

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

**February 6, 2014**



# Overview of Performance in the Third Quarter (October-December)



## Results Summary

- Although sales increased year-on-year, they were slightly lower than previous projections announced on October 31.
- Actual sales of audio equipment in Europe and musical instruments in emerging markets were down from the same period of the previous year, and results in China were also below expectations.
- Sales of electronic devices slowed at the end of the third quarter due to customer-side production delays and inventory adjustments.
- Operating income increased year-on-year and against previous projections due to the impact of exchange rates and cost-cutting efforts.

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

# Performance in the Third Quarter of FY2014.3 (Three Months)



(Billions of yen)

	FY2013.3 3Q results	FY2014.3 3Q results	Changes from same period of the previous year	FY2014.3 3Q previous projections	Changes from previous projection
<b>Net Sales</b>	<b>97.1</b>	<b>111.0</b>	<b>+14.3%</b>	112.3	-1.2%
<b>Operating Income</b> (Operating Income Ratio)	<b>3.6</b> (3.7%)	<b>9.1</b> (8.2%)	<b>+152.2%</b>	7.3 (6.5%)	+24.7%
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>3.5</b> (3.6%)	<b>8.9</b> (8.0%)	<b>+152.0%</b>	6.0 (5.3%)	+47.8%
<b>Net Income</b> (Net Income Ratio)	<b>1.1</b> (1.1%)	<b>6.5</b> (5.9%)	<b>+487.7%</b>	5.0 (4.5%)	+30.7%

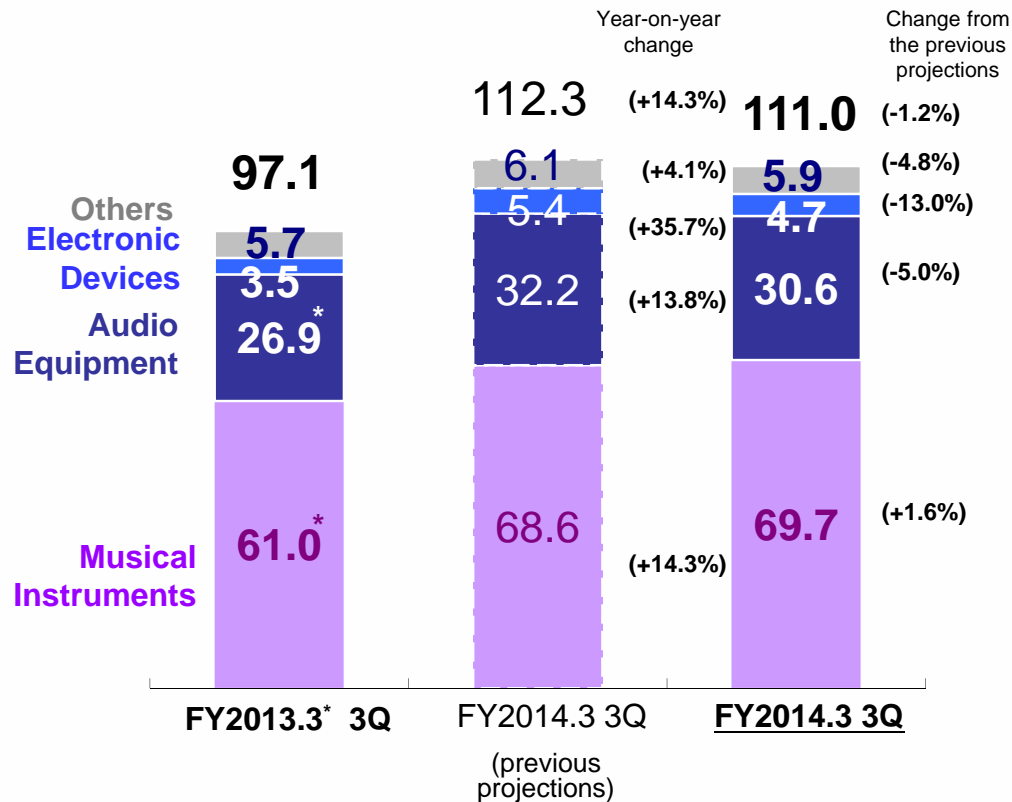
## Exchange Rate (yen)

<b>Net Sales</b>	US\$	<b>81</b>	<b>100</b>	95
	EUR	<b>105</b>	<b>137</b>	130
<b>Operating Income</b>	US\$	<b>80</b>	<b>99</b>	95
	EUR	<b>99</b>	<b>131</b>	130

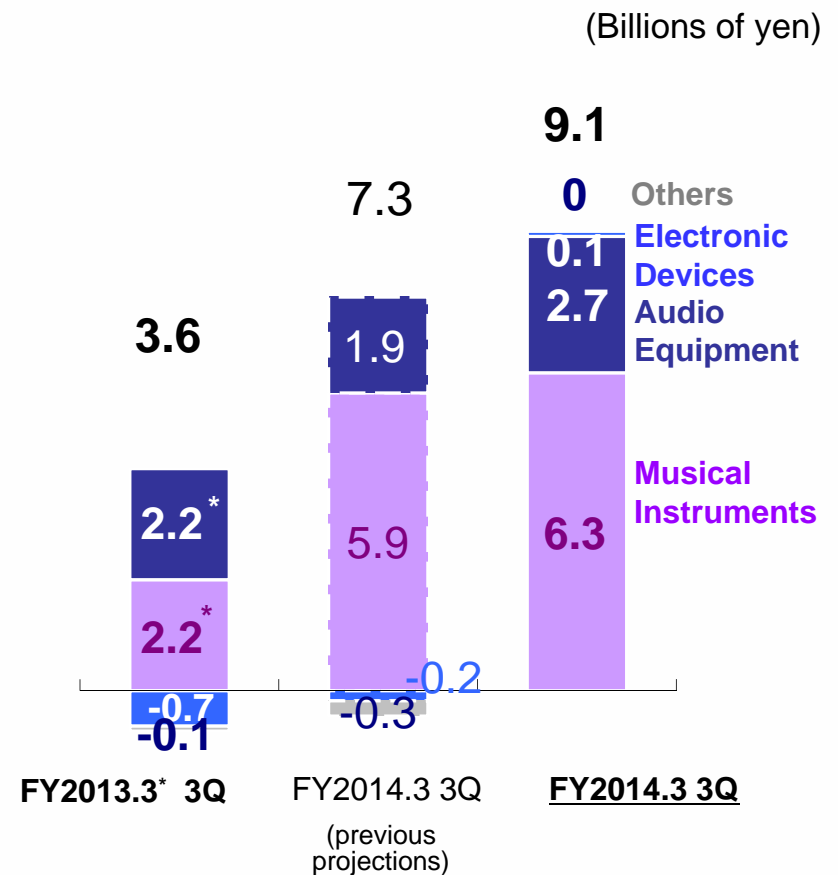
# Performance by Business Segment in the Third Quarter of FY2014.3 (Three Months)



## Net Sales



## Operating Income



### Impact of Exchange Rates

<b>Year-on-Year</b>	<b>+¥13.9 billion</b> (musical instruments +¥8.8 billion, audio equipment +¥4.8 billion, electronic devices +¥0.3 billion)
<b>Versus previous projections</b>	<b>+¥2.8 billion</b> (musical instruments +¥1.7 billion, audio equipment +¥1.0 billion, electronic devices +¥0.1 billion)

<b>+¥4.5 billion</b>	(musical instruments +¥3.3 billion, audio equipment +¥1.2 billion, electronic devices +¥0.1 billion)
<b>+¥0.4 billion</b>	(musical instruments +¥0.3 billion, audio equipment +¥0.1 billion)

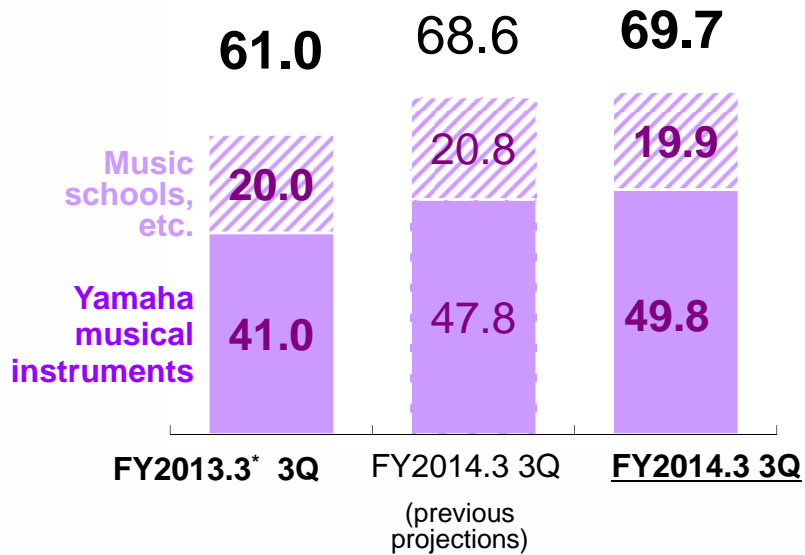
# Musical Instruments

## 3Q Overview (Three Months)

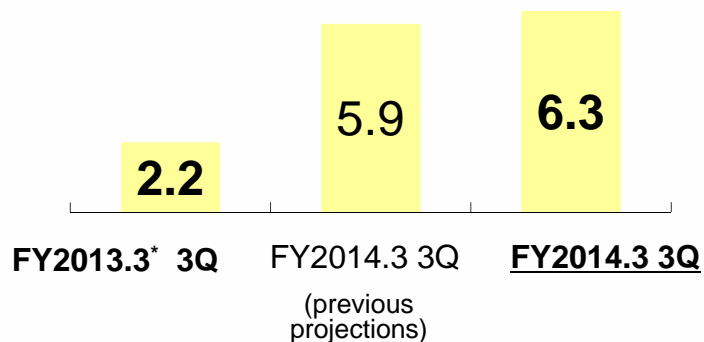


(Billions of yen)

### Net Sales



### Operating Income



### 3Q Overview

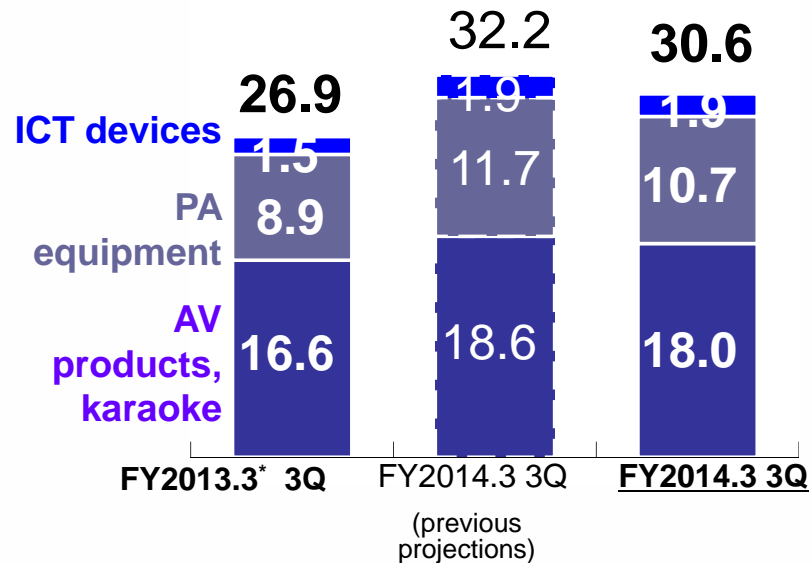
- Sales increased year-on-year and exceeded previous projections
- Discounting the impact of exchange rates (+¥8.8 billion), sales were on par with the same period of the previous year
- Delay of recovery in China and Other Markets
- Sales of pianos and digital musical instruments were robust. Guitar sales declined due to product supply issues.

# Audio Equipment 3Q Overview (Three Months)



(Billions of yen)

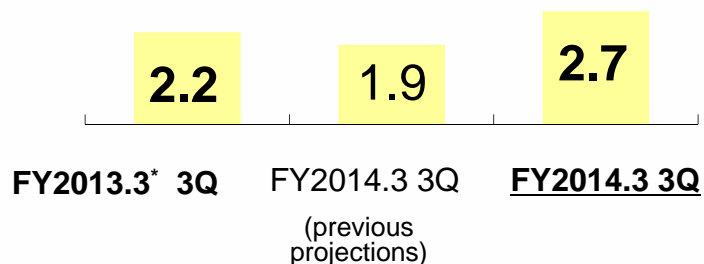
## Net Sales



## 3Q Overview

- Sales increased year-on-year, but were lower than previous projections
- Discounting the impact of exchange rates (+¥4.8 billion), actual sales declined from the same period of the previous year
- Sales of AV products during the year-end period of high demand were sluggish and did not meet expectations
- Income exceeded previous projections due to the sales increase of karaoke equipment and decrease in R&D expenses

## Operating Income

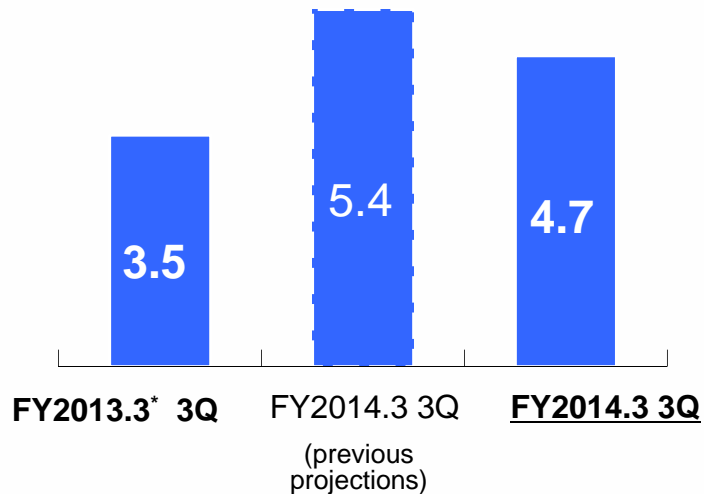


# Electronic Devices 3Q Overview (Three Months)

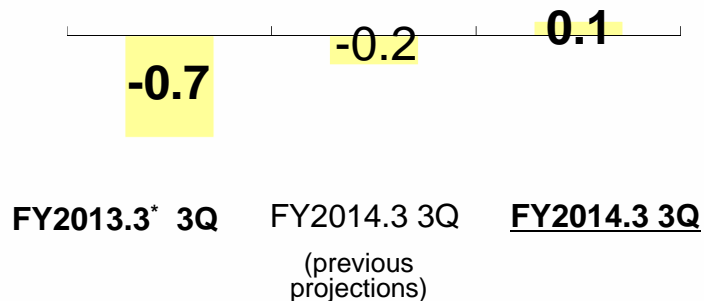


(Billions of yen)

## Net Sales



## Operating Income



## 3Q Overview

- Sales were up year-on-year, but below previous projections
- Sales slowed at the end of the third quarter, mainly due to customer-side production delays and inventory adjustments for amusement equipment
- Although results were lower than previous projections, operating income remained positive in the third quarter

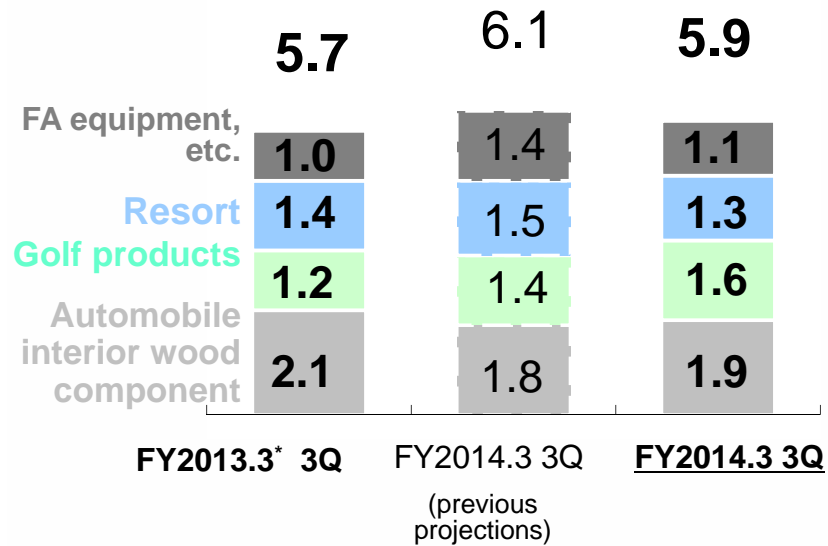
# Others

## 3Q Overview (Three Months)



(Billions of yen)

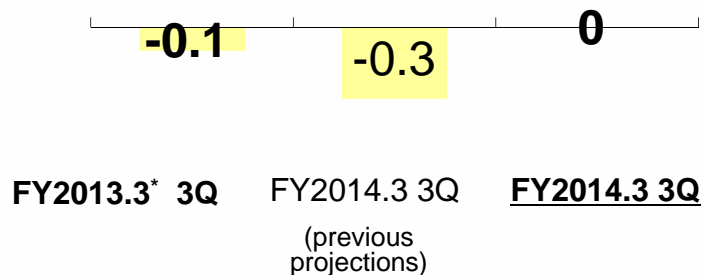
### Net Sales



### 3Q Overview

- Sales were up year-on-year, but down against previous projections
- Golf sales increased year-on-year and exceeded previous projections, partly due to the launch of new products
- Although results were lower than previous projections, operating income remained positive

### Operating Income





# Performance in the First Three Quarters of FY2014.3 (Nine Months)



(Billions of yen)

	FY2013.3 1-3Q results	FY2014.3 1-3Q results	Change from same period of the previous year	Previous projections for FY2014.3 (1-3Q)	Change from previous projections
<b>Net Sales</b>	<b>273.9</b>	<b>308.7</b>	<b>+12.7%</b>	310.0	<b>▲0.4%</b>
<b>Operating Income</b> (Operating Income Ratio)	<b>10.4</b> (3.8%)	<b>22.8</b> (7.4%)	<b>+118.6%</b>	21.0 (6.8%)	<b>+8.5%</b>
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>9.6</b> (3.5%)	<b>22.3</b> (7.2%)	<b>+132.1%</b>	19.5 (6.3%)	<b>+14.6%</b>
<b>Net Income</b> (Net Income Ratio)	<b>4.5</b> (1.6%)	<b>19.0</b> (6.2%)	<b>+326.8%</b>	17.5 (5.6%)	<b>+8.8%</b>

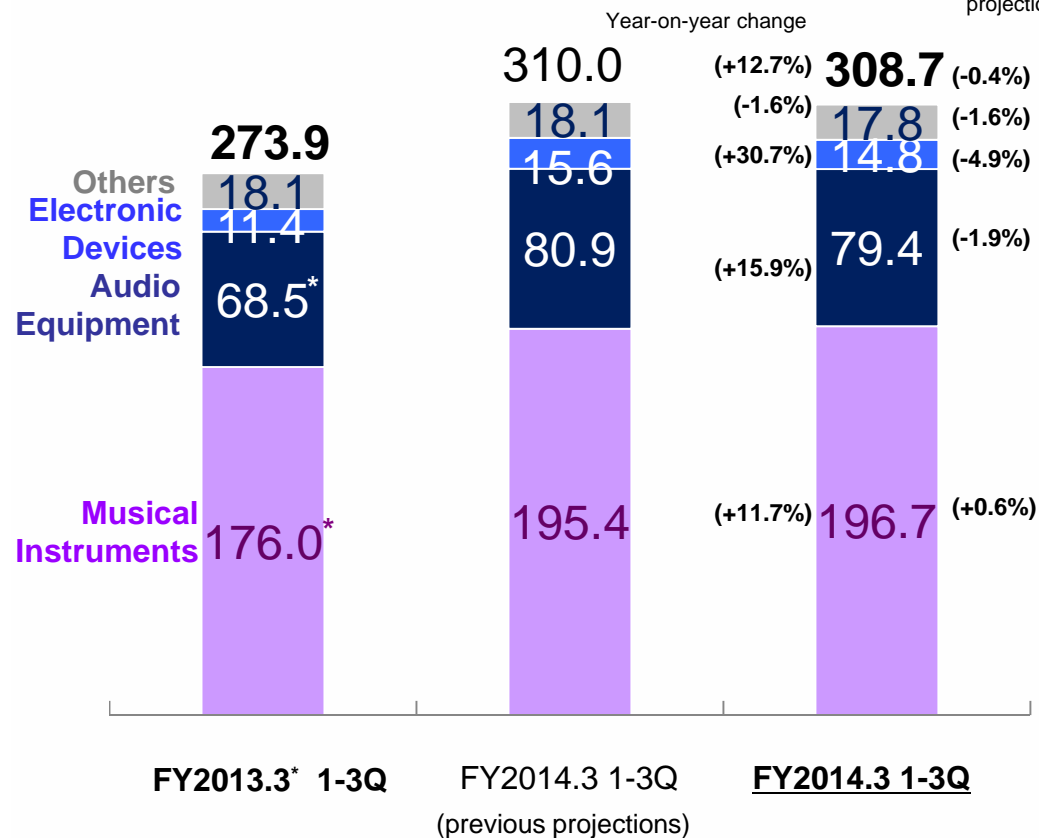
## Exchange Rate (yen)

<b>Net Sales</b>	<b>US\$</b>	<b>80</b>	<b>99</b>	98
	<b>EUR</b>	<b>102</b>	<b>132</b>	130
<b>Operating Income</b>	<b>US\$</b>	<b>80</b>	<b>98</b>	97
	<b>EUR</b>	<b>103</b>	<b>127</b>	127

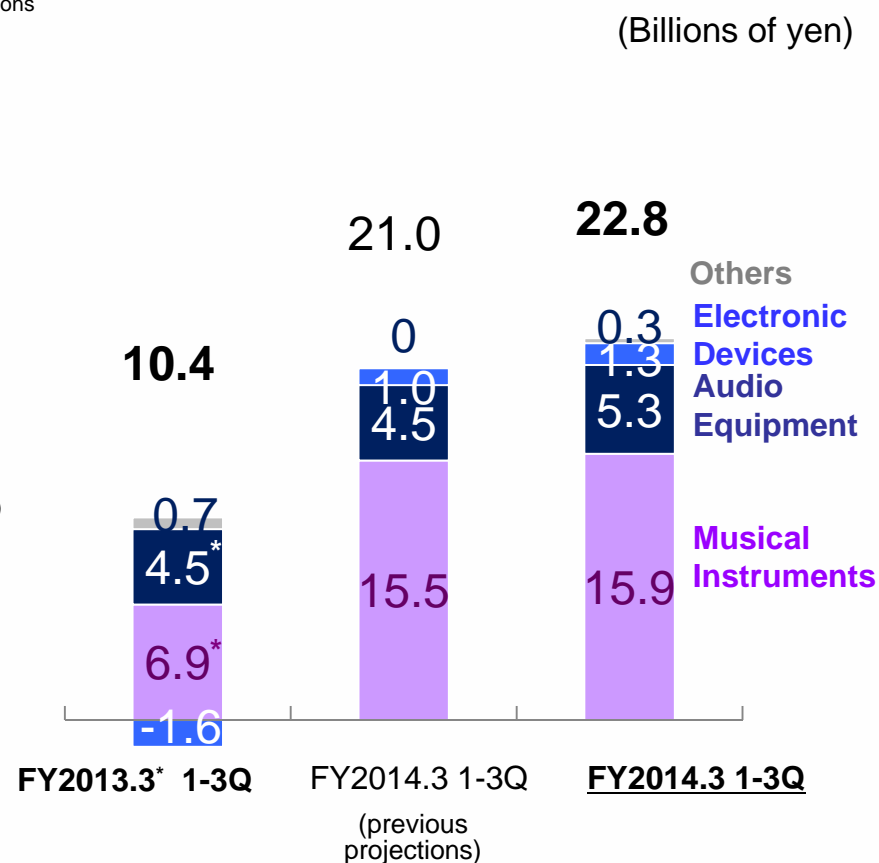
# Performance by Business Segment in the First Three Quarters of FY2014.3 (Nine Months)



## Net Sales



## Operating Income



### Impact of Exchange Rates

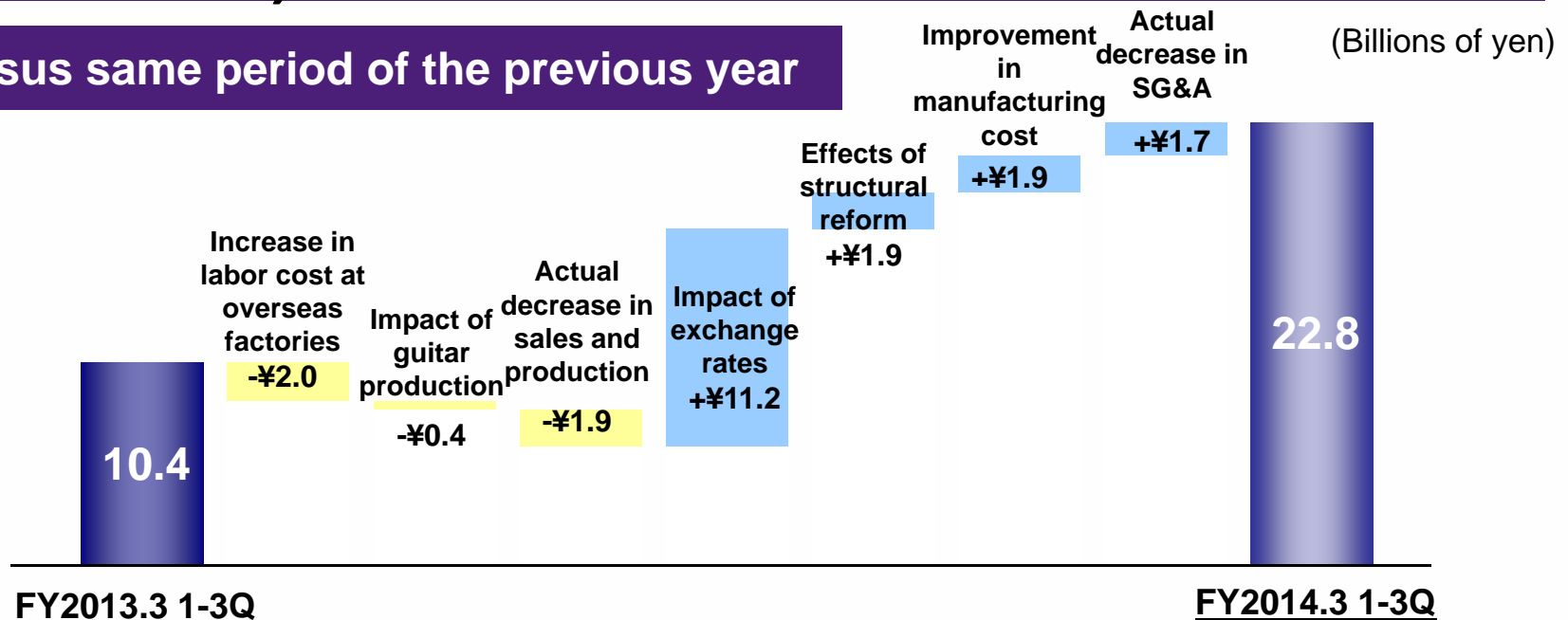
<b>Year-on-Year</b>	<b>+¥37.3 billion</b> (musical instruments +¥24.1 billion, audio equipment +¥12.3 billion, electronic devices +¥0.9 billion)
<b>Versus previous projections</b>	<b>+¥2.8 billion</b> (musical instruments +¥1.7 billion, audio equipment +¥1.0 billion, electronic devices +¥0.1 billion)

<b>+¥11.3 billion</b>	(musical instruments +¥7.9 billion, audio equipment +¥2.9 billion, electronic devices +¥0.4 billion)
<b>+¥0.4 billion</b>	(musical instruments +¥0.3 billion, audio equipment +¥0.1 billion)

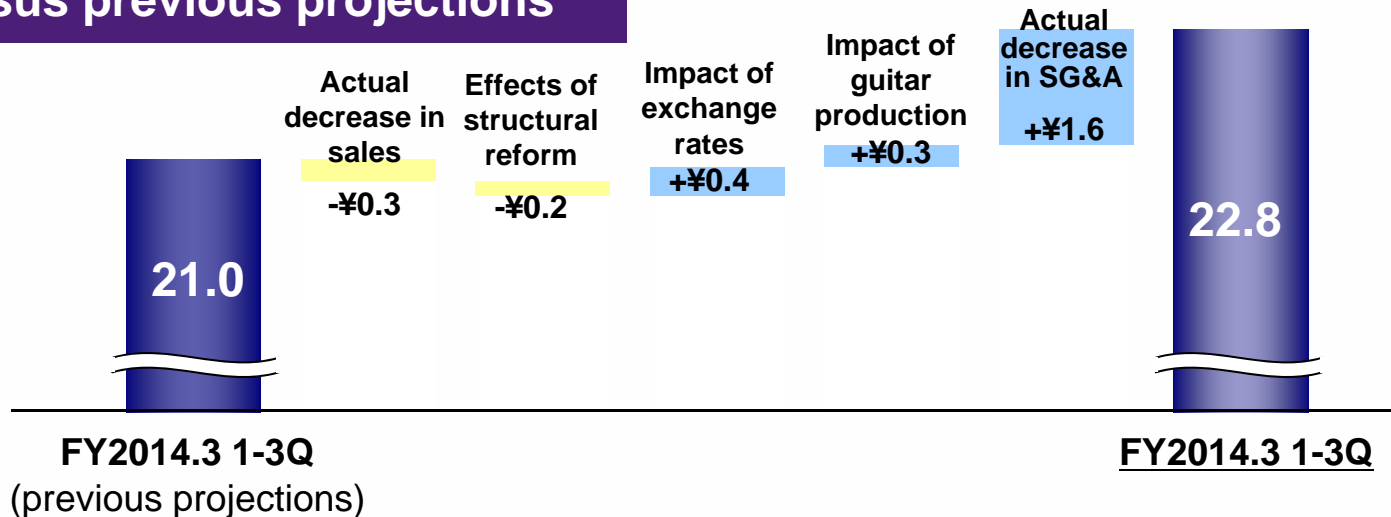
# FY2014.3 1-3Q Operating Income Analysis (Nine Months)



## Versus same period of the previous year



## Versus previous projections



# Outlook for Fourth Quarter and Full Year



## Key Points

- Ongoing delay in emerging market recovery
- Although electronic device business slowed in the third quarter, full-year sales and operating income are expected to be on par with the previous projections
- Review of SG&A expenses and other costs
- Revision of fourth quarter exchange rates (previous projection of USD=¥95, EUR=¥130 revised to USD=¥100, EUR=¥135)

## Full Year Outlook

Although operating income improved over the first three quarters of the year and fourth quarter exchange rates have been revised, sales are slow to rebound in overseas markets, the impact of the Indonesian guitar factory shutdown is worsening, and operating income is deteriorating in the “Others” segment. Considering these factors, full-year projections remain unchanged at ¥408 billion for net sales, ¥22 billion for operating income and ¥18 billion for net income.

# Forecast for Performance in the Fourth Quarter of FY2014.3 (Three Months)



(Billions of yen)

	FY2013.3 4Q results	FY2014.3 4Q projections	Change from same period of the previous year	FY2014.3 4Q previous projections	Change from previous projections
<b>Net Sales</b>	<b>93.0</b>	<b>99.3</b>	<b>+6.7%</b>	98.0	+1.3%
<b>Operating Income</b> (Operating Income Ratio)	<b>-1.2</b>	<b>-0.8</b> ( - )	-	1.0 (1.0%)	-
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>-1.0</b>	<b>-1.8</b> ( - )	-	1.0 (1.0%)	-
<b>Net Income</b> (Net Income Ratio)	<b>-0.3</b>	<b>-1.0</b> ( - )	-	0.5 (0.5%)	-

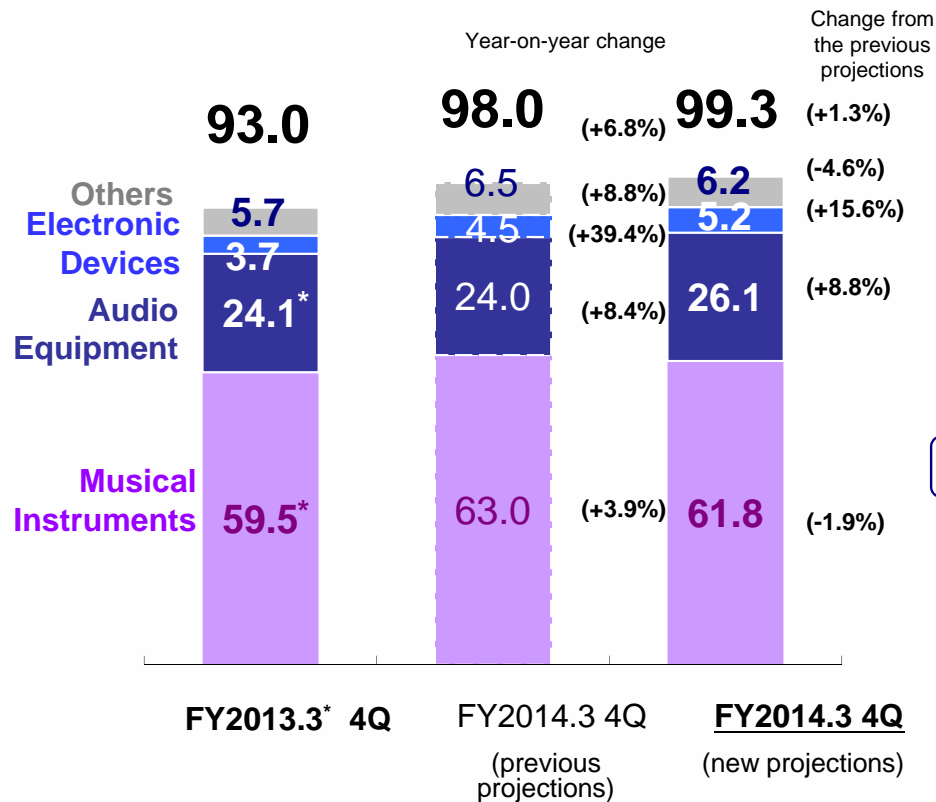
## Exchange Rate (yen)

<b>Net Sales</b>	<b>US\$</b>	<b>92</b>	<b>100</b>	95
	<b>EUR</b>	<b>122</b>	<b>135</b>	130
<b>Operating Income</b>	<b>US\$</b>	<b>90</b>	<b>100</b>	95
	<b>EUR</b>	<b>104</b>	<b>135</b>	130

# Forecast for Performance by Business Segment in the Fourth Quarter of FY2014.3 (Three Months)

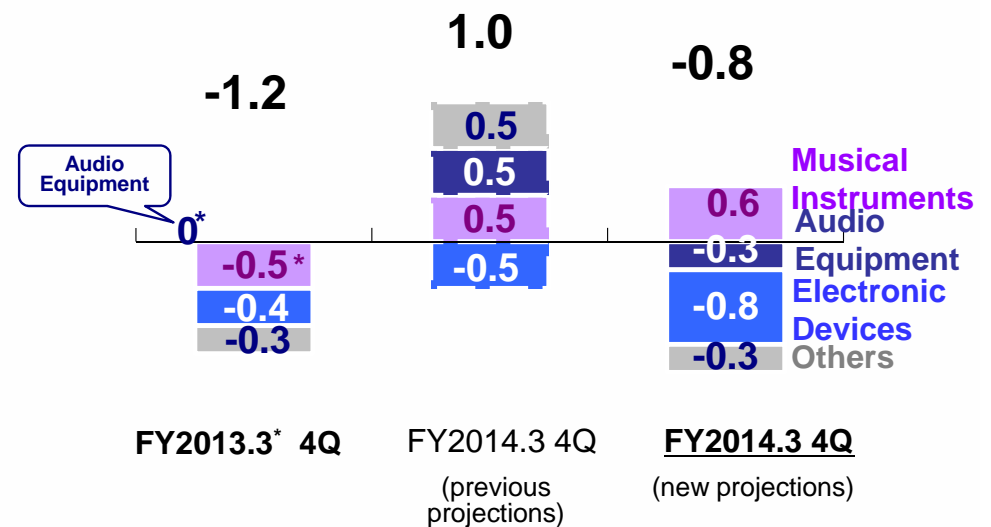


## Net Sales



## Operating Income

(Billions of yen)



### Impact of Exchange Rates

<b>Year-on-Year</b>	<b>+¥3.5 billion</b> (musical instruments +¥2.1 billion, audio equipment +¥1.2 billion, electronic devices +¥0.1 billion)
<b>Versus previous projections</b>	<b>+¥1.4 billion</b> (musical instruments +¥0.8 billion, audio equipment +¥0.5 billion, electronic devices +¥0.1 billion)

<b>+¥2.1 billion</b> (musical instruments +¥1.4 billion, audio equipment +¥0.6 billion, electronic devices +¥0.1 billion)
<b>+¥0.2 billion</b> (musical instruments +¥0.2)

# Forecast for Performance in FY2014.3 (Full Year)



(Billions of yen)

	FY2013.3			FY2014.3			Change from previous year results	FY2014.3 full year previous projections	Change from previous projections
	1-3Q	4Q	Full Year	1-3Q	4Q projections	Full Year New Projections			
<b>Net Sales</b>	<b>273.9</b>	<b>93.0</b>	<b>366.9</b>	<b>308.7</b>	<b>99.3</b>	<b>408.0</b>	+11.2%	408.0	-
<b>Operating Income</b> (Operating Income Ratio)	<b>10.4</b> (3.8%)	<b>-1.2</b>	<b>9.2</b> (2.5%)	<b>22.8</b> (7.4%)	<b>-0.8</b> (-)	<b>22.0</b> (5.4%)	+138.7%	22.0 (5.4%)	-
<b>Ordinary Income</b> (Ordinary Income Ratio)	<b>9.6</b> (3.5%)	<b>-1.0</b>	<b>8.6</b> (2.3%)	<b>22.3</b> (7.2%)	<b>-1.8</b> (-)	<b>20.5</b> (5.0%)	+138.9%	20.5 (5.0%)	-
<b>Net Income</b> (Net Income Ratio)	<b>4.5</b> (1.6%)	<b>-0.3</b>	<b>4.1</b> (1.1%)	<b>19.0</b> (6.2%)	<b>-1.0</b> (-)	<b>18.0</b> (4.4%)	+336.6%	18.0 (4.4%)	-

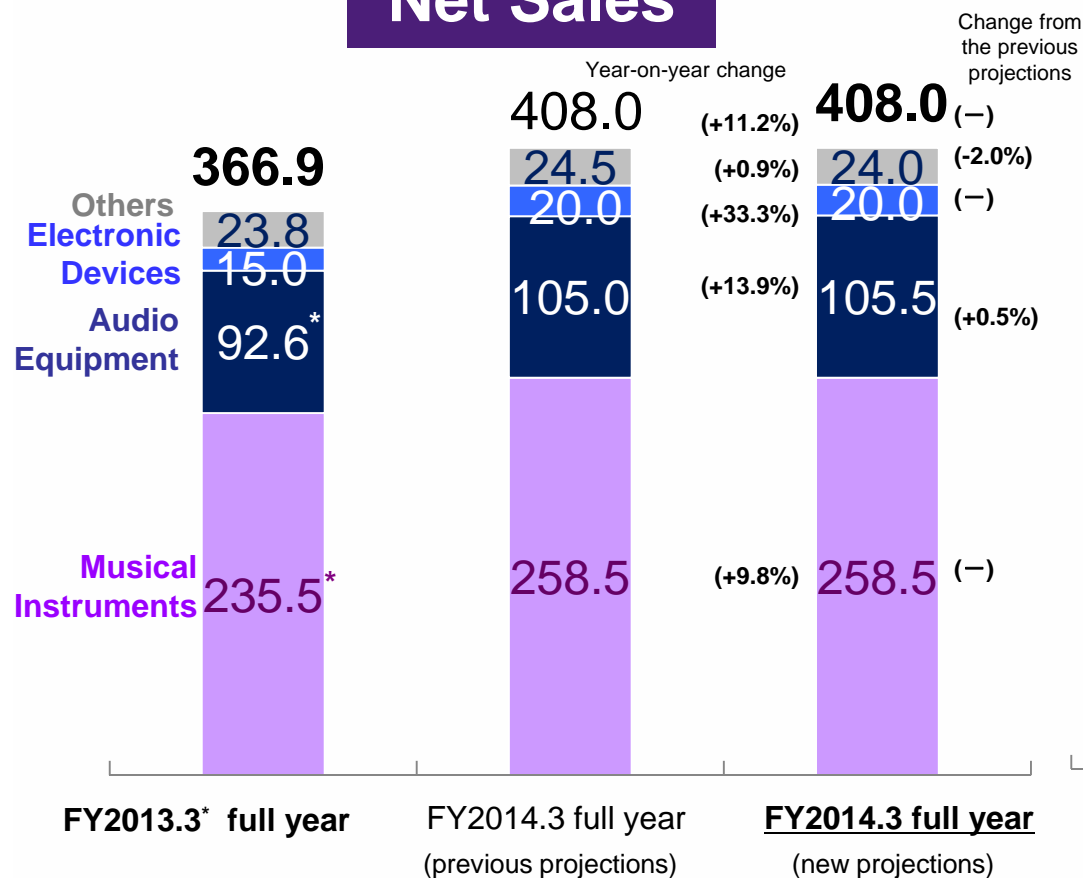
## Exchange Rate (yen)

<b>Net Sales</b>	US\$	80	92	83	99	100	100	97
	EUR	102	122	107	132	135	133	130
<b>Operating Income</b>	US\$	80	90	82	98	100	99	97
	EUR	103	104	103	127	135	128	127

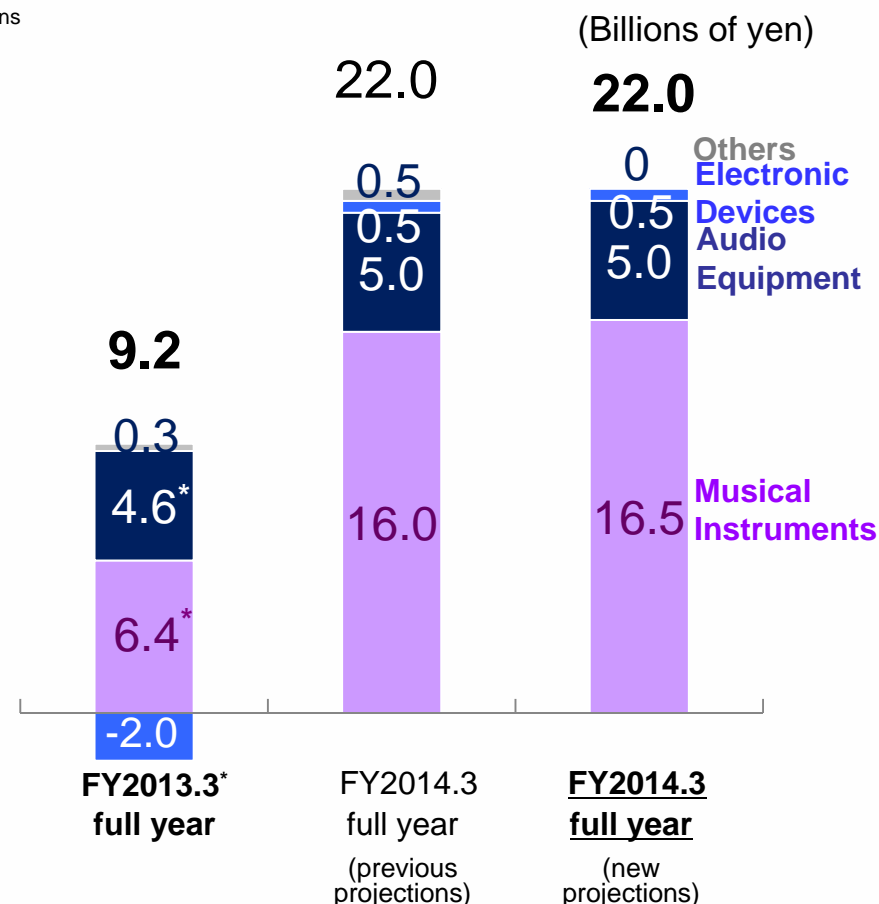
# FY2014.3 Full Year Forecast for Performance by Business Segment



## Net Sales



## Operating Income



### Impact of Exchange Rates

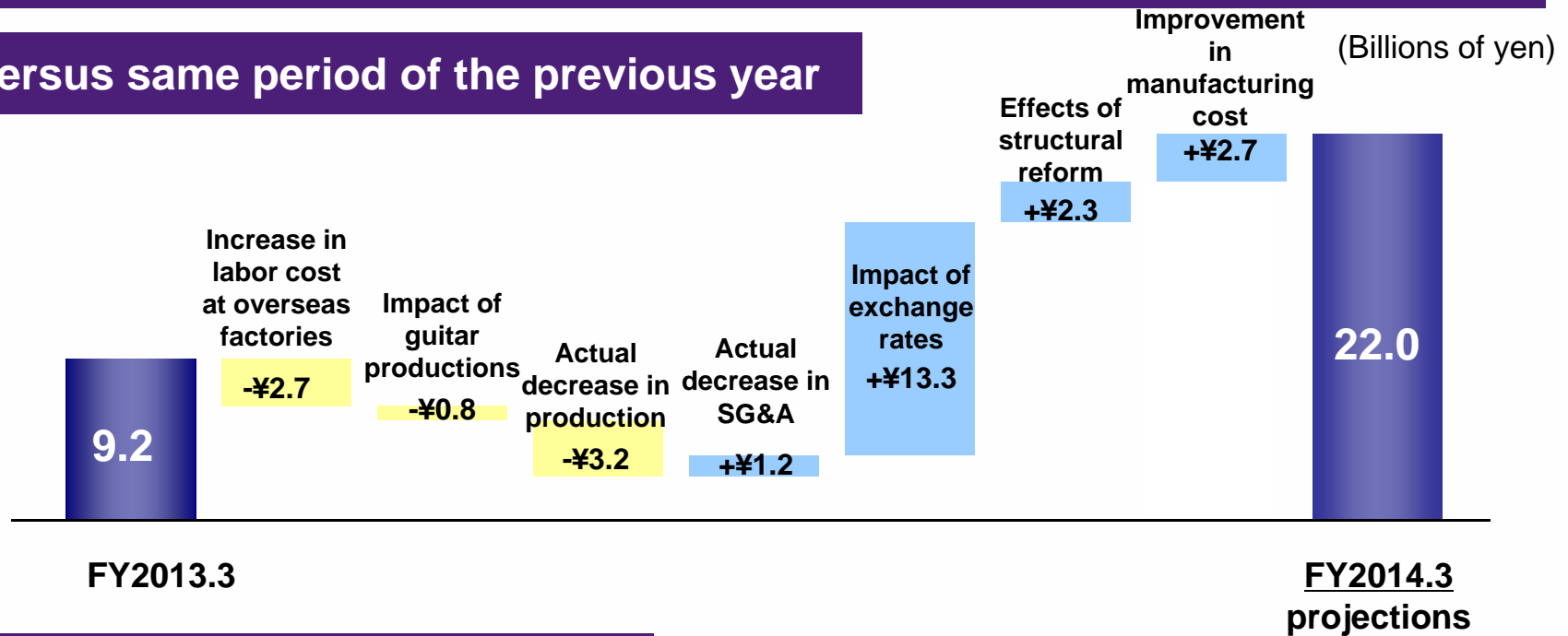
<b>Year-on-Year</b>	<b>+¥40.8 billion</b> (musical instruments +¥26.3 billion, audio equipment +¥13.6 billion, electronic devices +¥1.0 billion)
<b>Versus previous projections</b>	<b>+¥4.2 billion</b> (musical instruments +¥2.5 billion, audio equipment +¥1.6 billion, electronic devices +¥0.1 billion)

<b>Year-on-Year</b>	<b>+¥13.3 billion</b> (musical instruments +¥9.3 billion, audio equipment +¥3.5 billion, electronic devices +¥0.5 billion)
<b>Versus previous projections</b>	<b>+¥0.6 billion</b> (musical instruments +¥0.4 billion, audio equipment +¥0.1 billion)

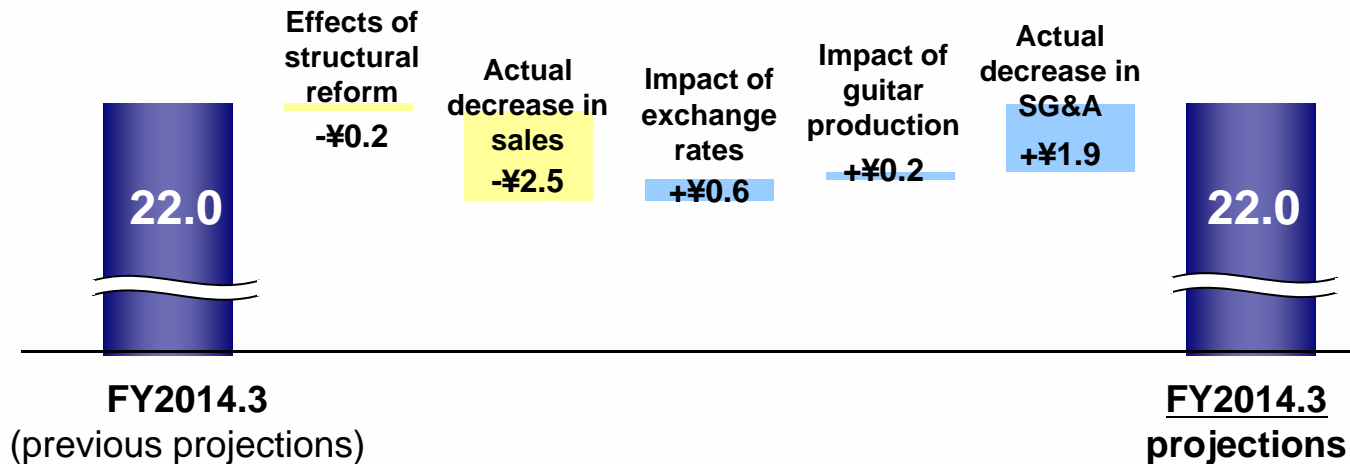


# FY2014.3 Full Year Operating Income Analysis YAMAHA

## Versus same period of the previous year



## Versus previous projections



# Musical Instruments Full Year Projections

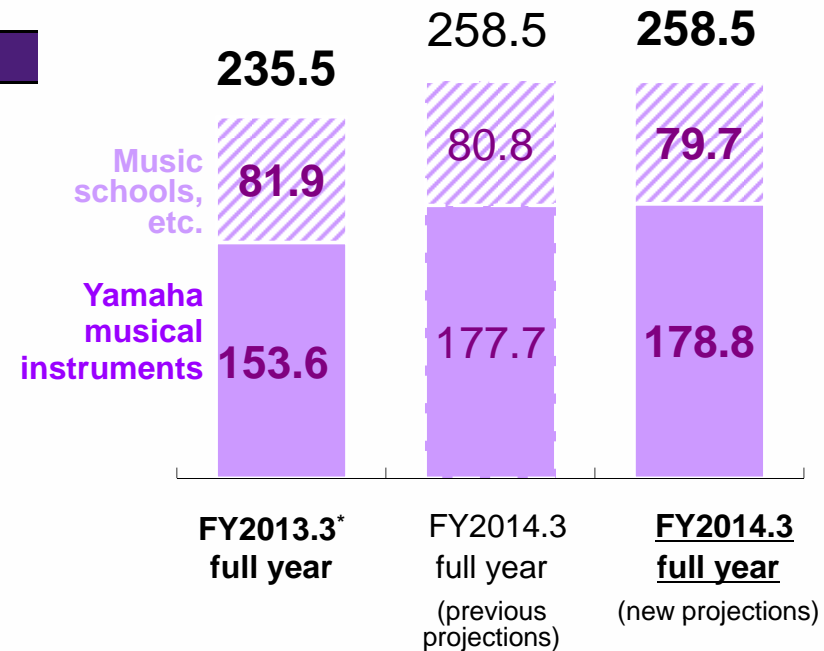


(Billions of yen)

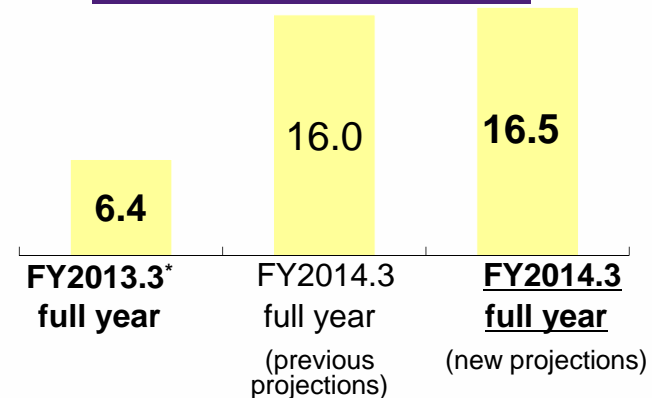
## Full Year Projections

- Sales are projected to increase year-on-year and be in line with previous projections
- Although the North American market is generally robust, recovery will be slow in China and Other Markets
- The Indonesian guitar factory has re-started operations in mid-January and is working to steadily increase production volumes

## Net Sales



## Operating Income

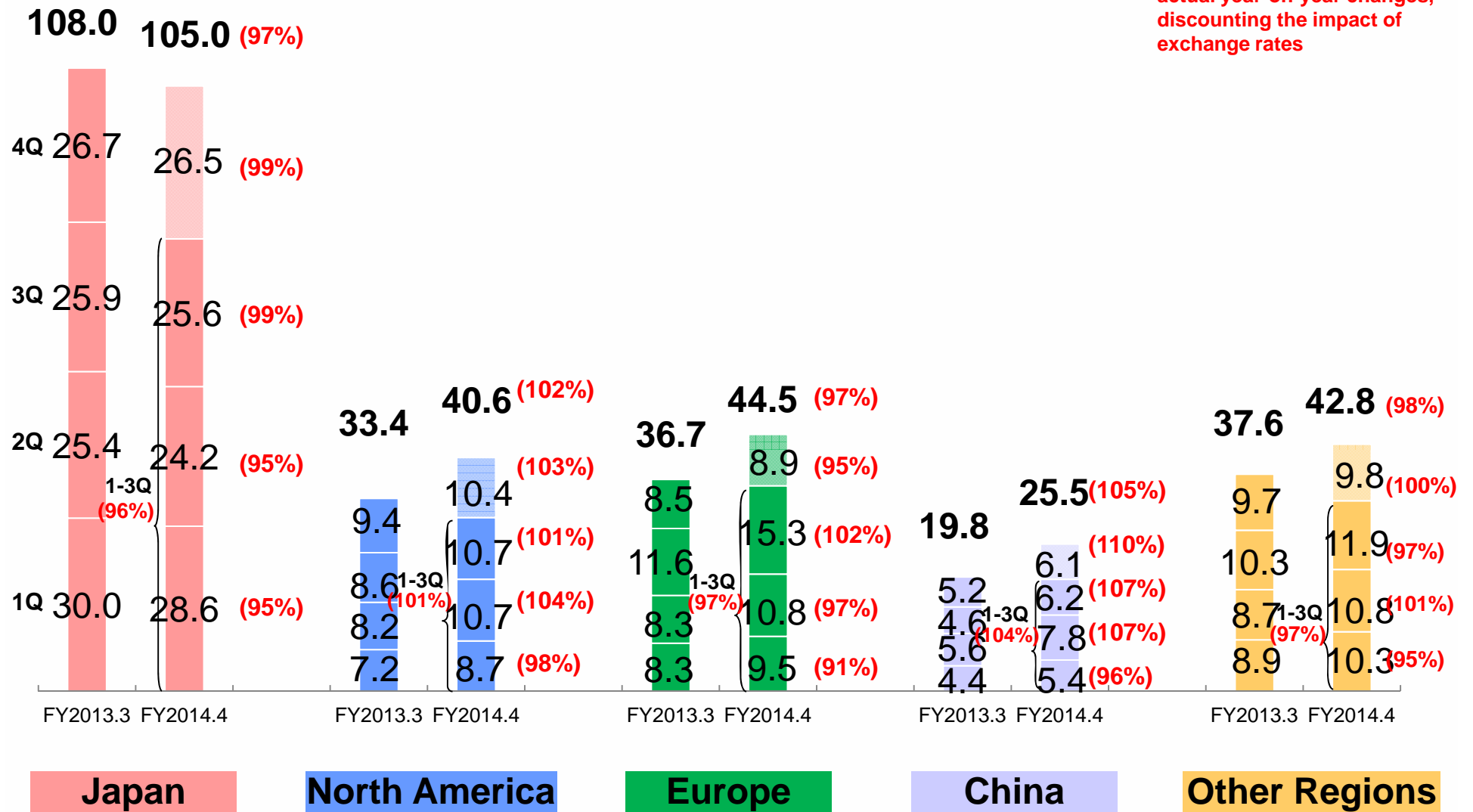


# Musical Instruments Sales by Region



(Billions of yen)

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



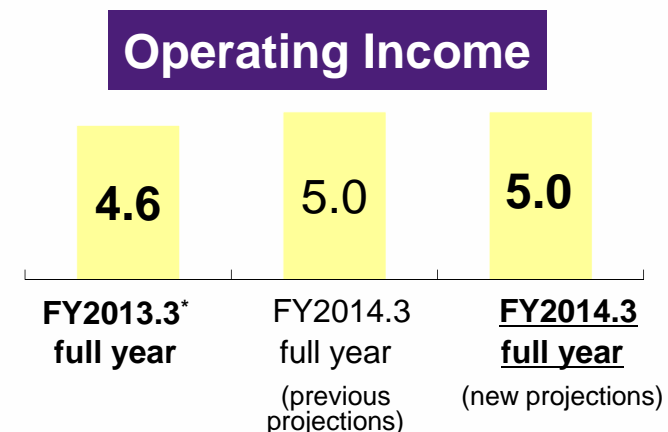
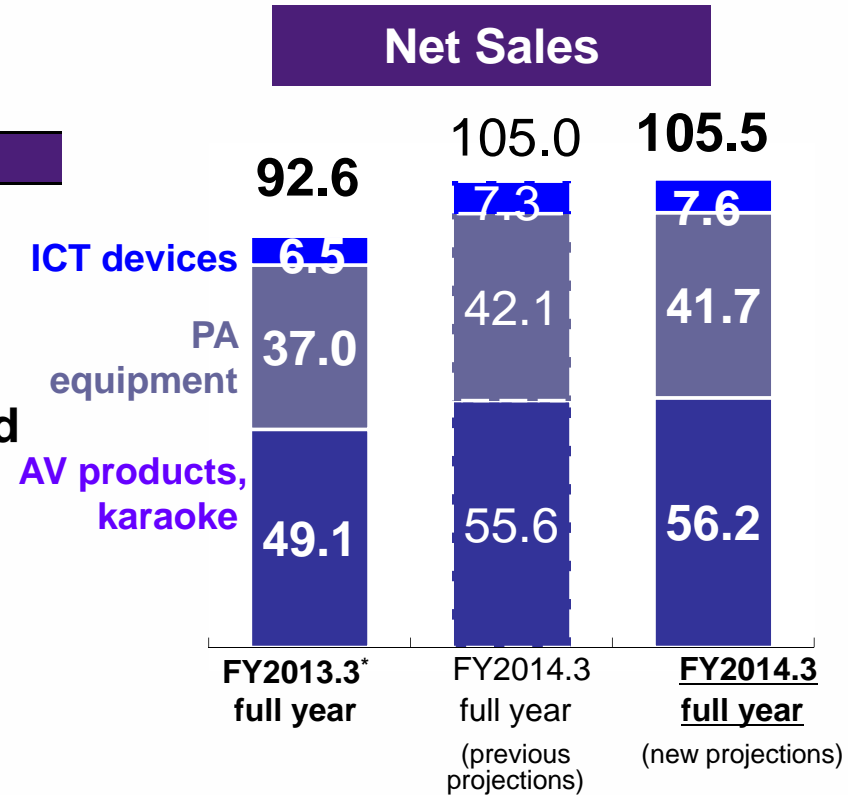
# Audio Equipment Full Year Projections



(Billions of yen)

## Full Year Projections

- Sales are expected to be slightly higher than previous projections
- Sales of professional audio equipment will be slow to rebound
- AV products face difficult conditions in North America and emerging markets
- Router and karaoke equipment sales are expected to be higher than the previous projections

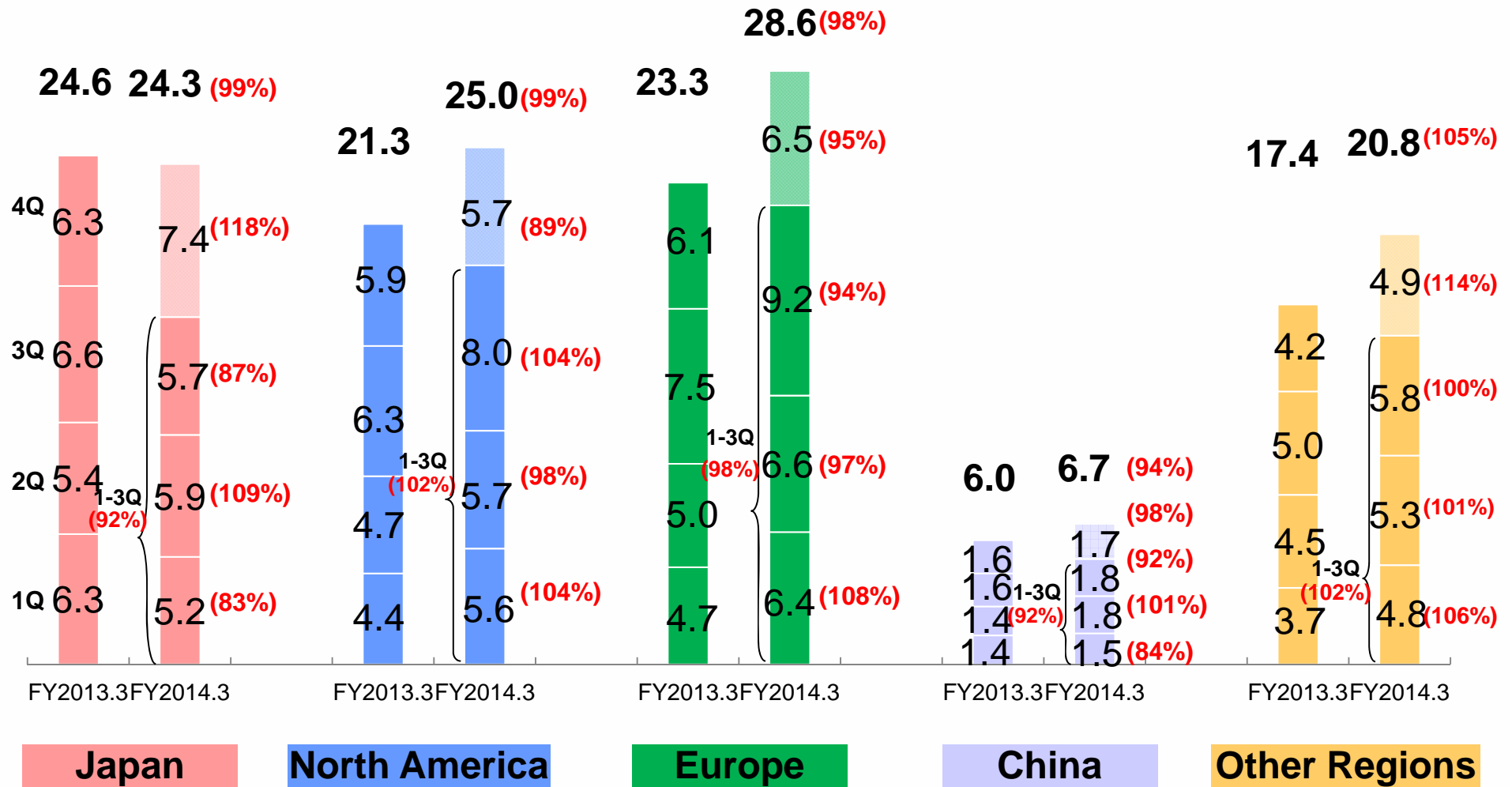


# Audio Equipment Sales by Region



(Billions of yen)

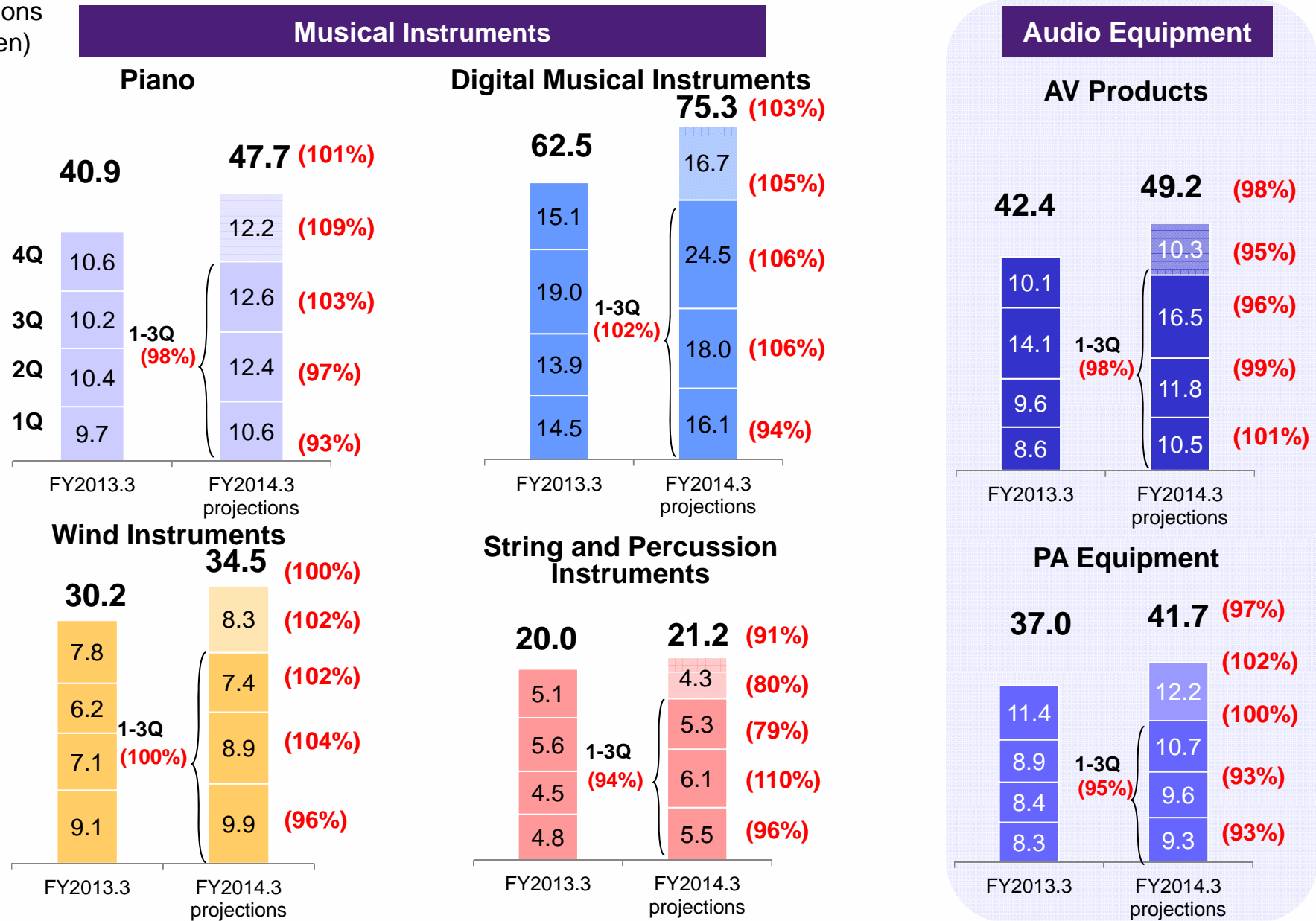
Figures in parentheses show actual year-on-year changes, discounting the impact of exchange rates



# Musical Instruments/Audio Equipment: Sales by Major Product Category



(Billions of yen)



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

# Electronic Devices Full Year Projections

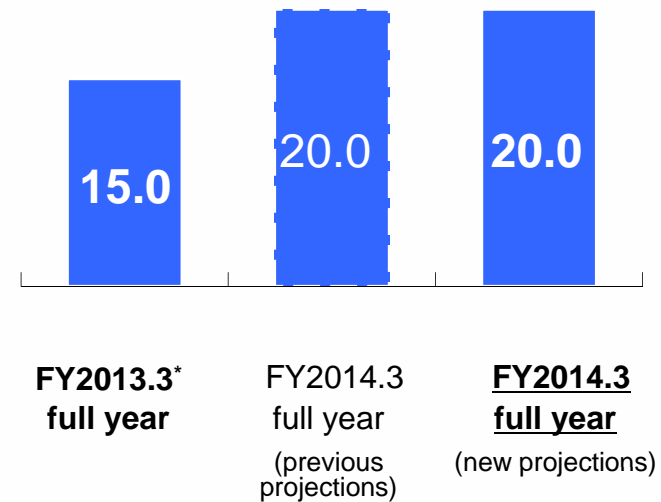


(Billions of yen)

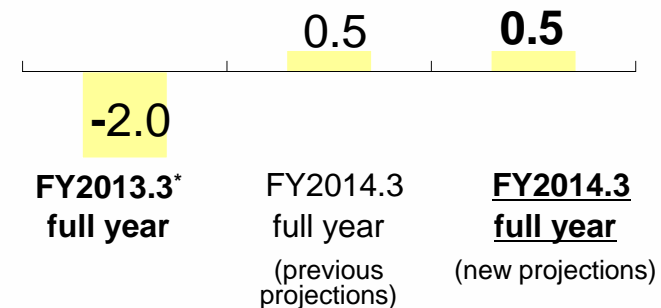
## Full Year Projections

- Sales are predicted to increase year-on-year and be on par with previous projections
- A fourth quarter rally in customer operations, especially in the amusement equipment sector, will be a key factor in results
- A decline in production from the third quarter to the fourth quarter is expected to have an impact
- Operating income is projected to return to positive territory

## Net Sales



## Operating Income



# Others

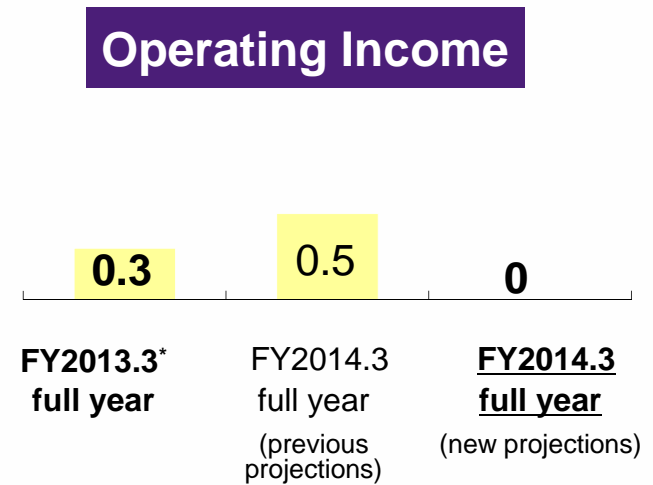
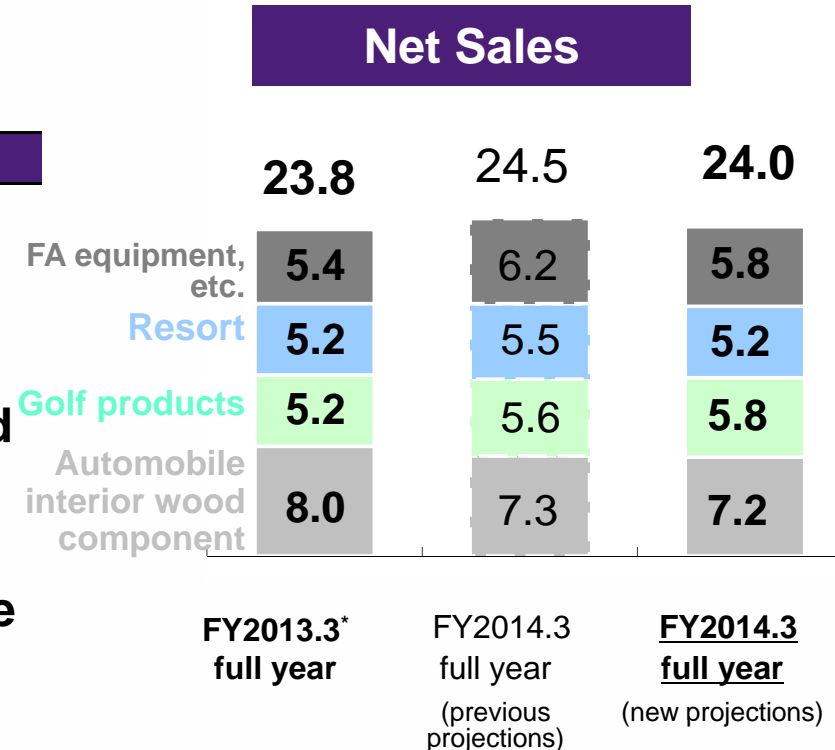
## Full Year Projections



(Billions of yen)

### Full Year Projections

- Overall sales are expected to be slightly lower than previous projections
- Factory automation equipment and resort sales are predicted to be below previous projections
- Golf product sales, including those in overseas markets, are expected to exceed previous projections



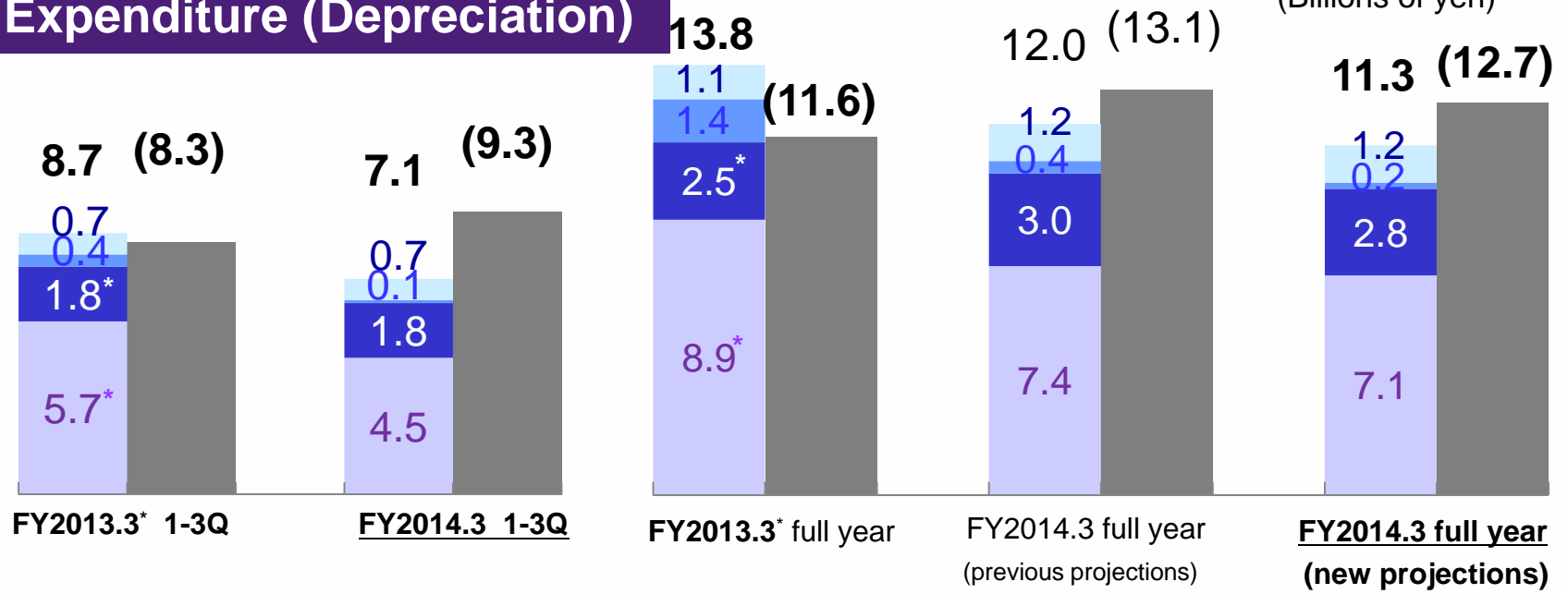


# Capital Expenditure/Depreciation/R&D Expenses

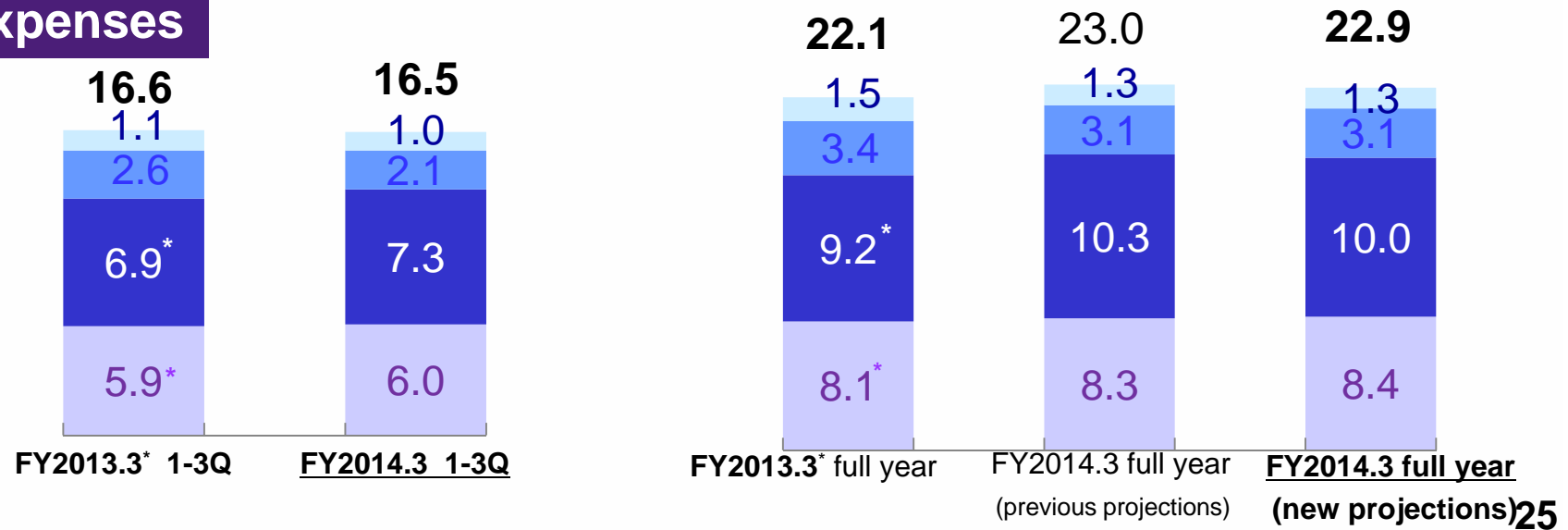
## Capital Expenditure (Depreciation)

(Billions of yen)

- Others
- Electronic Devices
- Audio Equipment
- Musical Instruments



## R&D Expenses

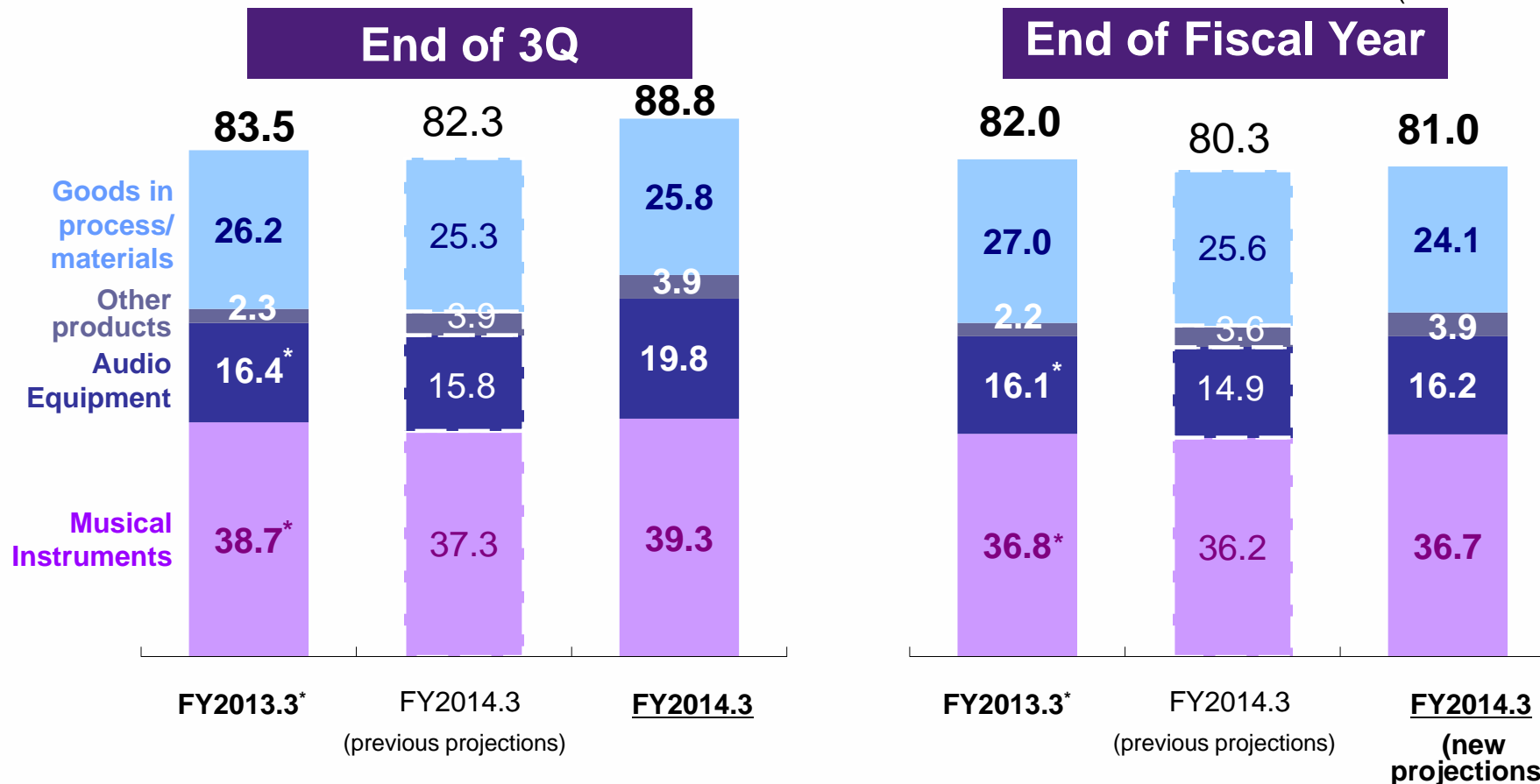


# Inventories



- Inventories at the end of December were ¥5.4 billion higher than the same period of the previous year (excluding the +¥11.0 billion impact of exchange rates, actual inventories decreased by ¥5.6 billion)
- Inventories at fiscal year-end are projected to be ¥81.0 billion (forex impact of +¥3.2 billion versus previous year, and +¥1.5 billion versus previous projections)

(Billions of yen)



# Balance Sheet Summary



(Billions of yen)

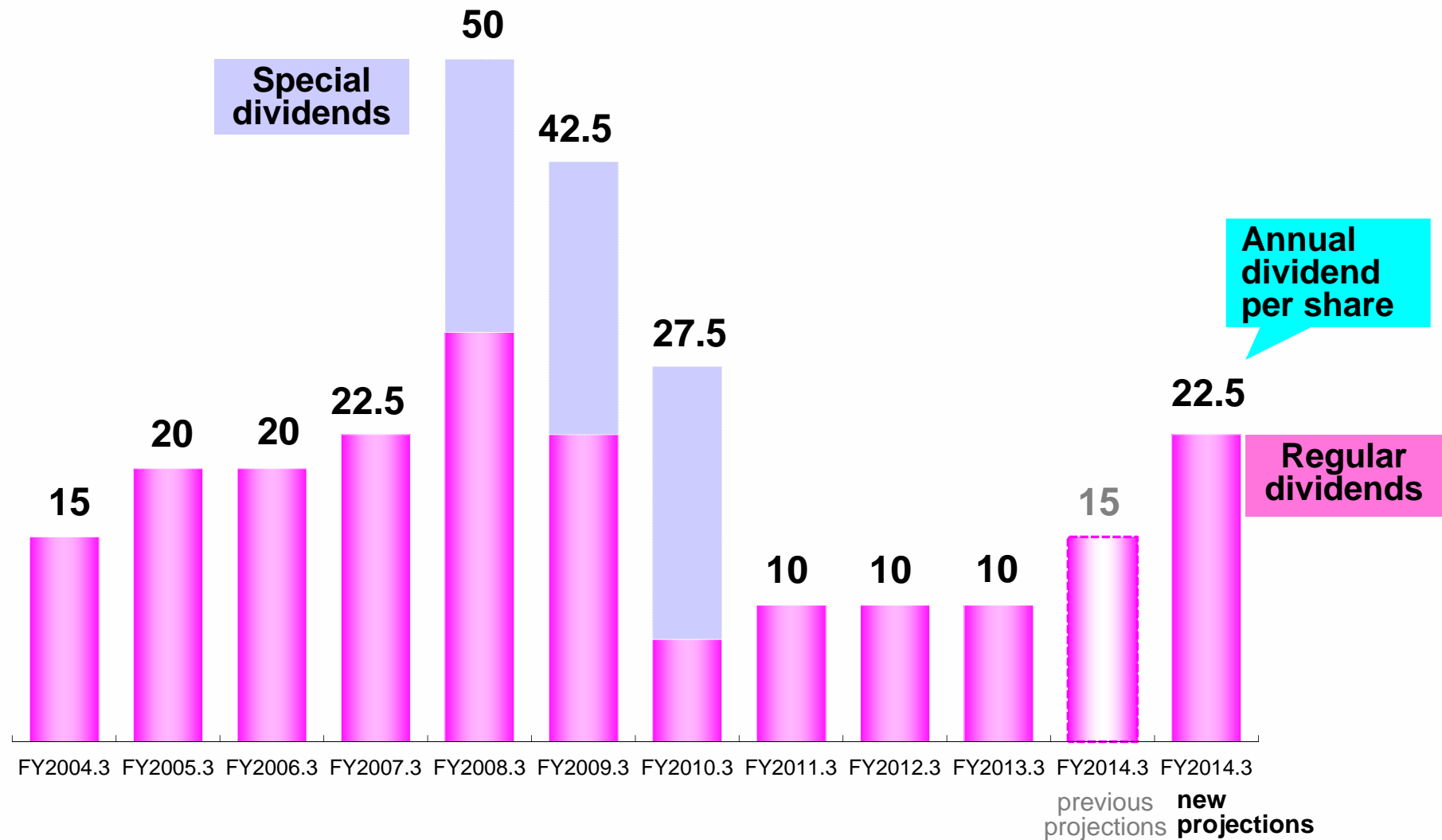
	As of end of 3Q			As of fiscal year end		
	As of Dec. 31, 2012	As of Dec. 31, 2013	Change	As of Mar. 31, 2013	As of Mar. 31, 2014 projections	Change
Cash and deposits	50.0	68.1	18.1	51.4	62.2	10.8
Notes and accounts receivable	57.1	64.8	7.7	51.0	53.6	2.6
Inventories	83.5	88.8	5.3	82.0	81.0	-1.0
Other current assets	10.6	14.0	3.4	13.5	13.7	0.2
Fixed assets	172.6	209.4	36.8	192.7	216.4	23.7
<b>Total assets</b>	<b>373.8</b>	<b>445.1</b>	<b>71.3</b>	<b>390.6</b>	<b>426.8</b>	<b>36.2</b>
Notes and accounts payable	19.1	21.0	1.9	20.3	21.2	0.9
Short- and long-term loans	20.6	17.6	-3.0	10.0	7.6	-2.4
Resort membership deposits	15.5	15.4	-0.1	15.4	15.4	0
Other liabilities	108.4	123.2	14.8	115.3	123.7	8.4
Total net assets	210.2	267.9	57.7	229.6	258.9	29.3
<b>Total liabilities and net assets</b>	<b>373.8</b>	<b>445.1</b>	<b>71.3</b>	<b>390.6</b>	<b>426.8</b>	<b>36.2</b>

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

# Return to Shareholders



➤ FY2014.3 annual dividend has been revised upward to ¥22.5 per share



# Appendix

# Third Quarter Non-Operating Income/Loss & Extraordinary Income/Loss (Nine Months)



(Billions of yen)	FY2013.3 1-3Q	FY2014.3 1-3Q previous projections	FY2014.3 1-3Q results
<b>Non-Operating Income/Loss</b>			
Net financial income	0.6	1.0	1.0
Other	-1.4	-2.5	-1.5
<b>Total</b>	<b>-0.8</b>	<b>-1.5</b>	<b>-0.5</b>
<b>Extraordinary Income/Loss</b>			
Income from (loss on) disposal of fixed assets	0.4	0.4	0.4
Others	-2.1	0.1	-0.2
<b>Total</b>	<b>-1.7</b>	<b>0.5</b>	<b>0.2</b>
<b>Income Taxes and Other Expenses</b>			
Income taxes -current	3.2	3.9	4.9
Income taxes -deferred	-0.1	-1.6	-1.6
Minority interests in income	0.2	0.2	0.2
<b>Total</b>	<b>3.3</b>	<b>2.5</b>	<b>3.5</b>

Gain on sales of investment securities +¥1.0  
 Structural reform expenses -¥0.6  
 Expenses related to YMMI production closure etc. -¥0.6

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



(Billions of yen)	FY2013.3 full year	FY2014.3 full year previous projections	FY2014.3 full year new projections
<b>Non-Operating Income/Loss</b>			
Net financial income	1.1	1.4	1.5
Other	-1.7	-2.9	-3.0
<b>Total</b>	<b>-0.6</b>	<b>-1.5</b>	<b>-1.5</b>
<b>Extraordinary Income/Loss</b>			
Income from (loss on) disposal of fixed assets	1.6	0.3	0.2
Others	-2.4	0.2	0.3
<b>Total</b>	<b>-0.8</b>	<b>0.5</b>	<b>0.5</b>
<b>Income Taxes and Other Expenses</b>			
Income taxes -current	3.7	4.3	5.1
Income taxes -deferred	-0.2	-1.5	-2.3
Minority interests in income	0.2	0.2	0.2
<b>Total</b>	<b>3.7</b>	<b>3.0</b>	<b>3.0</b>

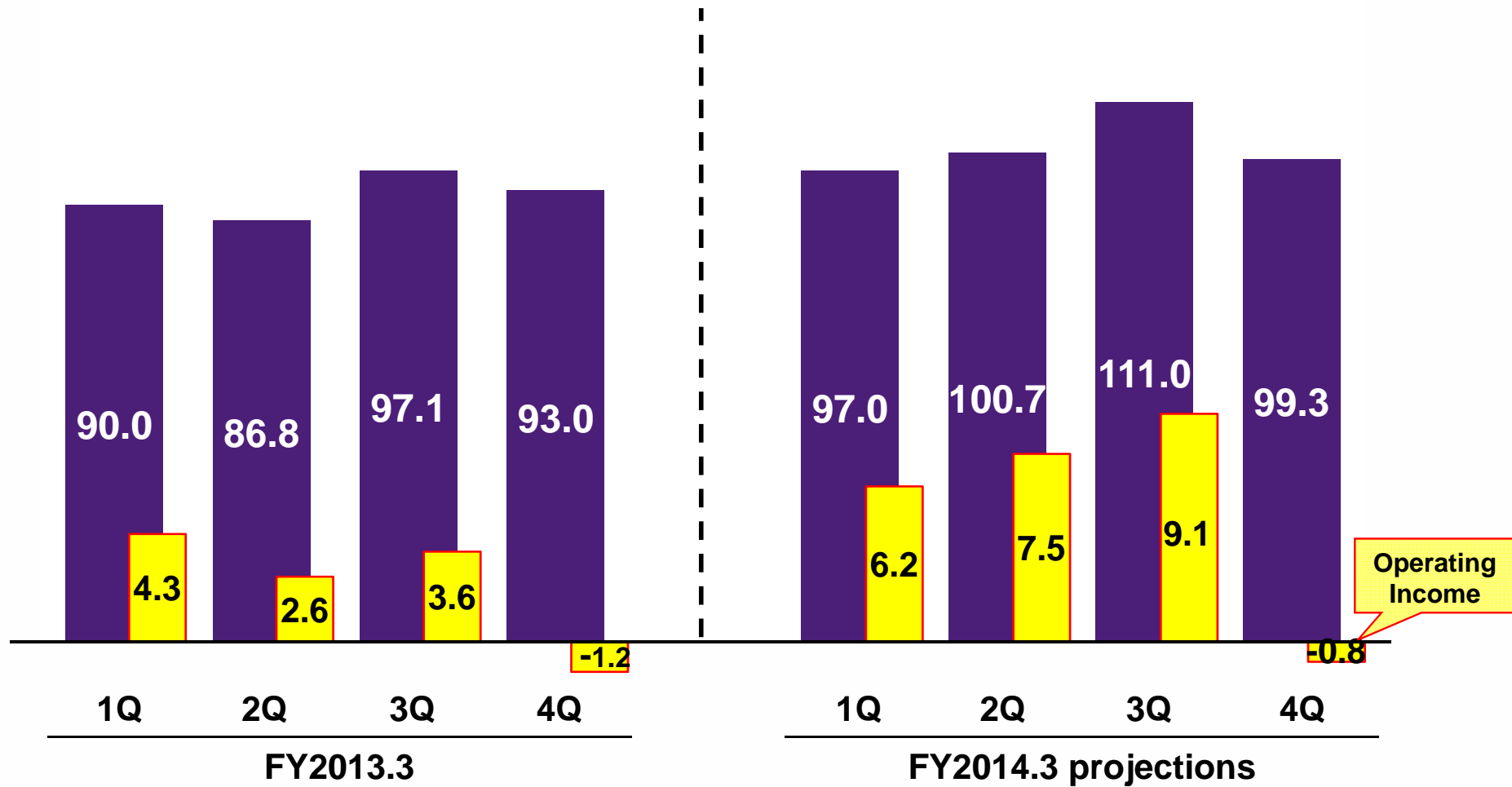
Structural reform expenses -¥3.1

Gain on sale of investment securities +¥1.0  
Structural reform expenses -¥0.8

# Quarterly Sales and Income



(Billions of yen)

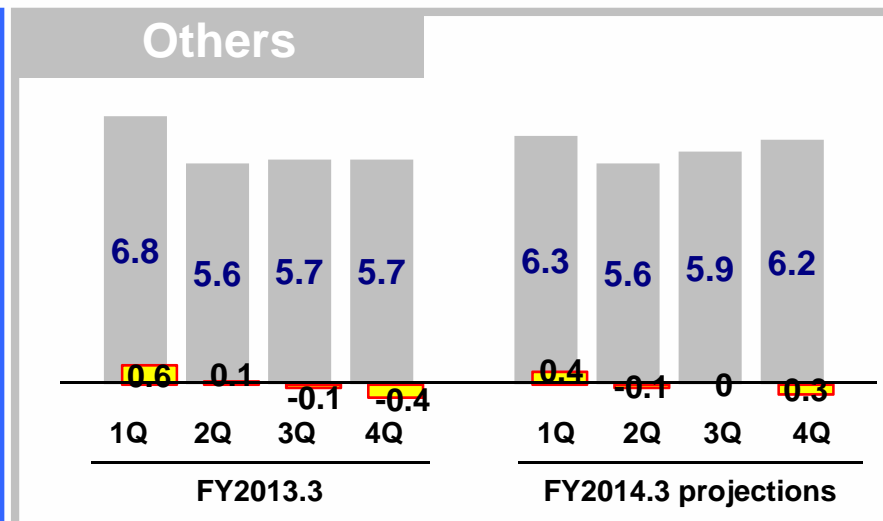
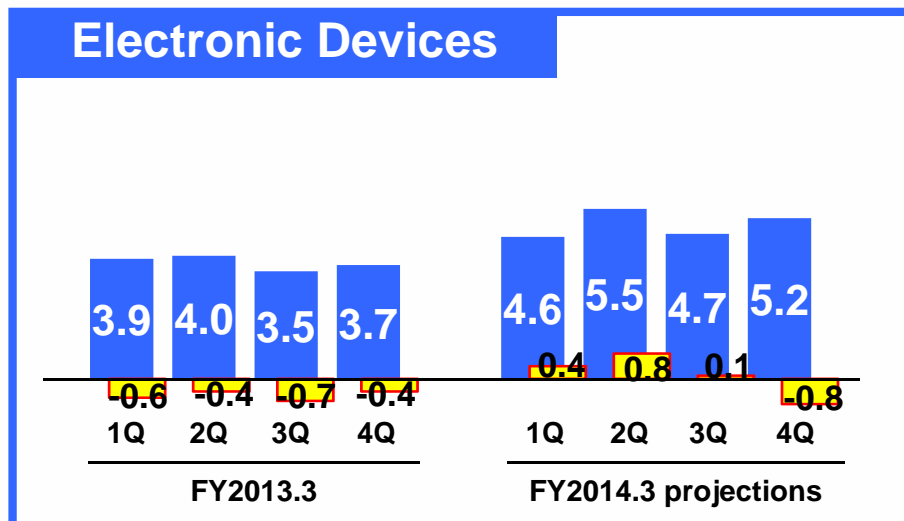
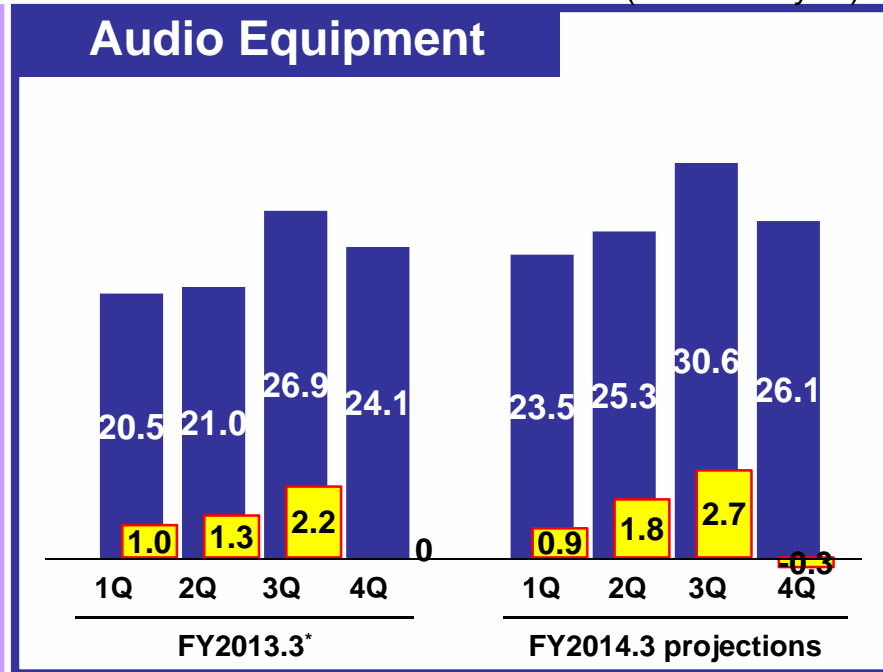
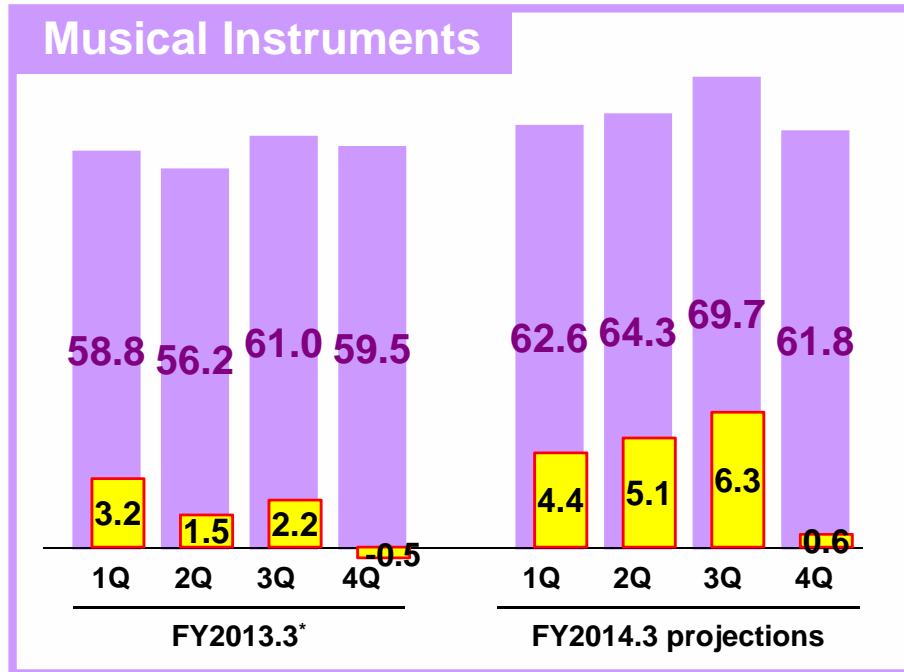




# Quarterly Sales and Income by Segment



(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.**