

**Analyst and Investor Briefing on the Fiscal  
Year Ended March 31, 2005  
(April 1, 2004 to March 31, 2005)**

**May 2, 2005  
YAMAHA CORPORATION**

## ➤ Sales and profits declined year to year

- **Musical Instruments segment: Sales and profits rose three consecutive years**
  - Sales: ¥293.4 billion → ¥302.6 billion
  - Operating income: ¥10.5 billion → ¥14.2 billion
- **Electronic Equipment & Metal Products: Semiconductor unit prices fell sharply (particularly LSI sound chips for mobile phones), depressing sale considerably**
  - Operating income: ¥30.0 billion → ¥20.0 billion
- **Worked to bolster use of system baths and kitchens in lifestyle-related products segment and enhance earnings**
- **Recorded ¥32.7 billion in impaired losses ahead of schedule, mainly from recreational facilities**
- **Interest-bearing debt balance effectively reduced to zero at fiscal year-end, two years ahead of schedule**
- **Inventory assets up ¥6.3 billion YoY, to ¥78.4 billion at term-end**

# Performance in FY2005



- Sales and income were lower than the previous year. Operating income is approximately the same as the medium-term plan.

(Billions of Yen)

	FY2004 Results	FY2005 Results	Increase/ (Decrease)	Previous Projections (Feb. 10)	Medium-term Plan
Net Sales	539.5	534.1	(5.4)	541.0	550.0
Operating Income <small>(Operating Income Ratio)</small>	45.1 (8.4%)	35.7 (6.7%)	(9.4)	36.0	36.5
Recurring Profit <small>(Recurring Profit Ratio)</small>	51.0 (9.5%)	41.3 (7.7%)	(9.7)	41.0	37.5
Net Income <small>(Net Income Ratio)</small>	43.5 (8.1%)	19.7 (3.7%)	(23.8)	19.5	40.0

EPS (Yen)	210.6	95.1	—
ROE (%)	18.4	7.4	—

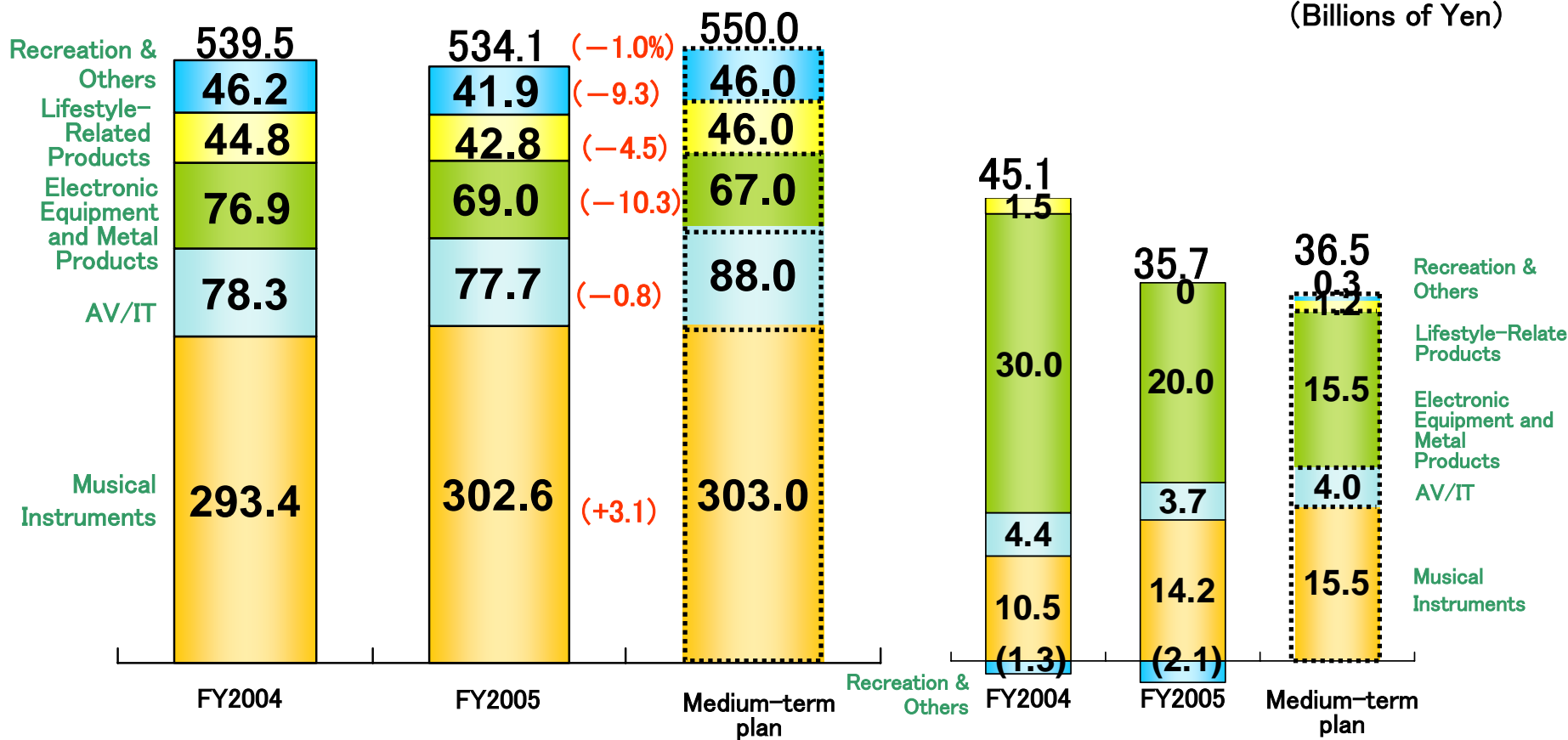
Currency Exchange Rate		FY2004	FY2005	Previous Projections	Medium-term Plan
Net Sales	US\$	113	108	109	110
	EUR	133	135	135	127
Operating Income	US\$	114	108	109	110
	EUR	129	133	134	127

# Net Sales and Operating Income by Business Segment in FY2005



Net Sales

Operating Income



The impact of foreign currency factors was -¥3.8 billion compared with the year ended March 31, 2004. (-¥3.1 billion in Musical Instruments and -¥ 0.7 billion in AV/IT)

The impact of foreign currency factors was ¥1.4 billion compared with the year ended March 31, 2004. (-¥0.1 billion in Musical Instruments and ¥1.5 billion in AV/IT)

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

# Musical Instruments

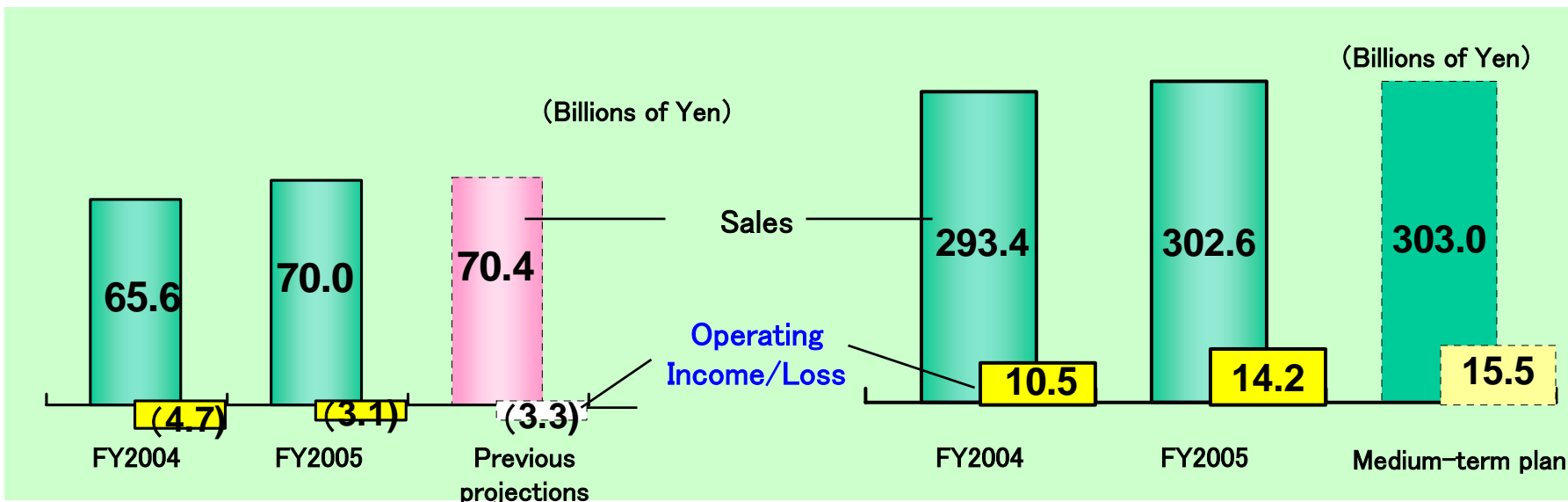


## 4Q Overview

- Actual sales in local currency terms rose 7.0% YoY.  
0.4% above previous projections in local currency terms
- Term-end inventories were up
- Student recruitment for spring music schools is expecting better results two years in a row.

## FY2005 Overview

- Actual sales increased 4.2% YoY
- Domestic sales rose YoY for first time in a long while, thanks to the high-performance Electone "STAGEA"; music school student numbers increased
- US sales rose (+4.2%) on local-currency basis, European sales were flat, as sales flagged in major markets of Germany and France
- Brisk sales in South Korea, Middle East; sales rose in promising China and professional audio equipment, but failed to reach expectations
- In contents business, profits improved following liquidation of unprofitable operations

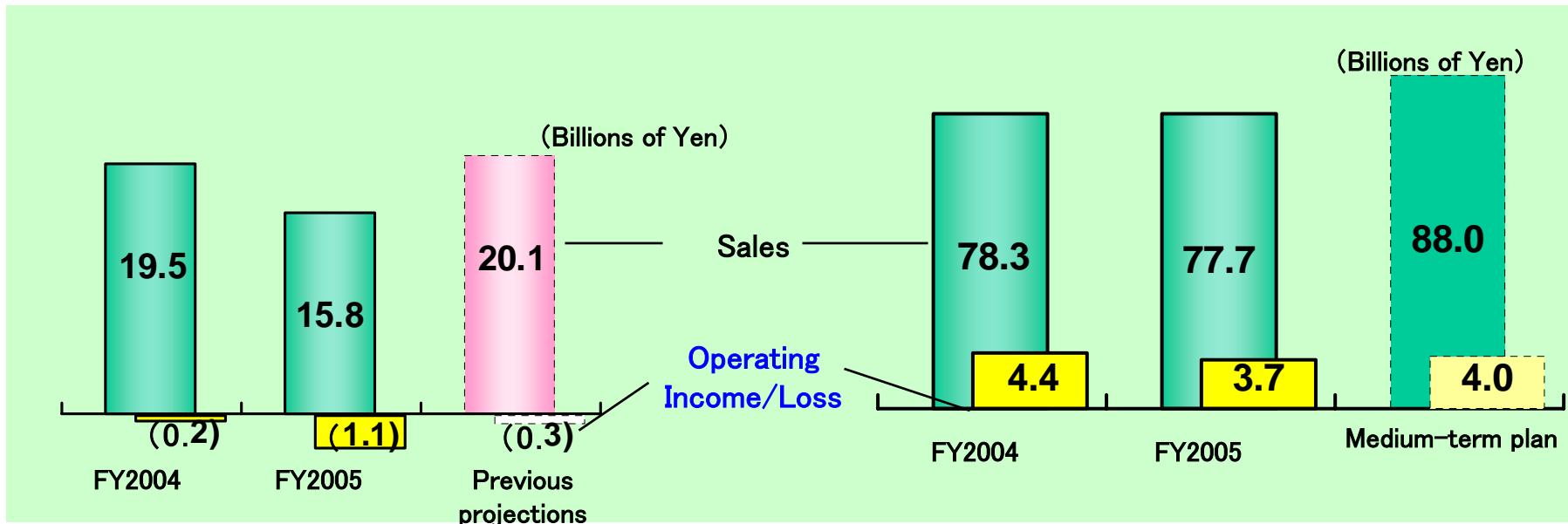


## 4Q Overview

- Home theater market slumped rapidly in Europe and US starting in autumn, 4Q sales plummeted 19.0% from the same period of the previous year; sales undershot the previous projections.
- Robust orders for “YSP-1” digital sound projector launched in December
- Router sales for enterprise-use VoIP fell short of expectations
- Inventories at fiscal year-end up YoY and exceeded the previous projections

## FY2005 Overview

- Sales and profits declined YoY; sales undershot target for first year of medium-term plan by more than ¥10 billion
- North American sales rose 5.1% YoY, underpinned by medium and high-end receivers and HTiB; AV sales stagnant in Japan, Europe; building a sales network in promising Chinese market is now crucial
- Delivery times shortened through promotion of supply chain management (SCM)
- Sales of routers and online *karaoke* equipment were generally strong



# Electronic Equipment and Metal Products

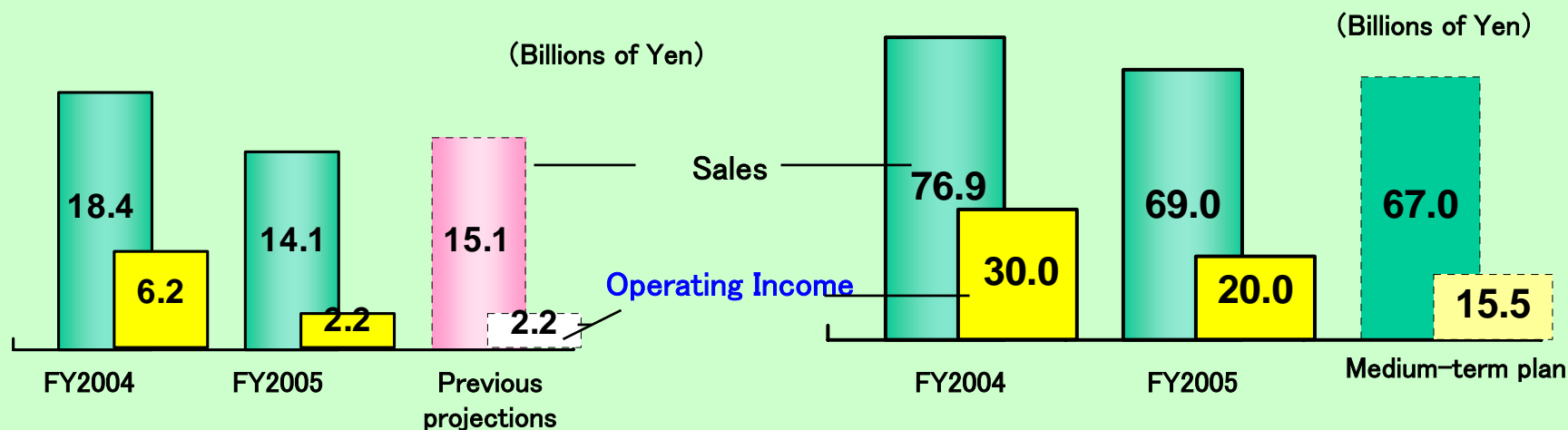


## 4Q Overview

- Results largely matched forecasts, but sales and profits fell substantially from the same period of the previous year.
- LSI sound chips for mobile phones, benefited from end to inventory adjustments of mobile phone manufacturers in South Korea, but unit prices decreased further.
- Electronic metal materials market remained in contraction phase; material prices turned higher again.

## FY2005 Overview

- Sales and profits declined YoY.
- Results were above targets of medium-term plan in 1H, but were largely on target in 2H
- For core LSI sound chips for mobile phones, inventory adjustments and stiffer competition sharply depressed unit prices; semiconductor sales and profits fell YoY.
- Amid change of digital home electronics market, electronic metal material markets were under adjustment after summer. Recovery is expected in the later half of the fiscal year.
- Production costs of electronic metals declined steadily and profits increased YoY.



# Lifestyle-Related Products

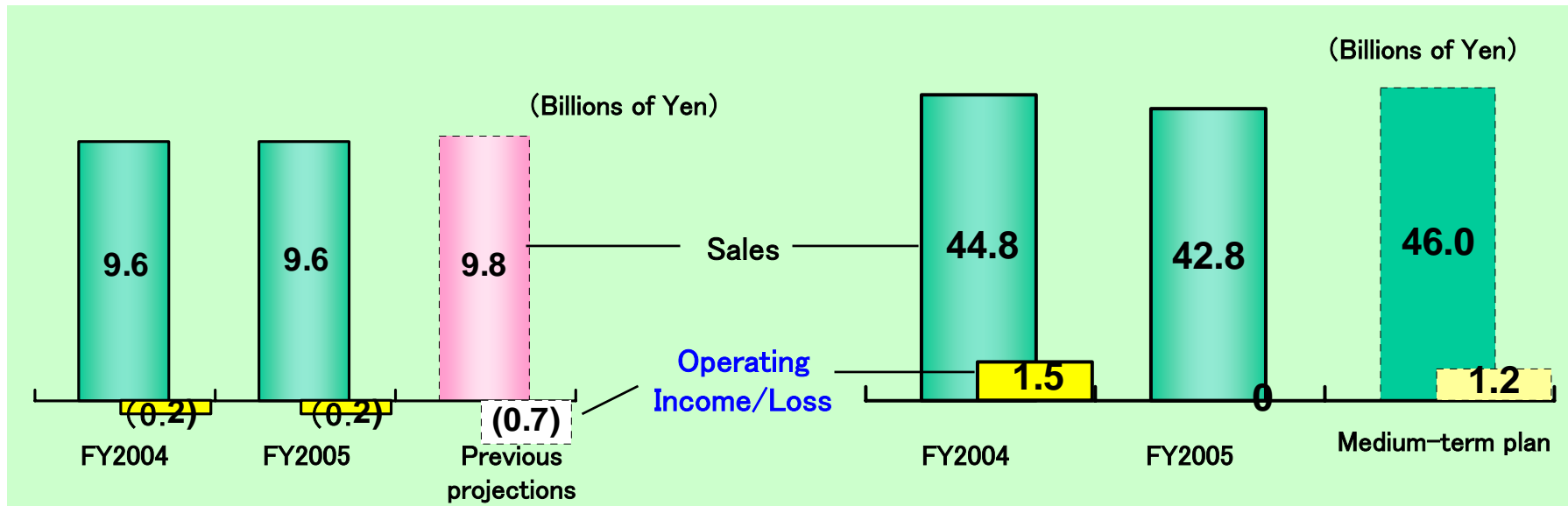


## 4Q Overview

- 4Q sales were in line with the same period of FY2004 and the previous projections. Operating loss was flat YoY.
- Company booked ¥0.8 billion in extraordinary losses from restructuring expenditures (¥0.75 billion for special retirement payment, ¥0.05 billion for scrapping production facilities, other costs)

## FY2005 Overview

- Sales and profits decreased YoY.
- Construction starts held steady, but prices moved lower and competition intensified; maintaining earnings was problematic
- Remodeling market grew, company directed resources to showrooms, mass PR, other appeals to consumers
- Reform measures enacted for restructuring life-style related product segment, Company targeted profit recovery in fiscal 2006 onward



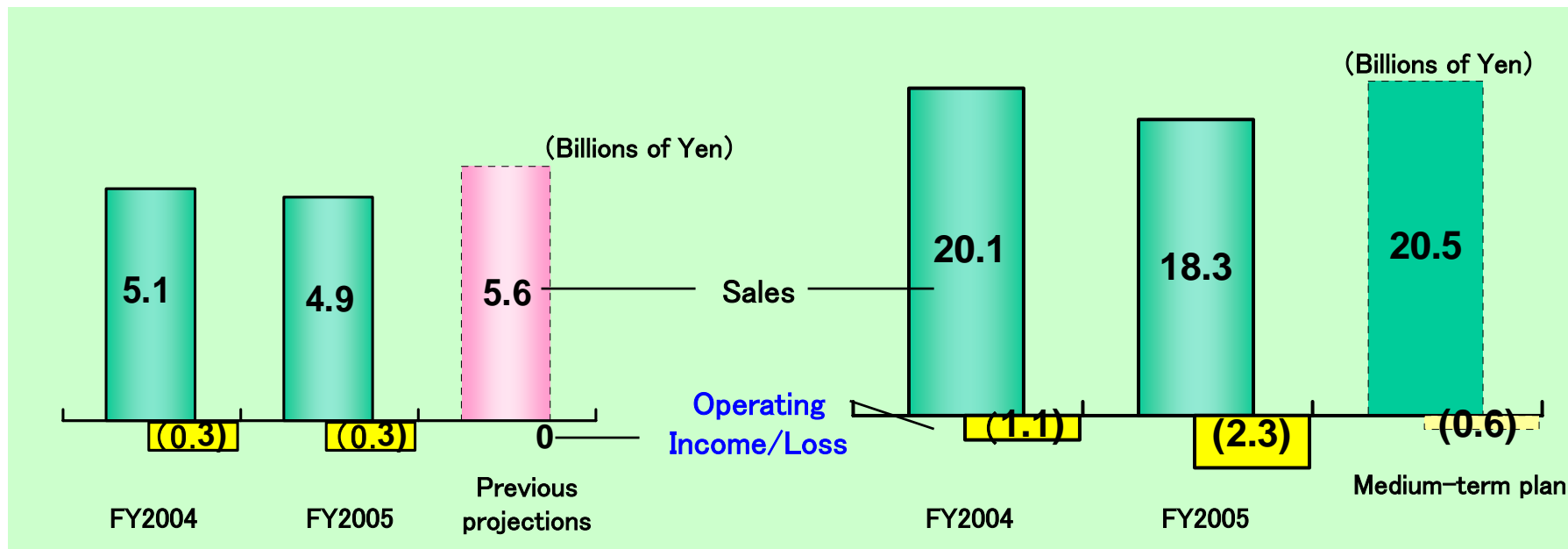


## 4Q Overview

- Revenues were below the previous year and under previous projections.
- Compared with the same period of the previous year, decline in skiing population depressed sales at Kiroro resort, golfing customers declined.
- Twenty new rooms opened at “Haimurubushi.”

## FY2005 Overview

- As a result of declining customer numbers, revenues plunged 9.0% from the previous year.
- Streamlining failed to offset falling gross profits from decline in revenues, and losses widened.
- Company booked ¥32 billion in impaired losses on fixed assets; switched from straight line method to declining balance method for depreciation.

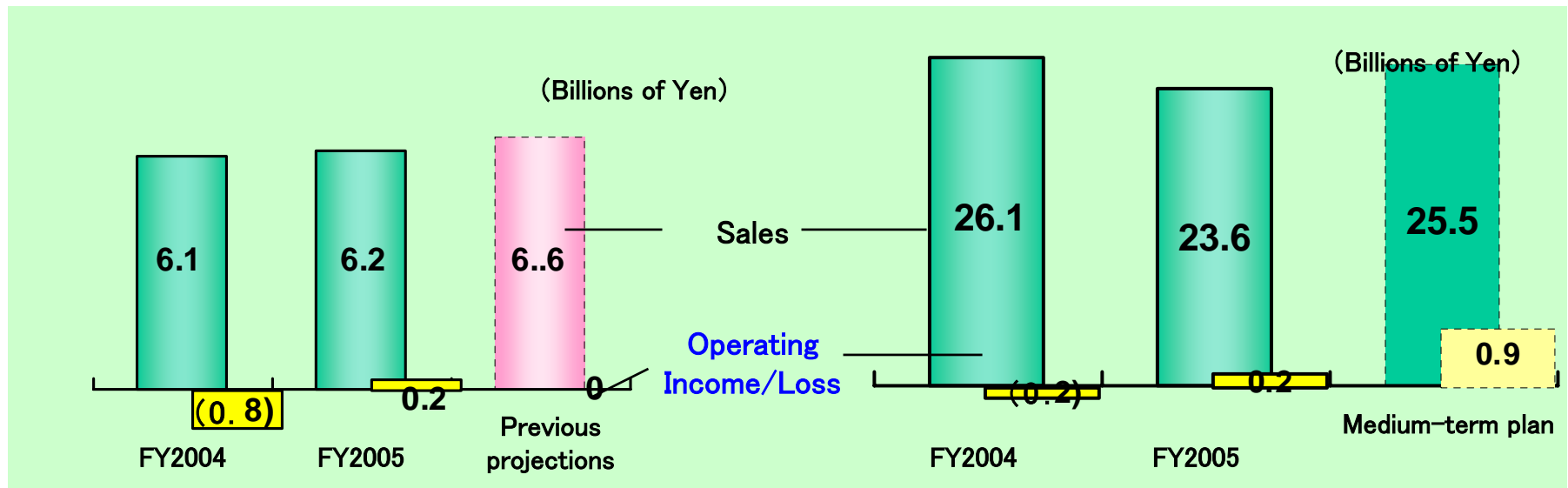


## 4Q Overview

- Profits increased sharply YoY as production yields rose for magnesium components used in mobile phones, automobile interior wood component shipments climbed YoY.
- Sales and profits from golf products declined from the previous year and undershot forecasts as market conditions deteriorated.
- Magnesium used less in mobile phones amid trend toward lower prices.

## FY2005 Overview

- Segment sales were down overall from the previous year, but operating income moved into black as earnings from components & metallic molds improved substantially.
- In components & metallic molds business, FA revenues were brisk, especially in flexible printed circuit board area; plastic component sales plummeted; demand for magnesium components for mobile phones contracted
- Profit margins fell for automobile interior wood components
- Golf products recorded flat sales, slight operating losses.



- Unfortunately, sales and operating income failed to reach goals for first year of YSD50 plan in fiscal 2005
- Some progress seen from introduction of new value-added and creative products; introduced outside technology through acquisition of music-composition software company, other moves, which should reap rewards in fiscal 2006 onward
- Started Sound Life Marketing & Development Laboratory for creating new sound-related businesses during fiscal year
- But profit capabilities eroded in some businesses; Company late in establishing sales network in China, reducing costs, and reforming key information systems. These pursuits are the main issues for FY2006.

**Achieving sustained development and  
stable high earnings**

**Creating and Development  
Innovative, High-Quality Products  
and Business**

**Emphasizing Corporate Social  
Responsibility  
(CSR)**

# Achieving sustained development and stable high earnings



## ■ Enhance business profitability

- Developing profitable product lines with high competitive edge (Mark IV, ChicagoTp, RX-V1500/2500, RTX1500)



## ■ Promoting strategies for the Chinese market

- Building strategies and starting full-fledged production at Hangzhou Yamaha (pianos, guitars)
- Founded Yamaha General Service Center in Shanghai

## ■ Growth in Commercial audio equipment market

- Taking lead in digitalization of professional audio equipment market
- Expanding into European-US church, hall, live markets, broadcast station, and musical production market

## ■ Invigorating Japanese market

- STAGEA proving popular



- YAMAHA music school students turning higher for first time in 14 years; music schools for adults on rise



## ■ Policies for Company-wide cost reductions

- Promoting reform in manufacturing, cutting-down purchasing cost, etc.

## ■ Developing original technologies

- **Disklavier Mark IV**  
Incorporating the AEM sound source developed originally by YAMAHA
- **STAGEA**  
The first musical instrument to connect directly with the Internet
- **YSP-1**  
A budding, new business



## ■ Introducing technologies from outside

- **Acquisition of Steinberg**  
strengthen YAMAHA's PA business
- **Technological alliance with 1Limited for developing digital sound projector**

## ■ Aiming to create new business opportunities

- **Establishment of the "Sound Life Marketing & Development Laboratory"** to develop new business opportunities

## ■ Introducing Innovative design

- **CLP-F01**  
A newly designed electronic piano



## ■ Contributing to community development by promoting music education

- Promoting artists who have attended YAMAHA music school



## ■ Offering venues for musical performances, opportunities for enjoying music

- Free concerts at Hamanako Flower Expo (April 8–October 11 2004)



## ■ Environmental initiatives

- Promoting policies for total elimination of emissions at plants



solar power generation device

- Recognize fiscal year as crucial phase for reaching ¥50 billion goal for operating income in fiscal 2007
- Strengthening profit capabilities in musical instrument segment is key theme
- Toward this end, establishing sales network in China following delays, reducing costs, and accelerating key information systems installation
- Despite increasingly uncertain outlook for LSI sound chips for mobile phones, working diligently to maintain profits
- Focusing on improving earnings from lifestyle-related products, recreation segments
- Expecting increasing benefits from technological tie-ups and technology import and visible results from Sound Life Marketing & Development Laboratory



# Forecasts of Business Performance in FY2006

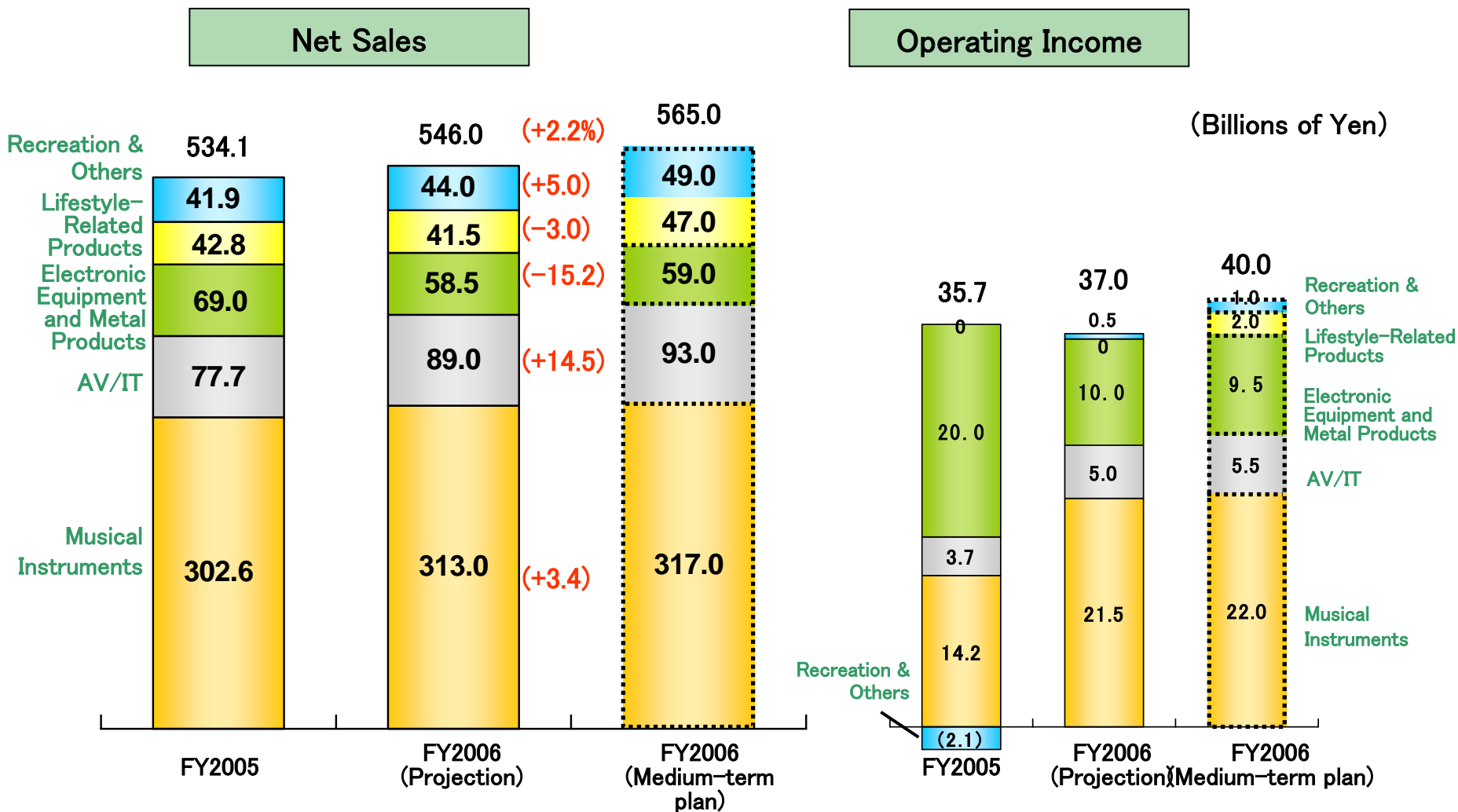


- Forecasting lagging sales and profits compared with medium-term plan, due partially to late policy initiatives, but targeting sales and profit growth YoY, with operating income reaching ¥50 billion in fiscal 2007

	FY2005 Results	FY2006 Forecasts	Increase/ (Decrease)	Medium-term Plan	(Billions of Yen)
Net Sales	534.1	546.0	+2.2%	565.0	
Operating Income (Operating Income Ratio)	35.7 (6.7%)	37.0 (6.8%)	+3.6%	40.0	
Recurring Profit (Recurring Profit Ratio)	41.3 (7.7%)	42.5 (7.8%)	+2.9%	43.0	
Net Income (Net Income Ratio)	19.7 (3.7%)	29.0 (5.3%)	+47.2%	31.0	
EPS (Yen)	95.1	140.7	—		
ROE (%)	7.4	10.1	—		

Currency Exchange Rate		FY2005	FY2006	Medium-term Plan
Net Sales	US\$	108	105	110
	EUR	135	134	127
Operating Income	US\$	108	105	110
	EUR	133	134	127

# Forecasts of Net Sales and Operating Income by Business Segment in FY2006

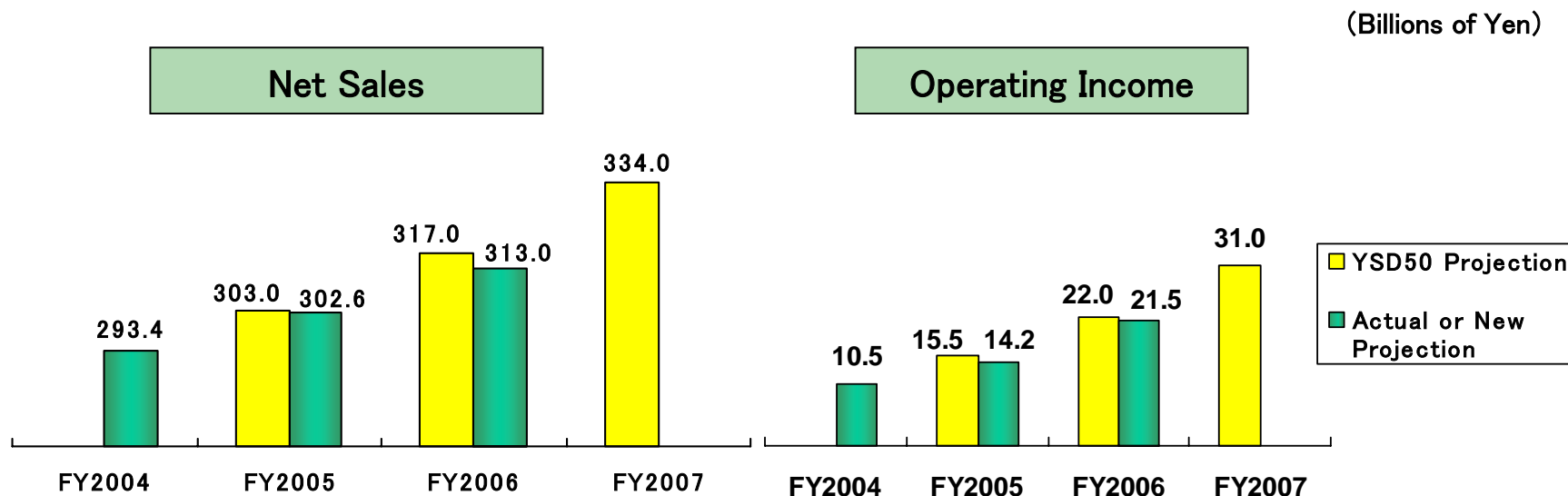


The impact of foreign currency factors was -¥3.1 billion compared with the year ended March 31, 2005. (-¥2.2 billion in Musical Instruments and -¥ 0.9 billion in AV/IT)

The impact of foreign currency factors was ¥0.6 billion compared with the year ended March 31, 2005. (-¥0.1 billion in Musical Instruments and ¥0.7 billion in AV/IT)

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

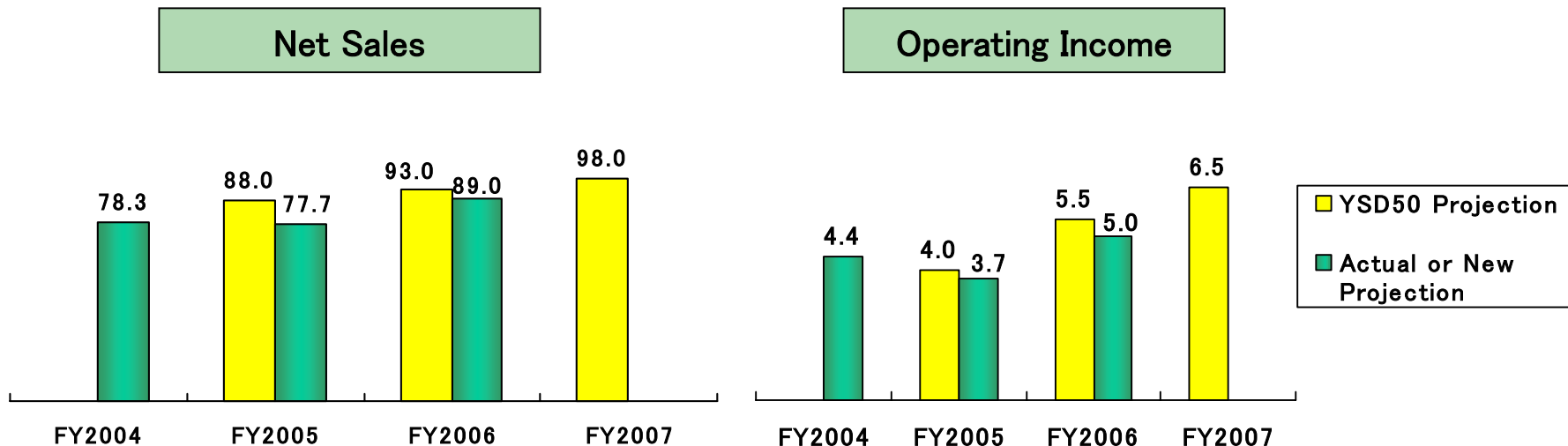
- Uncertainties persist despite some positive signs in the market
- Emergence of Chinese-made products in European, US, and Chinese markets; switch to low-priced instruments under way
- Steadily promotion six core strategies for attaining operating income of ¥30 billion in fiscal 2007:
  - (1) Invigorating domestic market;
  - (2) increasing sales of high value-added products;
  - (3) achieving growth in Chinese market and professional audio equipment market;
  - (4) manufacturing reforms;
  - (5) human resources development; and
  - (6) business process improvements



- Home theater markets turning sluggish in Europe and US; competition intensifying and prices declining further
- In Japan, home theater infrastructure taking shape as large-screen, thin-panel TVs gain widespread use

- Sales of digital sound projectors increasing
- Maintaining and strengthening competitiveness in existing businesses (home theaters, online *karaoke*, routers)
- Shortening deliver times (90 days → 56 days) through further advances in SCM

(Billions of Yen)

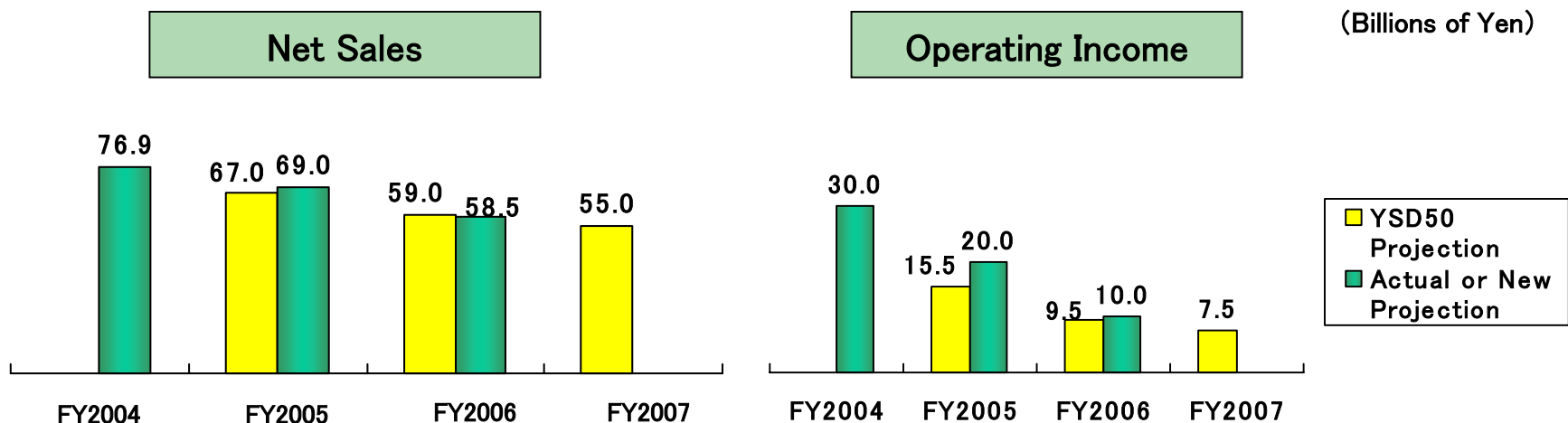


# Electronic Equipment and Metal Products



- Forecasting 5–10% growth in global mobile phone market in 2005
- Competition becoming fiercer between manufacturers as phones add more high-performance features and prices fall, intensified pressure for cost reduction of parts suppliers
- Expecting recovery in 2H fiscal 2006 in semiconductor market for digital home electronics applications, which has seen a prolonged slowdown

- LSI sound chips for mobile phones maintaining market share
- Developing new products for applications outside of mobile phone area and launching them on market
- For electronic metal products, strengthening earnings capabilities through persistent cost reductions and expanding copper connector materials business through cooperation with Olin Metal Corporation

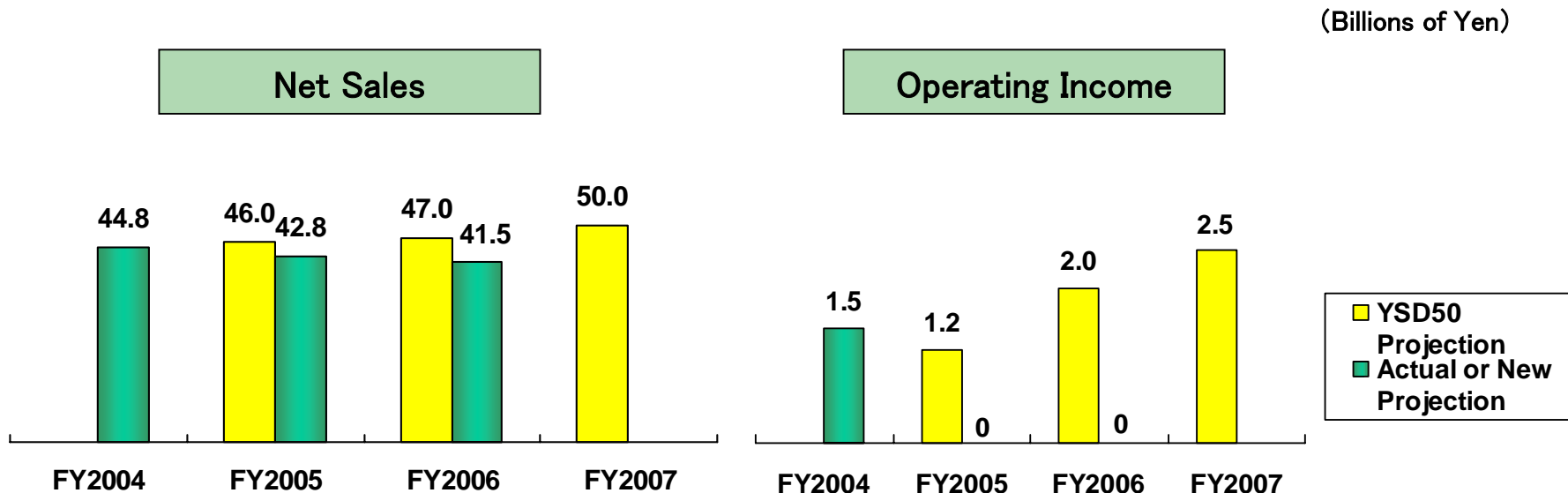


# Lifestyle-Related Products



- Stepping up activities in remodeling market as growth in new housing starts turn weaker

- Turning profitable at operating level during fiscal year and building a business model for the medium term
- Steadily promoting a string of structural reform measures, including selectivity and consolidation for businesses, innovations in wholesaling, cost reform, and restructuring in the workforce



# Recreation



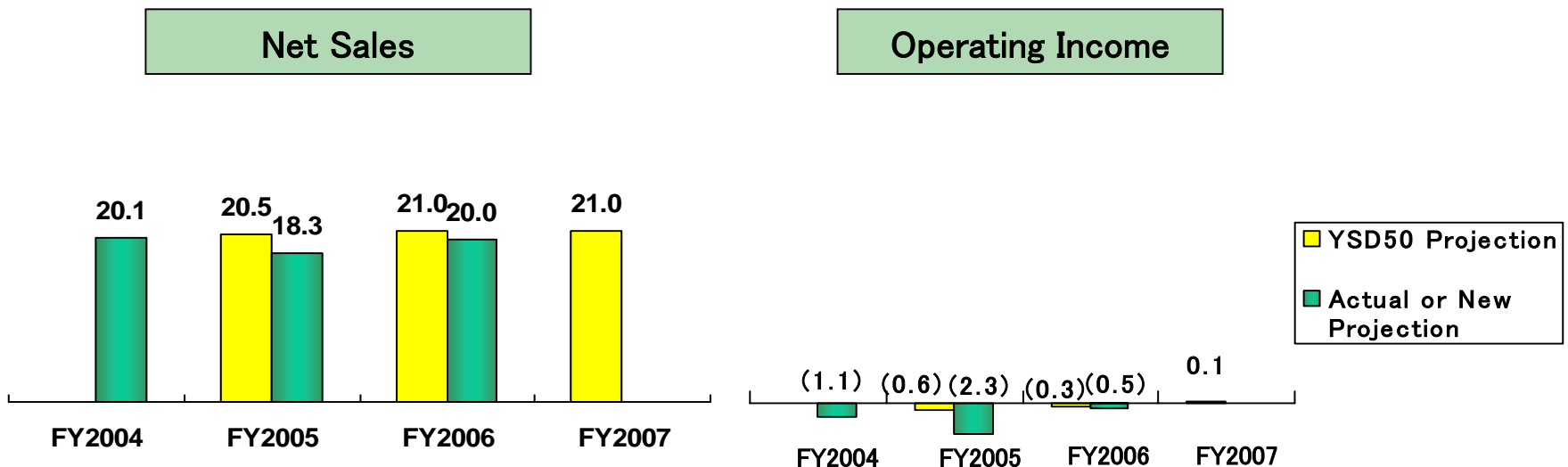
- Polarization between low-cost recreational facilities and genuine high-end facilities

- Declining depreciation charges and sharply improving earnings as sales rise

Goal to turn a profit and record operating income in fiscal 2007

- Aims to attract and retain customers through differentiation by taking advantage of particular characteristics of regions and facilities
- Enhancing quality of facilities and thoroughly promoting safety

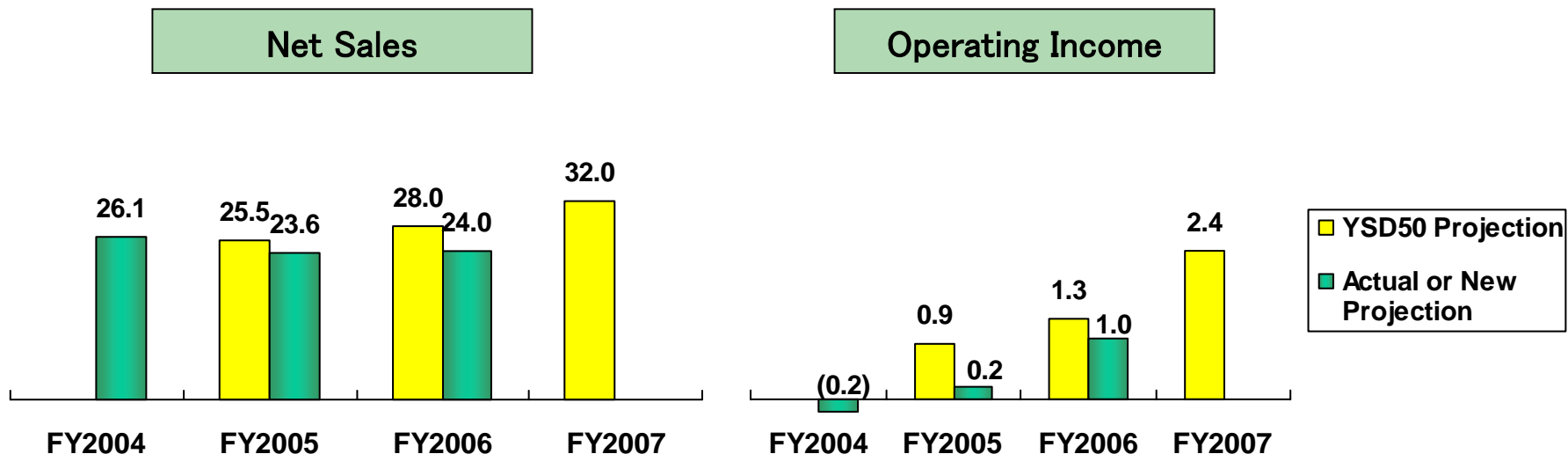
(Billions of Yen)



- In components businesses, ongoing pressure for cost-cutting from full-product assembly makers
- Golf products facing stiffer competition as market shrinks

- Taping into new customers and bolstering production capabilities in automobile interior wood component business
- Maintaining production of magnesium molded parts for digital cameras and other product applications and further reducing costs
- For golf products, developing more distinguished offerings and increasing brand awareness to boost sales

(Billions of Yen)

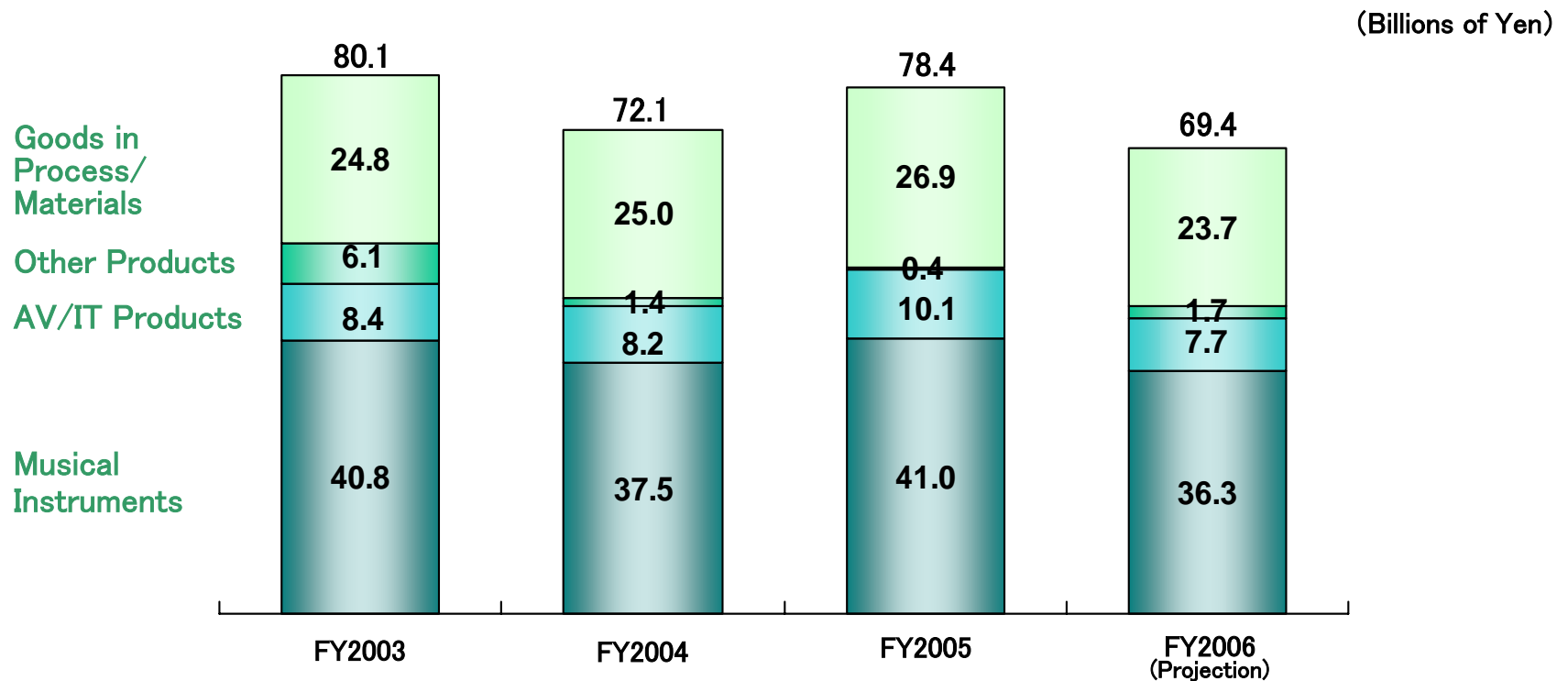




# Inventories



- Inventory assets were up YoY at the end of fiscal 2005, especially in the musical instrument and AV areas
- Targeting reductions in inventories at the end of fiscal 2006 through SCM



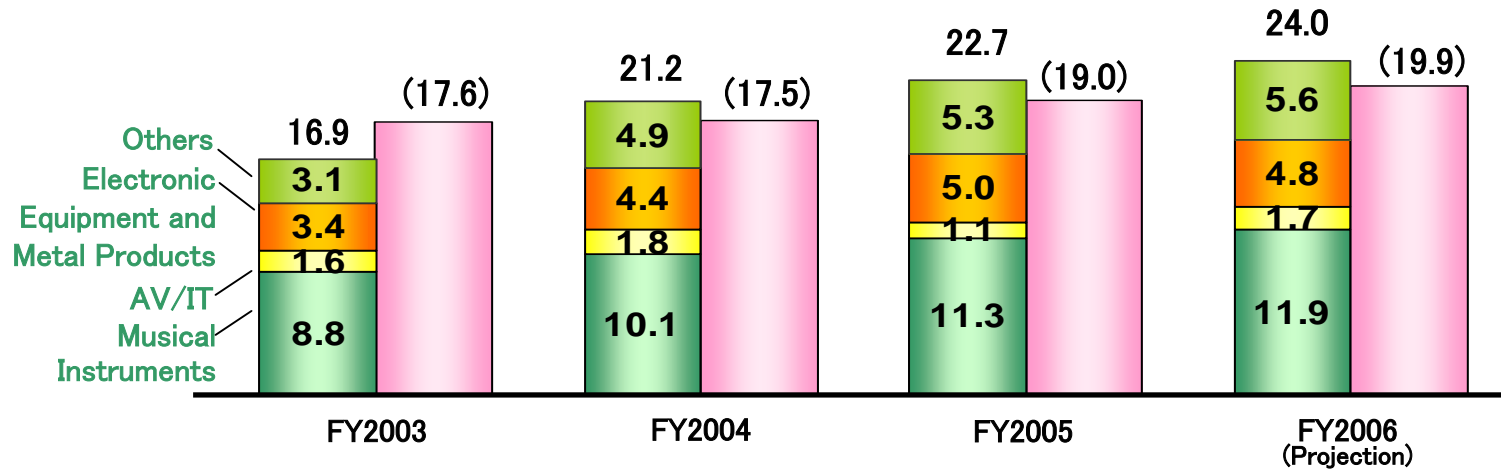
- The "other product" category at the end of FY2004 and hereafter includes inventory valuation reductions.

# Capital Expenditure/Depreciation/ R&D Expenses

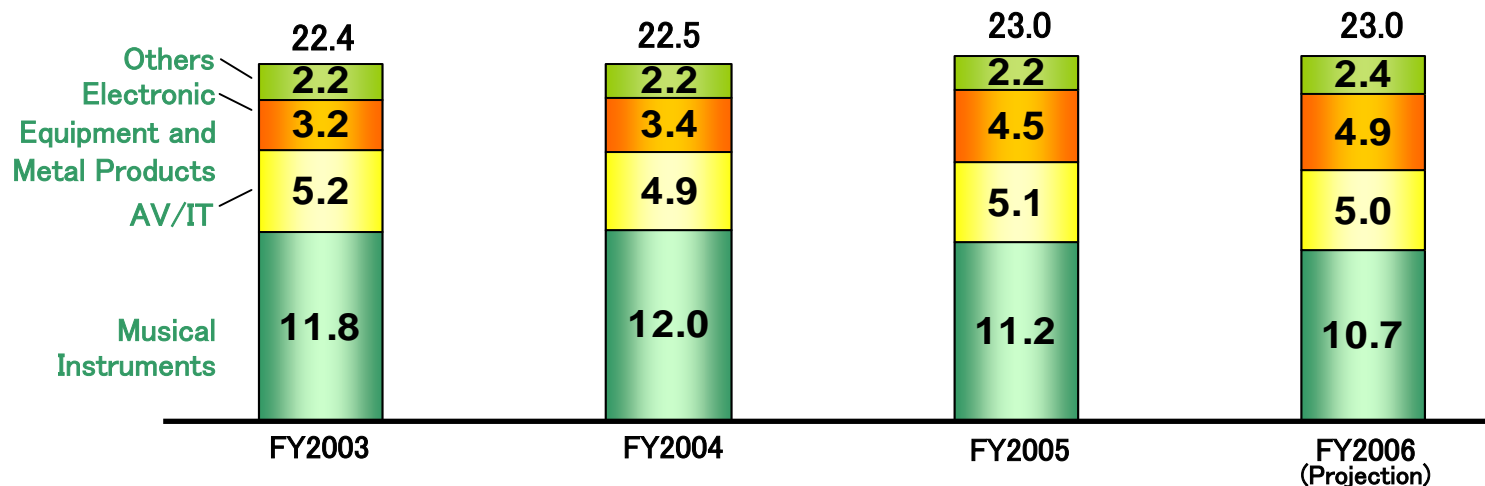


## Capital Expenditure/Depreciation

(Billions of Yen)



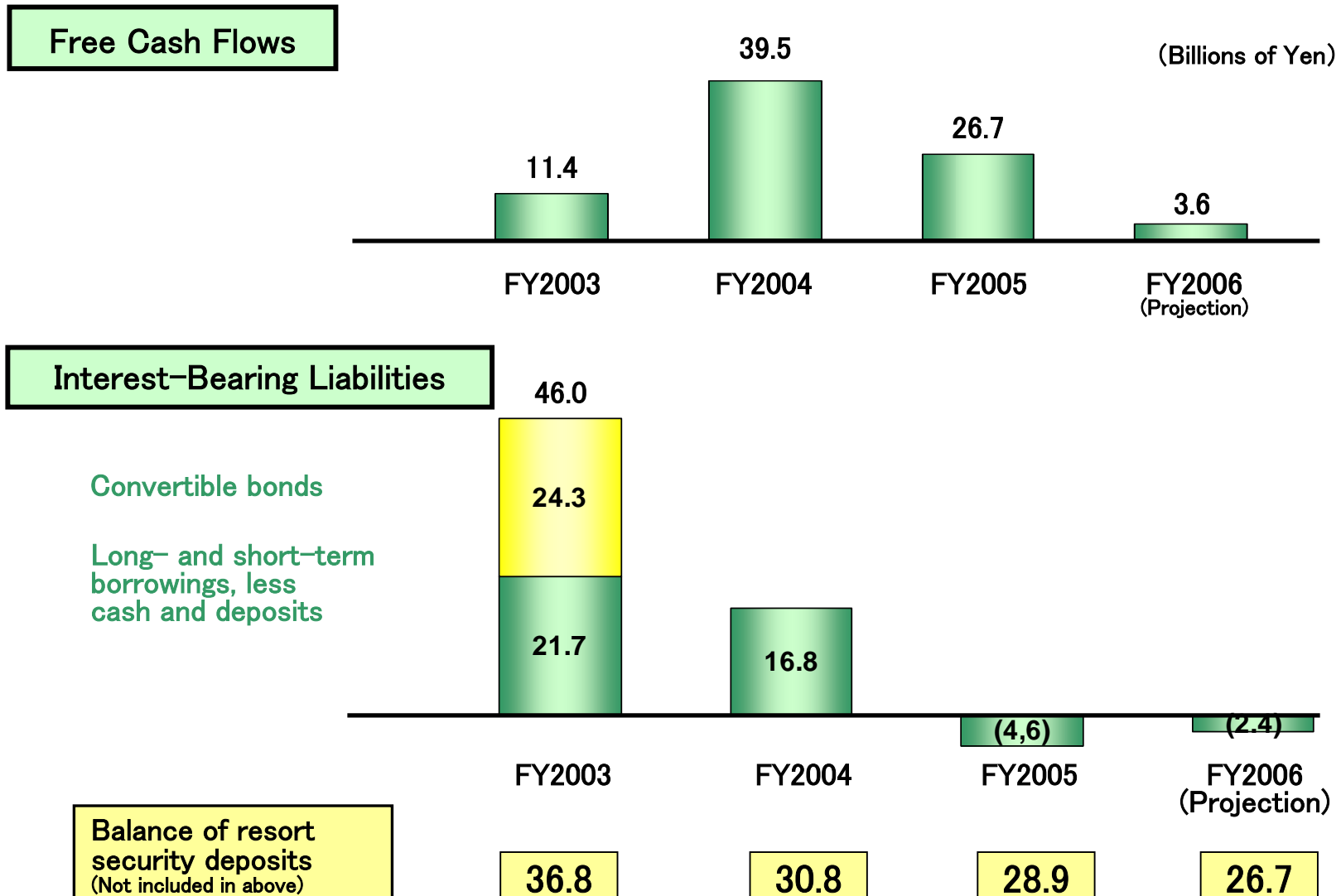
## R&D Expenditures



# Interest-Bearing Liabilities (Actual Balance)



- Achieved goal of YSD50 plan to completely eliminate interest-bearing debt two years ahead of schedule



# Balance Sheet Summary



(Billions of Yen)

	As of March 31, 2003	As of March 31, 2004	As of March 31, 2005	As of March 31, 2006 (Projection)
Cash and Bank Deposits	44.5	32.1	51.2	30.1
Accounts and Notes Receivable	79.1	78.7	71.6	85.8
Inventories	80.1	72.1	78.4	69.4
Other Current Assets	17.4	18.8	24.4	25.5
Fixed Assets	291.6	307.0	280.0	292.4
<b>Total Assets</b>	<b>512.7</b>	<b>508.7</b>	<b>505.6</b>	<b>503.2</b>
Accounts and Notes Payable	39.5	39.9	37.7	41.8
Short- and Long-Term Borrowings	66.1	48.9	46.6	27.7
Convertible Bonds	24.3	0	0	0
Other Liabilities*	168.3	160.2	146.1	133.6
Shareholders' Equity	214.5	259.7	275.2	300.1
<b>Total Liabilities and Shareholders' Equity</b>	<b>512.7</b>	<b>508.7</b>	<b>505.6</b>	<b>503.2</b>

\*Other liabilities include minority interests

# Appendix

# Performance in the Forth Quarter of FY2005



- Net sales was ¥6.9 billion lower than the previous projections (issued February 10), principally in the AV business. Operating income is approximately the same as the previous outlook.

(Billions of Yen)

	FY2004 (4Q)	FY2005 (4Q)	Increase/ (decrease)	Previous Projections (Feb. 10, 2004)
Net Sales	124.2	120.6	(3.6)	127.5
Operating Income (Operating Income Ratio)	0	(2.4)	(2.4)	(2.1)
Recurring Profit (Recurring Profit Ratio)	(0.2)	(3.4)	(3.2)	(3.7)
Net Income (Net Income Ratio)	(2.2)	0.4	2.6	0.2

		FY2004 (4Q)	FY2005 (4Q)	FY2004 (4Q) (Previous Projections)
<b>Currency Exchange Rate</b>				
Net Sales	US\$	107	105	110
	EUR	134	137	134
Operating Income	US\$	108	104	110
	EUR	128	135	134

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



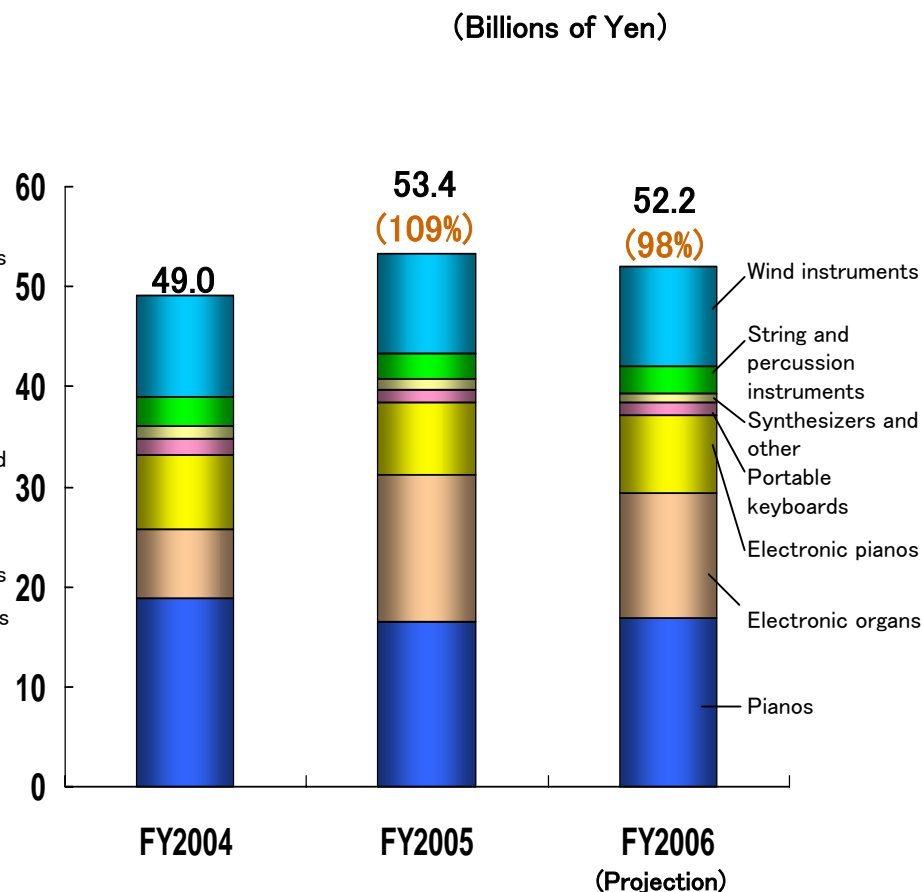
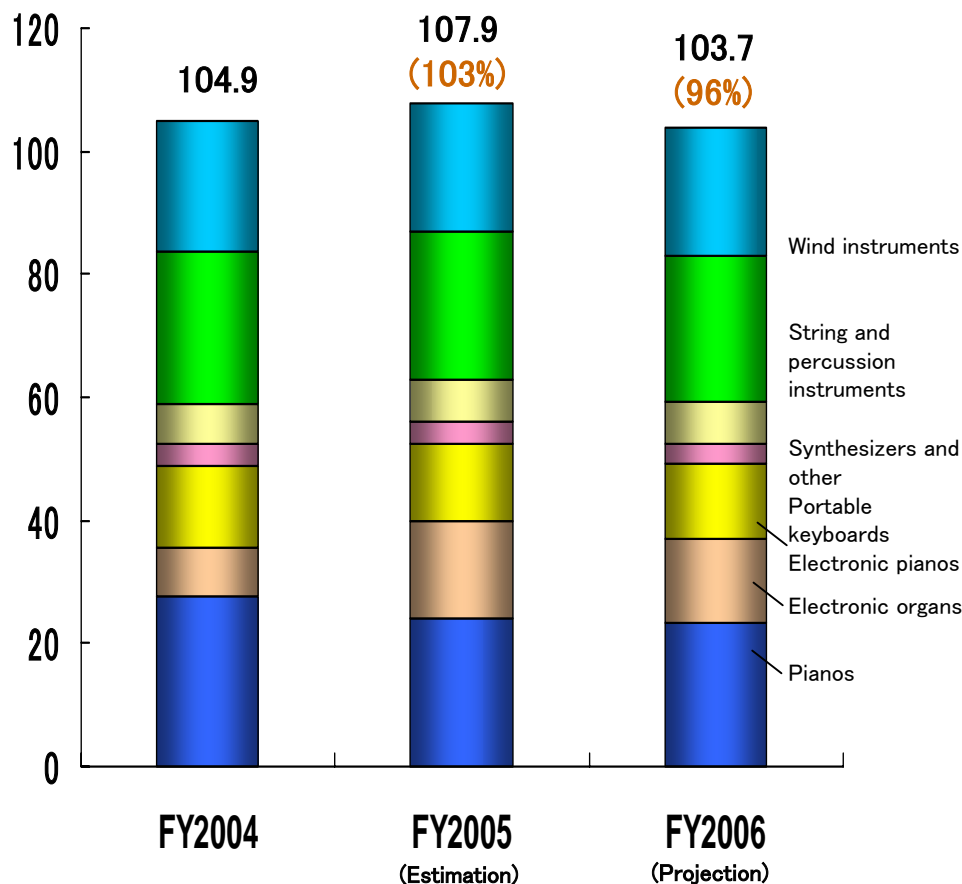
	FY2004	FY2005	FY2006 (Projections)
(Billions of Yen)			
<b>Non-Operating Income</b>			
Equity method income	10.4	9.1	11.0
Net financial income	(1.0)	(0.3)	(0.6)
Other	(3.5)	(3.2)	(4.9)
<b>Total</b>	<b>+ 5.9</b>	<b>+ 5.6</b>	<b>+ 5.5</b>
<b>Extraordinary Income(Loss)</b>			
Income from (loss on) disposal of fixed assets	(2.3)	(1.1)	(0.4)
Other	(1.2)	(6.7)	(0.6)
<b>Total</b>	<b>(3.5)</b>	<b>(7.8)</b>	<b>(1.0)</b>
<ul style="list-style-type: none"> <li>• Social welfare for prior years (After adopting gross compensation): (0.9)</li> <li>• EC penalty: (0.3)</li> <li>• Return of pension substitutional portion: 19.9</li> <li>• Gain on Sales of Assets: 6.5</li> <li>• Asset Impairment Loss: (32.7)</li> </ul>			
<b>Corporate Income Tax and Other Expenses</b>			
Corporate income tax, etc.	3.5	13.4	12.1
Minority interests in consolidated subsidiaries	0.5	0.4	0.4
<b>Total</b>	<b>4.0</b>	<b>13.8</b>	<b>12.5</b>

# Musical Instrument Sales in the Japanese Market



**Wholesale Amount**  
(By category, excluding PA)

**YAMAHA's Wholesale Amount**  
(By category, excluding PA)





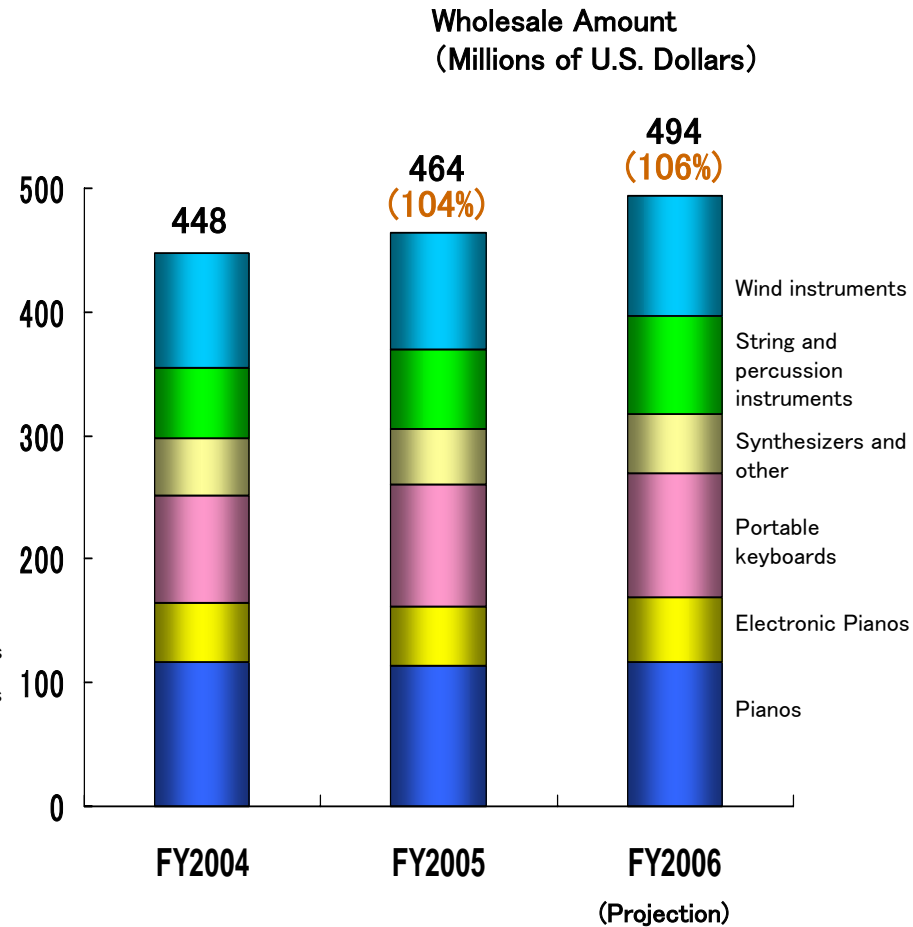
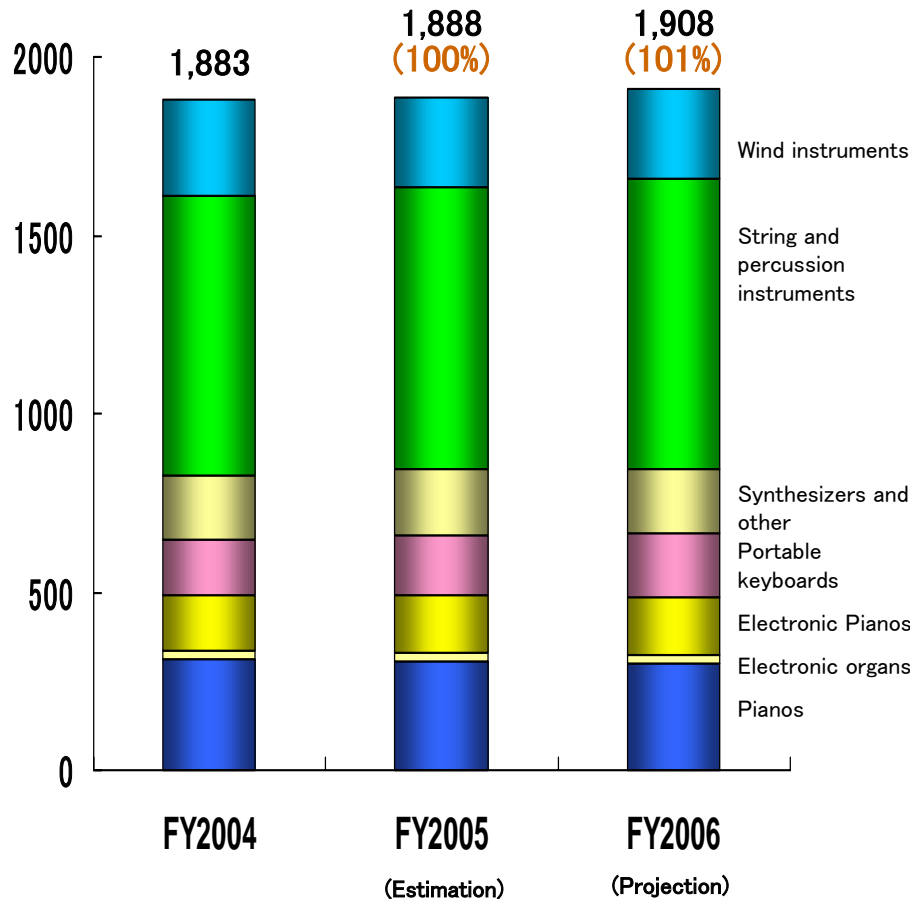
# Musical Instrument Sales in the U.S. Market



**Wholesale Amount**  
(By category, excluding PA)

**YAMAHA's**  
**Wholesale Amount**  
(By category, excluding PA)

**% Change from the  
previous year**



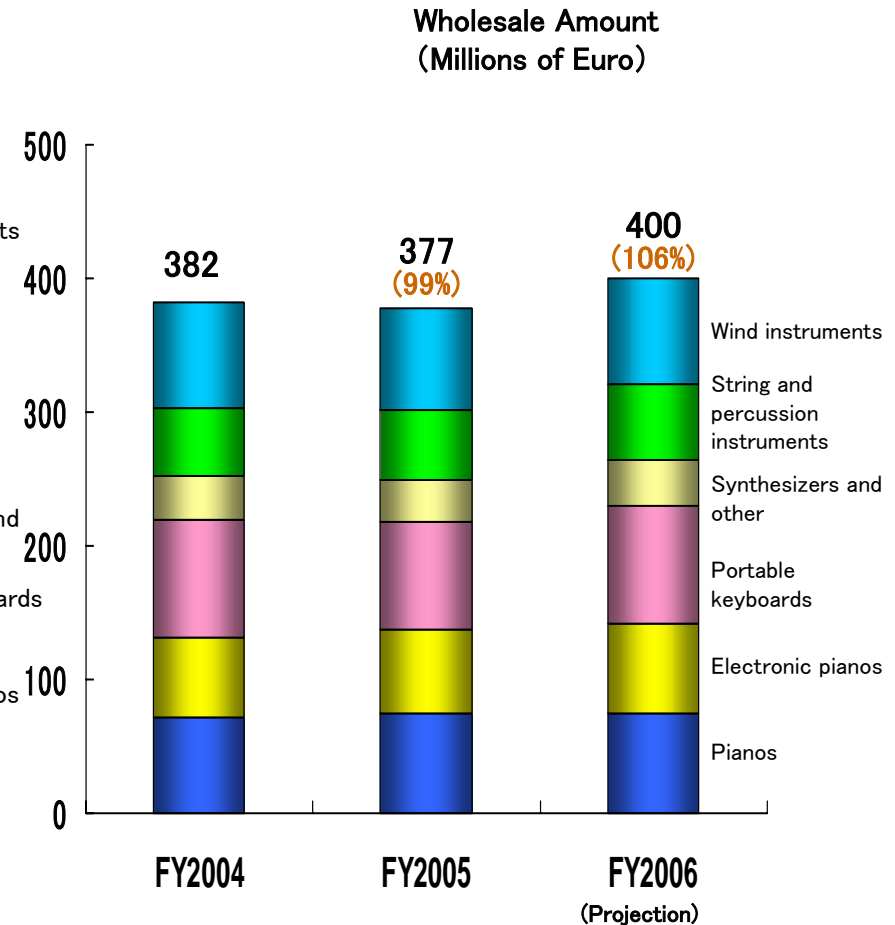
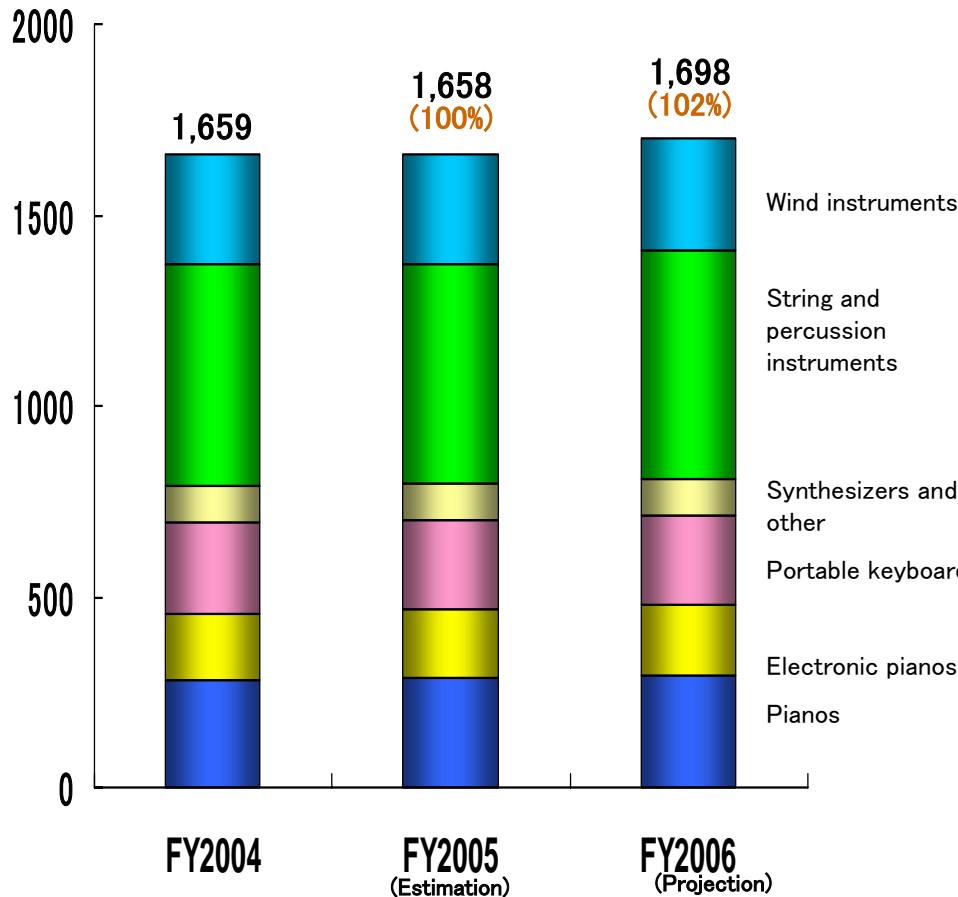
# Musical Instrument Sales in the European Market



**Wholesale Amount**  
(By category, excluding PA)

**YAMAHA's Wholesale Amount**  
(By category, excluding PA)

% Change from the previous year

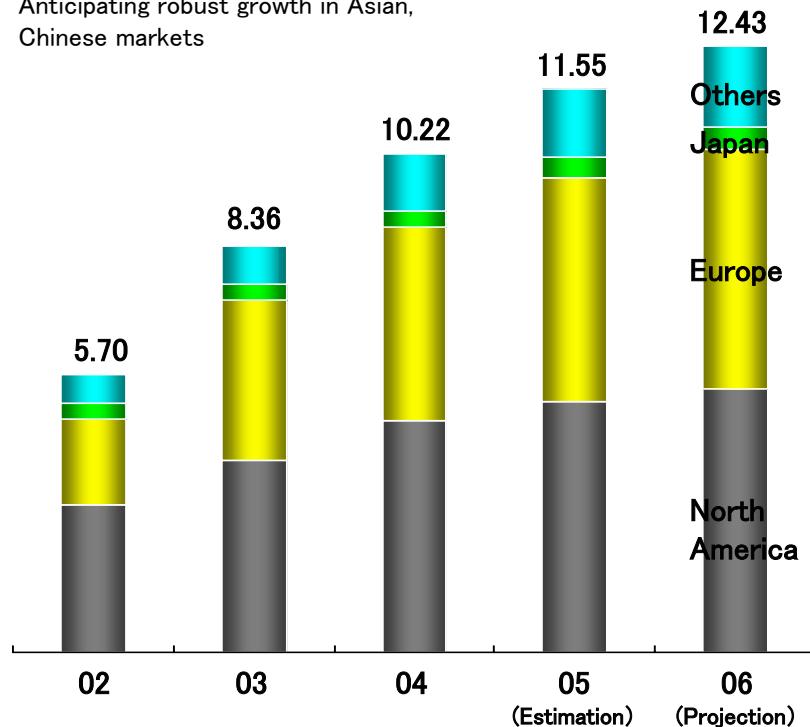


# Scale of Global Market for Home Theater Products (Home theater systems + AV amplifiers/receivers)



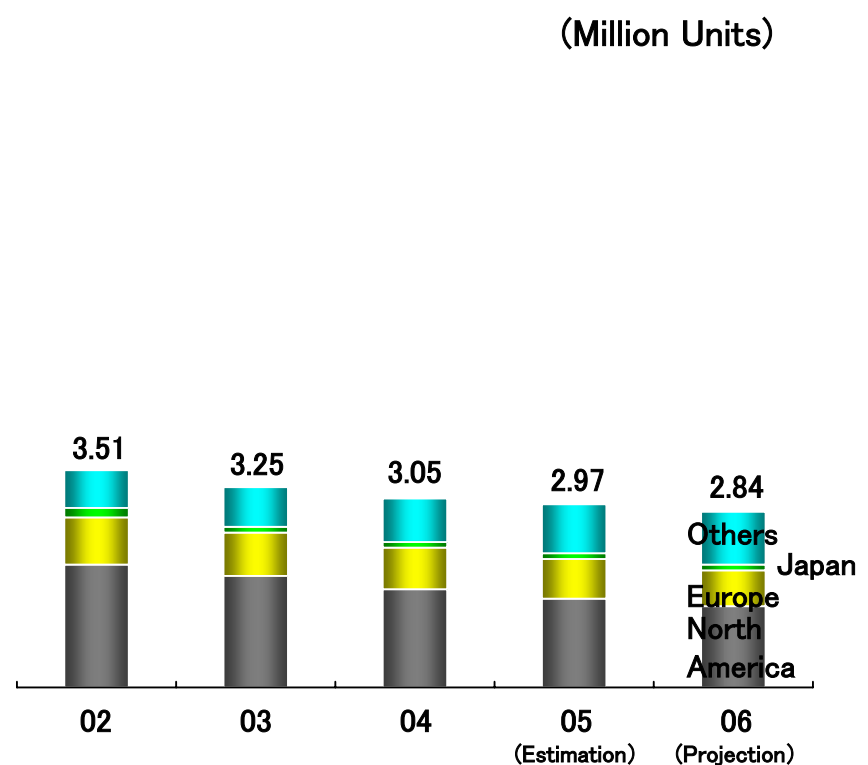
## <Home theater systems >

- Market is growing, but leveling off; expecting unit sales to rise 8% YoY in fiscal 2006 and prices to continue falling
- In North America, growth in sales of systems installed with HTiB, DVD is decelerating; particularly for systems with DVDs; expecting slow growth around 2%
- In Europe, market is centered on DVD-installed systems (90% of total); expecting unit sales to rise 7% in fiscal 2006 and indiscriminate selling at lower prices
- In Japan, market infrastructure taking shape as thin-panel TV diffusion rises
- Anticipating robust growth in Asian, Chinese markets



## <AV amplifiers/receivers >

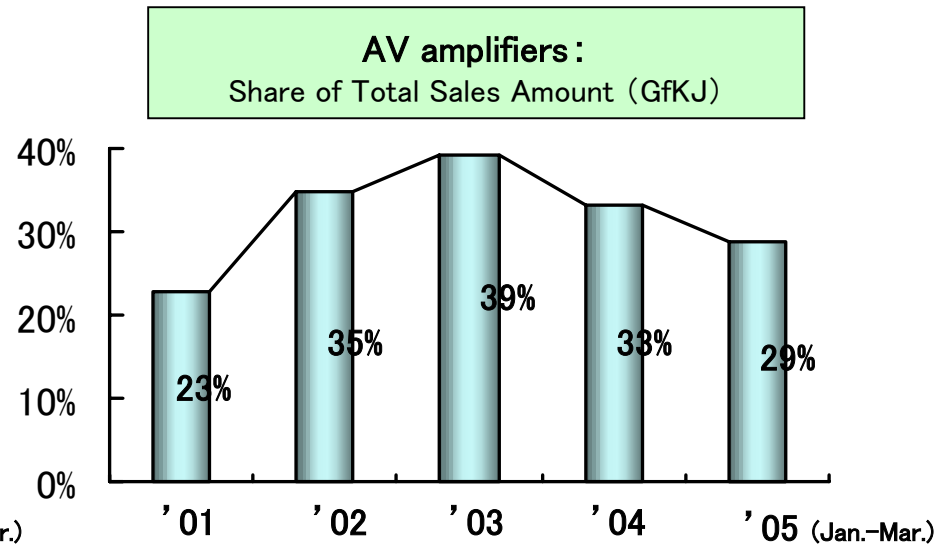
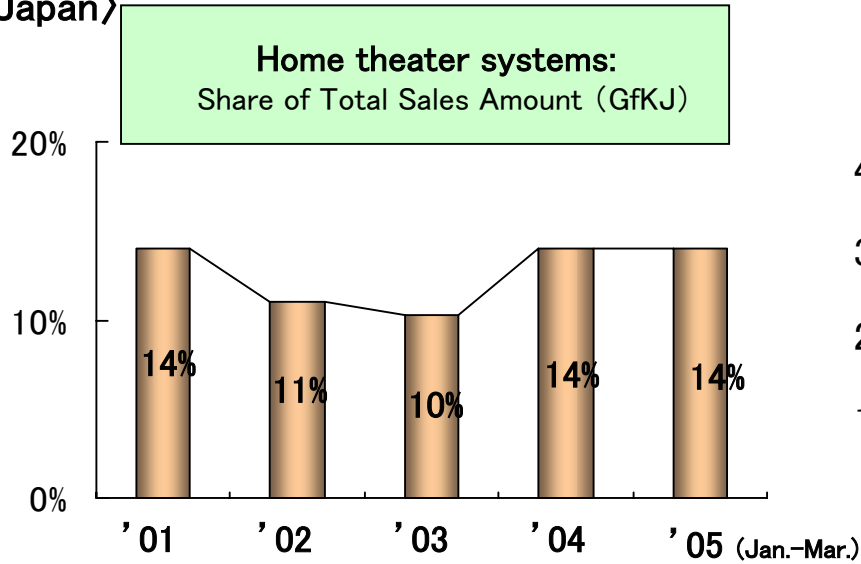
- Total worldwide market is contracting
- In 2006, Unit sales in North American market are expected to be 10% below the previous year; markets set to shrink somewhat in Europe, Japan
- Markets expanding in Asia and China; sales of AV amplifiers + receiver packages on uptrend in China



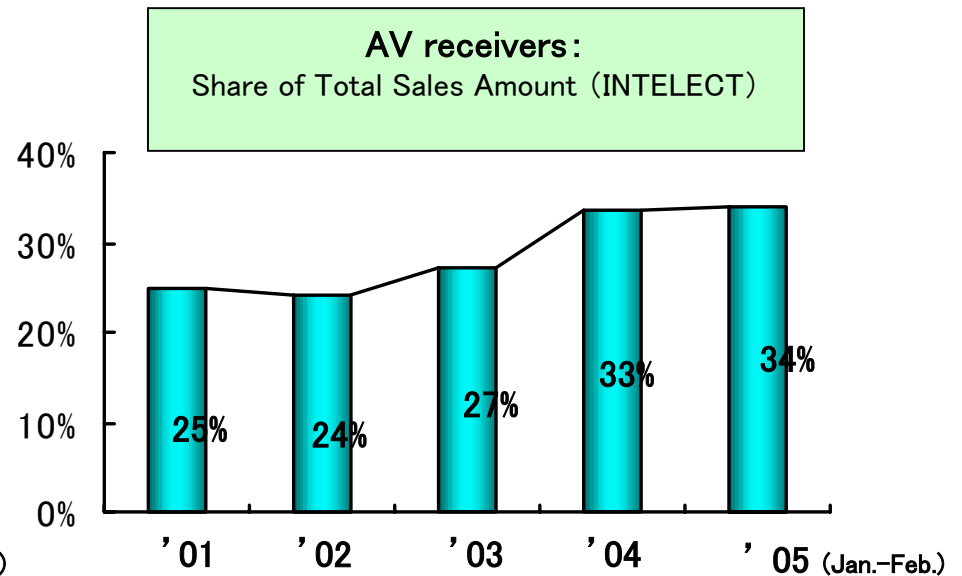
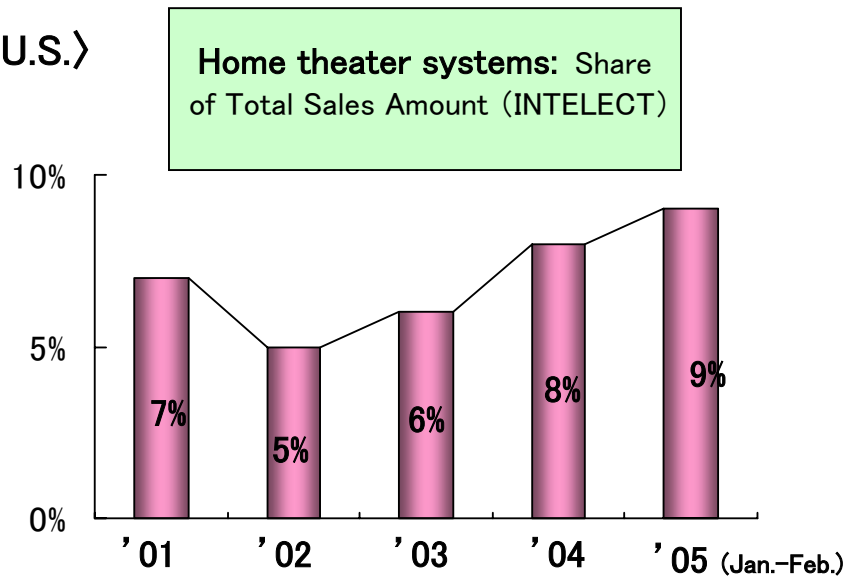
# YAMAHA's AV Market Share



〈Japan〉



〈U.S.〉



# Sales breakdown



(Billions of Yen)

## AV/IT

	FY2004 (Actual)	FY2005 (Actual)	FY2006 (Projection)
AV	71.9	70.6	80.3
Routers	6.4	7.1	8.7
Total	78.3	77.7	89.0

## Electronic Equipment and Metal Products

	FY2004 (Actual)	FY2005 (Actual)	FY2006 (Projection)
Semicon- ductors	64.0	56.7	45.8
Electronic Metals	12.9	12.3	12.7
Total	76.9	69.0	58.5

## Life-Related Products

	FY2004 (Actual)	FY2005 (Actual)	FY2006 (Projection)
Bathrooms	20.9	20.1	19.6
System Kitchens	17.2	16.5	16.0
Others	6.7	6.2	5.9
Total	44.8	42.8	41.5

## Others

	FY2004 (Actual)	FY2005 (Actual)	FY2006 (Projection)
Automobile Interior Wood Components	10.9	10.2	11.2
Golf Clubs	2.2	2.1	2.7
YFT, etc.	13.0	11.3	10.1
Total	26.1	23.6	24.0



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.