

**Analyst and Investor Briefing on the  
Fiscal Year Ended March 31, 2004**

**(April 1, 2003 to March 31, 2004)**

**May 7, 2004  
YAMAHA CORPORATION**

# Overview of Performance in the Fiscal Year



- **The FY2004 was the last year of the Kando Creation 21 medium-term business plan. Regarding the plan's performance targets, the target for net sales was not attained, but the targets for profitability were greatly exceeded.**
  
- **New record-high levels of operating income and net income were recorded in each of the past two years.**

Operating income	¥45.1 billion (¥32.0 million in FY2003)
Net income	¥43.5 billion (¥17.9 million in FY2003)
  
- **Net sales increased in each of the past two years (+2.8%)**
  - This mainly reflected a rise in semiconductor product sales centered on LSI sound chips for mobile phones
  
- **The Company's financial position has been steadily strengthened.**
  - Inventory assets at the fiscal year-end were ¥72.1 billion, down ¥8.0 billion from the previous fiscal year-end.
  - The actual balance of interest-bearing debt at the fiscal year-end was down ¥30.0 billion from the previous fiscal year-end.  
(Reduced during the year from ¥46.0 billion to ¥16.8 billion)

# Performance in the Fiscal Year



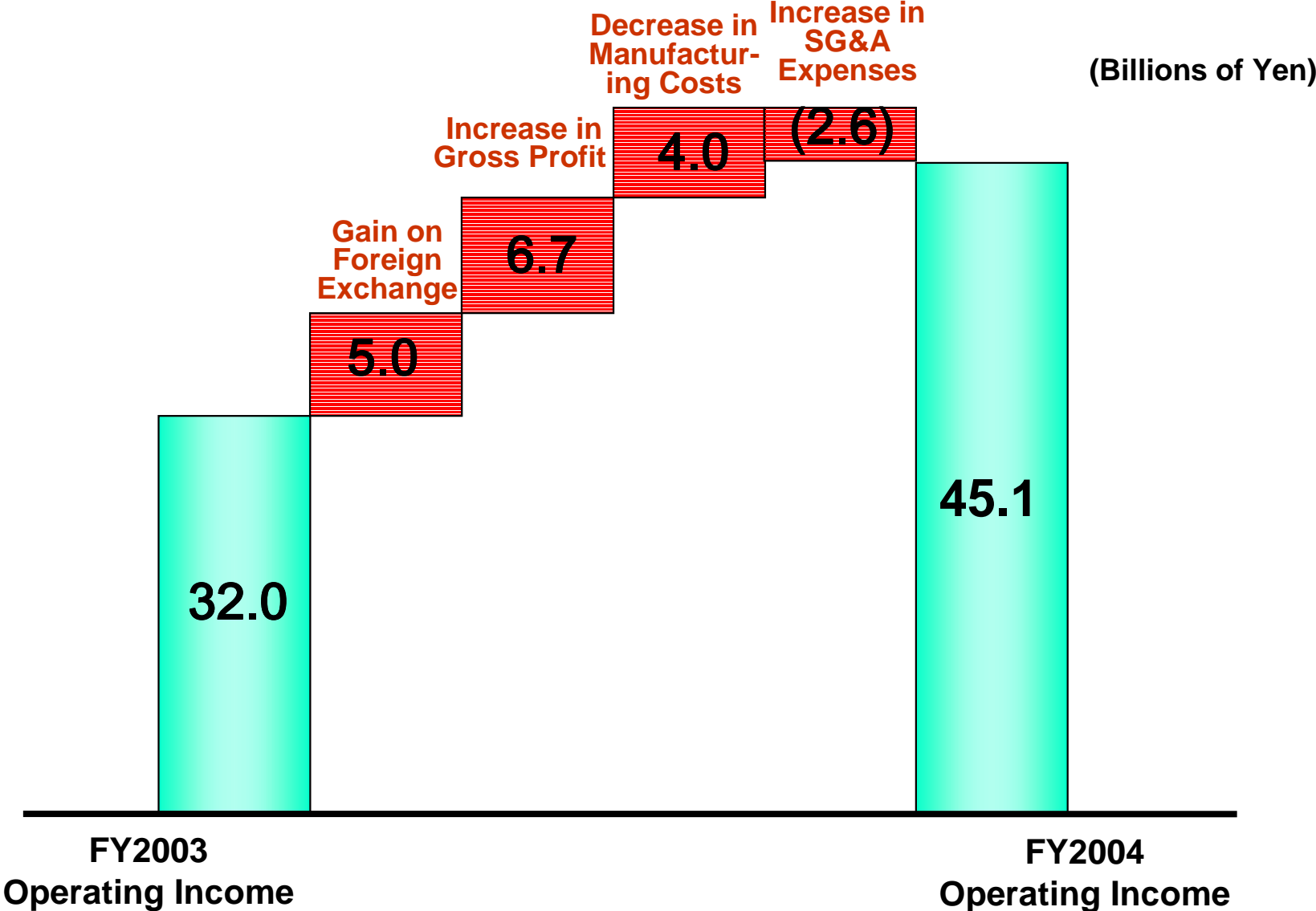
➤ Year-on-year increases in both sales and profit

(Billions of Yen)

	FY2003	FY2004	Increase	9/2/2004 Projections	4Q Results
Net Sales	524.7	539.5	+14.8	542.0	124.2
Operating Income (Operating Income Ratio)	32.0 (6.1 %)	45.1 (8.4 %)	+13.1	45.5	0
Recurring Profit (Recurring Profit Ratio)	33.8 (6.4 %)	51.0 (9.5%)	+17.2	51.0	(0.2)
Net Income (Net Income Ratio)	17.9 (3.4 %)	43.5 (8.1%)	+25.6	44.0	(2.2)
EPS (Yen)	86.7	210.6	—		
ROE (%)	8.6	18.4	—		

Currency Exchange Rate		03/3	04/3	FY2004 Projections	4Q Results
Net Sales	US\$	122	113	114	107
	EUR	121	133	131	134
Operating Income	US\$	122	114	115	108
	EUR	116	129	128	128

# Breakdown of Operating Income/Loss



# Operating Income by Business Segment in the Fiscal Year



(Billions of Yen)

	FY2003	FY2004	Increase/ (Decrease)	Currency Exchange Impact	Actual Increase/ (Decrease)	9/2/2004 Projections
Musical Instruments	9.8	10.5	+0.7	+2.3	(1.6)	12.0
AV/IT	3.2	4.4	+1.2	+2.7	(1.5)	4.0
Lifestyle-Related Products	0.5	1.5	+1.0		+1.0	1.0
Electronic Equipment and Metal Products	19.3	30.0	+10.7		+10.7	29.0
Recreation	(1.1)	(1.1)	0.0		0.0	(1.0)
Others	0.4	(0.2)	(0.6)		(0.6)	0.5
<b>TOTAL</b>	<b>+32.0</b>	<b>+45.1</b>	<b>+13.1</b>	<b>+5.0</b>	<b>+8.1</b>	<b>45.5</b>

\*Actual operating loss for the year was ¥0.4 billion below the February projection. In the 4Q, the effect of exchange rates was a rise of ¥0.2 billion (¥0 billion in musical instruments and ¥0.2 billion in AV/IT). Thus, in real terms, operating loss was down ¥0.6 billion from the projection.

# Musical Instruments

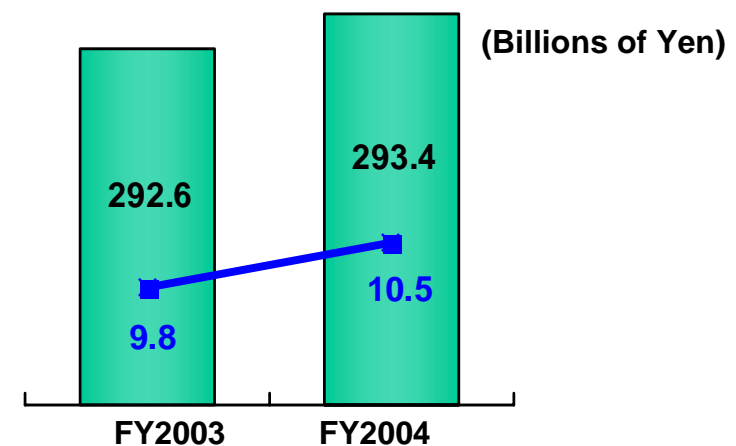
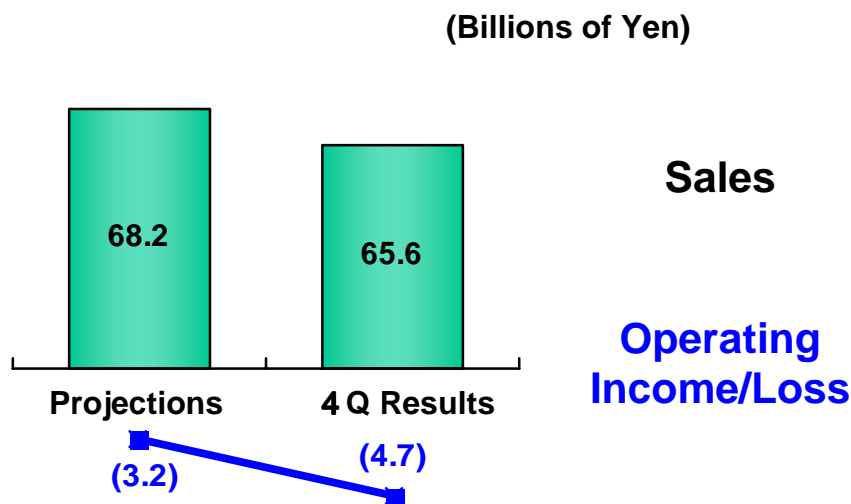


## 4Q Overview

- Real net sales were 3.7% below the projection.
- Inventory levels were reduced in line with the projection.
- The strategic initial expansion of overseas content distribution business was achieved, and the Utaccha version of Chaku-uta service was begun in January.
- In Japan, the STAGEA electone model with new functions was launched in March.

## FY2004 Overview

- Real growth of 0.9% achieved in net sales.
- Smooth sales expansion in North America and Europe (real growth of 5%)
- Steady sales growth in Asian countries, particularly in Korea, and the Middle East. Lingering effects of SARS restrained sales in China at a level below original expectations.
- Profitability of content business impacted by intensifying competition in Japan.
- Moving forward with strategic business development activities aimed at responding to demand among adults in Japan.

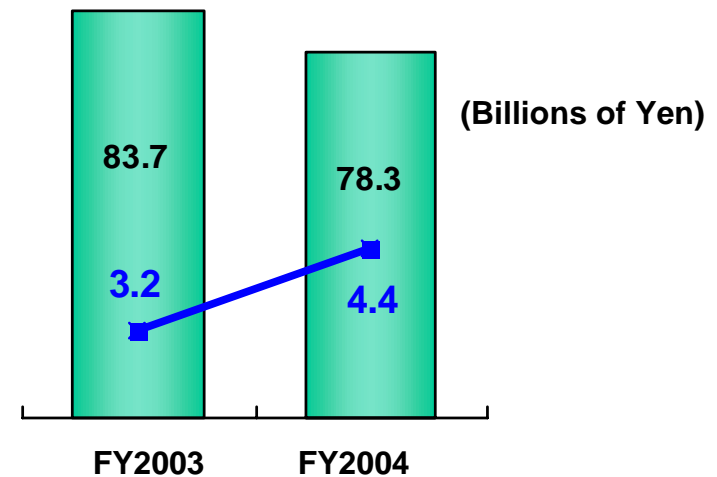
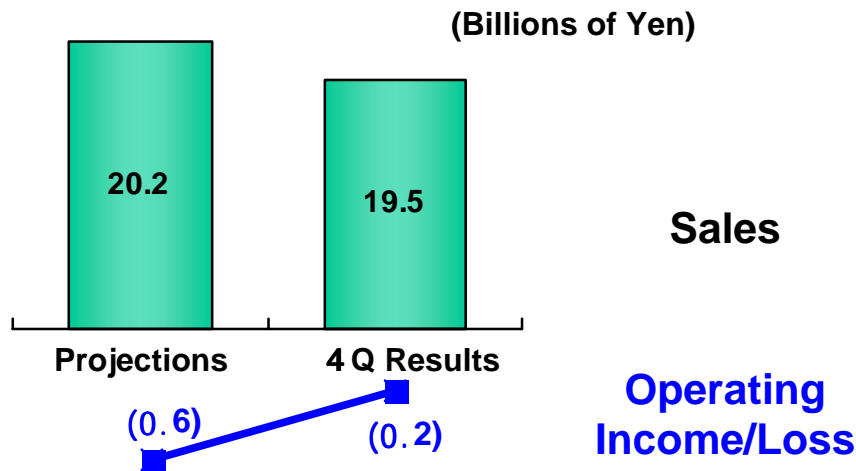


## 4Q Overview

- Real net sales were 4.5% below the projection.
- Router and online karaoke sales continued to grow smoothly
- Inventory levels were slightly higher than the projection.

## FY2004 Overview

- Real net sales decreased 7.2%; however, if the effect of discontinuing business in CD/R-RW drives were excluded, real sales grew 1.7%.
- Withdrawal from CD/R-RW drive business and exchange rate gains boosted profitability.
- Manufacturing facility in Suzhou, China, began operating on schedule.



# Lifestyle-Related Products

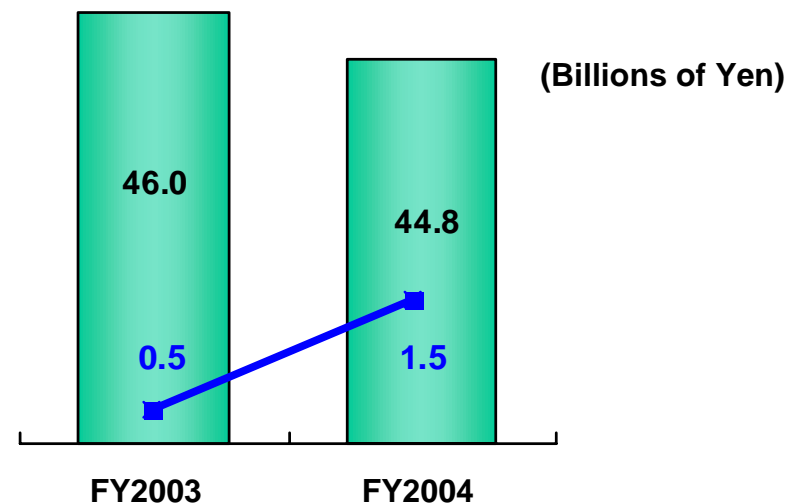
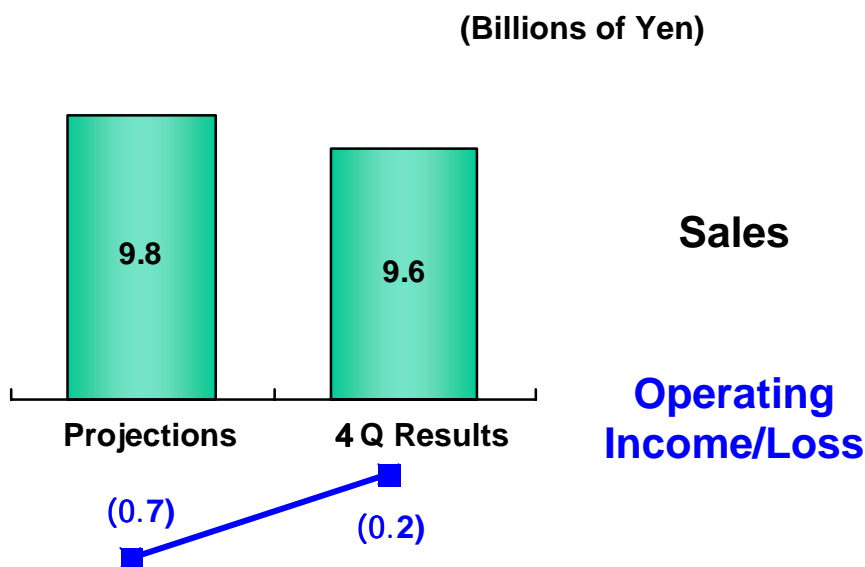


## 4Q Overview

- Real net sales were in line with the projection. Profitability improved owing to such factors as manufacturing unit cost reductions.
- Products developed in cooperation with Air Water Emoto Co., Ltd., were launched in February and have been received well in the market.

## FY2004 Overview

- Although sales decreased, manufacturing cost reductions and other factors greatly improved profitability.
- The benefits of alliances are gradually emerging.
- Capabilities for remodeling-related business were strengthened through the expansion of show-room facilities and other measures.

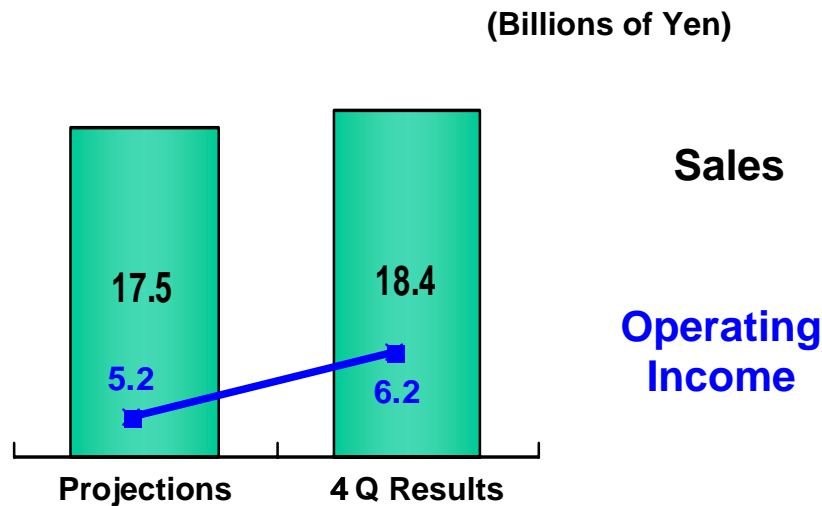




# Electronic Equipment and Metal Products

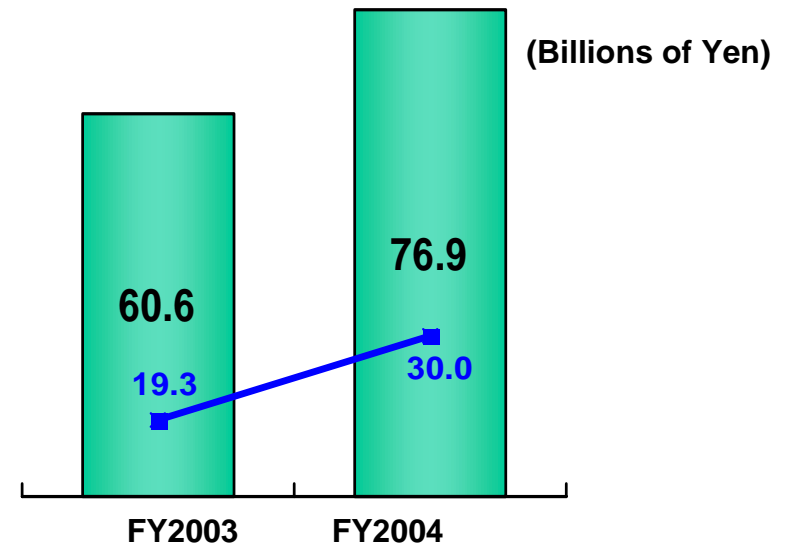
## 4Q Overview

- Operations in semiconductors and electronic metals remained strong during the 4Q.



## FY2004 Overview

- In semiconductors, sales of LSI sound chips for mobile phones remained strong, particularly in China and Korea.
- Electronic metals became profitable following the discontinuation of unprofitable invar operations. The reduction of manufacturing unit costs progressed steadily.



# Recreation

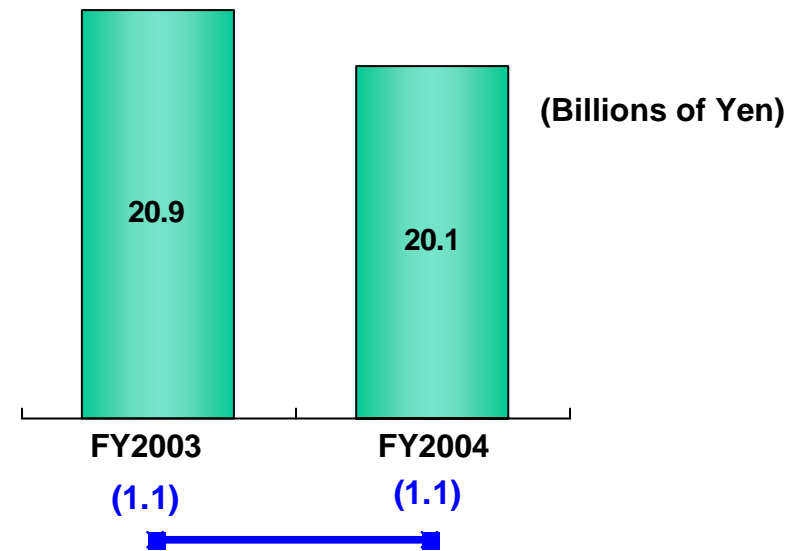
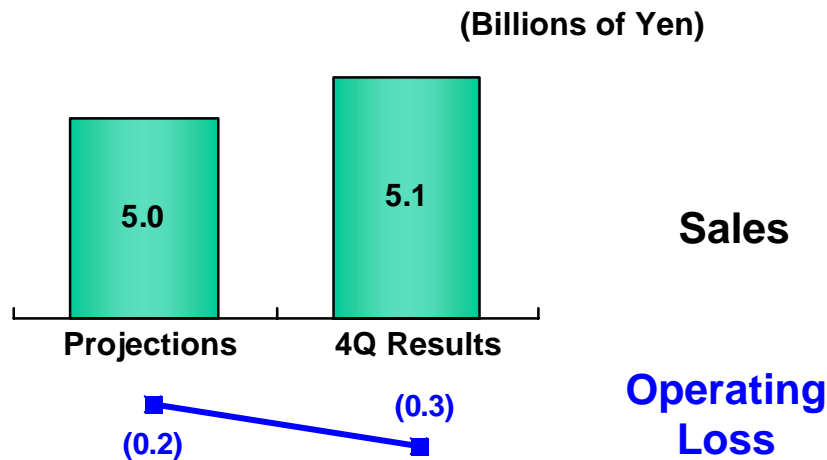


## 4Q Overview

- “Kiroro” resort revenues were below projection due to insufficiency of snowfall.
- Other facilities generally recorded favorable performance trends.

## FY2004 Overview

- Sales decreased, reflecting the closure of “Sunza Villa” and a continued downtrend in unit prices.
- The decline in sales led to a drop in gross profit that was only partially offset by rationalization benefits. Thus, an operating loss was recorded that was comparable to the previous year.

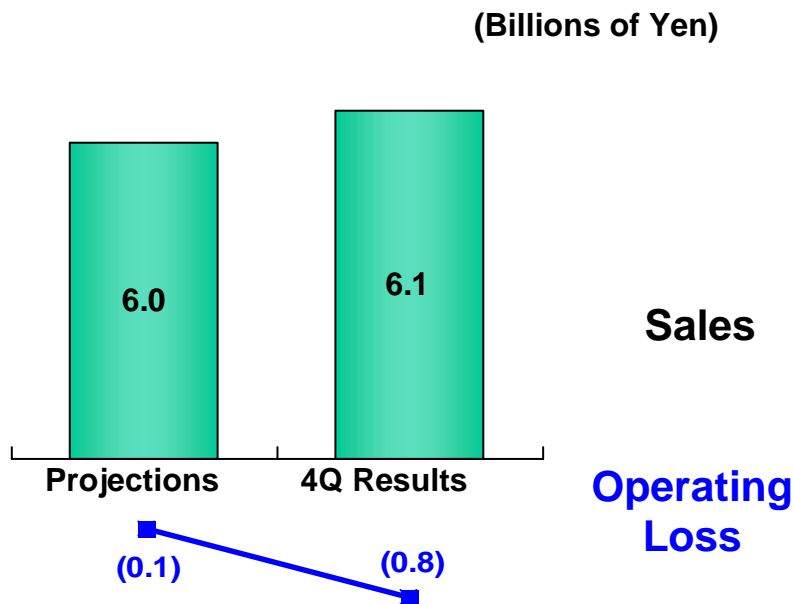


# Others



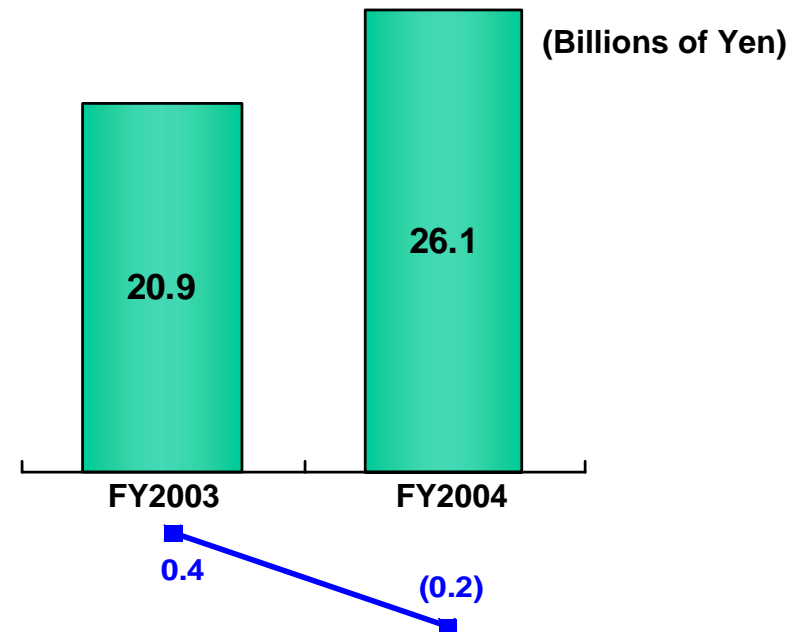
## 4Q Overview

- Sales were approximately in line with the projection.
- Spending decreased considerably owing to a decrease in production of magnesium components for mobile phones and to the disposal of inventories.



## FY2004 Overview

- Sales surged 25% owing to a rise in the production of automobile interior components and magnesium components for mobile phones.
- Manufacturing yields for magnesium components for mobile phones did not improve, however, necessitating the disposal of inventories. This reduced profitability.
- In the golf business, YAMAHA is raising the profile of its brand image by adding new products to its "inpres" series.



# Other Priority Measures

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## ■ Continuing to Boost Profitability through Business Restructuring

- Invar materials manufacturing operations discontinued on schedule in July 2003
- Closure of “Sunza Villa” in June 2003
- Closure of “Kiroro” golf course in October 2003
- Liquidation of France-based subsidiary Yamaha Electronique Alsace S.A., which discontinued manufacturing operations at the end of November 2003
- Scaleback and shift of thermoelectric element operations to within the Business Development Division

## ■ Response Regarding the Substitutional Portion of the Pension Fund

- Decision to return the substitutional portion to the government
  - Approval for future portion received in November 2003
  - Approval for past portion expected to be received in February 2005

## ■ Cash flow from operating activities used to redeem ¥24.3 billion in convertible bonds at the end of March 2004 as scheduled

# Forecasts of Business Performance in FY2005



- **FY2005 is the first year of the new medium-term business plan, “YSD50,” which sets management goals to be attained in FY2007. FY2005 is a period for establishing the fundamental capabilities needed to attain those goals.**

## Overview

- **Establishing a profit structure not overly dependent on semiconductor operations, which are subject to considerable performance fluctuations**
  - Increase the profitability of musical instrument operations, boosting segment operating income from ¥10.5 billion to ¥14.0 billion**
- **Maintaining a prudent course in semiconductor operations in light of the difficulty of predicting trends in the related operating environment**
  - Raise electronic equipment and metal products segment operating income from ¥30.0 billion to ¥18.5 billion**
- **Appropriately and expeditiously realizing potential losses on impaired assets**
  - Realize losses in resort and other operations amounting to ¥32.0 billion (extraordinary loss)**
- **Returning the substitutional portion of the pension fund**
  - Recording the difference between related projected benefit obligations (PBO) and pension fund assets will result in a gain of ¥19.5 billion (extraordinary profit)**
- **Changing the depreciation method used for recreation operations from the straight-line method to the declining-balance method will result in an effect on operating loss of ¥1.5 billion**

# Forecasts of Business Performance in FY2005



## < Full Year >

	FY2004 Results	FY2005 Forecasts	Increase/ (Decrease)
<b>Net Sales</b>	<b>539.5</b>	<b>553.0</b>	<b>+2.5%</b>
<b>Operating Income</b> (Operating Income Ratio)	<b>45.1</b> (8.4%)	<b>37.5</b> (6.8%)	<b>(16.9)%</b>
<b>Recurring Profit</b> (Recurring Profit Ratio)	<b>51.0</b> (9.5%)	<b>40.0</b> (7.2%)	<b>(21.6)%</b>
<b>Net Income</b> (Net Income Ratio)	<b>43.5</b> (8.1%)	<b>16.0</b> (2.9%)	<b>(63.2)%</b>
<b>EPS (Yen)</b>	<b>210.6</b>	<b>77.6</b>	<b>—</b>
<b>ROE (%)</b>	<b>18.4</b>	<b>6.0</b>	<b>—</b>

## < 1Q > (Billions of Yen)

	FY2004 Results	FY2005 Forecasts	Increase/ (Decrease)
<b>Net Sales</b>	<b>126.1</b>	<b>134.3</b>	<b>+6.5%</b>
<b>Operating Income</b> (9.4%)	<b>11.8</b> (9.4%)	<b>11.9</b> (8.9%)	<b>+0.8%</b>
<b>Recurring Profit</b> (10.6%)	<b>13.4</b> (10.6%)	<b>13.6</b> (10.1%)	<b>+1.5%</b>
<b>Net Income</b> (10.0%)	<b>12.6</b> (10.0%)	<b>(19.2)</b> ((14.3%)*	<b>—</b>

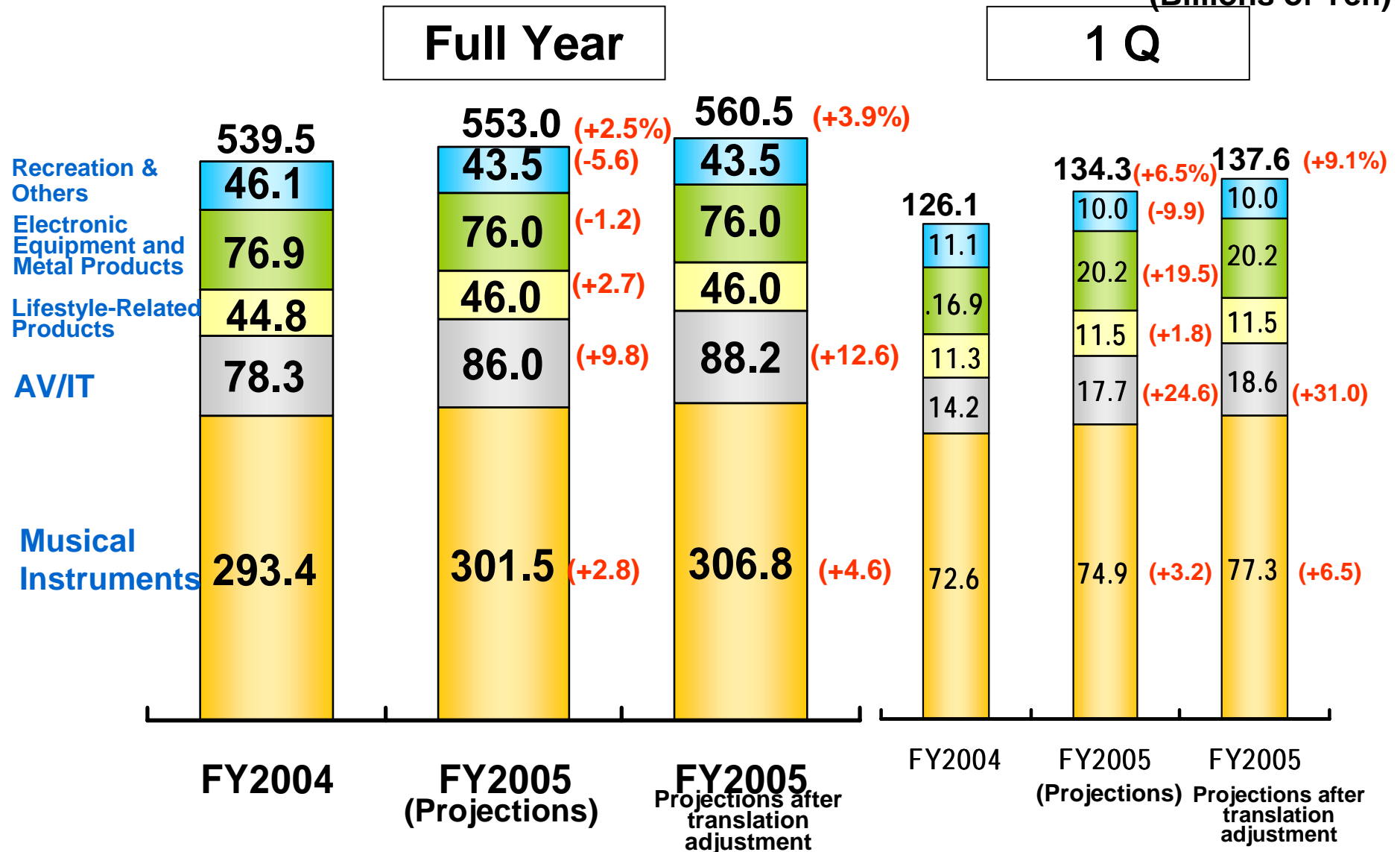
\*Includes impact of impaired assets

Currency Exchange Rate		FY2004	FY2005 Forecasts	FY2004	FY2005 Forecasts
Net Sales	US\$	113	110	118	110
	EUR	133	127	135	127
Operating Income	US\$	114	110	119	110
	EUR	129	127	124	127

# Forecasts of Net Sales by Business Segment



(Billions of Yen)

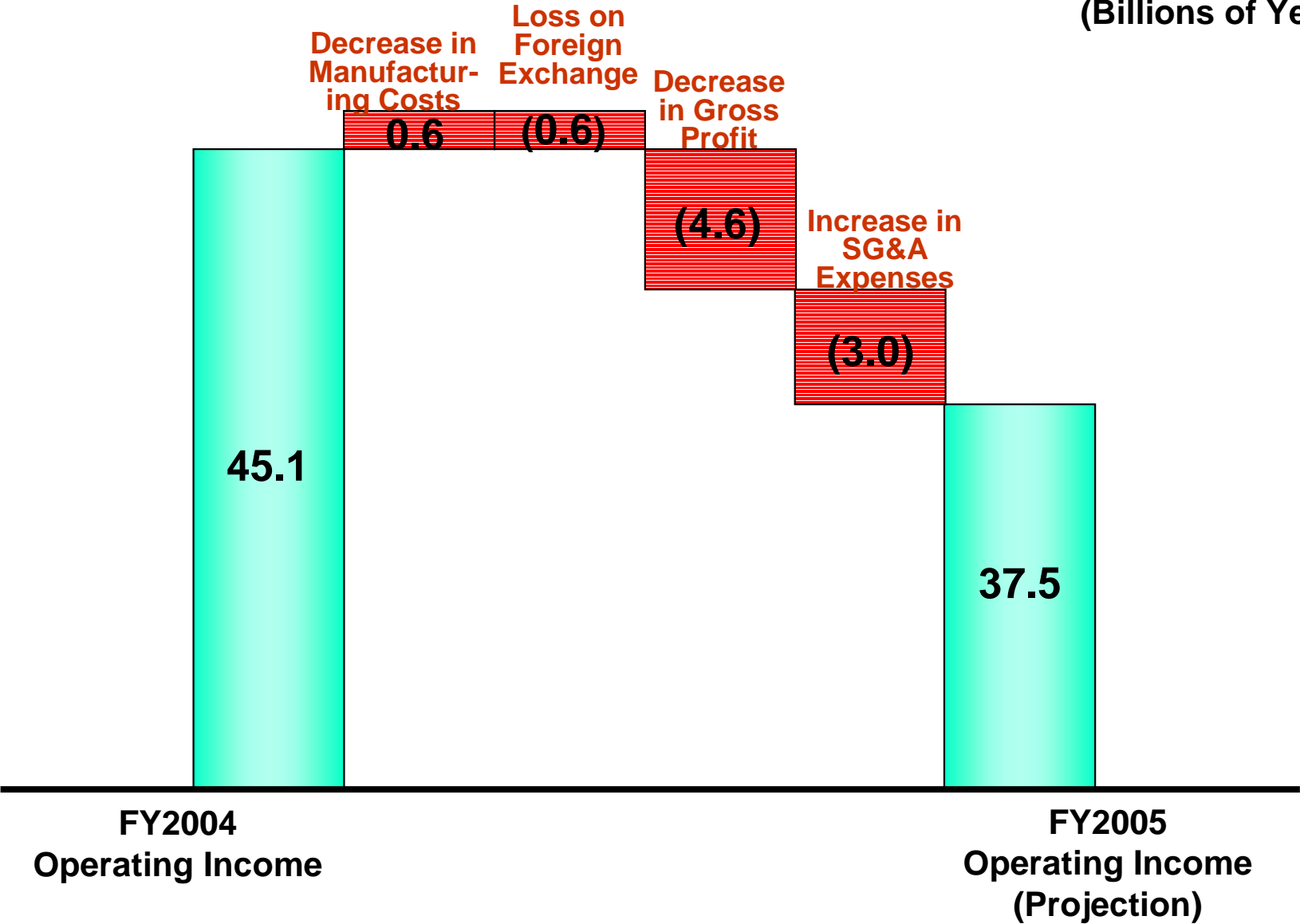


\*Figures in parentheses represent changes from the previous period.

# Breakdown of Operating Income



(Billions of Yen)





# Forecasts of Operating Income by Business Segment



(Billions of Yen)

## < Full Year >

	FY2004	FY2005 (Projections)	Increase/ (Decrease)
Musical Instruments	10.5	14.0	+3.5
AV/IT	4.4	4.0	(0.4)
Lifestyle-Related Products	1.5	1.5	0.0
Electronic Equipment and Metal Products	30.0	18.5	(11.5)
Recreation	(1.1)	(1.0)	+0.1
Others	(0.2)	0.5	+0.7
<b>TOTAL</b>	<b>45.1</b>	<b>37.5</b>	<b>(7.6)</b>

\* Compared with FY2004, the effect of exchange rate fluctuations is projected to be minus ¥0.6 billion ( minus ¥1.1 billion for the musical instrument segment and plus ¥0.5 billion for the AV/IT segment).

## < 1Q >

	FY2004	FY2005 (Projections)	Increase/ (Decrease)
Musical Instruments	5.5	5.1	(0.4)
AV/IT	0.2	0.4	+0.2
Lifestyle-Related Products	0.4	0.5	+0.1
Electronic Equipment and Metal Products	6.1	6.5	+0.4
Recreation	(0.4)	(0.7)	(0.3)
Others	0.0	0.1	+0.1
<b>TOTAL</b>	<b>11.8</b>	<b>11.9</b>	<b>+0.1</b>

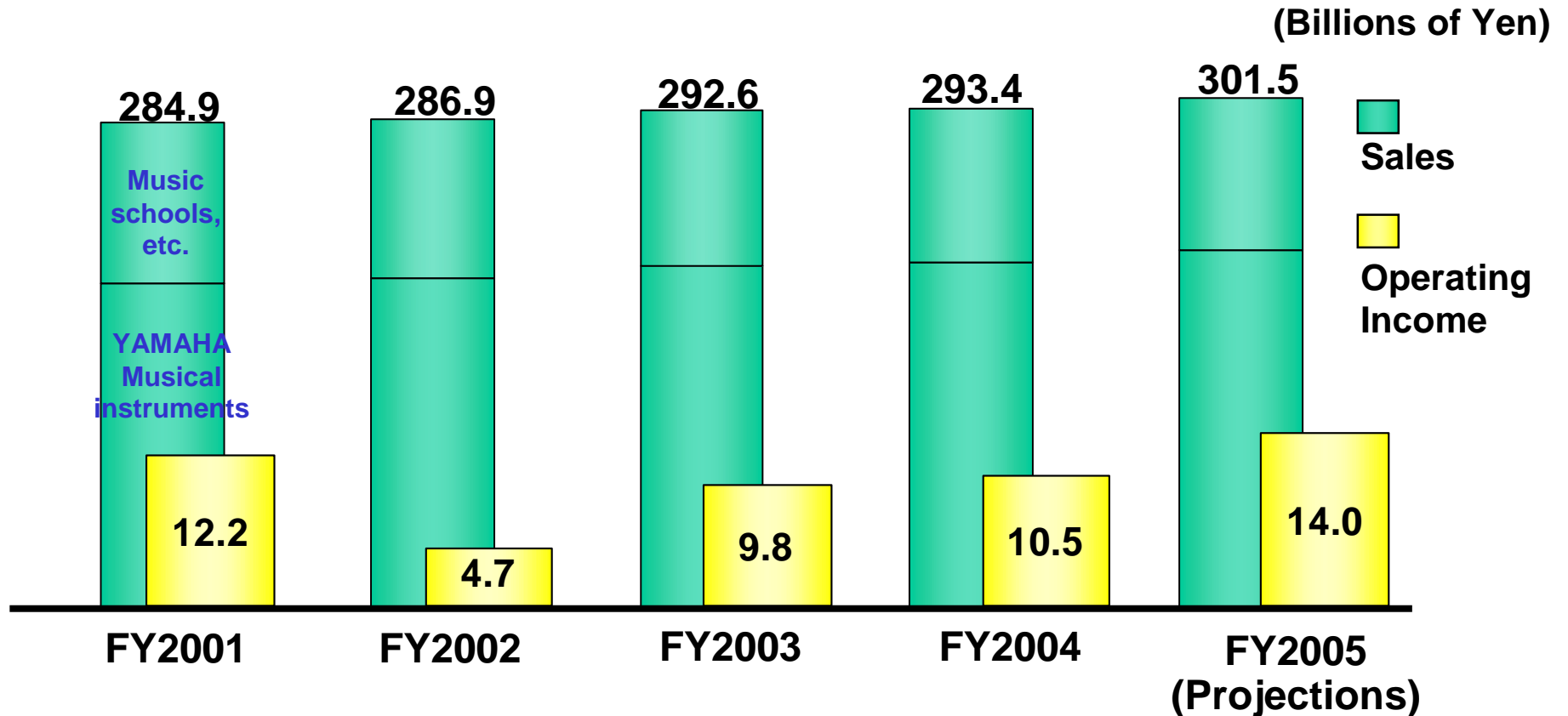
\* Compared with FY2004, the effect of exchange rate fluctuations is projected to be plus ¥0.4 billion (minus ¥0.1 billion for the musical instrument segment and plus ¥0.5 billion for the AV/IT segment).

# Musical Instruments



## ■ Market Environment

- Despite some positive trends, predicting future trends in the global economy remains difficult
- Emergence of Chinese manufacturers in North American and Chinese markets



# Measures for Musical Instruments (1)



1. **Increasing products' added value by strengthening capabilities for planning/development and marketing**
  - **Developing high-value-added products**
    - Leveraging technological seeds to offer customers new products that afford greater enjoyment and are even better to play
    - Augmenting capabilities for developing middle range/high-end products
      - Disklavier Mark IV, Custom Z series of wind instruments
  - **Bolstering approach to artists and specialists**
    - Open new base in New York City for piano and wind instrument operations (May 2004), greater use of Internet websites
2. **Growing business in professional audio equipment**
  - Realizing mixer-centered system solutions
  - Augmenting the lineup of medium- and small-scale professional audio and digital mixing products for the digital live sound and installation market
  - Strengthening the marketing system
    - Expanding the marketing network to more proactively develop the ecclesiastical market in the United States and the concert hall markets in Japan and Europe

# Measures for Musical Instruments (2)



## 3. Expanding operations in Chinese markets

- Unifying and strengthening marketing operations under holding company Yamaha Music & Electronics (China) Co., Ltd. (YMEC)
  - Creating and expanding the Yamaha Model Shops' network of comprehensive Yamaha musical instrument retail stores, and taking other measures to broaden distribution channels
  - Getting local manufacturing operations under way and smoothly expanding as well as launching products designed to meet local needs
    - Q series wind instrument production begun at the Xiaoshan plant (April 2004), Hangzhou Yamaha Musical Instruments Co., Ltd., to begin upright piano manufacturing (October 2004)
  - Strengthening the local appeal of the Yamaha brand and establishing music schools

## 4. Increasing the dynamism of domestic operations

- Adjusting domestic marketing operations by shifting emphasis from children and schools to giving greater emphasis to business that provides and promotes customers' enjoyment of instrumental performances
- Increasing investment in promotional and marketing bases
  - Medium-term plan calls for ¥2.9 billion of investment in first year (¥10.0 billion over three years)
- Using the electronic organ "STAGEA" (launched this spring) to expand support for and use of electronic organs among the younger generation
  - Continuing television commercial film programs, expanding the new "teen's JAM" event program, promoting network utilization plans

# Measures for Musical Instruments (3)

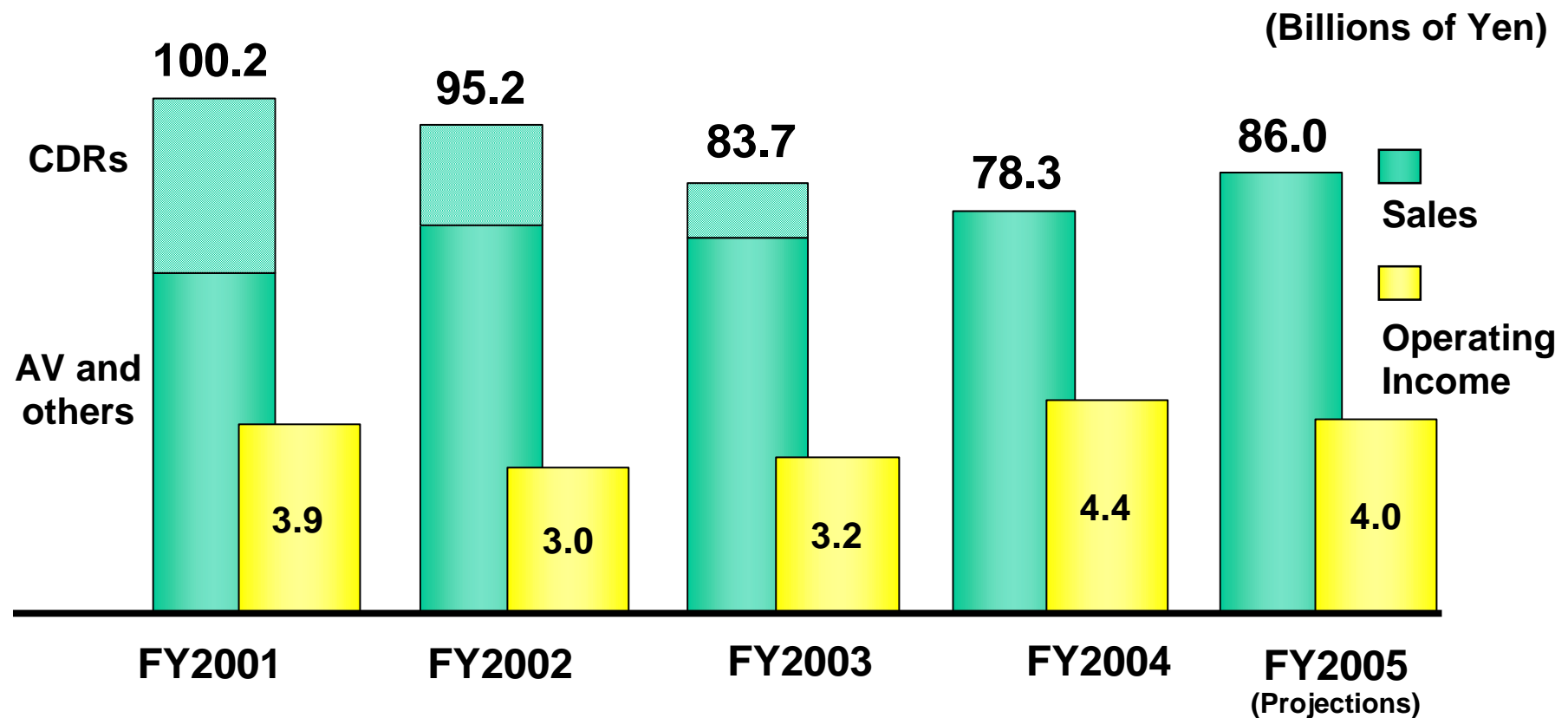


## 5. Promoting Manufacturing Reforms

- **Shifting from individual reform programs for each business department to a comprehensive manufacturing optimization program for all musical instrument operations, thereby eliciting synergistic benefits**
  - Toyota Production System (TPS) lean manufacturing systems: promoting implementation through a key reform program at the Kakegawa factory**
  - Supply Chain Management (SCM): working to ensure the coordination of factory and marketing units regarding TPS operations**
  - Drafting of a comprehensive optimization strategy program for all internal and external manufacturing bases**
    - Boosting price-competitiveness through use of overseas manufacturing bases**
      - Cost-halving products for wind instruments (manufacturing trumpets in China and flutes and saxophones in Indonesia)**
      - Manufacturing upright pianos and guitars in Hangzhou, China**
  - Promoting global procurement programs for materials and components**

## ■Market Environment

- Increasing use of digital and networking technologies
- Expanding market for integrated HTiB/DVD systems and decreasing prices
- Shrinking of audio component product market, with particular shrinking of the market for middle range/high-end products



# Key Measures for AV/IT

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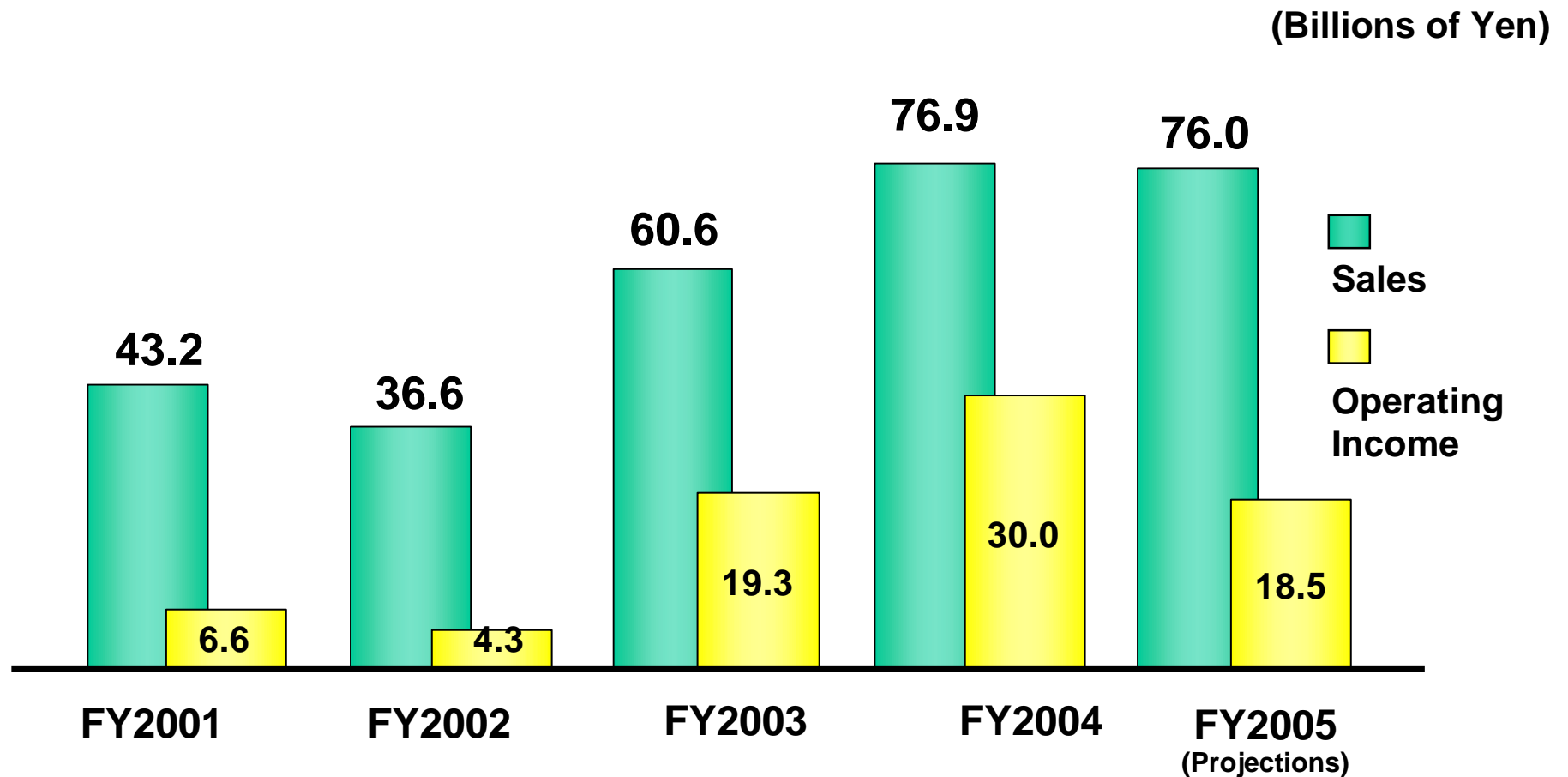


- 1. Promoting strategies for boosting competitiveness in existing businesses**
  - **Expanding home theater operations**
    - Leveraging YAMAHA's core competencies to create distinctive products
    - Responding to changes in demand
    - Developing AV receivers, speakers, and systems that harmonize with flat-screen televisions
    - Proposing sound/video systems
  - **Expanding router solutions business aimed at the enterprise and SOHO markets**
  - **Implementing strategies for being the top company in the online karaoke market**
  
- 2. Promoting growth strategies for developing new businesses**
  - **Responding to network developments associated with “MusicCAST/AV Station”**
  - **Promoting growth in video business and development of new businesses**
  - **Promoting collaborations and alliances**

# Electronic Equipment and Metal Products



- Maintaining a prudent course in business plans in light of the difficulty of predicting FY2005 trends in semiconductor operations.





## ■Market Environment

- The number of mobile phones sold worldwide during 2004 is expected to surpass 550 million (projection by market survey company), and the market appears set for further expansion
- Particular expansion is projected for emerging markets, while European and North American markets should shift to high-performance models (phones with camera functions, etc.)

## ■Priority Policies

- Further expanding LSI sound chip operations while securing related profitability

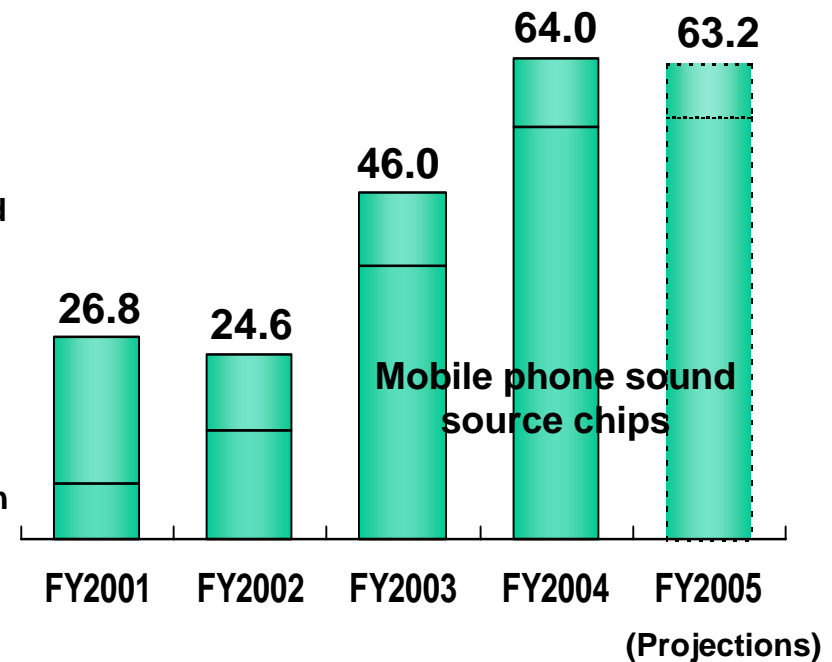
Maintaining a high share of customers in Asian markets (Korea, China, Taiwan ODM)

Maintaining a high market share with domestic customers and increasing the share of overseas models with the Company's sound chips installed

Continuing on from Asia using SMAF (Synthetic music Mobile Application Format) as a lever for strengthening sales in Europe and the United States

- Maintaining strong supply systems
  - Responding to demand using the Company's own factories as well as outside contractors
- Maintaining market share in LSI sound chips for amusement devices and recovering market share in LSI chips for imaging products

(Billions of Yen)



# Electronic Metal Products

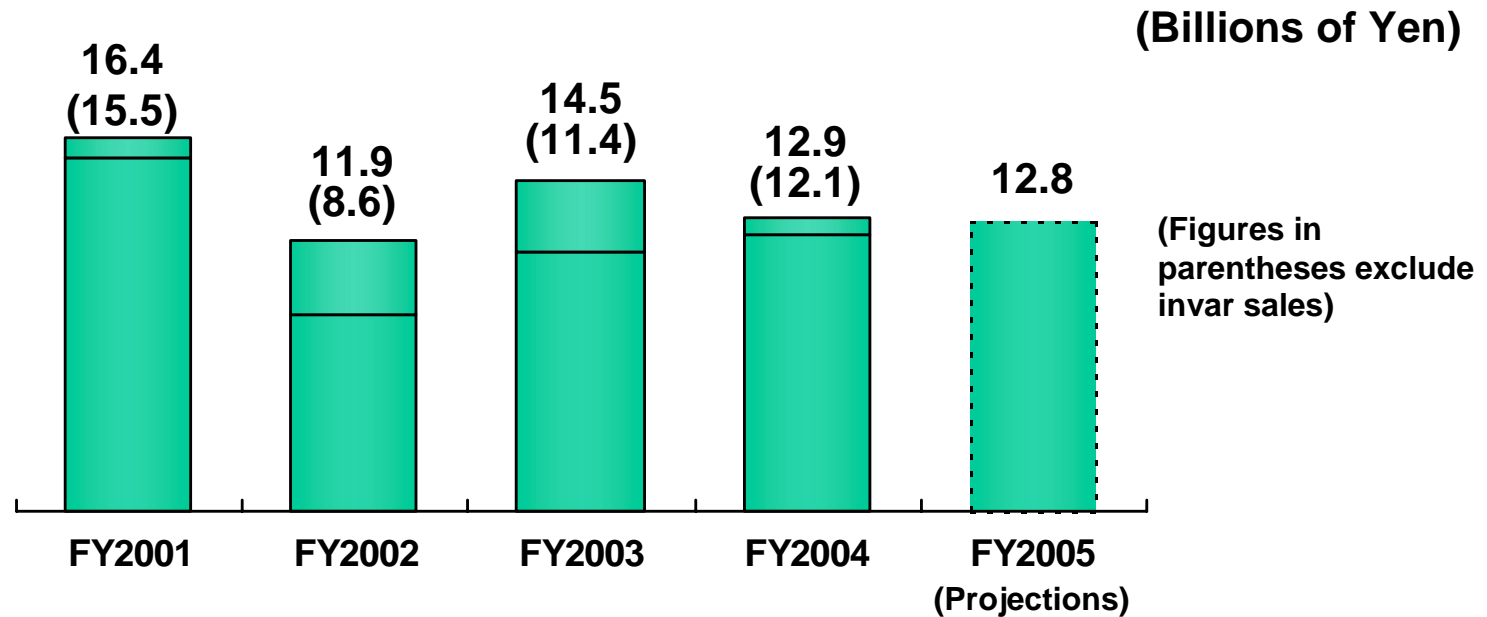


## ■Market Environment

- Increasing demand related to digital home appliances has expanded the markets for semiconductors and electronic components.

## ■Priority Policies

- Augmenting profitability by increasing facility utilization rates and improving production yields of flawless products
- Expanding copper connector business



# Lifestyle-Related Products

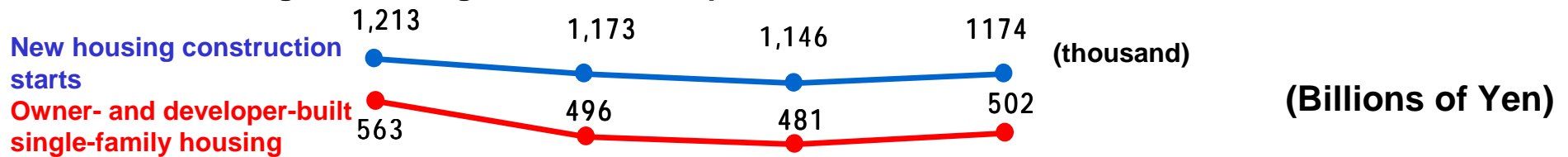


## Market Environment

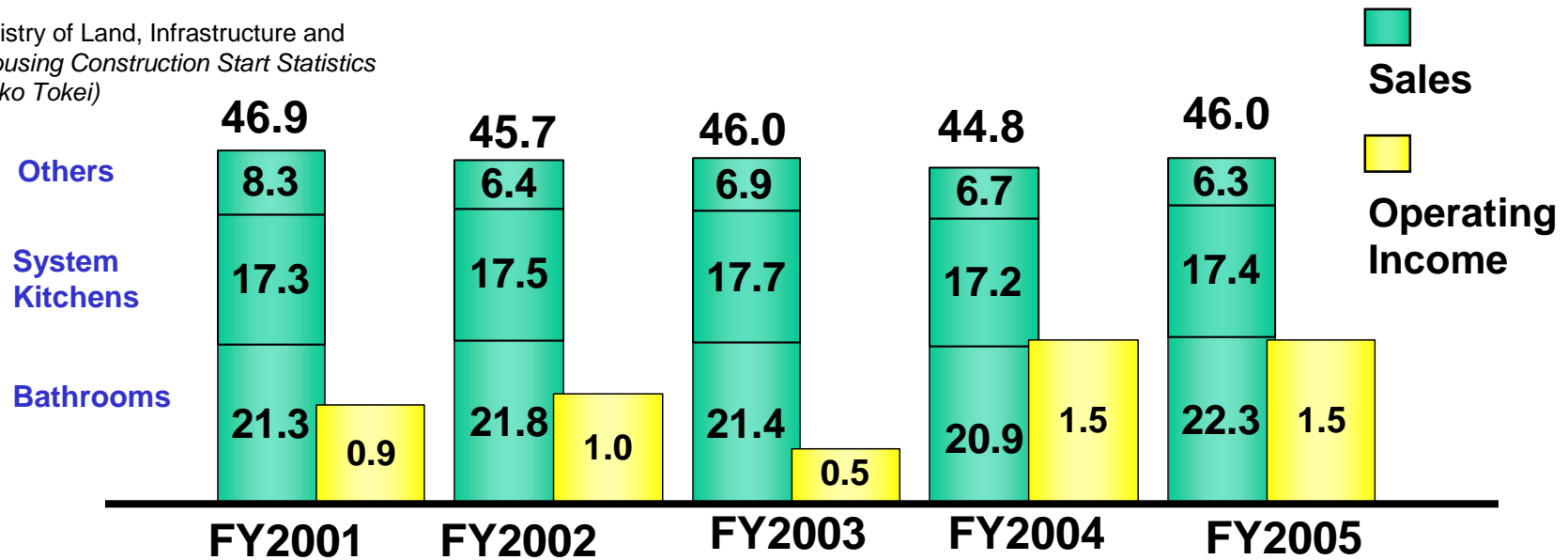
- The industry is increasingly proactive in addressing renovation-related demand

## Priority Policies

- Strengthening renovation-related operations
- Expanding market share by offering highly differentiated products (distinctive functions and materials)
- Boosting sales though increased cooperation with Air Water Emoto Co., Ltd.



\* Source: Ministry of Land, Infrastructure and Transport, *Housing Construction Start Statistics (Jutaku Chakko Tokei)*



\* From FY2003 installation expense is included in "others."

# Recreation

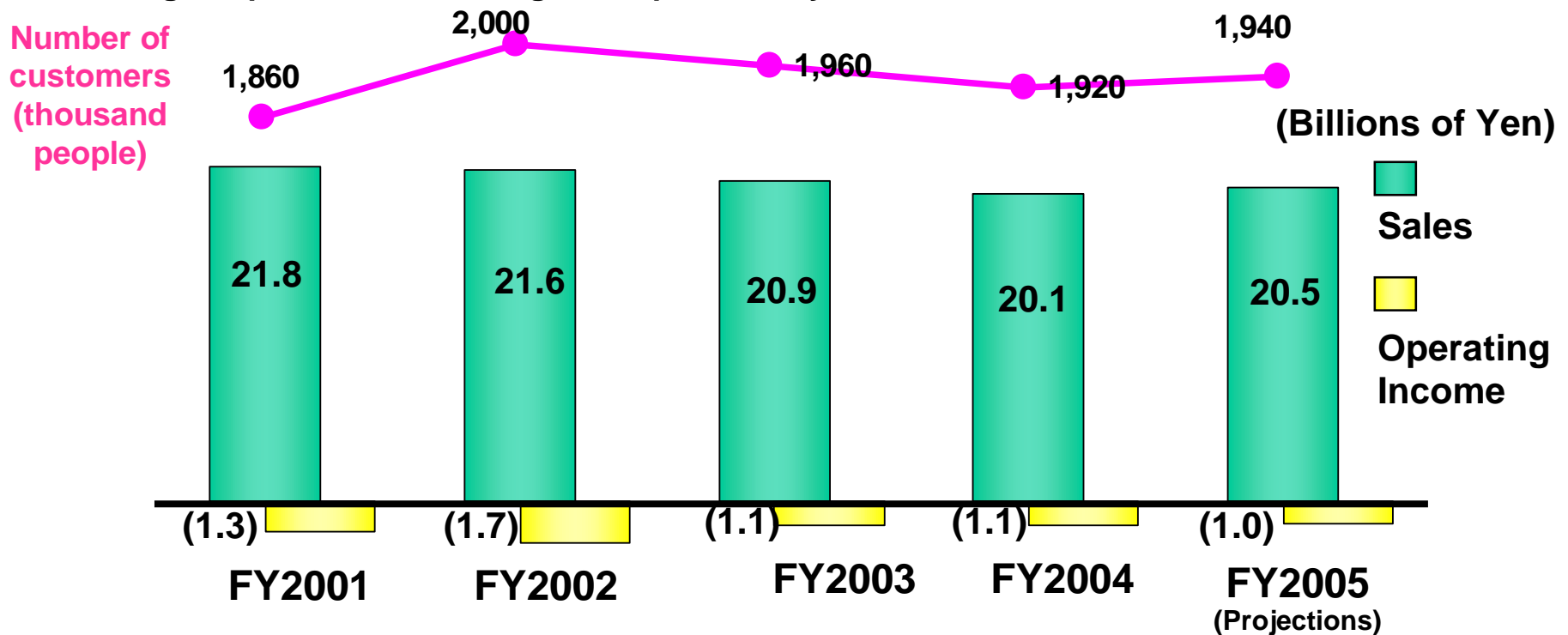


## ■Market Environment

- Despite some positive developments in the domestic economy, the trends of falling prices and growing desire for authentic cultural experiences are expected to continue.

## ■Priority Policies

- Expanding the clientele through a differentiation strategy involving emphases on the special characteristics of facilities and their localities
- Maintain investments aimed at improving the quality and ensuring the safety of facilities
- Regular periodic monitoring of the profitability of the six individual facilities



# Others

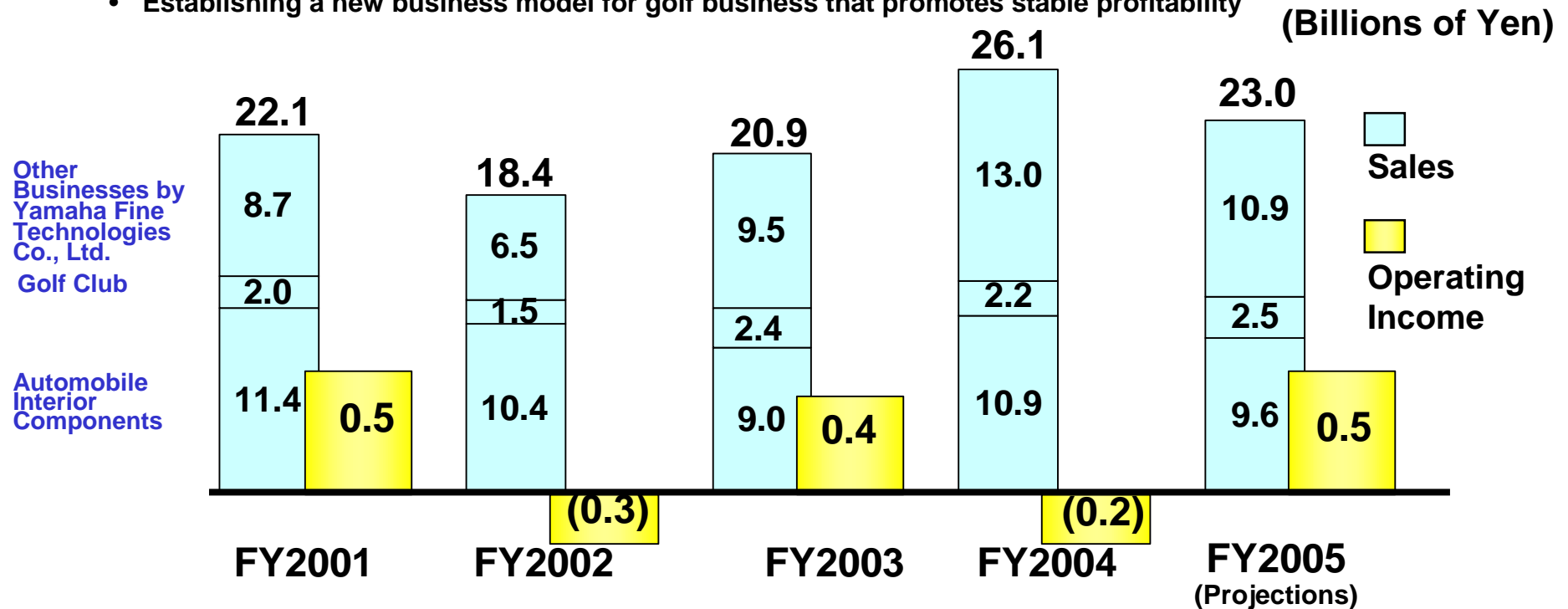


## ■Market Environment

- Component operations will continue to face cost-reduction pressures from makers of finished products
- Competition in the golf product market is intensifying as the market shrinks.

## ■Priority Policies

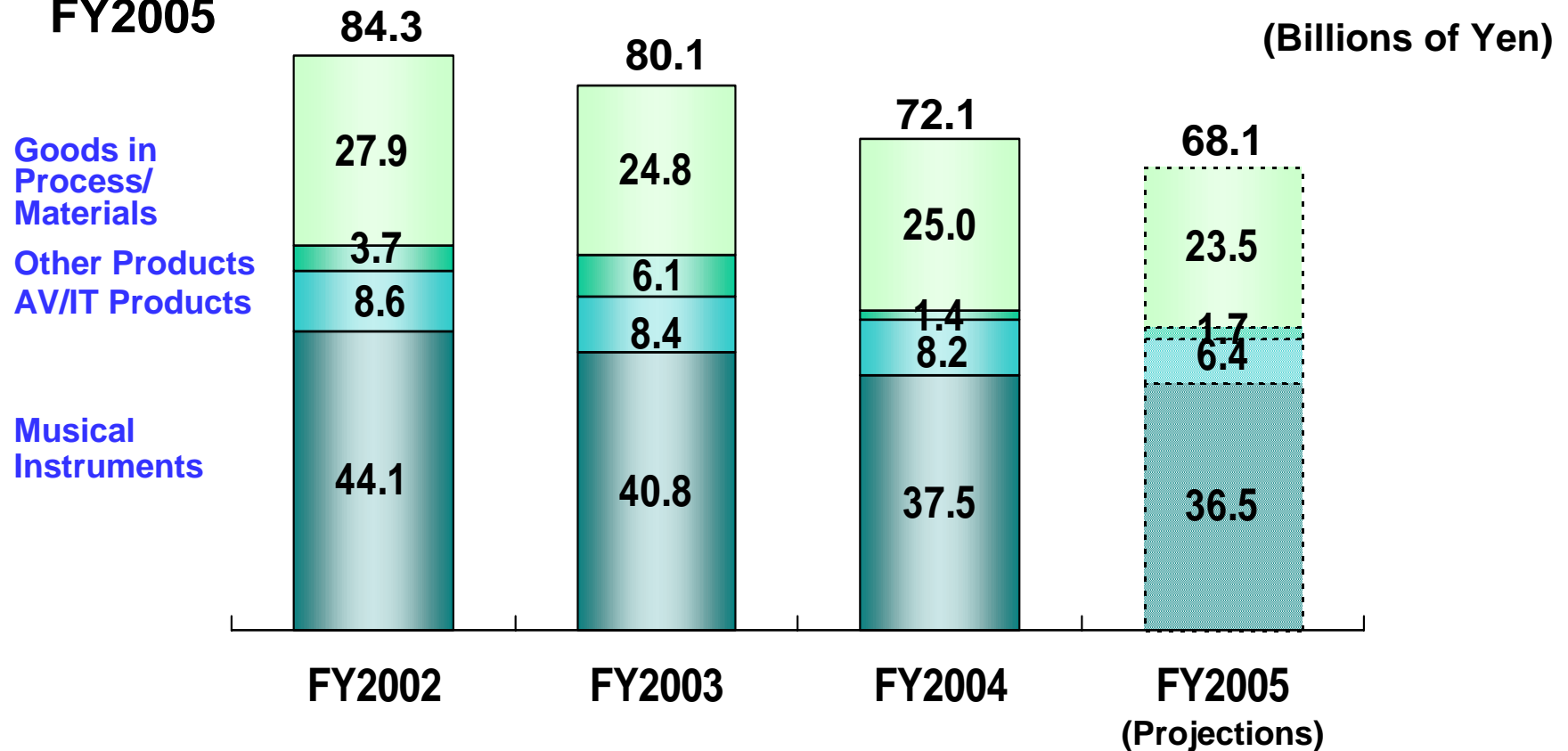
- Expanding the customer base for magnesium components for mobile phones and thereby increasing the stability of production volume while also reevaluating production processes to improve profitability
- Strengthening product development capabilities for automobile interior components and fittings and expanding business with new customers
- Establishing a new business model for golf business that promotes stable profitability



# Inventories



- Inventory levels at the end of FY2004 were reduced according to plan
- Plans call for further reducing inventory levels by the end of FY2005

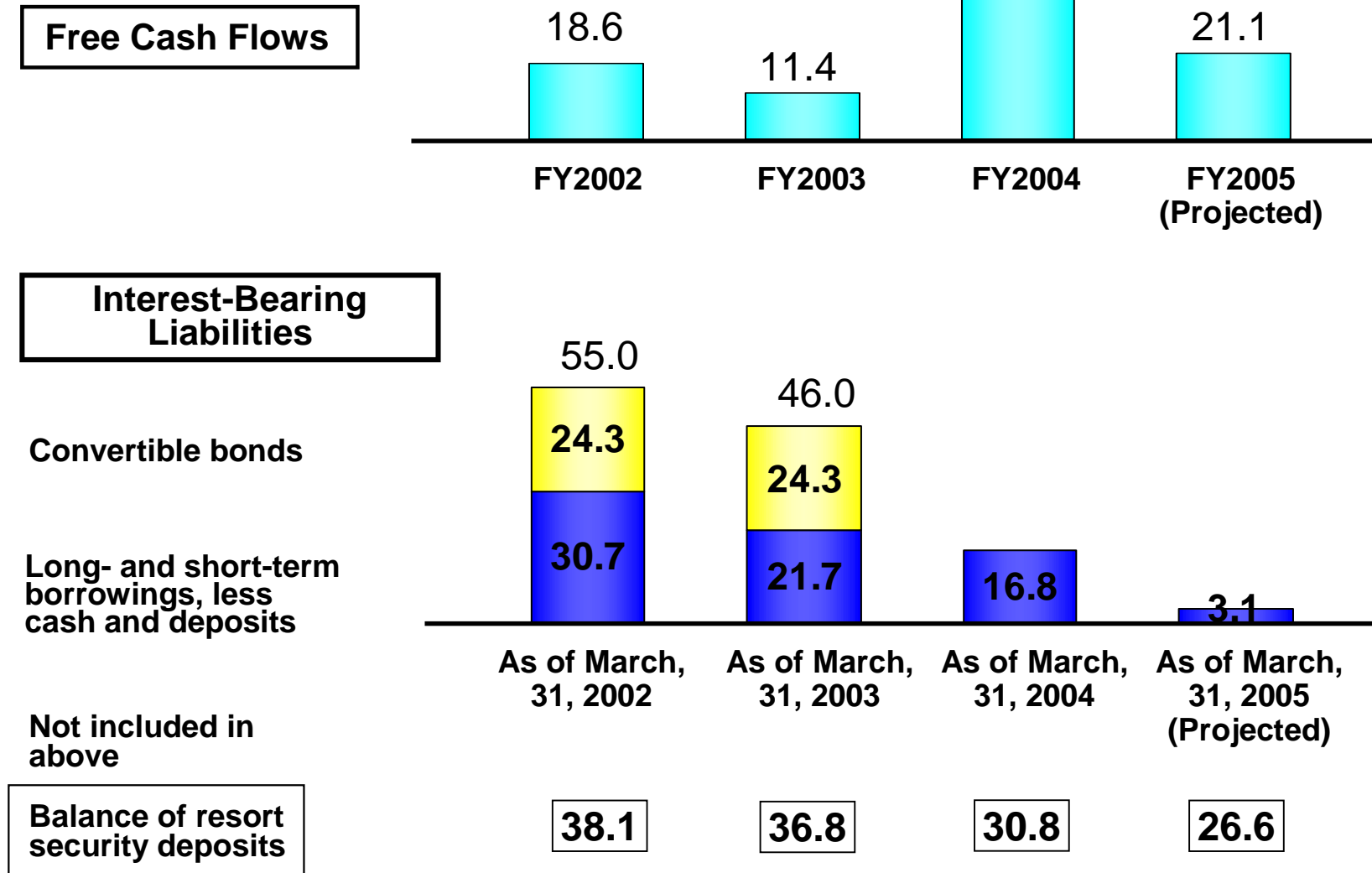


\* The "other product" category includes inventory valuation reductions.

# Interest-Bearing Liabilities (Actual Balance)



(Billions of Yen)



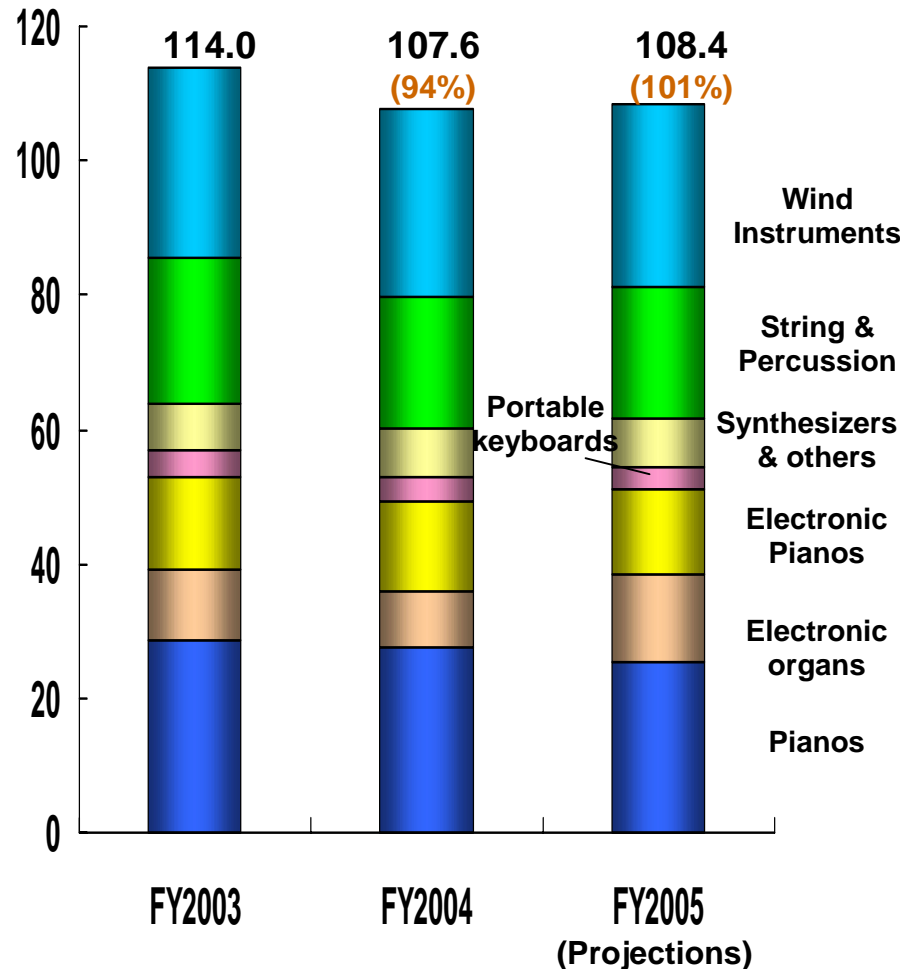
# Appendix



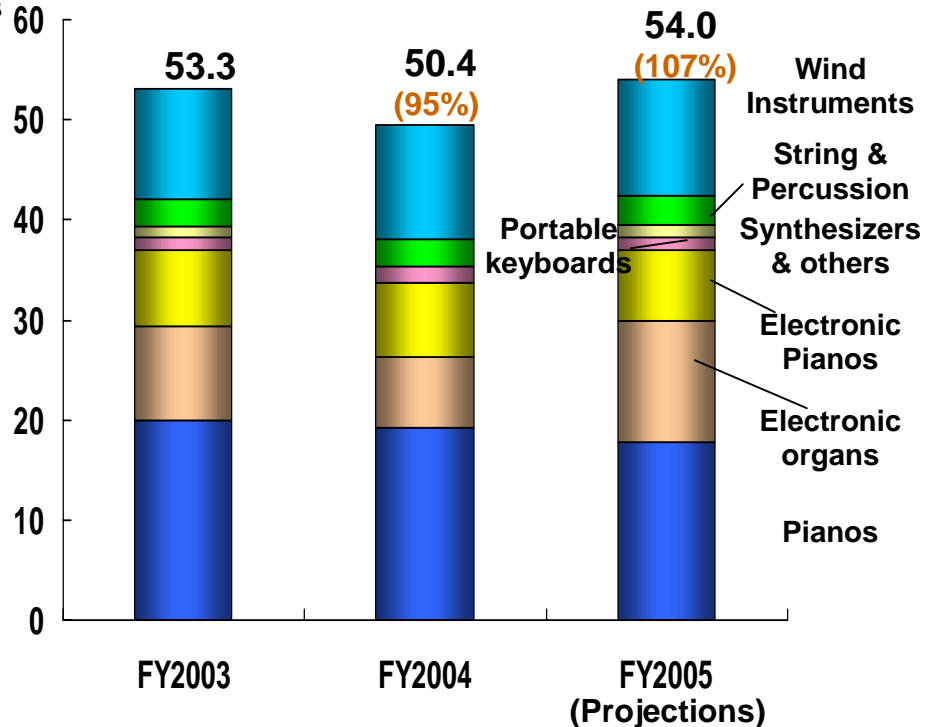
# Domestic Musical Instrument Market

Wholesale Price Basis (Billions of Yen)

**Wholesale Sales Market By Category, excluding PA**



**YAMAHA's Wholesale Sales, excluding PA**



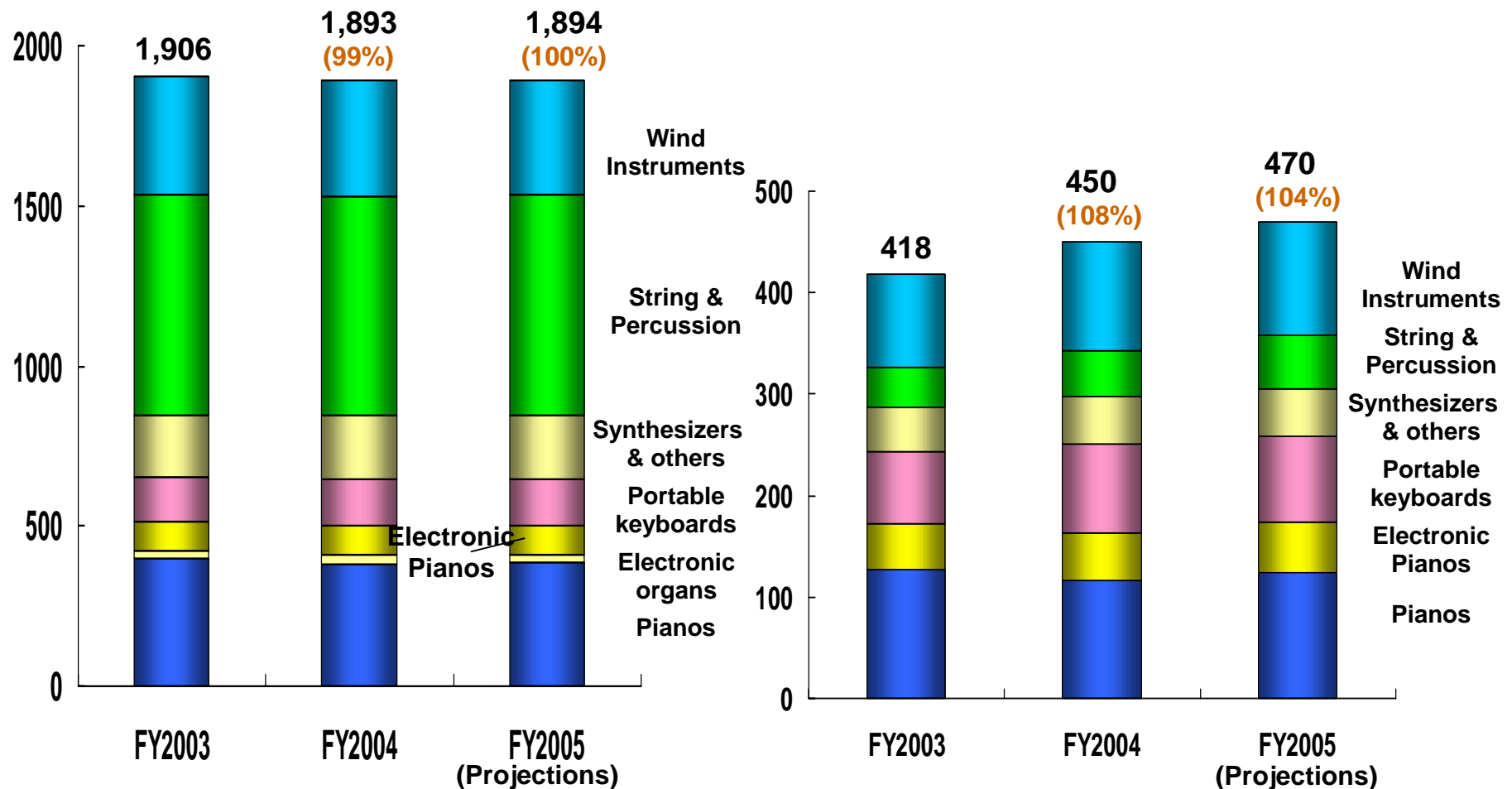
\* Figures in parentheses indicate total as a percentage of the previous period's results.

# Musical Instrument Market in the U.S.

Wholesale Price Basis (Billions of Yen)

**Wholesale Sales Market By Category, excluding PA**

**YAMAHA's Wholesale Sales, excluding PA**

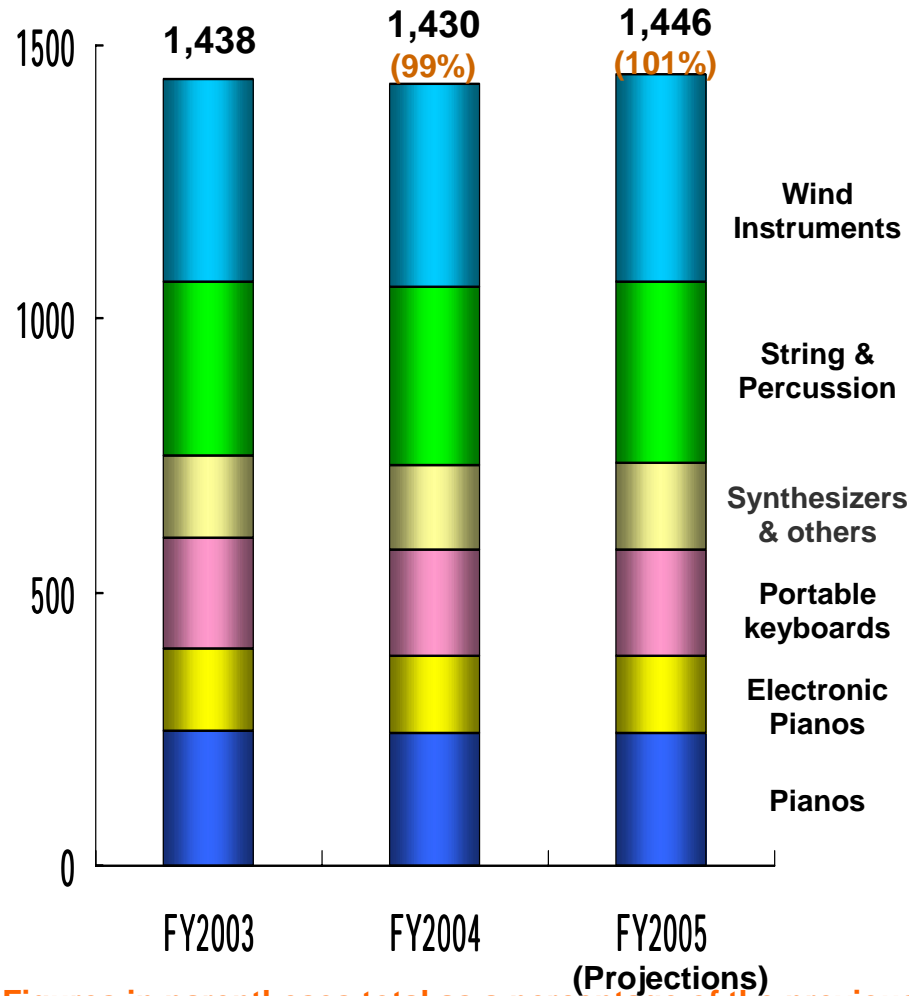


\* Figures in parentheses indicate total as a percentage of the previous period's results.

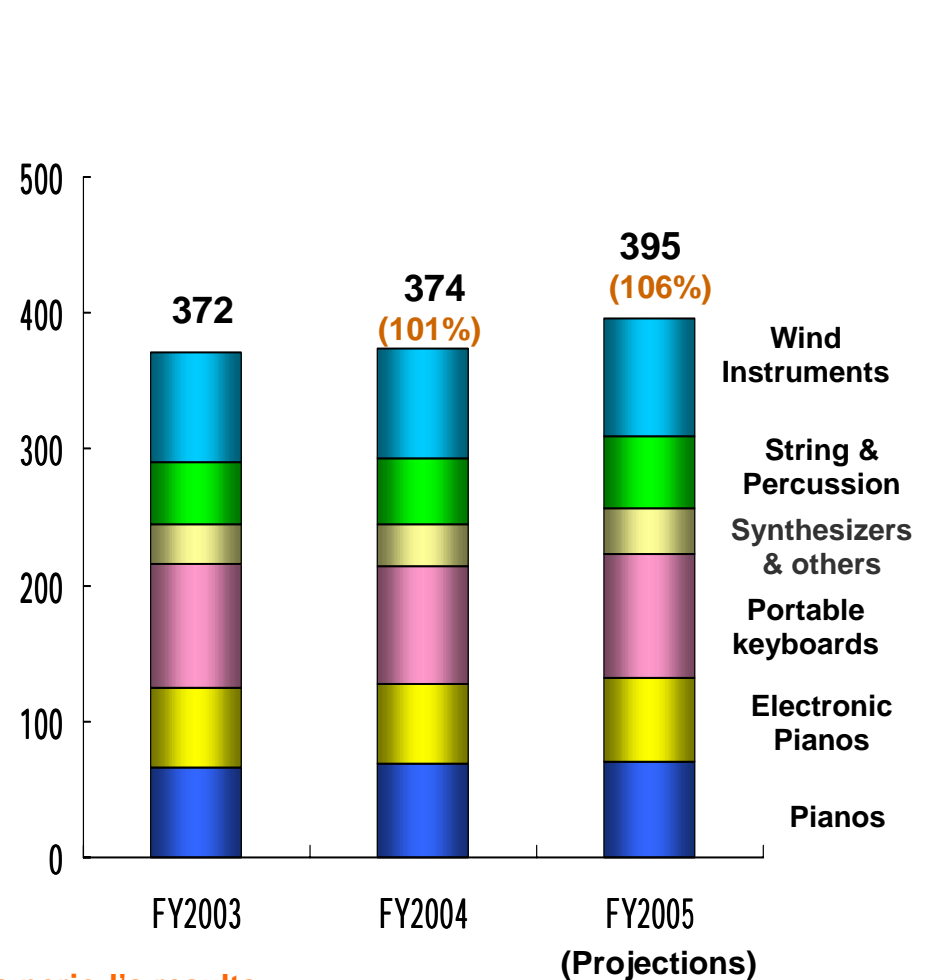
# Musical Instrument Market in Europe

Wholesale Price Basis (Billions of Yen)

**Wholesale Sales Market By Category, excluding PA**



**YAMAHA's Wholesale Sales, excluding PA**

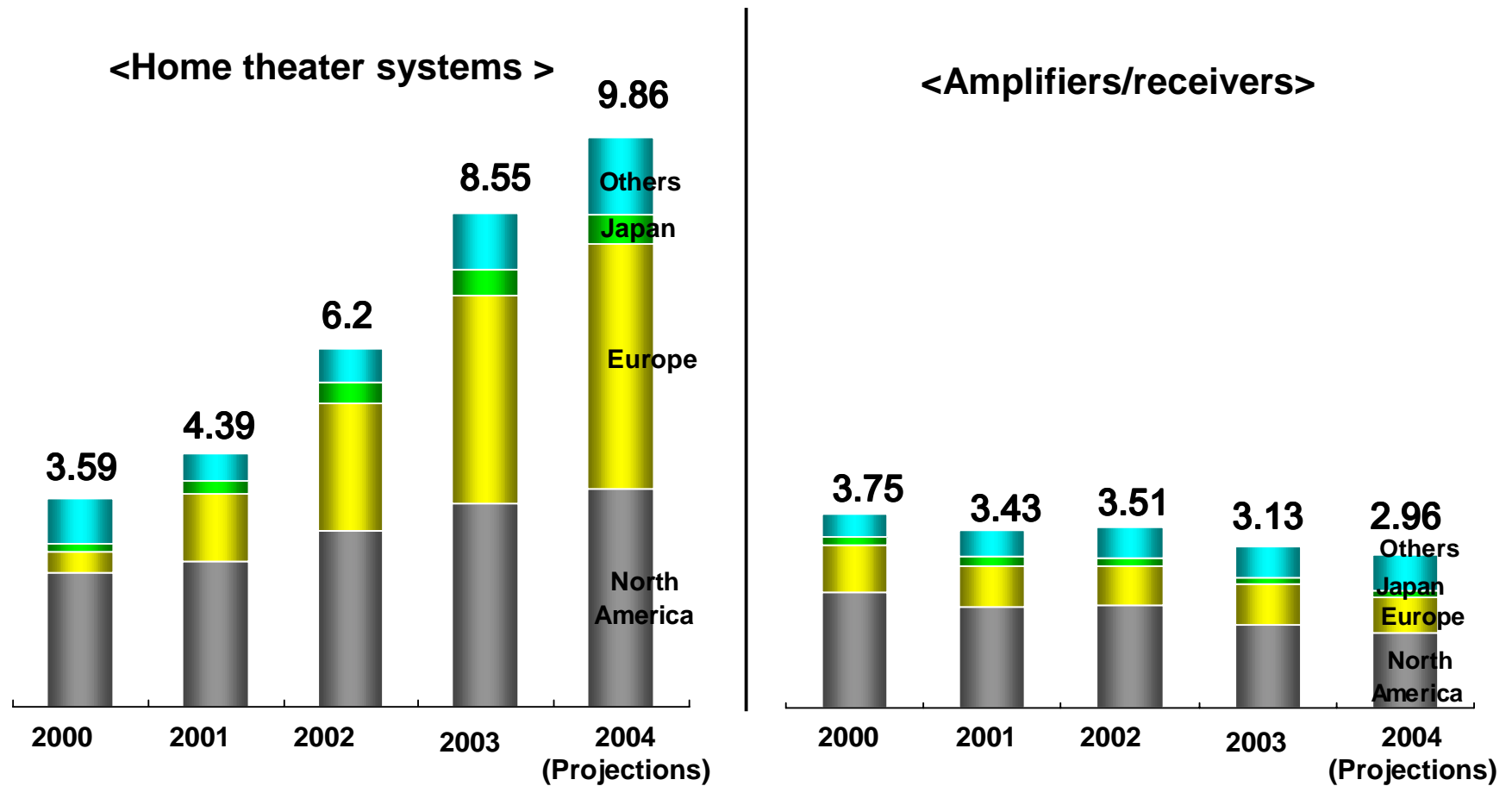


\* Figures in parentheses total as a percentage of the previous period's results.

# Scale of Global Market for Home Theater Products

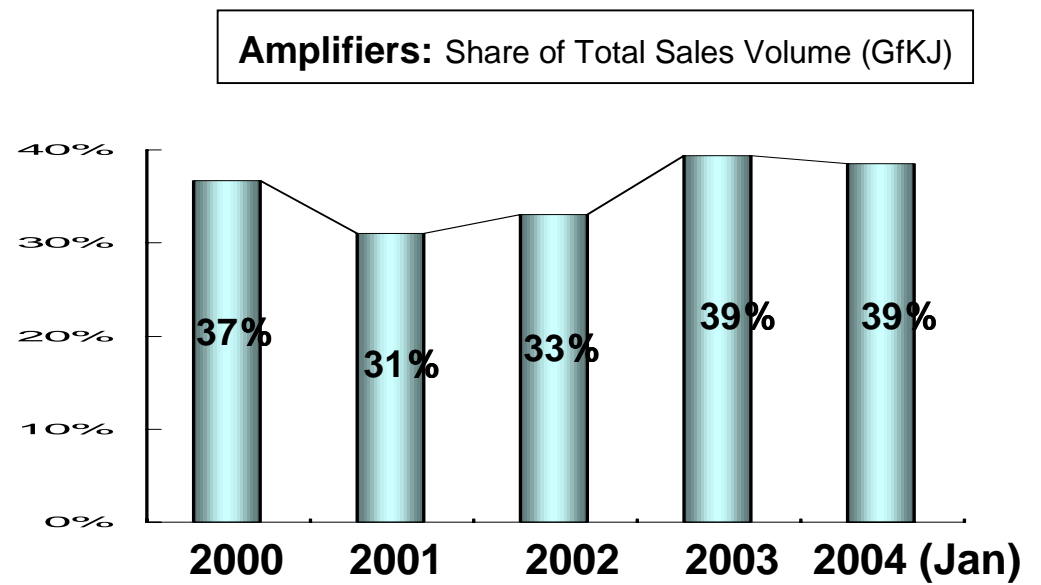
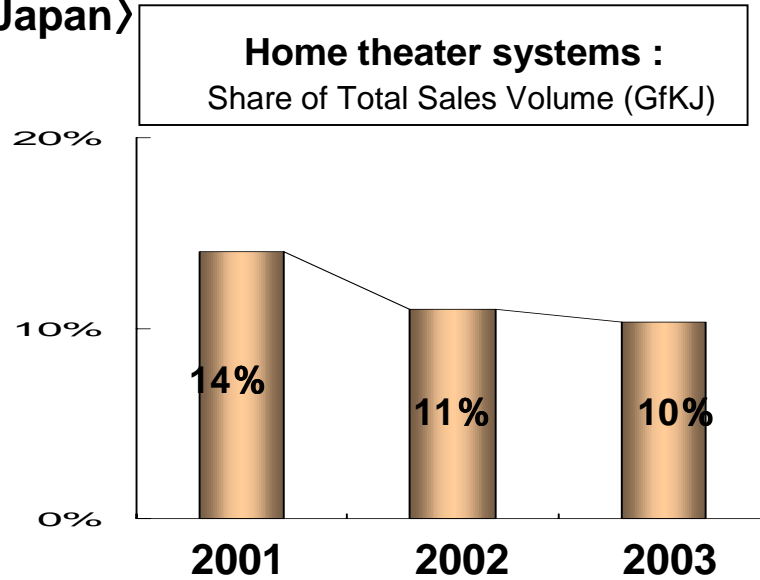
(Million Units)

(Home theater systems + amplifiers/receivers)

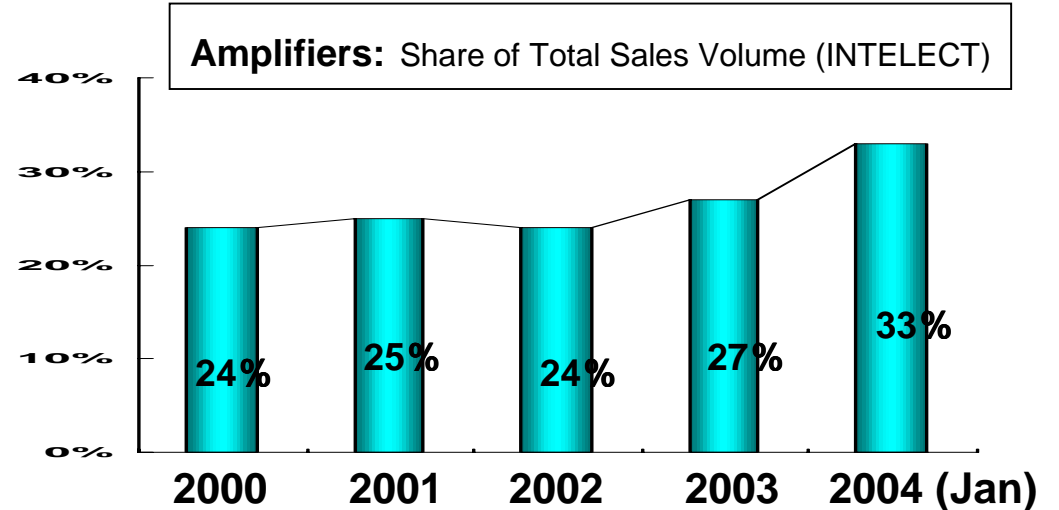
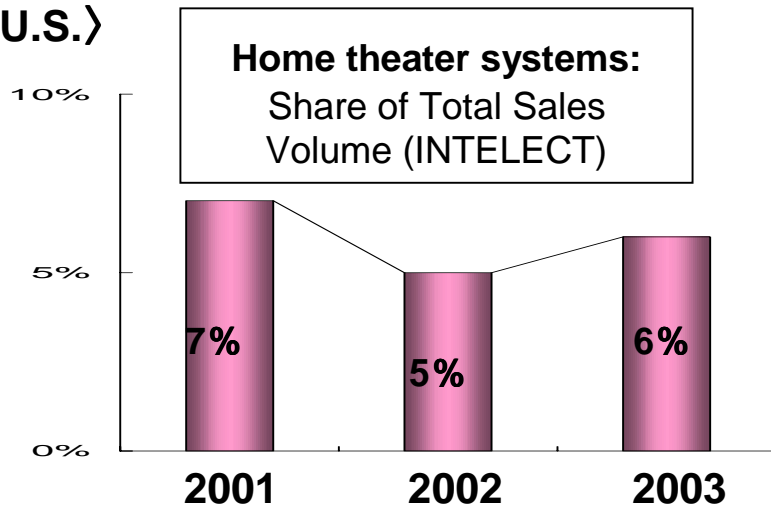


# YAMAHA's AV Amplifier Market Share

〈Japan〉



〈U.S.〉



# Non-Operating Income (Loss)/Extraordinary Income (Loss)

(Billions of Yen)

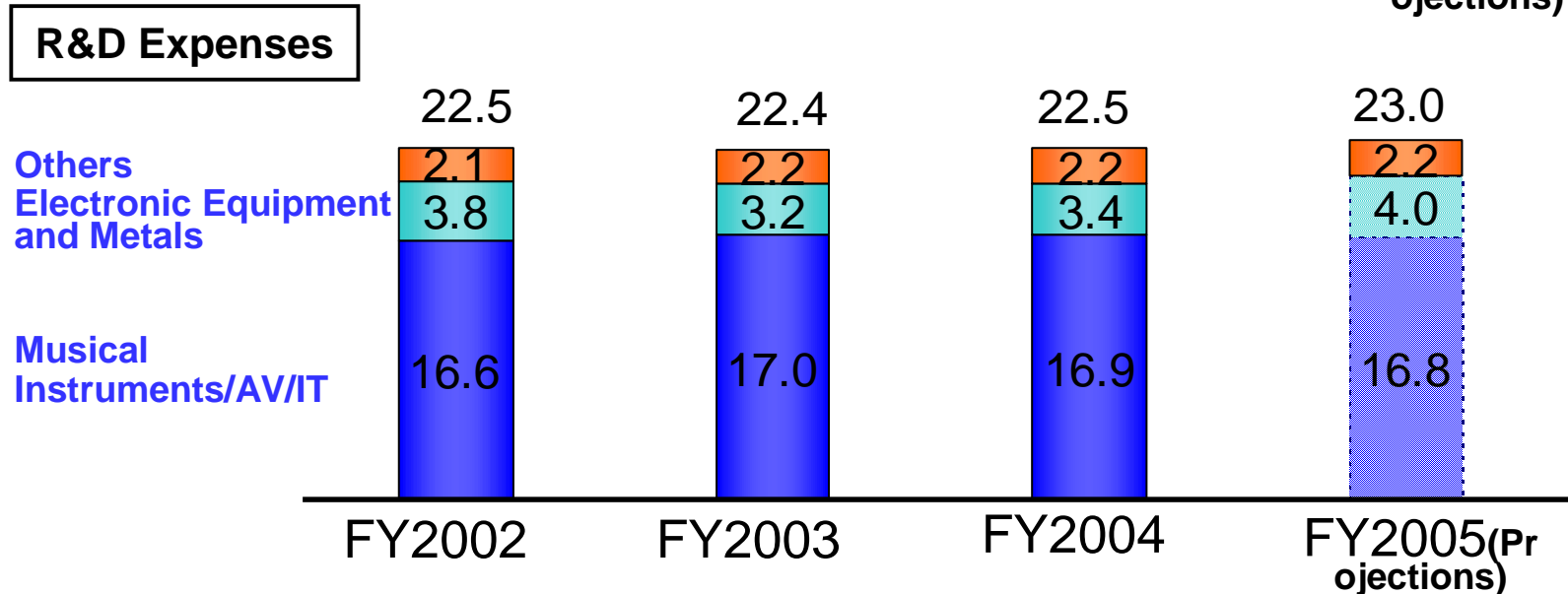
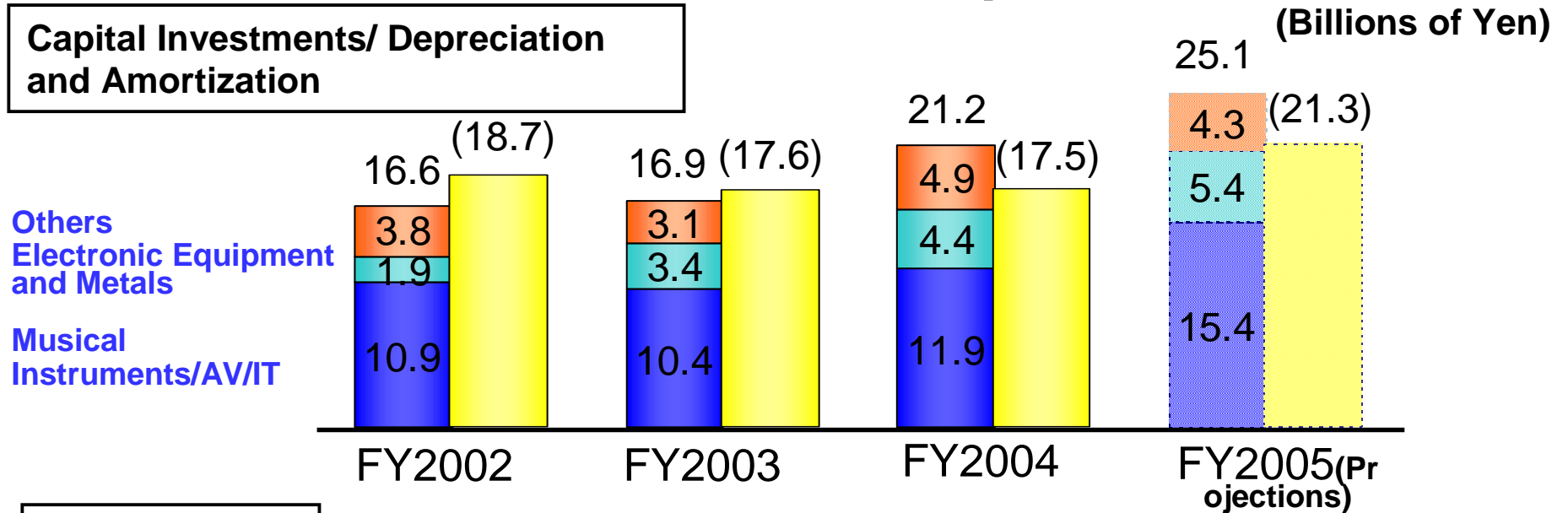
	FY2003	FY2004	FY2005 (Projections)
<b>Non-Operating Income</b>			
Equity method income	7.6	10.4	7.0
Net financial expenses	(1.4)	(1.0)	(0.6)
Other	(4.4)	(3.5)	(3.9)
<b>Total</b>	<b>+ 1.8</b>	<b>+ 5.9</b>	<b>+2.5</b>
<b>Extraordinary Income</b>			
Income from (loss on) disposal of fixed assets	(1.0)	(2.3)	(0.5)
Other	(10.2)	(1.2)	(7.5)
<b>Total</b>	<b>(11.2)</b>	<b>(3.5)</b>	<b>(8.0)</b>
<b>Corporate Income Tax and Other Expenses</b>			
Corporate income tax, etc.	4.1	3.5	15.4
Minority interests in consolidated subsidiaries	0.6	0.5	0.6
<b>Total</b>	<b>4.7</b>	<b>4.0</b>	<b>16.0</b>

•Loss on revaluation of investment securities (8.0)  
•Structural reform expenses (2.3)

•Social insurance fees for previous years payable upon transition to comprehensive remuneration system (0.9)  
•Payment of European Commission fines (0.3)

•Gain on return of substitutional portion of pension plan(19.5)  
•Gain on disposal of assets etc.(5.0)  
•Loss on impaired assets (32.0)

# Capital Investments/ Depreciation and Amortization/R&D Expenses



# Balance Sheet Summary

(Billions of Yen)

	As of March 31, 2002	As of March 31, 2003	As of March 31, 2004	As of March 31, 2005
Cash and Bank Deposits	41.1	44.5	32.1	28.9
Accounts and Notes Receivable	71.8	79.1	78.7	79.0
Inventories	84.3	80.1	72.1	68.1
Other Current Assets	13.9	17.4	18.8	18.7
Fixed Assets	298.6	291.6	307.0	280.2
<b>Total Assets</b>	<b>509.7</b>	<b>512.7</b>	<b>508.7</b>	<b>474.9</b>
Accounts and Notes Payable	36.9	39.5	39.9	39.4
Short-and Long-Term Borrowings	71.8	66.1	48.9	32.0
Convertible Bonds	24.3	24.3	0	0
Other Liabilities*	124.7	168.3	160.2	129.0
Shareholders' Equity	202.0	214.5	259.7	274.5
<b>Total Liabilities and Shareholders' Equity</b>	<b>509.7</b>	<b>512.7</b>	<b>508.7</b>	<b>474.9</b>

\*Other liabilities include minority interests



**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, our actual performance may differ greatly from our predictions depending on changes in our operating and economic environments, demand trends, and the value of key currencies, such as the U.S. dollar and the EURO.**