

**Analyst and Investor Briefing on the
Fiscal Year Ended March 31, 2007
(FY2007.3)**

**May 1, 2007
YAMAHA CORPORATION**

- **Sales and operating income rose year-on-year. Net income remained at a similar level to the previous year due to an increase in extraordinary losses**

- **Sales and operating income exceeded 3Q projections (issued on February 7).**
- **Musical instrument sales and income rose year-on-year and exceeded 3Q projections.**
- **Income from electronic equipment and metal products again fell year-on-year due to lower sales volumes of LSI sound chips for mobile phones.**
- **Sales of lifestyle-related products rose year-on-year driven by growth in system kitchens. Operating income remained at the same level as the previous year.**
- **Extraordinary losses of more than ¥10 billion were booked due to factors including impairment loss on transfer of resort facilities in FY2008.3 and dissolution of overseas plants.**
- **Discounting the impact of exchange rates (¥2 billion), actual inventory assets at term-end were ¥3.7 billion higher than 3Q projections and chiefly consisted of goods in process and materials.**

Performance in FY2007.3



➤ Sales and operating income rose year-on-year. Net income remained at the same level as the previous year due to higher extraordinary losses resulting from factors including impairment loss on resort facilities and dissolution of overseas production subsidiaries. (Billions of yen)

	FY2006.3 Results	FY2007.3 Results	Increase/ decrease	Previous projections (Feb. 7)
Net sales	534.1	550.4	+16.3	542.5
Operating income (operating income ratio)	24.1 (4.5%)	27.7 (5.0%)	+3.6	26.0
Recurring profit (recurring profit ratio)	35.2 (6.6%)	42.6 (7.7%)	+7.4	41.0
Net income (net income ratio)	28.1 (5.3%)	27.9 (5.1%)	-0.2	30.5
Equity method income	14.8	17.8		17.8
EPS (yen)	136.0	135.2	-	
ROE (%)	9.5	8.4	-	

Currency exchange rates

		<u>FY2006.3</u>	<u>FY2007.3</u>	<u>Previous projections</u>
Net sales	US\$	113	117	116
	EUR	138	150	148
Operating income	US\$	113	117	116
	EUR	135	144	143

Performance by Business Segment in FY2007.3



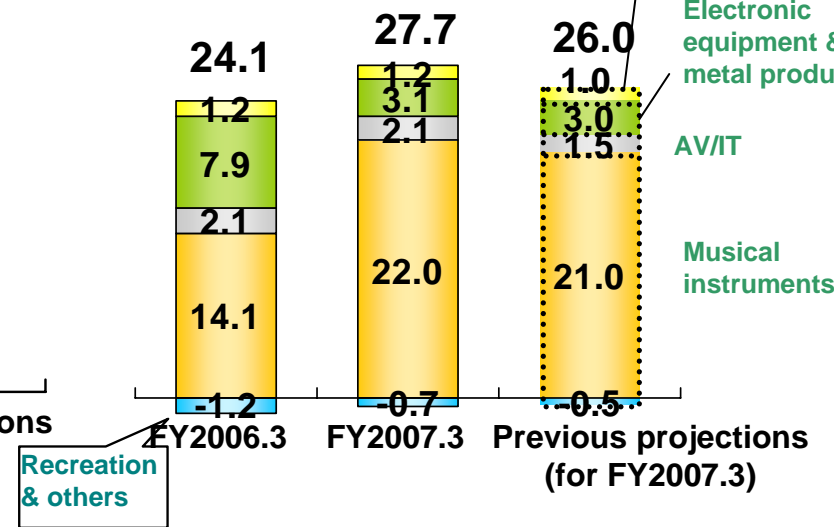
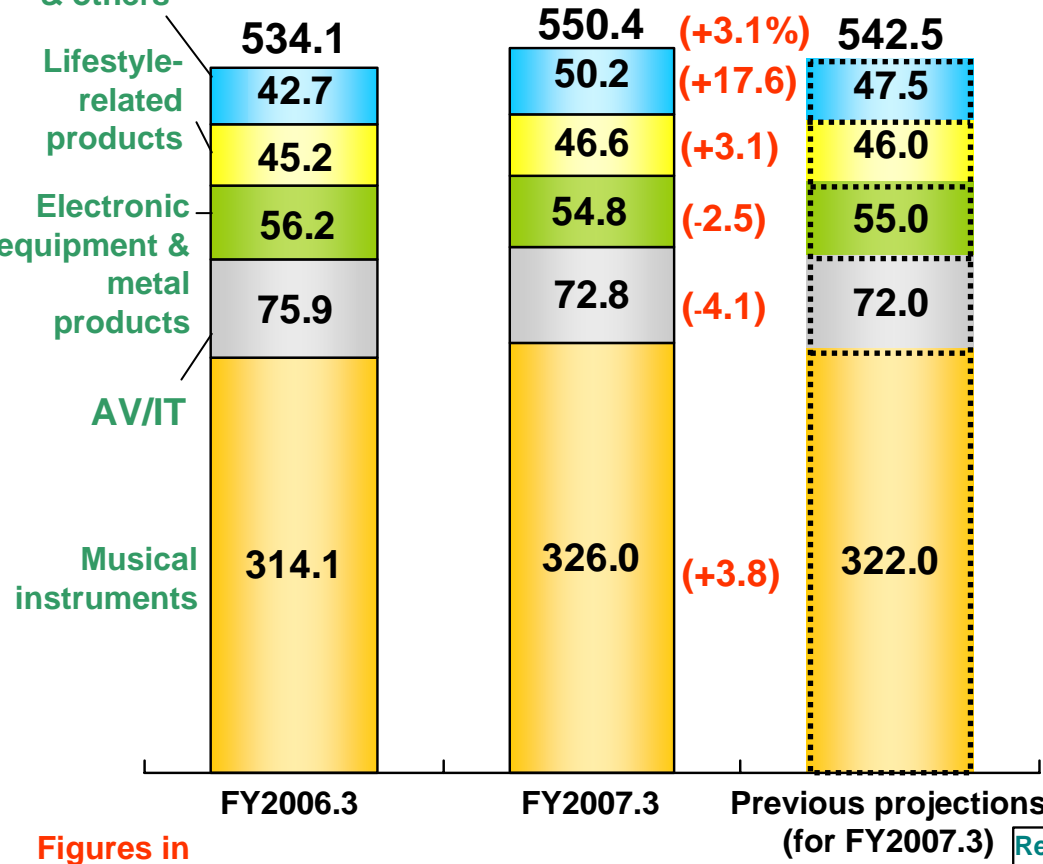
Net Sales

Operating Income

(Billions of yen)

Recreation & others
Lifestyle-related products
Electronic equipment & metal products
AV/IT
Musical instruments

Lifestyle-related products
Electronic equipment & metal products
AV/IT
Musical instruments



Figures in parentheses indicate year-on-year changes

Impact of exchange rates
 Year-on-year: +¥14.7 billion
 (musical instruments +¥11.2 billion, AV/IT +¥3.5 billion)
 Versus previous projections +¥3.5 billion (musical instruments +¥2.8 billion, AV/IT +¥0.7 billion)

Impact of exchange rates
 Year-on-year: +¥5.6 billion (musical instruments +¥4.8, AV/IT +¥0.9 billion, semiconductors -¥0.1 billion)
 Versus previous projections: +¥0.4 billion (musical instruments +¥0.5 billion, AV/IT -¥0.1 billion)

Musical Instruments

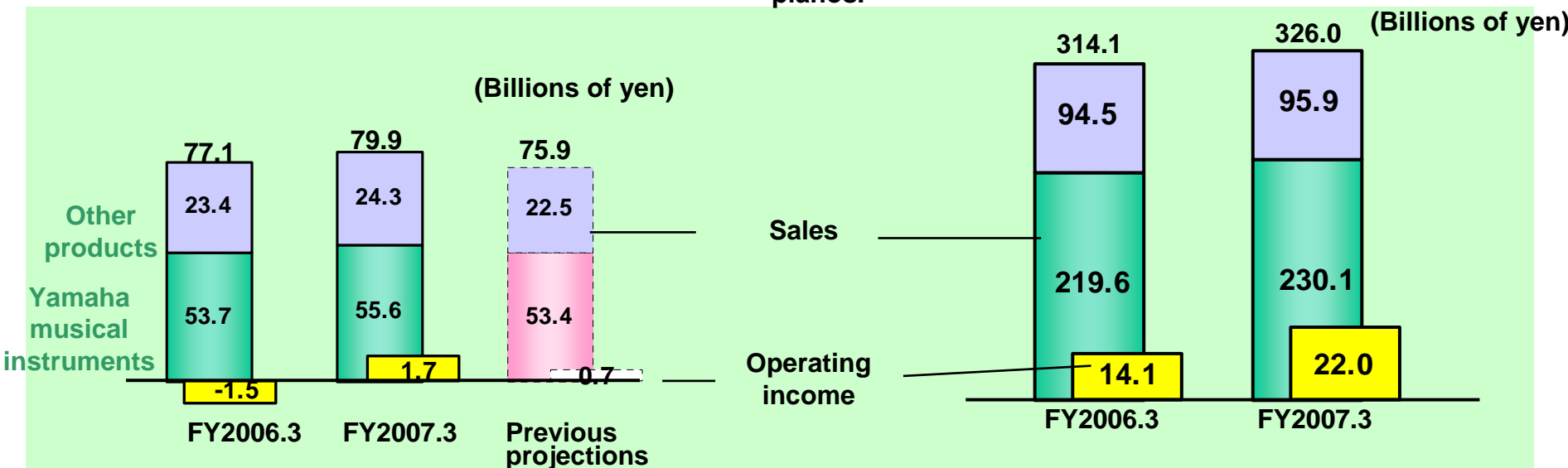


4Q Overview

- Discounting the effects of exchange rates, actual 4Q sales rose 0.4% year-on-year and were 1.6% above previous projections.
- 4Q operating income exceeded previous projections due to increased sales, gains from favorable exchange rates, and improved gross profit margins.
- Discounting the additional portion due to the impact of exchange rates, year-end inventories were generally in line with previous projections.

FY2007.3 Overview

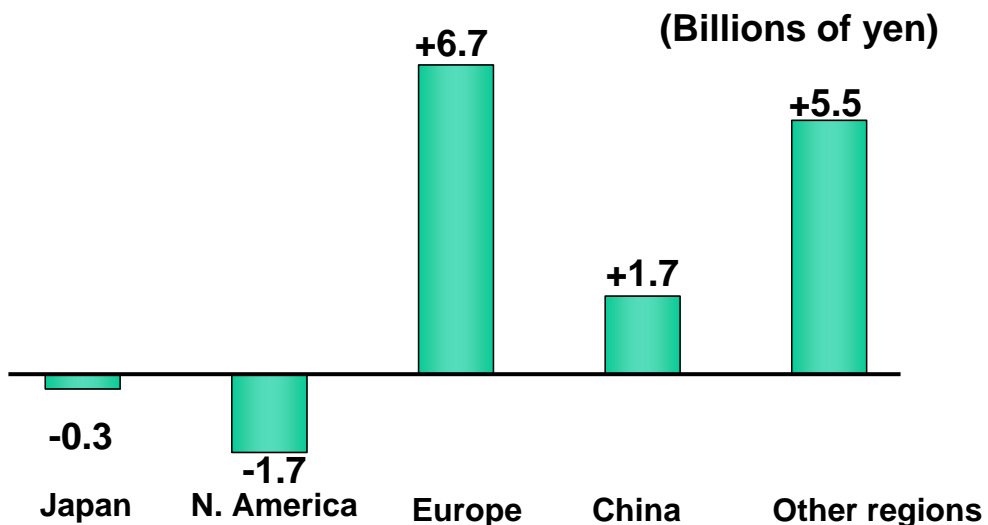
- Sales and income were up year-on-year.
- Operating income increased significantly from the previous year due to gains from favorable exchange rates and higher gross profit margins resulting from changes in sales structures.
- Discounting the effect of exchange rates, sales were at a similar level to the previous year.
- Professional audio equipment sales showed double-digit growth, especially in Europe and America. Sales of wind instruments also remained strong.
- In local currency terms North American sales fell 6% year-on-year, but European sales rose 1.4%.
- Korea and Latin America continued to show double-digit growth. Sales in China remained strong, especially for pianos.



Musical Instruments



Sales Increase/Decrease by Region YoY



Year-on-year change in actual sales, discounting the impact of exchange rates

Japan: $\pm 0\%$

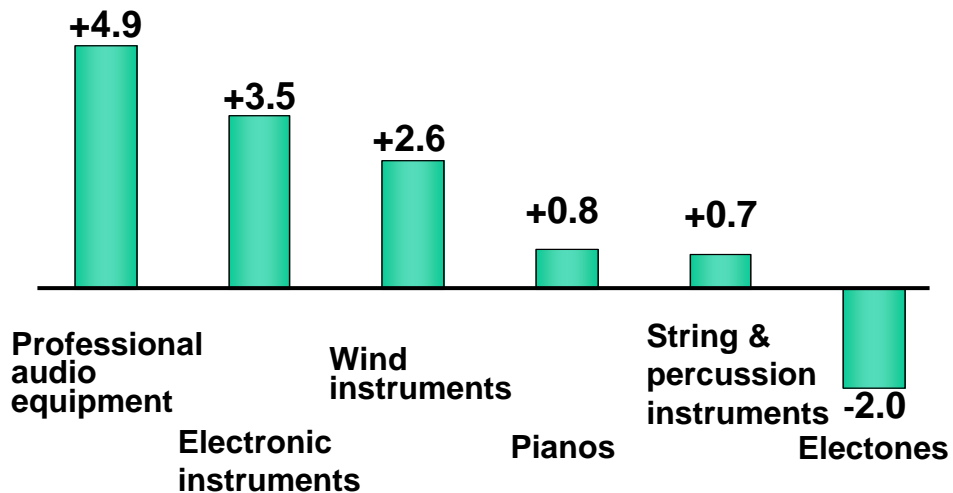
N. America: -6%

Europe: $+1\%$

China: $+19\%$

Other regions: $+8\%$

Sales Increase/Decrease by Product YoY



Professional audio equipment $+19\%$

Wind instruments $+7\%$

Electronic musical instruments $+5\%$

Pianos $+2\%$

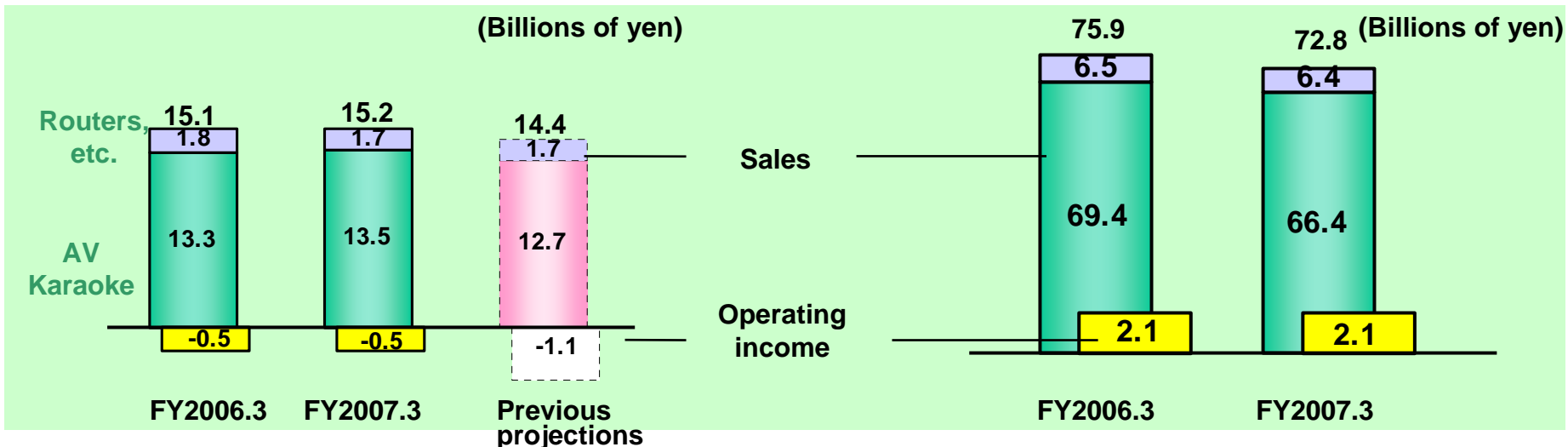
Electones -22%

4Q Overview

- Although actual 4Q sales were down year-on-year, they were generally in line with previous projections.
- Operating income was at a similar level to the previous year.
- YSP shipments largely fulfilled expectations, partly due to the launch of new products.
- On-line karaoke equipment sales were slow. Began to build new sales structure for IP conferencing systems.
- Discounting the additional portion due to the impact of exchange rates, inventories at fiscal year-end were slightly higher than previous projections.

FY2007.3 Overview

- Sales declined year-on-year, chiefly due to falling sales of on-line karaoke equipment. Operating income rose slightly, partly due to gains from favorable exchange rates.
- In the AV segment, European sales rose 2.6% in actual terms, largely driven by growth in Russia and Central/Eastern Europe. Japanese sales fell by 20% and North American sales also declined slightly.
- Although YSP shipments did not reach initial targets, they approached the 100,000 unit level.



Electronic Equipment & Metal Products



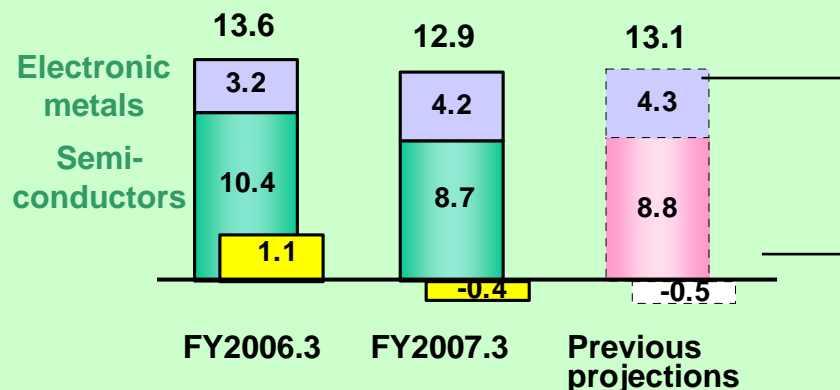
4Q Overview

- Sales and income fell year-on-year. Results were generally in line with previous projections.
- In the semiconductor segment, demand for LSI sound chips for mobile phones declined.
- Recovery in electronic metal materials markets was delayed. Material costs remained high.

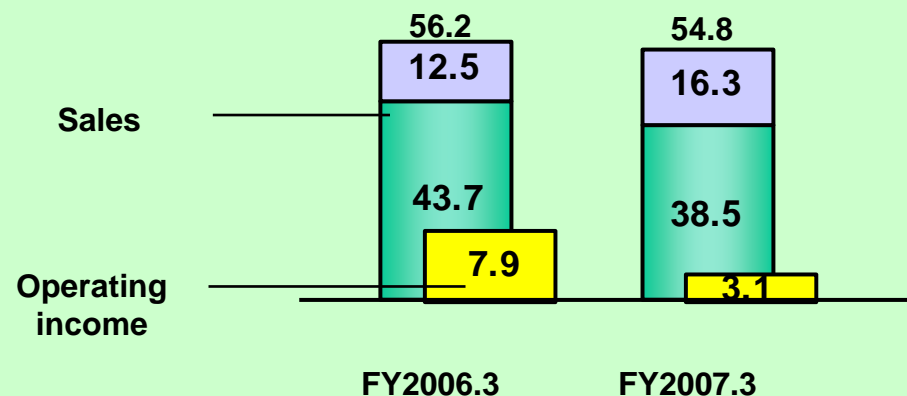
FY2007.3 Overview

- Operating income declined sharply year-on-year, largely due to falling semiconductor sales.
- Sales volumes for LSI sound chips for mobile phones also fell in the face of advances in software.
- Although sales of LSI chips for amusement equipment and digital amplifiers were lower than anticipated, they rose from the previous year.
- While markets were subdued throughout the term, sales of electronic metal materials rose year-on-year as higher materials costs were passed on to product prices.

(Billions of yen)



(Billions of yen)



Lifestyle-related Products

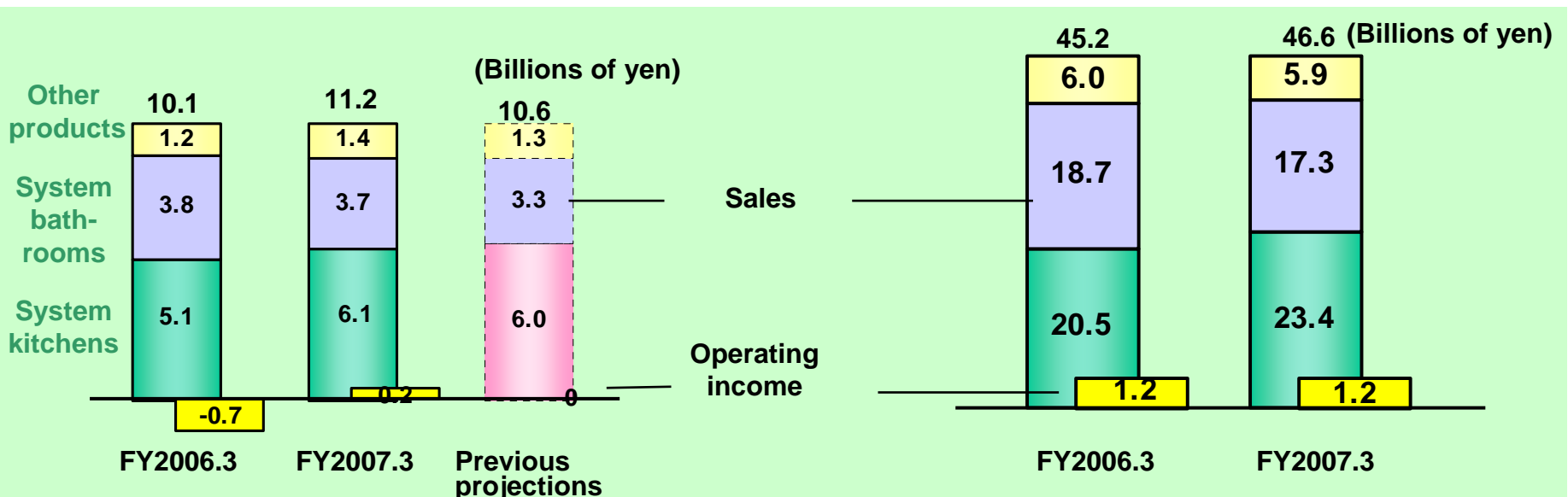


4Q Overview

- Sales and income rose year-on-year and exceeded previous projections.
- Sales benefited from healthy shipments of system kitchens and the mild winter.

FY2007.3 Overview

- Sales rose year-on-year. Operating income remained at the same level as the previous year, partly due to increased costs resulting from higher material prices.
- System kitchen sales remained strong and showed sharp growth from the previous year. Volume share also increased.
- While new housing starts remained flat, the remodeling business was strengthened and the portion of remodeling sales was similar to the previous year. Future growth is anticipated.

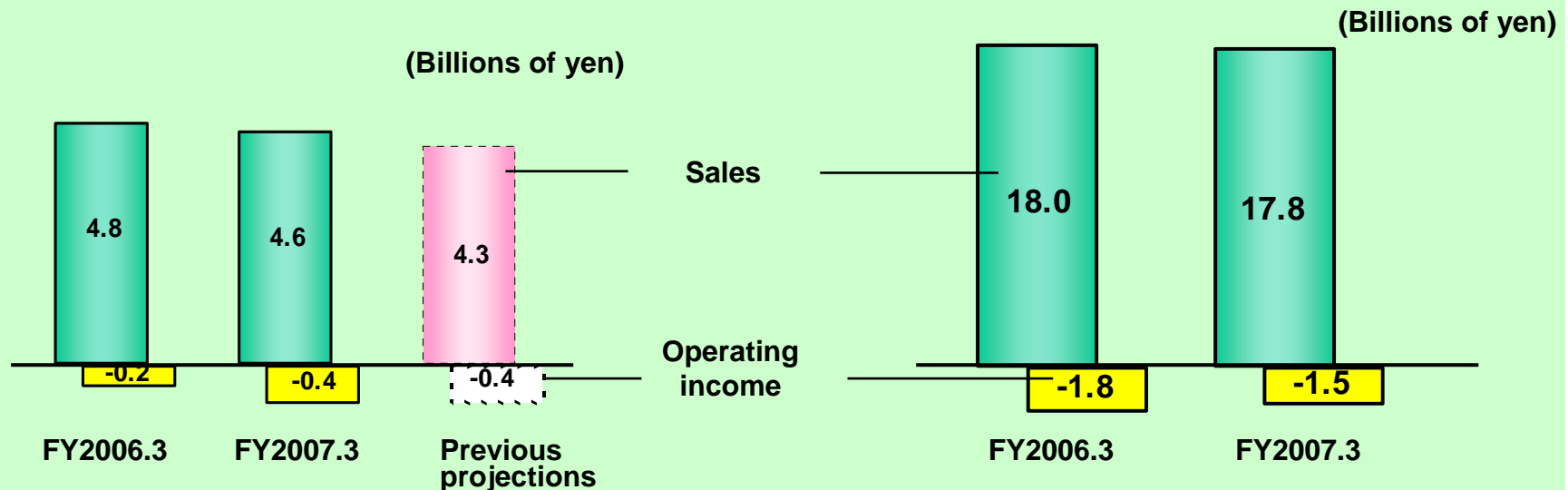


4Q Overview

- Although 4Q sales exceeded previous projections, they were down year-on-year, partly due to closure of Tsumagoi and Katsuragi for refurbishment.
- Operating income was in line with previous projections.

FY2007.3 Overview

- Sales again declined year-on-year.
- Operating losses were reduced as depreciation costs fell.
- Four facilities were earmarked for transfer, leaving only Tsumagoi and Katsuragi.

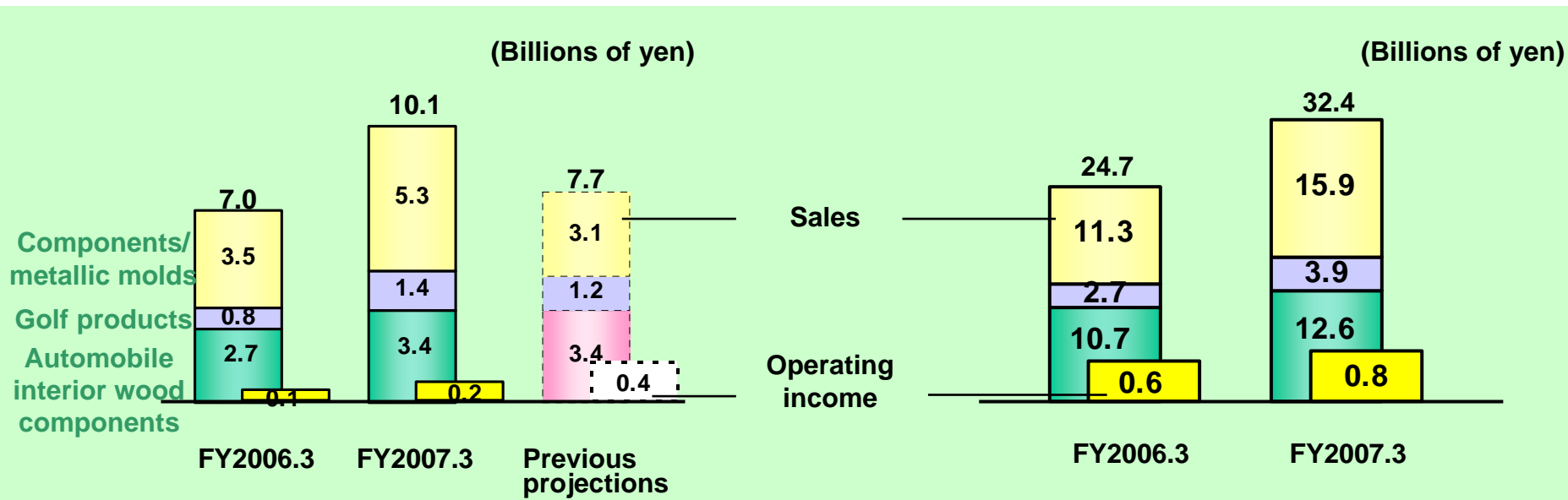


4Q Overview

- Sales rose significantly year-on-year across the segment as a whole and were well above previous projections.
- Production of magnesium molded parts for mobile phones and plastic parts for game machines continued to rise.
- Advertising of golf products has been successful and “inpres” products are selling well.

FY2007.3 Overview

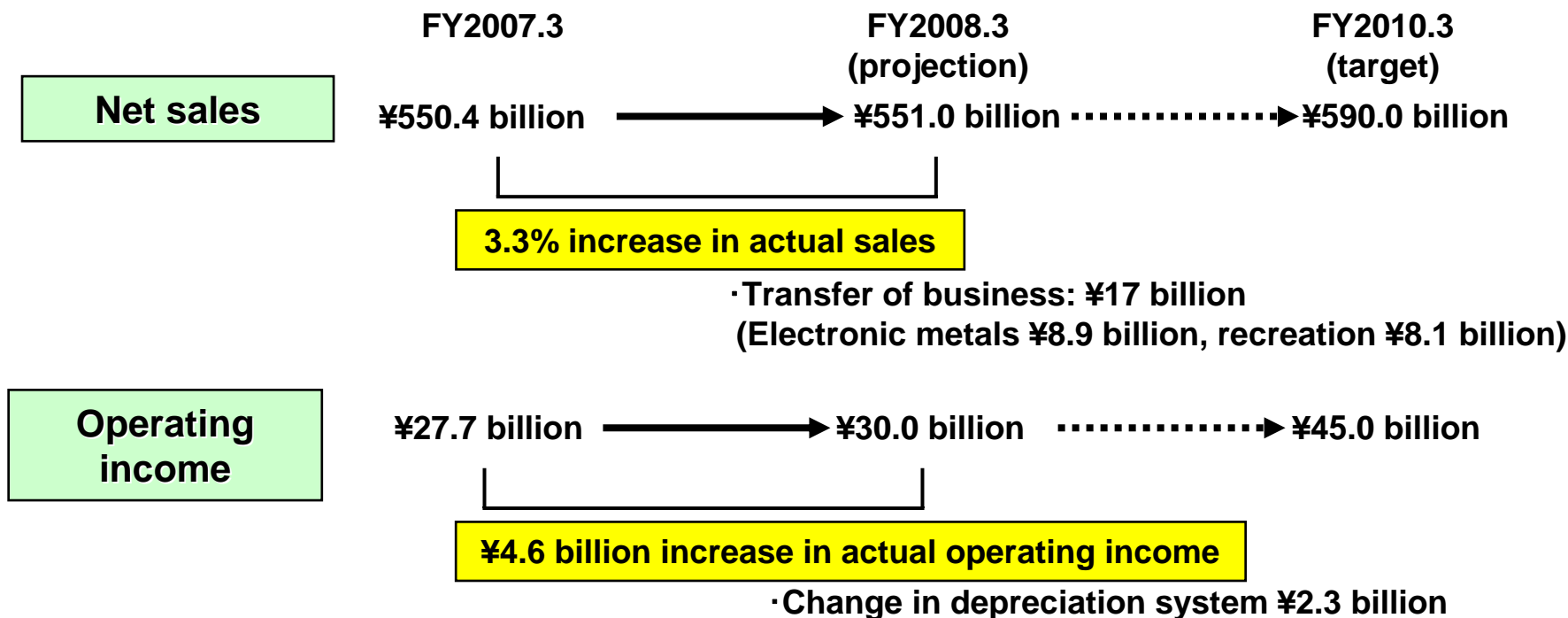
- Sales and operating income both increased year-on-year across the segment as a whole.
- In the components and metallic molds business, production increased throughout the fiscal year for both magnesium molded parts and plastic parts.
- Although production of automobile interior wood components increased as demand for new cars rose, delay in improving yields caused significant losses.
- Sales of golf products rose steeply year-on-year. Operating income moved into positive figures.



Framework for Achieving Results in FY2008.3



➤ As the first year of the new YGP2010 Medium-term Business Plan, FY 2008.3 will be a term for steadily meeting sales and income targets, leading to the achievement of management objectives set for FY2010.3



Priority issues

- Achieve growth in musical instruments business, the priority area of the “The Sound Company” business domain
 - Net sales: ¥326 billion -> ¥338 billion (+3.7%)
 - Operating income: ¥22 billion -> ¥24 billion (+¥2 billion)
- Increase AV sales with a focus on front surround speakers
- Strengthen semiconductor and new device development, expand customer base
- Ensure smooth transfer of electronic metals business and four resort facilities
- Quickly get new business up and running (IP conferencing systems)

Forecast of Business Performance in FY2008.3



(Billions of yen)

	FY2007.3 Results	FY2008.3 Forecasts	Increase
Net sales	550.4	551.0	+0.1%
Operating income (operating income ratio)	27.7 (5.0%)	30.0 (5.4%)	+8.3%
Recurring profit (recurring profit ratio)	42.6 (7.7%)	43.0 (7.8%)	+0.9%
Net income (net income ratio)	27.9 (5.1%)	30.0 (5.4%)	+7.5%
Equity method income	17.8	17.7	
EPS (yen)	135.2	145.6	-
ROE (%)	8.4	8.3	-

FY2010.3 target
(Medium-term Plan)

590.0

45.0

-

47.0

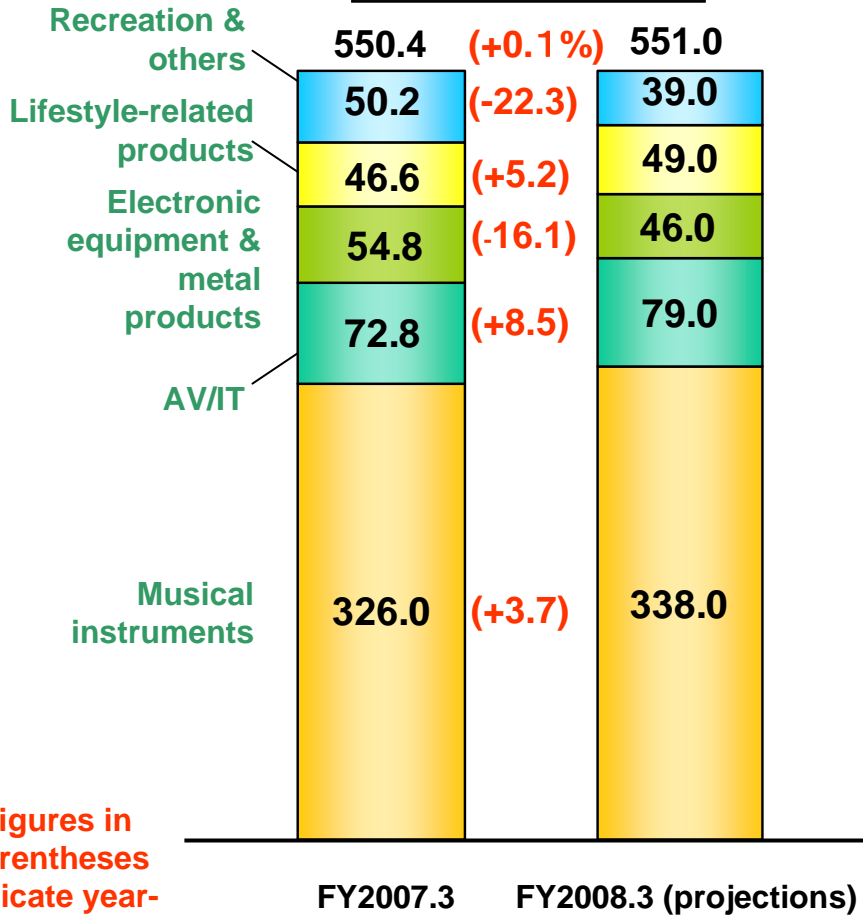
Currency exchange rates

		FY2007.3 actual	FY2008.3 forecast	Medium-term Plan
Net sales	US\$	117	115	115
	EUR	150	148	148
Operating income	US\$	117	115	115
	EUR	144	148	148

Forecast of Performance by Business Segment in FY2008.3



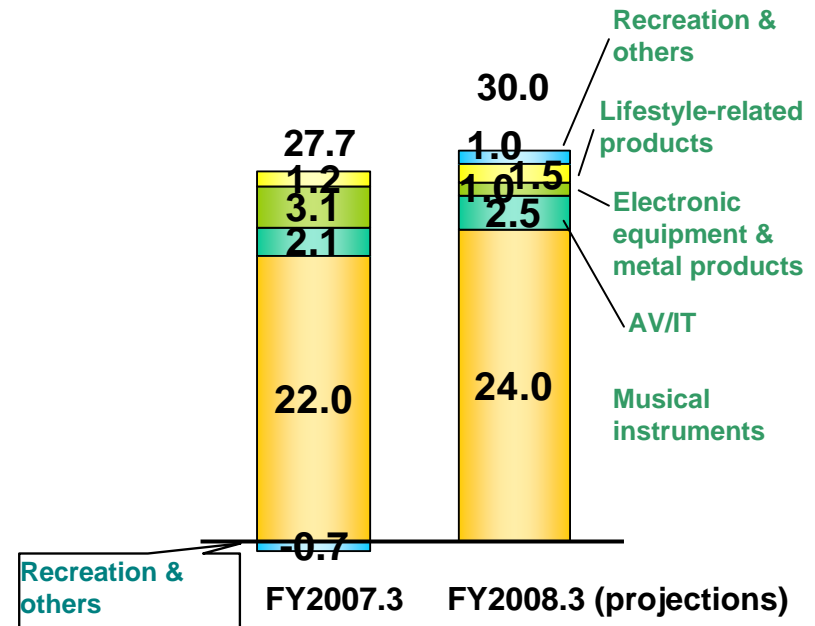
Net Sales



Impact of exchange rates compared to FY2007.3: -¥4.0 billion (musical instruments -¥3.0 billion, AV/IT -¥1.0 billion)

Operating Income

(Billions of yen)



Impact of exchange rates compared to FY2007.3: +¥1.6 billion (musical instruments +¥0.8 billion, AV/IT +¥0.7 billion)

Figures in parentheses indicate year-on-year percentage changes

Musical Instruments

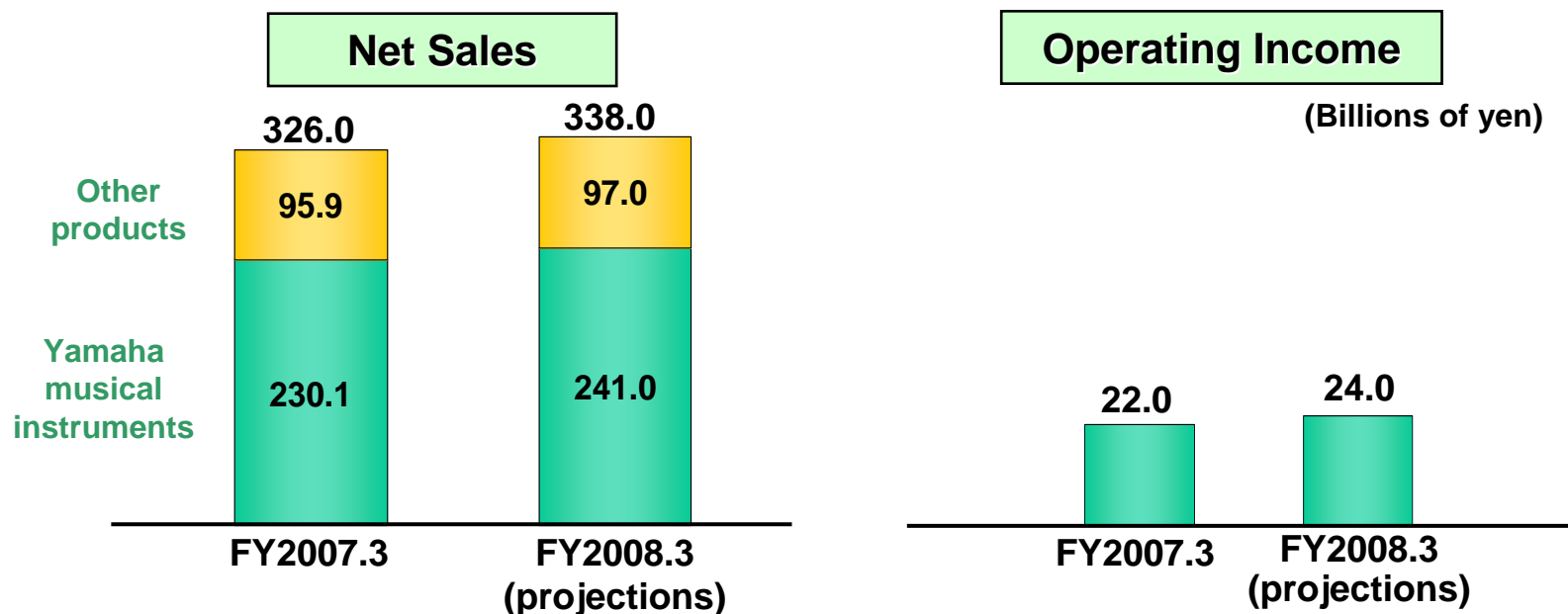


■ Market environment

- Polarization of demand (high-added-value products versus low-priced products)
- Rise of Chinese manufacturers and products
- Ongoing restructuring of distribution channels (large chain stores, mass merchandisers)
- Growth of adult market and guitar market

■ Priority measures

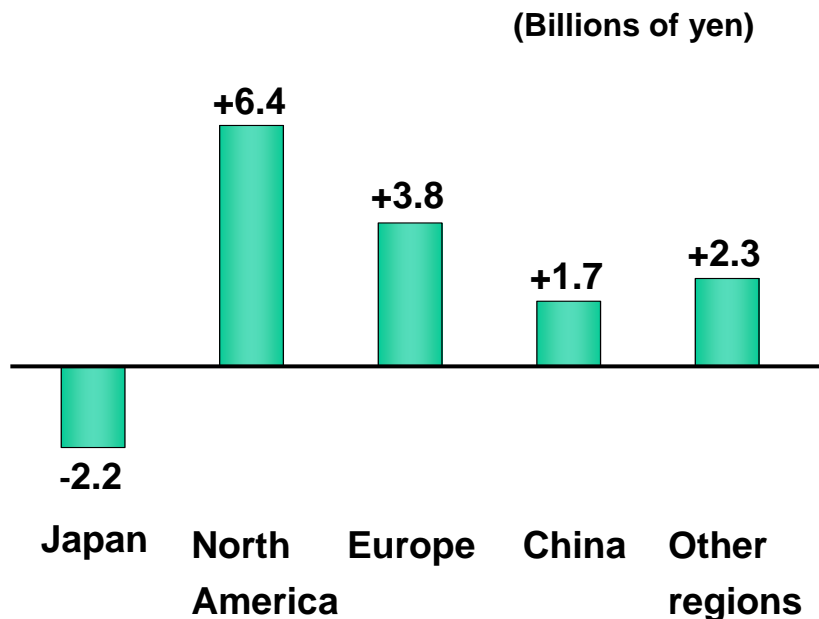
- Establish high-profit structure for musical instruments as a core Yamaha business
- Continually launch products from the customers' view point
- Become more cost-competitive (reorganization of Hangzhou Yamaha, Indonesia, Japanese piano plants)
- Expand in growth markets (China, Russia, Eastern Europe, etc.)



Musical Instruments



Sales Increase/Decrease by Region YoY



Year-on-year change in actual sales, discounting the impact of exchange rates

Japan: -2%

North America: +11%

Europe: +7%

China: +16%

Other regions: +8%

By product, sales growth plans focus on professional audio equipment and electronic musical instruments

■Market environment

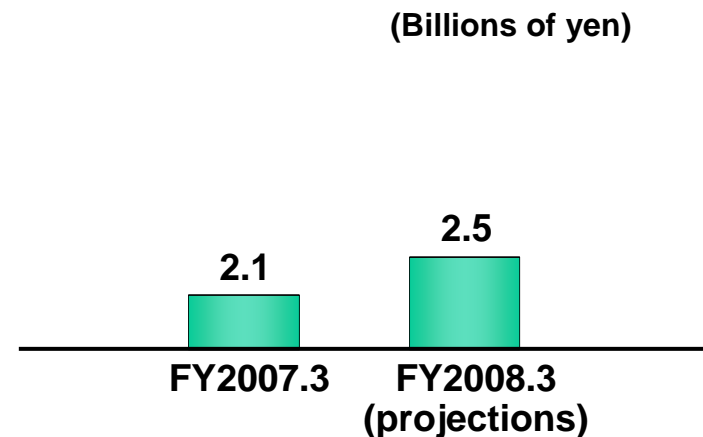
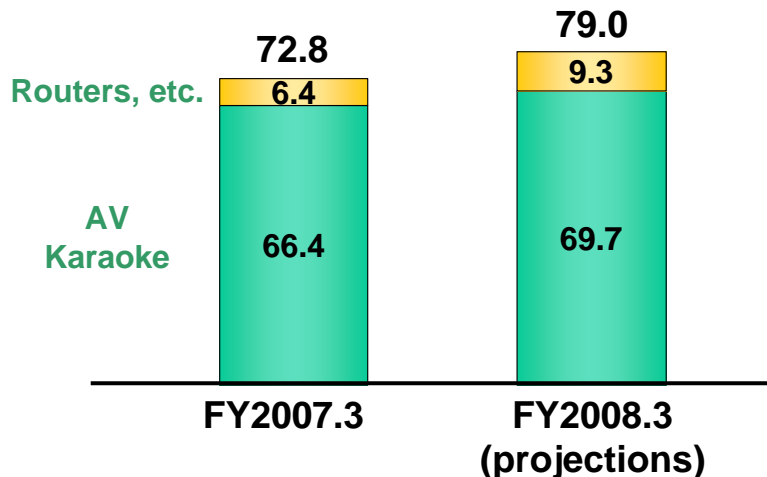
- Home theater market is shrinking and becoming more competitive
- Hi fi business is rebounding
- Market for flat-panel TVs is expanding
- Growth of networked societies

■Priority measures

- Build AV business in line with market changes
 - Reinforce 2-channel hi-fi business with focus on mid- and high-level products
 - Develop comprehensive lineup of front surround speakers and continually launch new models
 - Develop and launch new types of product (desktop audio, etc.)
- Strengthen marketing of IP conferencing systems (Japan, North America)

Net Sales

Operating Income



Electronic Equipment & Metal Products

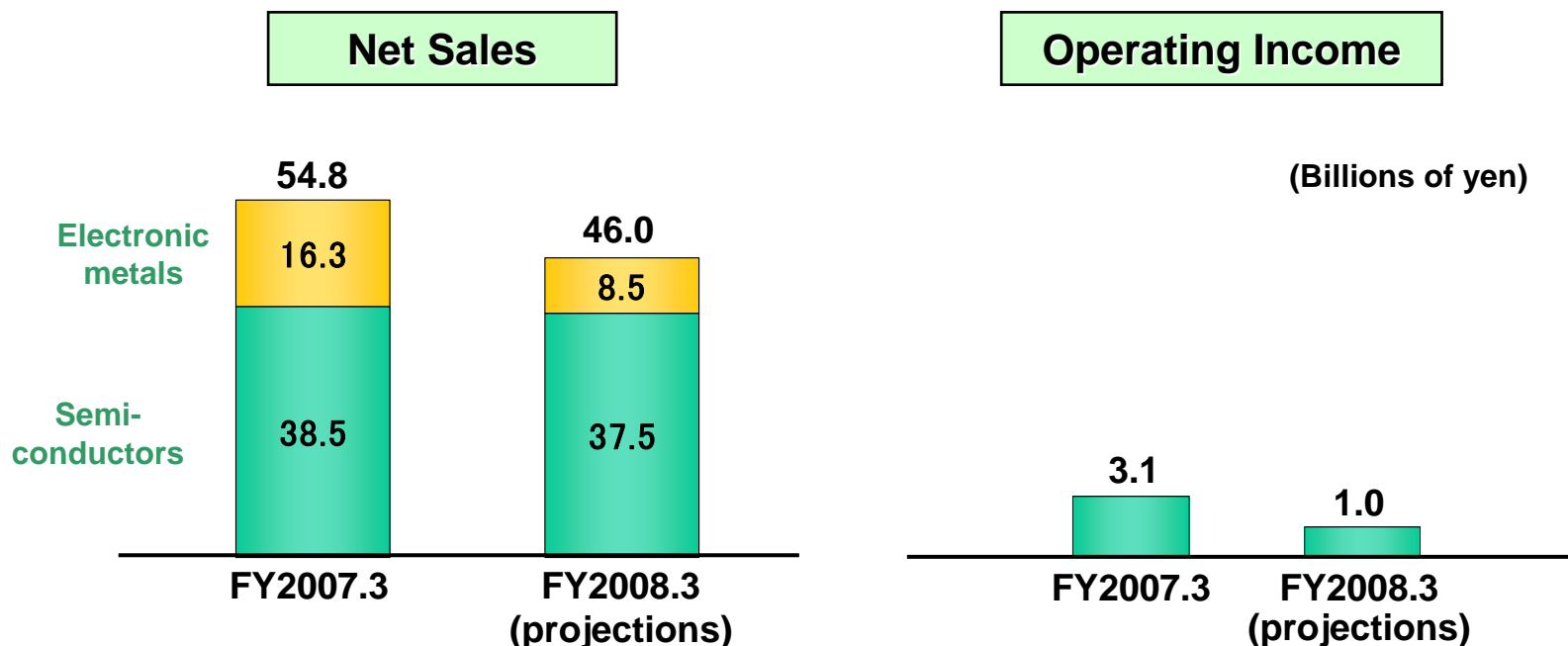


■Market environment

- Mobile phone market expanding. Growing needs for high quality and low power consumption.
- Increasing computerized automobiles
- Rapid expansion of market for flat-panel TVs

■Priority measures

- Ensure survival in LSI sound chips for mobile phones
- Expand share in amusement LSI market
- Implement Smart AnaHyM strategy (silicon microphones, digital amps)
- Achieve smooth transfer of electronic metals business



Lifestyle-related Products

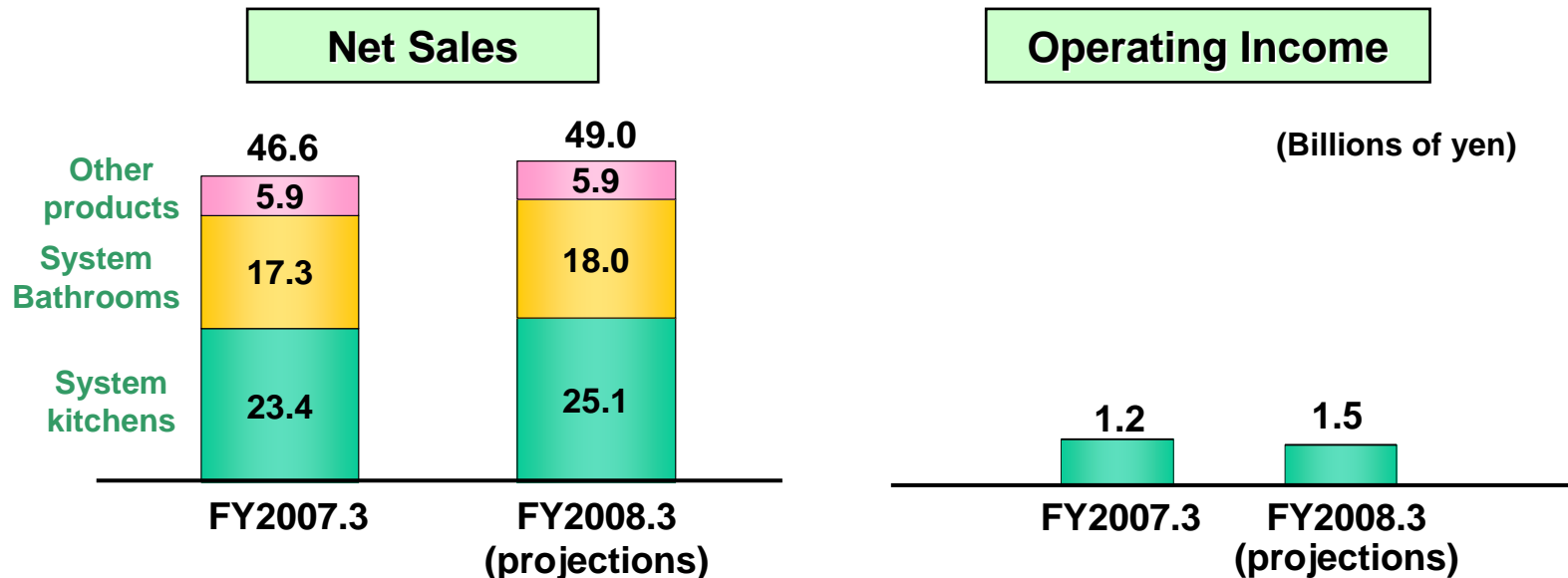


■Market environment

- New housing starts have peaked and young first-time buyers are increasing
- Trend toward remodeling, especially among baby boomers
- Growing demand for safety and high quality in housing
- Ongoing industry reorganization

■Priority measures

- Implement growth strategy focused on kitchen products
- Implement sales reforms to meet market needs (more showrooms, greater emphasis on remodeling)
- Develop full product range covering high-level/standard/entry-level
- Implement strategies for differentiation (synthetic marble, Sound Shower, etc.)
- Reduce costs through standardization and shorter lead times



Recreation

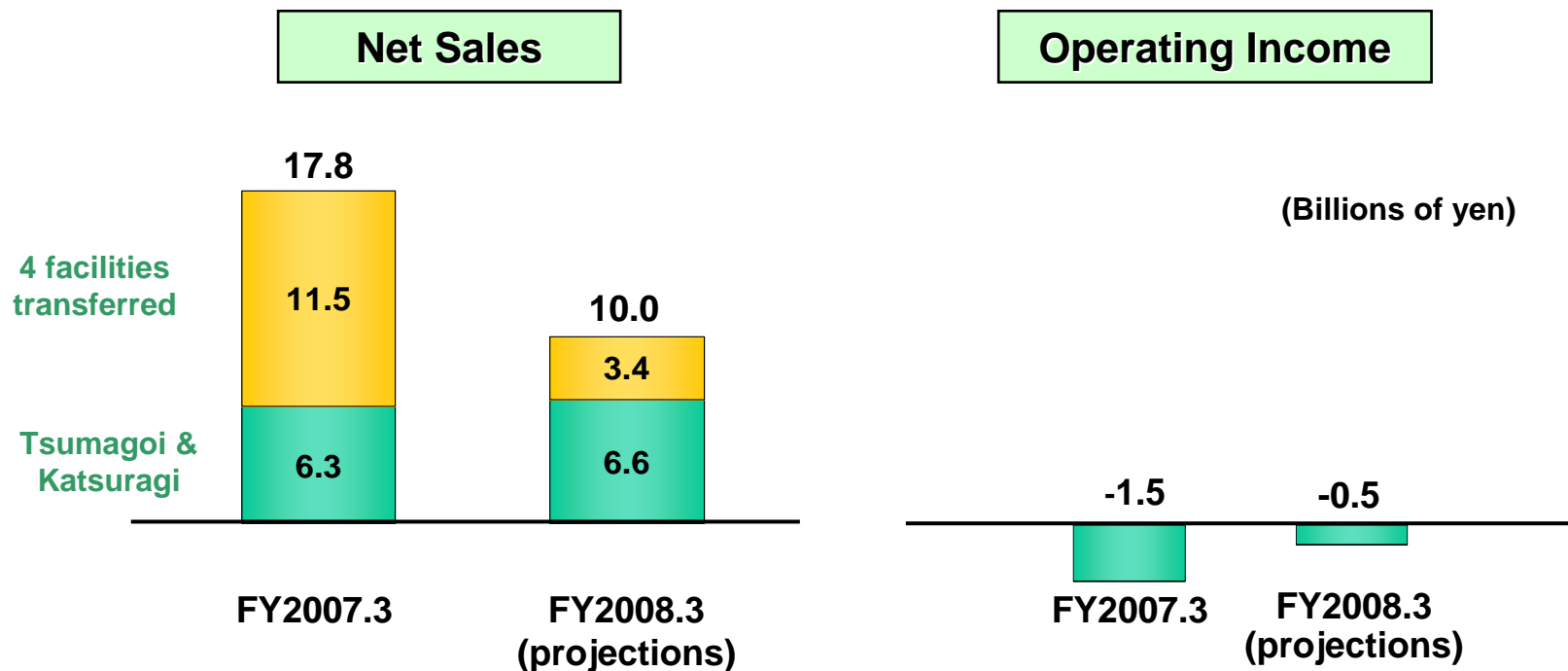


■ Market environment

- Ongoing polarization: low-priced products vs. aspiration for authenticity
- Growing numbers of baby boomers with financial freedom
- Industry reorganization

■ Priority measures

- Achieve smooth handover of four facilities earmarked for transfer
- Further enhance value of remaining two facilities



■ Market environment

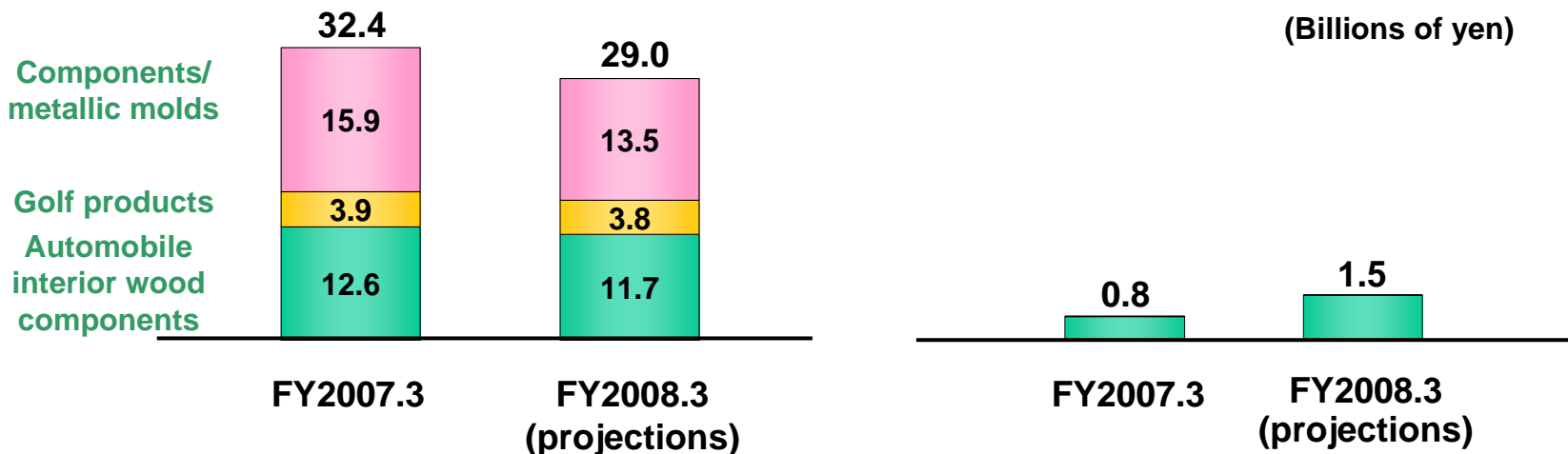
- Mobile phone market expanding. Use of digital cameras becoming more widespread.
- Increasing corporate capital expenditure as economy recovers

■ Priority measures

- Ensure component and metallic mold businesses can respond smoothly to fluctuations in orders and further boost yields
- Profitability improvement resulted by transferring automobile interior wood components business to YFT
- Increase sales of golf products through ongoing advertising campaigns

Net Sales

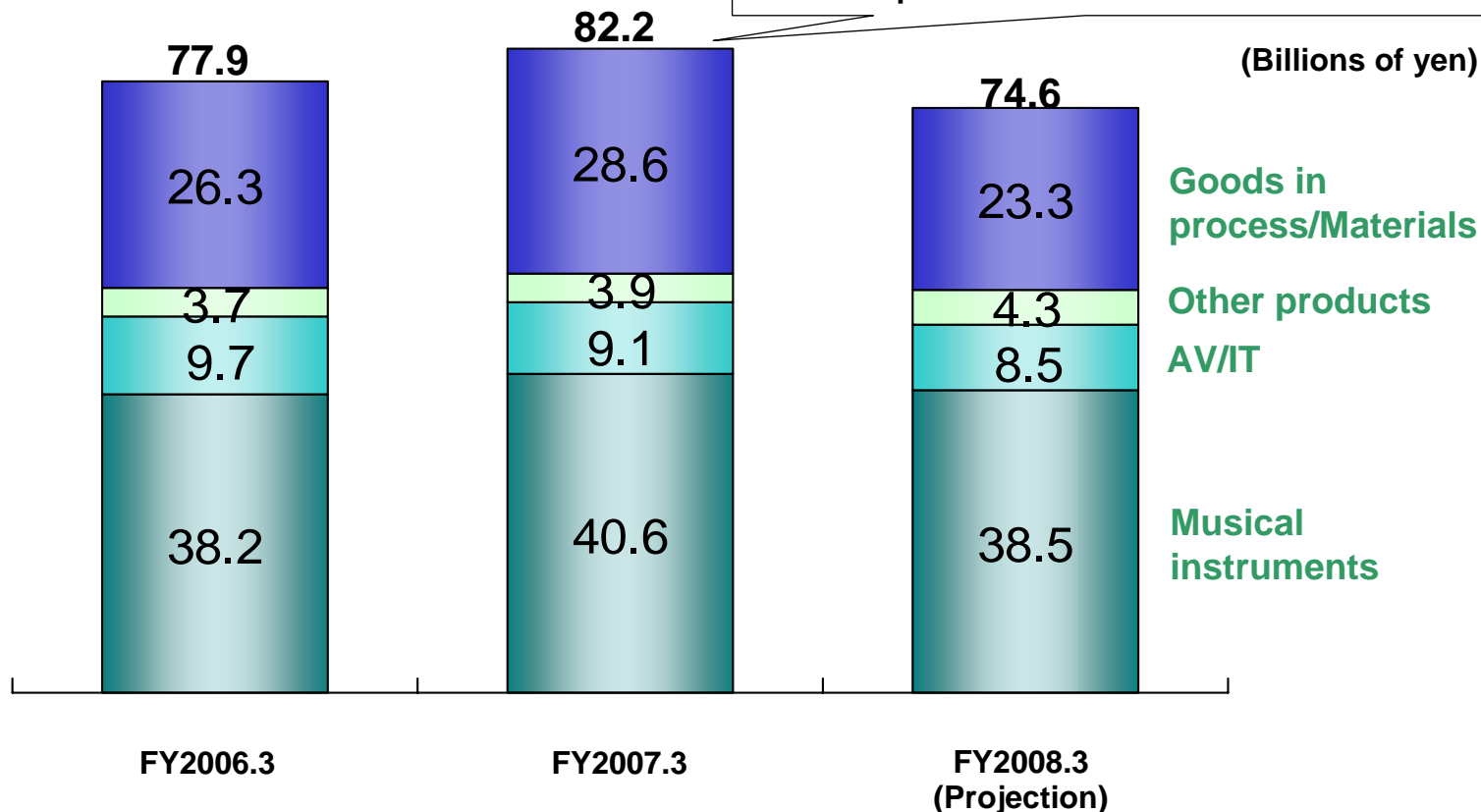
Operating Income



Inventories



Discounting the effect of exchange rates (¥2 billion), actual inventories rose by ¥2.3 billion year-on-year. Goods in process and materials increased.

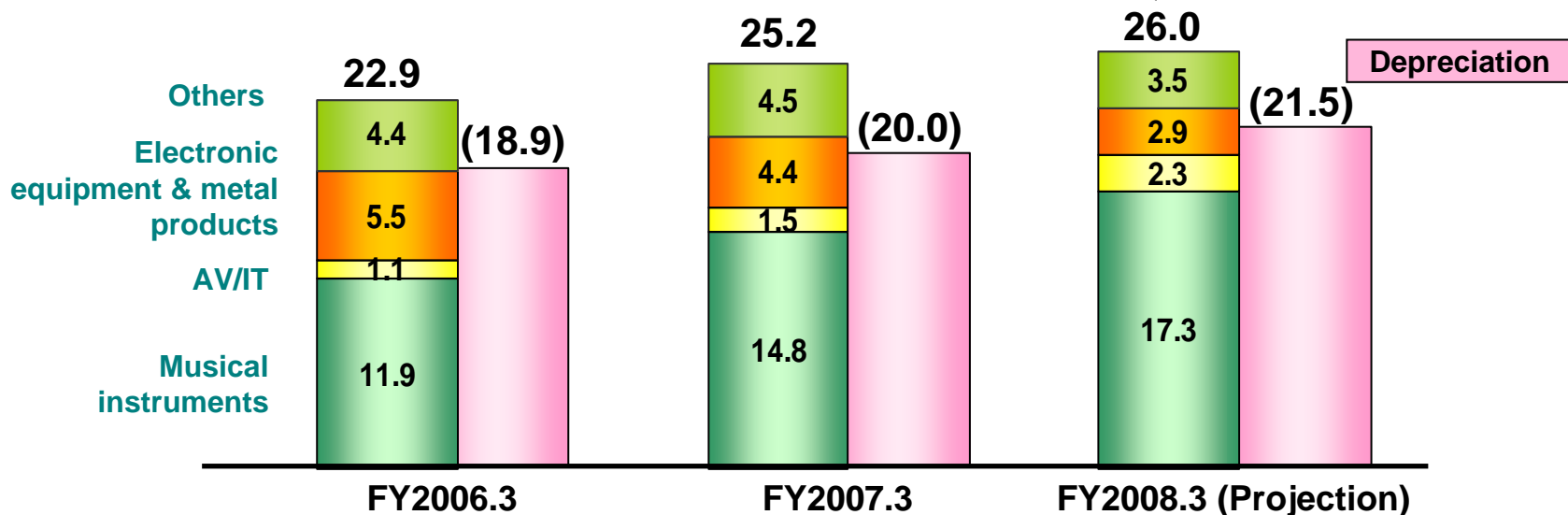


- Discounting the effect of exchange rates, actual year-end inventories were ¥3.7 billion higher than previous projections (issued on February 7). Musical instrument inventories were in line with projections, while AV/IT inventories increased slightly. Goods in process and materials also increased.
- Inventories at the end of FY2008.3 are projected to be ¥74.6 billion. Exchange rates will have an impact of ¥1.8 billion and transfer of business will have an impact of ¥4.1 billion. Actual inventories are projected to shrink by ¥1.7 billion, chiefly due to reduction of goods in process and materials.

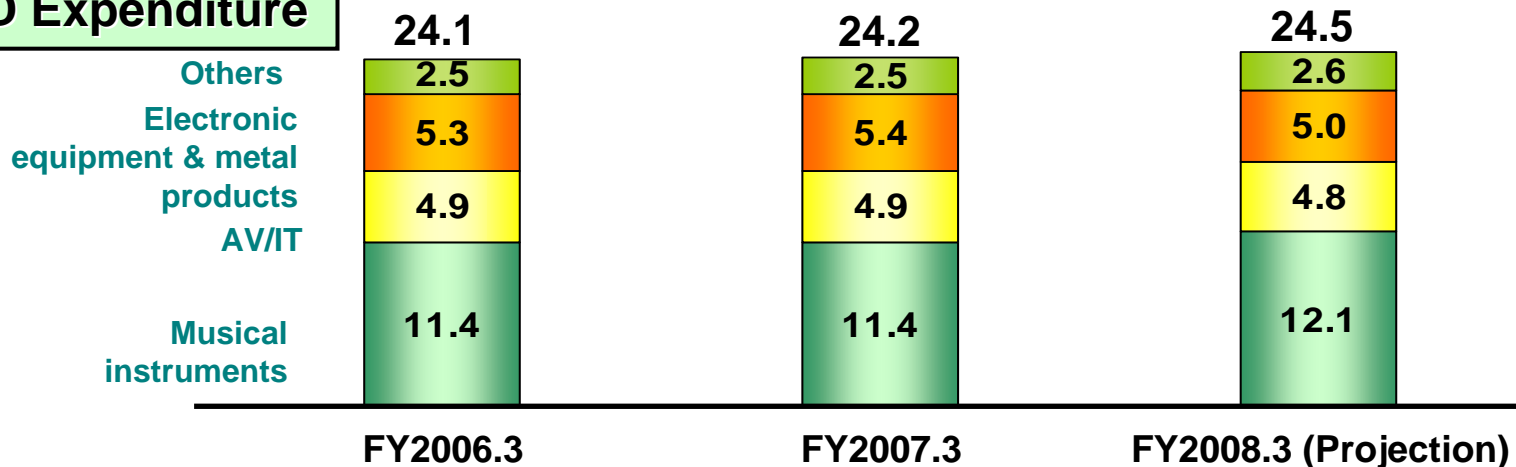
Capital Expenditure/Depreciation/ R&D Expenses



Capital Expenditure/ Depreciation



R&D Expenditure

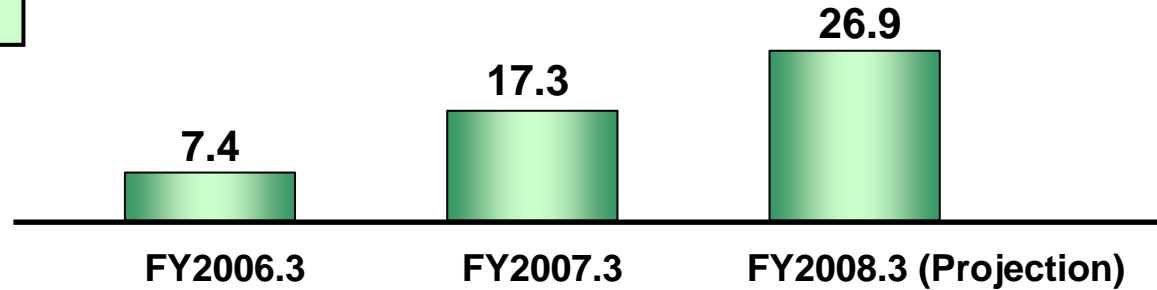


Interest-bearing Liabilities (Actual balance)



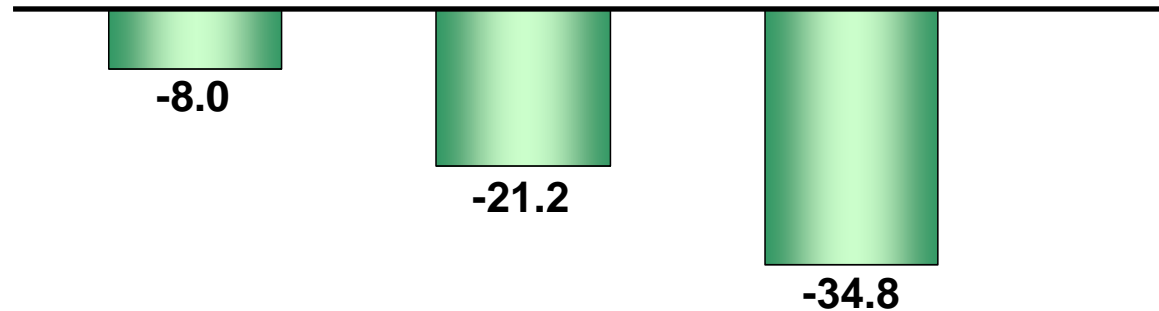
Free Cash Flows

(Billions of yen)



Interest-bearing Liabilities

Long- and short-term borrowings, less cash and deposits



Not included in above

Balance of resort security deposits

As of March 31, 2006

As of March 31, 2007

As of March 31, 2008 (Projection)

27.6

26.7

17.3

Balance Sheet Summary (Projection)



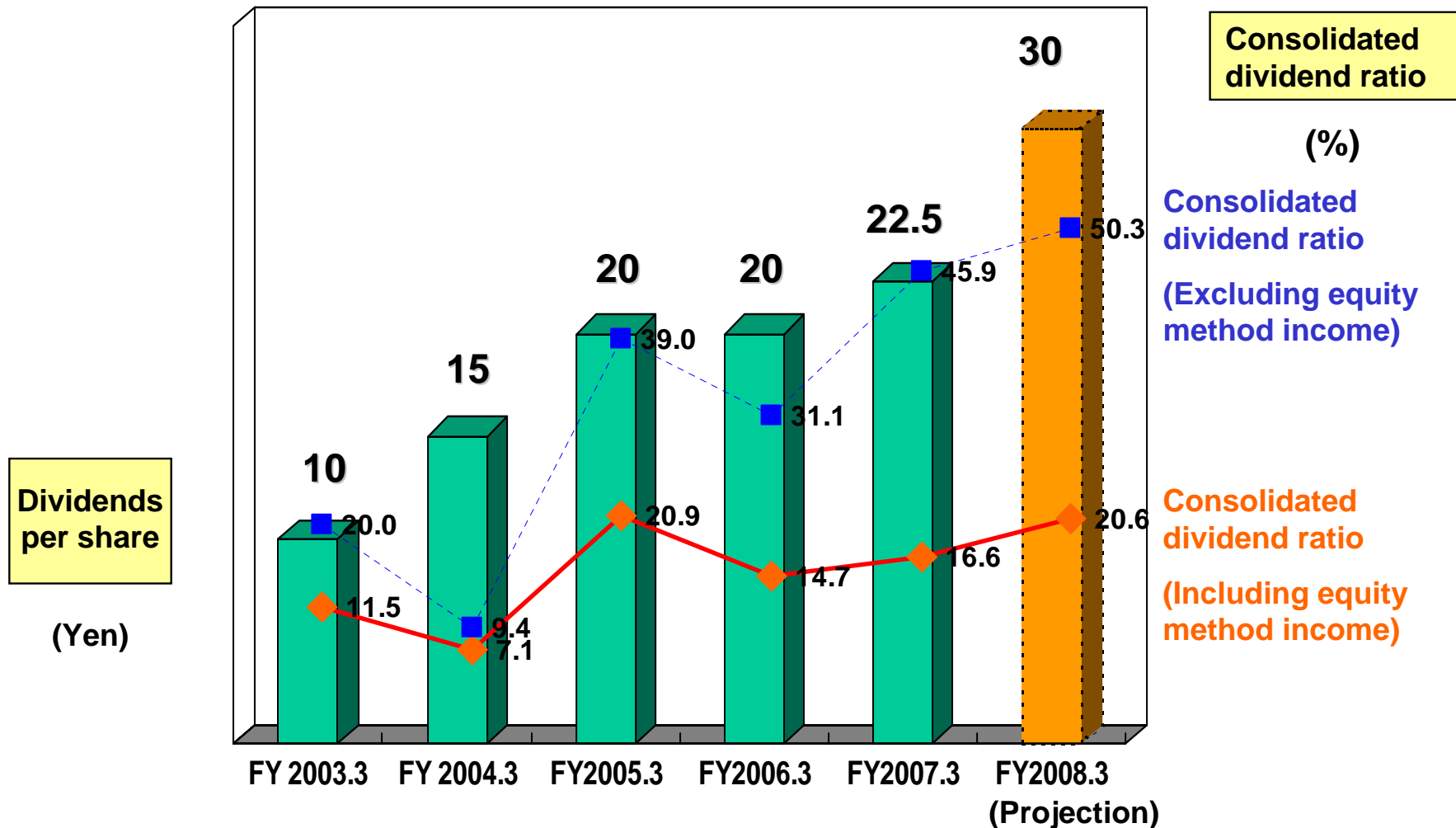
(Billions of yen)

	As of March 31, 2005	As of March 31, 2006	As of March 31, 2007	As of March 31, 2008
Cash and bank deposits	51.2	36.4	46.7	52.3
Accounts and notes receivable	71.6	70.3	76.6	73.9
Inventories	78.4	77.9	82.2	74.6
Other current assets	24.4	24.8	25.5	17.1
Fixed assets	280.0	310.6	328.0	333.3
Total assets	505.6	520.0	559.0	551.2
Accounts and notes payable	37.7	37.2	43.2	39.6
Short- and long-term borrowings	46.6	28.5	25.6	17.5
Other liabilities	142.3	133.8	138.8	122.2
Total net assets	279.0	320.5	351.4	371.9
Total liabilities and net assets	505.6	520.0	559.0	551.2

Dividends



- Based on a policy of paying stable ongoing dividends, aim for a consolidated dividend ratio of 25% and strive for greater returns to shareholders



Measures for Dealing with Major Acquisitions

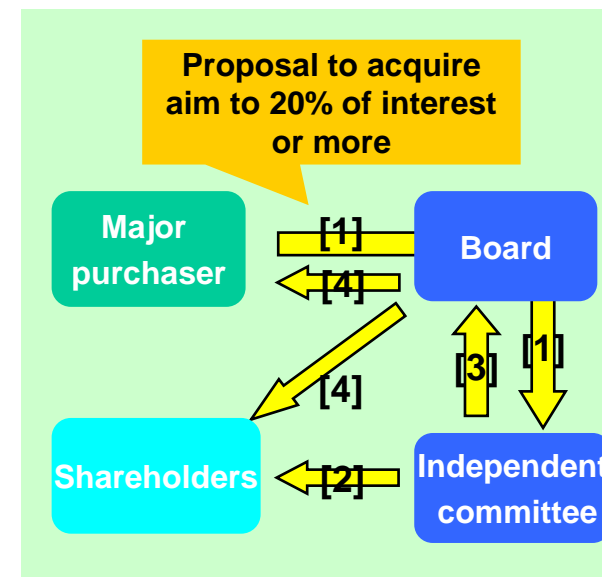


➤ Review rules announced last year for major acquisitions which increase a purchaser's interest to 20% or more. Establish independent committee to examine proposals and make adoption of defensive measures a matter for resolution by the general meeting of shareholders.

[1] Submit necessary information and acquisition statement

- Details of purchaser and its group (name, etc.)
- Objective, method and nature of major acquisition
- Basis for calculating purchase price and substantiation of funds for purchase
- Intended management policies, business plans, etc. following acquisition
- Intended policies related to stakeholders including employment policy
- Other information the independent committee deems may be reasonably required

[2] Information provided to shareholders



Purchaser or board requested to provide additional information or alternative proposal if required

Examination by independent committee (maximum 60 days)

[3] Advice on defensive measures from independent committee

[4] Heed committee's advice, decide by board resolution

■ This scheme will be put into effect by resolution of the ordinary general shareholders meeting to be held in June 2007 (effective until 2010)

Appendix

Performance in the Fourth Quarter of FY2007.3

- Sales and operating income exceeded previous projections (issued February 7).
Net income fell due to impairment loss on resort operations.

(Billions of yen)

	FY2006.3 4Q Result	FY2007.3 4Q Result	Increase/ decrease	Previous projections (Feb.7)
Net sales	127.7	133.9	+6.2	126.0
Operating income (operating income ratio)	-1.7 (-1.3%)	0.8 (0.6%)	+2.5	-0.9 (-0.7%)
Recurring profit (recurring profit ratio)	-0.3 (-0.2%)	4.1 (3.1%)	+4.4	2.5 (2.0%)
Net income (net income ratio)	0.7 (0.5%)	-2.0 (-1.5%)	-2.7	0.6 (0.5%)

Currency exchange rates

		FY2006.3 4Q	FY2007.3 4Q	Previous projections for 4Q
Net sales	US\$	117	119	115
	EUR	141	156	148
Operating income	US\$	117	120	115
	EUR	138	151	148

Non-operating Income (Loss)/ Extraordinary Income (Loss)



	FY2006.3 Result	FY2007.3 Result	FY2008.3 (projections)
			(Billions of yen)
Non-operating income			
	14.8	17.8	17.7
Equity method income	-0.2	0.1	-0.1
Net financial income	-3.5	-3.0	-4.6
Other			
Total	+11.1	+14.9	+13.0
Extraordinary income (loss)			
Income from (loss on) disposal of fixed assets	-0.2	-1.1	1.8
Other	0.8	-8.4	0.2
Total	+ 0.6	-9.5	+ 2.0
Corporate income tax and other expenses			
Corporate income tax, etc.	7.2	4.7	14.2
Minority interests in consolidated subsidiaries	0.5	0.5	0.8
Total	7.7	5.2	15.0

• Gain on sales of investment securities 0.6

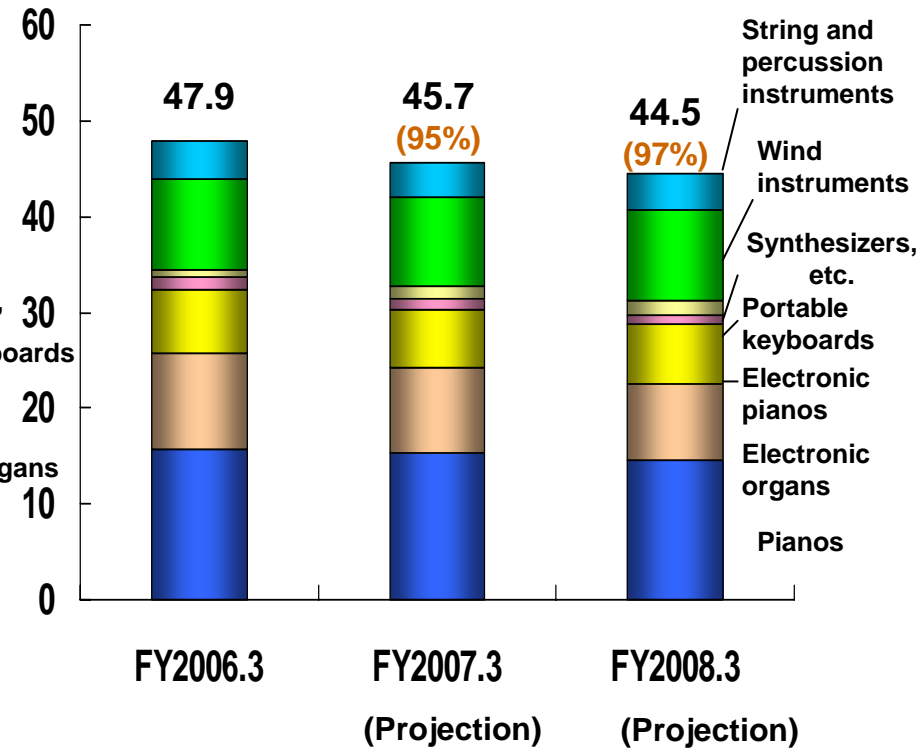
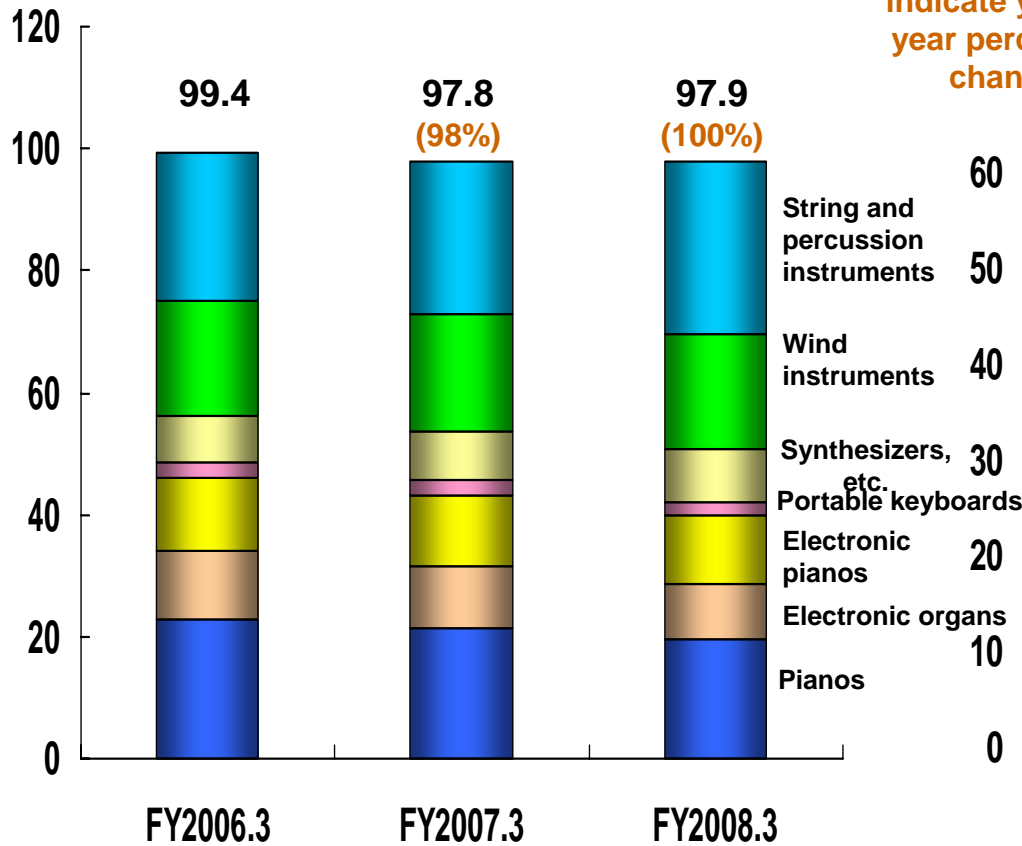
• Resort impairment loss -4.7
• Dissolution of Kaohsiung Yamaha -1.7
• Dissolution of US plants -1.5
• Special retirement payment -0.7

Musical Instrument Sales in the Japanese Market



**Wholesale Amount
(By category, excluding PA)**

**Yamaha's Wholesale Amount
(By category, excluding PA)**



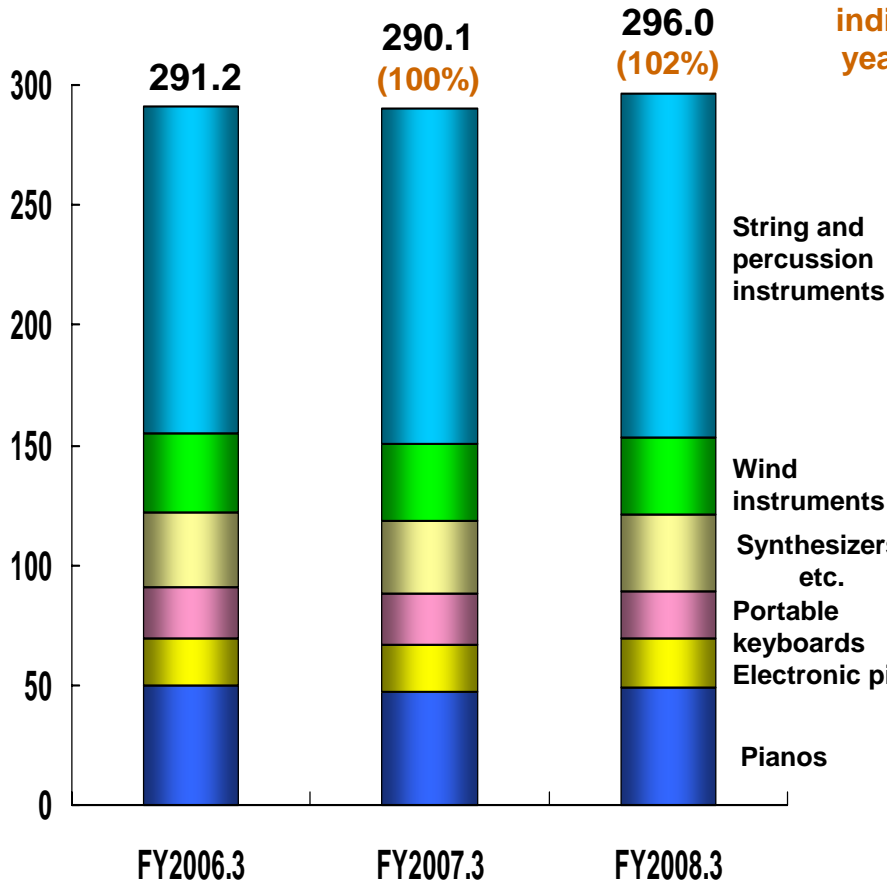
Estimation

(Projection) (Projection)

Musical Instrument Sales in the North American Market



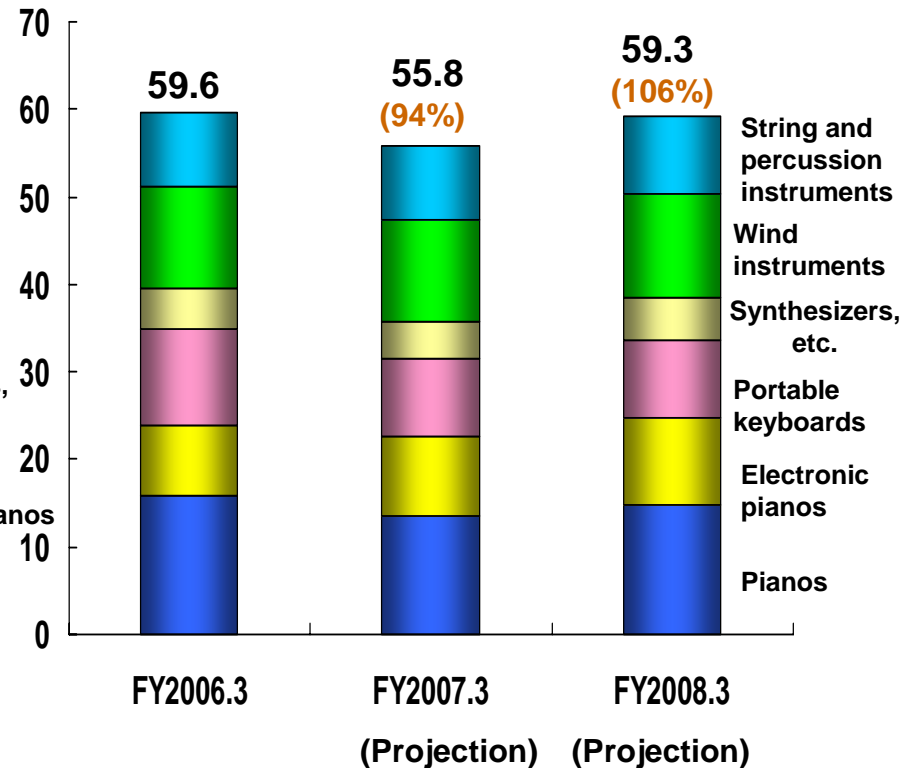
**Wholesale Amount
(By category, excluding PA)**



Estimation

**Yamaha's Wholesale Amount
(By category, excluding PA)**

Figures in parentheses indicate year-on-year percentage changes

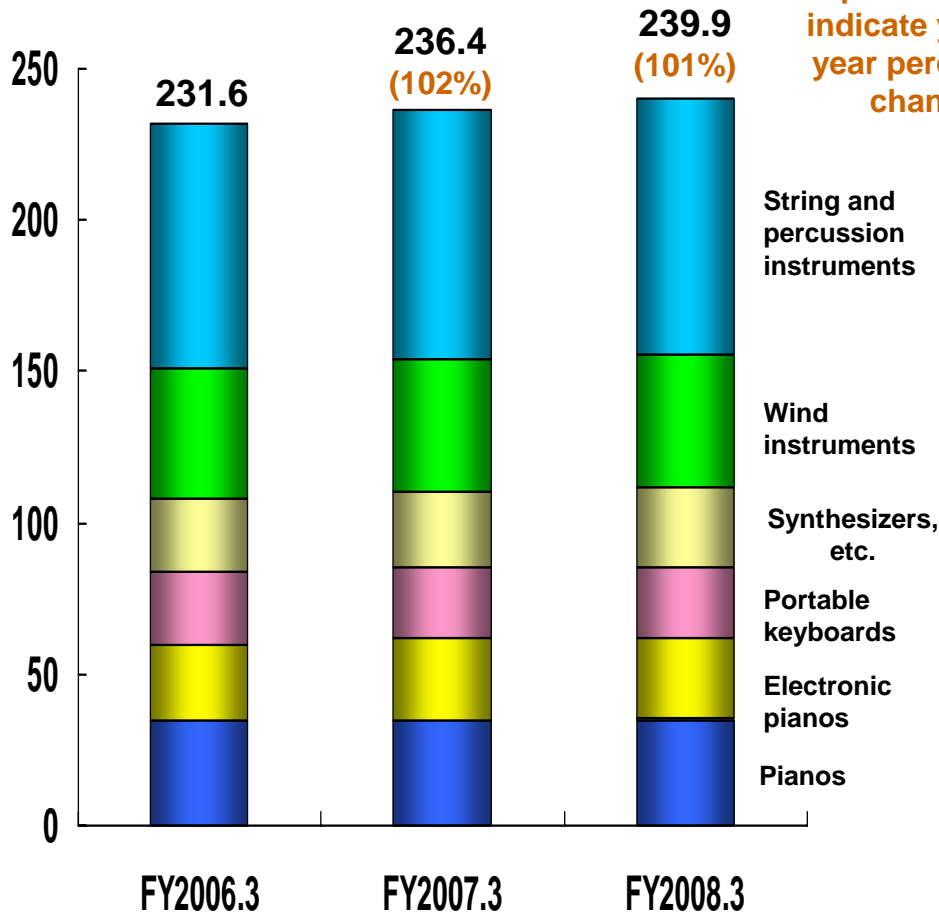


(Projection) (Projection)

Musical Instrument Sales in the European Market



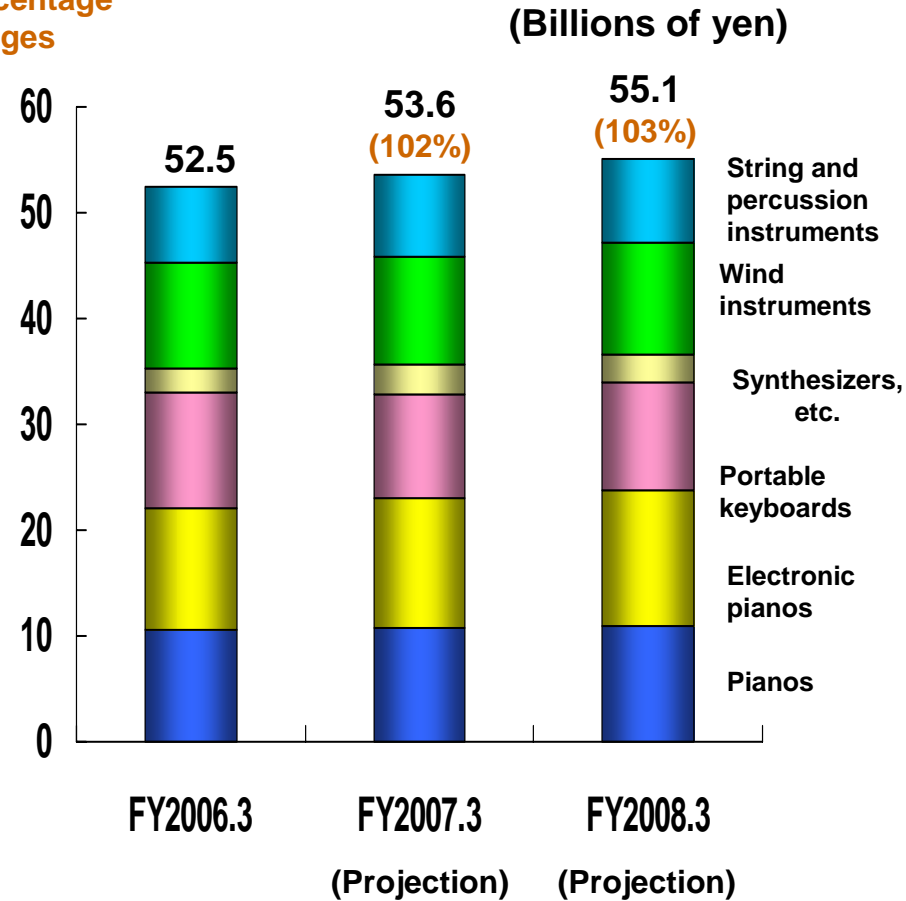
**Wholesale Amount
(By category, excluding PA)**



Estimation

**Yamaha's Wholesale Amount
(By category, excluding PA)**

Figures in parentheses indicate year-on-year percentage changes

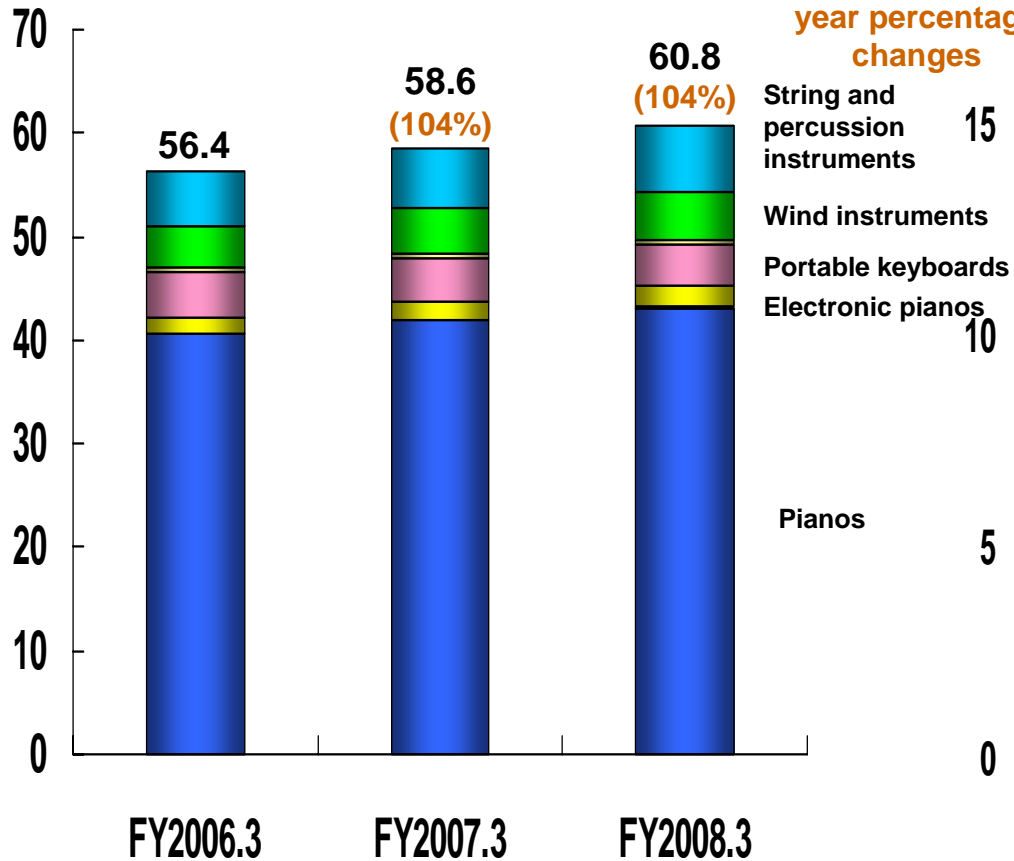


(Projection) (Projection)

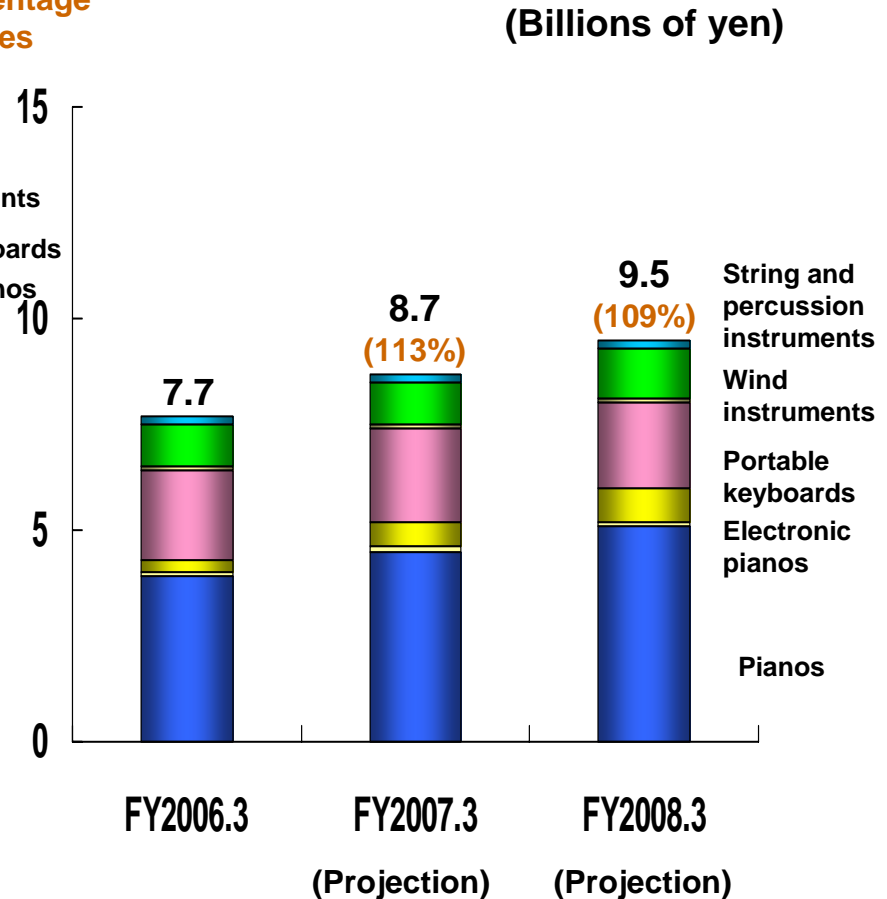
Musical Instrument Sales in the Chinese Market



**Wholesale Amount
(By category, excluding PA)**



**Yamaha's Wholesale Amount
(By category, excluding PA)**

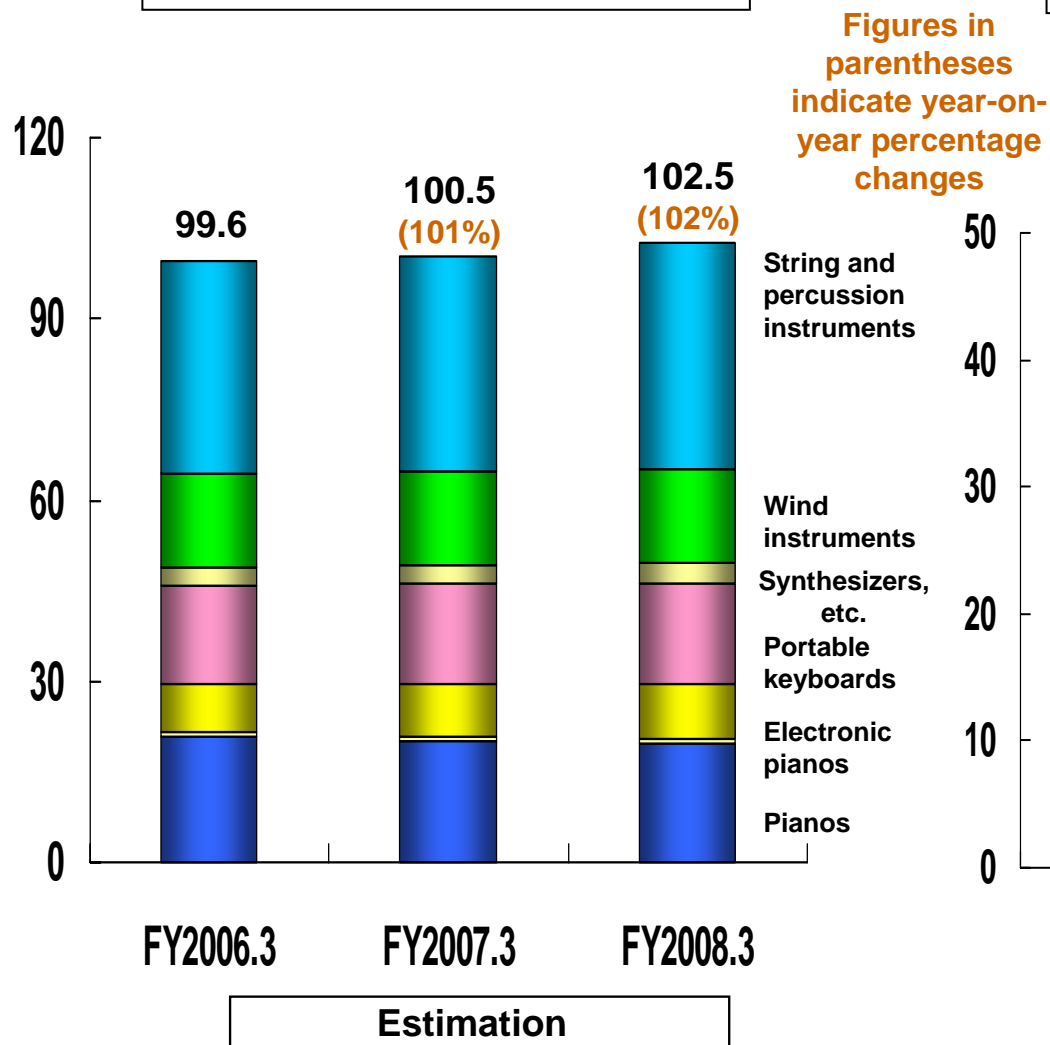


Estimation

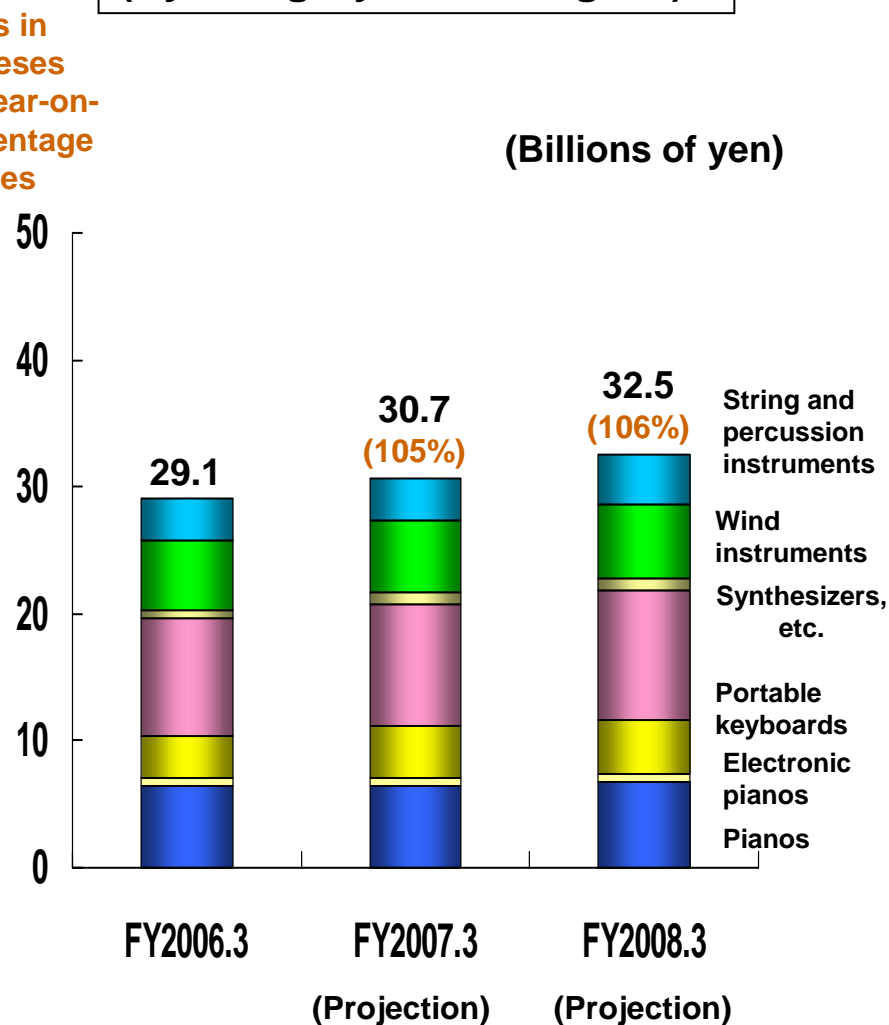
Musical Instrument Sales in Other Markets



**Wholesale Amount
(By category, excluding PA)**



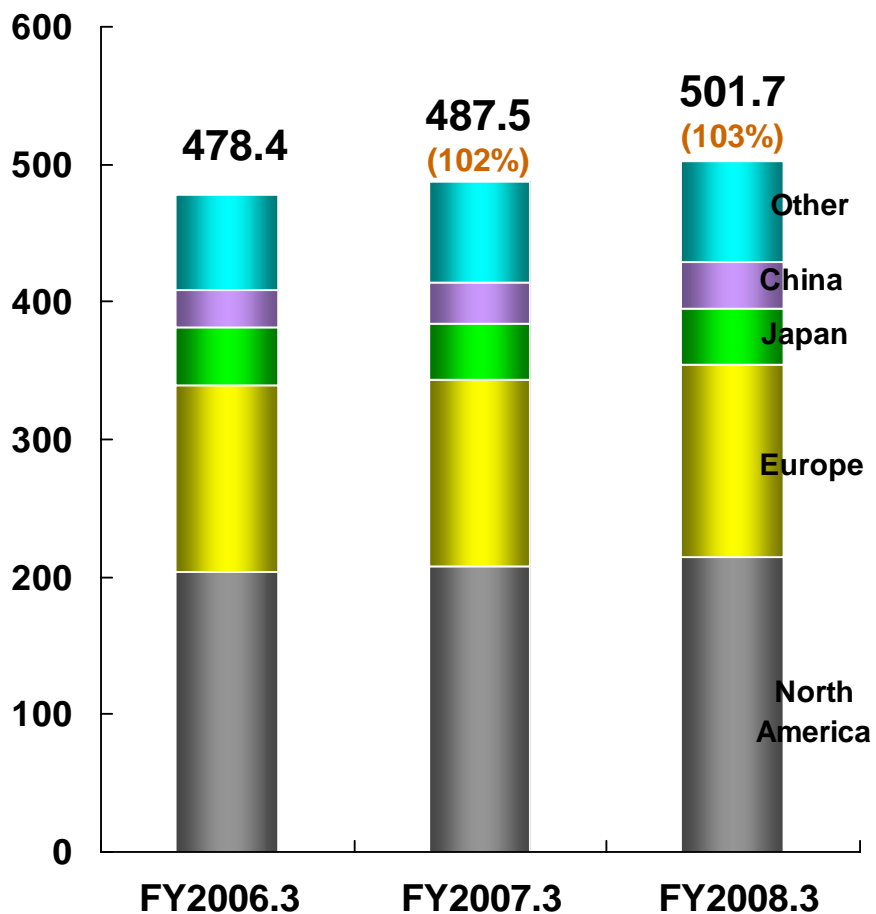
**Yamaha's Wholesale Amount
(By category, excluding PA)**



World Market for Professional Audio Equipment

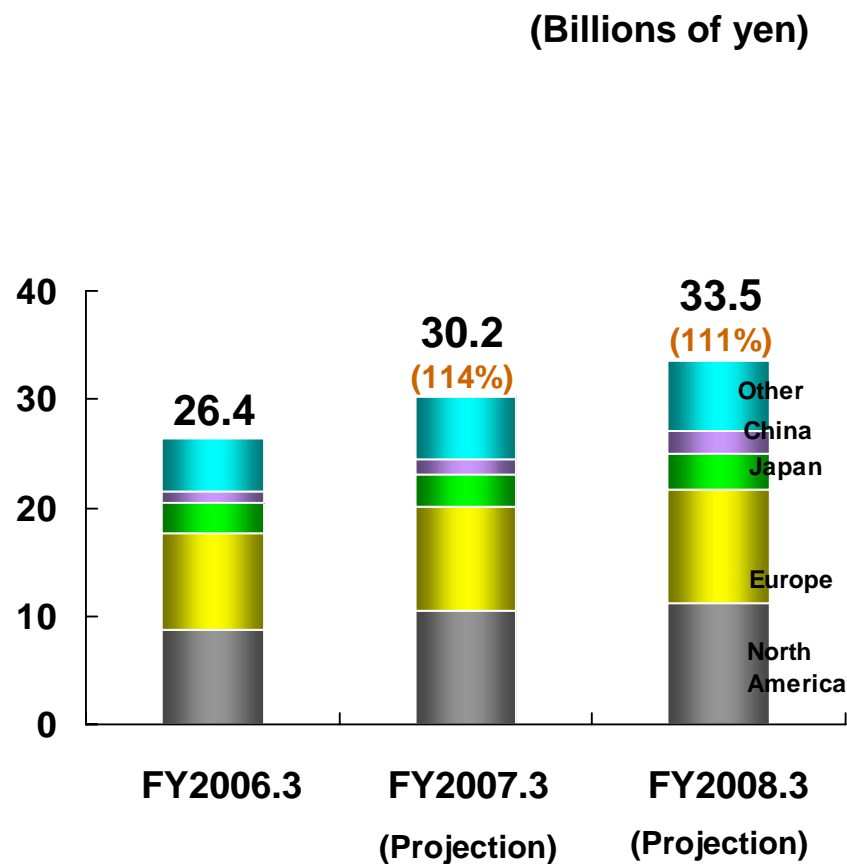


Wholesale Amount of the World Market



Estimation

Yamaha's Wholesale Amount



(Projection)

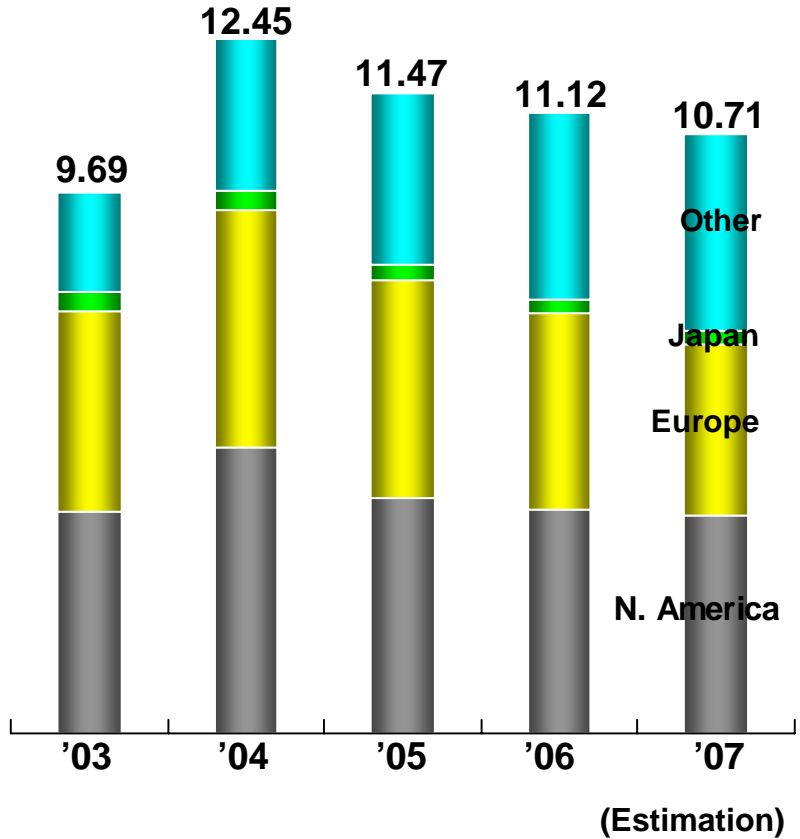
(Projection)

Scale of Global Market for Home Theater Products (Home theater systems + AV amplifiers/receivers)



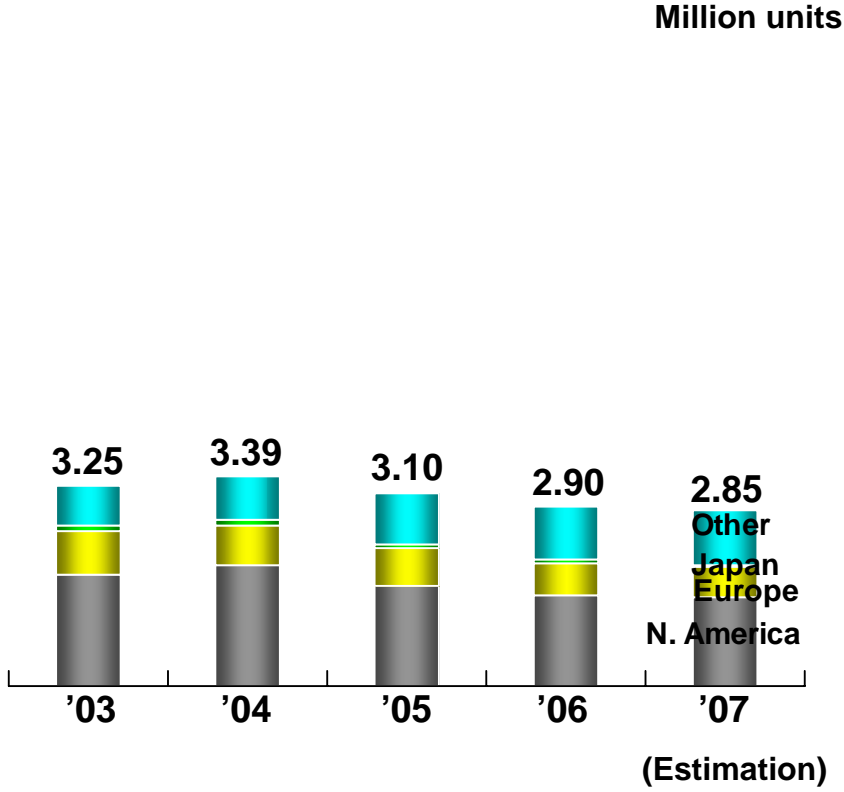
Home Theater Systems

- Global market is shrinking, especially Europe and North America (to 10 million unit level)
- North America: HTiB sales shrinking by 10% annually (market for DVD-installed system is level)
- Europe: Sales of both DVD-installed and HTiB systems projected to fall by more than 10%
- Japan: Sales of DVD-installed systems are projected to fall sharply
- Other markets: Continuing growth in Asia, Central/Eastern Europe



AV Amplifiers/Receivers

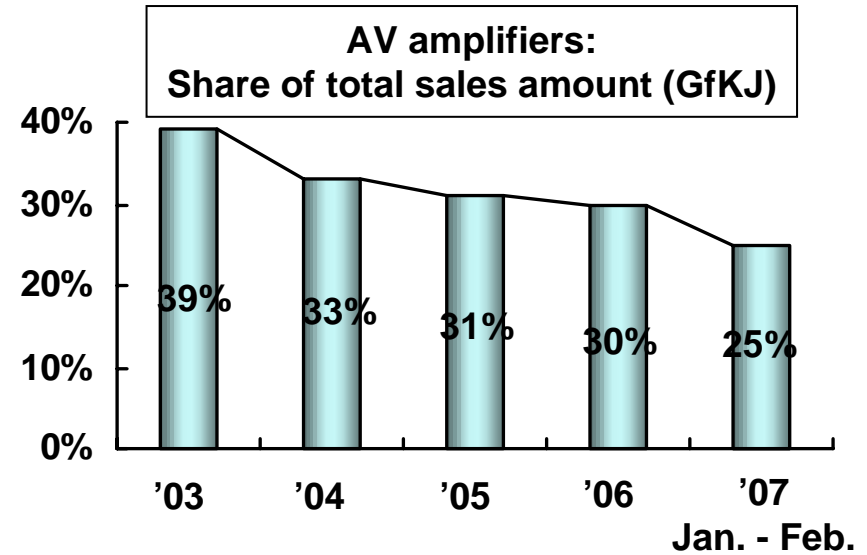
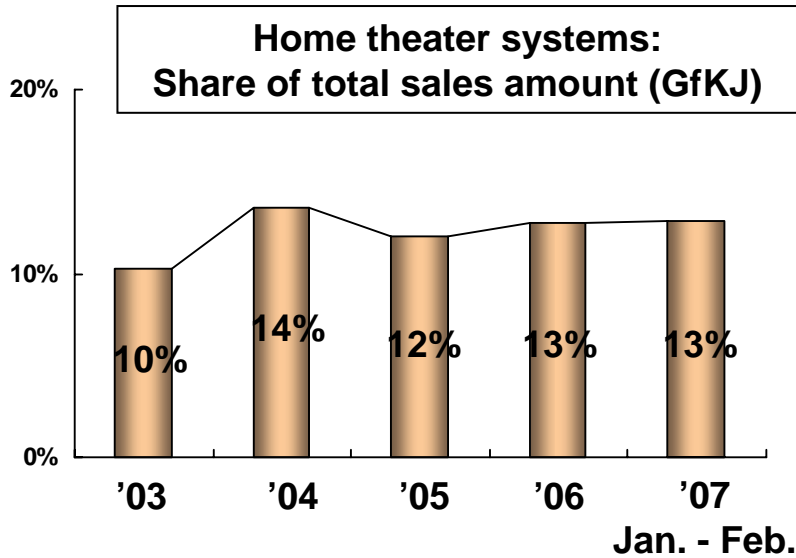
- North America: Market recovering, with 2007 projected to be almost level with 2006. Polarization into low-priced goods and high-level products.
- Europe: market is contracting, down more than 10% year-on-year
- Japan: 2007 market is projected to be more than 20% down on 2006
- Markets expanding in Asia, China, Eastern Europe and Russia, especially for low-priced products



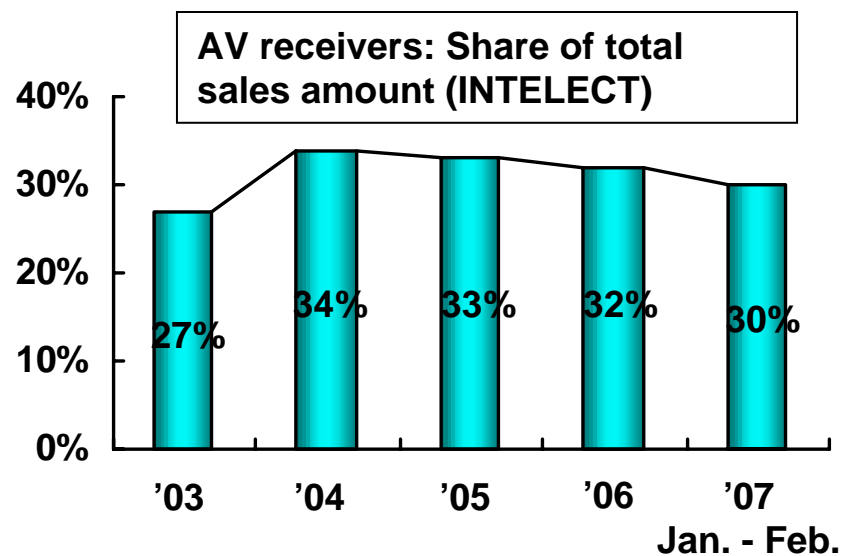
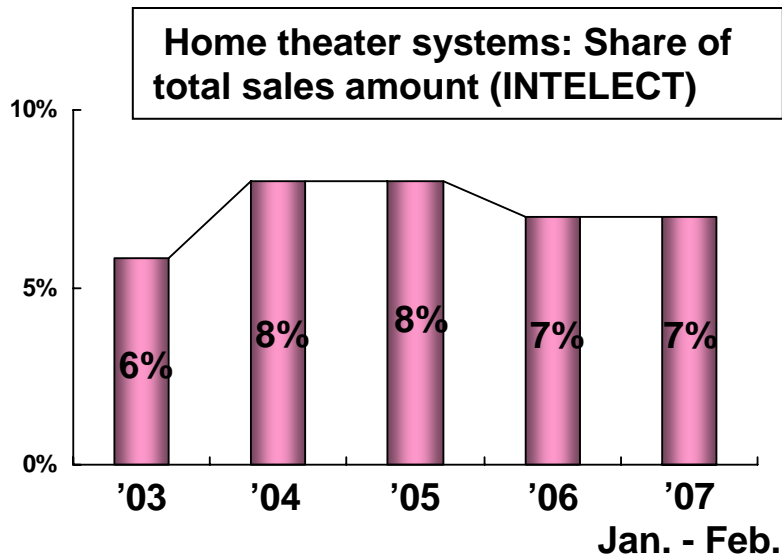
Yamaha's AV Market Share



Japan



U.S.



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 our operating and economic conditions, demand trends, and the value of key currencies, such as the U.S. dollar and the euro.