

YAMAHA CORPORATION

Overview of Consolidated Performance for the First Three Quarters of the Fiscal Year Ending March 31, 2005 (April 1, 2004, to December 31, 2004)

February 10, 2005

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

Code number: 7951

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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, 2004: Yes
(See attached documents for details.)
- (3) Changes in the Status of Consolidated Companies and Companies Accounted for using the Equity Method:
Consolidated companies:
Number of companies newly consolidated: 1
Number of companies removed from consolidation: 4
Equity method:
Number of companies newly accounted for using the equity method: —
Number of companies removed from the equity method: —

2. OVERVIEW OF CONSOLIDATED PERFORMANCE FOR THE FIRST THREE QUARTERS OF THE FISCAL YEAR ENDING MARCH 31, 2005 (April 1, 2004–December 31, 2004)

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 three quarters of FY2005	¥413,452	(0.5)	¥38,056	(15.6)	¥44,708	(12.8)
First three quarters of FY2004	¥415,351	—	¥45,100	—	¥51,248	—
(Reference) FY2004	¥539,506		¥45,056		¥51,036	

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	% change from the previous fiscal year	Yen	Yen
First three quarters of FY2005	¥19,326	(57.7)	¥ 93.75	¥ 92.57
First three quarters of FY2004	¥45,706	—	¥221.72	¥205.94
(Reference) FY2004	¥43,541		¥210.63	¥196.01

Note: Percentages represent changes compared with the same period 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
End of third quarter of FY2005	¥520,591	¥277,242	53.3	¥1,344.88
End of third quarter of FY2004	¥543,502	¥259,829	47.8	¥1,260.36
(Reference) FY2004	¥508,731	¥259,731	51.1	¥1,259.28

(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 three quarters of FY2005	¥15,815	¥(15,604)	¥ 10,385	¥42,043
First three quarters of FY2004	¥25,970	¥(13,184)	¥ (9,643)	¥45,105
(Reference) FY2004	¥58,349	¥(18,775)	¥(50,141)	¥31,245

3. FORECASTS OF RESULTS FOR FY2005 (April 1, 2004–March 31, 2005)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005	¥541,000	¥41,000	¥19,500

Reference: Net income per share for the fiscal year is forecast to be ¥94.59 on a consolidated basis.

For further information regarding forecasts, please see page 3.

4. QUALITATIVE COMMENTS ON PROGRESS IN CONSOLIDATED PERFORMANCE AND FINANCIAL POSITION**(1) Qualitative Comments on Progress in Consolidated Performance**

YAMAHA's sales performance through the end of the third quarter (April 1, 2004, to December 31, 2004) was as follows. Sales recorded by the musical instruments and AV/IT segments expanded, but those of the electronic equipment and metal products segment declined. As a result, net sales amounted to ¥413,452 million, representing a decline of 0.5% from the same period of the previous fiscal year. Of this total, domestic sales accounted for ¥241,097 million, 2.1% lower than for the same period of the previous fiscal year, and overseas sales were ¥172,354 million, representing a gain of 1.9% year on year.

By business segment, sales of the musical instruments segment increased overall, as declines in sales of pianos and guitars were more than offset by increased sales of the new "STAGEA" Electones™. In the AV/IT segment, the sales performance of AV receivers, home theater systems, and routers for enterprise use continued to be strong. Sales of the electronic equipment and metal products segment decreased because of weaker demand for LSI sound chips for mobile phones in Korea and China. In the lifestyle-related products, recreation, and others segments, sales declined.

As a result, operating income totaled ¥38,056 million, down 15.6% year on year, and recurring profit amounted to ¥44,708 million, 12.8% lower than for the same period of the previous year. YAMAHA recognized an extraordinary loss of ¥32,549 million due to the early application of fixed asset impairment accounting standards. However, the Company reported an extraordinary gain of ¥19,790 million due to a reimbursement for the payment of its prior-year obligation associated with the substitutional portion of its national welfare pension fund (December 1, 2004).

Net income for the period under review amounted to ¥19,326 million, representing a decline of 57.7% year on year.

(2) Qualitative Comments on Changes in Consolidated Financial Position

During the period through the end of the third quarter of the fiscal year (April 1, 2004, through December 31, 2004), developments in consolidated cash flows were as follows. Among cash flows from operating activities, cash inflow from income before income taxes and minority interests of ¥31,741 million was partly offset by increases in notes and accounts receivable—trade and inventories. As a result, net cash provided by operating activities amounted to ¥15,815 million.

Net cash used in investing activities amounted to ¥15,604 million, including capital and other investments.

Net cash provided by financing activities totaled ¥10,385 million, consisting mainly of cash obtained from an increase in short-term loans.

As a result of these factors, we recorded a net increase in cash and cash equivalents in the period under review of ¥11,135 million and cash and cash equivalents at end of period amounted to ¥42,043 million at the end of first three quarters, December 31, 2004.

(3) Qualitative Comments on the Outlook for Consolidated Performance

Regarding projections for consolidated performance for the current fiscal year, figures are slightly lower compared with forecasts announced along with the interim financial performance (November 2, 2004). This is primarily due to declines in the sales and profits of musical instruments and lower sales of electronic equipment and metal products and AV/IT products.

Please note that YAMAHA Motor Co., Ltd., an affiliated company accounted for under the equity method of consolidation, changed the date for its annual closing of accounts to December 31. As a result, the equity in earnings of YAMAHA Motor that will be entered in the accounts of the Company for the fiscal year ending March 31, 2005, will be based on YAMAHA Motor's accounts covering the nine-month period from April 1, 2004, to December 31, 2004.

Non-consolidated operating results are projected to trend broadly in line with the previous outlook; however, net sales will decrease slightly.

(Revision of the Outlook for the Full Fiscal Year)

The Company has revised its outlook for the fiscal year ending March 31, 2005, as announced on November 2, 2004, the occasion of its announcement of interim results.

Revision of the Outlook for Fiscal 2005 (April 1, 2004, to March 31, 2005)**(1) Consolidated**

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous outlook (A)	¥546,500	¥42,500	¥19,500
Revised outlook (B)	541,000	41,000	19,500
Amount of revision (B-A)	(5,500)	(1,500)	—
Percentage revision	(1.0)%	(3.5)%	—
Actual for fiscal 2004	539,506	51,036	43,541

Reference: Net income per share for the fiscal year is forecast to be ¥94.59 on a consolidated basis.

(2) Non-consolidated

	Net sales	Recurring profit	Net income (loss)
	Millions of yen	Millions of yen	Millions of yen
Previous outlook (A)	¥343,000	¥23,500	¥(2,000)
Revised outlook (B)	342,000	23,500	(2,000)
Amount of revision (B-A)	(1,000)	—	—
Percentage revision	(0.3)%	—	—
Actual for fiscal 2004	345,354	28,118	25,579

Preference: Net income per share for the fiscal year is forecast to be ¥(9.69) on a non-consolidated basis.

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**

	Millions of yen		
	End of third quarter of FY2005 (as of Dec. 31, 2004)	FY2004 (as of Mar. 31, 2004)	Increase (decrease)
ASSETS			
Current assets:			
Cash and bank deposits	¥ 42,771	¥ 32,053	¥10,718
Notes and accounts receivable	91,577	81,114	10,463
Inventories	82,848	72,146	10,702
Other current assets	23,108	16,390	6,718
Total current assets	240,306	201,704	38,602
Fixed assets:			
Tangible assets	144,635	178,667	(34,032)
Intangible assets	1,023	944	79
Investments and other assets	134,626	127,415	7,211
Total fixed assets	280,284	307,026	(26,742)
Total assets	¥520,591	¥508,731	¥11,860
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 40,684	¥ 39,947	¥ 737
Short-term loans	33,572	16,711	16,861
Current portion of long-term debt	27,290	7,388	19,902
Accrued expenses	34,891	45,888	(10,997)
Other current liabilities	25,839	13,660	12,179
Total current liabilities	162,278	123,596	38,682
Long-term liabilities:			
Long-term debt	3,934	24,772	(20,838)
Accrued employees' retirement benefits	27,296	50,012	(22,716)
Other fixed liabilities	46,139	47,106	(967)
Total long-term liabilities	77,370	121,891	(44,521)
Total liabilities	239,649	245,488	(5,839)
MINORITY INTERESTS	3,699	3,511	188
SHAREHOLDERS' EQUITY			
Common stock	28,534	28,534	—
Capital surplus	40,054	40,054	—
Earned surplus	212,404	203,485	8,919
Reserve for land revaluation	22,018	15,866	6,152
Net unrealized holding gains on other securities	11,022	10,979	43
Translation adjustments	(36,517)	(38,937)	2,420
Treasury stock, at cost	(275)	(252)	(23)
Total shareholders' equity	277,242	259,731	17,511
Total liabilities, minority interests and shareholders' equity	¥520,591	¥508,731	¥11,860

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

2. SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS

	First three quarters of FY2005 (Apr. 1, 2004–Dec. 31, 2004)		First three quarters of FY2004 (Apr. 1, 2003–Dec. 31, 2003)		FY2004 (Apr. 1, 2003–Mar. 31, 2004)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	¥413,452	100.0	¥415,351	100.0	¥539,506	100.0
Cost of sales	255,475	61.8	256,532	61.7	338,057	62.7
Unrealized profit	179		171		244	
Total gross profit	158,155	38.2	158,990	38.3	201,693	37.4
Selling, general and administrative expenses	120,099	29.0	113,889	27.4	156,637	29.0
Operating income	38,056	9.2	45,100	10.9	45,056	8.4
Non-operating income	11,301	2.7	11,311	2.7	12,841	2.4
Non-operating expenses	4,648	1.1	5,164	1.3	6,861	1.3
Recurring profit	44,708	10.8	51,248	12.3	51,036	9.5
Extraordinary income:						
Gains on return of substitutional portion of employee welfare pension funds	19,790		—		—	
Other	612		187		613	
Total Extraordinary gain	20,403	4.9	187	0.0	613	0.1
Extraordinary loss:						
Impairment loss	32,549		—		—	
Other	821		1,405		4,193	
Total Extraordinary loss	33,370	8.0	1,405	0.3	4,193	0.8
Income before income taxes and minority interests	31,741	7.7	50,030	12.0	47,456	8.8
Current income taxes	13,958	3.4	4,127	1.0	4,769	0.9
Deferred income taxes	(1,915)	(0.5)	(300)	(0.1)	(1,387)	(0.3)
Minority interests	372	0.1	496	0.1	532	0.1
Net income	¥ 19,326	4.7	¥ 45,706	11.0	¥ 43,541	8.1

3. SUMMARY OF CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Millions of yen			
	First three quarters of FY2005 (Apr. 1, 2004–Dec. 31, 2004)		FY2004 (Apr. 1, 2003–Mar. 31, 2004)	
CAPITAL SURPLUS				
Balance at beginning of period		¥ 40,054		¥ 40,052
Increase in capital surplus:				
Conversion of convertible bonds	—	—	1	1
Balance at end of period		40,054		40,054
EARNED SURPLUS				
Balance at beginning of period		203,485		162,344
Additional earned surplus:				
Net income	19,326		43,541	
Effect of change in scope of consolidation	—		545	
Reversal of reserve for land revaluation from change of interests in subsidiaries	188		569	
Increase from accounting period changes of consolidated subsidiaries	—	19,515	64	44,721
Deduction from earned surplus:				
Cash dividends paid	3,611		2,063	
Bonuses to directors and statutory auditors	121		82	
Effect of change in scope of consolidation	36		116	
Effect of change in interests in subsidiaries	371		95	
Reversal of reserve for land evaluation	6,455	10,596	1,220	3,579
Balance at end of period		¥212,404		¥203,485

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

4. SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	First three quarters of FY2005 (Apr. 1, 2004–Dec. 31, 2004)	FY2004 (Apr. 1, 2003–Mar. 31, 2004)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥31,741	¥47,456
Depreciation and amortization	14,703	17,522
Impairment loss	32,549	—
Employees' retirement benefits, net of payments	(22,731)	(3,983)
Increase in notes and accounts receivable—trade	(9,461)	(698)
(Increase) decrease in inventories	(9,775)	6,346
Increase in notes and accounts payable	523	1,283
Other, net	(21,735)	(9,575)
Net cash provided by operating activities	15,815	58,349
Cash flows from investing activities:		
Purchases of fixed assets	(17,744)	(18,721)
Proceeds from sale of fixed assets	2,231	552
Other, net	(90)	(606)
Net cash used in investing activities	(15,604)	(18,775)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	16,699	(11,179)
Decrease in long-term loans	(909)	(6,126)
Cash dividends paid	(3,611)	(2,063)
Other, net	(1,793)	(30,771)
Net cash provided by (used in) financing activities	10,385	(50,141)
Effect of exchange rate changes on cash and cash equivalents	538	(1,599)
Net increase (decrease) in cash and cash equivalents	11,135	(12,167)
Cash and cash equivalents at beginning of period	31,245	42,976
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	—	1,150
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation at beginning of period	(337)	(127)
Decrease in cash and cash equivalents accompanying changes to the accounting periods of consolidated subsidiaries	—	(587)
Cash and cash equivalents at end of period	¥42,043	¥31,245

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

5. (1) Basic Items for the Preparation of the Consolidated Financial Statements

1. Adoption of Simplified Accounting Methods

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 the total depreciation planned for the quarter under review.
2. A simplified method is used to calculate tax expenses.

2. Fiscal Years of Companies Accounted for under the Equity Method

Beginning with the period under review, Yamaha Motor Co., Ltd., which Yamaha Corporation accounts for under the equity method of consolidation, changed its date for the closing of accounts to December 31.

5. (2) Changes to Yamaha's Accounting Policies

1. Impairment Accounting for Fixed Assets

Yamaha adopted impairment accounting standards during the fiscal period under review. These standards are based on the Business Accounting Council's "Report on Accounting Standards for Impaired Fixed Assets," published on August 9, 2002, and the "Implementation Guidelines for Asset Impairment Accounting," which were published in the "Statement of Corporate Accounting Standards No. 6" on October 31, 2003. As a result, net income before income taxes decreased ¥32,549 million.

Notes regarding impairment loss are as follows.

Impairment loss by asset group

Unit: ¥1 million

Use	Location	Impairment loss	
		Asset type	Amount
Recreation assets	Four recreational facilities (Kiroro, Tsumagoi Toba Hotel International, Nemunosato)	Buildings and other structures	¥22,321
		Land	9,666
		Total	¥31,988
Idle real estate	Hamamatsu, Shizuoka, etc.	Buildings and other structures	¥ 39
		Land	521
		Total	¥ 560
Total		Buildings and other structures	¥22,360
		Land	10,188
		Total	¥32,549

Method of grouping assets

For each business segment, Yamaha groups fixed assets at the lowest level for which there are independent cash flows on a regular basis.

Assets for which impairment loss is recognized

Yamaha recognizes impairment loss for facilities that have consistently recorded losses from operating activities (the recreation business) and idle real estate that has seen a continued decline in land value.

Determining the recoverable amount of an impaired asset

In the recreation business, the recoverable amount of an impaired asset is the asset's utility value discounted by 9.4% of its estimated future cash flows. The recoverable amount for idle real estate is the net present value, which is determined based on the assessed value of fixed assets.

2. Change in Method for Fixed-Asset Depreciation

Shift to the declining-balance method for fixed-asset depreciation

In the recreation business, YAMAHA switched from the straight-line to the declining-balance method for fixed-asset depreciation, reflecting changes in its operating environment, the diversification of customer preferences, and other factors undermining the performance of the Company's recreation facilities.

6. SEGMENT INFORMATION

(1) Business Segments

(First three quarters of FY2005 (April 1, 2004–December 31, 2004))

(Millions of yen)

	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥232,642	¥61,928	¥33,164	¥54,867	¥13,446	¥17,402	¥413,452	¥ —	¥413,452
Intersegment sales or transfers	—	—	—	1,783	—	—	1,783	(1,783)	—
Total sales	232,642	61,928	33,164	56,651	13,446	17,402	415,235	(1,783)	413,452
Operating expenses	215,346	57,155	32,981	38,817	15,469	17,408	377,179	(1,783)	375,395
Operating income (loss)	¥ 17,296	¥ 4,773	¥ 182	¥17,833	¥(2,022)	¥ (6)	¥ 38,056	¥ —	¥ 38,056

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

(First three quarters of FY2004 (April 1, 2003–December 31, 2003))

(Millions of yen)

	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥227,762	¥58,808	¥35,170	¥58,548	¥15,013	¥20,046	¥415,351	¥ —	¥415,351
Intersegment sales or transfers	—	—	—	1,742	—	—	1,742	(1,742)	—
Total sales	227,762	58,808	35,170	60,291	15,013	20,046	417,093	(1,742)	415,351
Operating expenses	212,563	54,210	33,474	36,507	15,850	19,386	371,992	(1,742)	370,250
Operating income (loss)	¥ 15,199	¥ 4,598	¥ 1,695	¥23,784	¥ (837)	¥ 660	¥ 45,100	¥ —	¥ 45,100

(FY2004 (April 1, 2003–March 31, 2004))

(Millions of yen)

	Musical instruments	AV/IT	Lifestyle-related products	Electronic equipment and metal products	Recreation	Others	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥293,430	¥78,257	¥44,765	¥76,892	¥20,100	¥26,061	¥539,506	¥ —	¥539,506
Intersegment sales or transfers	—	—	—	2,131	—	—	2,131	(2,131)	—
Total sales	293,430	78,257	44,765	79,023	20,100	26,061	541,638	(2,131)	539,506
Operating expenses	282,950	73,839	43,303	49,005	21,211	26,272	496,581	(2,131)	494,450
Operating income (loss)	¥ 10,480	¥ 4,418	¥ 1,462	¥30,018	¥(1,110)	¥ (211)	¥ 45,056	¥ —	¥ 45,056

(2) Geographical Segments

(First three quarters of FY2005 (April 1, 2004–December 31, 2004))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥252,541	¥65,439	¥66,551	¥28,918	¥413,452	¥ —	¥413,452
Intersegment sales or transfers	117,261	1,084	444	49,433	168,224	(168,224)	—
Total sales	369,803	66,524	66,996	78,352	581,676	(168,224)	413,452
Operating expenses	339,282	63,285	62,425	74,239	539,232	(163,837)	375,395
Operating income	¥ 30,520	¥3,238	¥ 4,571	¥ 4,113	¥ 42,443	¥ (4,387)	¥ 38,056

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: Singapore, Australia

(FY2004 (April 1, 2003–March 31, 2004))

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥336,008	¥85,483	¥81,685	¥36,329	¥539,506	¥ —	¥539,506
Intersegment sales or transfers	137,091	1,439	514	58,995	198,041	(198,041)	—
Total sales	473,100	86,922	82,199	95,325	737,548	(198,041)	539,506
Operating expenses	441,685	82,240	77,645	92,103	693,674	(199,224)	494,450
Operating income	¥ 31,415	¥ 4,682	¥ 4,554	¥3,221	¥ 43,873	¥ 1,183	¥ 45,056

(3) Overseas Sales

(First three quarters of FY2005 (April 1, 2004–December 31, 2004))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥66,543	¥67,314	¥38,495	¥172,354
Net sales	—	—	—	413,452
% of net sales	16.1%	16.3%	9.3%	41.7%

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

(First three quarters of FY2004 (April 1, 2003–December 31, 2003))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥66,038	¥65,759	¥37,398	¥169,196
Net sales	—	—	—	415,351
% of net sales	15.9%	15.8%	9.0%	40.7%

(FY2004 (April 1, 2003–March 31, 2004))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥86,671	¥83,473	¥48,552	¥218,697
Net sales	—	—	—	539,506
% of net sales	16.1%	15.5%	9.0%	40.5%