

**Analyst and Investor Briefing on the  
Fiscal Year Ended March 31, 2008  
(FY2008.3)**

**May 1, 2008  
YAMAHA CORPORATION**

# FY2008.3 Results Summary



- **Sales declined slightly year-on-year, but operating income increased. Net income rose year-on-year due to increased operating income and gain on sales of shares in Yamaha Motor Co., Ltd. Sales and operating income were both lower than 3Q projections (issued on February 6, 2008).**
- **Excluding the impact of business handover (¥15 billion) and exchange rates (¥6.8 billion), actual sales increased 1.2% year-on-year.**
- **Musical instrument sales and income rose year-on-year, although they were lower than 3Q projections. Electronic equipment and metal products sales and income fell year-on-year. Sales were lower than 3Q projections, although income was higher. Lifestyle-related products sales and income declined year-on-year.**
- **Discounting the impact of exchange rates (¥4.5 billion) and the handover of electronic metal products business (¥3.8 billion), inventory assets at term-end were ¥2.4 billion higher than at the end of the previous fiscal year. Discounting the impact of exchange rates (¥3.8 billion), actual inventories at term-end were ¥1.9 billion higher than 3Q projections.**

# Performance in FY2008.3



➤ Sales declined year-on-year, while operating income rose. Sales and operating income were both lower than previous projections.

(Billions of yen)

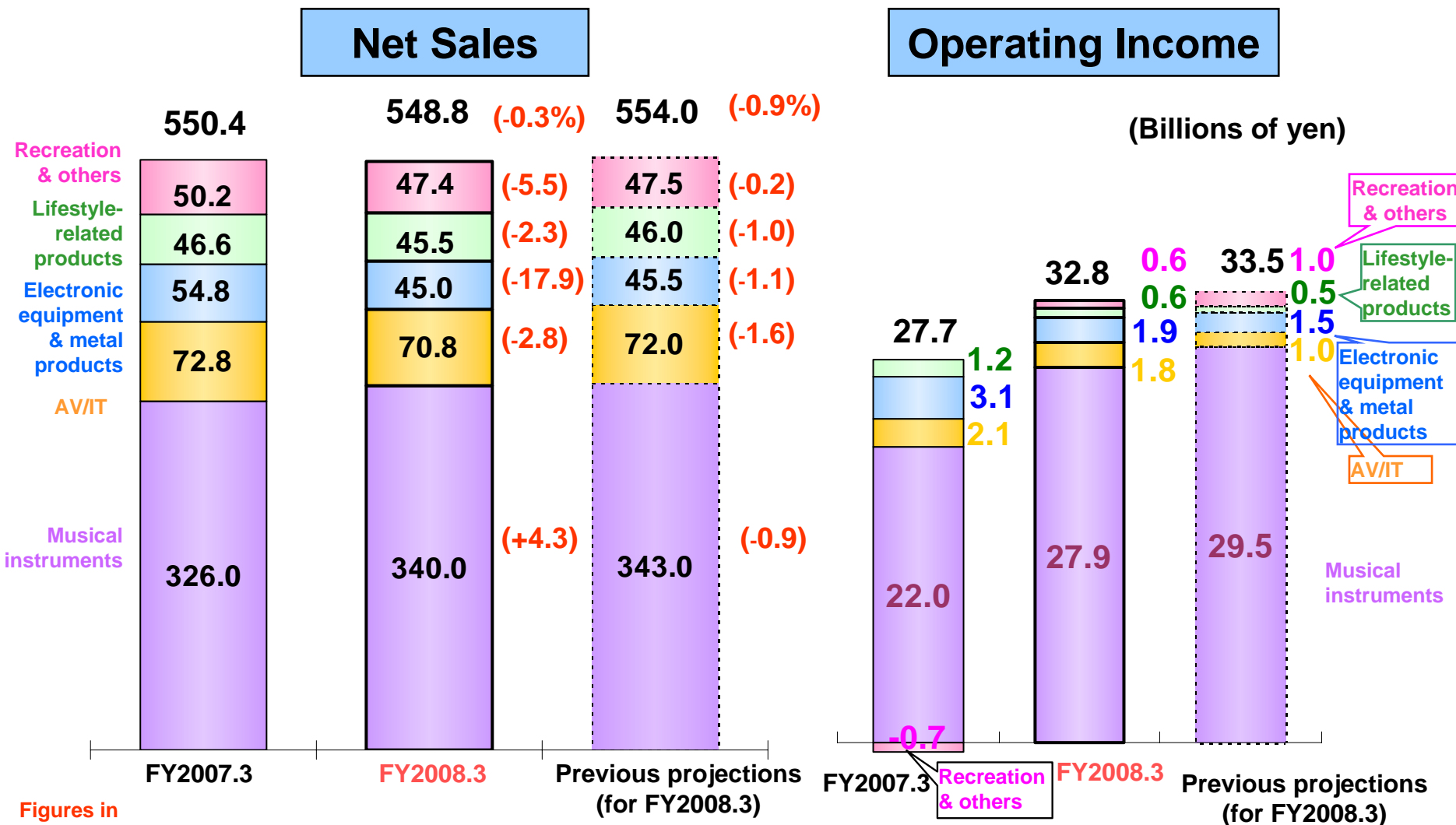
	FY2007.3 Results	FY2008.3 Results	Increase/ decrease	Previous projections (Feb. 6, 2008)	Increase/ decrease
Net sales	550.4	548.8	- 0.3%	554.0	- 0.9%
Operating income (operating income ratio)	27.7 (5.0%)	32.8 (6.0%)	+ 18.6%	33.5	- 2.0%
Recurring profit (recurring profit ratio)	42.6 (7.7%)	32.6 (5.9%)	- 23.6%	33.0	- 1.3%
Net income (net income ratio)	27.9 (5.1%)	39.6 (7.2%)	+ 42.0%	39.0	+ 1.4%

Equity method income      17.8                      0.1                      0.1

## Currency exchange rates

Net sales	US\$	117	114	117
	EUR	150	162	161
Operating income	US\$	117	116	117
	EUR	144	159	158

# Performance by Business Segment in FY2008.3



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year: +¥6.8 billion (musical instruments +¥4.8, AV/IT +¥2.0 billion)  
 Versus previous projections: -¥3.1 billion (musical instruments -¥2.6 billion, AV/IT -¥0.5 billion)

**Impact of exchange rates**  
 Year-on-year: +¥6.7 billion (musical instruments +¥5.0, AV/IT +¥1.7 billion)  
 Versus previous projections: ¥0 billion (musical instruments -¥0.1 billion, AV/IT +¥0.1 billion)

# Musical Instruments

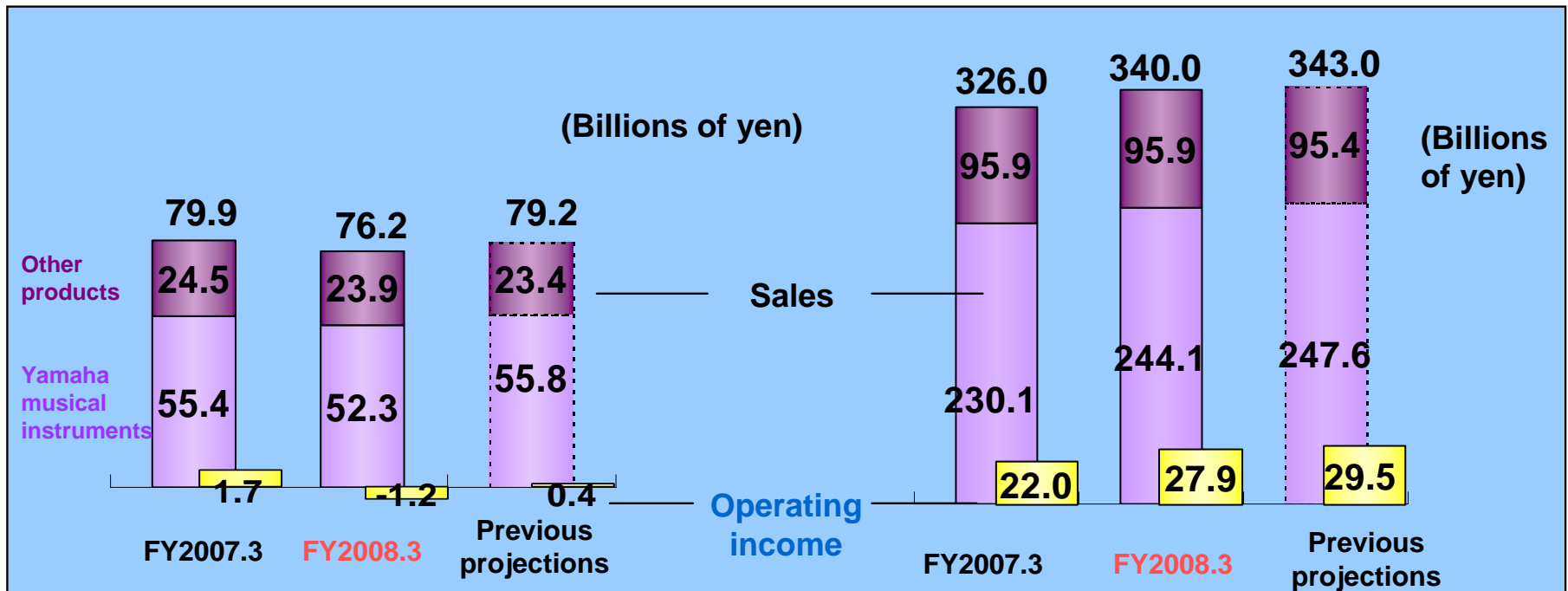


## 4Q Overview

- Discounting the effects of exchange rates, actual 4Q sales were at a similar level to the previous year. Actual sales were slightly lower than previous projections. North America and Europe failed to meet previous projections.
- 4Q operating income was lower than previous projections, chiefly due to increased SG&A costs.
- Discounting the effects of exchange rates, year-end inventories were generally in line with previous projections.

## FY2008.3 Overview

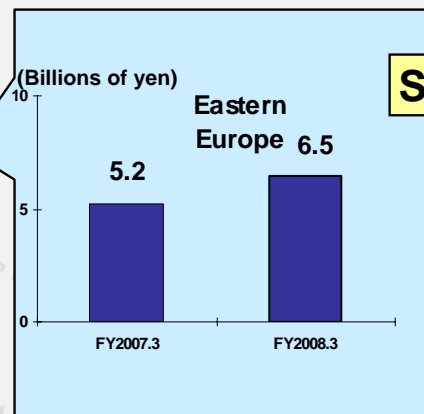
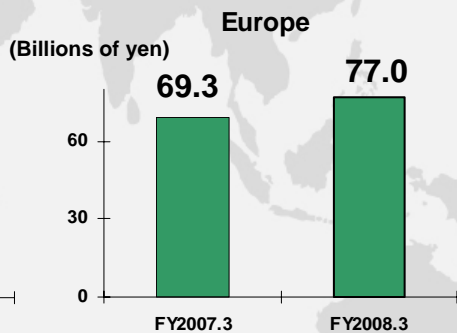
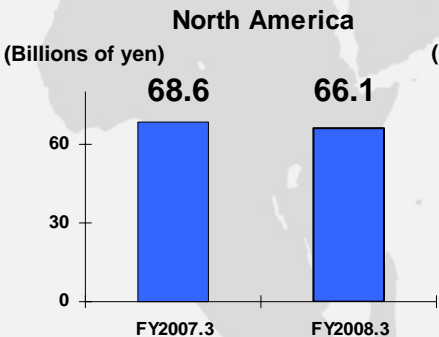
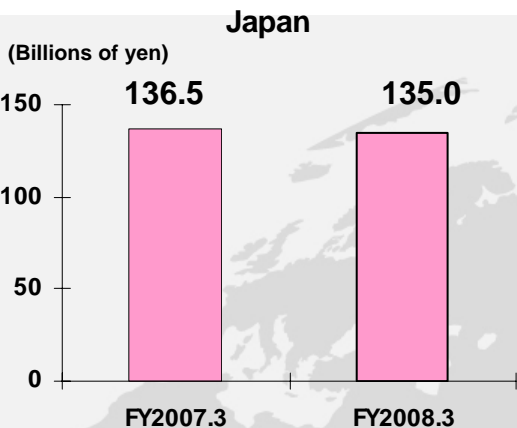
- Sales and income rose year-on-year  
Discounting the impact of exchange rates, actual sales increased 2.8% year-on-year. China and other emerging markets showed double-digit growth. In Europe actual sales increased by 4% year-on-year, but in North America they declined by 2.6%.
- Sales of electronic musical instruments, professional audio equipment and wind instruments increased year-on-year.
- Operating income rose significantly from the previous year due to increased sales and higher gross profit margins resulting from factors including favorable exchange rates, changes in sales structures, and cost reductions.



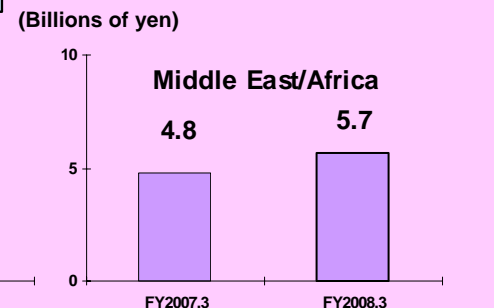
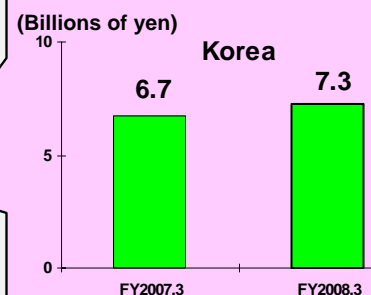
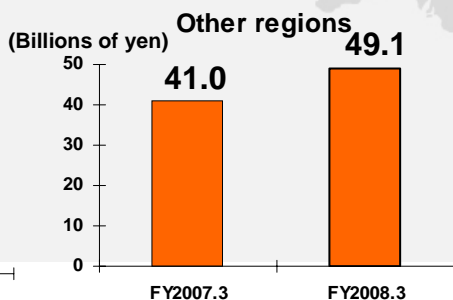
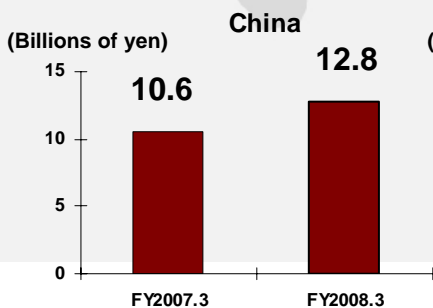
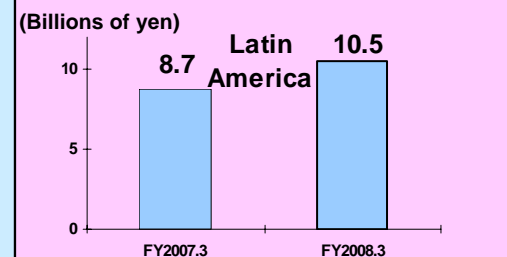
# Musical Instruments: Sales by Region (FY2007.3/FY2008.3)



• Actual year-on-year change, discounting impact of exchange rates  
 Japan (-1%) , North America (-3%) ,  
 Europe (+4%) , China (+20%) , Other regions (+18%)



## Sales in Growth Markets

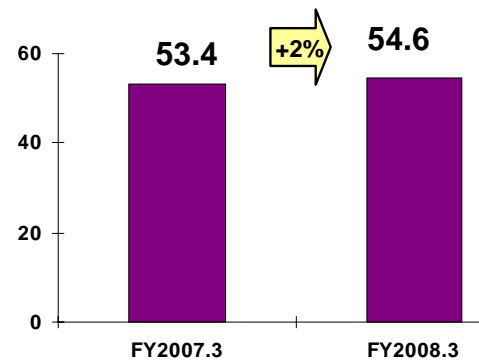


# Musical Instruments: Sales by Product (FY2007.3/FY2008.3)



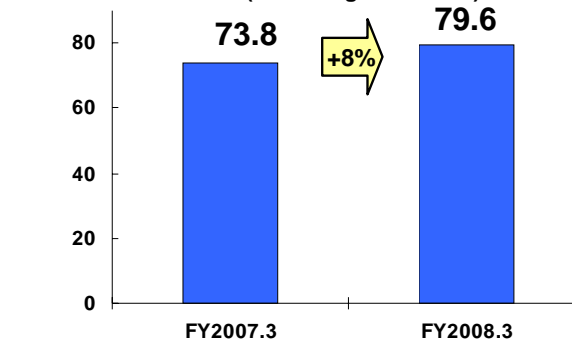
(Billions of yen)

## Pianos



## Electronic Musical Instruments (Excluding Electones)

(Billions of yen)

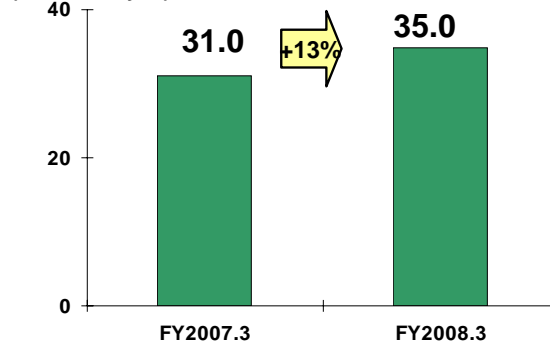


(Units)

Piano sales volumes	FY2007.3	FY2008.3
Japan	21,300	19,200
Other countries	71,300	76,100
Total	92,600	95,300

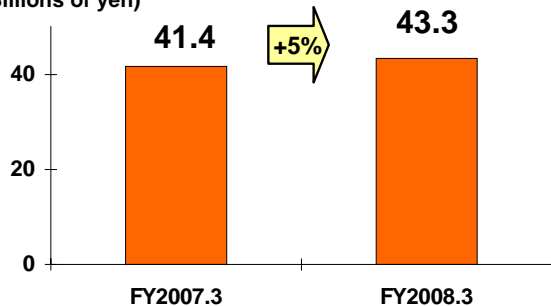
## Professional Audio Equipment

(Billions of yen)



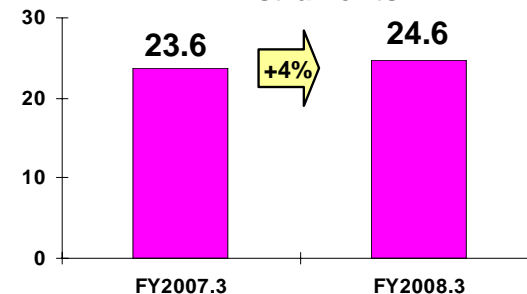
## Wind Instruments

(Billions of yen)



## String and Percussion Instruments

(Billions of yen)

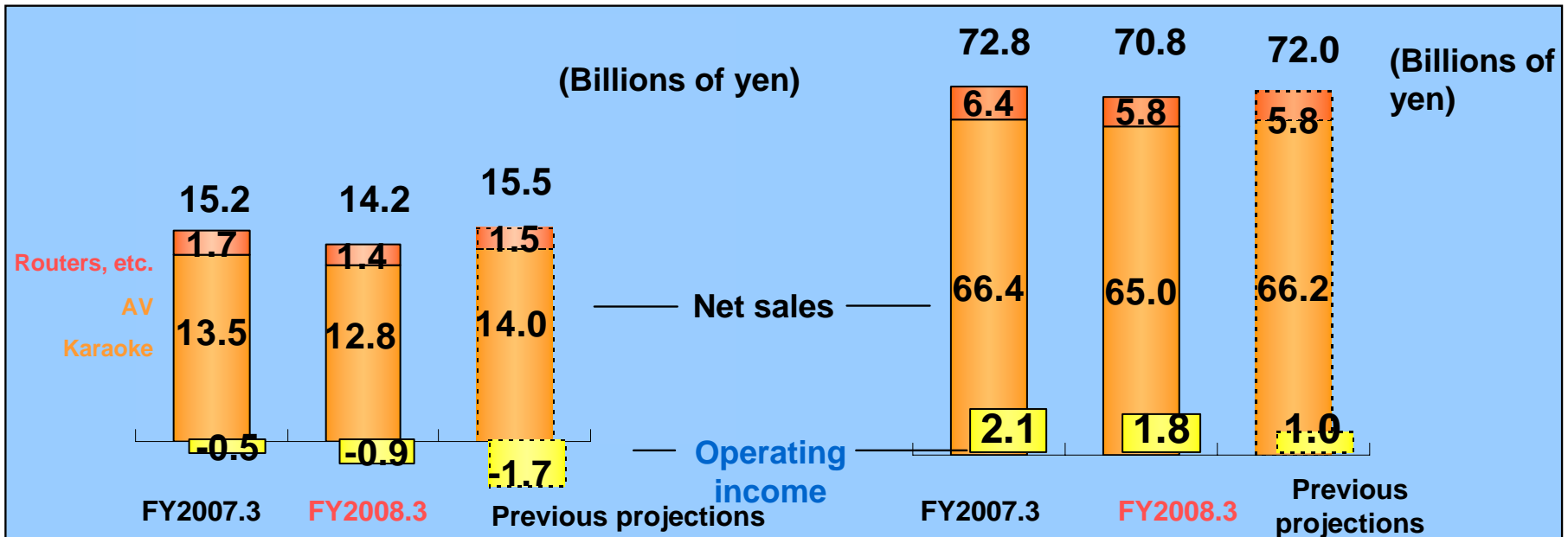


## 4Q Overview

- Actual 4Q sales were lower than previous projections, but only slightly down on the previous year. Operating income declined year-on-year.
- YSP shipments did not meet targets. Recovery in sales of online karaoke equipment was delayed.

## FY2008.3 Overview

- Sales and income declined year-on-year.
- Discounting the impact of exchange rates, actual sales fell 5.5%.
- Sales of online karaoke equipment declined by 50% year-on-year.
- Actual sales of AV equipment were down 3% in North America and 7% in Europe. Sluggishness also continued in the Japanese market.
- Although YSP sales did not reach initial targets, they increased year-on-year. Shipments exceeded the 100,000 unit level.
- Sales of conferencing systems were well below expectations, due to delay in development of sales channels.





# Electronic Equipment & Metal Products

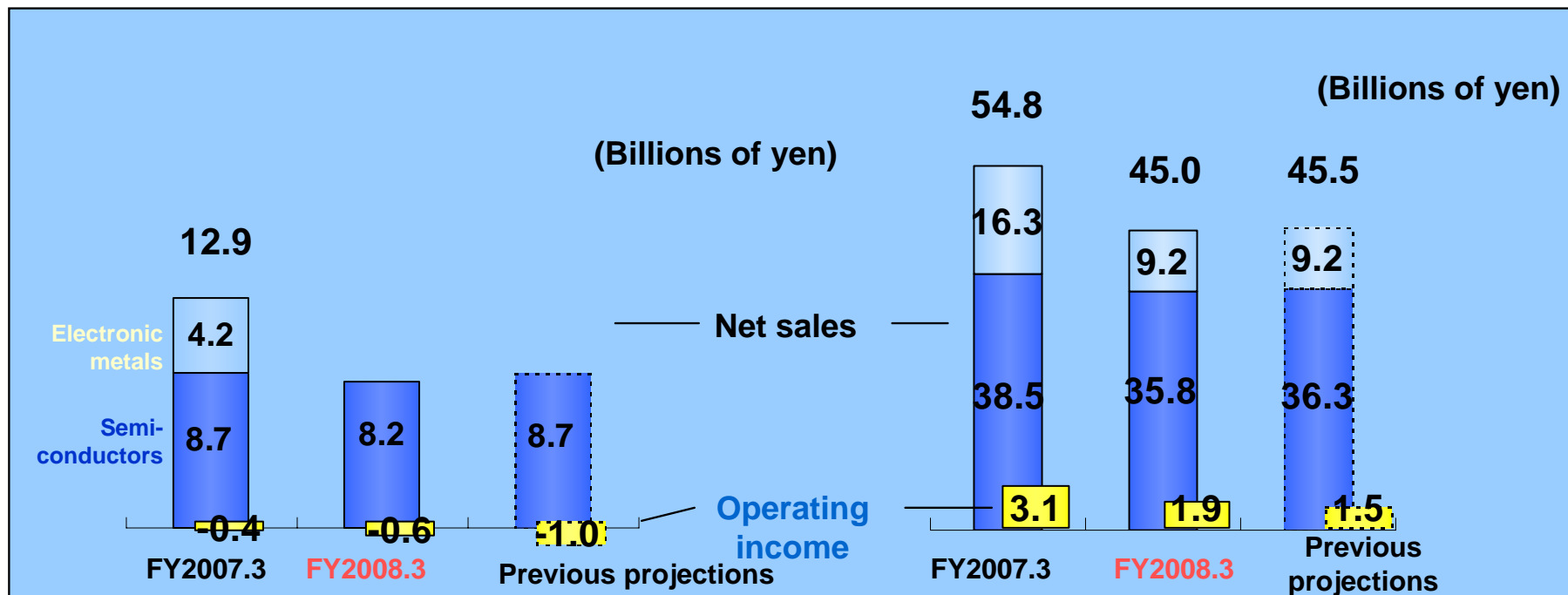


## 4Q Overview

- Semiconductor sales and income declined year-on-year. Sales were lower than previous projections, while income was higher.
- Silicon microphone development was delayed, but volume shipments began in March.

## FY2008.3 Overview

- Sales declined year-on-year in conjunction with the handover of electronic metal products business.
- In the semiconductor segment, sales and income both fell. Due to the ongoing shift to sound-generation software, demand for LSI sound chips for mobile phones – a key product – shrank further, especially in overseas markets.
- Shipments of digital amplifiers increased, especially for flat-panel TV and mobile phone applications. Shipments of graphic LSI chips for pachinko machines also increased.



# Lifestyle-Related Products

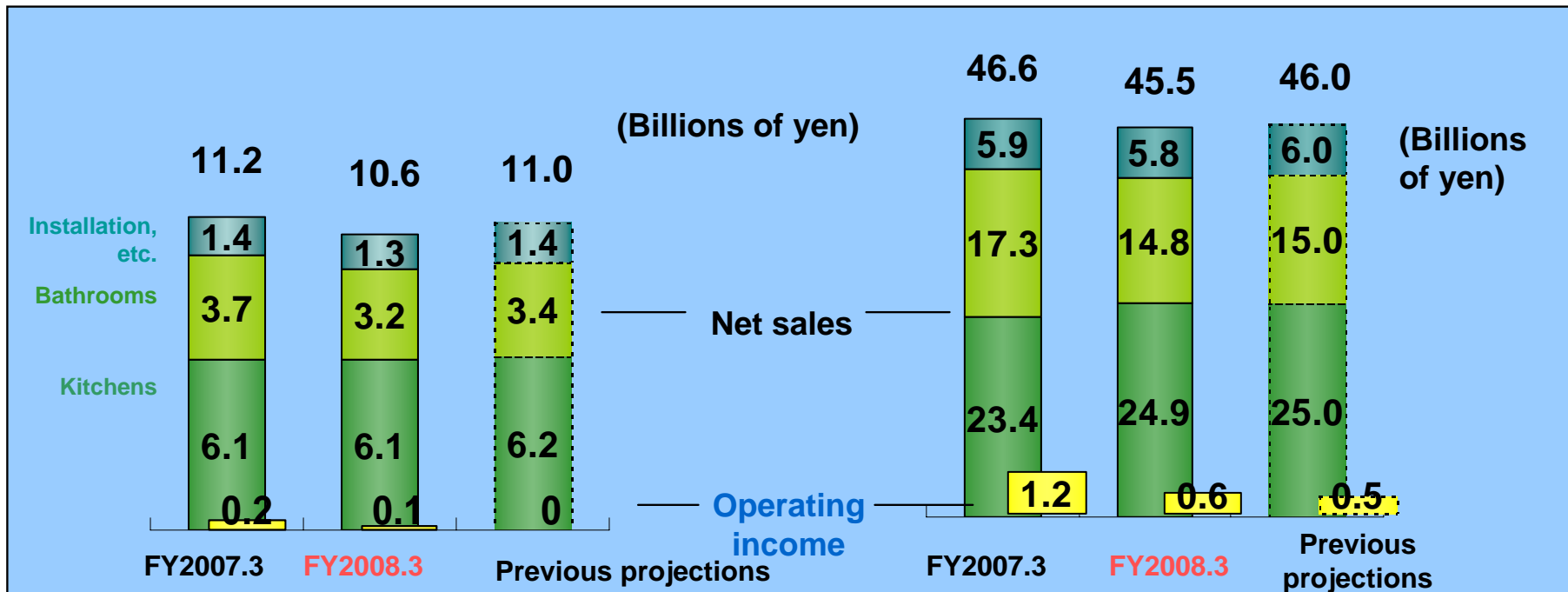


## 4Q Overview

- Sales were lower than previous projections, while income was higher.
- New housing starts continued to decline.

## FY2008.3 Overview

- Sales and income declined year-on-year.
- Sales fell in the face of fewer housing starts due to delays in confirming construction applications and lower unit prices. Despite the expectations for the remodeling sector, sales remained around the same level as the previous year.
- Although system kitchen sales were lower than projections, they increased year-on-year. However, system bathroom product sales fell by double-digit percentages due to lower unit prices.
- Operating income was lower than last year's figures due to lower sales and reduced gross profit margins associated with materials price hikes and lower unit prices.



# Recreation



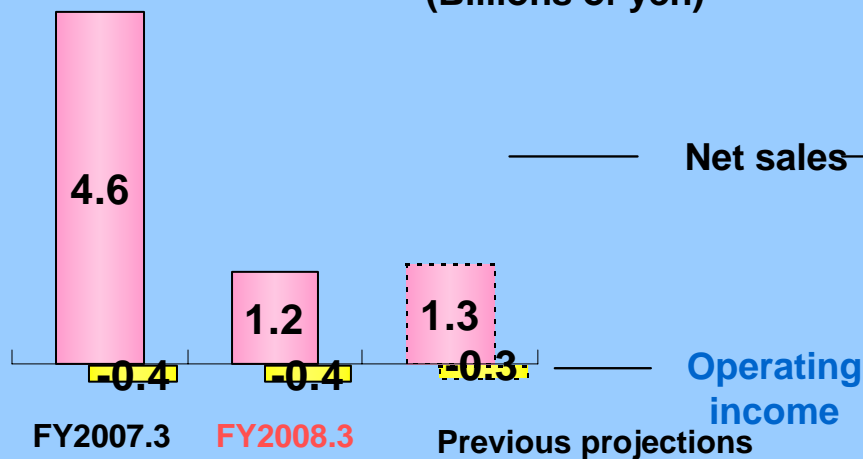
## 4Q Overview

- Sales and income were both lower than previous projections.
- Katsuragi focused on hosting the Yamaha Ladies Open, held for the first time in 16 years.

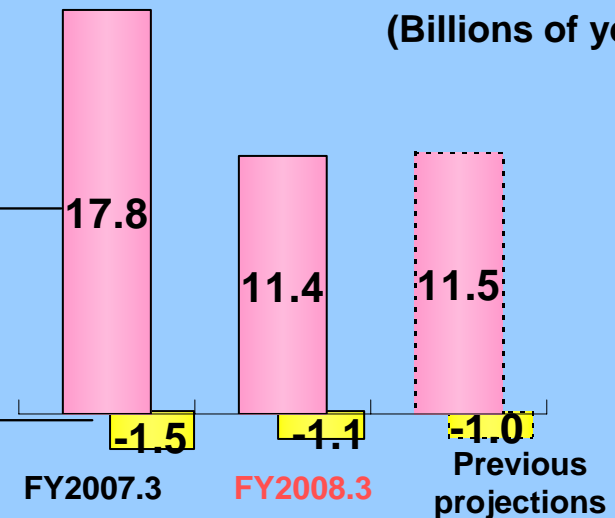
## FY2008.3 Overview

- Sales declined year-on-year due to the handover of four facilities, but operating income improved.
- Sales for the remaining two facilities fell slightly.

(Billions of yen)



(Billions of yen)

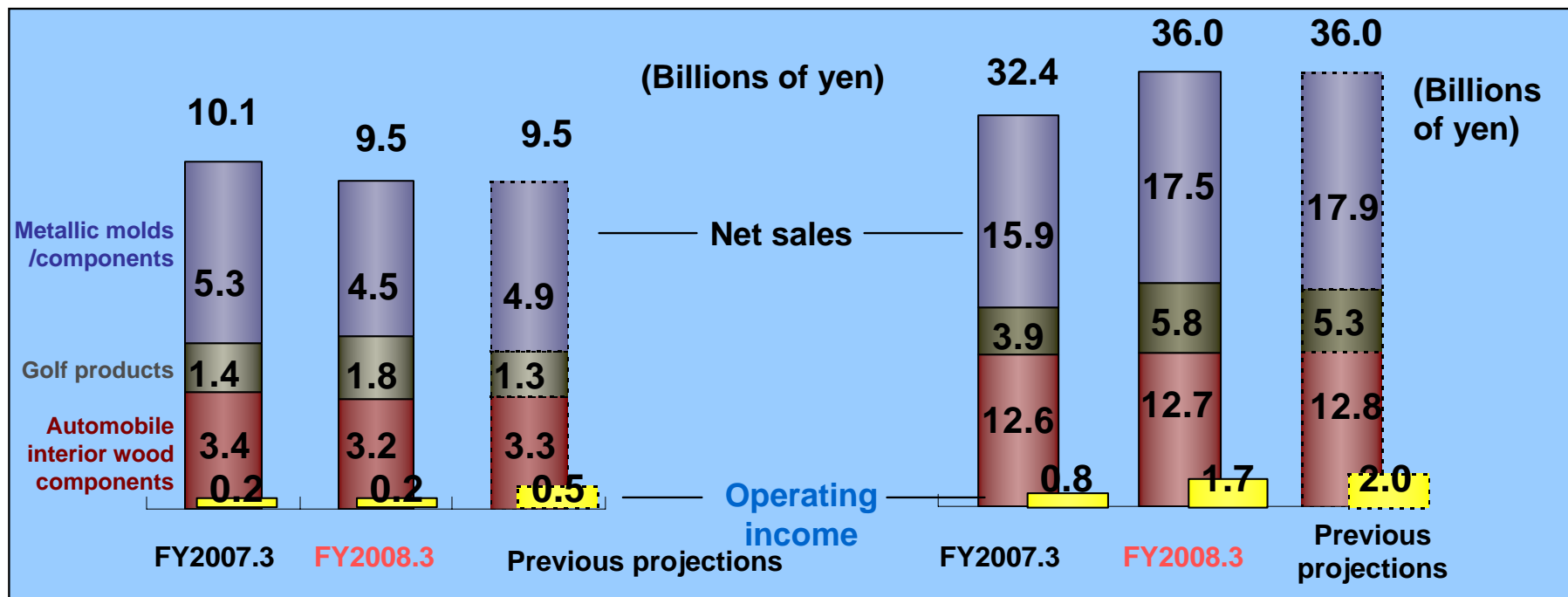


## 4Q Overview

- Sales were in line with previous projections.
- Income was lower than previous projections, due to delay in improving yields for magnesium molded parts.
- Strong sales of golf products continued in Japanese and overseas markets.

## FY2008.3 Overview

- Sales and income increased year-on-year
- Automobile interior wood components business became more profitable as yields improved. However, in spite of increased production for digital camera applications, yields for magnesium molded parts remain an issue.
- Golf product sales and income increased significantly.



# Progress in the First Year of the “YGP2010” Medium-Term Business Plan



## 1. Growth in “The Sound Company” Business Domain

Key Measures	Progress
<b>Expand piano business through “Total Piano Strategy”</b>	-Launched expansion project and started new product development -Prepared for introduction of new marketing policies
<b>Build platform for guitar business growth</b>	-Began efforts to improve quality and reinforce supply capabilities (Hangzhou, Indonesia)
<b>Achieve growth in commercial audio equipment business</b>	-Accelerating growth through business alliances -Supplying OEM amplifiers to NEXO -Merger of commercial audio equipment engineering subsidiaries in Japan (Yamaha Sound Technologies and Fuji Sound) to take effect in January 2009.
<b>Push ahead with growth strategies in emerging markets</b>	-Established local affiliate in Russia (started operation in April 2008) -Establishing local affiliate in India (operations scheduled to start in October 2008) -Expanded music schools in China (3,000 students enrolled as of March 31, 2008)
<b>Build platform for music entertainment business</b>	-Internal reorganization implemented as planned -Established joint venture with visual content provider
<b>Build up production facilities for acoustic instruments</b>	-Equipping Hangzhou and Indonesia for increased production, continuing to integrate piano production facilities in Japan
<b>Establish conferencing system business unit</b>	-Delays in developing sales channel networks
<b>Promote active approach to strategic M&amp;A and business alliances</b>	-Establishing necessary internal systems and structures -Acquired Bösendorfer
<b>Develop new devices and markets for the semiconductor business</b>	-Delays in volume production of silicon microphones; some shipments in March, but overall development delayed -Growth in sales of graphic LSI chips for pachinko machine and digital amplifiers

# Progress in the First Year of the YGP2010 Medium-Term Business Plan



## 2. Greater Profitability in the “Diversification” Business Domain

Key measures	Progress
Handover of four facilities in recreation business	-Handover completed on October 1
Handover of electronic metal products business	-Handover completed on November 30
Improve profitability of automobile interior wood components business	-Transfer of business to Yamaha Fine Technologies Co., Ltd. -Return to profitability through improved yields
Continue growth in golf products business	-Recognition of inpres™ brand has been improved and sales remain strong -Sales and income up year-on-year

## 3. Enhanced Corporate Governance to Boost Comprehensive Group Strength

Key measures	Progress
Reassess capital relationship with Yamaha Motor Co., Ltd.	-Sold 7.8% share in Yamaha Motor Co., Ltd. and excluded the company from the scope of consolidation by the equity method. The impact of this move on consolidated performance will lead to more transparent management -The two companies will continue working together to enhance the value of the Yamaha brand

# Forecast of Business Performance in FY2009.3

(Billions of yen)

	FY2008.3 Results	FY2009.3 Forecasts	Increase/ decrease
Net sales	548.8	540.0	- 1.6%
Operating income (operating income ratio)	32.8 (6.0%)	35.0 (6.5%)	+ 6.6%
Recurring profit (recurring profit ratio)	32.6 (5.9%)	32.0 (5.9%)	- 1.8%
Net income (net income ratio)	39.6 (7.2%)	20.5 (3.8%)	- 48.2%

Increase/decrease in sales  
(-8.8 YoY)

- Effect of business handover -14.4
- Effect of exchange rates -19.4



Increase in actual sales +25.0 (+4.7%)

Increase/decrease in  
operating income (+2.2 YoY)

- Effect of business handover +0.2  
(recreation +0.8, electronic metals -0.6)
- Effect of exchange rates -5.1
- Retirement allowance liability -2.0



Increase in actual operating income +9.1

Increase/decrease in net income  
(-19.1 YoY)

- Operating income +2.2
- Non-operating income/loss -2.8
- Extraordinary income/loss -30.4  
(including -27.8 for Yamaha Motor Co.,  
Ltd.)
- Corporate income tax, etc. +11.9

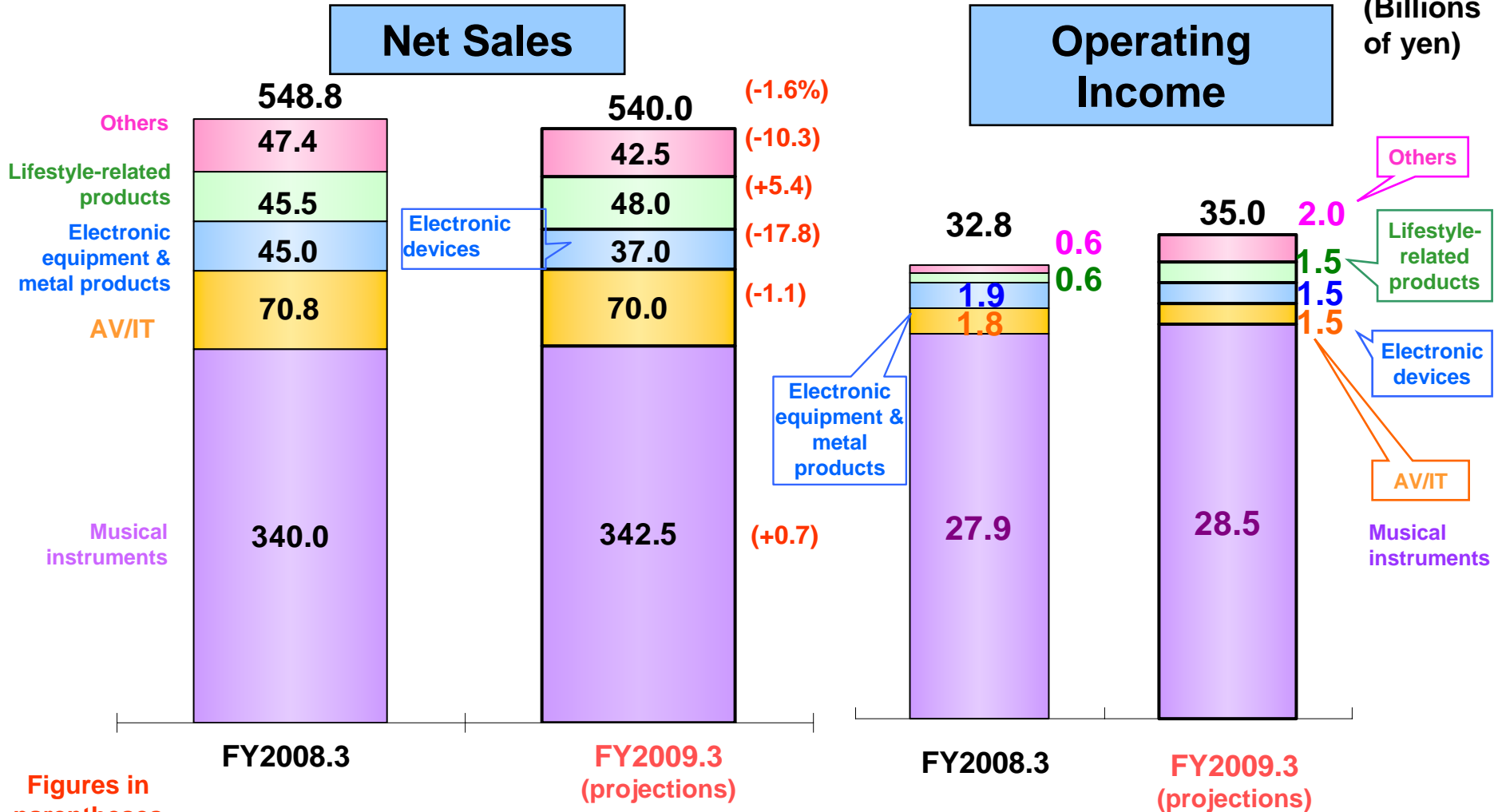
## Currency exchange rates

		FY2008.3 actual	FY2009.3 forecast
Net sales	US\$	114	100
	EUR	162	155
Operating income	US\$	116	100
	EUR	159	155

# Forecast of Performance by Business Segment in FY2009.3



(Billions of yen)



Figures in parentheses indicate year-on-year percentage changes

Impact of exchange rates compared to FY2008.3: -¥19.4 billion (musical instruments -¥14.4 billion, AV/IT -¥4.9 billion, semiconductors -¥0.1 billion)

Impact of exchange rates compared to FY2008.3: -¥5.1 billion (musical instruments -¥4.9 billion, AV/IT -¥0.6 billion, semiconductors +¥0.4 billion)



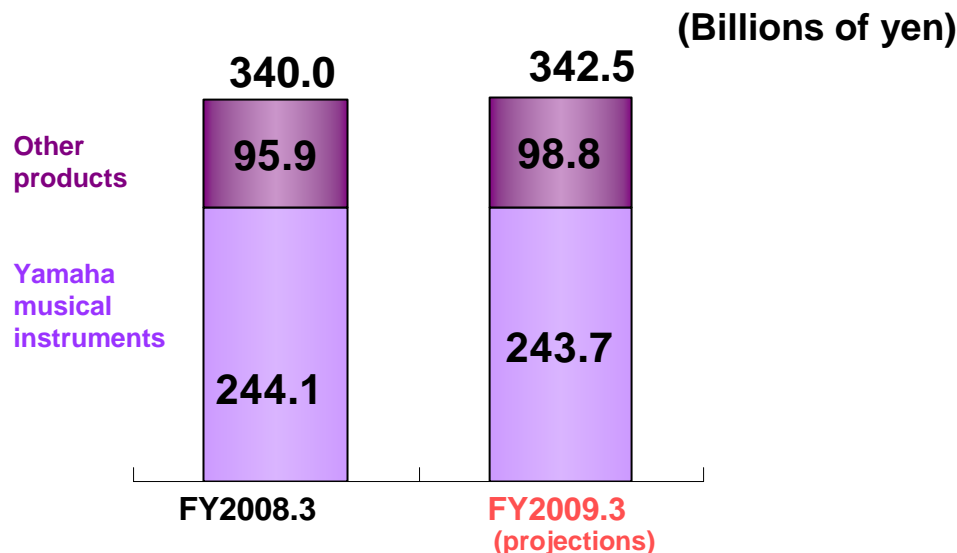
## ▪ Market Environment

- Slowdown in US market
- Polarization of demand (high-added-value products versus low-priced products)
- Expansion in emerging markets
- While the pace of growth in China is slowing, expansion continues
- Ongoing restructuring of distribution channels (growing share of large chain stores, mass merchandisers)

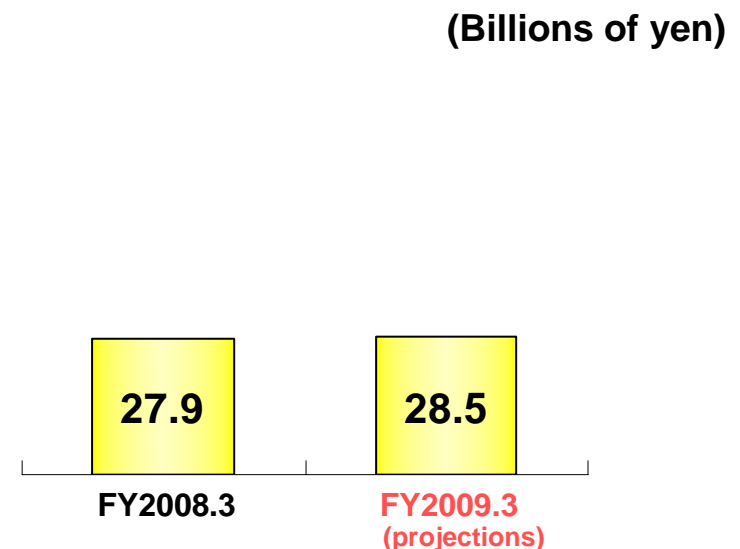
## ▪ Priority Measures

- Establish high-profit structure for musical instruments as a core Yamaha business
- Continually enhance product lineup from customers' viewpoint
- Expand sales in growth markets (China, Latin America, Middle East, Eastern Europe, etc.) and place new sales subsidiaries in Russia and India on a sound footing
- Boost cost competitiveness (in Hangzhou Yamaha, Indonesia, Kakegawa piano factory)

### Net Sales



### Operating Income

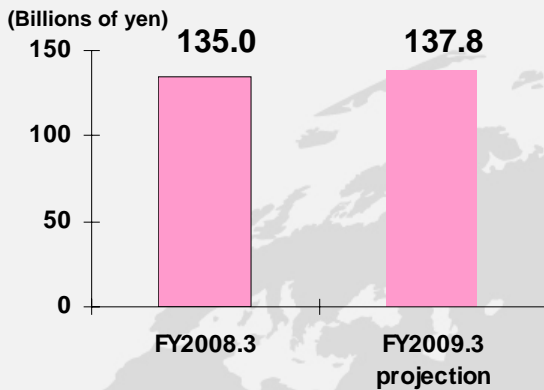


# Musical Instruments: Sales by Region (FY2008.3/FY2009.3 Projections)

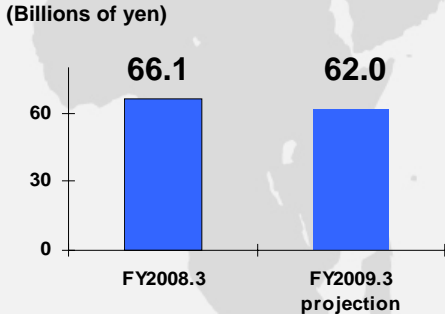


- Actual year-on-year change, discounting impact of exchange rates
- Japan (+ 2%), North America (+ 6%), Europe (+ 6%), China (+ 10%), Other regions (+ 8%)

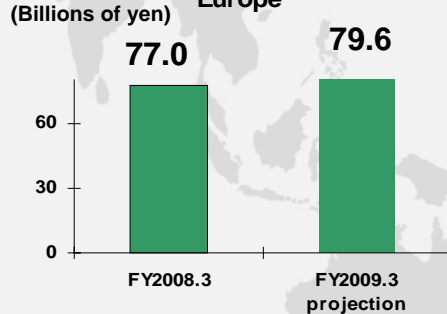
Japan



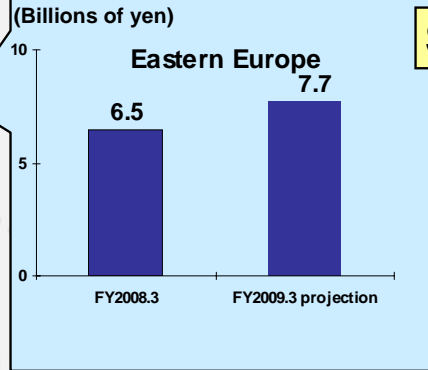
North America



Europe

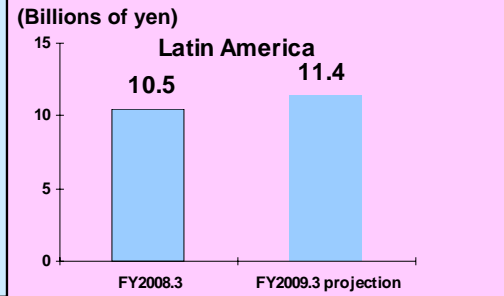


Eastern Europe

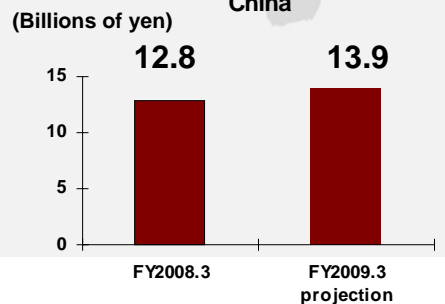


## Sales in Growth Markets

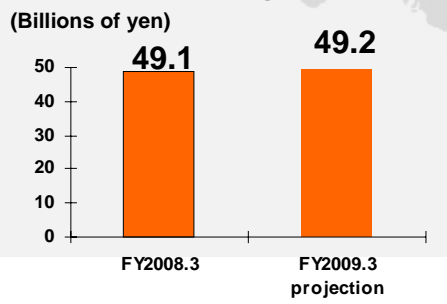
Latin America



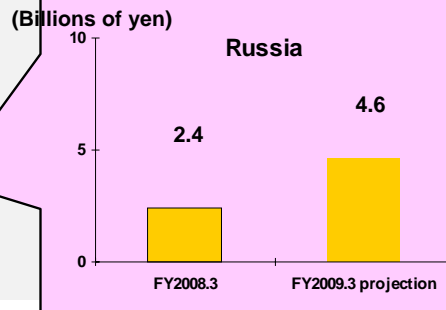
China



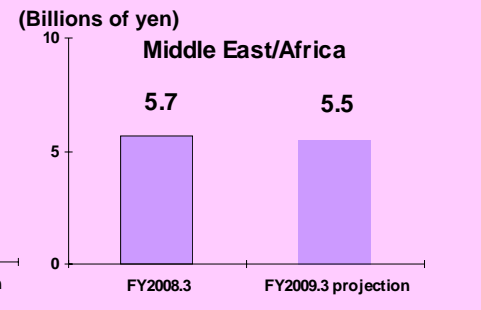
Other Regions



Russia



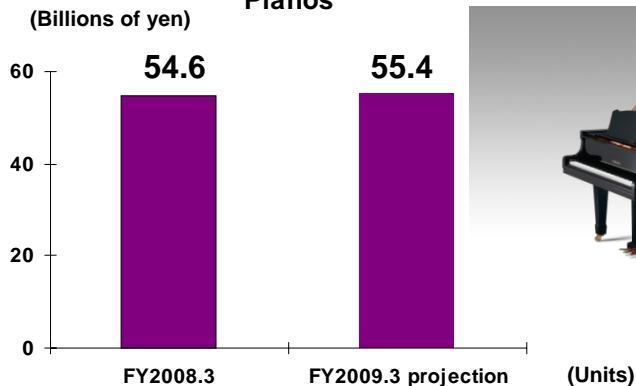
Middle East/Africa



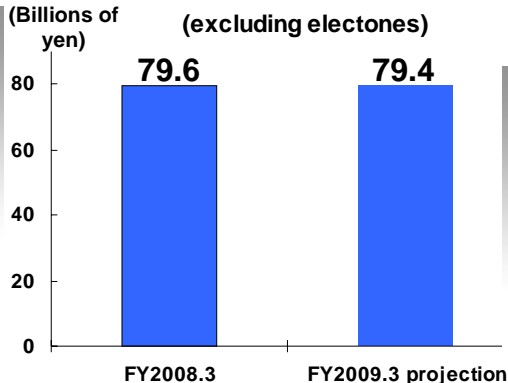
# Musical Instruments: Sales by Product (FY2008.3/FY2009.3 Projections)



## Pianos

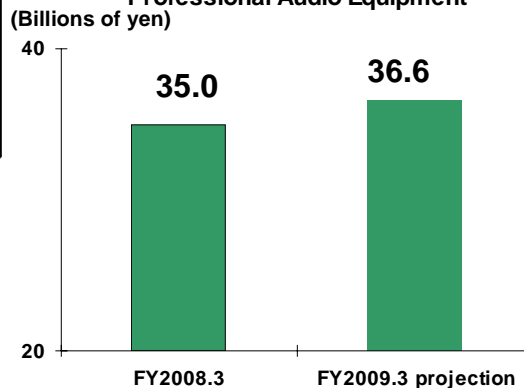


## Electronic Musical Instruments (excluding electones)

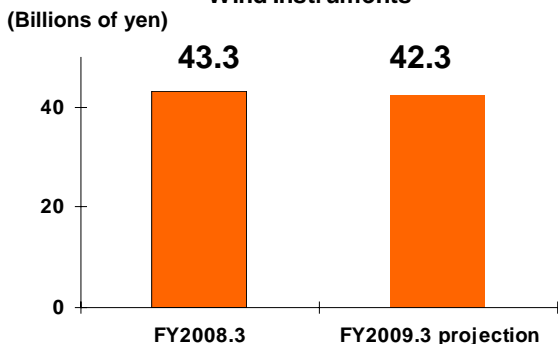


Piano sales volumes	FY2008.3	FY2009.3 projections
Japan	19,200	20,000
Other countries	76,100	84,600
Total	95,300	104,600

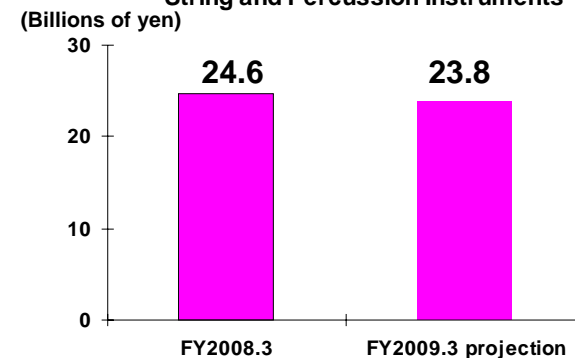
## Professional Audio Equipment



## Wind Instruments



## String and Percussion Instruments

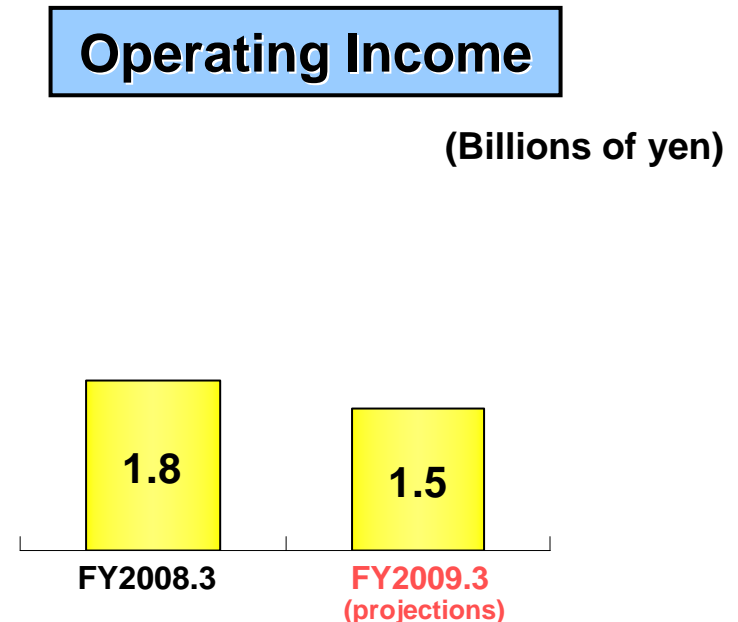
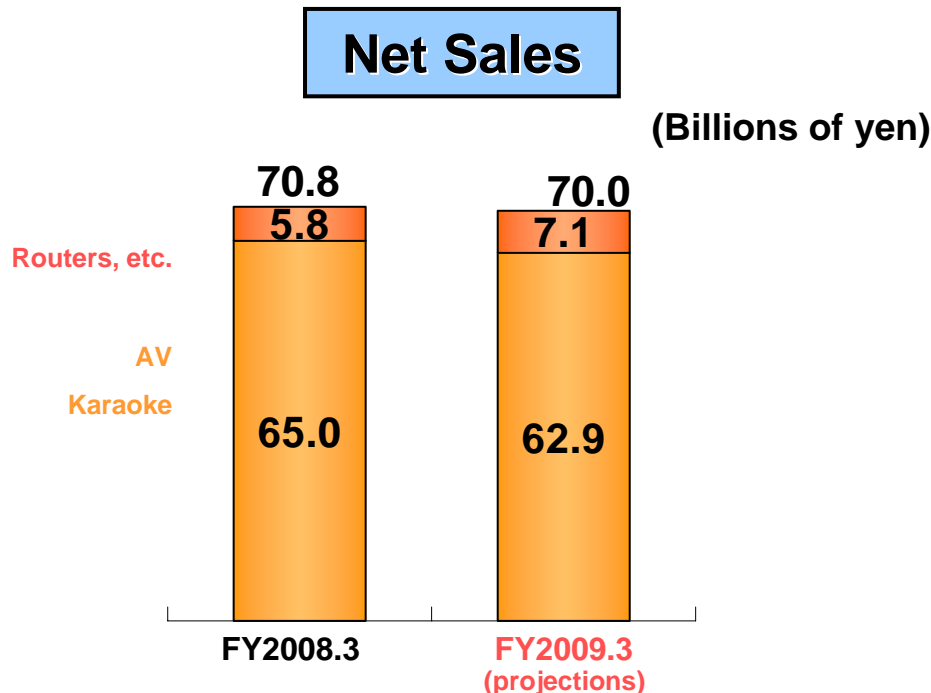


## Market Environment

- Market for AV receivers is growing again in conjunction with expansion of market for flat-panel TVs
- Growth in market for TV peripherals (integrated rack audio, AV links)
- Japanese market for small office/home office routers is contracting

## Priority Measures

- Build AV business in line with market changes
  - Expand sales of mid- and high-level AV receivers
  - Expand sales of front surround speakers
  - Reinforce 2-channel hi-fi business by enhancing lineup
  - Develop and launch new types of product such as desktop audio
- Reinforce router business and boost its efficiency by integrating sales channels
- In conferencing system business, continue to focus on raising awareness and developing sales channels



## ▪ Market Environment

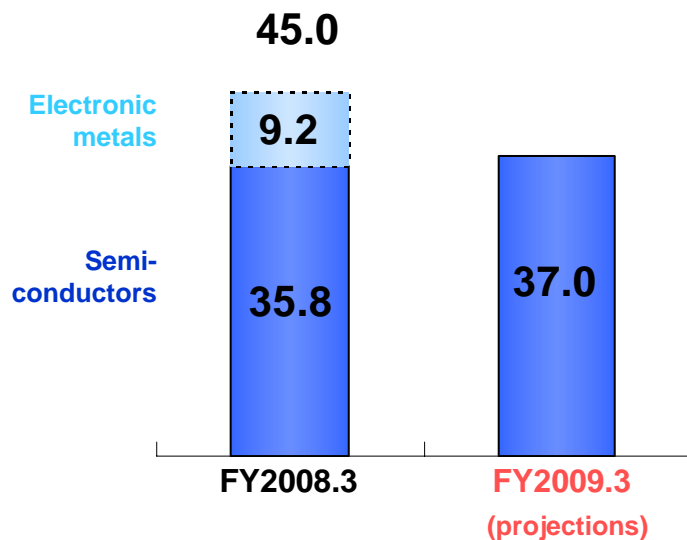
- Mobile phone market expanding. Growing needs for high quality and low power consumption.
- Increase in automotive electronic components
- Rapid expansion of market for flat-panel TVs

## ▪ Priority Measures

- Maintain mobile phone LSI sound chip business by offering added value
- Increase digital amplifier sales and maintain and expand sales of sound and graphic LSIs for pachinko machines
- Develop customers for silicon microphones and place volume production on a sound footing
- Reduce manufacturing costs and boost product superiority

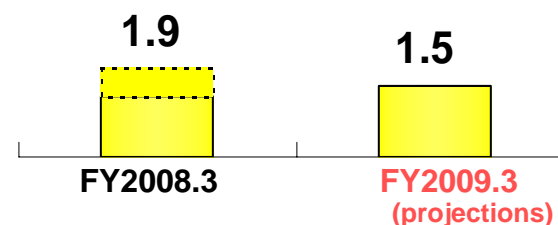
### Net Sales

(Billions of yen)



### Operating Income

(Billions of yen)



# Lifestyle-Related Products

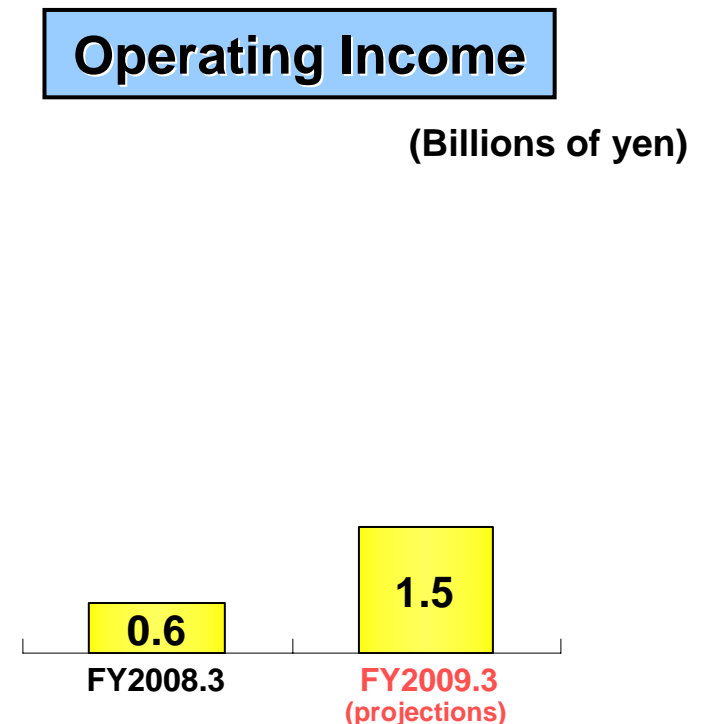
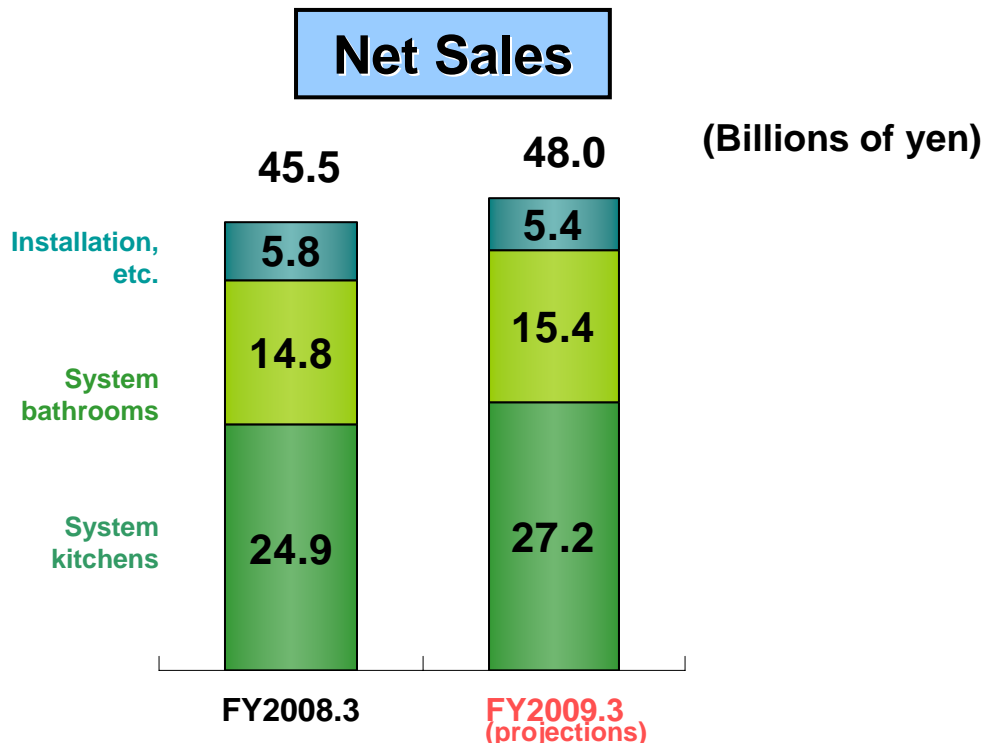


## Market Environment

- Delays in new housing starts are beginning to be resolved, but the number of new starts is declining
- The industry is shifting toward remodeling business, and competition is becoming fiercer
- Growing demand for safety and high quality in housing
- Ongoing industry reorganization

## Priority Measures

- Implement growth strategy focused on kitchen products
- Reinforce remodeling business (Develop sales channels with strengths in remodeling sector, open showrooms)
- Develop differentiation strategy focused on artificial marble products
- Reduce manufacturing costs through standardization and stronger procurement capabilities



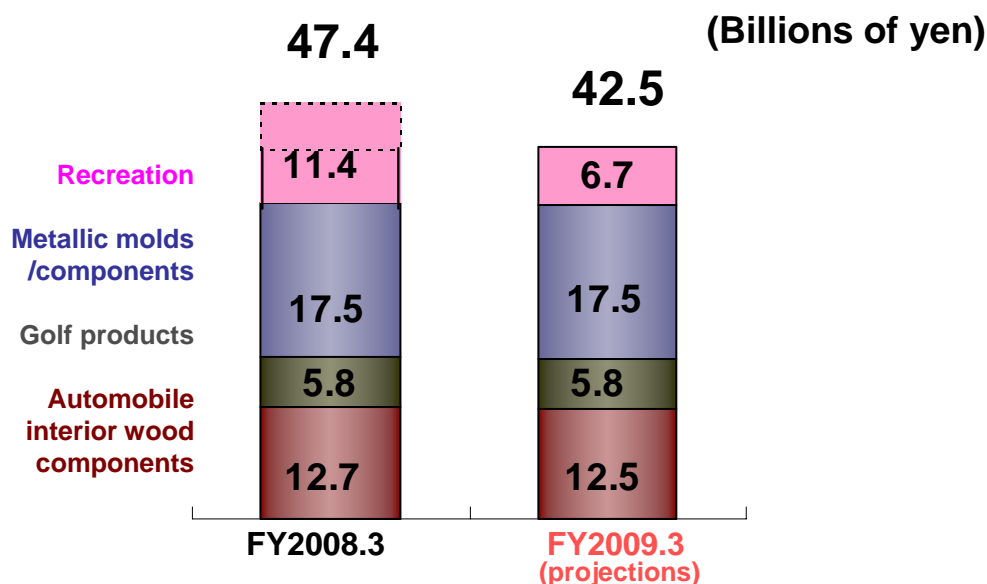
## Market Environment

- Mobile phone market expanding. Use of digital cameras becoming more widespread.
- Recreation business is experiencing ongoing polarization: low-priced products vs. aspiration for authenticity

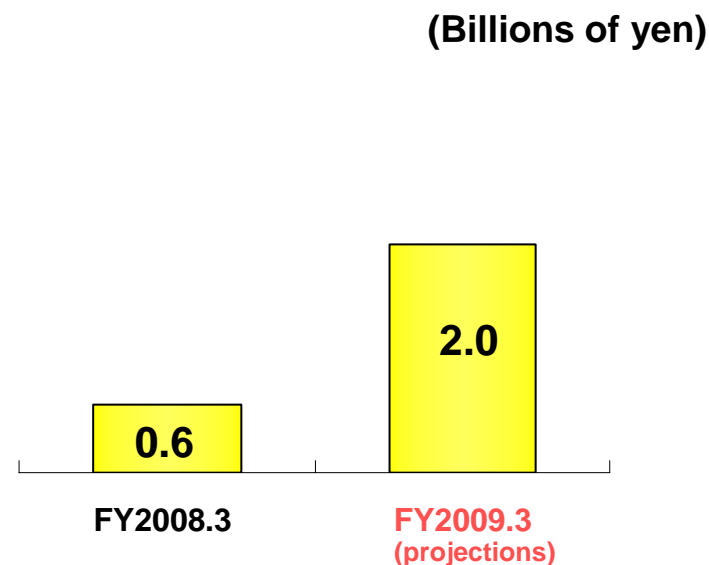
## Priority Measures

- Reduce manufacturing costs in metallic molds and components businesses by further boosting yields and ensuring they can respond smoothly to fluctuations in orders
- Prepare for smooth launch of next models for automobile interior wood component business
- In golf products business, implement measures to raise awareness of the inpres™ brand and steadily launch new products
- Aim to achieve profitability in recreation business by attracting more customers and further improving operating efficiency

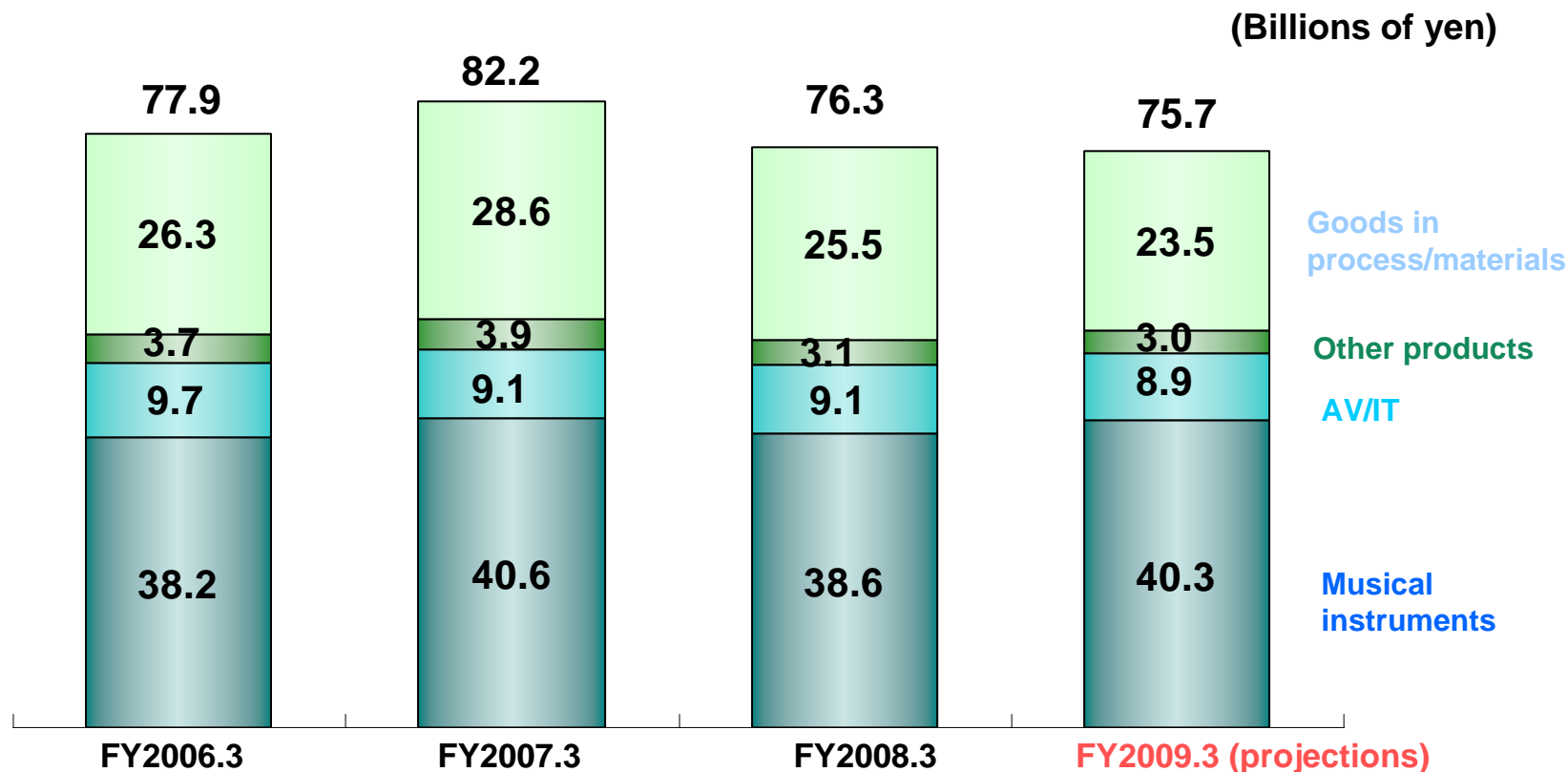
### Net Sales



### Operating Income



# Inventories



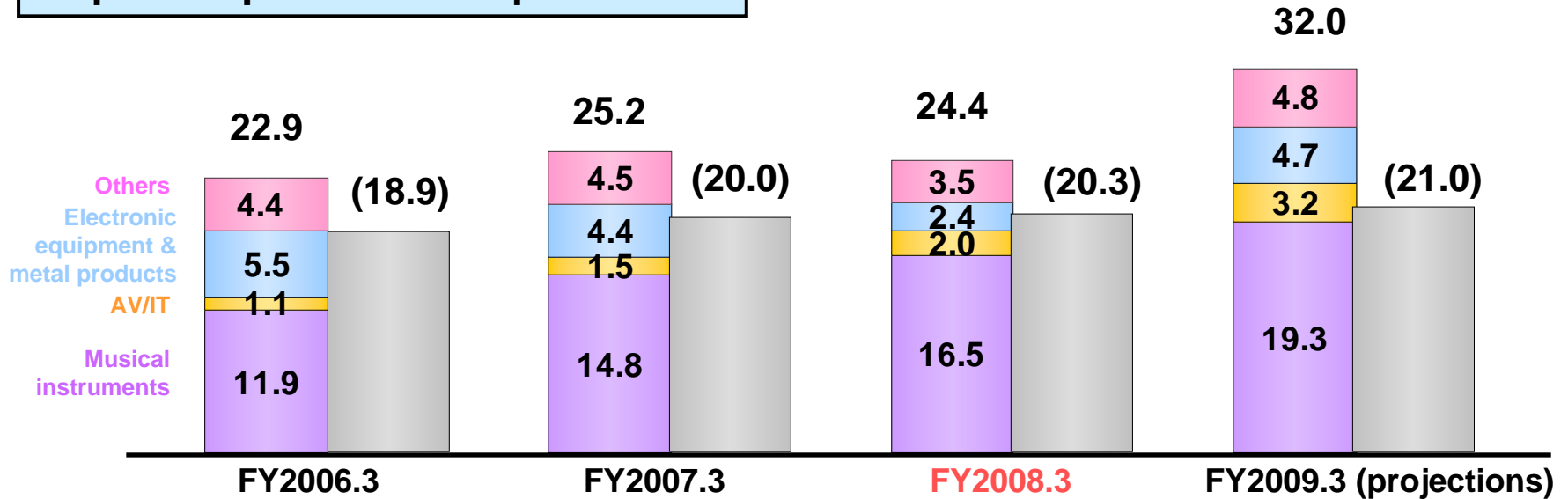
- Total inventories as of March 31, 2008 were ¥5.9 billion lower than at the end of the previous fiscal year. (Allowing for inventories handed over as part of the electronic metal products business and the impact of exchange rates, inventories were ¥2.4 billion higher than the previous year).
- Discounting the effect of exchange rates, actual inventories were ¥1.9 billion higher than previous projections.



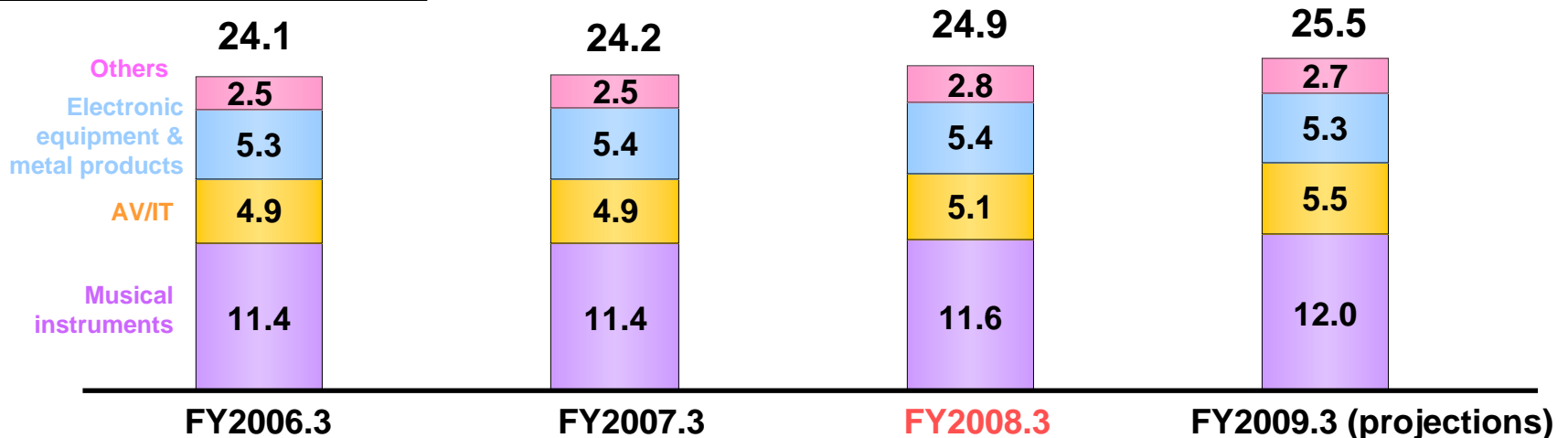
# Capital Expenditure/Depreciation/R&D Expenses

## Capital Expenditure/ Depreciation

(Billions of yen)



## R&D Expenditure



# Balance Sheet Summary



(Billions of yen)

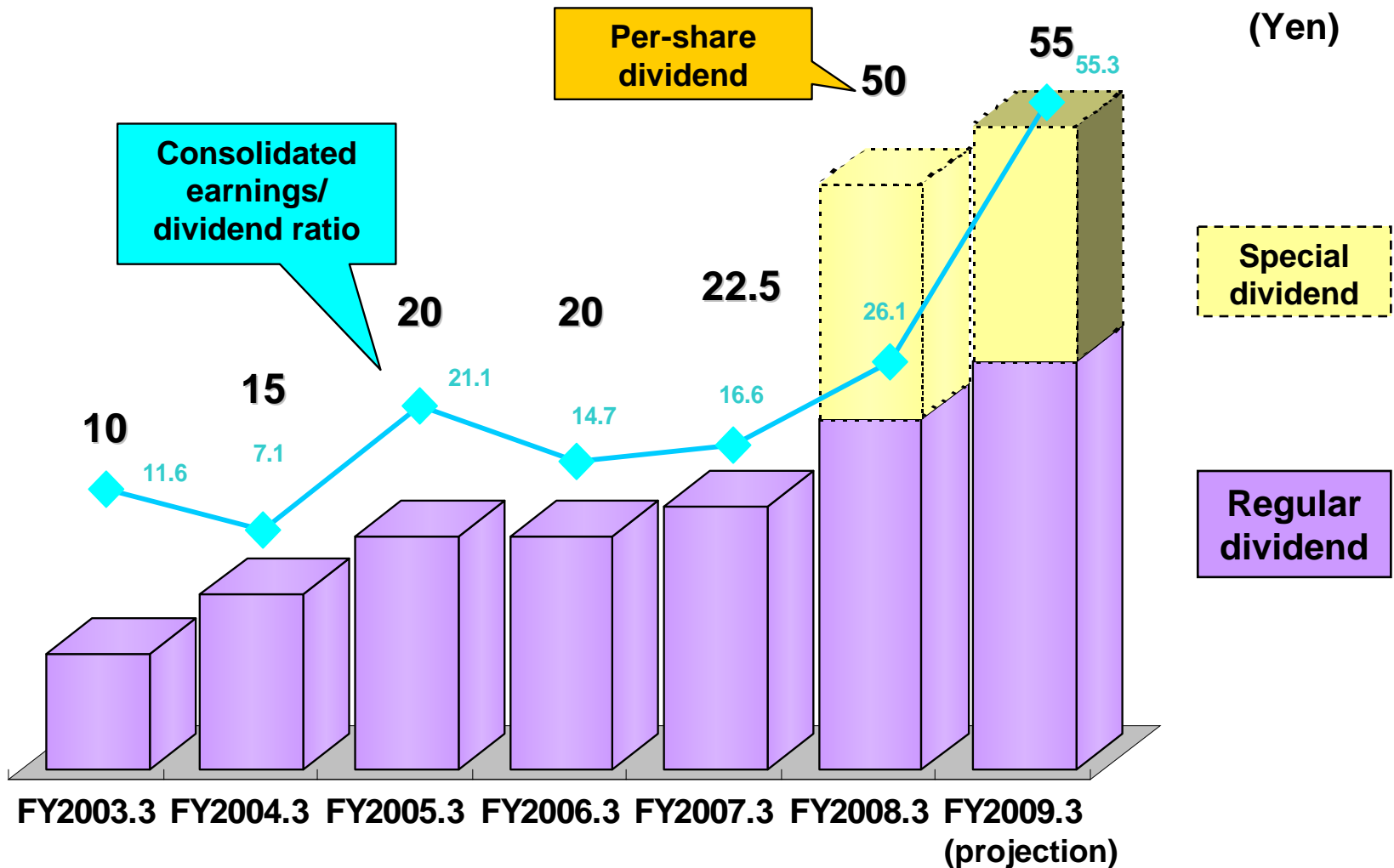
	As of March 31, 2006	As of March 31, 2007	As of March 31, 2008	As of March 31, 2009 (projections)
Cash and bank deposits	36.4	46.7	104.0*	79.9
Accounts & notes receivable	70.3	76.6	65.1	71.6
Inventories	77.9	82.2	76.3	75.7
Other current assets	24.8	25.5	30.3	26.4
Fixed assets	310.6	328.0	264.6	272.5
<b>Total assets</b>	<b>520.0</b>	<b>559.0</b>	<b>540.3</b>	<b>526.1</b>
Notes & accounts payable	37.2	43.2	35.0	38.0
Short- and long-term loans	28.5	25.6	21.0	19.5
Resort membership deposits	27.6	26.7	17.0	16.8
Other liabilities	106.2	112.1	124.3	116.1
Total net assets	320.5	351.4	343.0	335.7
<b>Total liabilities &amp; net assets</b>	<b>520.0</b>	<b>559.0</b>	<b>540.3</b>	<b>526.1</b>

\*Balance of cash and bank deposits as of March 31, 2008 includes ¥30.4 billion in negotiable deposits

# Return to Shareholders



- A per-share dividend of ¥55 is planned for FY2009.3 (regular dividend ¥35, special dividend ¥20)
- A share buyback worth ¥18 billion is planned for FY2009.3





# Appendix

- **Performance in the Fourth Quarter of FY2008.3**
- **FY2009.3 Non-Operating Income/Loss & Extraordinary Income/Loss**
- **Elements of Balance Sheet Change**
- **Musical Instrument Sales in the Japanese Market**
- **Musical Instrument Sales in the North American Market**
- **Musical Instrument Sales in the European Market**
- **Musical Instrument Sales in the Chinese Market**
- **Musical Instrument Sales in Other Markets**
- **World Market for Professional Audio Equipment**

# Performance in the Fourth Quarter of FY2008.3



➤ Fourth quarter sales and operating income were lower than previous projections

(Billions of yen)

	FY2007.3 4Q results	FY2008.3 4Q results	Increase/ decrease	Previous projections (Feb. 6, 2008)	Increase/ decrease against projections
Net sales	133.9	119.9	- 10.5%	125.1	- 4.2%
Operating income	0.8	-2.7	-	-2.0	-
Recurring profit	4.1	-2.7	-	-2.3	-
Net income	-2.0	-2.6	-	-3.2	-

Equity method income      4.0                      0                                      0

## Currency exchange rates

Net sales	US\$	119	105	115
	EUR	156	158	155
Operating income	US\$	120	108	115
	EUR	151	159	155

# FY2009.3 Non-Operating Income/Loss & Extraordinary Income/Loss



	FY2007.3 results	FY2008.3 results	FY2009.3 projections
<b>(Billions of yen)</b>			
<b>Non-operating income (loss)</b>			
Equity method income	17.8	0.1	0
Net financial income	0.1	2.9	1.8
Other	-3.0	-3.2	-4.8
<b>Total</b>	<b>+ 14.9</b>	<b>-0.2</b>	<b>-3.0</b>
<b>Extraordinary income (loss)</b>			
Income from (loss on) disposal of fixed assets	-1.1	0.8	-0.5
Other	- 8.4	29.1	
<b>Total</b>	<b>-9.5</b>	<b>+29.9</b>	<b>-0.5</b>
<b>Corporate income tax and other expenses</b>			
Corporate income tax, etc.	4.7	22.2	10.4
Minority interests in consolidated subsidiaries	0.5	0.7	0.6
<b>Total</b>	<b>5.2</b>	<b>22.9</b>	<b>11.0</b>

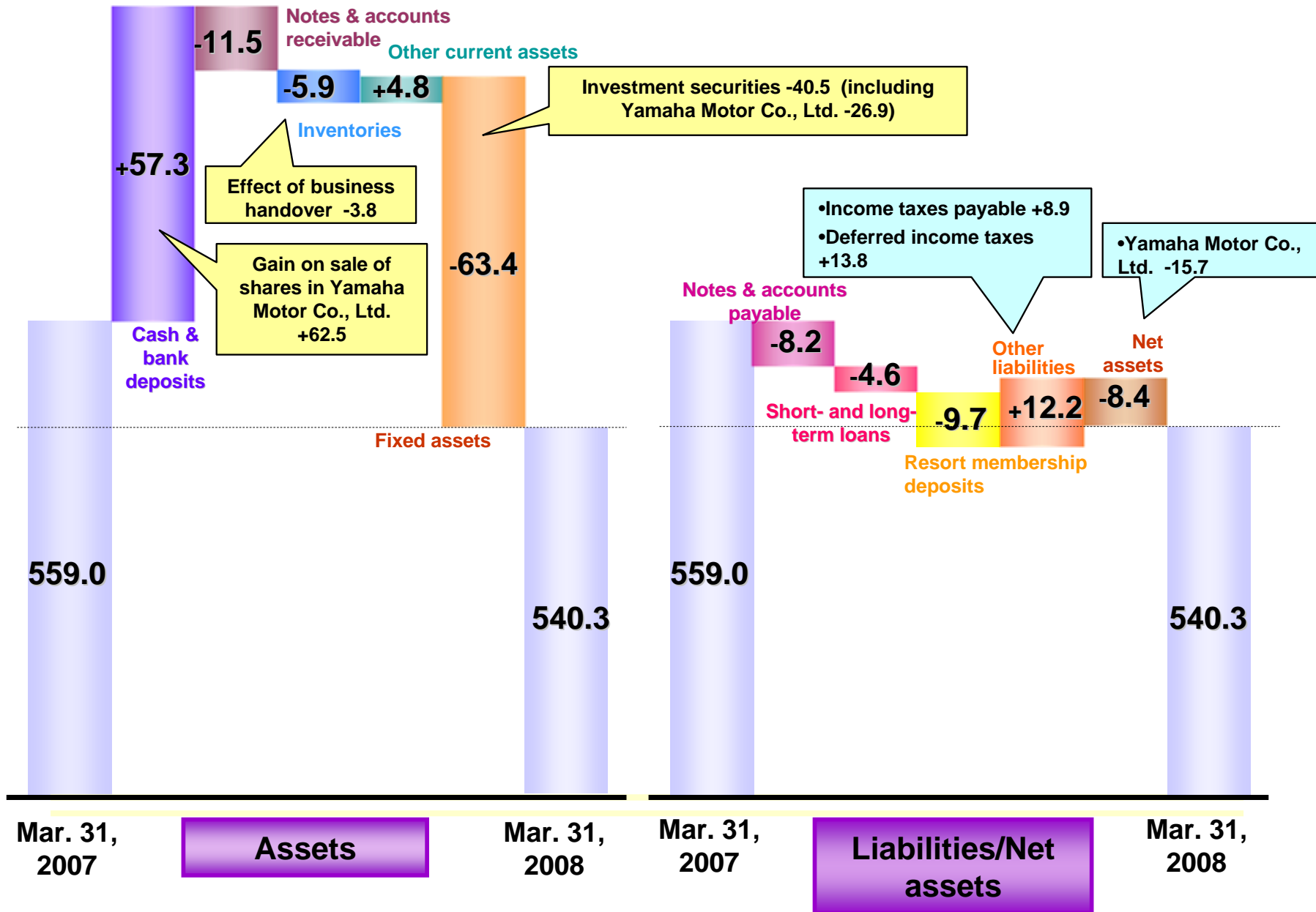
•Yamaha Motor Co., Ltd. dividend 1.7

•Yamaha Motor Co., Ltd. dividend 1.7

• Resort impairment loss -4.7  
 • Dissolution of overseas plants -3.2  
 • Special retirement allowances -0.7

•Gain on sale of shares in Yamaha Motor Co., Ltd. 27.8  
 •Special retirement allowances -0.8

# Elements of Balance Sheet Change





# Musical Instrument Sales in the Japanese Market



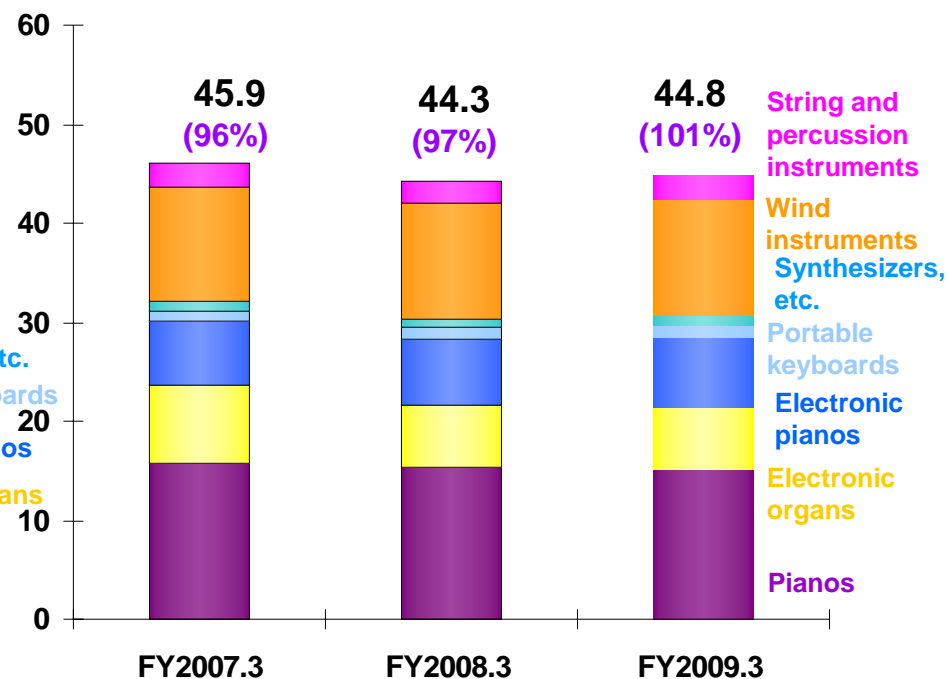
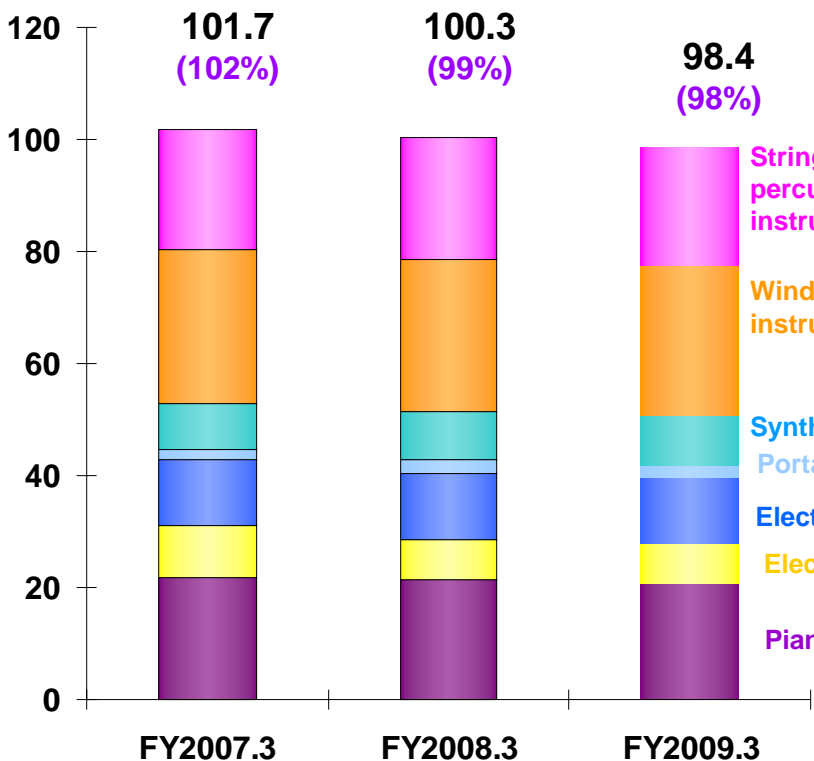
Although electronic pianos and wind instruments showed strong growth amid generally declining demand for musical instruments, sales of large keyboard instruments (pianos, electronic organs) faced an uphill struggle, and overall Yamaha musical instrument sales amounted to just 97% of the previous year's figure.

## Market Wholesale Amount

Figures in parentheses indicate year-on-year percentage changes

## Yamaha's Wholesale Amount

(Billions of yen)



Estimation

(projection)

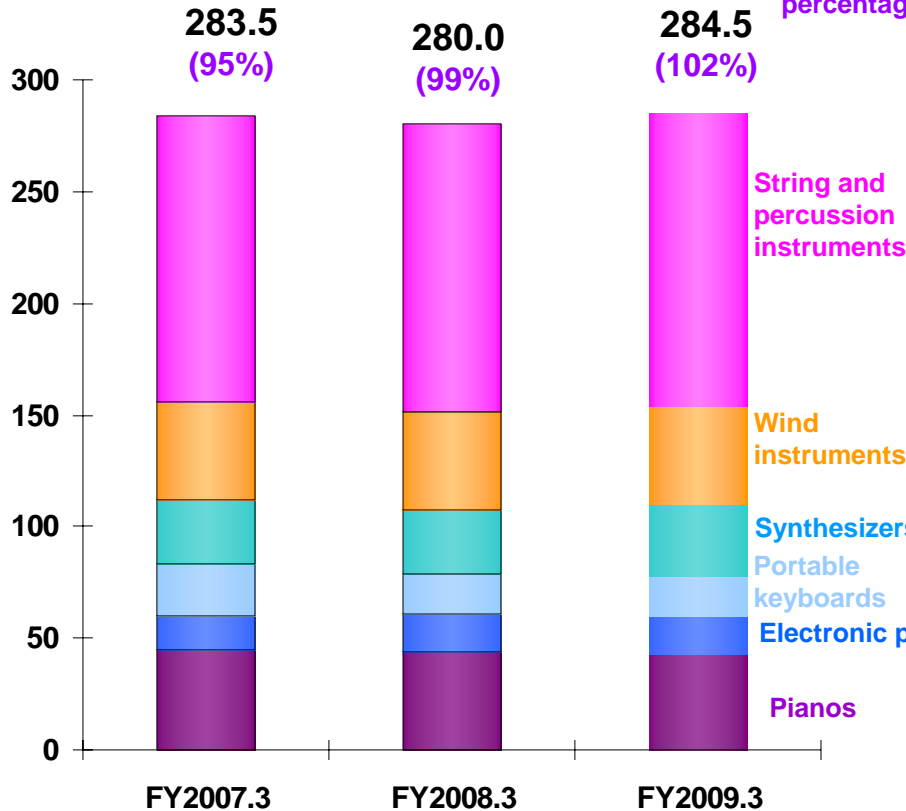
(projection)

# Musical Instrument Sales in the North American Market

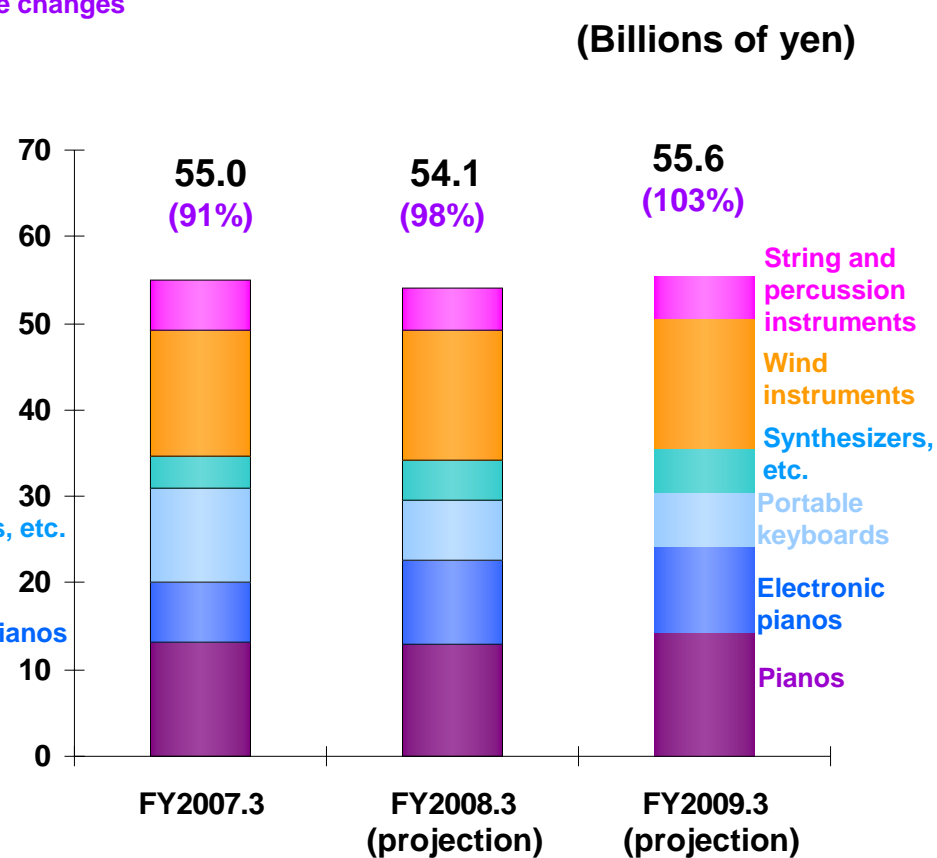


Piano sales struggled in the face of the housing market situation. Sales of low-priced keyboard products also fell as mass merchandisers scaled back musical instrument stocks. However, sales of musical instruments for school use were at a similar level to the previous fiscal year.

## Market Wholesale Amount



## Yamaha's Wholesale Amount



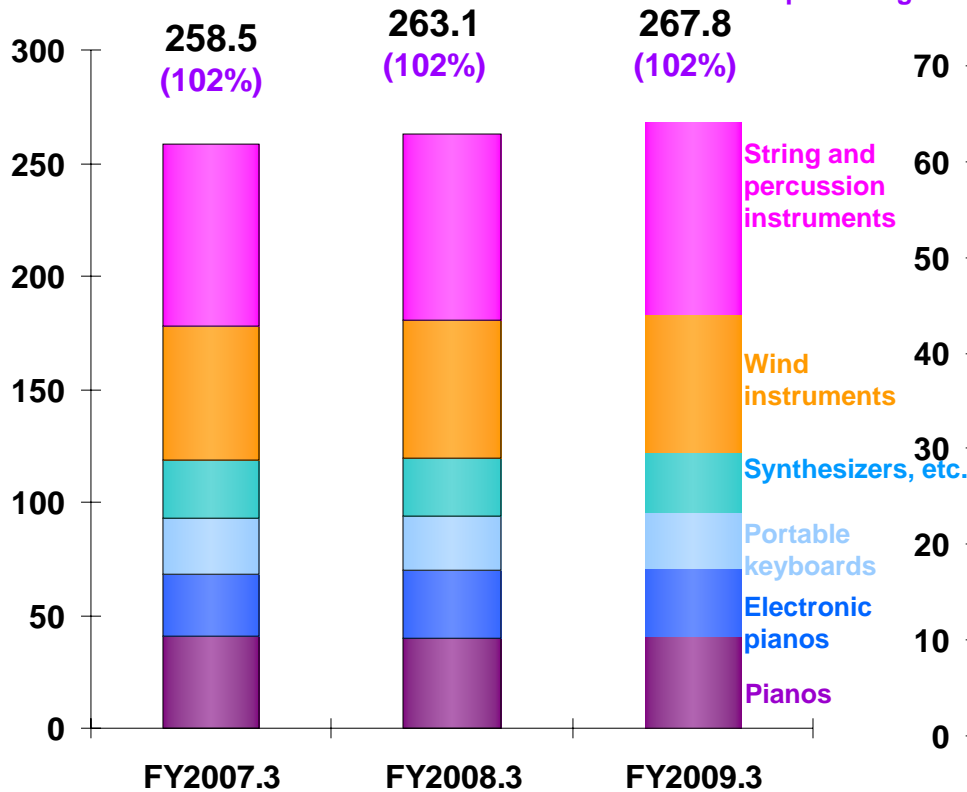
Estimation

# Musical Instrument Sales in the European Market

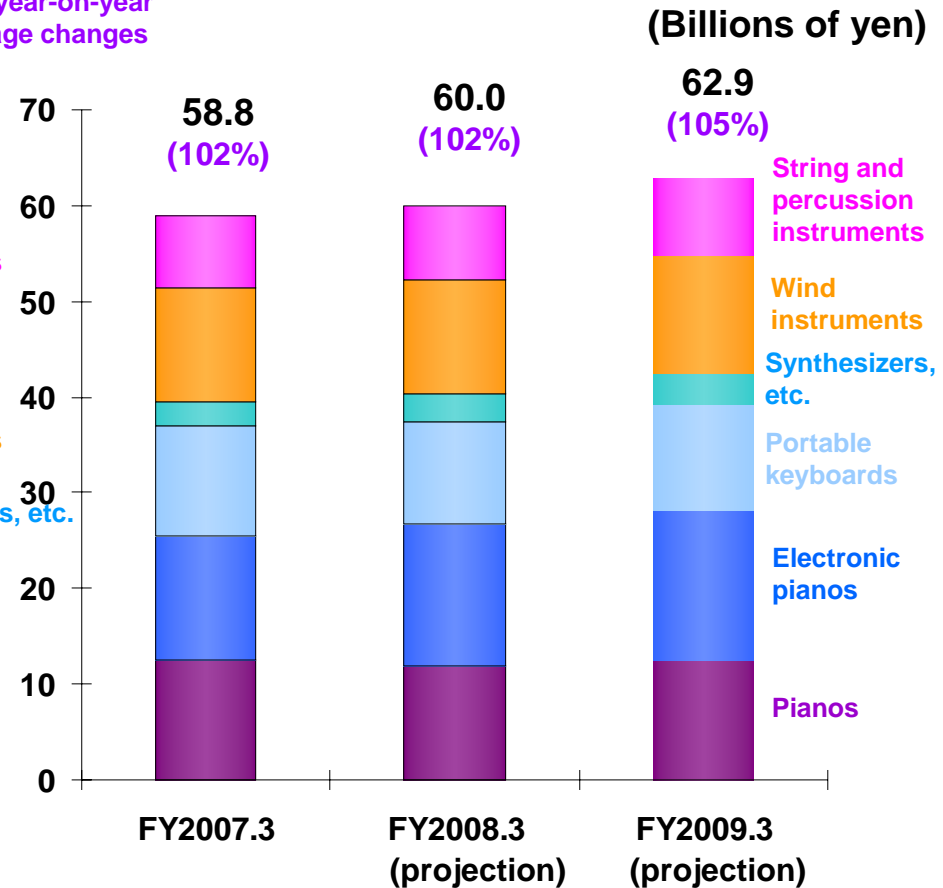


Although the impact of the economic slowdown was felt in the second half of fiscal 2007, full-year results were slightly better than those for the previous year. Growth in Eastern Europe made up for sluggishness in the UK, Germany, France and other major European markets.

## Market Wholesale Amount



## Yamaha's Wholesale Amount



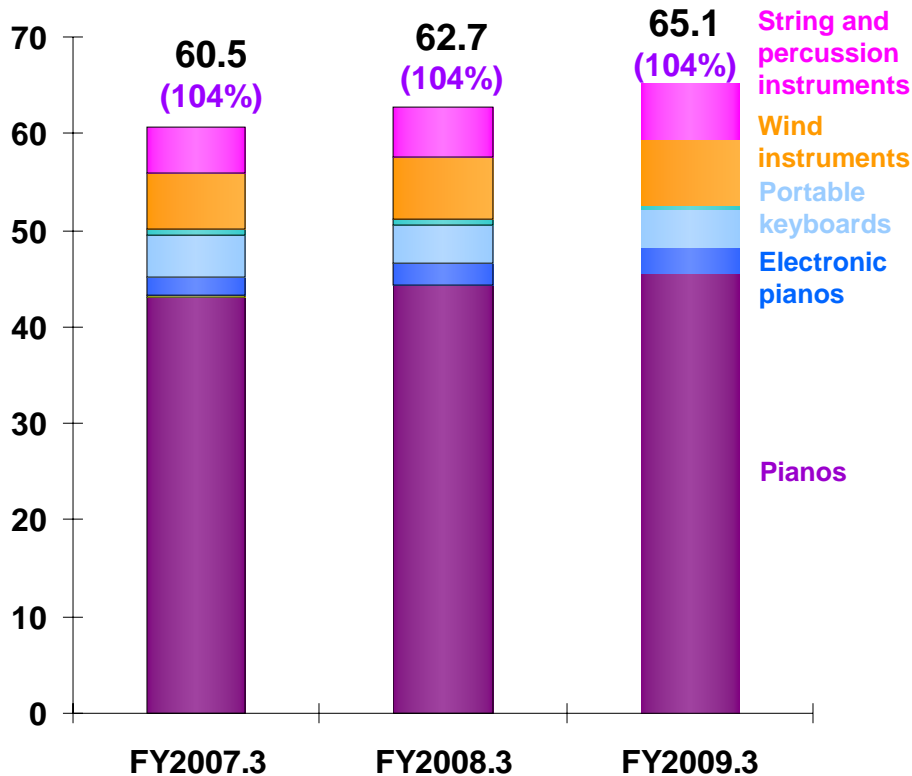
Estimation

# Musical Instrument Sales in the Chinese Market

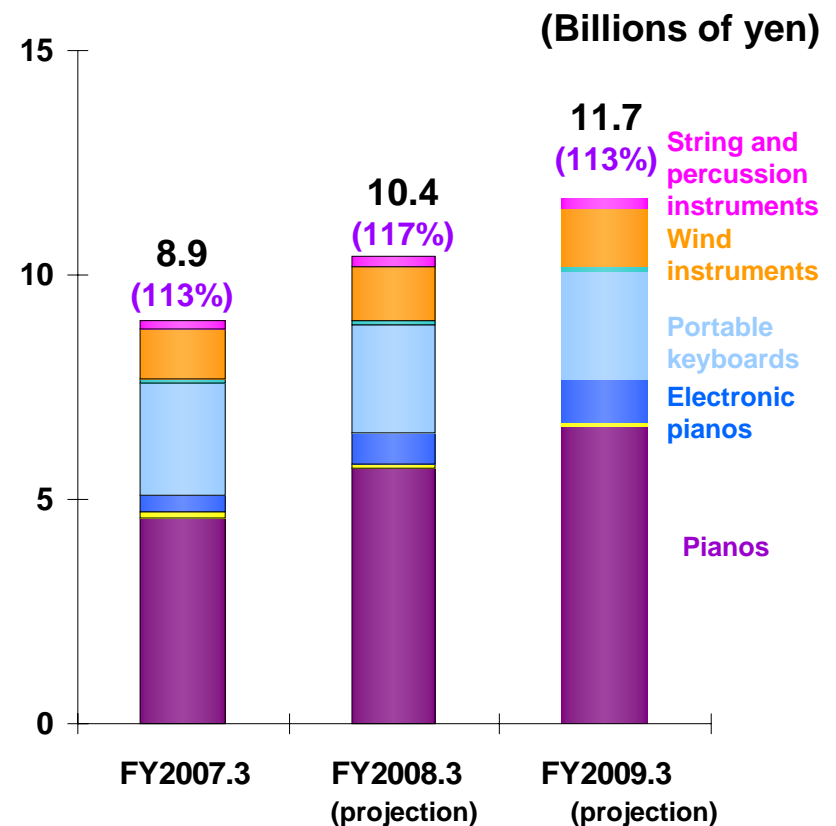


Due to progress in developing sales networks and enhancement of local production capabilities, piano sales grew by 30% and drove overall performance. Following acoustic pianos, electronic pianos and wind instruments are expected to be key items, and sales of these products grew faster than the overall market growth rate.

## Market Wholesale Amount



## Yamaha's Wholesale Amount



Estimation

# Musical Instrument Sales in Other Markets

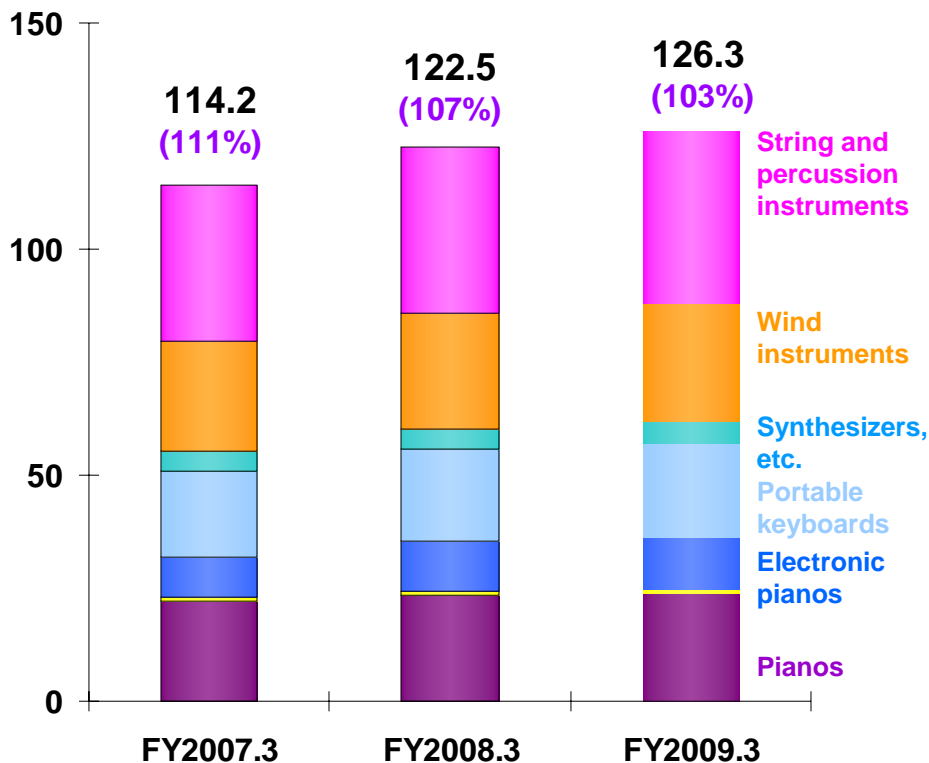


The Asian, Latin American, and Middle East/African markets all achieved double-digit growth. Oceania also achieved growth above last year's results. In FY2008.3 the Russian market was spun off from our European operation and wholesale sales almost doubled. Preparations are underway to establish a subsidiary in India and sales channels are being restructured.

## Market Wholesale Amount

Figures in parentheses indicate year-on-year percentage changes

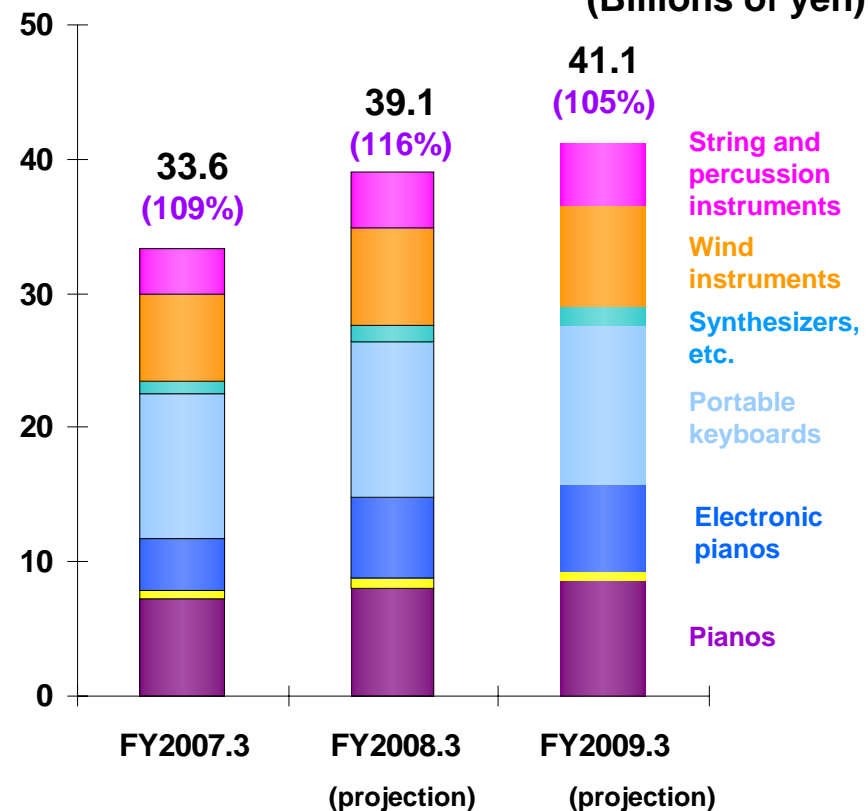
Note: includes Russia



Estimation

## Yamaha's Wholesale Amount

(Billions of yen)



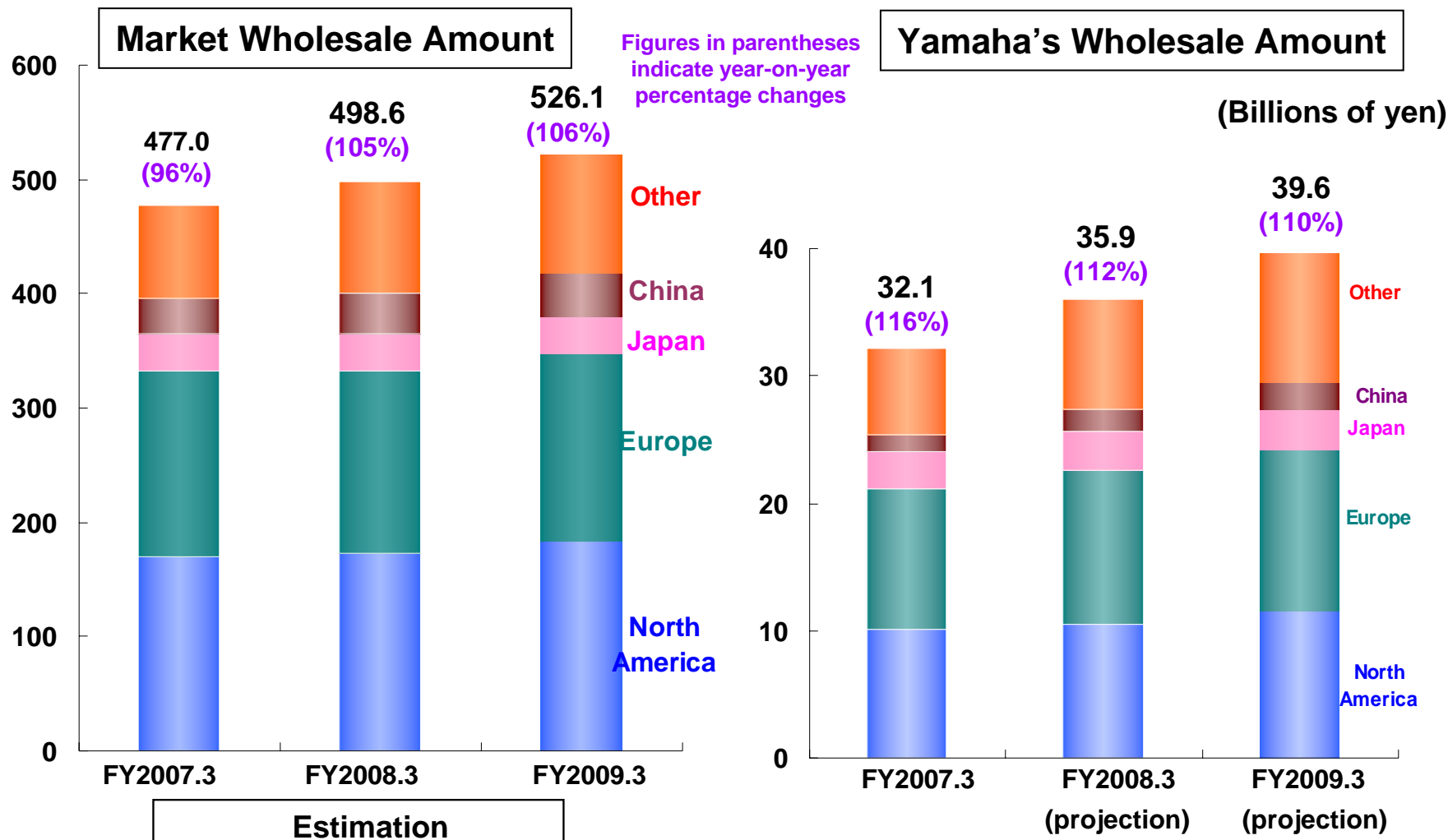
(projection)

(projection)

# World Market for Professional Audio Equipment



Sales are expanding steadily in the professional audio equipment market, driven by a focus on digital mixers. Output-side products achieved significant year-on-year growth. Sales of professional audio equipment in musical instrument stores also rose year-on-year. In addition to strong growth in Europe and the U.S., notable growth occurred in the Asian and Latin American markets, which continue to expand.



**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.**