

# YAMAHA CORPORATION

## Overview of Consolidated Performance in the First Quarter of the Fiscal Year Ending March 31, 2006 (April 1, 2005, to June 30, 2005)

July 29, 2005

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

**Code number:** 7951

**Address of headquarters:** 10-1, Nakazawa-cho, Hamamatsu, Shizuoka 430-8650, Japan

**Representative director:** Shuji Ito, President and Representative Director

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**Stock listings:** Tokyo Stock Exchange (First Section)

### 1. ITEMS RELATED TO THE PREPARATION OF PERFORMANCE DATA FOR THE PERIOD

(1) Whether the Company Has Adopted Simplified Accounting Procedures: Yes

(See attached documents for details.)

(2) Difference in Accounting Policies from the Fiscal Year Ended March 31, 2005: No

(3) Changes in the Status of Consolidated Companies and Companies Accounted for using the Equity Method: Yes

*Consolidated companies:*

Number of companies newly consolidated: 8

Number of companies removed from consolidation: —

*Equity method:*

Number of companies newly accounted for using the equity method: 1

Number of companies removed from the equity method: —

### 2. OVERVIEW OF CONSOLIDATED PERFORMANCE IN THE FIRST QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2006 (April 1, 2005–June 30, 2005)

Figures of less than ¥1 million have been omitted.

#### (1) Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year	Millions of yen	% change from the previous fiscal year
First quarter of FY2006	¥124,112	(6.6)	¥ 6,878	(54.2)	¥11,594	(32.8)
First quarter of FY2005	¥132,903	5.4	¥15,010	26.6	¥17,246	28.5
(Reference) FY2005	¥534,079		¥35,695		¥41,302	

	Net income (loss)		Net income (loss) per share	Net income per share after full dilution
	Millions of yen	% change from the previous fiscal year	Yen	Yen
First quarter of FY2006	¥ 9,832	—	¥ 47.70	¥47.66
First quarter of FY2005	¥(12,603)	—	¥(61.14)	¥ —
(Reference) FY2005	¥ 19,697		¥ 95.06	¥93.88

Note: Percentages represent changes compared with the same quarter of the previous fiscal year.

**(2) Consolidated Financial Data**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY2006	¥498,899	¥284,499	57.0	¥1,380.10
First quarter of FY2005	¥491,823	¥245,910	50.0	¥1,192.84
(Reference) FY2005	¥505,577	¥275,200	54.4	¥1,334.51

**(3) Consolidated Cash Flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First quarter of FY2006	¥(14,188)	¥ (5,461)	¥ (266)	¥32,210
First quarter of FY2005	¥ 970	¥ (3,437)	¥ 974	¥29,768
(Reference) FY2005	¥ 39,588	¥(12,896)	¥(8,306)	¥50,393

**3. OUTLOOK OF RESULTS FOR FY2006** (April 1, 2005–March 31, 2006)

No changes have been made in the Company's outlook.

**4. OPERATING RESULTS AND FINANCIAL CONDITION****(1) Operating Results**

During the first quarter of the fiscal year (April 1, 2005, to June 30, 2005), sales by segment were as follows. The musical instruments segment reported a slight decline in sales compared with the same quarter of the previous fiscal year and the AT/IT and electronic equipment and metal products segments also showed declines. As a consequence, YAMAHA's net sales declined 6.6% from the same quarter of the previous fiscal year, to ¥124,112 million. Of this total, domestic sales declined 11.8%, to ¥76,902 million, and overseas sales posted a gain of 3.2%, rising to ¥47,210 million.

Regarding product categories by segment, within the musical instruments segment, sales of pianos and Clavinovas™ increased and overseas sales of professional audio equipment were strong. However, sales of the Electone™ "STAGEA™" paused and posted a decline.

In the AV/IT segment, sales of AV equipment declined and routers encountered more intense competition.

Within the electronic equipment and metal product segment, sales of LSI sound chips for mobile phones recorded a substantial decline.

In the lifestyle-related segment, sales of system kitchens were strong, but in the recreation segment and others, sales declined.

Turning to profits, operating income decreased 54.2% from the same quarter of the previous year, to ¥6,878 million and recurring profit declined 32.8%, to ¥11,594 million. As a result, net income for the quarter was ¥9,832 million, compared with net loss of ¥12,603 million for the same quarter of the previous fiscal year.

**(2) Financial Condition**

Regarding cash flows during the first quarter (April 1, 2005, to June 30, 2005), cash flows used for operations amounted to ¥14,188 million. Income before taxes and minority interests amounted to ¥12,802 million, however, it could not cover cash used in operations, including payments of corporate income taxes and increases in inventories.

Among cash flows used in investment activities, the Company used ¥5,461 million to implement capital investments and other investment-related activities.

Among cash flows used in financing activities, the Company used ¥266 million for payment of cash dividends and other finance-related activities.

As a result of these movements in cash flows, cash and cash equivalents at the end of the quarter amounted to ¥32,210 million, ¥19,868 million lower than at the beginning of the quarter.

**(3) Qualitative Comments on the Outlook for Consolidated Performance**

The Company has not revised its outlook for the fiscal year ending March 31, 2006. The outlook issued at the time of the announcement of the consolidated financial statements on April 28, 2005, is as follows.

**Outlook of Results for Fiscal 2006 (April 1, 2005, to March 31, 2006)****Consolidated**

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim period	¥261,500	¥18,000	¥12,000
Full year	¥546,000	¥42,500	¥29,000

Reference: Net income per share for the fiscal year is forecasted to be ¥140.68.

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 outlook presented here, depending on risk and uncertainty factors.

## (Supplementary Data)

## 1. SUMMARY OF CONSOLIDATED BALANCE SHEETS

	First quarter of FY2006 (as of June 30, 2005)	First quarter of FY2005 (as of June 30, 2004)	Increase (decrease)		FY2005 (as of March 31, 2005)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank deposits	¥ 35,554	¥ 30,548	¥ 5,006	16.4	¥ 51,205
Notes and accounts receivable	74,849	83,525	(8,676)	(10.4)	73,688
Inventories	84,675	79,266	5,409	6.8	78,434
Other current assets	20,430	19,693	737	3.7	22,251
Total current assets	215,510	213,033	2,477	1.2	225,581
<b>Fixed assets:</b>					
Tangible assets	146,024	144,009	2,015	1.4	146,428
Intangible assets	3,949	905	3,044	336.4	1,026
Investments and other assets	133,415	133,875	(460)	(0.3)	132,541
Total fixed assets	283,388	278,790	4,598	1.6	279,996
Total assets	498,899	¥491,823	7,076	1.4	505,577
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Notes and accounts payable	38,679	¥ 42,809	(4,130)	(9.6)	37,686
Short-term loans	22,206	21,684	522	2.4	17,825
Current portion of long-term debt	21,323	7,587	13,736	181.0	22,259
Accrued expenses	31,807	31,944	(137)	(0.4)	45,167
Other current liabilities	16,374	18,864	(2,490)	(13.2)	22,882
Total current liabilities	130,391	122,889	7,502	6.1	145,820
<b>Long-term liabilities:</b>					
Long-term debt	6,960	23,624	(16,664)	(70.5)	6,514
Accrued employees' retirement benefits	28,260	48,774	(20,514)	(42.1)	28,269
Other fixed liabilities	45,034	46,942	(1,908)	(4.1)	45,938
Total long-term liabilities	80,255	119,342	(39,087)	(32.8)	80,722
Total liabilities	210,647	242,231	(31,584)	(13.0)	226,542
<b>MINORITY INTERESTS</b>	3,753	3,681	72	2.0	3,834
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	28,534	28,534	—	—	28,534
Capital surplus	40,054	40,054	—	—	40,054
Earned surplus	220,314	182,142	38,172	21.0	212,340
Reserve for land revaluation	22,125	22,337	(212)	(0.9)	22,453
Net unrealized holding gains on other securities	7,231	11,037	(3,806)	(34.5)	7,364
Translation adjustments	(33,478)	(37,939)	4,461	—	(35,267)
Treasury stock, at cost	(282)	(255)	(27)	—	(279)
Total shareholders' equity	284,499	245,910	38,589	15.7	275,200
Total liabilities, minority interests and shareholders' equity	¥498,899	¥491,823	¥ 7,076	1.4	¥505,577

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

## 2. SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS

	First quarter of FY2006 (Apr. 1, 2005– June 30, 2005)	First quarter of FY2005 (Apr. 1, 2004– June 30, 2004)	Increase (Decrease)		FY2005 (Apr. 1, 2004– Mar. 31, 2005)
	Millions of yen	Millions of yen	Millions of yen	%	Millions of yen
<b>Net sales</b>	<b>¥124,112</b>	¥132,903	(8,791)	(6.6)	¥534,079
<b>Cost of sales</b>	<b>78,190</b>	80,573	(2,383)	(3.0)	335,705
Unrealized profit	<b>28</b>	69			221
Total gross profit	<b>45,950</b>	52,399	(6,449)	(12.3)	198,595
<b>Selling, general and administrative expenses</b>	<b>39,071</b>	37,389	1,682	4.5	162,899
Operating income	<b>6,878</b>	15,010	(8,132)	(54.2)	35,695
<b>Non-operating income</b>	<b>5,915</b>	3,621	2,294	63.4	12,155
<b>Non-operating expenses</b>	<b>1,199</b>	1,385	(186)	(13.4)	6,548
Recurring profit	<b>11,594</b>	17,246	(5,652)	(32.8)	41,302
<b>Other profit</b>					
Gain on return of substitutional portion of employee welfare pension fund	—	—			19,927
Other	<b>1,325</b>	437			7,464
Total other profit	<b>1,325</b>	437	888	203.2	27,391
<b>Other loss:</b>					
Impairment loss	—	32,549			32,703
Other	<b>117</b>	303			2,475
Total other loss	<b>117</b>	32,852	(32,735)	(99.6)	35,178
<b>Income (loss) before income taxes and minority interests</b>	<b>12,802</b>	(15,169)	27,971	—	33,516
<b>Current income taxes</b>	<b>1,766</b>	4,002	(2,236)	(55.9)	14,497
<b>Deferred income taxes (benefit)</b>	<b>1,150</b>	(6,711)	7,861	—	(1,088)
<b>Minority interests</b>	<b>52</b>	142	(90)	(63.4)	409
<b>Net income (loss)</b>	<b>9,832</b>	¥(12,603)	22,435	—	19,697

## 3. SUMMARY OF CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Millions of yen				
	First quarter of FY2006 (Apr. 1, 2005–June 30, 2005)	First quarter of FY2005 (April 1, 2004–June 30, 2004)	FY2005 (Apr. 1, 2004–Mar. 31, 2005)		
<b>CAPITAL SURPLUS</b>					
<b>Balance at beginning of period</b>	¥ 40,054		¥ 40,054		¥ 40,054
<b>Balance at end of period</b>	<b>40,054</b>		40,054		40,054
<b>EARNED SURPLUS</b>					
<b>Balance at beginning of period</b>	<b>212,340</b>		203,485		203,485
<b>Additional earned surplus:</b>					
Net income	<b>¥9,832</b>	¥ —		¥19,697	
Effect of change in scope of consolidation	<b>863</b>	—		—	
Reversal of reserve for land revaluation	<b>282</b>	—		—	
Reversal of reserve for land revaluation resulting from change of interest in subsidiaries	—	<b>10,978</b>	10	10	188
<b>Deduction from earned surplus:</b>					
Cash dividends paid	<b>2,579</b>		2,063		3,611
Bonuses to directors and statutory auditors	<b>100</b>		121		121
Net loss	—		12,603		—
Effect of change in scope of consolidation	<b>120</b>		36		36
Effect of change in interests in subsidiaries	<b>205</b>		23		371
Reversal of reserve for land evaluation	—	<b>3,005</b>	6,505	21,354	6,890
<b>Balance at end of period</b>	<b>¥220,314</b>		¥182,142		¥212,340

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

## 4. SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		
	First quarter of FY2006 (Apr. 1, 2005–June 30, 2005)	First quarter of FY2005 (Apr. 1, 2004–June 30, 2004)	FY2005 (Apr. 1, 2004–Mar. 31, 2005)
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥12,802	¥(15,169)	¥33,516
Depreciation and amortization	4,703	4,713	18,958
Impairment loss	—	32,549	32,703
(Increase) decrease in accounts and notes receivable—trade	(1,211)	(1,930)	8,636
(Increase) decrease in inventories	(4,513)	(6,494)	(4,654)
Increase (decrease) in accounts and notes payable	789	2,608	(2,798)
Income taxes paid and refunded	(9,575)	(666)	(5,501)
Other, net	(17,184)	(14,639)	(41,270)
Net cash provided by operating activities	(14,188)	970	39,588
<b>Cash flows from investing activities:</b>			
Purchases of fixed assets	(4,583)	(5,483)	(21,450)
Proceeds from sale of fixed assets	1,577	1,631	2,527
Other, net	(2,455)	414	6,026
Net cash used in investing activities	(5,461)	(3,437)	(12,896)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term loans	3,749	5,063	902
(Decrease) increase in long-term loans	(619)	(1,102)	(3,477)
Cash dividends paid	(2,579)	(2,063)	(3,611)
Other, net	(818)	(922)	(2,121)
Net cash provided by (used in) financing activities	(266)	974	(8,306)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>48</b>	<b>353</b>	<b>1,099</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(19,868)</b>	<b>(1,139)</b>	<b>19,485</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>50,393</b>	<b>31,245</b>	<b>31,245</b>
<b>Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation</b>	<b>1,685</b>	<b>—</b>	<b>—</b>
<b>Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation at beginning of period</b>	<b>—</b>	<b>(337)</b>	<b>(337)</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥32,210</b>	<b>¥ 29,768</b>	<b>¥50,393</b>

## 5. BASIC ITEMS FOR THE PREPARATION OF THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### Whether the Company Has Adopted Simplified Accounting Procedures

The following simplified accounting procedures are based on the standards used in the Company's interim consolidated financial statements and will help investors and other stakeholders make sound decisions.

#### Simplified Procedures

1. Depreciation expenses represent one quarter of total planned annual depreciation.
2. A simplified method is used to calculate tax expenses.

## 6. SEGMENT INFORMATION

### (1) Business Segments

(First quarter of FY2006 (April 1, 2005–June 30, 2005))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥73,345	¥16,223	¥13,829	¥11,177	¥4,047	¥5,488	¥124,112	¥ —	¥124,112
Intersegment sales or transfers	—	—	409	—	—	—	409	(409)	—
Total sales	73,345	16,223	14,238	11,177	4,047	5,488	124,521	(409)	124,112
Operating expenses	68,980	16,171	11,664	10,899	4,544	5,382	117,642	(409)	117,233
Operating income (loss)	¥ 4,365	¥ 52	¥ 2,574	¥ 277	¥ (497)	¥ 105	¥ 6,878	¥ —	¥ 6,878

Note: Business sectors: Divided into the categories of musical instruments, AV/IT, electronic equipment and metal products, lifestyle-related products, recreation and others based on consideration of similarities of product type, characteristics and market, etc.

(First quarter of FY2005 (April 1, 2004–June 30, 2004))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥73,568	¥17,661	¥21,177	¥10,424	¥4,291	¥5,779	¥132,903	¥ —	¥132,903
Intersegment sales or transfers	—	—	582	—	—	—	582	(582)	—
Total sales	73,568	17,661	21,760	10,424	4,291	5,779	133,486	(582)	132,903
Operating expenses	66,984	15,867	14,048	10,524	5,077	5,972	118,476	(582)	117,893
Operating income (loss)	¥ 6,583	¥ 1,794	¥ 7,711	¥ (100)	¥ (785)	¥ (193)	¥ 15,010	¥ —	¥ 15,010

(FY2005 (April 1, 2004–March 31, 2005))

(Millions of yen)

	Musical instruments	AV/IT	Electronic equipment and metal products	Lifestyle-related products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥302,617	¥77,720	¥69,048	¥42,844	¥18,290	¥23,557	¥534,079	¥ —	¥534,079
Intersegment sales or transfers	—	—	2,143	—	—	—	2,143	(2,143)	—
Total sales	302,617	77,720	71,192	42,844	18,290	23,557	536,222	(2,143)	534,079
Operating expenses	288,434	74,069	51,221	42,869	20,543	23,388	500,527	(2,143)	498,383
Operating income (loss)	¥ 14,183	¥ 3,651	¥19,970	¥ (24)	¥ (2,253)	¥ 168	¥ 35,695	¥ —	¥ 35,695

## (2) Geographical Segments

(First quarter of FY2006 (April 1, 2005–June 30, 2005))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥ 79,530	¥16,981	¥17,183	¥10,417	¥124,112	¥ —	¥124,112
Intersegment sales or transfers	32,595	427	188	13,132	46,343	(46,343)	—
Total sales	112,125	17,409	17,371	23,549	170,456	(46,343)	124,112
Operating expenses	106,108	17,233	16,891	22,577	162,811	(45,577)	117,233
Operating income	¥ 6,017	¥ 175	¥ 479	¥ 972	¥ 7,644	¥ (766)	¥ 6,878

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, U.K.

Asia, Oceania and other areas: China, Australia

(First quarter of FY2005 (April 1, 2004–June 30, 2004))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥ 90,870	¥16,275	¥17,098	¥ 8,659	¥132,903	¥ —	¥132,903
Intersegment sales or transfers	33,994	344	112	13,595	48,046	(48,046)	—
Total sales	124,865	16,619	17,210	22,254	180,950	(48,046)	132,903
Operating expenses	110,425	16,198	16,444	21,302	164,371	(46,478)	117,893
Operating income	¥ 14,439	¥ 421	¥ 765	¥ 952	¥ 16,578	¥(1,568)	¥ 15,010

(FY2005 (April 1, 2004–March 31, 2005))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥327,895	¥85,465	¥83,289	¥37,429	¥534,079	¥ —	¥534,079
Intersegment sales or transfers	139,933	1,428	526	59,410	201,299	(201,299)	—
Total sales	467,828	86,894	83,815	96,840	735,379	(201,299)	534,079
Operating expenses	442,131	82,692	79,913	93,061	697,799	(199,415)	498,383
Operating income	¥ 25,697	¥ 4,202	¥ 3,901	¥ 3,779	¥ 37,580	¥ (1,884)	¥ 35,695



**(3) Overseas Sales**

(First quarter of FY2006 (April 1, 2005–June 30, 2005))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	<b>¥17,169</b>	<b>¥17,409</b>	<b>¥12,631</b>	<b>¥ 47,210</b>
Net sales	—	—	—	<b>124,112</b>
% of net sales	<b>13.8%</b>	<b>14.0%</b>	<b>10.2%</b>	<b>38.0%</b>

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

(First quarter of FY2005 (April 1, 2004–June 30, 2004))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥16,665	¥17,357	¥11,710	¥ 45,733
Net sales	—	—	—	132,903
% of net sales	12.5%	13.1%	8.8%	34.4%

(FY2005 (April 1, 2004–March 31, 2005))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥86,717	¥84,483	¥49,971	¥221,173
Net sales	—	—	—	534,079
% of net sales	16.2%	15.8%	9.4%	41.4%