

**Yamaha Corporation  
Analyst and Investor Briefing on  
the Second Quarter of Fiscal Year  
Ending March 31, 2015 (FY2015.3)**

**November 4, 2014**



# Overview of Performance in the First Half of FY2015.3 (Six Months)

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## Results Summary

- **First half sales and income increased year-on-year and exceeded previous projections.**
- **Net income declined from the same period of the previous year, partly due to the inclusion of income from the sales of investment securities in the previous year's results.**
- **Musical instrument sales were robust in North America.**
- **Although AV products continued to struggle, the audio equipment segment was buoyed by strong sales of new professional audio equipment products in Europe.**
- **The semiconductor business faced increasing difficulties.**
- **Other business was broadly in line with expectations.**

# Performance in the First Half of FY2015.3 YAMAHA

(Billions of yen)

|   | FY2014.3<br>1H results | FY2015.3<br>1H results | Changes from<br>same period of<br>the previous<br>year | FY2015.3<br>1H previous<br>projections | Changes from<br>the previous<br>projection |
|---|------------------------|------------------------|--|--|--|
| <b>Net Sales</b>                                    | <b>197.7</b>           | <b>206.4</b>           | <b>+4.4%</b>   | 204.5                                  | +0.9%                                      |
| <b>Operating Income</b><br>(Operating Income Ratio) | <b>13.7</b><br>(6.9%)  | <b>15.1</b><br>(7.3%)  | <b>+10.3%</b>  | 14.5<br>(7.1%)                         | +4.0%                                      |
| <b>Ordinary Income</b><br>(Ordinary Income Ratio)   | <b>13.5</b><br>(6.8%)  | <b>15.1</b><br>(7.3%)  | <b>+11.8%</b>  | 14.0<br>(6.8%)                         | +7.6%                                      |
| <b>Net Income</b><br>(Net Income Ratio)             | <b>12.5</b><br>(6.3%)  | <b>10.8</b><br>(5.2%)  | <b>-13.7%</b>  | 10.0<br>(4.9%)                         | +7.9%                                      |

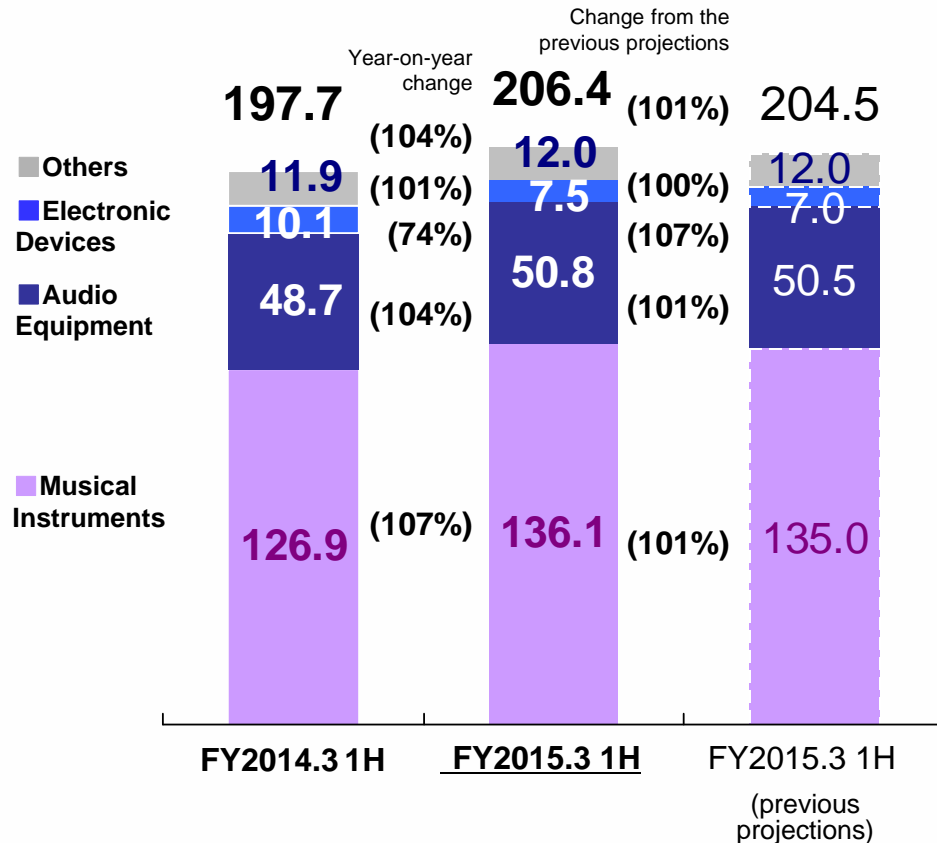
## Exchange Rate (yen)

|                         |             |            |            |     |
|-------------------------|-------------|------------|------------|-----|
| <b>Net Sales</b>        | <b>US\$</b> | <b>99</b>  | <b>103</b> | 101 |
|                         | <b>EUR</b>  | <b>130</b> | <b>139</b> | 138 |
| <b>Operating Income</b> | <b>US\$</b> | <b>98</b>  | <b>103</b> | 101 |
|                         | <b>EUR</b>  | <b>125</b> | <b>140</b> | 137 |

# Performance by Business Segment in the First Half of FY2015.3

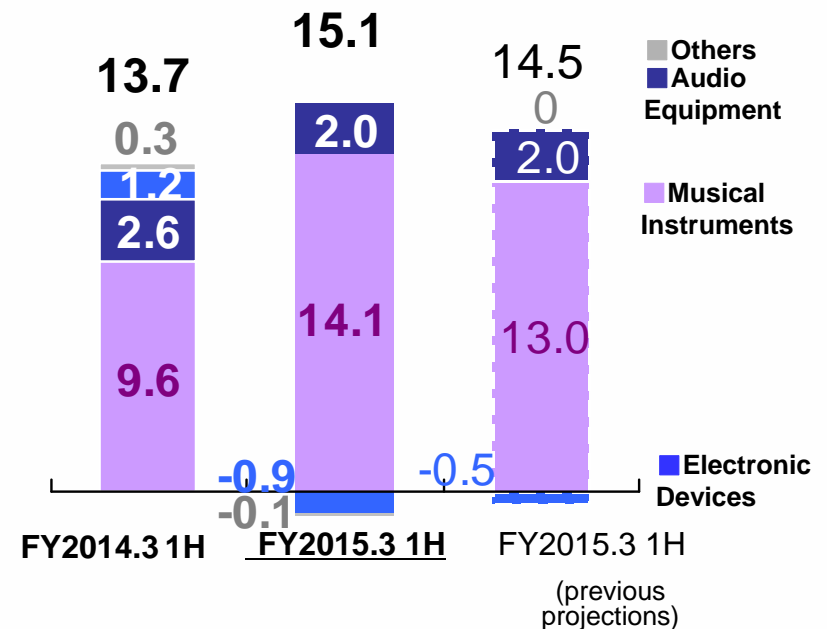


## Net Sales



## Operating Income

(Billions of yen)



### Impact of Exchange Rates

**Year-on-Year** **+¥5.1 billion**  
(musical instruments +¥3.3 billion, audio equipment +¥1.7 billion)

**Versus previous projections** **+¥2.0 billion**  
(musical instruments +¥1.4 billion, audio equipment +¥0.6 billion)

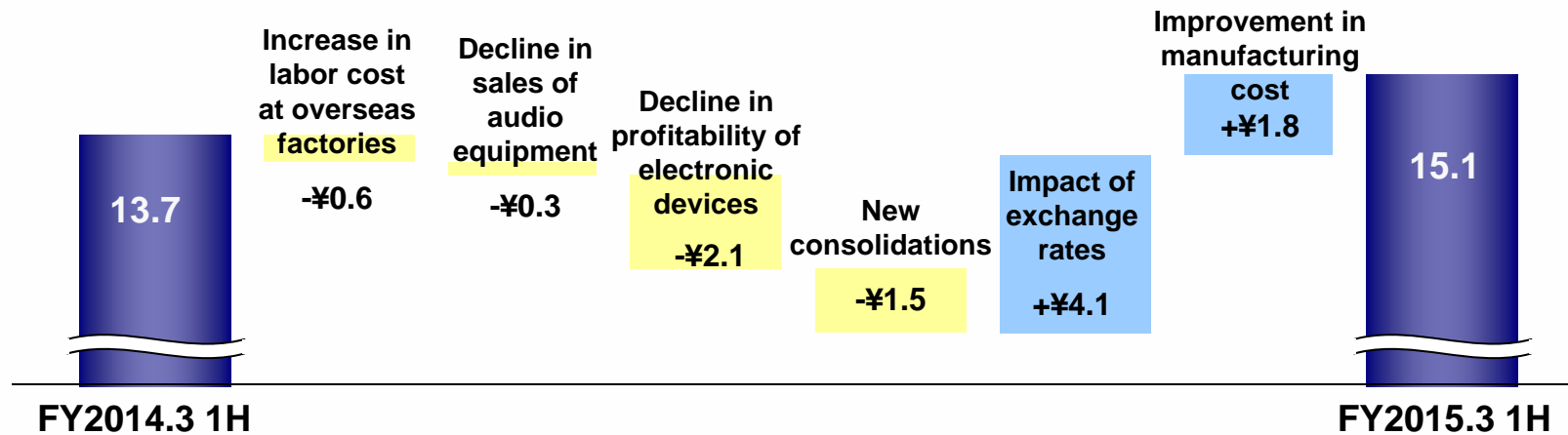
**+¥4.0 billion**  
(musical instruments +¥3.0 billion, audio equipment +¥1.1 billion)

**+¥1.0 billion**  
(musical instruments +¥0.7 billion, audio equipment +¥0.3 billion)

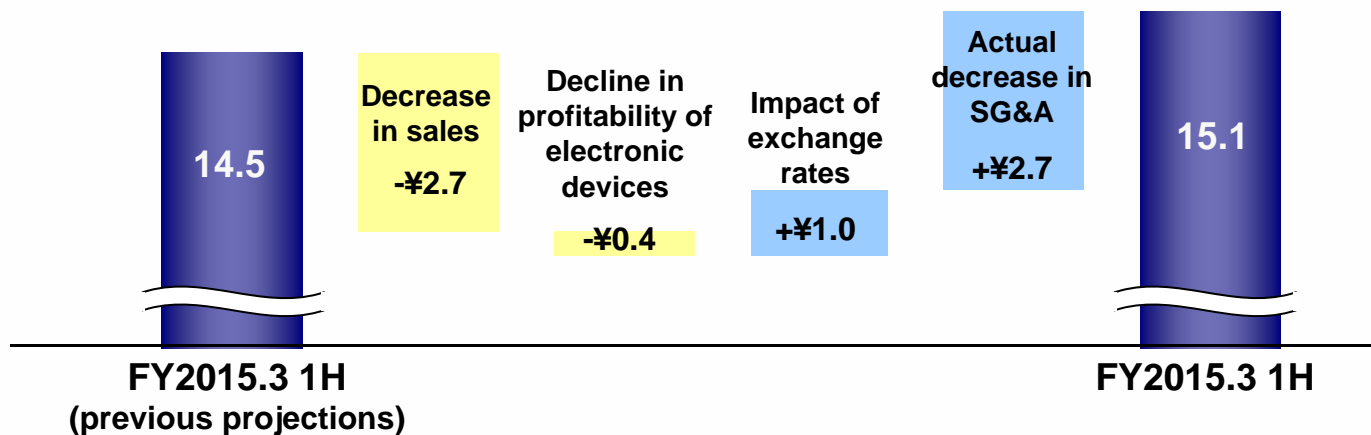
# FY2015.3 1H Operating Income Analysis

(Billions of yen)

## Versus same period of the previous year



## Versus previous projections

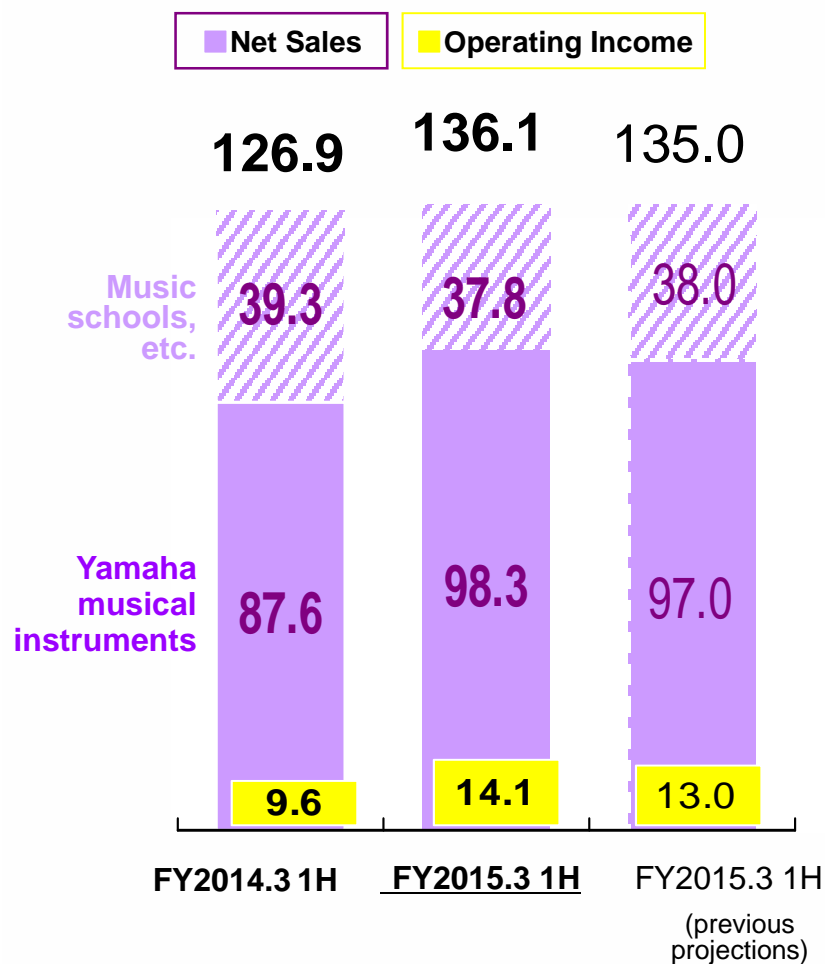


# Musical Instruments 1H



1H

(Billions of yen)



## 1H Overview

- Sales and income increased year-on-year and exceeded previous projections
- Digital musical instruments saw strong sales of double-digit growth
- Robust sales in the North American market continued on from the first quarter
- Uncertainty continued in Europe, especially in the German market
- Although sales in China slowed from 1Q, they were in line with projections

# Audio Equipment 1H

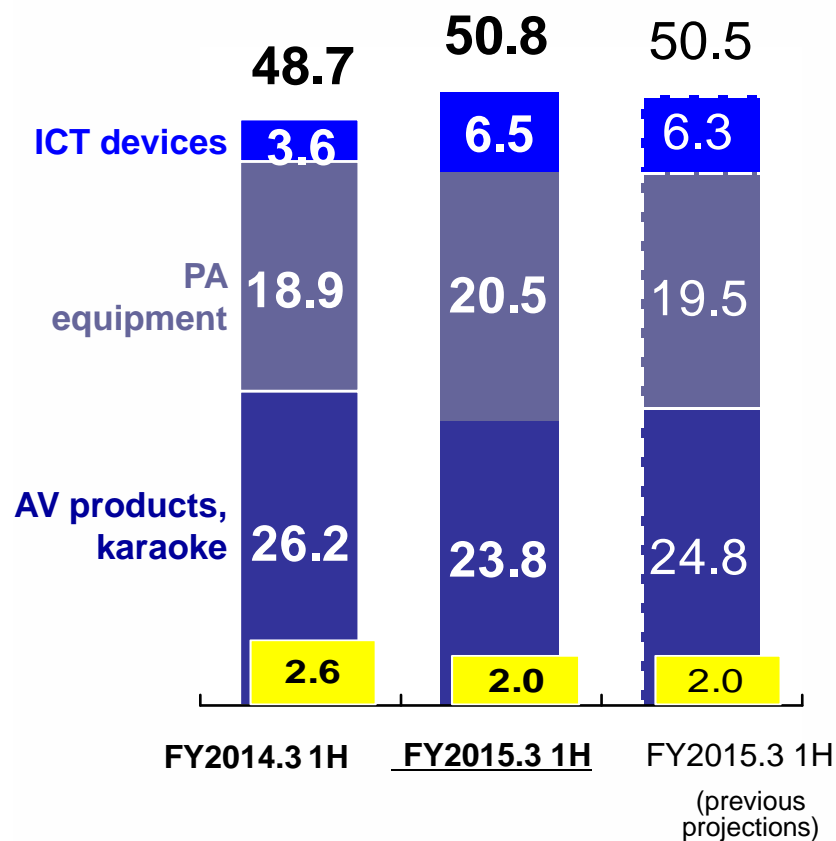


1H

(Billions of yen)

Net Sales

Operating Income



## 1H Overview

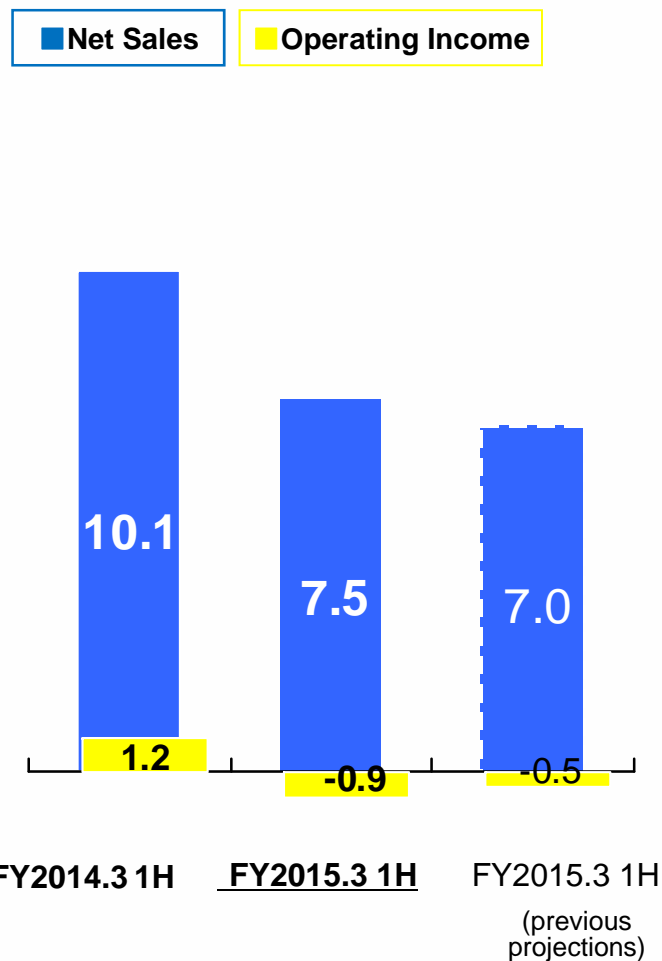
- Sales increased year-on-year, but income declined. Results were broadly in line with previous projections.
- AV products struggled in all markets
- Professional audio equipment sales trended upward with the launch of new mixers
- Router sales slowed as customers adjusted inventory
- Sales of karaoke equipment declined from the same period of the previous year

# Electronic Devices 1H



1H

(Billions of yen)



## 1H Overview

- Sales and income declined sharply year-on-year.
- Sales were higher than previous projections, but income was lower, partly due to changes in the product mix.
- Sales for the amusement equipment continued to struggle since the market remained sluggish
- Sales of smartphone components decreased, partly due to a slump in customer sales



# Developments in the Semiconductor Business

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- **Shift to Fabless Production**
  - The decision has been made to transfer ownership of the semiconductor production subsidiary Yamaha Kagoshima Semiconductor Inc. and shift the business to a fabless model
  
- **Semiconductor Business Going Forward**
  - Shift to fabless production to improve business flexibility, enhance product quality, and strengthen sales and marketing capabilities
  - Focus on launching new products in the sound domain to expand sales
  
- **Impact on Business Performance**
  - An extraordinary loss of ¥1.8 billion has been included in projections for FY2015.3 full year consolidated results

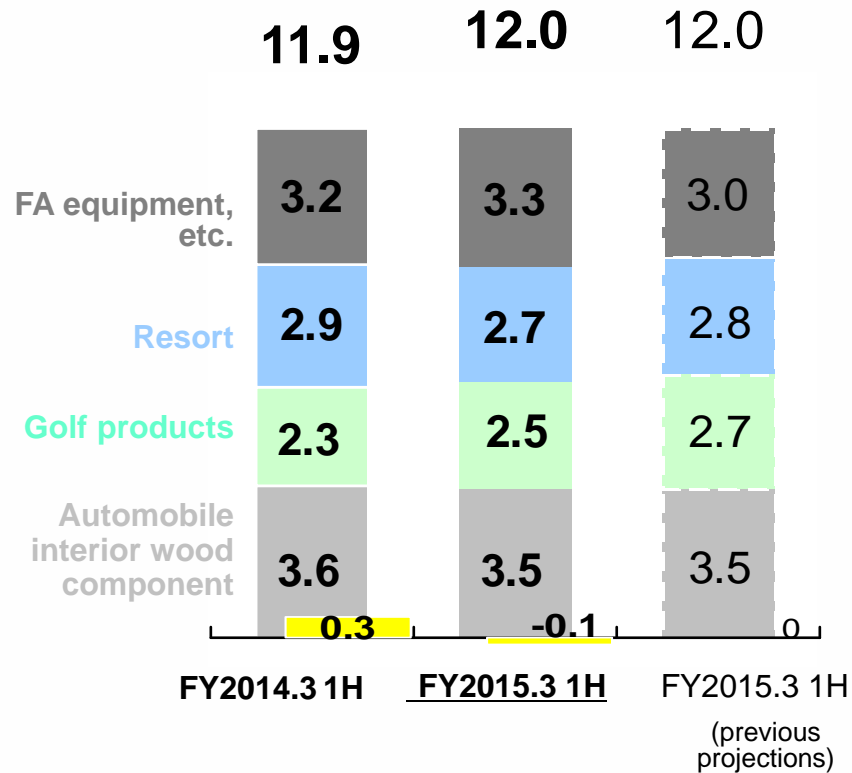
# Others 1H



1H

(Billions of yen)

Net Sales Operating Income



## 1H Overview

- Although sales were in line with previous projections, an operating loss was posted
- Sales of automobile interior wood components were in line with expectations
- Golf product sales rose year-on-year
- Resort sales were down from the same period of the previous year
- Factory automation equipment orders picked up, leading a recovery from 1Q

# Outlook for Second Half and Full Year YAMAHA

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## Outlook for 2H

- No major change in overall outlook for the musical instrument market
- Although AV products continues to face headwinds, new professional audio equipment products are expected to contribute to improved results in the audio equipment segment
- Conditions remain challenging in the electronic devices segment
- The estimated 2H exchange rate for the US dollar has been revised from US\$1=¥100 to US\$1=¥105

## Full Year Outlook

- Although 1H results slightly exceeded expectations, in view of difficult conditions in the electronic devices segment and other uncertainties, full year projections for sales, operating income, and ordinary income remain unaltered
- The projection for net income has been revised downward from ¥21.0 billion to ¥19.0 billion, to take into account expenses including ¥1.8 billion for structural reform of the electronic devices segment

# Forecast for Performance in FY2015.3 (Full Year)



(Billions of yen)

|   | FY2014.3<br>results   | FY2015.3<br>projections | Increase/<br>decrease | Previous<br>Projections | Change from the<br>previous<br>projections |
|---|-----------------------|-------------------------|-----------------------|-------------------------|--|
| <b>Net Sales</b>                                    | <b>410.3</b>          | <b>430.0</b>            | <b>+4.8%</b>          | 430.0                   | -  |
| <b>Operating Income</b><br>(Operating Income Ratio) | <b>26.0</b><br>(6.3%) | <b>29.0</b><br>(6.7%)   | <b>+11.6%</b>         | 29.0<br>(6.7%)          | -  |
| <b>Ordinary Income</b><br>(Ordinary Income Ratio)   | <b>26.1</b><br>(6.4%) | <b>28.0</b><br>(6.5%)   | <b>+7.1%</b>          | 28.0<br>(6.5%)          | -  |
| <b>Net Income</b><br>(Net Income Ratio)             | <b>22.9</b><br>(5.6%) | <b>19.0</b><br>(4.4%)   | <b>-17.0%</b>         | 21.0<br>(4.9%)          | -9.5%                                      |

## Exchange Rate (yen)

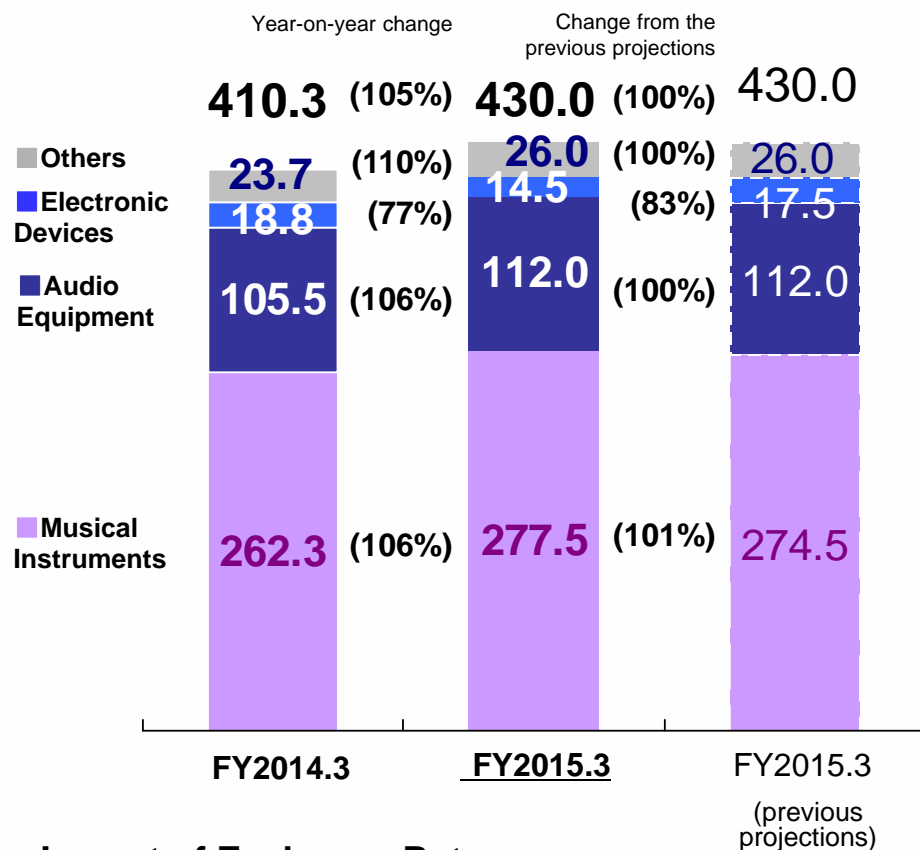
|                         |             |            |            |     |
|-------------------------|-------------|------------|------------|-----|
| <b>Net Sales</b>        | <b>US\$</b> | <b>100</b> | <b>104</b> | 101 |
|                         | <b>EUR</b>  | <b>134</b> | <b>137</b> | 136 |
| <b>Operating Income</b> | <b>US\$</b> | <b>100</b> | <b>104</b> | 101 |
|                         | <b>EUR</b>  | <b>129</b> | <b>138</b> | 136 |

\*FY2015.3 2H currency exchange rate assumption: US\$=105JPY EUR=135JPY

# FY2015.3 Full Year Forecast for Performance by Business Segment

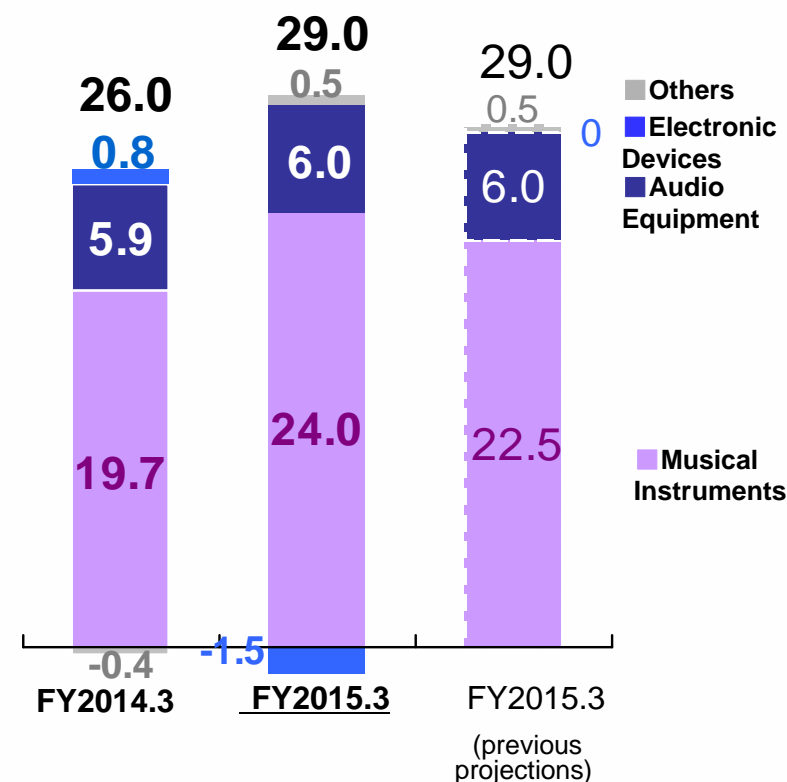


## Net Sales



## Operating Income

(Billions of yen)



### Impact of Exchange Rates

**Year-on-Year**      **+¥4.8 billion**  
 (musical instruments +¥3.1 billion, audio equipment +¥1.6 billion, electronic devices +¥0.1 billion)

**Versus previous projections**      **+¥4.3 billion**  
 (musical instruments +¥2.8 billion, audio equipment +¥1.5 billion, electronic devices +¥0.1 billion)

**+¥4.0 billion**

(musical instruments +¥3.0 billion, audio equipment +¥1.0 billion)

**+¥1.0 billion**

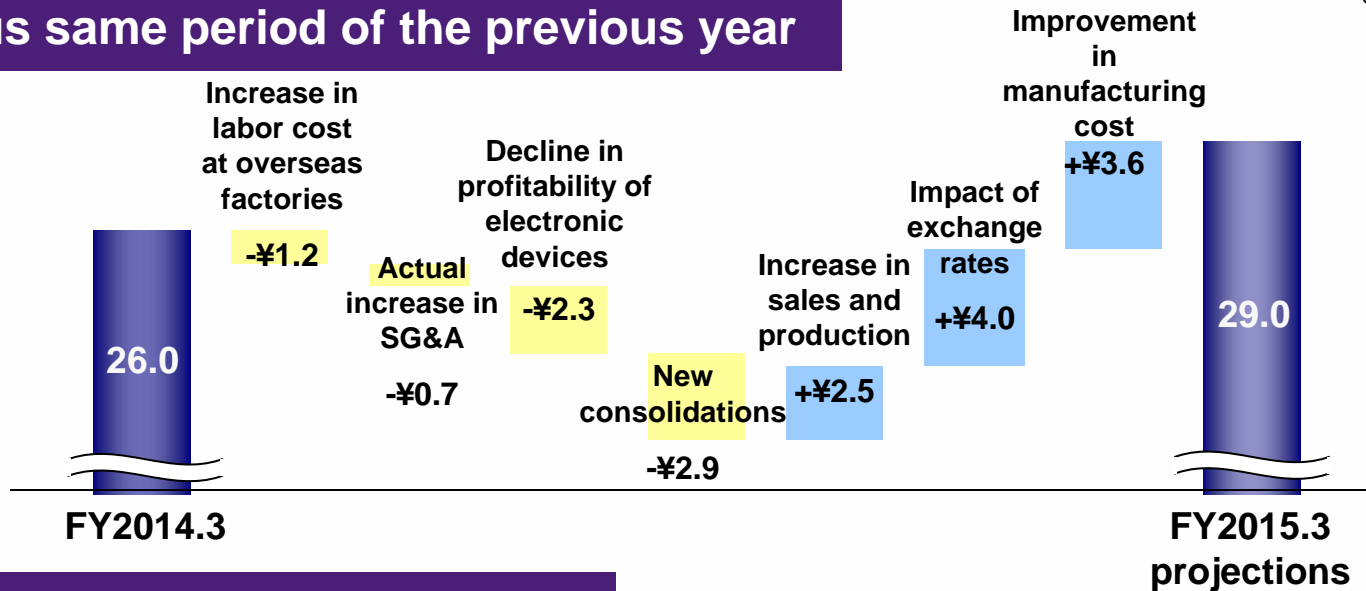
(musical instruments +¥0.7 billion, audio equipment +¥0.3 billion)

# FY2015.3 Full Year Operating Income Analysis

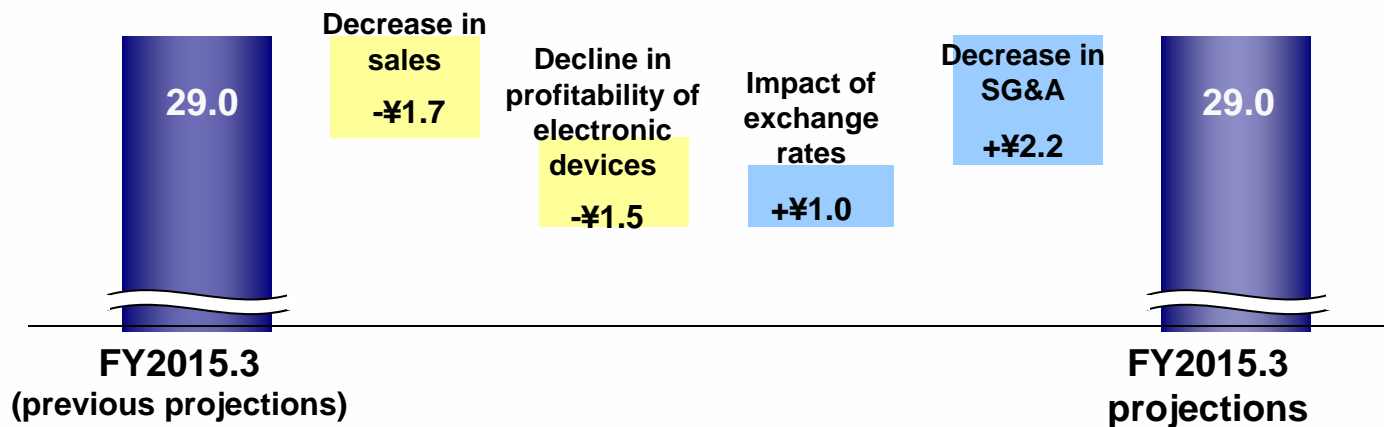


(Billions of yen)

## Versus same period of the previous year



## Versus previous projections



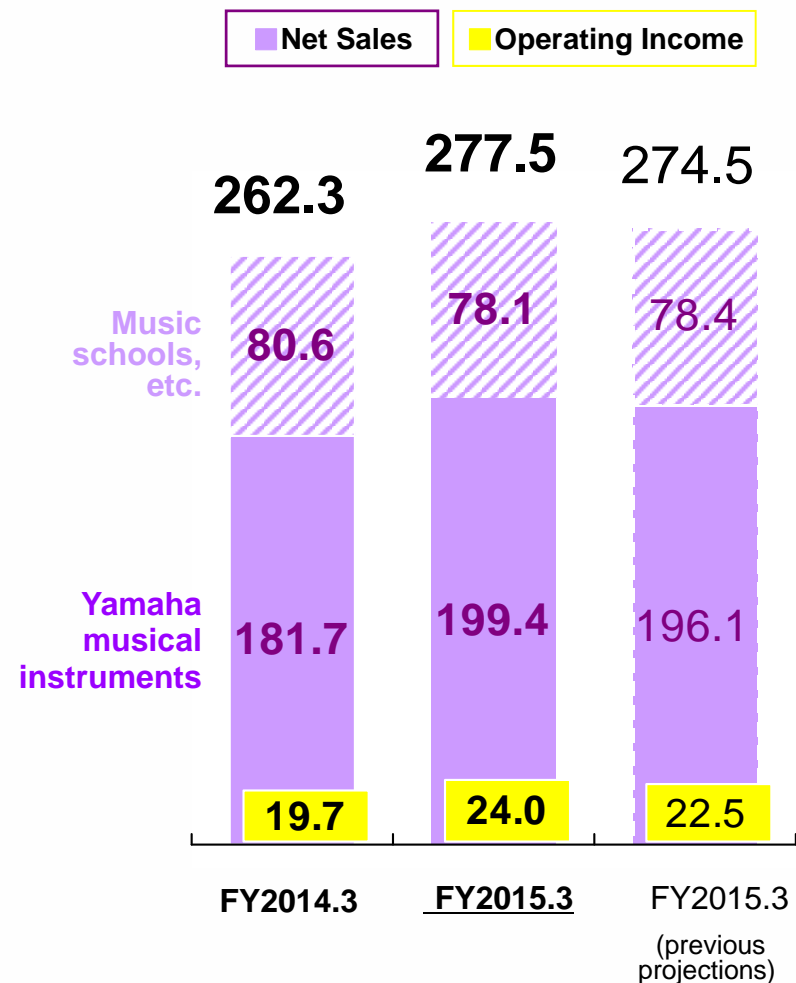
# Musical Instruments Full Year Projections YAMAHA

Full Year

(Billions of yen)

## Full Year Projections

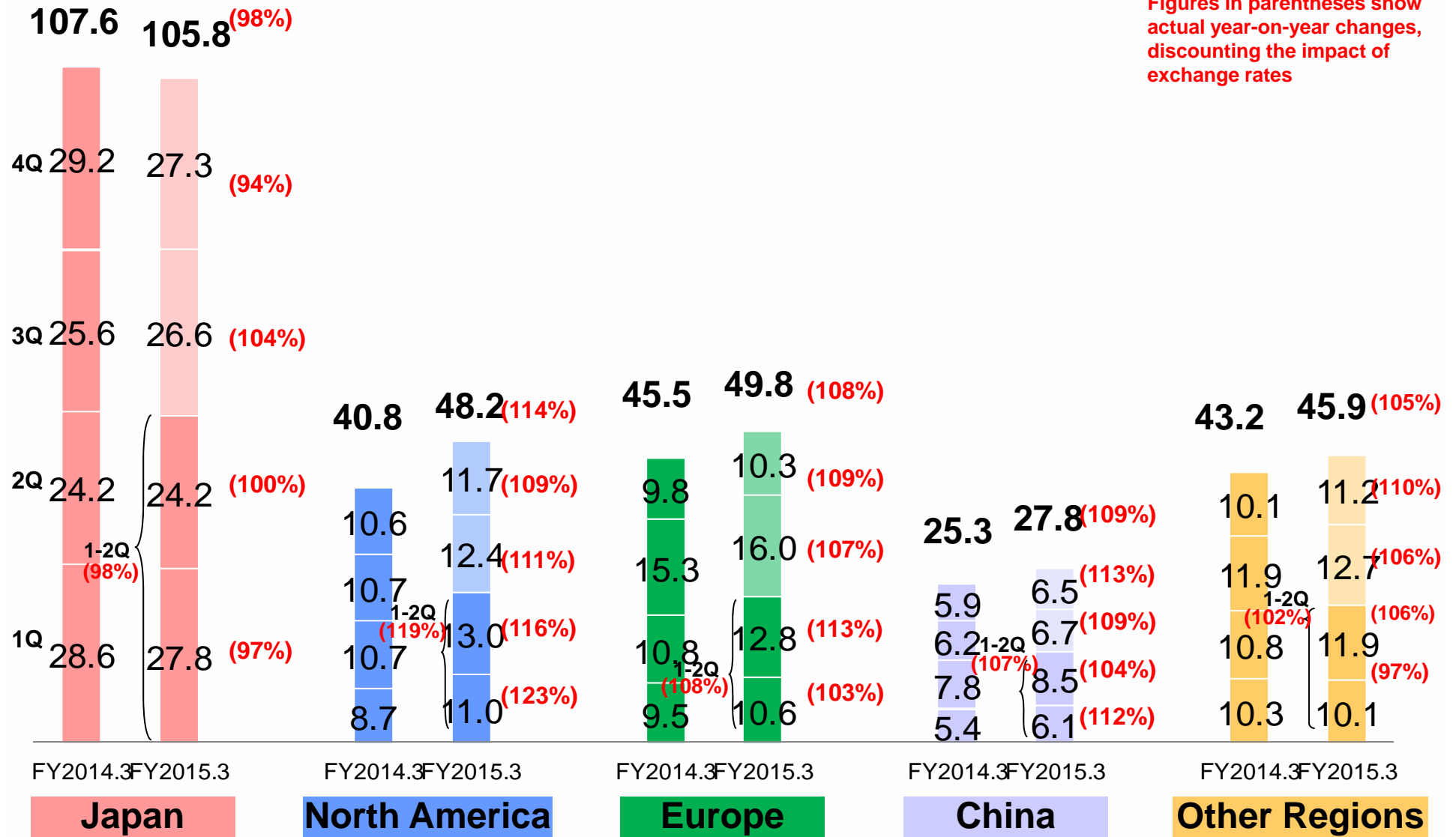
- Sales and income are projected to increase year-on-year and exceed previous projections
- Market conditions are expected to remain largely unaltered in North America, Europe, and Japan
- Gradual recovery is anticipated in China and other emerging markets
- String and percussion instruments are projected to rally, especially guitar sales, which were affected by production closure in the previous year



# 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 YAMAHA

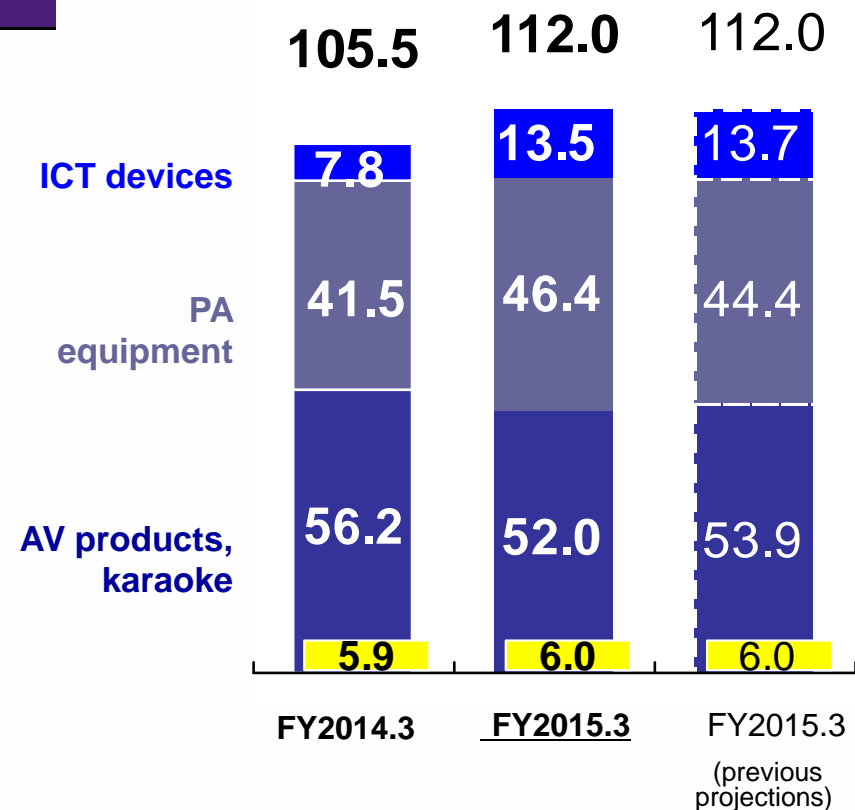
Full Year

(Billions of yen)



## Full Year Projections

- Previous projections remain unchanged
- Although AV products continues to lag, the sale and installation of commercial audio equipment is expected to drive overall increased sales
- Sales of routers and karaoke equipment are likely to be in line with previous projections

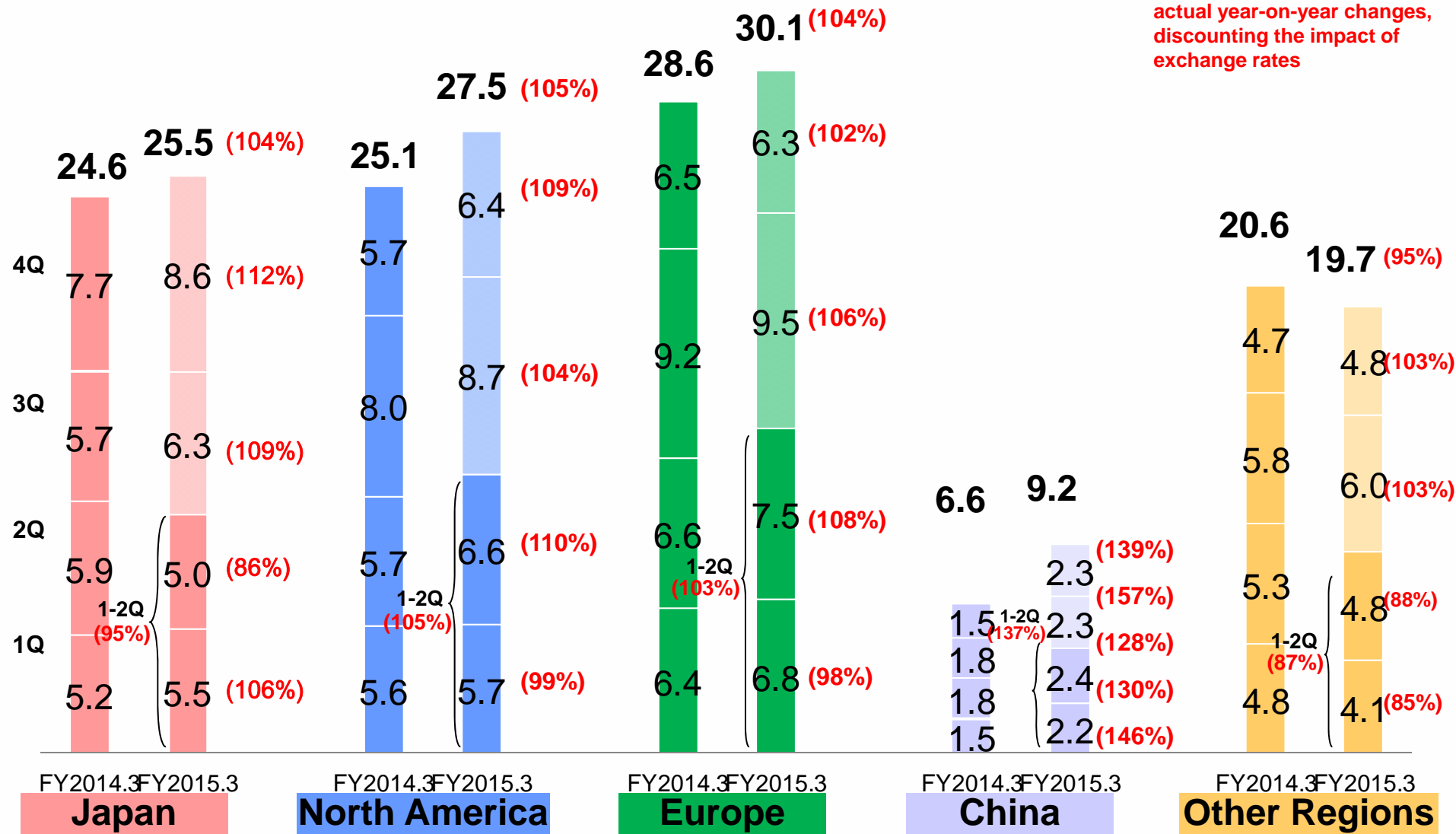


# Audio Equipment: Sales by Region



(Billions of yen)

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

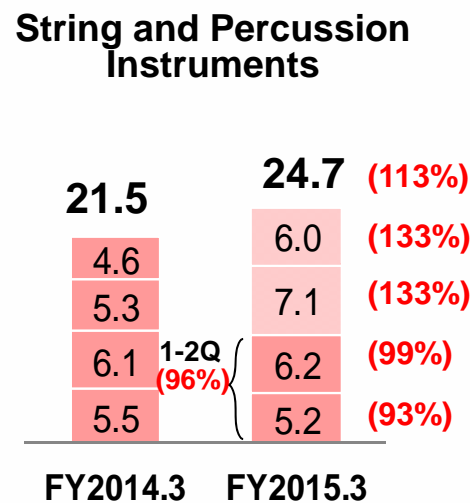
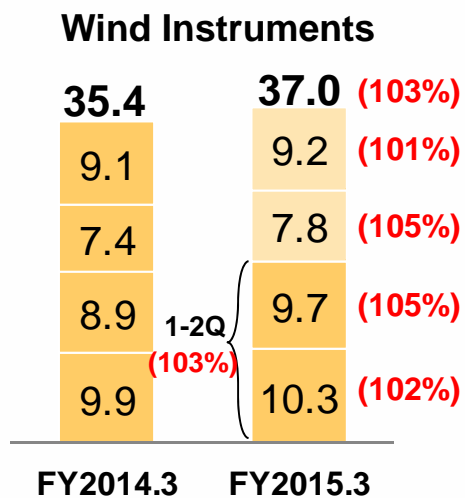
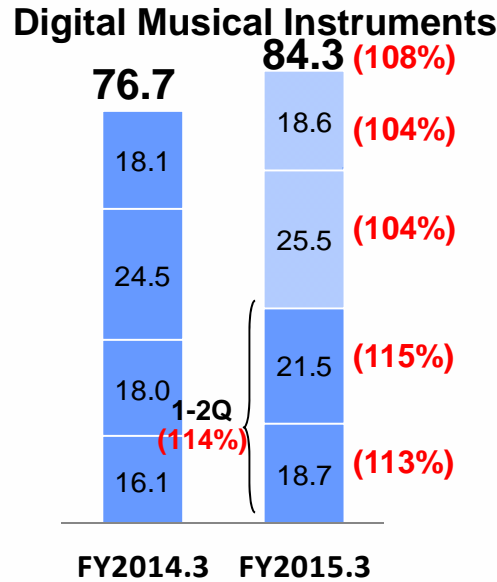
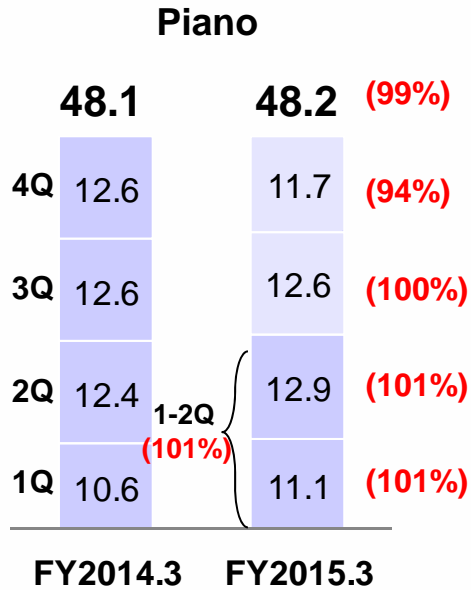


# Musical Instruments/Audio Equipment: Sales by Major Product Category (Yamaha branded products)

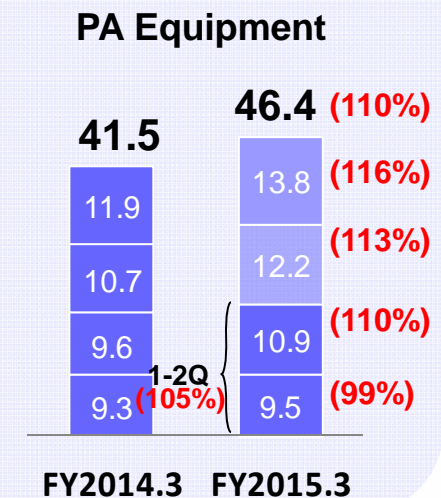
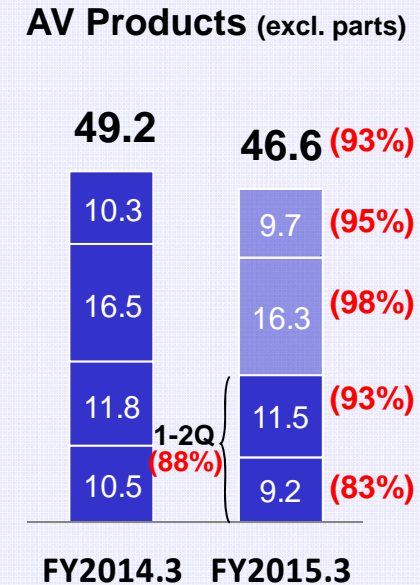


(Billions of yen)

## Musical Instruments



## Audio Equipment



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

# Electronic Devices Full Year Projections YAMAHA

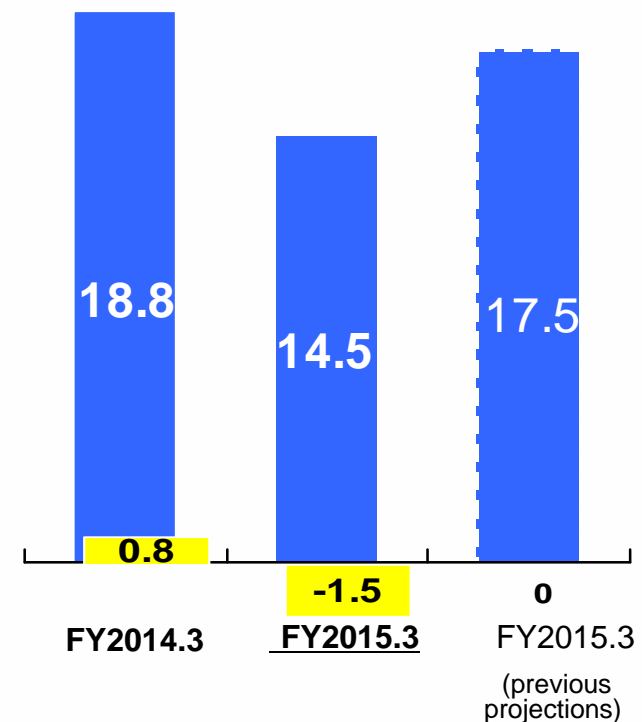
Full Year

(Billions of yen)

■ Net Sales    ■ Operating Income

## Full Year Projections

- Sales and income are expected to be lower than previous projections
- The sharp fall in sales is projected to result in an operating loss
- A rebound in the amusement equipment market is likely to be further delayed
- Sluggish customer sales are expected to constrain demand for geomagnetic sensor and codec products for smartphones



# Others Full Year Projections



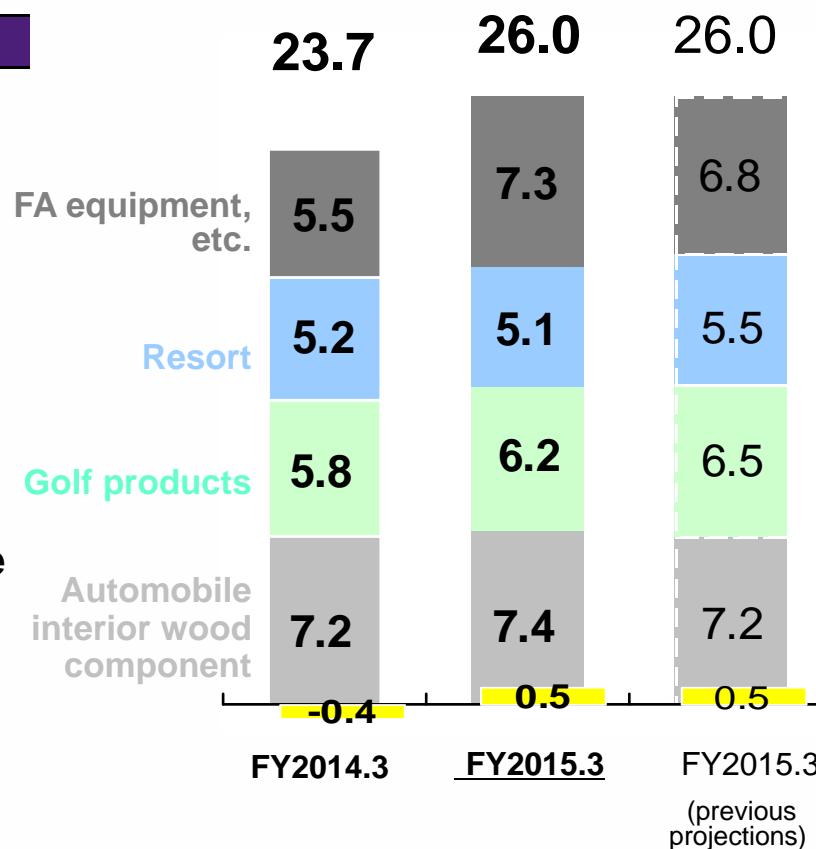
Full Year

(Billions of yen)



## Full Year Projections

- Sales and income are expected to increase year-on-year, and previous projections remain unchanged
- Sales of automobile interior wood components and golf products are projected to rise year-on-year
- A decline in resort sales is anticipated from the previous year
- Sales of factory automation equipment are anticipated to increase year-on-year



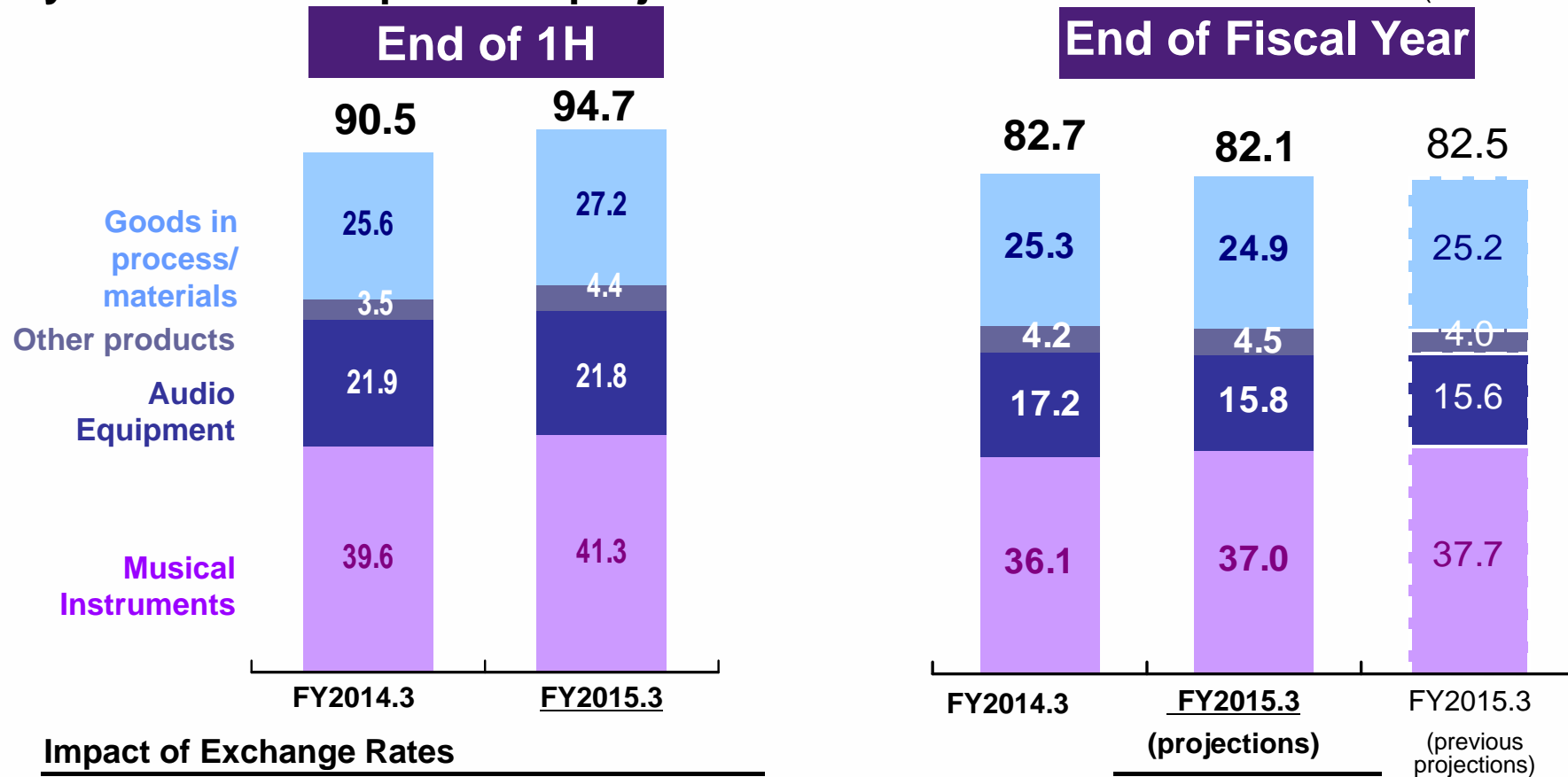
# Inventories



➤ Inventories at the end of the first half (Sept. 30, 2014) increased year on year by ¥4.2 billion to ¥94.7 billion. The actual inventories decreased when excluding the forex impact of +¥5.6 billion

➤ Inventories at the end of the fiscal year is forecast to decrease year on year and versus previous projections to ¥82.1 billion

(Billions of yen)



## Impact of Exchange Rates

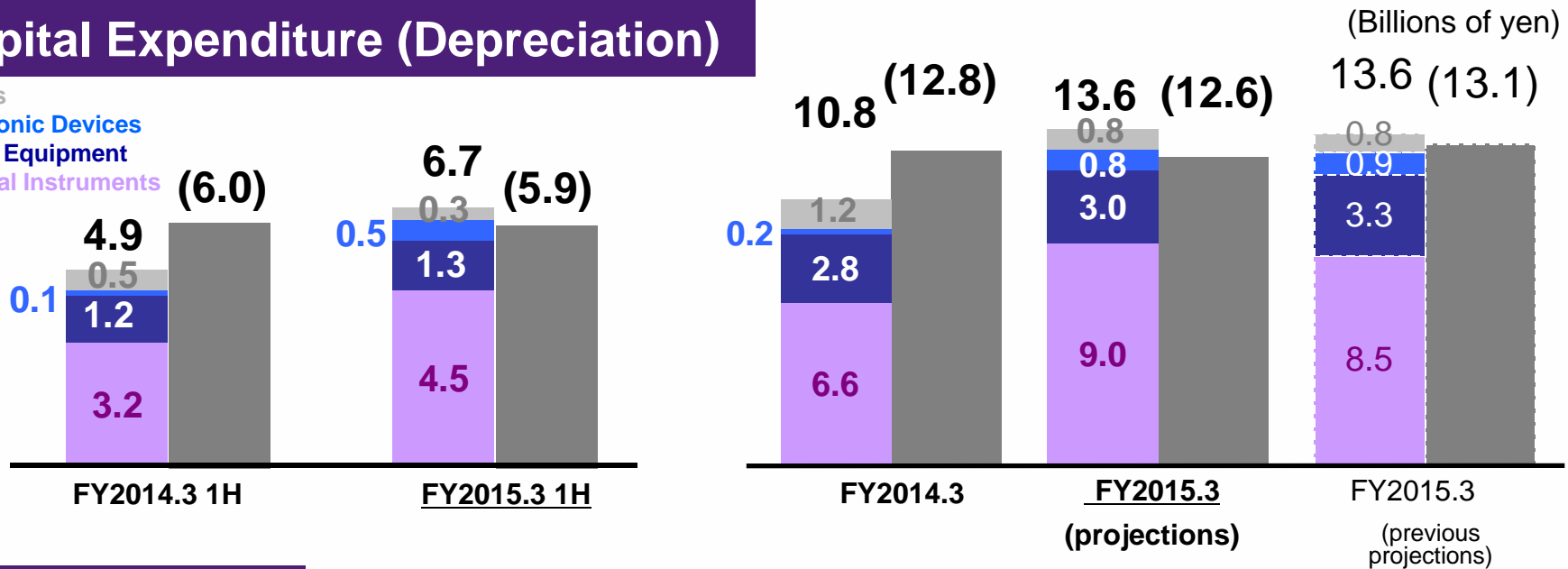
|                             |               |
|-----------------------------|---------------|
| Year-on-Year                | +¥5.6 billion |
| Versus previous projections | -             |

|                        |               |
|------------------------|---------------|
| (projections)          | -¥0.8 billion |
| (previous projections) | +¥1.0 billion |

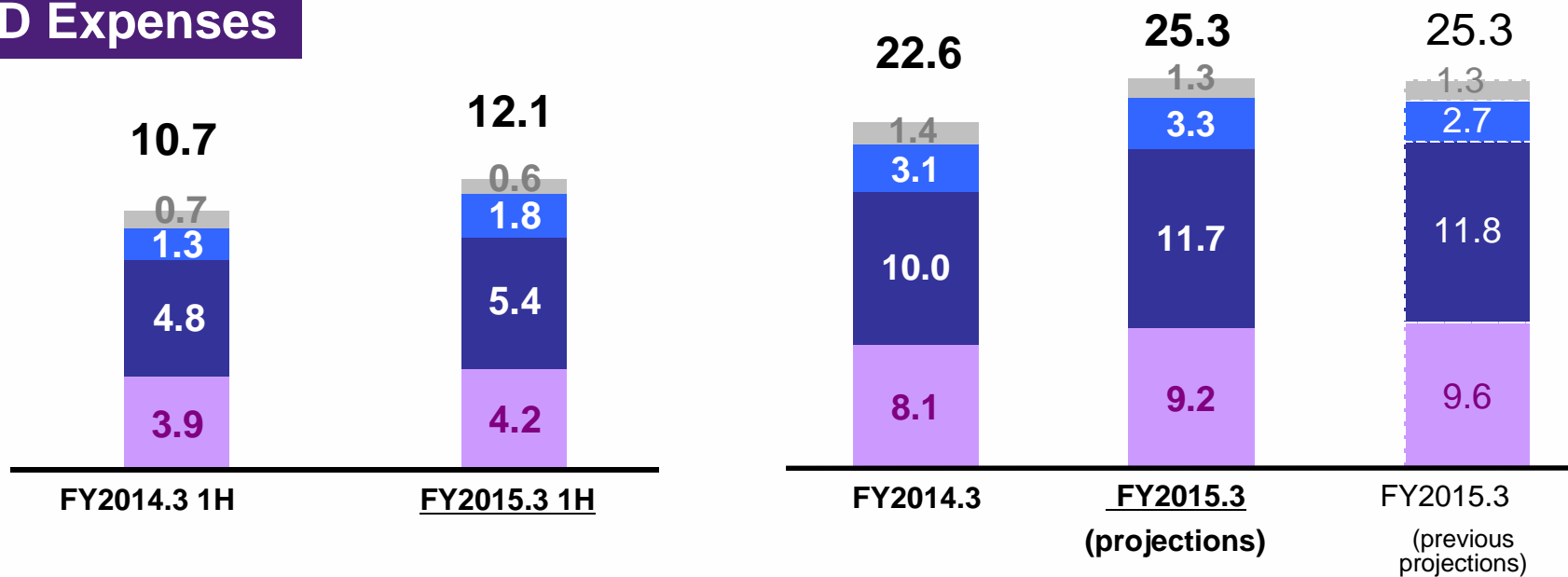
# Capital Expenditure/Depreciation/R&D Expenses YAMAHA

## Capital Expenditure (Depreciation)

- Others
- Electronic Devices
- Audio Equipment
- Musical Instruments



## R&D Expenses



# Balance Sheet Summary



(Billions of yen)

|   | As of end of 1H         |                         |              | As of fiscal year end  |                        |              |
|---|-------------------------|-------------------------|--------------|------------------------|------------------------|--------------|
|   | As of Sept.<br>30, 2013 | As of Sept.<br>30, 2014 | Change       | As of Mar.<br>31, 2014 | As of Mar.<br>31, 2015 | Change       |
| Cash and deposits                           | 62.7                    | 72.3                    | +9.6         | 60.6                   | 76.2                   | +15.6        |
| Notes and accounts<br>receivable            | 56.6                    | 60.6                    | +4.1         | 56.7                   | 57.3                   | +0.6         |
| Inventories                                 | 90.5                    | 94.7                    | +4.2         | 82.7                   | 82.1                   | -0.6         |
| Other current<br>assets                     | 13.1                    | 16.1                    | +3.0         | 14.5                   | 14.5                   | 0            |
| Fixed assets                                | 201.4                   | 245.6                   | +44.2        | 224.4                  | 241.4                  | +17.0        |
| <b>Total assets</b>                         | <b>424.3</b>            | <b>489.3</b>            | <b>+65.1</b> | <b>438.9</b>           | <b>471.5</b>           | <b>+32.6</b> |
| Notes and accounts<br>payable               | 22.1                    | 25.3                    | +3.2         | 21.6                   | 22.4                   | +0.8         |
| Short- and long-<br>term loans              | 20.1                    | 21.7                    | +1.6         | 8.8                    | 8.7                    | -0.1         |
| Other liabilities                           | 133.4                   | 140.3                   | +6.8         | 133.7                  | 137.4                  | +3.7         |
| Total net assets                            | 248.6                   | 302.0                   | +53.5        | 274.8                  | 303.0                  | +28.2        |
| <b>Total liabilities and<br/>net assets</b> | <b>424.3</b>            | <b>489.3</b>            | <b>+65.1</b> | <b>438.9</b>           | <b>471.5</b>           | <b>+32.6</b> |



# Appendix

# Performance in the Second Quarter of FY2015.3 (Three Months)



(Billions of yen)

|   | FY2014.3<br>2Q results | FY2015.3<br>2Q results | Changes from same<br>period of the<br>previous year | FY2015.3<br>2Q previous<br>projections | Changes from the<br>previous<br>projection |
|---|------------------------|------------------------|---|--|--|
| <b>Net Sales</b>                                    | <b>100.7</b>           | <b>106.8</b>           | <b>+6.1%</b>  | 104.9                                  | +1.8%                                      |
| <b>Operating Income</b><br>(Operating Income Ratio) | <b>7.5</b><br>(7.5%)   | <b>8.8</b><br>(8.3%)   | <b>+17.8%</b>                                       | 8.3<br>(7.9%)                          | +7.1%                                      |
| <b>Ordinary Income</b><br>(Ordinary Income Ratio)   | <b>7.2</b><br>(7.1%)   | <b>9.2</b><br>(8.6%)   | <b>+28.1%</b>                                       | 8.1<br>(7.8%)                          | +13.0%                                     |
| <b>Net Income</b><br>(Net Income Ratio)             | <b>6.7</b><br>(6.6%)   | <b>6.7</b><br>(6.3%)   | <b>+0.4%</b>  | 5.9<br>(5.6%)                          | +13.3%                                     |

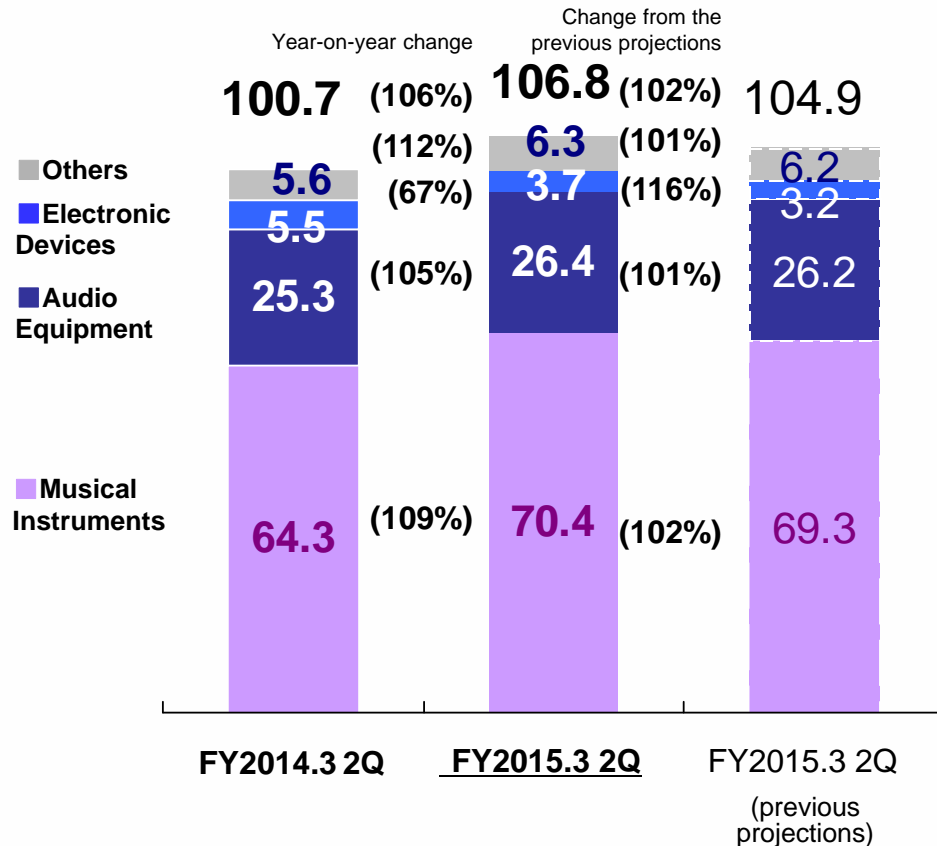
## Exchange Rate (yen)

|                  |      |     |     |     |
|------------------|------|-----|-----|-----|
| Net Sales        | US\$ | 99  | 104 | 100 |
|                  | EUR  | 131 | 138 | 135 |
| Operating Income | US\$ | 98  | 103 | 100 |
|                  | EUR  | 129 | 140 | 135 |

# Performance by Business Segment in the Second Quarter of FY2015.3 (Three Months)

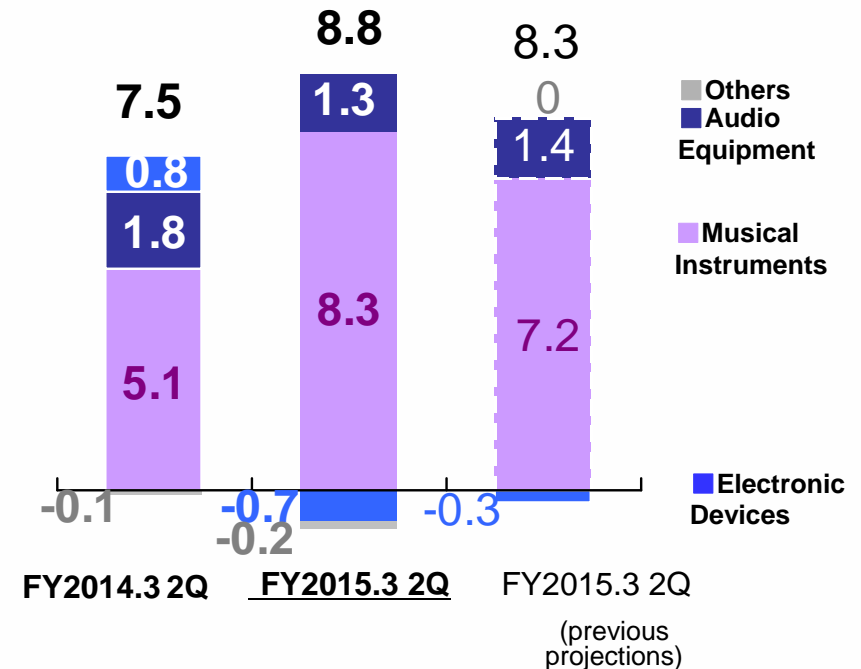


## Net Sales



## Operating Income

(Billions of yen)



### Impact of Exchange Rates

**Year-on-Year** **+¥3.0 billion**  
(musical instruments +¥2.0 billion, audio equipment +¥0.9 billion)

**Versus previous projections** **+¥2.0 billion**  
(musical instruments +¥1.4 billion, audio equipment +¥0.6 billion)

**+¥1.9 billion**  
(musical instruments +¥1.4 billion, audio equipment +¥0.5 billion)

**+¥1.0 billion**  
(musical instruments +¥0.7 billion, audio equipment +¥0.3 billion)

# 1H Non-Operating Income/Loss & Extraordinary Income/Loss



| (Billions of yen)                              | FY2014.3 1H | FY2015.3 1H                                | FY2015.3 1H<br>previous projections |
|--|-------------|--|-------------------------------------|
| <b>Non-Operating Income/Loss</b>               |             |  |                                     |
| Net financial income                           | 0.9         | 1.1  | 0.9                                 |
| Other  | -1.1        | -1.1                                       | -1.4                                |
| <b>Total</b>                                   | <b>-0.2</b> | <b>0</b>                                   | <b>-0.5</b>                         |
| <b>Extraordinary Income/Loss</b>               |             |  |                                     |
| Income from (loss on) disposal of fixed assets | 0           | -0.1                                       | -0.1                                |
|  |             | Gain on sales of investment securities 1.0 |                                     |
| Other  | 0.9         | -0.2                                       | 0.1                                 |
| <b>Total</b>                                   | <b>0.9</b>  | <b>-0.3</b>                                | <b>0</b>                            |
| <b>Income Taxes and Other Expenses</b>         |             |  |                                     |
| Income taxes -current                          | 3.4         | 4.1  | 4.0                                 |
| Income taxes -deferred                         | -1.7        | -0.3                                       | -0.2                                |
| Minority interests in income                   | 0.2         | 0.2  | 0.2                                 |
| <b>Total</b>                                   | <b>1.9</b>  | <b>4.0</b>                                 | <b>4.0</b>                          |

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



(Billions of yen)

|  | FY2014.3 full year | FY2015.3 full year | FY2015.3 full year<br>previous projections |
|--|--------------------|--------------------|--|
| <b>Non-Operating Income/Loss</b>               |                    |                    |  |
| Net financial income                           | 2.6                | 1.8                | 2.1  |
| Other  | -2.5               | -2.8               | -3.1                                       |
| <b>Total</b>                                   | <b>0.1</b>         | <b>-1.0</b>        | <b>-1.0</b>                                |
| <b>Extraordinary Income/Loss</b>               |                    |                    |  |
| Income from (loss on) disposal of fixed assets | 0.3                | -0.1               | -0.2                                       |
| Other  | -0.6               | -1.9               | 0.2  |
| <b>Total</b>                                   | <b>-0.3</b>        | <b>-2.0</b>        | <b>0</b>                                   |
| <b>Income Taxes and Other Expenses</b>         |                    |                    |  |
| Income taxes -current                          | 5.8                | 6.8                | 6.8  |
| Income taxes -deferred                         | -3.1               | 0.1                | 0  |
| Minority interests in income                   | 0.2                | 0.1                | 0.2  |
| <b>Total</b>                                   | <b>2.9</b>         | <b>7.0</b>         | <b>7.0</b>                                 |

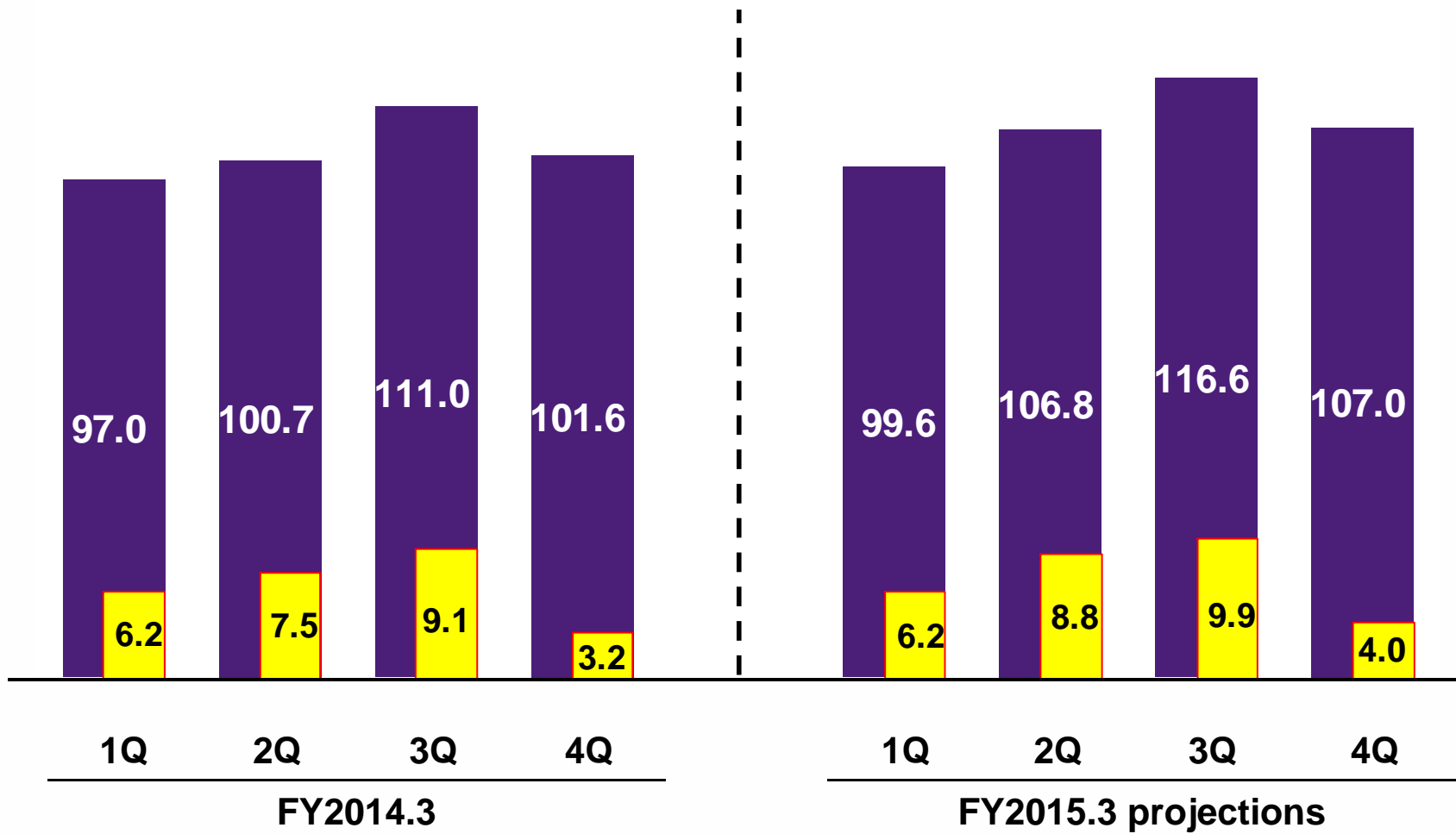
Gain on sales of investment securities 1.0  
Structural reform expenses -0.8  
Expenses related to YMMI production closure, etc. -0.7

Structural reform expenses -1.8  
Other extraordinary loss -0.1

# Quarterly Sales and Income

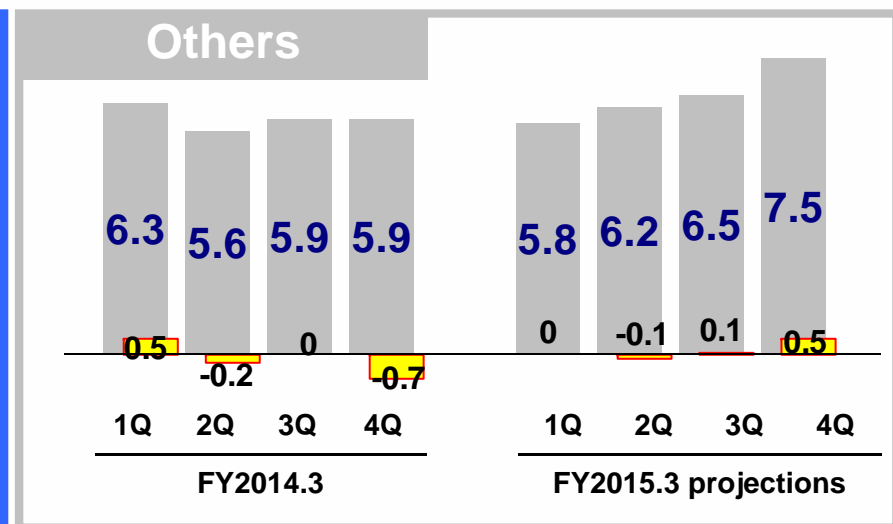
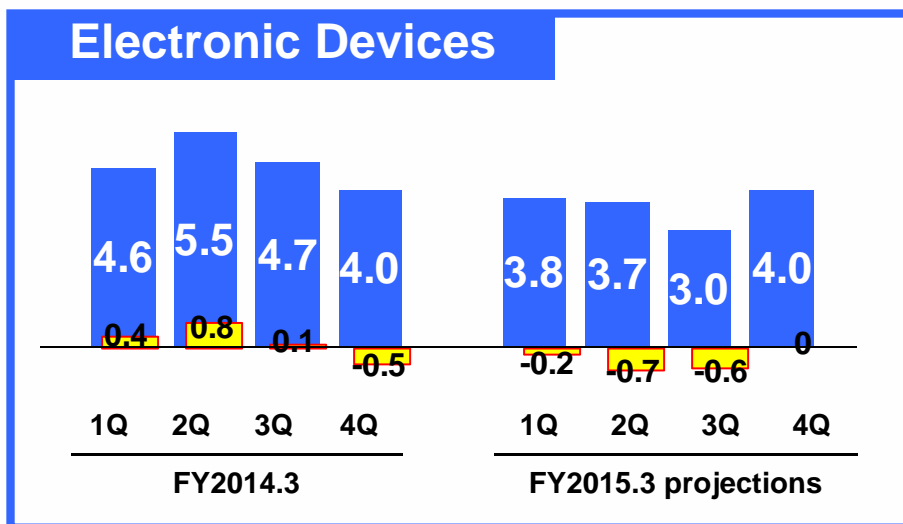
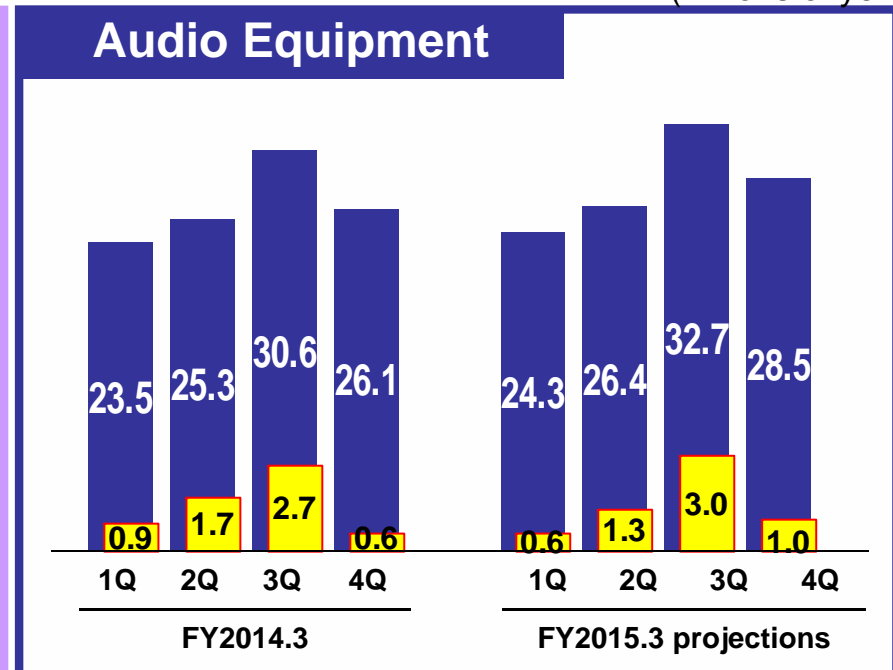
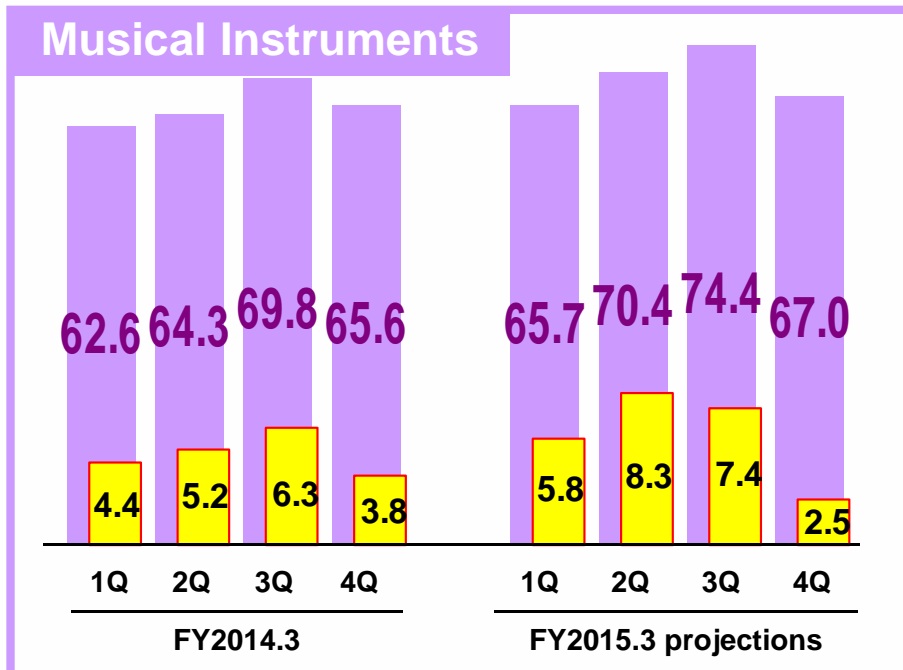


(Billions of yen)



# Quarterly Sales and Income by Segment YAMAHA

(Billions of yen)



# Key Products in FY2015.3



Another progress in the digital musical instruments with leading-edge technology and brand new concept unit

Electone™ electronic organ STAGEA™



**ELS-02X professional model**  
JPY1,580,000 (excl. tax)

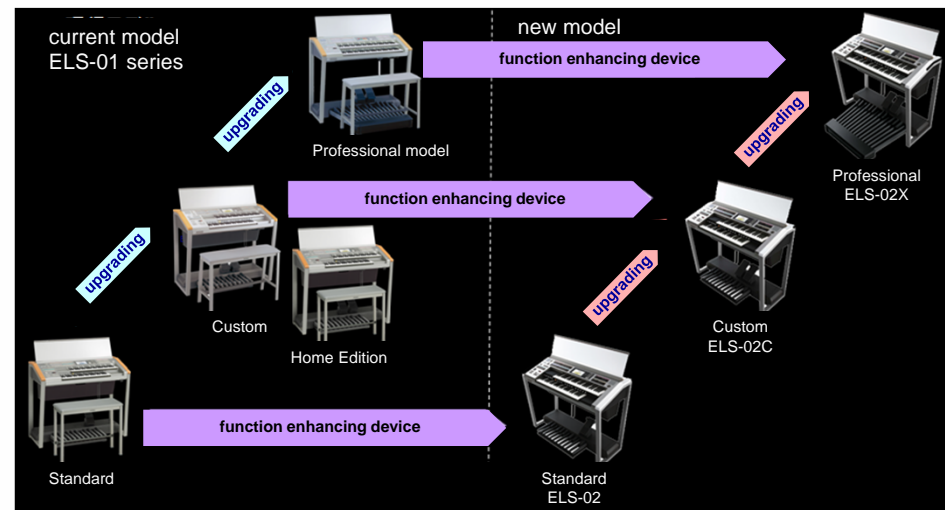
**Launched in April 2014**



**ELS-02C custom model**  
JPY980,000 (excl. tax)



**ELS-02 standard model**  
JPY650,000 (excl. tax)



No need for upgrade purchasing, the customer simply installs a device to the current ELS-01 to enhance the functions, which will allow him/her to enjoy the same experience as ELS-02



# Key Products in FY2015.3



Digital piano incorporated with superb sounds of two different concert grand pianos  
Clavinova digital piano CLP series



**Clavinova CLP-585PE**  
polished ebony  
JPY400,000 (excl. tax)



**Clavinova CLP-545WA**  
White ash  
JPY215,000 (excl. tax)

Carries true tonal characters of concert grand pianos



Yamaha CFX grand piano (left) and Bösendorfer Imperial grand (right)



Product roll-out in May 2014

Easy-to-use interface enables simple operation



# Key Products in FY2015.3



A compact mixing console with core features and performance inherited from the industry leading standards of CL series

The digital mixing console QL series



Launched in April 2014

**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.**