

YAMAHA CORPORATION

Overview of Consolidated Performance in the First Quarter of the Fiscal Year Ending March 31, 2005 (April 1, 2004, to June 30, 2004)

August 2, 2004

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: 3
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 IN THE FIRST QUARTER OF THE FISCAL YEAR ENDING MARCH 31, 2005 (April 1, 2004–June 30, 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 quarter of FY2005	¥132,903	5.4	¥15,010	26.6	¥17,246	28.5
First quarter of FY2004	¥126,124	—	¥11,859	—	¥13,417	—
(Reference) FY2004	¥539,506		¥45,056		¥51,036	

	Net (loss) income		Net (loss) income per share	Net income per share after full dilution
	Millions of yen	% change from the previous fiscal year	Yen	Yen
First quarter of FY2005	¥(12,603)	—	¥(61.14)	¥ —
First quarter of FY2004	¥ 12,663	—	¥ 61.43	¥ 56.53
(Reference) FY2004	¥ 43,541		¥210.63	¥196.01

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 FY2005	¥491,823	¥245,910	50.0	¥1,192.84
First quarter of FY2004	¥512,718	¥230,148	44.9	¥1,116.52
(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 quarter of FY2005	¥ 970	¥ (3,437)	¥ 974	¥29,768
First quarter of FY2004	¥ 3,456	¥ (5,471)	¥ (9,964)	¥31,710
(Reference) FY2004	¥58,349	¥(18,775)	¥(50,141)	¥31,245

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

YAMAHA has revised the consolidated and non-consolidated performance forecasts released on May 7, 2004. Please refer to the revised forecast on page three for more information.

As of August 2, 2004 (Revised Forecast)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005 interim period	¥273,500	¥28,000	¥(5,000)
FY2005	¥554,500	¥41,000	¥19,500

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

As of May 7, 2004 (Original Forecast)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005 interim period	¥273,000	¥25,500	¥(10,000)
FY2005	¥553,000	¥40,000	¥ 16,000

Reference: Net income per share for the fiscal year is forecast to be ¥77.61 on a consolidated basis.

Forecasts of Non-Consolidated Performance in the Fiscal Year Ending March 2005 (April 1, 2004–March 31, 2005)

As of August 2, 2004 (Revised Forecast)

	Net sales	Recurring profit	Net income	Interim dividends per share	Year-end dividends per share	Dividends per share for the year
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
FY2005 interim period	¥187,000	¥21,000	¥(14,500)	¥7.50		
FY2005	¥347,000	¥23,000	¥ 500	¥ —	¥7.50	¥15.00

Reference: Net income per share for the fiscal year is forecast to be ¥2.42 on a non-consolidated basis.

As of May 7, 2004 (Original Forecast)

	Net sales	Recurring profit	Net income	Interim dividends per share	Year-end dividends per share	Dividends per share for the year
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
FY2005 interim period	¥180,000	¥18,000	¥(15,500)	¥7.50		
FY2005	¥345,000	¥22,000	¥ 500	¥ —	¥7.50	¥15.00

Reference: Net income per share for the fiscal year is forecast to be ¥2.42 on a non-consolidated basis.

1. Consolidated Business Performance

Thanks to increased sales of AV/IT products and electronic equipment and metal products, net sales during the first quarter of fiscal 2005 totaled ¥132,903 million, a 5.4% increase compared with the first quarter of the previous fiscal year. Of this, domestic sales amounted to ¥87,169 million, a 6.9% increase, and overseas sales reached ¥45,733 million, a 2.5% increase.

In musical instruments, although piano and Clavinova™ sales decreased, demand for the latest Electone™ (STAGEA™) increased, resulting in higher sales overall. In AV/IT products, sales increased for system products, video products for home theaters, and routers for business use. In electronic equipment and metal products, demand for mobile-phone LSI sound chips remained strong in South Korea and China. Sales fell in the lifestyle-related products, recreation, and others business segments.

Due to the accelerated adoption of impairment accounting standards, YAMAHA recorded an impairment loss of ¥32,549 million. As a result, recurring profit totaled ¥17,246 million, up 28.5% from the same quarter of the previous fiscal year, and net loss amounted to ¥12,603 million, compared with income of ¥12,663 million in the same quarter of the previous fiscal year.

2. Consolidated Financial Statements

Of net cash used in operating activities, loss before income taxes and minority interests amounted to ¥15,169 million, mainly due to the recognition of the impairment loss of ¥32,549 million. Net cash provided by operating activities totaled ¥970 million, reflecting increases in accounts receivable and inventories.

Net cash used in investing activities was ¥3,437 million due to investment in plant and equipment.

Net cash provided by financing activities amounted to ¥974 million due to an increase in short-term loans.

Due to these factors, the net decrease in cash and cash equivalents was ¥1,139 million, and cash and cash equivalents at end of period amounted to ¥29,768 million.

3. Consolidated Business Forecast

In the fiscal year ending March 31, 2005, Yamaha forecasts that its performance in musical instrument, AV/IT, electronic equipment and metal product operations will, in general, improve smoothly while sales and profitability in lifestyle-related operations will deteriorate.

Cautionary Statement with Respect to Forward-Looking Statements

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

(Supplementary Data)

1. SUMMARY OF CONSOLIDATED BALANCE SHEETS

	Millions of yen		
	First quarter of FY2005 (as of June 30, 2004)	FY2004 (as of Mar. 31, 2004)	Increase (decrease)
ASSETS			
Current assets:			
Cash and bank deposits	¥ 30,548	¥ 32,053	¥ (1,505)
Notes and accounts receivable	83,525	81,114	2,411
Inventories	79,266	72,146	7,120
Other current assets	19,693	16,390	3,303
Total current assets	213,033	201,704	11,329
Fixed assets:			
Tangible assets	144,009	178,667	(34,658)
Intangible assets	905	944	(39)
Investments and other assets	133,875	127,415	6,460
Total fixed assets	278,790	307,026	(28,236)
Total assets	¥491,823	¥508,731	¥(16,908)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 42,809	¥ 39,947	¥ 2,862
Short-term loans	21,684	16,711	4,973
Current portion of long-term debt	7,587	7,388	199
Accrued expenses	31,944	45,888	(13,944)
Other current liabilities	18,864	13,660	5,204
Total current liabilities	122,889	123,596	(707)
Long-term liabilities:			
Long-term debt	23,624	24,772	(1,148)
Accrued employees' retirement benefits	48,774	50,012	(1,238)
Other fixed liabilities	46,942	47,106	(164)
Total long-term liabilities	119,342	121,891	(2,549)
Total liabilities	242,231	245,488	(3,257)
MINORITY INTERESTS	3,681	3,511	170
SHAREHOLDERS' EQUITY			
Common stock	28,534	28,534	—
Capital surplus	40,054	40,054	—
Earned surplus	182,142	203,485	(21,343)
Reserve for land revaluation	22,337	15,866	6,471
Net unrealized holding gains on other securities	11,037	10,979	58
Translation adjustments	(37,939)	(38,937)	998
Treasury stock, at cost	(255)	(252)	(3)
Total shareholders' equity	245,910	259,731	(13,821)
Total liabilities, minority interests and shareholders' equity	¥491,823	¥508,731	¥(16,908)

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

2. SUMMARY OF CONSOLIDATED STATEMENTS OF OPERATIONS

	First quarter of FY2005 (Apr. 1, 2004–June 30, 2004)		First quarter of FY2004 (Apr. 1, 2003–June 30, 2003)		FY2004 (Apr. 1, 2003–Mar. 31, 2004)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	¥132,903	100.0	¥126,124	100.0	¥539,506	100.0
Cost of sales	80,573	60.6	77,493	61.4	338,057	62.7
Unrealized profit	69		23		244	
Total gross profit	52,399	39.4	48,654	38.6	201,693	37.4
Selling, general and administrative expenses	37,389	28.1	36,795	29.2	156,637	29.0
Operating income	15,010	11.3	11,859	9.4	45,056	8.4
Non-operating income	3,621	2.7	3,102	2.4	12,841	2.4
Non-operating expenses	1,385	1.0	1,543	1.2	6,861	1.3
Recurring profit	17,246	13.0	13,417	10.6	51,036	9.5
Other profit	437	0.3	129	0.1	613	0.1
Other loss:						
Impairment loss	32,549		—		—	
Other	303		79		4,193	
Total other loss	32,852	24.7	79	0.0	4,193	0.8
(Loss) income before income taxes and minority interests	(15,169)	(11.4)	13,468	10.7	47,456	8.8
Current income taxes	4,002	3.0	550	0.5	4,769	0.9
Deferred income taxes (benefit)	(6,711)	(5.0)	149	0.1	(1,387)	(0.3)
Minority interests	142	0.1	103	0.1	532	0.1
Net (loss) income	¥ (12,603)	(9.5)	¥ 12,663	10.0	¥ 43,541	8.1

3. SUMMARY OF CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Millions of yen			
	First quarter of FY2005 (Apr. 1, 2004–June 30, 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	—		43,541	
Effect of change in scope of consolidation	—		545	
Reversal of reserve for land revaluation from change of interests in subsidiaries	10		569	
Increase from accounting period changes of consolidated subsidiaries	—	10	64	44,721
Deduction from earned surplus:				
Cash dividends paid	2,063		2,063	
Bonuses to directors and statutory auditors	121		82	
Net loss	12,603		—	
Effect of change in scope of consolidation	36		116	
Effect of change in interests in subsidiaries	23		95	
Reversal of reserve for land evaluation	6,505	21,354	1,220	3,579
Balance at end of period		¥182,142		¥203,485

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

4. SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	First quarter of FY2005 (Apr. 1, 2004–June 30, 2004)	FY2004 (Apr. 1, 2003–Mar. 31, 2004)
Cash flows from operating activities:		
(Loss) income before income taxes and minority interests	¥(15,169)	¥47,456
Depreciation and amortization	4,713	17,522
Impairment loss	32,549	—
(Increase) decrease in accounts and notes receivable—trade	(1,930)	(698)
(Increase) decrease in inventories	(6,494)	6,346
Increase (decrease) in accounts and notes payable	2,608	1,283
Other, net	(15,305)	(13,559)
Net cash provided by operating activities	970	58,349
Cash flows from investing activities:		
Purchases of fixed assets	(5,483)	(18,721)
Proceeds from sale of fixed assets	1,631	552
Other, net	414	(606)
Net cash used in investing activities	(3,437)	(18,775)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	5,063	(11,179)
(Decrease) increase in long-term loans	(1,102)	(6,126)
Cash dividends paid	(2,063)	(2,063)
Other, net	(922)	(30,771)
Net cash provided by (used in) financing activities	974	(50,141)
Effect of exchange rate changes on cash and cash equivalents	353	(1,599)
Net decrease in cash and cash equivalents	(1,139)	(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	¥ 29,768	¥31,245

5.

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

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) 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.

Impairment loss

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, and 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 recognized impairment loss for facilities that have recorded consistently negative income 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 quarter of FY2005 (April 1, 2004–June 30, 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	¥73,568	¥17,661	¥10,424	¥21,177	¥4,291	¥5,779	¥132,903	¥ —	¥132,903
Intersegment sales or transfers	—	—	—	582	—	—	582	(582)	—
Total sales	73,568	17,661	10,424	21,760	4,291	5,779	133,486	(582)	132,903
Operating expenses	66,984	15,867	10,524	14,048	5,077	5,972	118,476	(582)	117,893
Operating income (loss)	¥ 6,583	¥ 1,794	¥ (100)	¥ 7,711	¥ (785)	¥ (193)	¥ 15,010	¥ —	¥ 15,010

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 quarter of FY2004 (April 1, 2003–June 30, 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	¥72,644	¥14,183	¥11,277	¥16,944	¥4,771	¥6,303	¥126,124	¥ —	¥126,124
Intersegment sales or transfers	—	—	—	466	—	—	466	(466)	—
Total sales	72,644	14,183	11,277	17,410	4,771	6,303	126,590	(466)	126,124
Operating expenses	67,098	13,967	10,905	11,267	5,223	6,269	114,731	(466)	114,265
Operating income (loss)	¥ 5,546	¥ 215	¥ 372	¥ 6,142	¥ (451)	¥ 33	¥ 11,859	¥ —	¥ 11,859

(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 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

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 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%

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

(First quarter of FY2004 (April 1, 2003–June 30, 2003))

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥16,351	¥16,935	¥11,322	¥ 44,608
Net sales	—	—	—	126,124
% of net sales	13.0%	13.4%	9.0%	35.4%

(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%