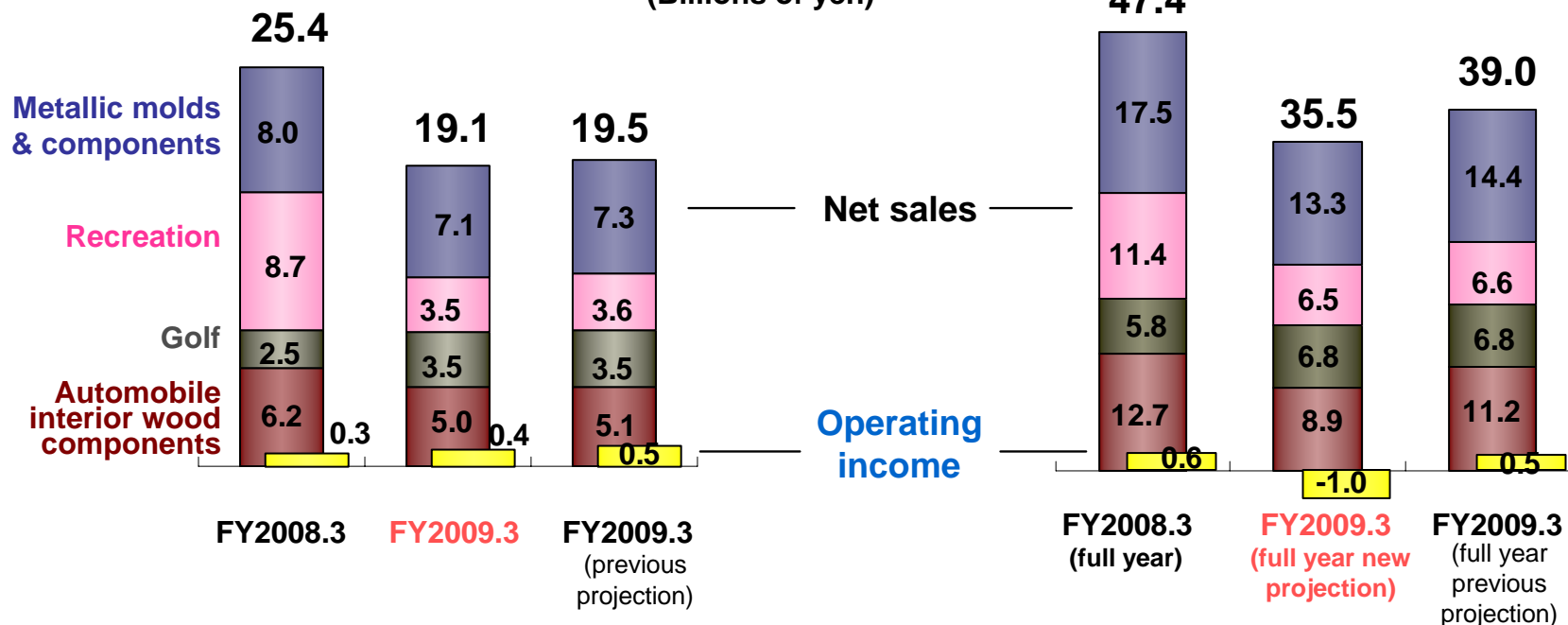
- In conjunction with last year's handover of some facilities, recreation business profitability improved significantly year-on-year.
- Due to decreased production by finished product manufacturers, sales of automobile interior wood components declined sharply year-on-year.
- Delay in achieving improved yields for magnesium molded parts.
- Golf products continued to perform well in Japan and other Asian markets.

## Full Year Overview and 2H Priorities

- Downward revision of full year forecast due to further fall in orders for automobile interior wood components.
- Continue to focus on reducing manufacturing costs by improving yields for automobile interior wood components and magnesium molded parts.
- Although food and energy costs are high, aim for improved profitability in the recreation business by attracting more customers and making cost reduction efforts.

(Billions of yen)

(Billions of yen)



# Capital Expenditure/Depreciation/R&D Expenses

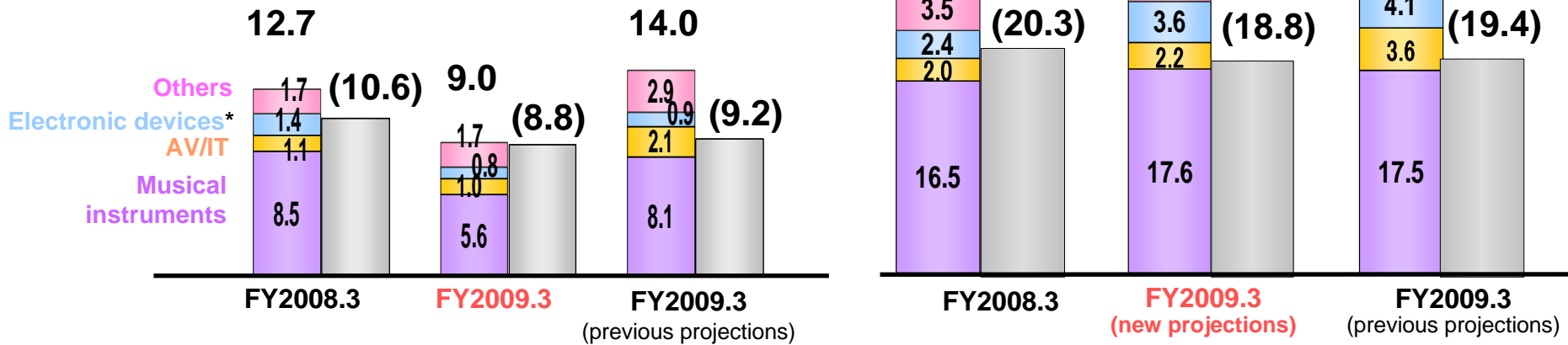


## Capital Expenditure (Depreciation)

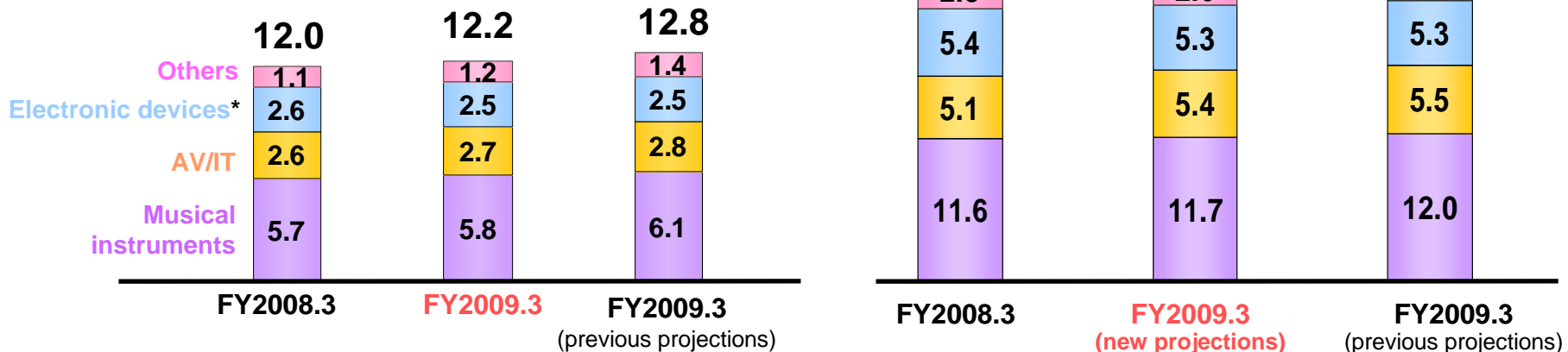
(Billions of yen)

1H

Full year



## R&D Expenses

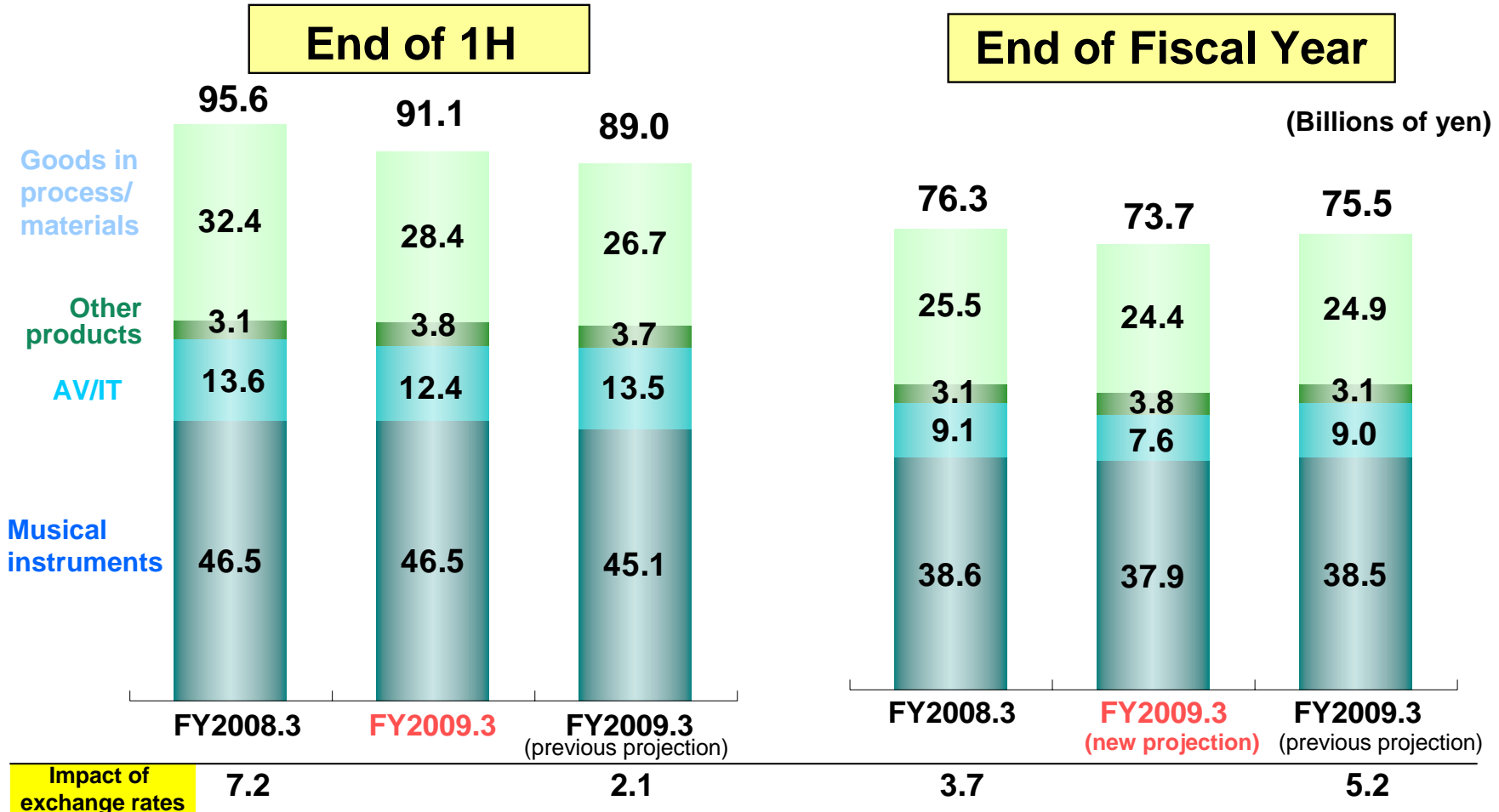


\*FY2008.3 figures for electronic devices include electronic metal products which was transferred to DOWA during the FY2008.3.

# Inventories

➤ Inventories at the end of the first half were ¥4.5 billion lower than the same period of the previous year (discounting the impact of exchange rates and handover of electronic metal products inventories, actual inventories rose by ¥7.9 billion).

➤ Discounting the impact of exchange rates, actual inventories were ¥4.2 billion higher than previous projections.



# Balance Sheet Summary Forecast



	As of End of 1H			As of Fiscal Year End (2008 actual and 2009 projection)		
	As of Sept. 30, 2007	As of Sept. 30, 2008	Change	As of Mar. 31, 2008	As of Mar. 31, 2009	Change
Cash and deposits	95.8	62.4	-33.4	104.0	45.8	-58.2
Notes and accounts receivable	87.1	72.4	-14.7	65.1	65.0	-0.1
Inventories	95.6	91.1	-4.5	76.3	73.7	-2.6
Other current assets	30.8	25.3	-5.5	30.3	30.5	0.2
Fixed assets	327.6	248.9	-78.7	264.6	261.2	-3.4
<b>Total assets</b>	<b>636.8</b>	<b>500.1</b>	<b>-136.7</b>	<b>540.3</b>	<b>476.2</b>	<b>-64.1</b>
Notes and accounts payable	46.0	37.9	-8.1	35.0	35.7	0.7
Short- and long-term loans	36.9	30.5	-6.4	21.0	22.7	1.7
Resort membership deposits	17.8	16.9	-0.9	17.0	16.9	-0.1
Other liabilities	152.7	101.1	-51.6	124.3	102.1	-22.2
Total net assets	383.3	313.7	-69.6	343.0	298.8	-44.2
<b>Total liabilities and net assets</b>	<b>636.8</b>	<b>500.1</b>	<b>-136.7</b>	<b>540.3</b>	<b>476.2</b>	<b>-64.1</b>

Note: Balance of cash and deposits includes negotiable deposits

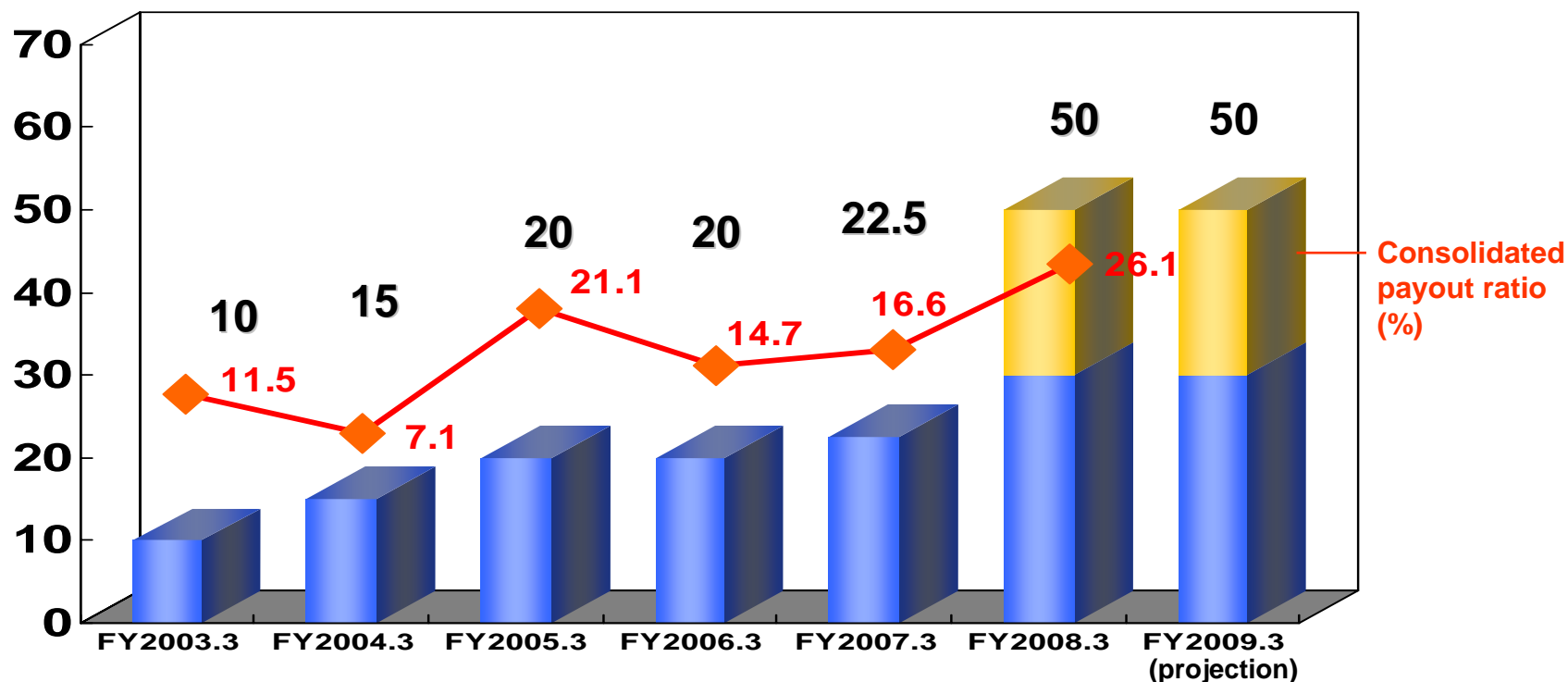
# Return to Shareholders



## Dividend

- Based on a stable and ongoing dividend, Yamaha will strive to further return profits to shareholders, targeting a consolidated payout ratio of 40%
- An annual per-share dividend of ¥50 is planned for FY2009.3 (regular dividend of ¥30, special dividend of ¥20)

(Yen)



## Share buyback

- Number of shares acquired: Approx. 9 million
- Amount of shares acquired: ¥18.0 billion

\*Note: Shares cancelled on June 30, 2008



# Appendix

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



	FY2008.3 (1H) actual	FY2009.3 (1H) actual	FY2009.3 (1H) (previous projections)
(Billions of yen)			
<b>Non-operating income/loss</b>			
Net financial income	1.8	1.6	1.5
Other	-1.5	-1.6	-2.0
<b>Total</b>	<b>+ 0.3</b>	<b>0</b>	<b>-0.5</b>
<b>Extraordinary income/loss</b>			
Income from (loss on) disposal of fixed assets	0.9	-0.3	-0.4
Other	27.3	-0.1	-0.1
<b>Total</b>	<b>+28.2</b>	<b>-0.4</b>	<b>-0.5</b>
<div style="border: 1px solid black; padding: 2px; display: inline-block;">                     Gain on sale of shares in Yamaha Motor Co., Ltd. 27.8                 </div>			
<b>Income taxes and other expenses</b>			
Income taxes -current	29.9	3.9	6.2
Income taxes -deferred	-11.4	4.5	2.2
Minority interests in income	0.5	0.1	0.1
<b>Total</b>	<b>19.0</b>	<b>8.5</b>	<b>8.5</b>



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

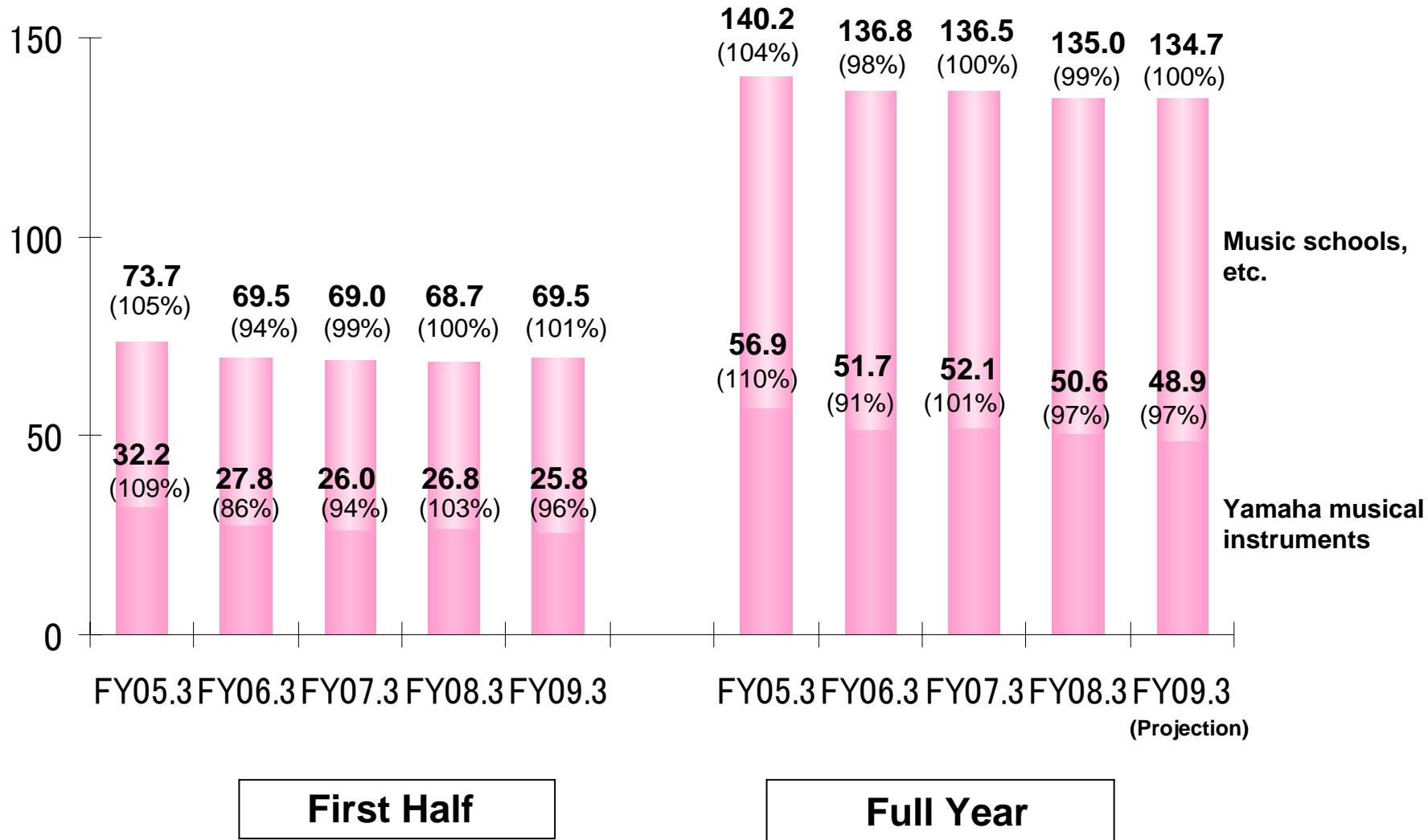


	FY2008.3 actual	FY2009.3 (new projections)	FY2009.3 (previous projections)
(Billions of yen)			
<b>Non-operating income/loss</b>			
		• Yamaha Motor Co., Ltd. dividend 1.7	• Yamaha Motor Co., Ltd. dividend 1.7
Net financial income	2.9	2.4	2.1
Other	-3.1	-3.9	-4.1
<b>Total</b>	<b>-0.2</b>	<b>-1.5</b>	<b>-2.0</b>
<b>Extraordinary income/loss</b>			
		• Gain on sale of shares in Yamaha Motor Co., Ltd. 27.8 • Special retirement allowances -0.8	
Income from (loss on) disposal of fixed assets	0.8	-0.7	-0.7
Other	29.1	0.2	-0.3
<b>Total</b>	<b>+29.9</b>	<b>-0.5</b>	<b>-1.0</b>
<b>Income taxes and other expenses</b>			
Income taxes -current	17.5	4.4	7.9
Income taxes -deferred	4.7	6.3	2.7
Minority interests in income	0.7	0.3	0.4
<b>Total</b>	<b>22.9</b>	<b>11.0</b>	<b>11.0</b>

# Yamaha Musical Instrument and Professional Audio Equipment Sales in the Japanese Market



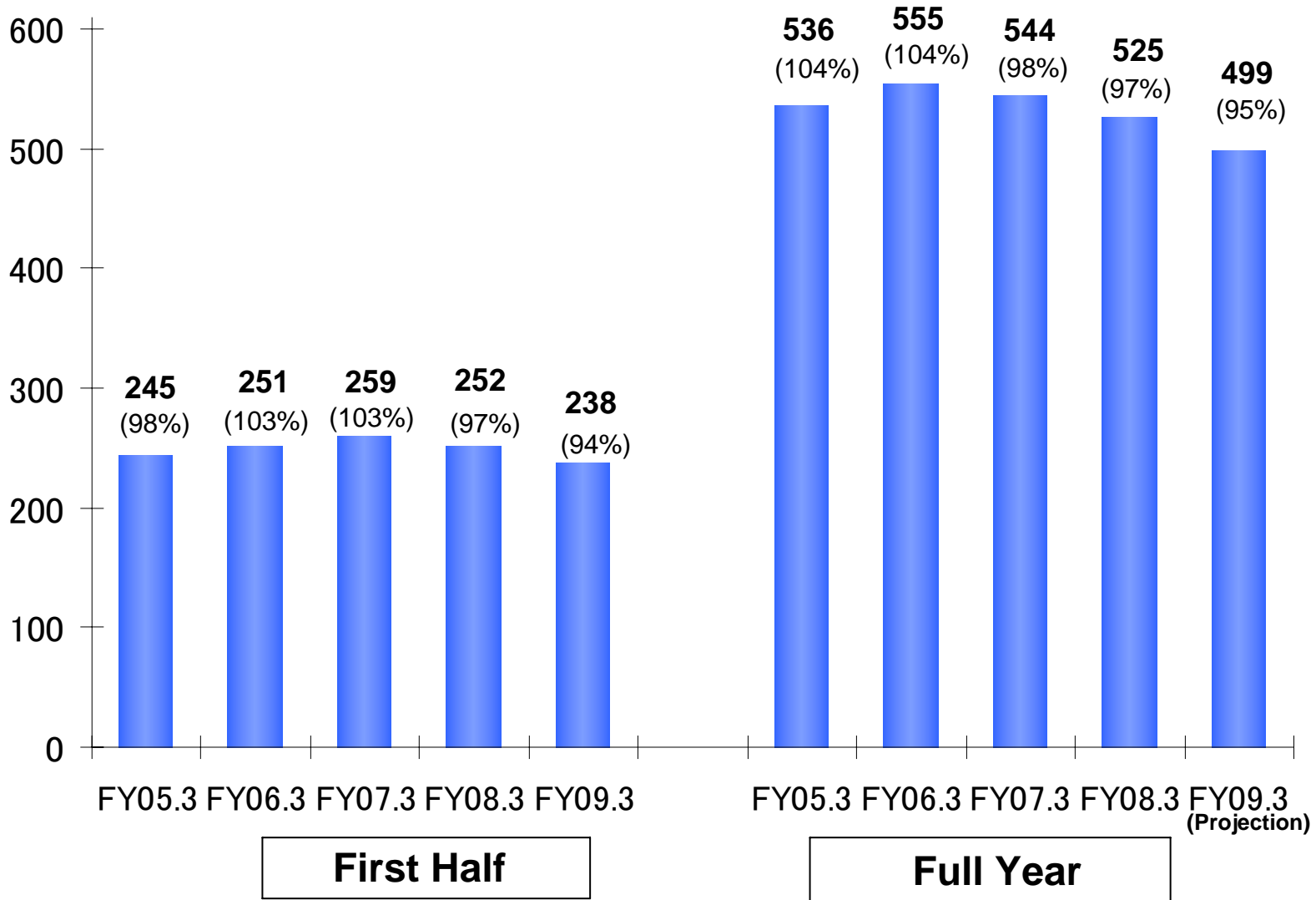
(Billions of yen)



# Yamaha Musical Instrument and Professional Audio Equipment Sales in the U.S. Market



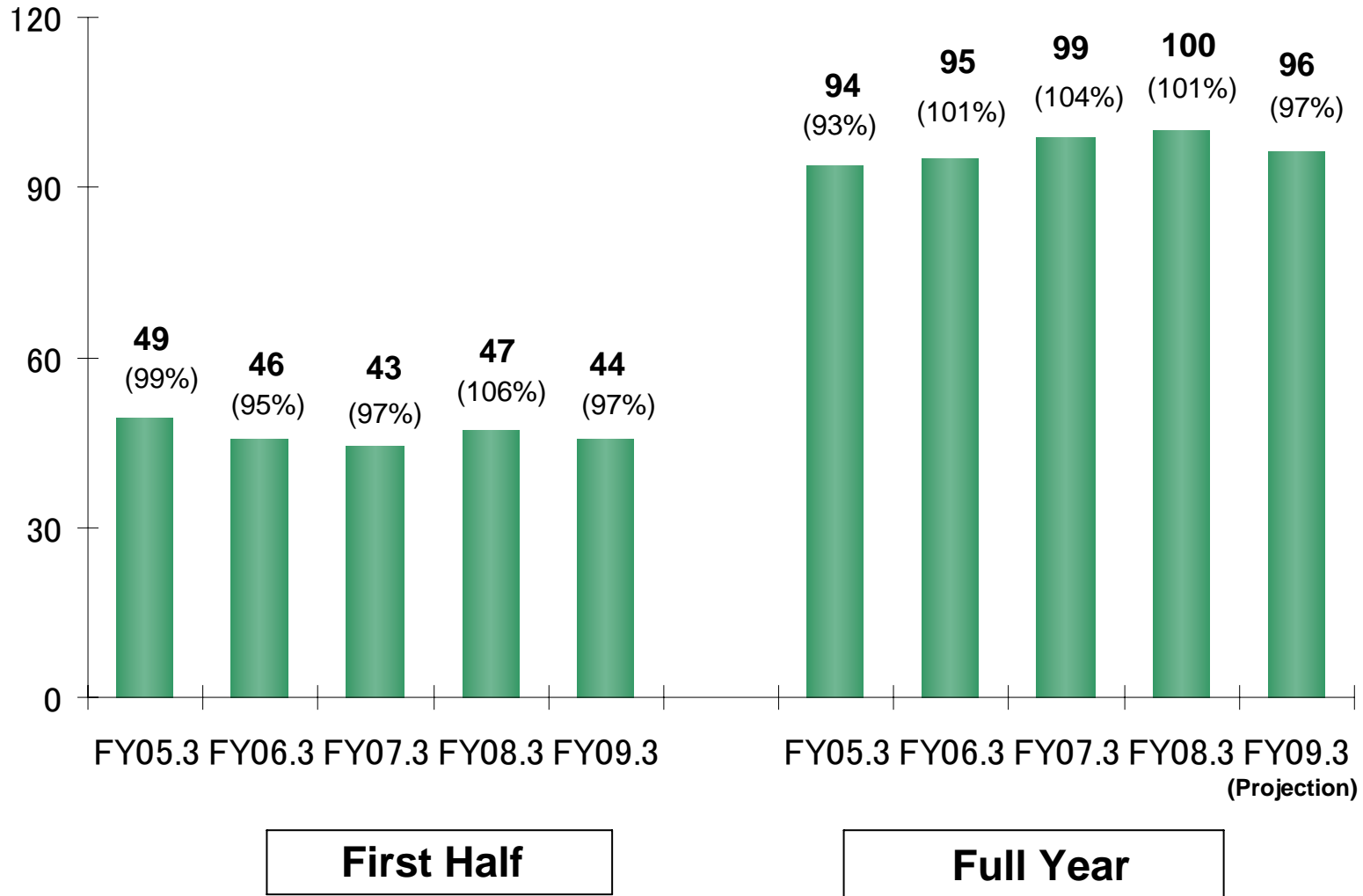
(Millions of US\$)



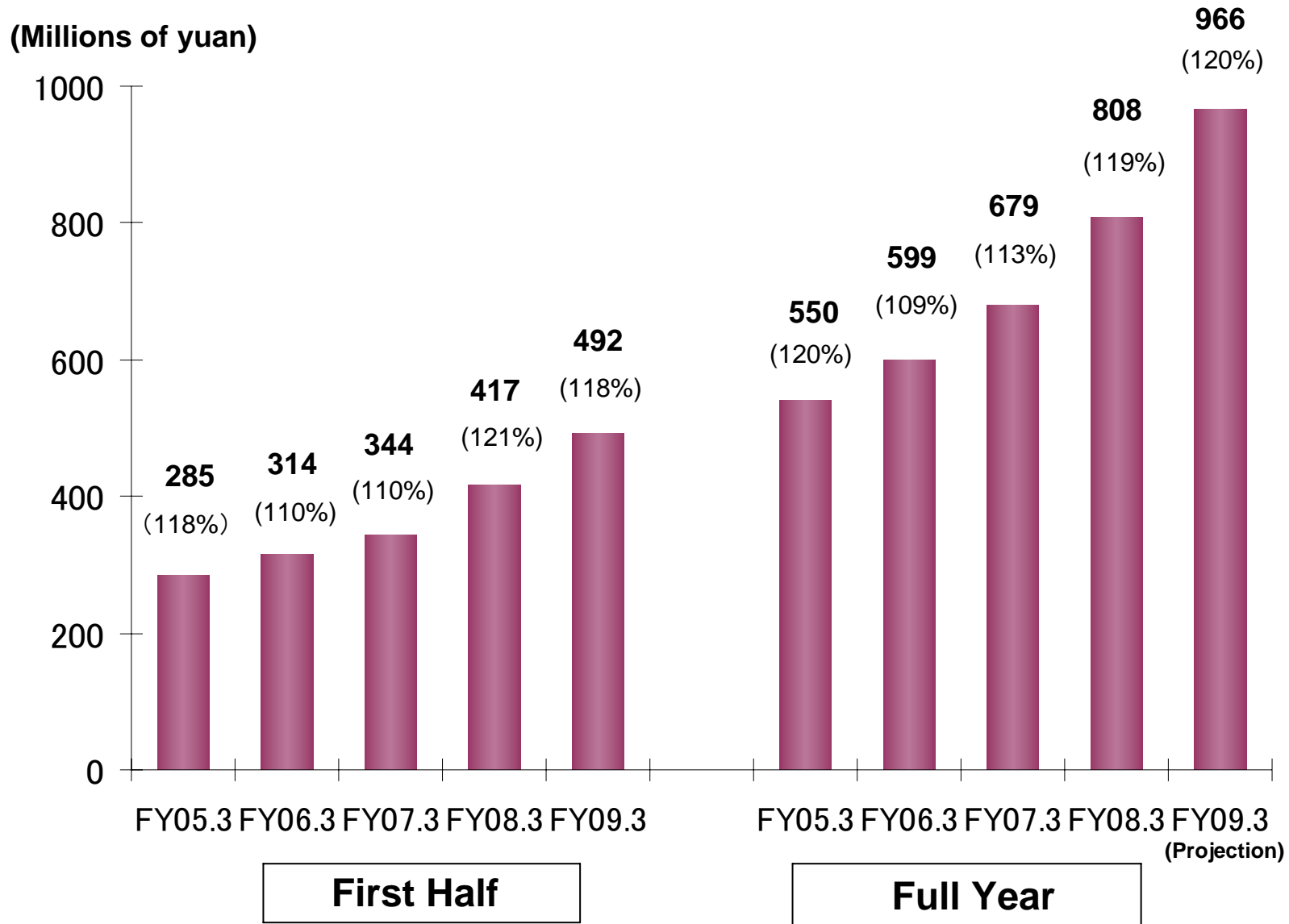
# Yamaha Musical Instrument and Professional Audio Equipment Sales in the German Market



(Millions of euro)



# Yamaha Musical Instrument and Professional Audio Equipment Sales in the Chinese Market



**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.**