

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

August 1, 2013



Results Summary

- **First quarter sales and income increased year-on-year in an environment of yen depreciation. Sales and income exceeded previous projections announced on April 30.**
- **Musical instrument sales were down from the same period of the previous year due to the worldwide slowdown in growth and consumption.**
- **Operating income rose year-on-year to ¥6.2 billion and exceeded previous projections, due to factors including the impact of exchange rates and a decrease in actual SG&A expenses.**

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

Performance in the First Quarter of FY2014.3



(Billions of yen)

	FY2013.3 (1Q)	FY2014.3 (1Q)	Change from same period of the previous year	Previous Projections (1Q)	Change from the previous projections
Net Sales	90.0	97.0	+7.7%	94.0	+3.2%
Operating Income (Operating Income Ratio)	4.3 (4.7%)	6.2 (6.4%)	+45.0%	2.5 (2.7%)	+146.6%
Ordinary Income (Ordinary Income Ratio)	3.8 (4.2%)	6.3 (6.5%)	+65.9%	2.0 (2.1%)	+214.5%
Net Income (Net Income Ratio)	2.6 (2.9%)	5.8 (6.0%)	+121.1%	1.5 (1.6%)	+287.9%

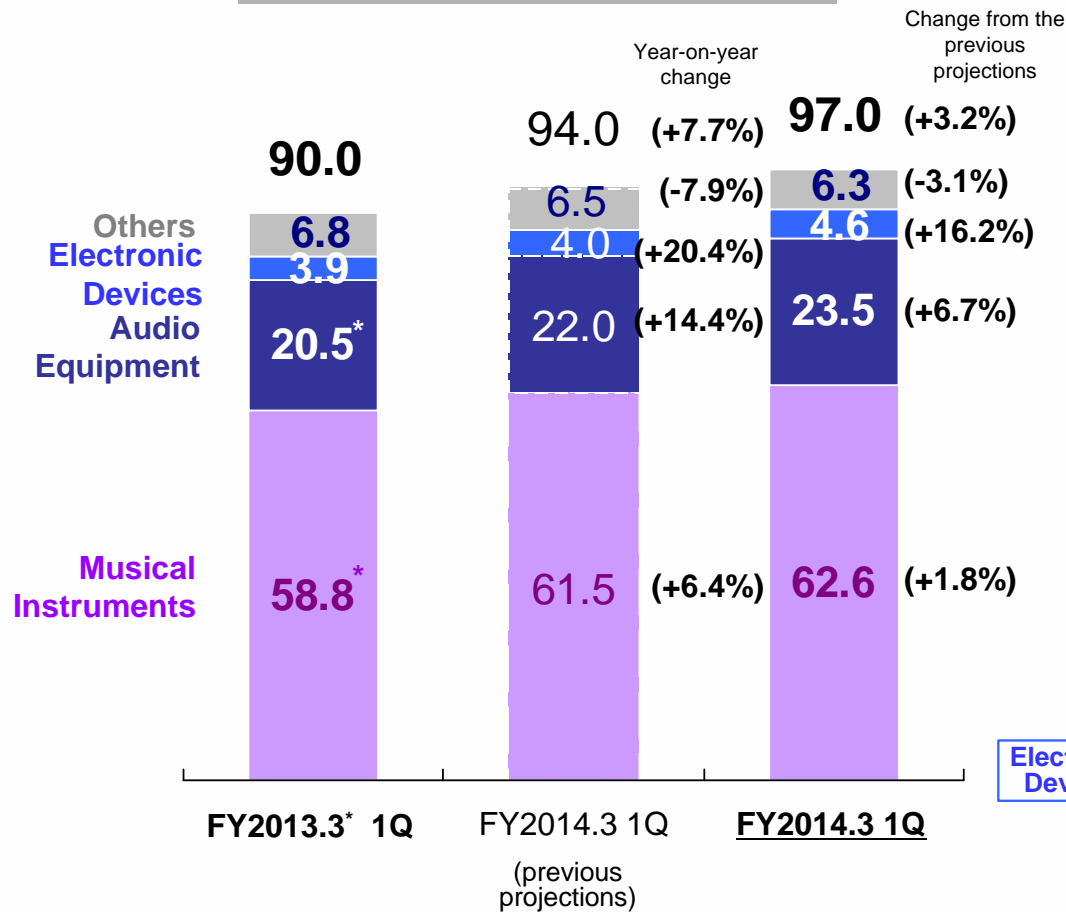
Exchange Rate (yen)

Net Sales	US\$	80	99	85
	EUR	103	129	115
Operating Income	US\$	81	98	85
	EUR	106	121	115

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

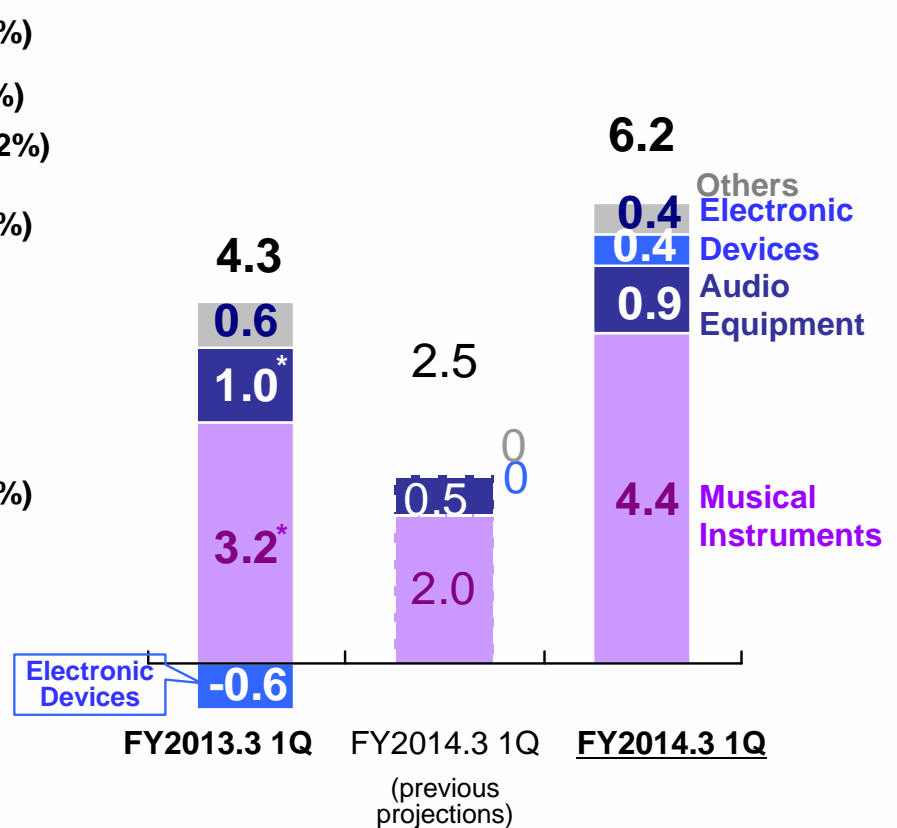


Net Sales



Operating Income

(Billions of yen)



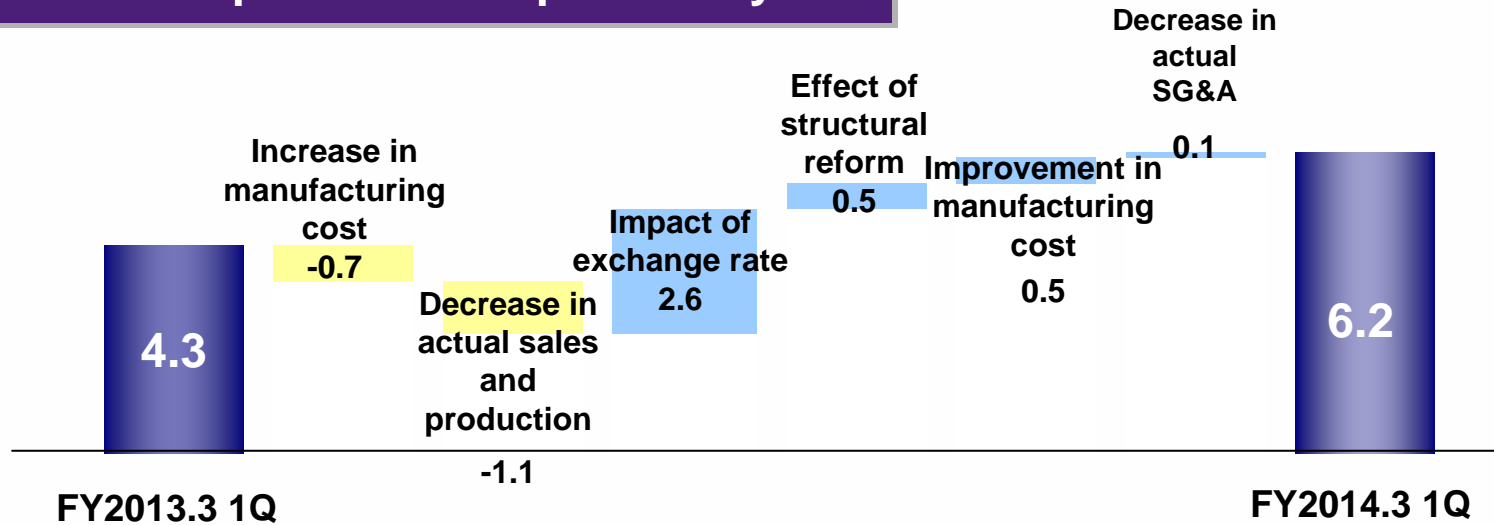
Impact of Exchange Rates

Year-on-Year	+¥10.4 billion (musical instruments +¥6.6 billion, audio equipment +¥3.5 billion, electronic devices +¥0.3 billion)
Versus previous projections	+¥6.8 billion (musical instruments +¥4.4 billion, audio equipment +¥2.2 billion, electronic devices +¥0.2 billion)

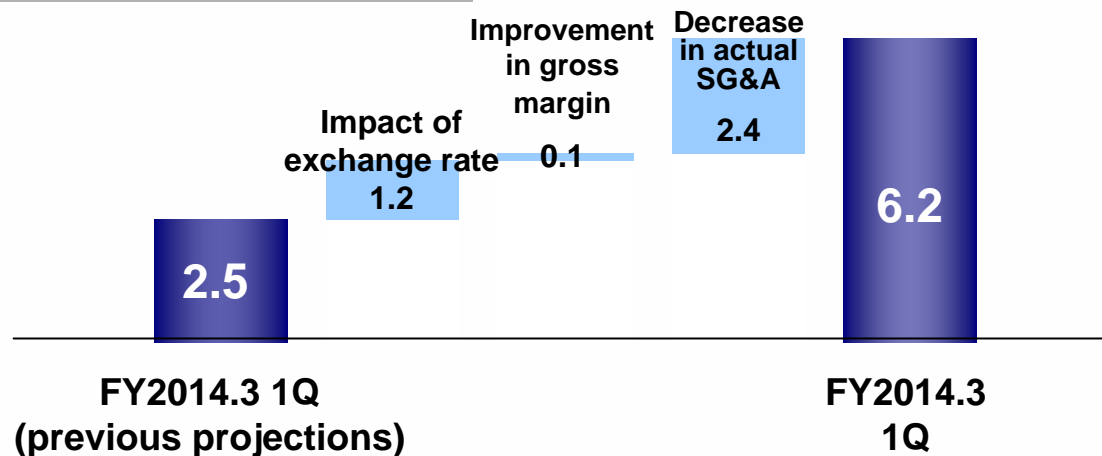
Year-on-Year	+¥2.6 billion (musical instruments +¥1.9 billion, audio equipment +¥0.6 billion, electronic devices +¥0.1 billion)
Versus previous projections	+¥1.2 billion (musical instruments +¥1.0 billion, audio equipment +¥0.1 billion, electronic devices +¥0.1 billion)

FY2014.3 1Q Operating Income Analysis

Versus same period of the previous year

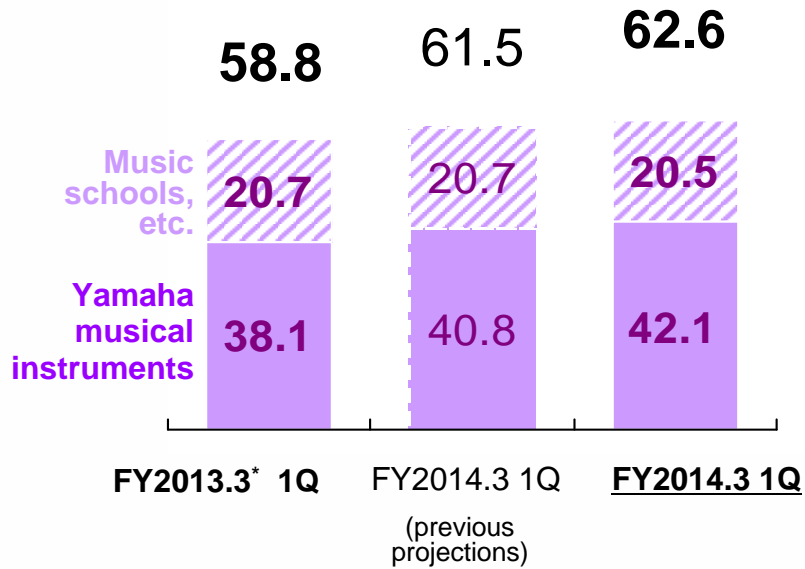


Versus previous projections

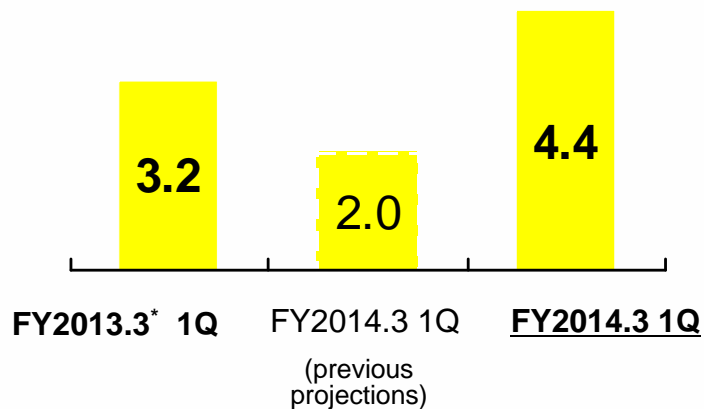


Musical Instruments 1Q

Net Sales



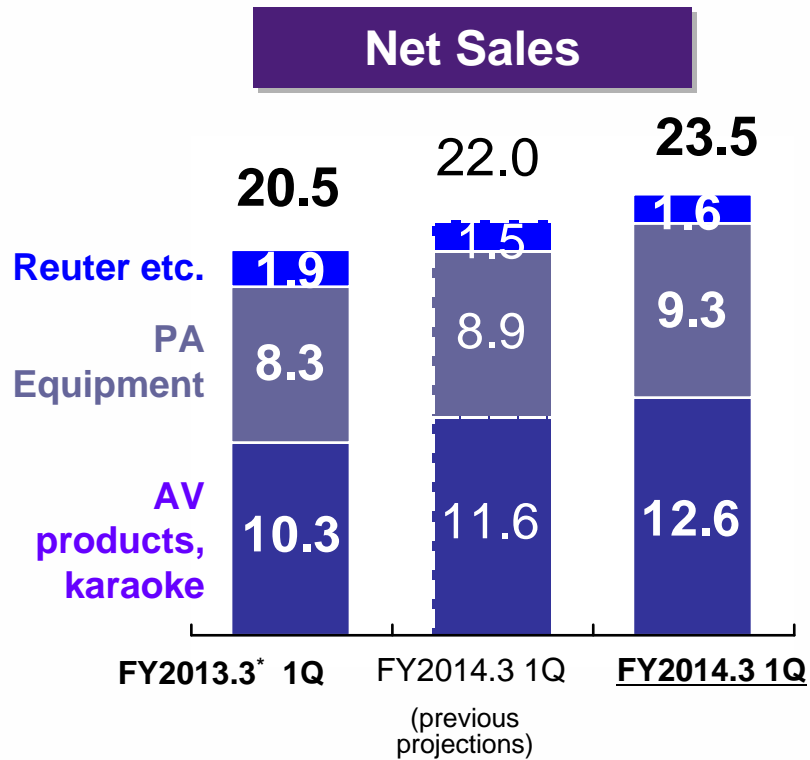
Operating Income



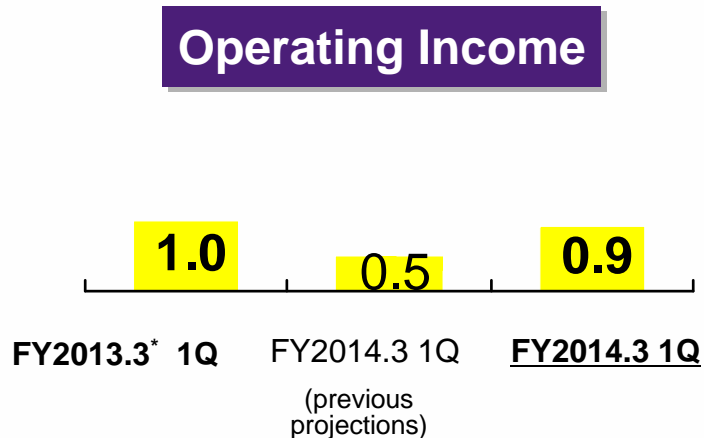
1Q Overview

- Sales increased year-on-year and exceeded previous projections
- Discounting the impact of exchange rates (+¥6.6 billion), actual sales were lower than the same period of the previous year
- Actual sales were down in China and Other Markets
- Actual sales of digital pianos increased, but those of other products declined

Audio Equipment 1Q

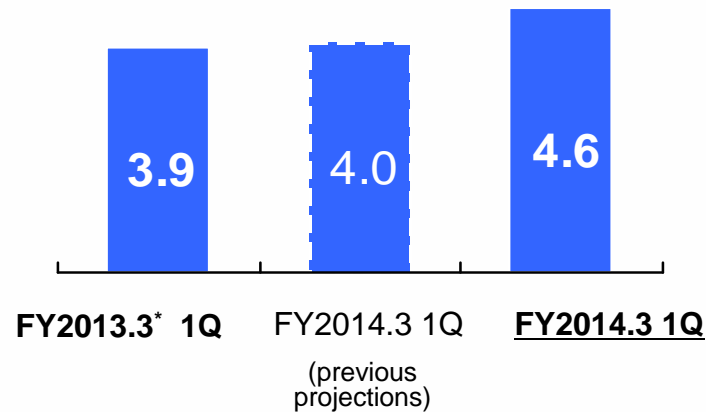


- ### 1Q Overview
- Sales were up year-on-year and against previous projections
 - Discounting the impact of exchange rates (+¥3.5 billion), actual sales decreased from the same period of the previous year
 - Sales of professional audio equipment grew in North America, Europe, and Other Markets
 - Operating income declined year-on-year, partly due to forward investment in development of professional audio equipment

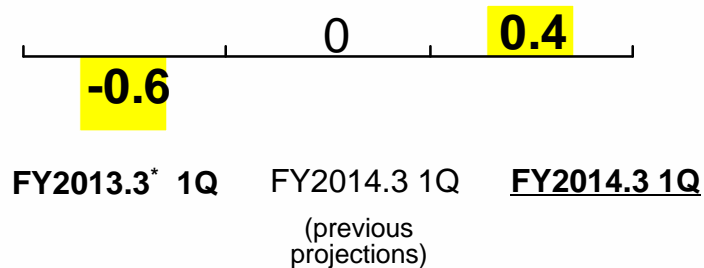


Electronic Devices 1Q

Net Sales



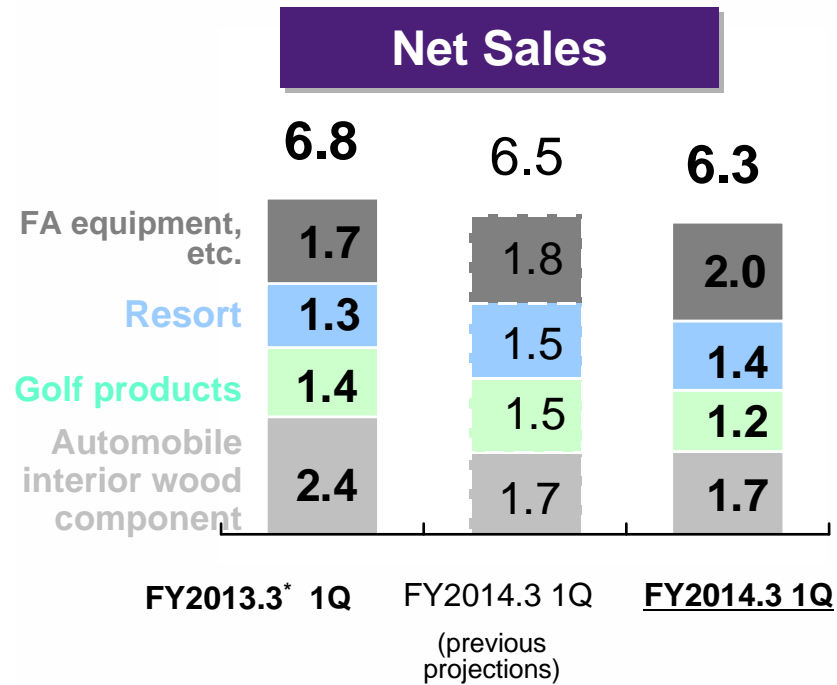
Operating Loss/Income



1Q Overview

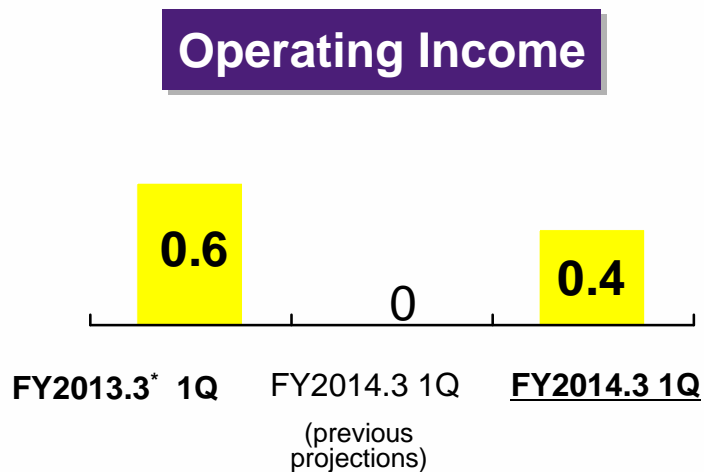
- Sales were higher than the same period of the previous year and surpassed previous projections
- Geomagnetic sensor and codec product sales were robust
- Lower fixed costs achieved through business structural reform carried out in the previous year and increased sales resulted in a return to profit

Others 1Q



1Q Overview

- Sales and income declined year-on-year
- Automobile interior wood component sales decreased, but sales of factory automation equipment increased year-on-year due to solid overseas markets
- Golf product sales grew in overseas markets, but remained sluggish in Japan, decreasing from the same period of the previous year
- Resort sales rose year-on-year



Outlook for 2-4Q

- Despite expectations of lower distributor inventories in Chinese market and strong sales of new products, the anticipated year-on-year growth rate for musical instrument and audio equipment sales has been revised downward
- Although circumstances in Other Markets vary from one country to the next, they are likely to remain challenging
- The North American market is gradually rebounding, and despite difficult conditions in Europe, solid demand for new products including digital musical instruments is expected

Full Year Outlook

- Estimated exchange rates for 2-4Q have been revised to US\$=¥95, EUR=¥125
- Full year projections have been revised to ¥408.0 billion for sales and ¥20.0 billion for operating income

Forecast for Performance in FY2014.3 (Full Year)



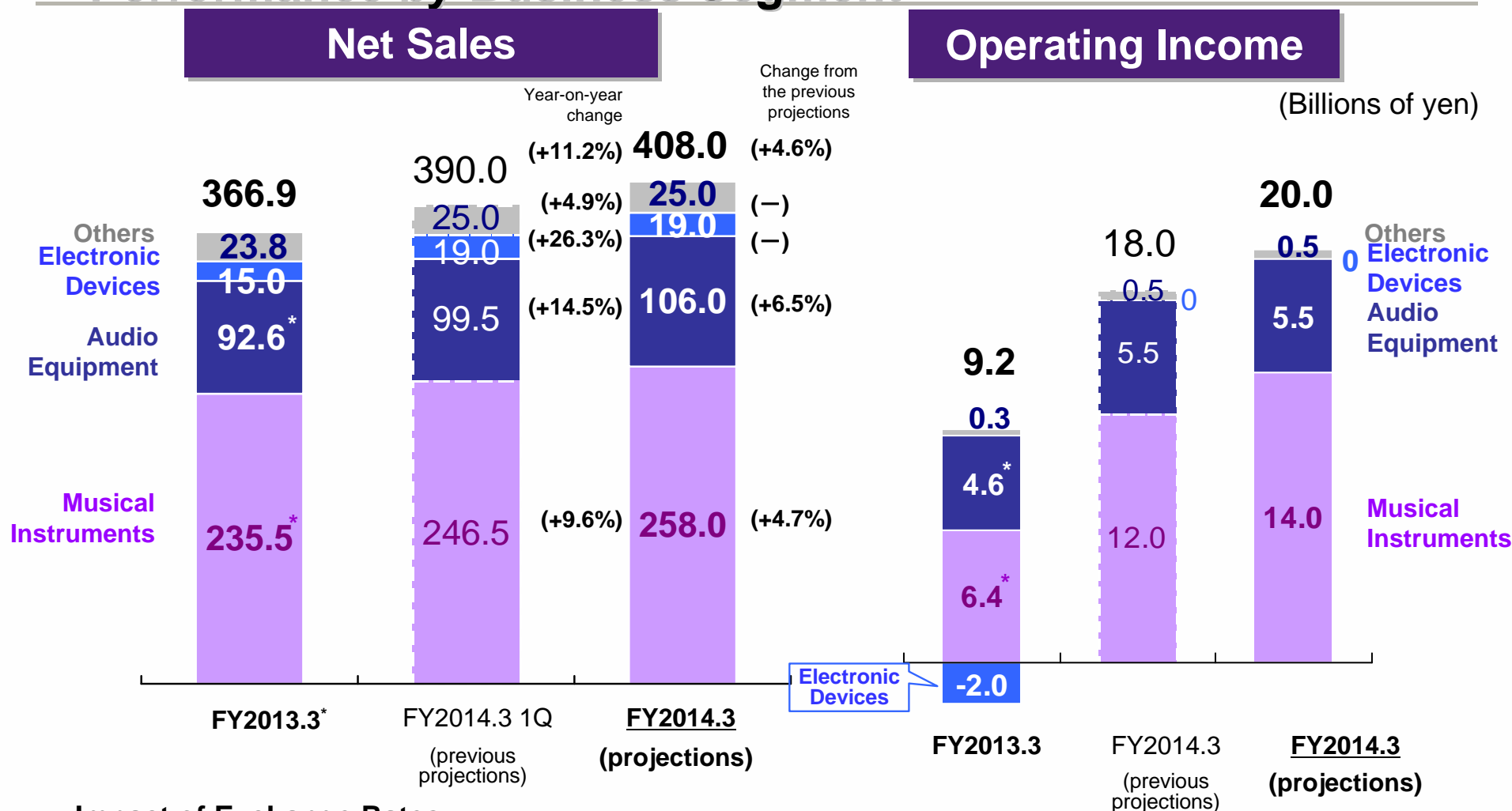
(Billions of yen)

	FY2013.3	FY2014.3 Projections	Change from same period of the previous year	Previous Projections	Change from the previous projections
Net Sales	366.9	408.0	+11.2%	390.0	+4.6%
Operating Income (Operating Income Ratio)	9.2 (2.5%)	20.0 (4.9%)	+117.0%	18.0 (4.6%)	+11.1%
Ordinary Income (Ordinary Income Ratio)	8.6 (2.3%)	18.5 (4.5%)	+115.6%	16.5 (4.2%)	+12.1%
Net Income (Net Income Ratio)	4.1 (1.1%)	16.5 (4.0%)	+300.3%	13.5 (3.5%)	+22.2%

Exchange Rate (yen)

			(2-4Q)		
Net Sales	US\$	83	96	95	85
	EUR	107	126	125	115
Operating Income	US\$	82	96	95	85
	EUR	103	124	125	115

FY2014.3 Full Year Forecast for Performance by Business Segment



Impact of Exchange Rates

Year-on-Year	+¥34.6 billion (musical instruments +¥21.9 billion, audio equipment +¥11.8 billion, electronic devices +¥0.9 billion)
Versus previous projections	+¥25.1 billion (musical instruments +¥16.0 billion, audio equipment +¥8.4 billion, electronic devices +¥0.7 billion)

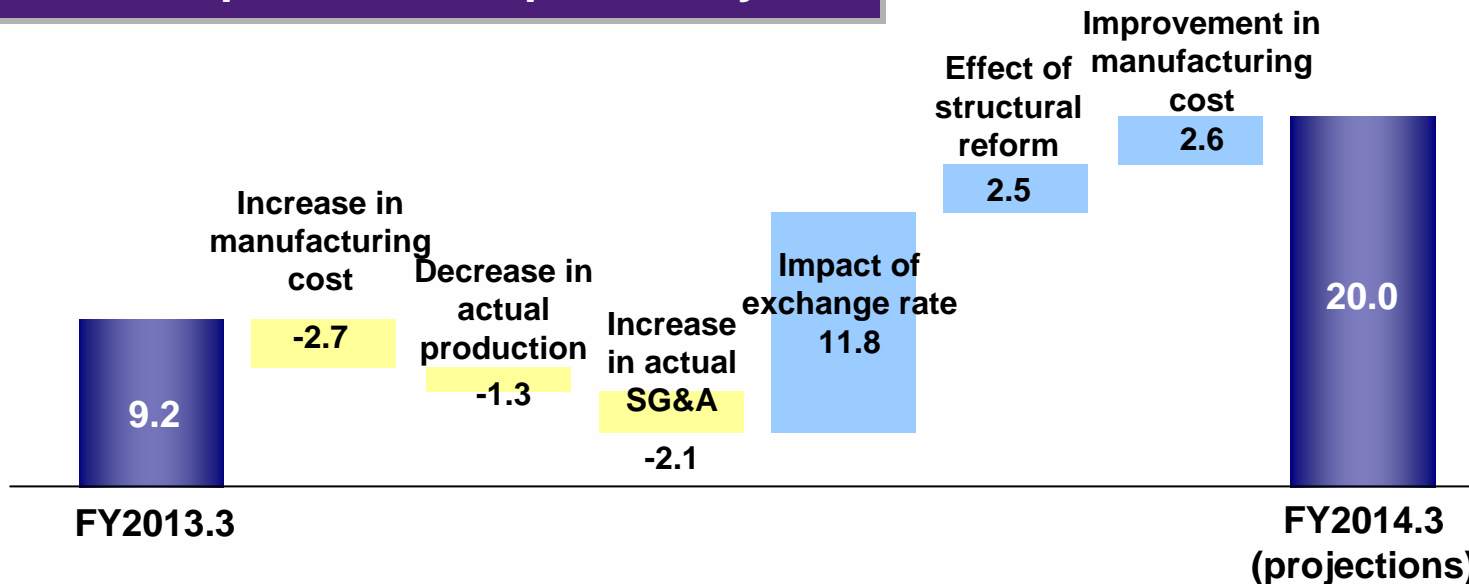
Year-on-Year	+¥11.8 billion (musical instruments +¥8.0 billion, audio equipment +¥3.3 billion, electronic devices +¥0.5 billion)
Versus previous projections	+¥5.8 billion (musical instruments +¥4.2 billion, audio equipment +¥1.2 billion, electronic devices +¥0.4 billion)

FY2014.3 1Q Operating Income Analysis

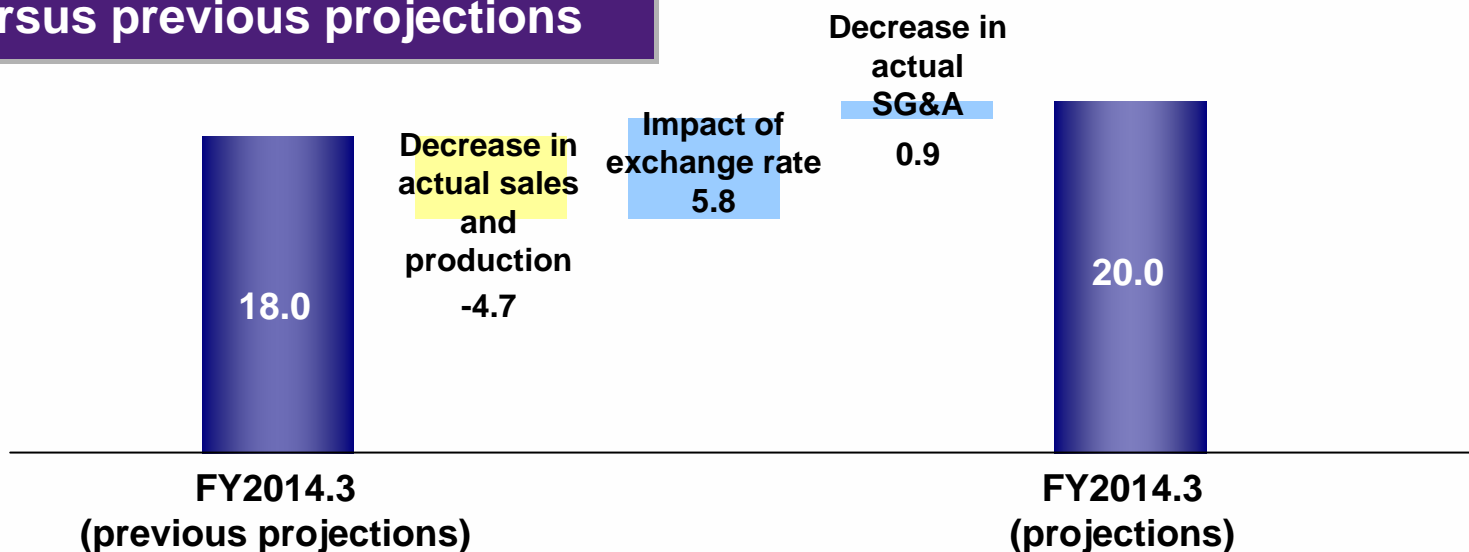


(Billions of yen)

Versus same period of the previous year



Versus previous projections

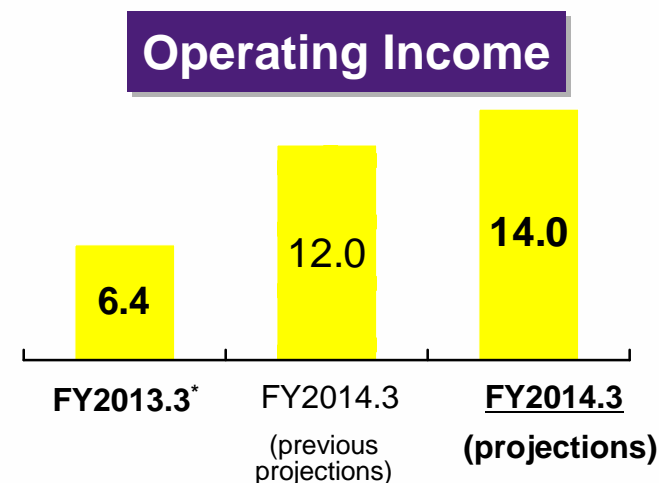
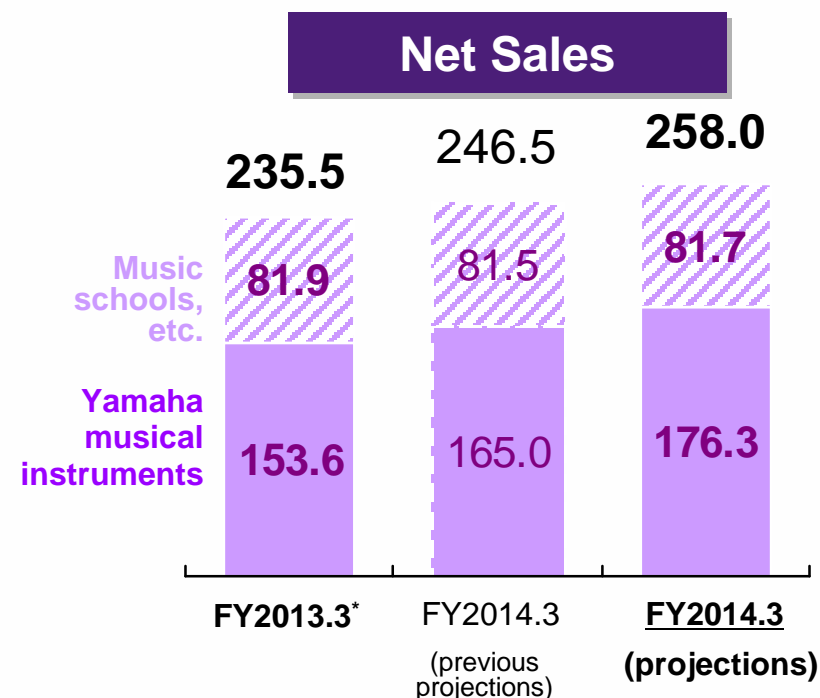


Musical Instruments Full Year Projections



(Billions of yen)

- ### Full Year Projections
- Sales and income projections have been revised due to reconsideration of exchange rates and market conditions
 - The European market is projected to rebound to the previous year's levels as new digital musical instrument products are launched
 - Actual growth is anticipated in the Chinese market as the current round of piano distributor inventory adjustments ends
 - Sales are expected to recover in Other Markets, especially for digital musical instruments

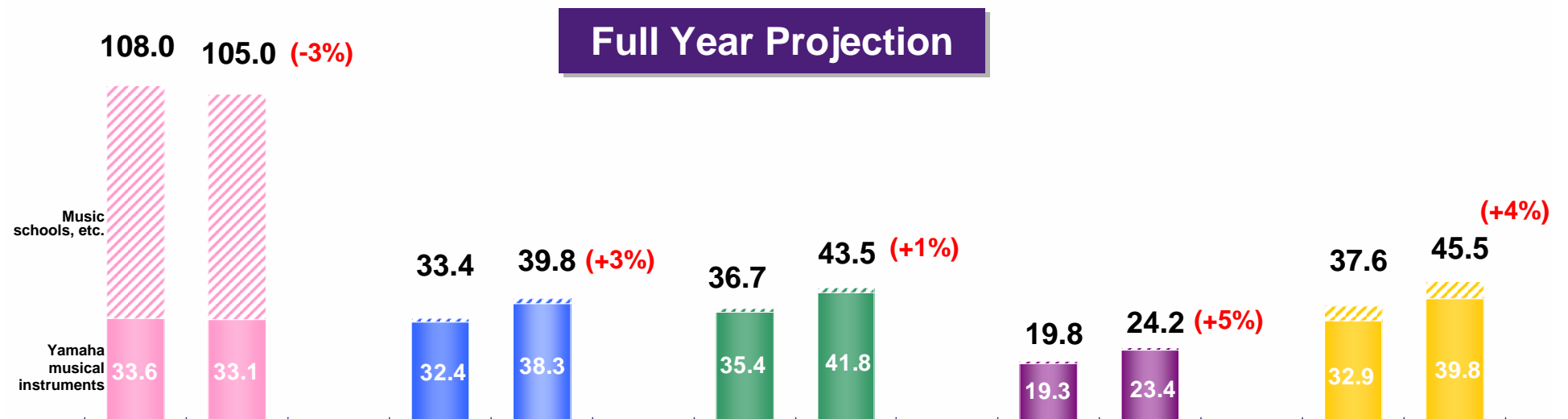
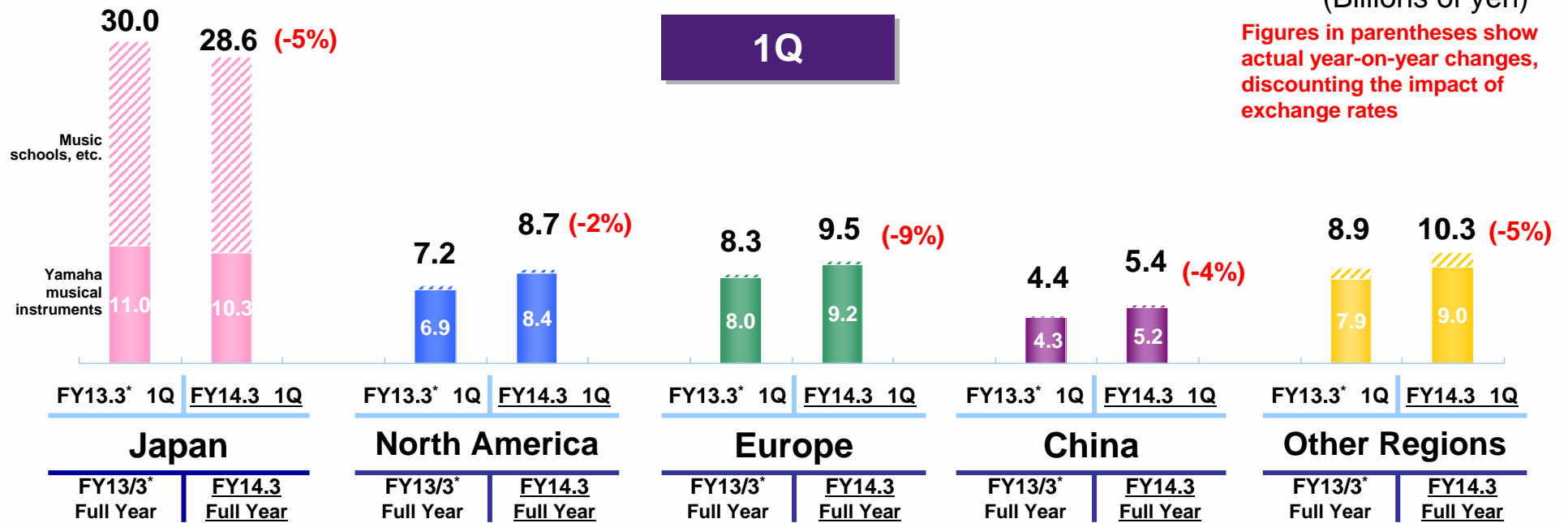


Musical Instruments: Sales by Region



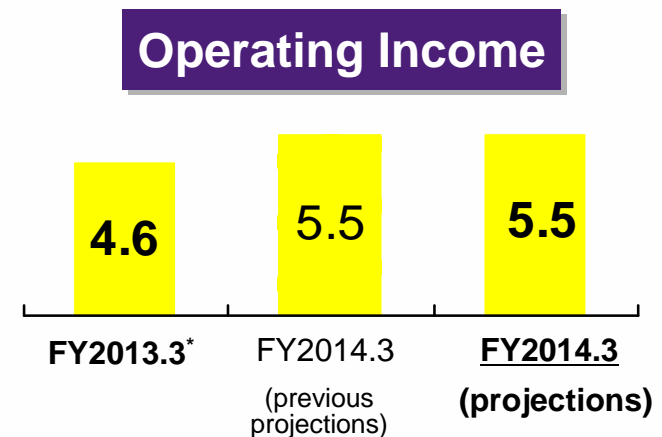
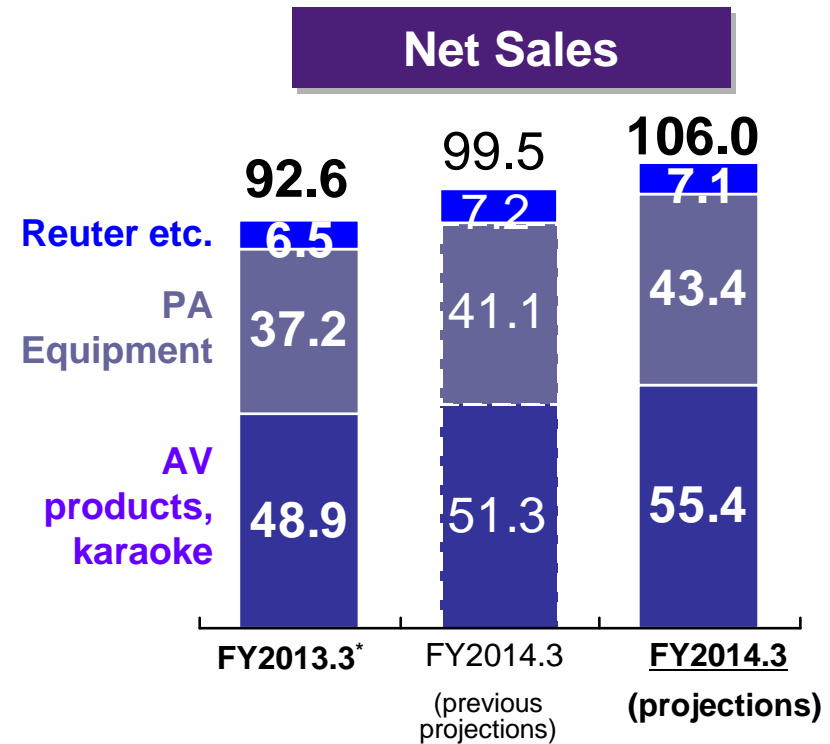
(Billions of yen)

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



Audio Equipment Full Year Projections

- Full Year Projections**
- Sales and income are expected to rise year-on-year, and operating income will be in line with previous projections
 - Exchange rates are likely to have a positive impact on sales (+¥11.8 billion) and operating income (+¥3.3 billion)
 - Despite strong 1Q results, karaoke equipment sales are expected to decline over the full year
 - Higher router sales are anticipated as the market rallies

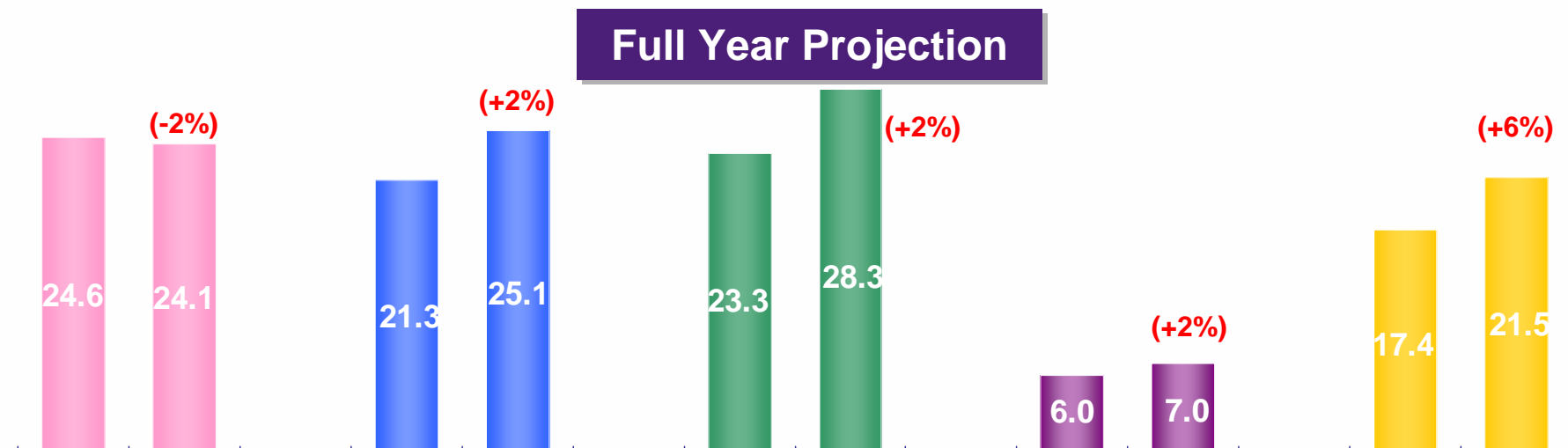
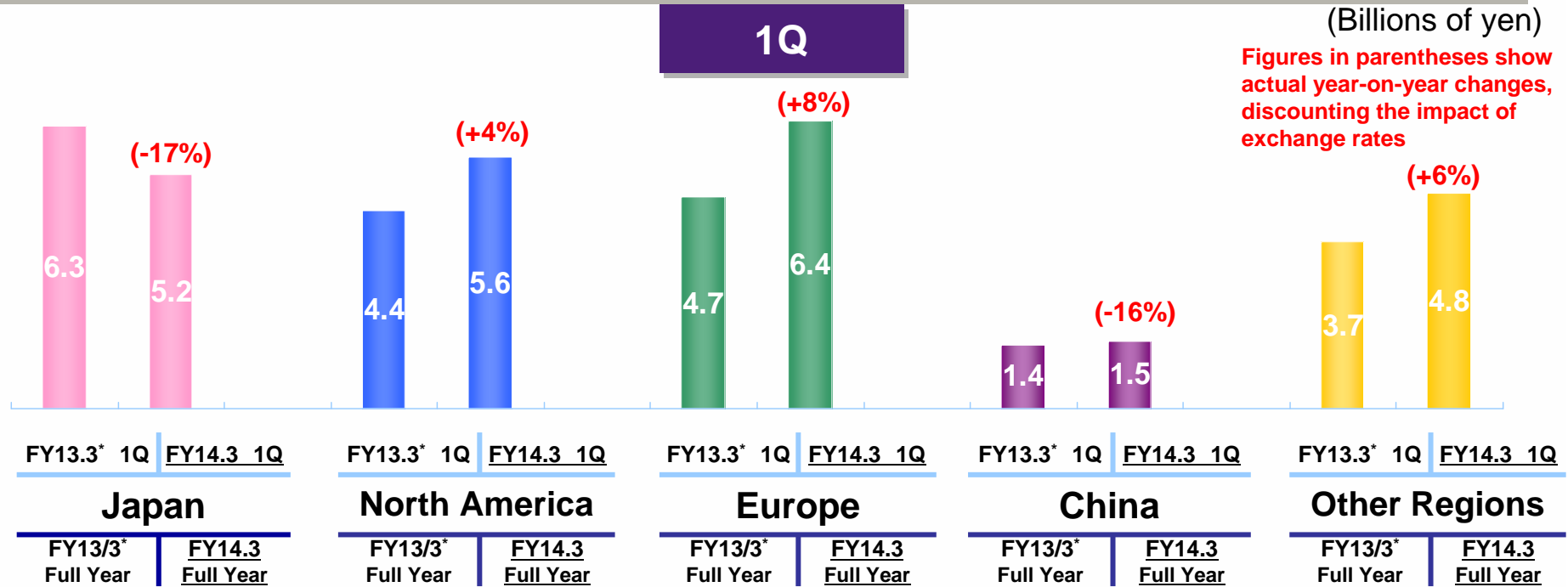


Audio Equipment: Sales by Region



(Billions of yen)

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

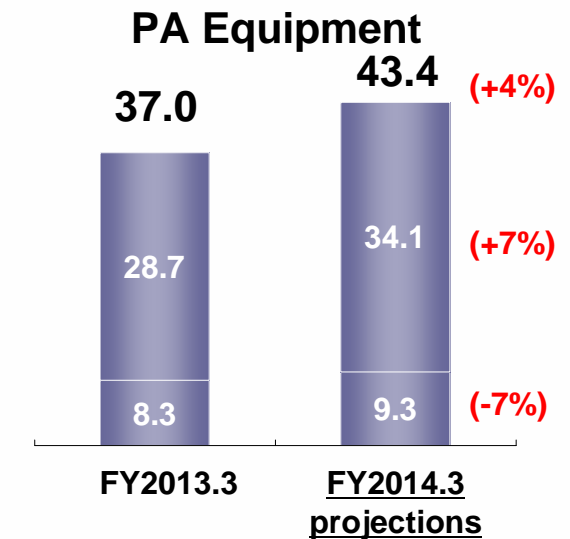
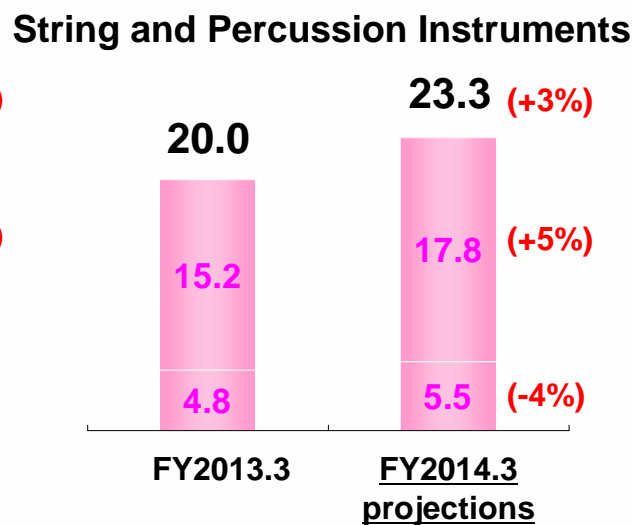
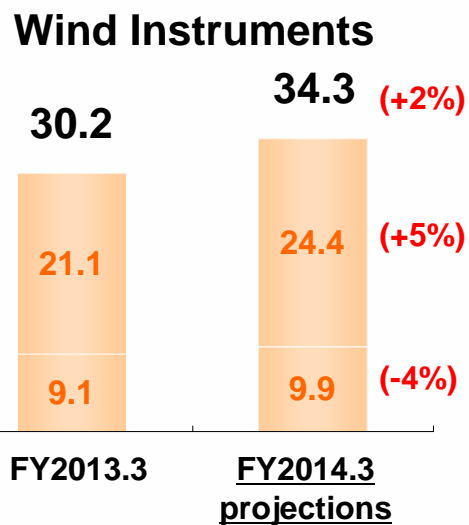
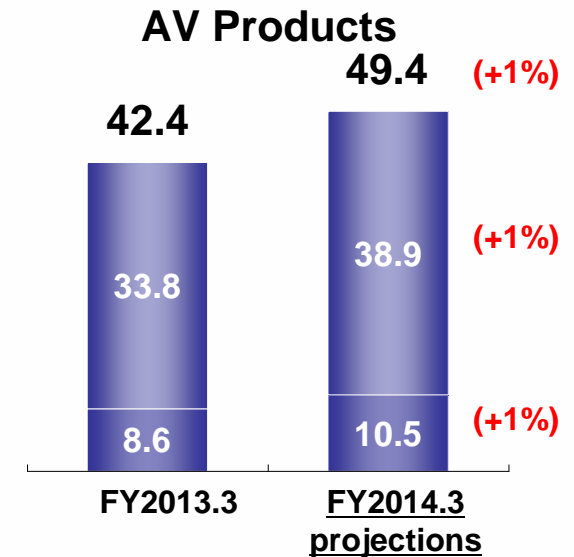
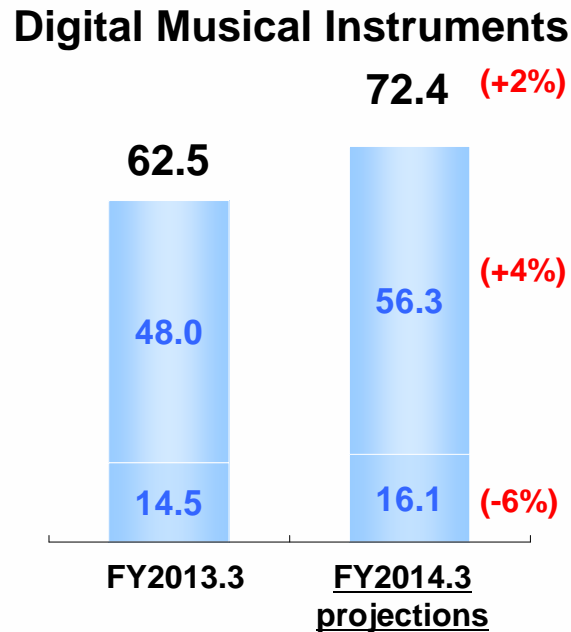
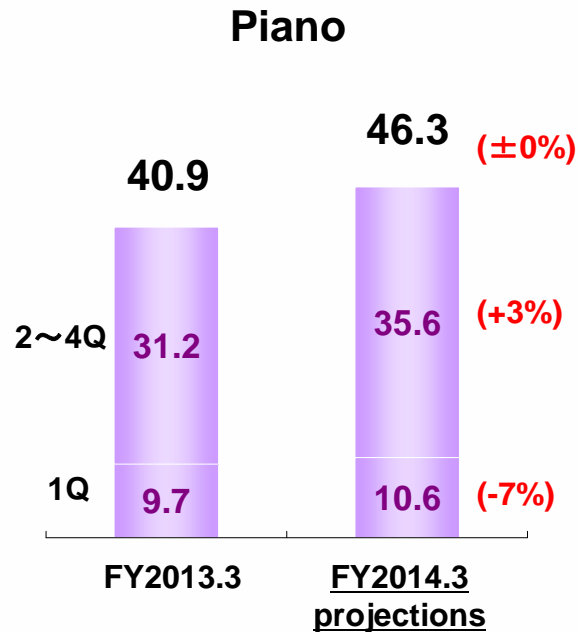


Musical Instruments/Audio Equipment: Sales by Major Product Category



(Billions of yen)

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

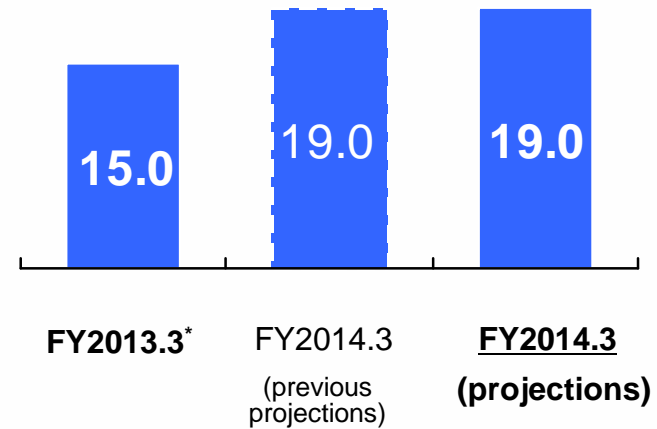


Electronic Devices Full Year Projection

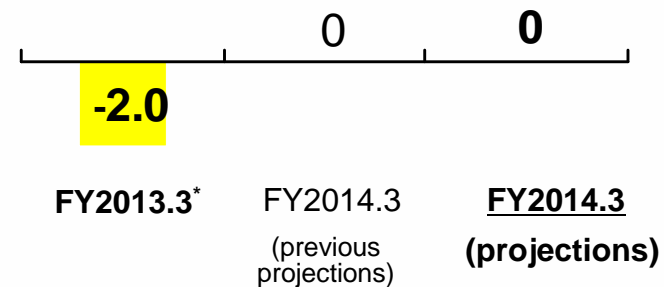
Full Year Projections

- Sales are expected to increase year-on-year, and aim for a return to profit
- Outsourcing of production will proceed
- Investment in geomagnetic sensor plant will cut costs as new facilities start operation

Net Sales



Operating Income/Loss



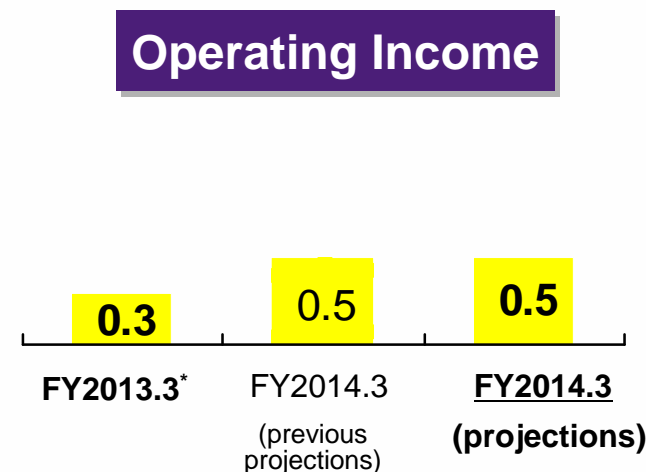
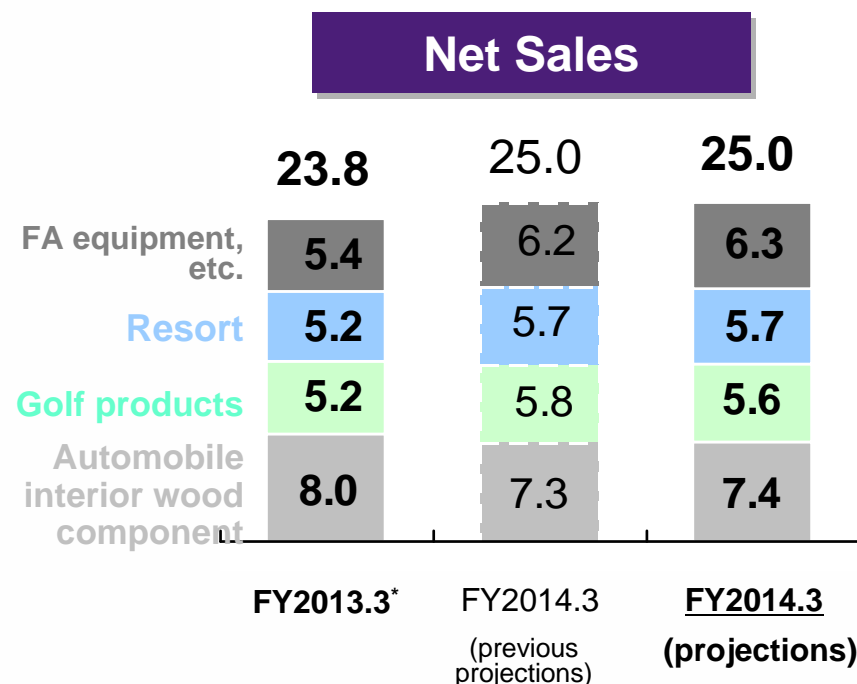
Others Full Year Projections



(Billions of yen)

Full Year Projections

- Sales and income are expected to rise year-on-year
- Solid demand for factory automation equipment is anticipated in overseas markets
- Recovery is expected in overseas markets for golf products
- Resort sales are projected to rise, partly due to enhanced initiatives to attract guests

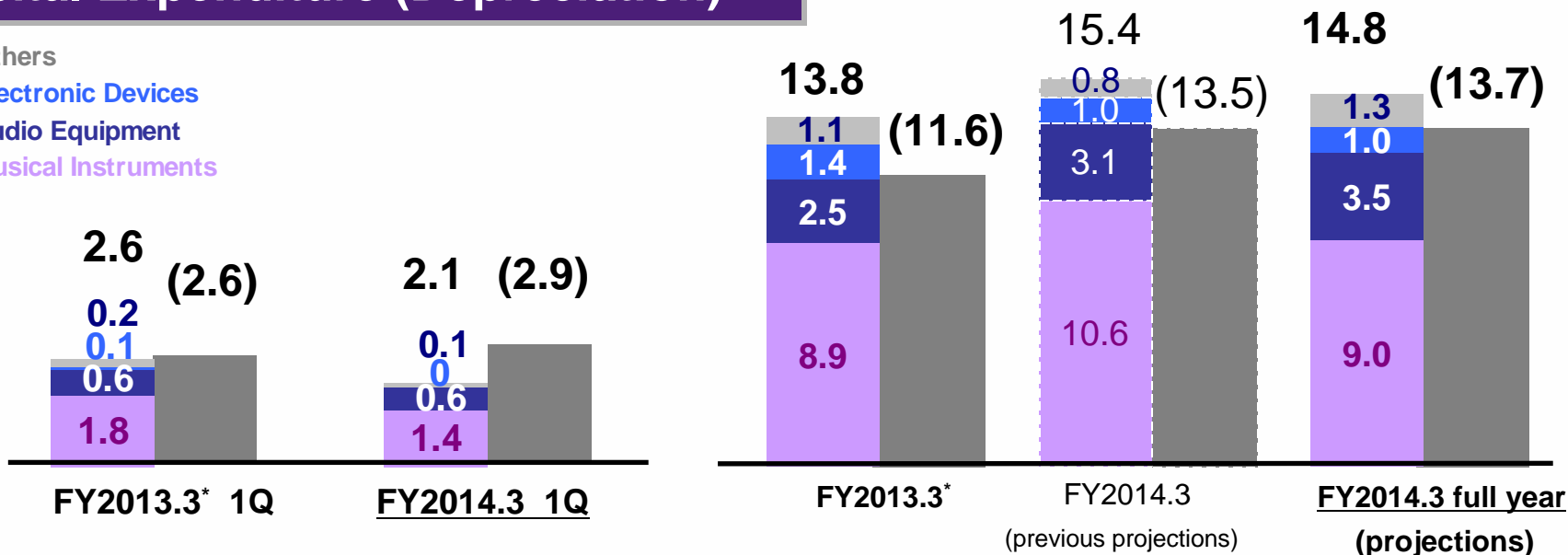


Capital Expenditure/Depreciation/R&D Expenses **YAMAHA**

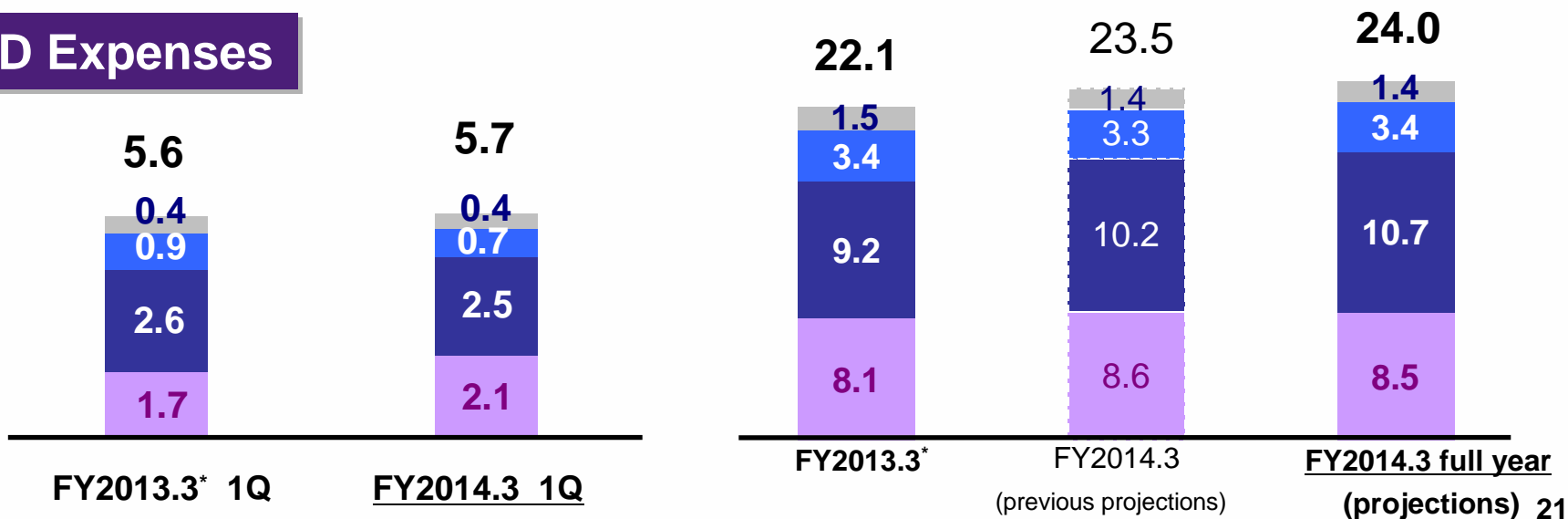
(Billions of yen)

Capital Expenditure (Depreciation)

- Others
- Electronic Devices
- Audio Equipment
- Musical Instruments



R&D Expenses

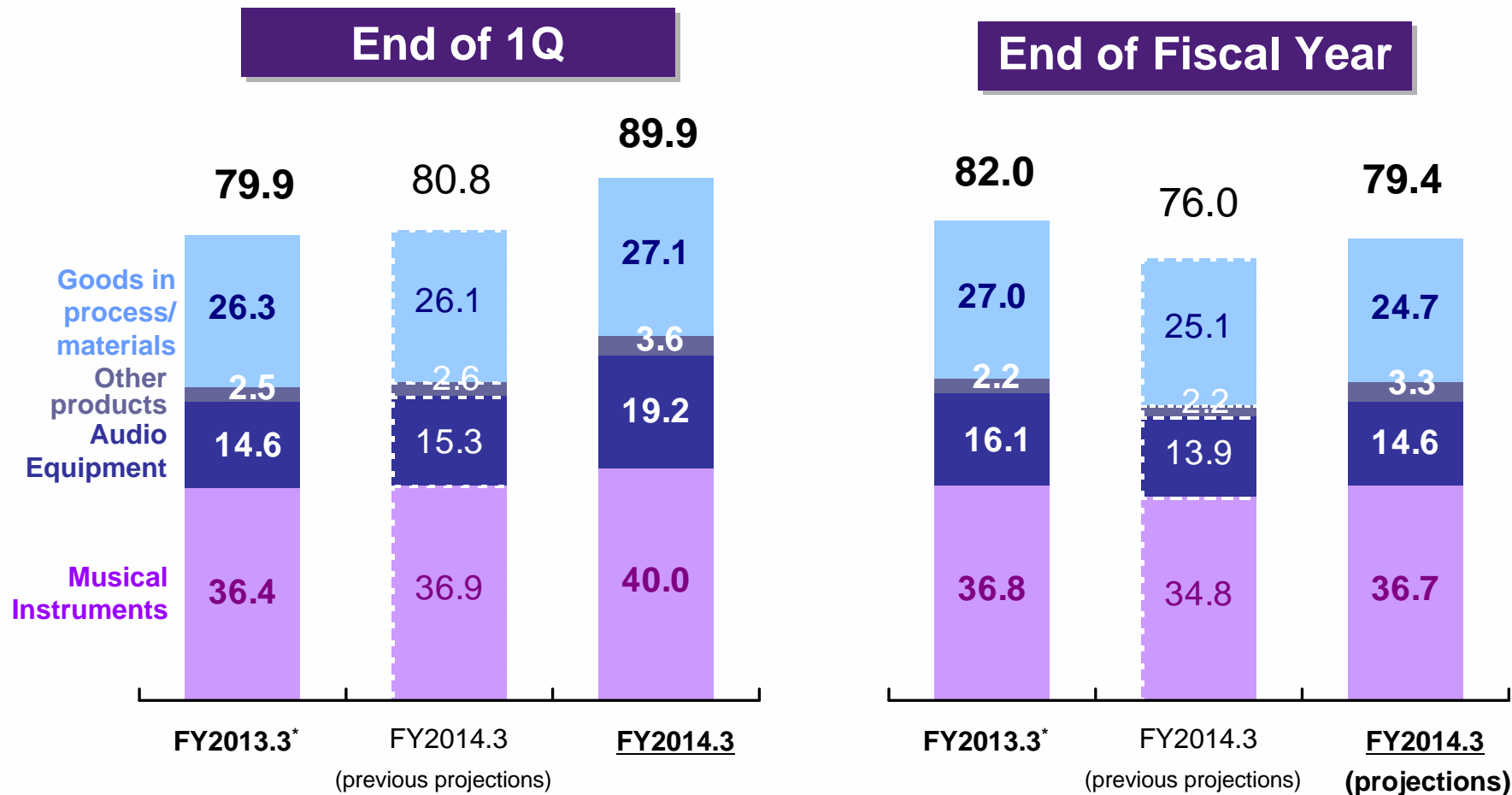


Inventories

➤ **Inventories at the end of the 1Q were ¥10 billion higher than previous year.**
 (discounting the +¥13.1 billion of exchange rate, actual inventories decreased by ¥3.1 billion)

➤ **Inventories at the end of the fiscal year is forecast to be ¥79.4 billion.**
 (impact of exchange rate: year-on-year effect of +¥1.0 billion, effect versus previous projections of +¥5.2 billion)

(Billions of yen)



Balance Sheet Summary



(Billions of yen)

	As of end of 1Q			As of fiscal year end		
	As of June 30, 2012	As of June 30, 2013	Change	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
Cash and deposits	48.2	52.1	4.0	51.4	60.7	9.3
Notes and accounts receivable	44.9	52.3	7.4	51.0	55.4	4.4
Inventories	79.9	89.9	10.0	82.0	79.4	-2.6
Other current assets	10.6	13.0	2.5	13.5	11.8	-1.7
Fixed assets	160.5	194.6	34.1	192.7	195.1	2.4
Total assets	344.1	402.1	58.0	390.6	402.4	11.8
Notes and accounts payable	23.0	22.9	-0.1	20.3	20.0	-0.3
Short- and long-term loans	12.8	13.7	0.8	10.0	7.1	-2.9
Resort membership deposits	15.4	15.4	0	15.4	15.4	0
Other liabilities	100.2	113.1	12.9	115.3	115.2	-0.1
Total net assets	192.7	237.0	44.4	229.6	244.7	15.1
Total liabilities and net assets	344.1	402.1	58.0	390.6	402.4	11.8

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

Appendix

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



(Billions of yen)	FY2013.3 1Q	FY2014.3 1Q previous projections	FY2014.3 1Q
Non-Operating Income/Loss			
Net financial income	0.3	0.2	0.4
Other	-0.8	-0.7	-0.3
Total	-0.5	-0.5	0.1
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	0	0	0
Others	-0.1	0	1.0
Total	-0.1	0	1.0
Income Taxes and Other Expenses			
Income taxes -current	1.0	0.4	1.5
Income taxes -deferred	0	0	-0.1
Minority interests in income	0.1	0.1	0.1
Total	1.1	0.5	1.5

Gain on sales of investment securities 1.0

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



(Billions of yen)	FY2013.3	FY2014.3 previous projections	FY2014.3
Non-Operating Income/Loss			
Net financial income	1.1	1.0	1.1
Other	-1.7	-2.5	-2.6
Total	-0.6	-1.5	-1.5
Extraordinary Income/Loss			
Income from (loss on) disposal of fixed assets	1.6	-0.1	-0.3
Others	-2.4	0.1	1.3
Total	-0.8	0	1.0
Income Taxes and Other Expenses			
Income taxes -current	3.7	3.6	4.1
Income taxes -deferred	-0.2	-0.8	-1.1
Minority interests in income	0.2	0.2	0
Total	3.7	3.0	3.0

Structural reform expenses -3.1

Gain on sales of investment securities 1.0

Musical Instruments and Audio Equipment: Sales by Region

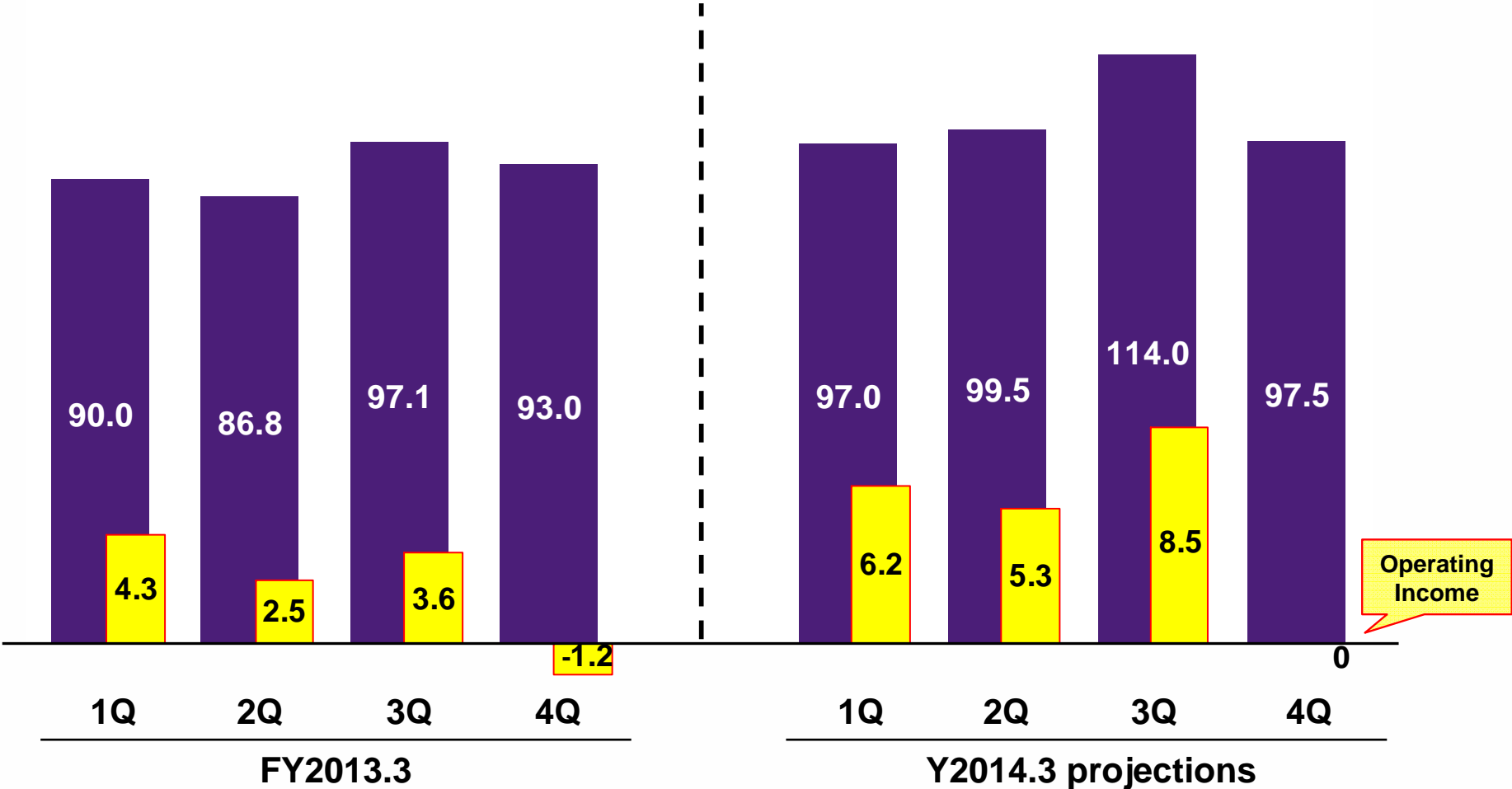


Sales by Region	
Japan	The musical instrument and audio equipment business struggled amid a slow-paced market recovery. Although piano and Electone sales were down year-on-year, demand remained strong for hybrid pianos, especially the NU1 model, and digital piano sales were on a par with same period of the previous year. Sales of high-end wind instruments to individuals rebounded, but a new series of moderately-priced products suffered from sluggish demand, and sales were down year-on-year. Sales of acoustic guitars and electronic drums were robust. Demand for professional audio equipment cooled, and a further reduction in back orders from last fiscal year created difficult conditions. In the AV products sector, the market for TV peripherals continued to contract, and year-on-year sales fell as competition became even fiercer and sales struggled in the mass merchandiser market.
North America	In the US, musical instrument and audio business remained at similar levels to the same period of the previous year, but Canada showed a gradual recovery trend with solid 1Q sales driving improved year-on-year results. Models manufactured in Indonesia contributed to piano sales. Although back orders for digital musical instruments were steadily filled, results were down slightly year-on-year. Wind instrument sales were lower than expected as forward orders for rental use in the previous year offset the new demand, but successful bids kept results on a par with the same period of the previous year. Acoustic guitar sales were robust as shipments of moderately-priced models increased. Strong sales of PA equipment led to improved year-on-year results in this sector. However, large distributor inventories of synthesizers and electronic drums hampered sales despite the launch of new products. Sales of AV products were down year-on-year as the sound bar category slowed.
Europe	Germany and other Central European countries were the driving force behind the European market until last year, but have struggled since the year-end period of high demand. There have been no signs of a retail recovery this fiscal year, and dealer inventories are growing. Although order was strong at the April musical instrument trade show, especially from Germany, daily orders were generally well below expectations due to the retail slump. Results in the UK and Northern Europe exceeded targets and were up year-on-year, but most other areas struggled. Conditions were particularly tough in Eastern and Southern Europe (France, Italy, and Spain), and sales declined sharply year-on-year. Sales of professional audio equipment and AV products were higher than the same period of the previous year, but digital pianos sales remained around the same level and most other products struggled. Sales of mid-range and high-end portable keyboards were especially sluggish.
China	The musical instrument market has lagged amid slowing economic growth due to austerity measures and investment curbs since the change of leadership. Dealer inventories increased as the retail market cooled. Piano sales are recovering from the challenging conditions prevailing since spring, but overall 1Q sales were down year-on-year. Strong sales of digital pianos and guitars exceeded the previous year's 1Q results, but wind instruments and AV products struggled as retail sales slowed. Sluggish government investment is hampering the market for PA equipment.
Other regions	Although sales subsidiaries in Indonesia, Thailand, Taiwan, Russia, Australia, and the Middle East/Africa achieved better results than the same period of the previous year, the overall environment was challenging as Latin American markets generally struggled amid difficult conditions and Singapore, Malaysia, and Korea also faced headwinds. In the strong markets, Indonesia produced steady results focused on acoustic and digital pianos, guitars, and professional audio equipment to maintain double-digit growth. Sales in Taiwan were up year-on-year as AV products were newly introduced to the market. Russia achieved double-digit growth with robust sales of acoustic and digital pianos, guitars, and professional audio equipment. Australia also recorded double-digit growth driven by sales of acoustic and digital pianos. Sales were up year-on-year in the Middle East/Africa region, with extra shipments to South Africa from this fiscal year compensating for the impact of political instability in Syria and Egypt and tighter sanctions on Iran.

Quarterly Sales and Income



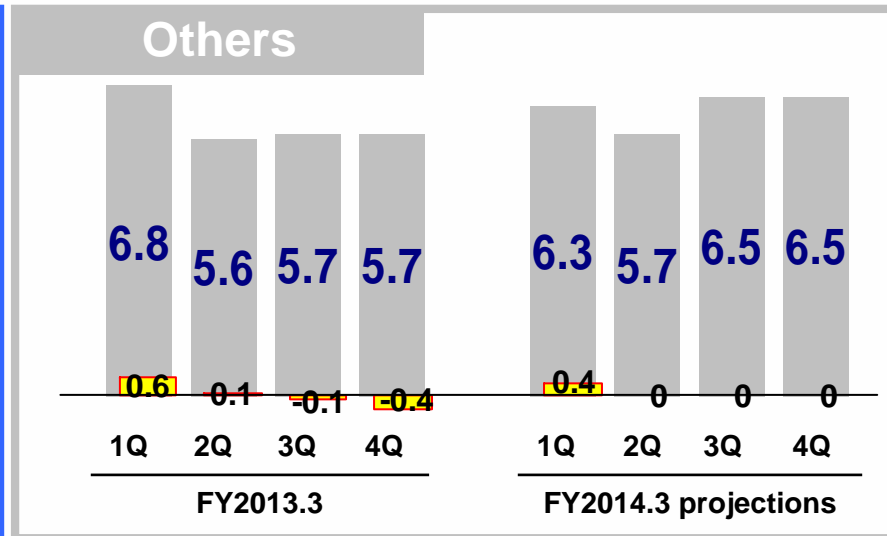
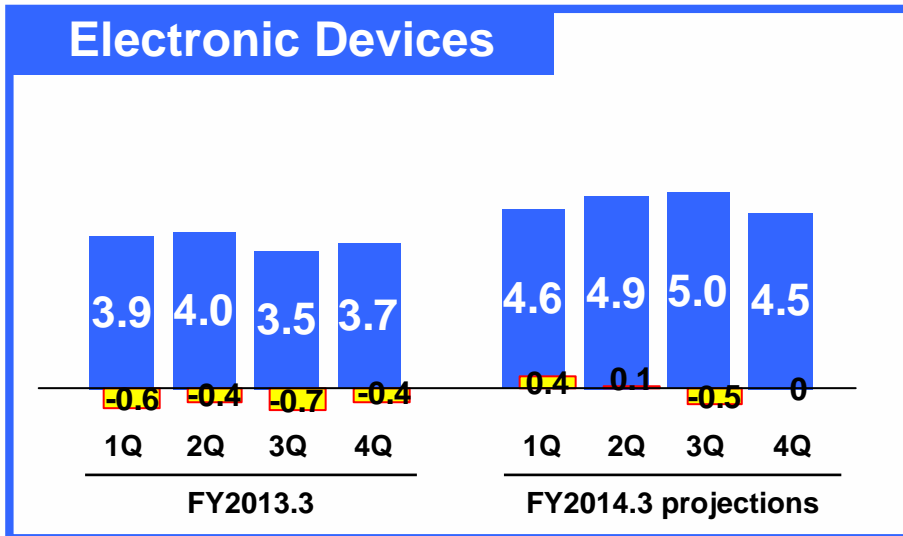
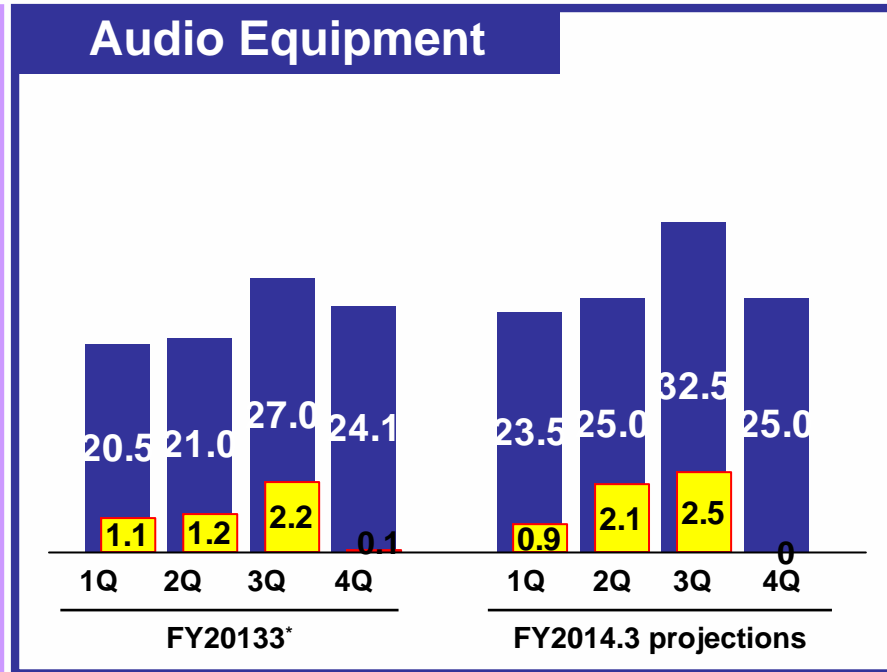
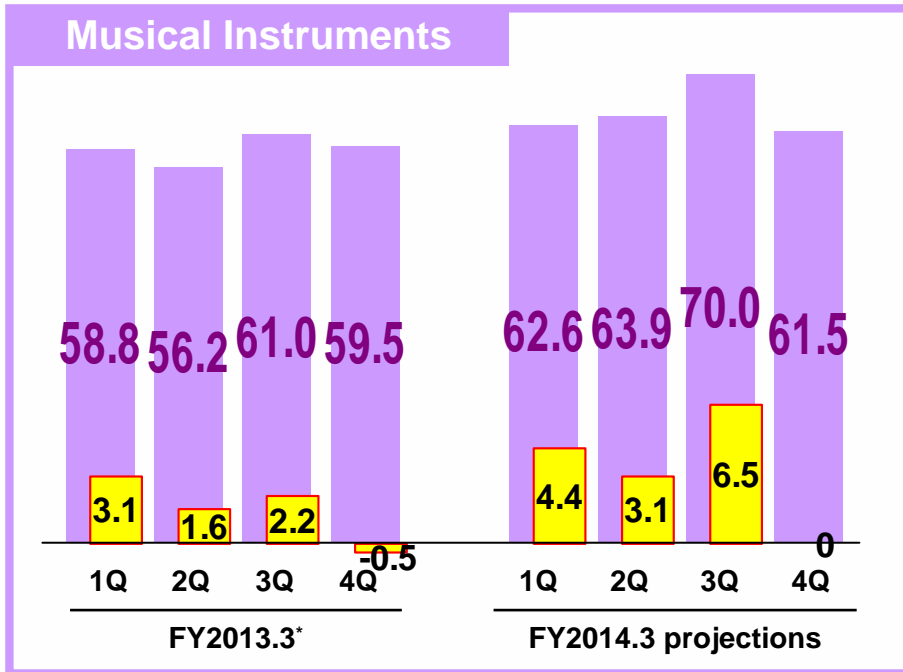
(Billions of yen)



Quarterly Sales and Income by Segment



(Billions of yen)



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.



**125 YEARS
OF PASSION &
PERFORMANCE**