

YAMAHA CORPORATION

Flash Report Consolidated Basis

Results for the Second Quarter of the Fiscal Year Ending March 31, 2010
(April 1, 2009—September 30, 2009)

October 30, 2009

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

Code number: 7951

Stock listing: Tokyo Stock Exchange (First Section)

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Scheduled date to submit Quarterly Securities Report: November 13, 2009

Scheduled date to begin dividend payments: December 7, 2009

1. Results for the Second Quarter of FY2010.3 (April 1, 2009—September 30, 2009)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results (Accumulation)

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

	Net sales		Operating income		Ordinary income	
	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year	Millions of yen	% change from the previous year
Through the second quarter of FY2010.3	¥204,347	(18.4)%	¥ 4,138	(69.0)%	¥ 2,848	(78.6)%
Through the second quarter of FY2009.3	¥250,544	—	¥13,330	—	¥13,283	—

	Net income (loss)		Net income (loss) per share	Net income per share after full dilution
	Millions of yen	% change from the previous year	Yen	Yen
Through the second quarter of FY2010.3	¥ (837)	—	¥(4.25)	—
Through the second quarter of FY2009.3	¥4,373	—	¥21.86	—

(2) Consolidated Financial Data

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Second quarter of FY2010.3	¥410,039	¥254,103	61.3%	¥1,275.08
FY2009.3	¥408,974	¥251,841	60.9%	¥1,262.42

(For reference) Shareholders' equity: **Second quarter of FY2010.3 ¥251,489 million** FY2009.3 ¥248,995 million

2. Dividends

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

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

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

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

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

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

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

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

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2010.3	¥439,000	(4.4)%	¥6,000	(56.7)%	¥3,000	(75.0)%	¥0	—	¥0.00

Note: Whether the forecasts for consolidated figures have been revised in the second quarter: No

No revisions were made in the consolidated financial forecasts in the second quarter due to the uncertainty about the future and they remain unchanged.

4. Others

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

(2) The adoption of simplified accounting methods and/or special accounting treatment for the quarterly consolidated financial statements: None

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

(a) Changes accompanying revisions in accounting principles: Yes

(b) Changes other than those in (a) above: No

Note: For further details, please refer to the item “4. Others” on page 7 in the section of “Commentary Information and Financial Statements.”

(4) Number of shares issued (common shares)

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

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

FY2009.3 197,255,025 shares

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

Second quarter of FY2010.3 19,775 shares

FY2009.3 17,461 shares

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

Second quarter of FY2010.3 197,236,097 shares

Second quarter of FY2009.3 200,042,137 shares

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

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

For further information, please refer to the item “3. Commentary Information on Consolidated Financial Forecast” on page 6 in the section of “Commentary Information and Financial Statements.”

Commentary Information and Financial Statements

1. Consolidated Management Performance

During the second quarter of the fiscal year (FY2010.3) (hereinafter referred to as “second quarter (three months)”), although there were some signs of recovery in the economic environment for Yamaha and its consolidated subsidiaries, in part as a result of the positive effects of economic stimulus measures, these were limited in scope, and there is concern about future trends as the effects of economic policies run their course, the employment situation worsens, and consumption stagnates. In addition, the appreciation of the yen against the U.S. dollar is a factor placing pressure on corporate profitability in Japan.

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

Net sales during the second quarter (three months) declined ¥22.3 billion (17.6%) from the same period of the previous fiscal year, to ¥104.9 billion. Sales declined compared to the same period of the previous fiscal year due to the drop in sales in all business segments, stemming from the stagnation in consumption, as well as a decline in sales of about ¥10.7 billion as a result of foreign currency factors.

During the second-quarter accumulation of the fiscal year (hereinafter referred to as “second-quarter accumulation (six months)”), net sales fell ¥46.2 billion (18.4%), compared with the same (six-month) period of the previous year, to ¥204.3 billion. Foreign currency factors resulted in a decline in sales of approximately ¥18.7 billion compared with the same period of the previous year.

Profitwise, operating income during the second quarter (three months) declined ¥3.8 billion from the same period of the previous fiscal year, to ¥3.9 billion. Income before income taxes and minority interests fell ¥4.2 billion, to ¥3.2 billion. Net income for the quarter declined ¥1.2 billion, to ¥2.1 billion.

During the second-quarter accumulation (six months), operating income decreased ¥9.2 billion, compared with the same period of the previous year, to ¥4.1 billion. Income before income taxes and minority interests fell ¥10.3 billion compared with same period of the previous year, to ¥2.6 billion. The net loss amounted to ¥0.8 billion (compared with net income of ¥4.4 billion in the same period of the previous fiscal year), as a result of the reporting of income taxes-current, a decrease in deferred tax assets, and other factors.

(1) Performance by Business Segment

Musical Instruments

During the second quarter (three months), sales declined ¥13.9 billion (16.3%) compared with the same period of the previous year, to ¥71.3 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥8.5 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥5.4 billion compared with the same period of the previous year.

By product, sales of all product groups declined from the same period of the previous year. Sales of pianos in the Chinese market expanded, but sales of pianos in other regions decreased. In addition, sales of wind instruments substantially declined, principally in the Japanese, North American, and European markets.

Operating income for this segment declined ¥4.5 billion (59.3%) from the same period of the previous year and amounted to ¥3.1 billion.

During the second-quarter accumulation (six months), sales declined ¥26.7 billion (16.1%) compared with the same period of the previous year, to ¥139.7 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥14.9 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥11.9 billion compared with the same period of the previous year. Operating income declined ¥8.9 billion (64.6%) from the same period of the previous year, to ¥4.9 billion.

AV/IT

During the second quarter (three months), sales declined ¥3.1 billion (19.0%), compared with the same period of the previous year, to ¥13.3 billion. Foreign currency factors were responsible for about ¥2.2 billion of this decrease, and, after excluding these factors, sales were down about ¥1.0 billion compared with the same period of the previous year.

By product, sales of routers held firm. In the audio products business, in part because of the introduction of an Eco-point system in Japan, Japanese sales were favorable but overseas, on the other hand, sales declined, mainly in the North American and European markets.

The operating income of this segment declined ¥0.3 billion (39.7%), compared with the same period of the previous year, to ¥0.4 billion.

Note that sales in the second-quarter accumulation (six months) decreased ¥5.8 billion (19.0%) compared with the same period of the previous year, to ¥24.5 billion. Among factors resulting in this decline, foreign currency movements accounted for about ¥3.8 billion. After excluding foreign currency factors, sales in this segment were down approximately ¥2.0 billion compared with the same period of the previous year. The operating loss for the period amounted to ¥26 million (compared with operating income of ¥0.2 billion in the same period of the previous year).

Electronic Devices

During the second quarter (three months), sales of this segment were down ¥0.7 billion (11.9%) compared with the same period of the previous year, to ¥5.0 billion.

By product, sales of sound generators for mobile phones declined owing to the drop in demand.

The operating loss amounted to ¥0.3 billion, which compares to an operating loss of ¥0.4 billion reported for the same period of the previous year.

Note that sales in the second-quarter accumulation (six months) were down ¥3.5 billion (26.5%) compared with the same period of the previous year, to ¥9.6 billion. The operating loss amounted to ¥0.8 billion, compared with an operating loss of ¥0.6 billion in the same period of the previous year.

Lifestyle-Related Products

During the second quarter (three months), sales were down ¥2.1 billion (19.0%), compared with the same period of the previous year, to ¥9.1 billion, because of a decline in sales of system kitchens and system bathrooms owing to the continued substantial decrease in new housing starts.

The operating income of this segment increased ¥0.4 billion (878.8%), compared with the same period of the previous year, to ¥0.4 billion, as a result of reduction in SG&A expenses, etc.

Note that sales in the second-quarter accumulation (six months) were down ¥3.8 billion (17.4%) compared with the same period of the previous year, to ¥17.9 billion. The operating loss was ¥0.1 billion, compared with an operating loss of ¥0.5 billion in the same period of the previous year.

Others

During the second quarter (three months), sales of this segment were down ¥2.5 billion (28.7%) compared with the same period of the previous year, to ¥6.2 billion.

By product, sales of automobile interior wood components declined. In addition, sales of magnesium molded parts (a business the Company is going to withdraw from in the current fiscal year) also fell.

The operating income of this segment amounted to ¥0.2 billion compared with an operating loss of ¥0.3 billion for the same period of the previous year. This is mainly due to the cost cuts in automobile interior wood components business and magnesium molded parts business.

Sales in the second-quarter accumulation (six months) posted a decline of ¥6.5 billion (33.9%), compared with the same period of the previous year, to ¥12.6 billion. Operating income decreased ¥0.2 billion (58.0%) over the same period of the previous year and amounted to ¥0.2 billion.

(2) Performance by Geographical Segment

During the second quarter (three months), sales in Japan amounted to ¥54.4 billion, a 13.9% decline compared with the same period of the previous year, and the operating loss was ¥0.5 billion (compared with operating income of ¥1.6 billion for the same period of the previous year). Sales in North America for the second quarter (three months) amounted to ¥15.3 billion, 27.2% lower than during the same period of the previous year, and operating income was ¥0.8 billion, 41.0% lower than for the same period of the previous year. Sales in Europe were ¥19.2 billion, 22.2% lower than for the same period of the previous year, and operating income amounted to ¥1.3 billion, 32.1% lower than for the same period of the previous year. Sales in Asia, Oceania, and other areas amounted to ¥16.0 billion, a 12.9% decrease over the same period of the previous year, and operating income was ¥2.7 billion, which was 17.7% lower than for the same period of the previous year.

Note that during the second-quarter accumulation (six months), sales in Japan amounted to ¥111.9 billion, 15.8% lower than during the same period of the previous year, and the operating loss for the period amounted to ¥2.8 billion, compared with operating income of ¥5.1 billion in the same period of the previous year.

In North America, sales were ¥29.0 billion, representing a decline of 22.8% from the same period of the previous year, and operating income amounted to ¥1.4 billion, 31.0% lower than a year earlier. Sales in Europe totaled ¥34.2 billion, which was 25.3% lower than for the same period of the previous year, and operating income stood at ¥1.7 billion, 41.1% lower than for a year earlier. Sales in Asia, Oceania, and other areas posted a decrease of 14.7% over the same period a year earlier, to ¥29.2 billion, and operating income fell 30.2% over the prior year, to ¥4.2 billion.

(3) Sales by Region

The ratio of overseas sales to total sales for the second quarter (three months) decreased 3.0 percentage points from the same period of the previous year, to 50.6%.

For the second-quarter accumulation (six months), this ratio fell 2.4 percentage points, to 47.6%.

Japan

Sales in Japan for the second quarter (three months) decreased ¥7.2 billion (12.3%) compared with the same period of the previous year, to ¥51.8 billion. Declines were reported mainly for wind instruments, semiconductors, lifestyle-related products, automobile interior wood components, and magnesium molded parts, etc.

Sales in the second-quarter accumulation (six months) were down ¥18.1 billion (14.5%) from the same period in the previous year and amounted to ¥107.2 billion.

North America

Sales in North America for the second quarter (three months) decreased ¥5.4 billion (26.0%) from the same period of the previous year, to ¥15.5 billion. This was due to lower sales of pianos, wind instruments, professional audio equipment, and audio products due to continued market stagnation. After excluding foreign currency factors, sales were down about ¥3.1 billion from the same period of the previous year.

Sales in the second-quarter accumulation (six months) showed a drop of ¥8.2 billion (21.7%) from the same period in the previous year and amounted to ¥29.4 billion. After excluding foreign currency factors, sales decreased about ¥4.5 billion from the same period in the previous year.

Europe

Sales in Europe for the second quarter (three months) declined ¥6.2 billion (24.8%) from the same period of the previous year, to ¥18.9 billion. Sales of pianos, digital musical instruments, wind instruments, and audio products declined, owing to continued market stagnation. After excluding foreign currency factors, sales were down approximately ¥1.7 billion compared with the same period of the previous year.

Sales in the second-quarter accumulation (six months) showed a decline of ¥12.9 billion (27.7%) from a year earlier, to ¥33.7 billion. After excluding foreign currency factors, sales were down about ¥4.5 billion from a year earlier.

Asia, Oceania, and Other Areas

Sales in these areas for the second quarter (three months) posted a decrease of ¥3.4 billion (15.5%) from the same period of the previous year and amounted to ¥18.8 billion. Sales in China remained firm partly due to economic recovery in China, but sales of portable keyboards and other products in the Middle East and Latin America decreased. After excluding foreign currency factors, sales increased approximately ¥0.3 billion compared with the same period of the previous year.

Sales in the second-quarter accumulation (six months) recorded a decrease of ¥7.0 billion (17.0%) over the same quarter of the previous year, to ¥34.1 billion. After excluding foreign currency factors, sales posted a decrease of about ¥0.4 billion.

2. Consolidated Financial Position

(1) Assets

Total assets increased ¥1.1 billion (0.3%) from the end of the previous fiscal year, to ¥410.0 billion.

Of this total, current assets decreased ¥1.2 billion (0.6%), to ¥200.9 billion, and noncurrent assets increased ¥2.2 billion (1.1%), to ¥209.1 billion.

The decline in current assets was mainly due to the decrease in accounts receivable-other within other current assets. The increase in noncurrent assets was primarily due to valuation gains accompanying the increase in the market value of available-for-sale securities.

(2) Liabilities

Liabilities decreased ¥1.2 billion (0.8%) from the end of the previous fiscal year, to ¥155.9 billion.

Of this total, current liabilities fell ¥6.0 billion (6.7%), to ¥84.0 billion. In addition, noncurrent liabilities increased ¥4.8 billion (7.2%), to ¥71.9 billion. The decline in current liabilities was mainly due to decreases in accounts payable-other and accrued expenses. The increase in noncurrent liabilities was primarily due to the increase in provision for retirement benefits.

(3) Net Assets

Net assets increased ¥2.3 billion (0.9%) from the end of the previous fiscal year, to ¥254.1 billion. Although a loss was reported for the second-quarter accumulation (six months), and the Company made dividend payments, there was a rise in valuation and translation adjustments owing to the increase in the quoted value of available-for-sale securities.

(4) Cash Flows

During the second quarter (three months), cash and cash equivalents (hereinafter, cash) increased ¥7.1 billion (compared with a decrease of ¥4.8 billion during the same period of the previous year), to a balance of ¥43.1 billion.

During the second-quarter accumulation (six months), cash increased ¥0.7 billion (compared with a decrease of ¥43.3 billion during the same period of the previous year).

Net Cash Provided by (Used in) in Operating Activities

During the second quarter (three months), cash provided by operating activities was ¥13.7 billion, which was ¥12.0 billion higher than during the same period of the previous year.

Note that during the second-quarter accumulation (six months) cash provided by operating activities was ¥12.6 billion, compared with cash used in operating activities of ¥14.8 billion in the same period of the previous year. The main cause of this change is that in the second-quarter accumulation (six months) of the previous fiscal year, there was an increase in inventory and payment of income taxes; on the other hand, in the second-quarter accumulation (six months) of this fiscal year, inventories decreased and income taxes were refunded.

Net Cash Provided by (Used in) Investing Activities

During the second quarter (three months), cash used in investing activities decreased ¥6.7 billion, to ¥6.5 billion.

Note that during the second-quarter accumulation (six months) cash used in investing activities decreased ¥5.1 billion, compared with the same period of the previous year, to ¥10.0 billion, mainly because of the decrease of the purchase of stock of affiliate companies compared to the same period in the previous year.

Net Cash Provided by (Used in) Financing Activities

During the second quarter (three months), cash provided by financing activities decreased ¥7.4 billion, compared with the same period of the previous year, to ¥1.0 billion.

Note that during the second-quarter accumulation (six months) cash used in financing activities amounted to ¥1.4 billion, which was ¥12.4 billion lower than for the same period of the previous year. This decrease was mainly due to decrease of expenditures for purchasing treasury stocks.

3. Commentary Information on Consolidated Financial Forecast

Consolidated financial forecasts for FY2010.3 were issued on April 30, 2009.

Due to the uncertainty about the future, no revisions were made in the consolidated financial forecasts in the second quarter and they remain unchanged.

Some portions of the content of this document are forward-looking statements that are based on forecasts and plans regarding future developments. Accordingly, actual results and performance may differ from the forecast presented here, depending on risks and uncertainty factors.
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4. Others

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

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

Simplified accounting methods: None. In principle, the Company applies the accounting principles adopted in fiscal year end.

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

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

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

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

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

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

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Second quarter of FY2010.3 (as of September 30, 2009)	FY2009.3 (as of March 31, 2009)
ASSETS		
Current assets		
Cash and deposits	¥ 44,123	¥ 41,373
Notes and accounts receivable—trade	59,382	51,938
Short-term investment securities	869	1,280
Merchandise and finished goods	57,505	56,580
Work in process	13,785	13,526
Raw materials and supplies	9,904	10,588
Other	16,818	28,213
Allowance for doubtful accounts	(1,456)	(1,401)
Total current assets	200,933	202,097
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	38,103	38,885
Machinery, equipment and vehicles, net	13,092	13,271
Tools, furniture and fixtures, net	9,358	9,925
Land	56,912	56,690
Lease assets, net	568	521
Construction in progress	6,674	8,318
Total property, plant and equipment	124,710	127,613
Intangible assets	3,474	3,596
Investments and other assets		
Investment securities	67,501	57,131
Other	14,579	19,690
Allowance for doubtful accounts	(1,160)	(1,155)
Total investments and other assets	80,920	75,667
Total noncurrent assets	209,105	206,876
Total assets	¥410,039	¥408,974

(Millions of yen)

	Second quarter of FY2010.3 (as of September 30, 2009)	FY2009.3 (as of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	¥ 25,938	¥ 25,625
Short-term loans payable	13,898	14,216
Current portion of long-term loans payable	599	1,483
Accounts payable-other and accrued expenses	30,051	34,012
Income taxes payable	2,103	2,090
Provision	6,119	6,701
Other	5,336	5,919
Total current liabilities	<u>84,047</u>	<u>90,050</u>
Noncurrent liabilities		
Long-term loans payable	5,602	3,491
Provision for retirement benefits	31,152	27,628
Other	35,133	35,963
Total noncurrent liabilities	<u>71,888</u>	<u>67,083</u>
Total liabilities	<u>155,935</u>	<u>157,133</u>
NET ASSETS		
Shareholders' equity		
Capital stock	28,534	28,534
Capital surplus	40,054	40,054
Retained earnings	174,220	176,739
Treasury stock	(32)	(29)
Total shareholders' equity	<u>242,776</u>	<u>245,298</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	26,499	19,817
Deferred gains or losses on hedges	124	(394)
Revaluation reserve for land	18,769	18,769
Foreign currency translation adjustment	(36,680)	(34,495)
Total valuation and translation adjustments	<u>8,713</u>	<u>3,697</u>
Minority interests	<u>2,613</u>	<u>2,845</u>
Total net assets	<u>254,103</u>	<u>251,841</u>
Total liabilities and net assets	<u>¥410,039</u>	<u>¥408,974</u>

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

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

(Millions of yen)

	Accumulated through the second quarter of FY2010.3 (April 1, 2009–September 30, 2009)	Accumulated through the second quarter of FY2009.3 (April 1, 2008–September 30, 2008)
Net sales	¥204,347	¥250,544
Cost of sales	131,633	155,456
Gross profit	72,713	95,087
Selling, general and administrative expenses	68,575	81,757
Operating income	4,138	13,330
Non-operating income		
Interest income	133	546
Dividends income	335	1,423
Other	693	816
Total non-operating income	1,162	2,787
Non-operating expenses		
Sales discounts	1,348	1,795
Other	1,104	1,038
Total non-operating expenses	2,452	2,834
Ordinary income	2,848	13,283
Extraordinary income		
Gain on sales of noncurrent assets	68	53
Reversal of provision for product warranties	96	135
Other	5	—
Total extraordinary income	171	188
Extraordinary loss		
Loss on retirement of noncurrent assets	138	368
Loss on valuation of investment securities	111	—
Loss on valuation of stocks of subsidiaries and affiliates	145	—
Special retirement expenses	—	106
Other	10	77
Total extraordinary losses	406	552
Income before income taxes and minority interests	2,612	12,919
Income taxes—current	1,738	3,884
Income taxes—deferred	1,519	4,526
Total income taxes	3,258	8,410
Minority interests in income	191	135
Net income (loss)	¥ (837)	¥ 4,373

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

Consolidated Results for the Second Quarter of FY2010.3

(Millions of yen)

	Second quarter of FY2010.3 (July 1, 2009–September 30, 2009)	Second quarter of FY2009.3 (July 1, 2008–September 30, 2008)
Net sales	¥104,918	¥127,264
Cost of sales	66,874	78,060
Gross profit	38,043	49,204
Selling, general and administrative expenses	34,141	41,529
Operating income	3,902	7,674
Non-operating income		
Interest income	62	245
Dividends income	1	877
Other	510	283
Total non-operating income	573	1,406
Non-operating expenses		
Sales discounts	702	921
Other	428	619
Total non-operating expenses	1,130	1,541
Ordinary income	3,346	7,540
Extraordinary income		
Gain on sales of noncurrent assets	58	25
Reversal of provision for product warranties	96	130
Other	5	—
Total extraordinary income	160	155
Extraordinary loss		
Loss on retirement of noncurrent assets	77	220
Loss on valuation of investment securities	77	—
Loss on valuation of stocks of subsidiaries and affiliates	145	—
Special retirement expenses	—	11
Other	10	38
Total extraordinary losses	311	270
Income before income taxes and minority interests	3,195	7,425
Income taxes—current	1,029	2,789
Income taxes—deferred	6	1,272
Total income taxes	1,036	4,061
Minority interests in income	96	51
Net income	¥ 2,062	¥ 3,311

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

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Accumulated through the second quarter of FY2010.3 (April 1, 2009–September 30, 2009)	Accumulated through the second quarter of FY2009.3 (April 1, 2008–September 30, 2008)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	¥ 2,612	¥ 12,919
Depreciation and amortization	6,704	8,810
Decrease (increase) in notes and accounts receivable—trade	(8,416)	(7,105)
Decrease (increase) in inventories	510	(15,457)
Increase (decrease) in notes and accounts payable—trade	623	2,308
Income taxes (paid) refund	5,698	(14,439)
Other, net	4,903	(1,844)
Net cash provided by (used in) operating activities	12,636	(14,807)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(8,501)	(9,751)
Proceeds from sales of property, plant and equipment	309	302
Proceeds from sales and redemption of investment securities	5	3,000
Purchase of stocks of subsidiaries and affiliates	(847)	(8,283)
Purchase of investment securities	—	(59)
Other, net	(936)	(327)
Net cash provided by (used in) investing activities	(9,971)	(15,118)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	376	11,007
Proceeds from long-term loans payable	2,789	1,200
Repayment of long-term loans payable	(1,201)	(2,347)
Purchase of treasury stock	(2)	(18,026)
Cash dividends paid	(2,958)	(5,157)
Other, net	(410)	(478)
Net cash provided by (used in) financing activities	(1,407)	(13,802)
Effect of exchange rate change on cash and cash equivalents	(520)	381
Net increase (decrease) in cash and cash equivalents	737	(43,346)
Cash and cash equivalents at beginning of period	41,223	103,371
Increase in cash and cash equivalents from newly consolidated subsidiary	1,308	947
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(134)	(311)
Cash and cash equivalents at end of period	¥43,135	¥ 60,661

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

(4) Notes Regarding Assumptions as a Going Concern

None

(5) Segment Information**(a) Business Segments****Second quarter of FY2010.3 (July 1, 2009—September 30, 2009)**

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥71,313	¥13,330	¥4,977	¥9,053	¥6,243	¥104,918		¥104,918
Intersegment sales or transfers			201			201	(201)	
Total sales	¥71,313	¥13,330	¥5,179	¥9,053	¥6,243	¥105,120	¥(201)	¥104,918
Operating income (loss)	¥ 3,087	¥ 440	¥ (261)	¥ 413	¥ 222	¥ 3,902		¥ 3,902

Second quarter of FY2009.3 (July 1, 2008—September 30, 2008)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥85,220	¥16,465	¥5,651	¥11,170	¥8,757	¥127,264		¥127,264
Intersegment sales or transfers			403			403	(403)	
Total sales	¥85,220	¥16,465	¥6,054	¥11,170	¥8,757	¥127,668	¥(403)	¥127,264
Operating income (loss)	¥ 7,593	¥ 730	¥ (432)	¥ 42	¥ (259)	¥ 7,674		¥ 7,674

Notes: 1. Business segments:

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

2. Major products in each business segment:

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

Accumulated through the second quarter of FY2010.3 (April 1, 2009—September 30, 2009)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥139,686	¥24,547	¥ 9,647	¥17,863	¥12,601	¥204,347		¥204,347
Intersegment sales or transfers			391			391	(391)	
Total sales	¥139,686	¥24,547	¥10,038	¥17,863	¥12,601	¥204,738	¥(391)	¥204,347
Operating income (loss)	¥ 4,890	¥ (26)	¥ (801)	¥ (100)	¥ 177	¥ 4,138		¥ 4,138

Accumulated through the second quarter of FY2009.3 (April 1, 2008—September 30, 2008)

(Millions of yen)

	Musical instruments	AV/IT	Electronic devices	Lifestyle-related products	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥166,422	¥30,310	¥13,117	¥21,634	¥19,058	¥250,544		¥250,544
Intersegment sales or transfers			644			644	(644)	
Total sales	¥166,422	¥30,310	¥13,762	¥21,634	¥19,058	¥251,189	¥(644)	¥250,544
Operating income (loss)	¥ 13,823	¥ 215	¥ (601)	¥ (528)	¥ 422	¥ 13,330		¥ 13,330

Notes: 1. Business segments:

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

2. Major products in each business segment:

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

(b) Geographical Segments

Second quarter of FY2010.3 (July 1, 2009—September 30, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥54,376	¥15,273	¥19,219	¥16,048	¥104,918		¥104,918
Intersegment sales or transfers	32,665	177	346	15,711	48,901	(48,901)	
Total sales	¥87,042	¥15,451	¥19,565	¥31,760	¥153,820	¥(48,901)	¥104,918
Operating income (loss)	¥ (454)	¥ 821	¥ 1,303	¥ 2,702	¥ 4,373	¥ (470)	¥ 3,902

Second quarter of FY2009.3 (July 1, 2008—September 30, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥ 63,149	¥20,983	¥24,696	¥18,435	¥127,264		¥127,264
Intersegment sales or transfers	48,176	379	331	22,445	71,332	(71,332)	
Total sales	¥111,325	¥21,362	¥25,027	¥40,881	¥198,597	¥(71,332)	¥127,264
Operating income	¥ 1,571	¥ 1,392	¥ 1,919	¥ 3,285	¥ 8,168	¥ (494)	¥ 7,674

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, Republic of Korea, Australia

Accumulated through the second quarter of FY2010.3 (April 1, 2009—September 30, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥111,906	¥29,022	¥34,216	¥29,201	¥204,347		¥204,347
Intersegment sales or transfers	59,878	470	655	28,931	89,936	(89,936)	
Total sales	¥171,785	¥29,492	¥34,872	¥58,133	¥294,283	¥(89,936)	¥204,347
Operating income (loss)	¥ (2,761)	¥ 1,366	¥ 1,650	¥ 4,222	¥ 4,477	¥ (338)	¥ 4,138

Accumulated through the second quarter of FY2009.3 (April 1, 2008—September 30, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥132,914	¥37,599	¥45,813	¥34,217	¥250,544		¥250,544
Intersegment sales or transfers	86,456	788	646	40,056	127,947	(127,947)	
Total sales	¥219,371	¥38,387	¥46,459	¥74,273	¥378,491	¥(127,947)	¥250,544
Operating income	¥ 5,134	¥ 1,981	¥ 2,801	¥ 6,050	¥ 15,968	¥ (2,637)	¥ 13,330

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, Republic of Korea, Australia

(c) Overseas Sales

Second quarter of FY2010.3 (July 1, 2009—September 30, 2009)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥15,489	¥18,880	¥18,762	¥ 53,133
Net sales				104,918
% of net sales	14.8%	18.0%	17.9%	50.6%

Second quarter of FY2009.3 (July 1, 2008—September 30, 2008)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥20,928	¥25,114	¥22,202	¥ 68,245
Net sales				127,264
% of net sales	16.4%	19.7%	17.4%	53.6%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, Republic of Korea, Australia

Accumulated through the second quarter of FY2010.3 (April 1, 2009—September 30, 2009)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥29,384	¥33,692	¥34,092	¥ 97,169
Net sales				204,347
% of net sales	14.4%	16.5%	16.7%	47.6%

Accumulated through the second quarter of FY2009.3 (April 1, 2008—September 30, 2008)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥37,536	¥46,608	¥41,087	¥125,232
Net sales				250,544
% of net sales	15.0%	18.6%	16.4%	50.0%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan:

North America: U.S.A., Canada

Europe: Germany, France, U.K.

Asia, Oceania and other areas: People's Republic of China, Republic of Korea, Australia

(6) Notes Regarding Any Major Change in the Amount of Consolidated Shareholders' Equity**Accumulated through the second quarter of FY2010.3 (April 1, 2009—September 30, 2009)**

None