

**Analyst and Investor Briefing on the
First Quarter of the Fiscal Year
Ending March 31, 2006
(April 1, 2005 to June 30, 2005)**

**August 1, 2005
YAMAHA CORPORATION**

Overview of Performance in the First Quarter



- **Sales were lower than the initial projection made on April 28, but operating income was higher. Both sales and operating income were down compared to the first quarter of the previous year.**

Net sales were ¥1.7 billion lower than initially projected, down ¥8.8 billion year-on-year.

Sales of musical instruments, AV/IT products and in recreation businesses were lower than both initial projections and the figures for the same quarter of the previous year.

Due to reduced sales of LSI sound chips for mobile phones, sales of electronic equipment and metal products fell significantly year-on-year.

However, sales of lifestyle-related products were higher than both initial projections and those of the same quarter of the previous year.

Overall, operating income was around the level of initial projections. Income in the core businesses of musical instruments, AV/IT products, and electronic equipment and metal products fell significantly year-on-year.

Foreign exchange rates had only a slight impact on first quarter operating income (down ¥100 million compared to the initial projection and up ¥200 million year-on-year).

At the end of this quarter, inventory levels were ¥6.6 billion above initial projections and ¥5.4 billion higher year-on-year.

Musical instrument and AV product inventories remained at a high level.

Performance in the First Quarter



- Sales were lower than initially projected on April 28, while operating income was higher
- Sales operating income decreased year-on-year
(Net income for this quarter improved due to the absence of depletion expenses incurred in the previous year)

(Billions of yen)

	FY2005 1Q	FY2006 1Q	Change from same period of previous year	Initial projections	Change from initial projections
Net Sales	132.9	124.1	-6.6%	125.8	-1.4%
Operating Income	15.0	6.9	-54.2%	6.1	+13.1%
Recurring Profit	17.2	11.6	-32.8%	8.0	+45.0%
Net income	-12.6	9.8	-	5.3	+84.9%

Equity Method
Income

2.8

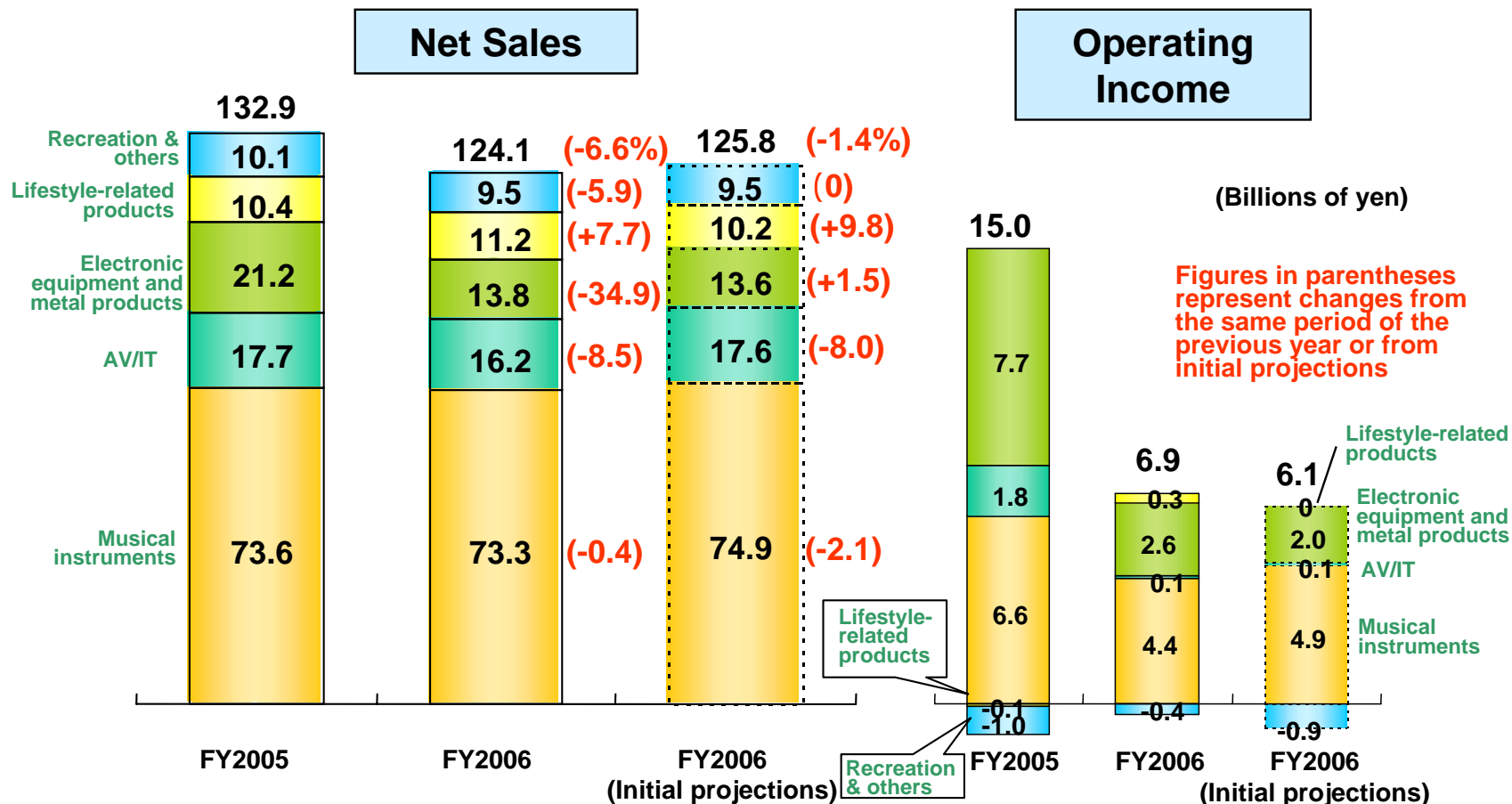
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2.8

Currency Exchange Rates

Net sales	US\$	110	108	105
	EUR	132	135	134
Operating Income	US\$	109	107	105
	EUR	132	134	134

Results by Business Segment in the First Quarter



Impact of exchange rates

In comparison to 1Q fiscal 2005: + ¥400 million
 (+ ¥300 million for musical instruments, + ¥100 million for AV/IT)
 In comparison to initial projections: + ¥900 million
 (+ ¥700 million for musical instruments, + ¥200 million for AV/IT)

Impact of exchange rates

In comparison to 1Q fiscal 2005: + ¥200 million
 (+ ¥100 million for musical instruments, + ¥100 million for AV/IT)
 In comparison to initial projections: - ¥100 million
 (+ ¥100 million for musical instruments, - ¥200 million for AV/IT)

Forecasts of Business Performance in FY2006 (Full Year)



➤ Full year forecasts have not been revised from the initial projections

(Billions of yen)

	FY2005 (Previous Year)	FY2006 (Projections)	Change
Net sales	534.1	546.0	+2.2%
Operating Income	35.7	37.0	+3.6%
Recurring Profit	41.3	42.5	+2.9%
Net Income	19.7	29.0	+47.2%

Currency Exchange Rates

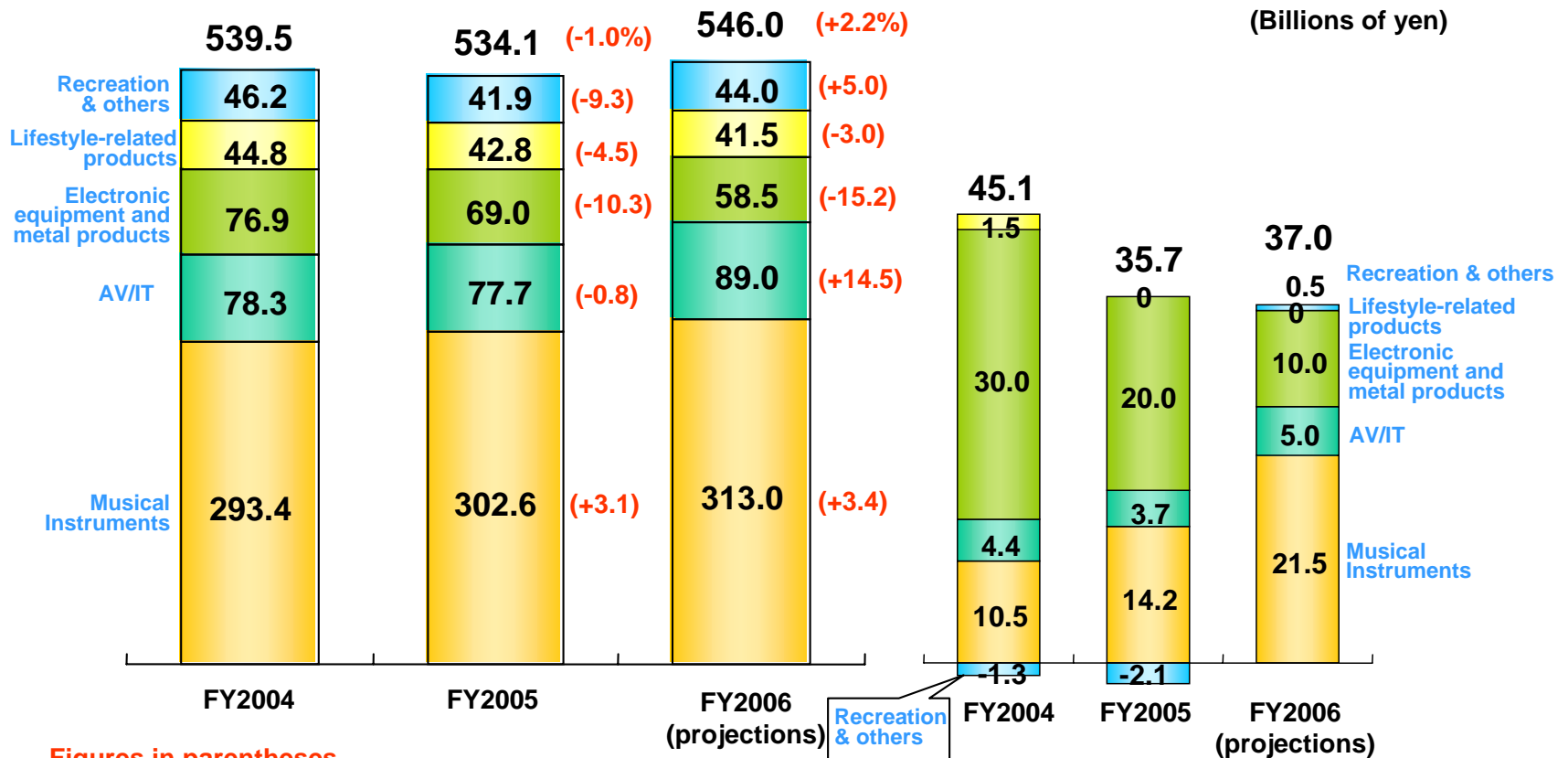
		FY2005 (Previous Year)	FY2006 (Projections)
Net Sales	US\$	108	105
	EUR	135	134
Operating Income	US\$	108	105
	EUR	133	134

FY2006 (Full Year) Results by Business Segment



Net Sales

Operating Income



Musical Instruments

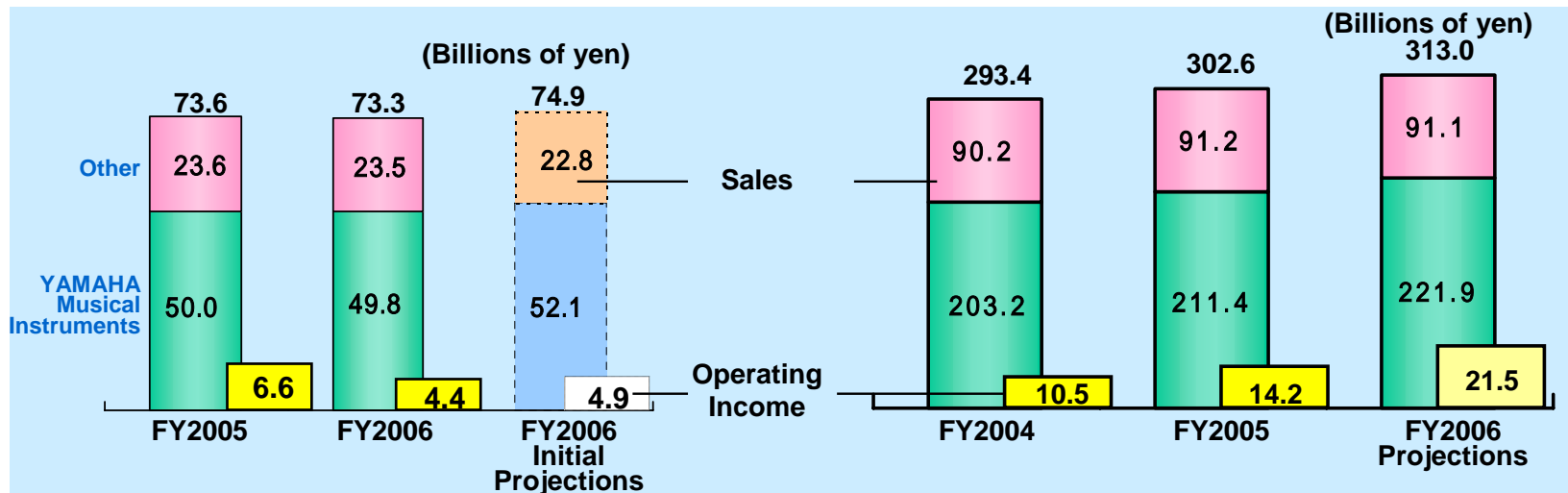


1Q Overview

- Excluding the impact of exchange rate fluctuations, net sales in the first quarter were 3.1% below initial projections, and were especially sluggish in Europe and the U.S. Good retail sales in the U.S. market and retailer's inventory adjustment are expected to contribute to a recovery from the second quarter.
- Sales fell 0.8% year-on-year. Sales in Japan decreased due to reduced sales of the "STAGEA™" Electone™. Double-digit growth continued in Korea.
- In spite of inventory adjustment measures including production cuts, inventory at the end of the first quarter was up compared to initial projections and year-on-year. This was largely due to increased inventory in the U.S.
- Spring enrolments in Yamaha Music Schools again rose compared to the previous year. Enrolments in adult music school courses have broken through the 100,000 mark. For the first time in 15 years, children's enrolments also exceeded those of the previous year.

FY2006 Projections and Priority Policies

- Steadily launch new products in time for Christmas sales push; increase sales (Tyros II high-function keyboard, etc.)
- Expand CA business
- Aim at recovery in the U.S. market. In Europe, boost share in key countries and push ahead with strategies for expanded EU market.
- In Japan, continue to strategically position music schools and aim at market revitalization
- Strengthen measures to reduce inventory
- Push ahead with production reforms
- Push ahead with strategy for Chinese market

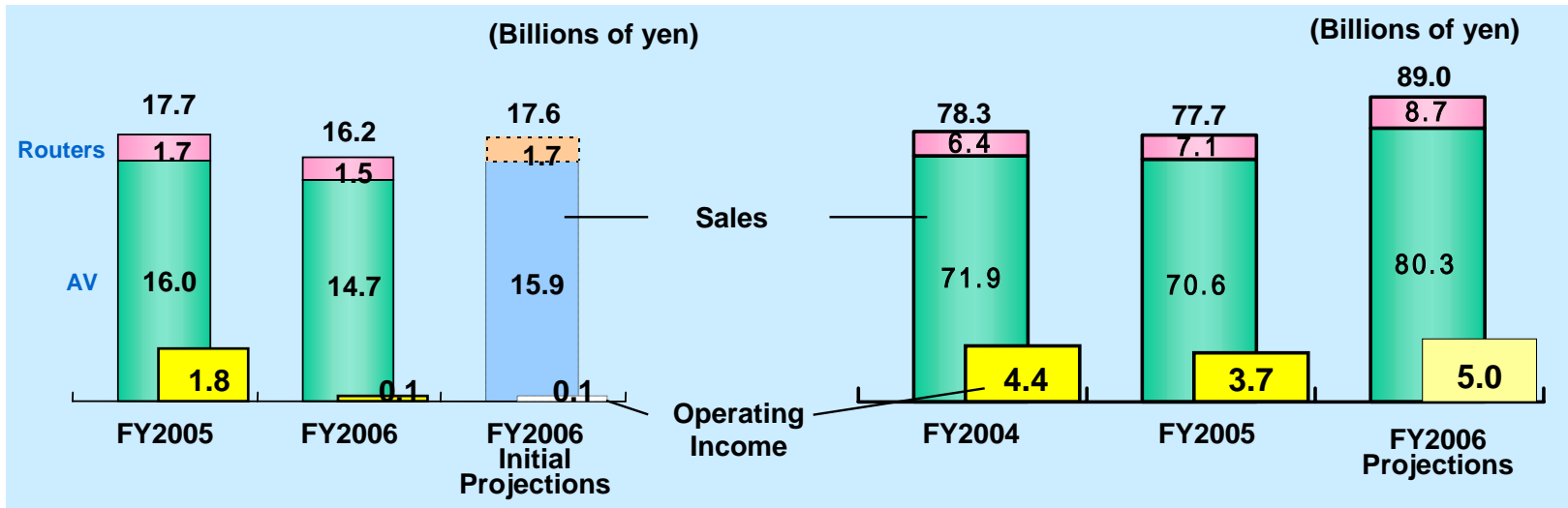


1Q Overview

- Excluding the impact of exchange rate fluctuations, first quarter sales were 9.1% below the initial projection and 9.0% lower than the same quarter of the previous year. Conditions were difficult in Japan amid reduced overall demand. North American and European sales continued to be steady thanks to the success of new products and sales channels.
- High expectations for YSP-1 were met, with shipments steady (approx. 7000 units in the first quarter)
- Amid fierce competition, router sales were down compared to initial projections and year-on-year
- Inventories at the end of the first quarter increased year-on-year and compared to initial projections

FY2006 Projections and Priority Policies

- Continue growth of home theater operations
Strengthen and expand YSP business
~ Strengthen product lineup and expand sales network
Expand lineup of popularly priced systems
Increase sales of mid- and high-range AV receivers
- Strengthen router business
Reinforce VPN router lineup
Telephone directory servers



Electronic Equipment and Metal Products

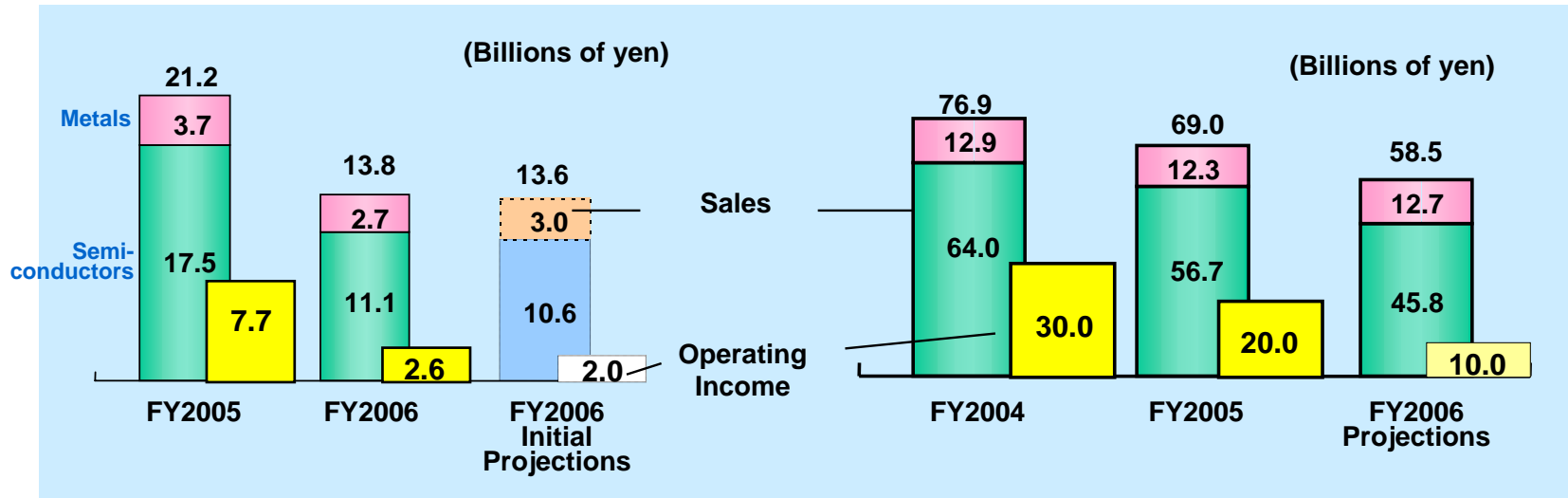


1Q Overview

- Although first quarter sales and operating income exceeded initial projections, they were below results for the same quarter of the previous year
- Sales of LSI sound chips for mobile phones were slightly above initial projections, but down year-on-year. Recovery is expected from the second quarter as new product shipments shift into high gear.
- Compared the same quarter of the previous year, sales and operating income were also down for electronic metals. However, they are expected to pick up amid signs of an end to the current round of inventory adjustments in the electronic metals market.

FY2006 Projections and Priority Policies

- Boost share with increased sales of new LSI sound chip products for mobile phones
- Increase sales of existing LSI products for applications other than mobile phones, e.g. chips for pachinko
- Develop and launch new devices
- Prepare to increase production of electronic metals as market conditions improve
- Enhance profitability through further reductions in production costs and expand copper connector materials business



Lifestyle-Related Products

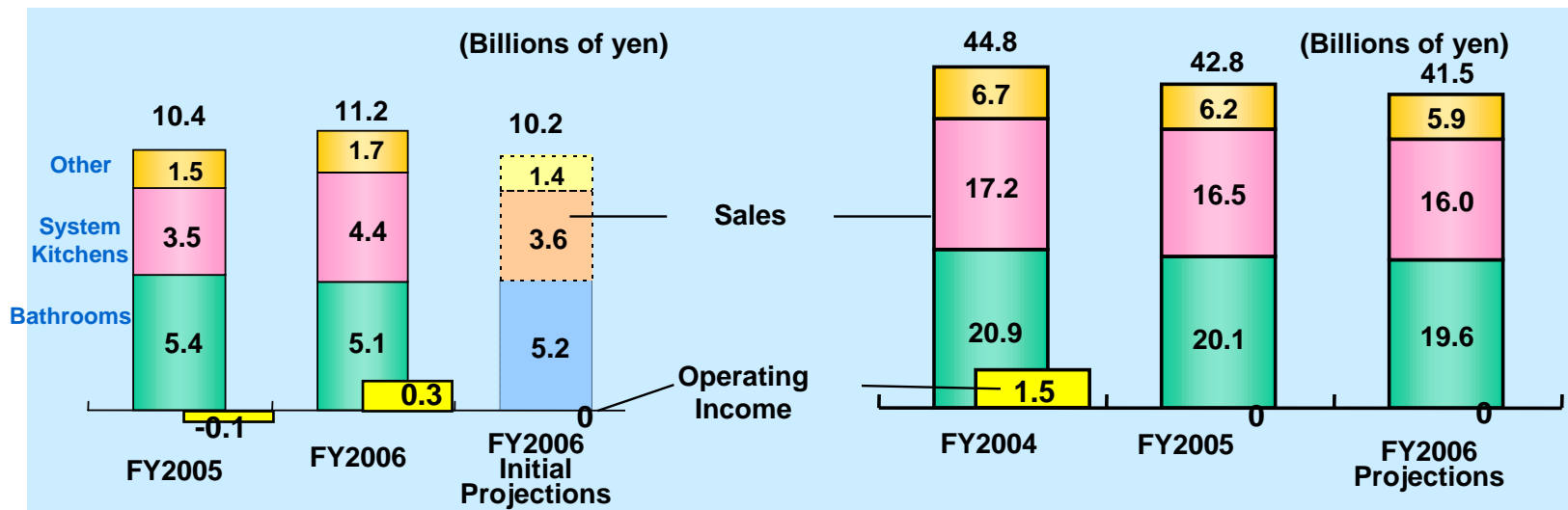


1Q Overview

- Sales and operating income in the first quarter rose year-on-year and compared to initial projections
- Remodeling business grew
- First quarter operations returned a profit due to regaining of share in the system kitchen market largely thanks to marble sink products, as well as reductions in fixed costs, especially personnel expenses

FY2006 Projections and Priority Policies

- Build on the strong start in the first quarter and aim for enhanced profitability compared to the previous year
- Steady launch of new autumn products
Offer wider variety of kitchen products
Regain competitiveness in bathroom products
- While new housing starts will remain flat, more efforts will be made in the growing remodeling market
Focus especially on boosting consumer appeal through showroom activities, sales campaigns targeted at distributors and public relations
- Continue cutting production costs and improving quality



Recreation



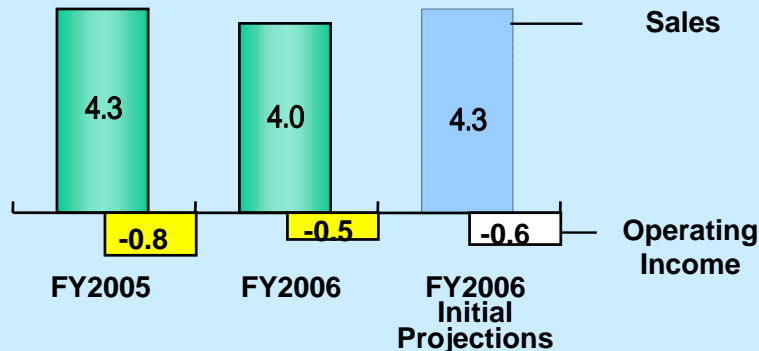
1Q Overview

- Although stays at facilities such as Nemunosato™ and Tsumagoi™ increased due to factors including the effects of the Aichi Expo, day trippers and fewer weddings meant that first quarter sales were down against initial projections and year-on-year
- Operating income improved due to rationalization of expenses and to reduced depreciation (down ¥250 million year-on-year)

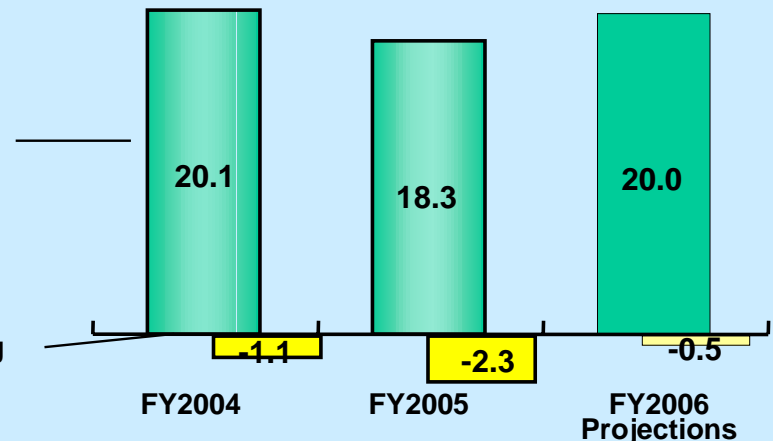
FY2006 Projections and Priority Policies

- In addition to increasing revenue by attracting more customers, minimize deficit by further efforts to rationalize expenses and reduce depreciation
- Attract more customers by continuing to meet Aichi Expo demand and stepping up sales efforts
- The Kiroro resort is a key focus: in conjunction with the rebuilding of ski courses, initiatives will be launched to attract local visitors on day trips

(Billions of yen)



(Billions of yen)



Others

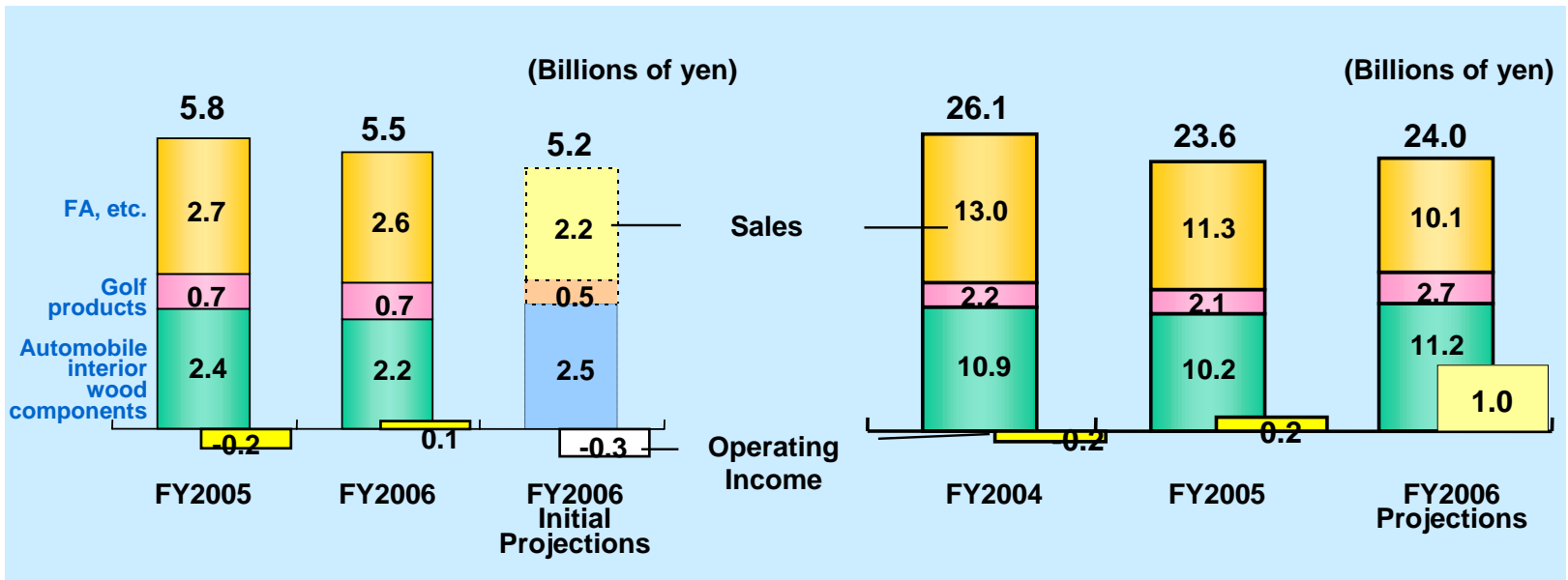


1Q Overview

- With an increase in sales of golf products, FA and metallic molds against the initial projections, positive operating income was achieved in the first quarter
- Sales of golf products exceeded initial projections thanks to new products and the bringing forward of shipments to Korea
- Due to reduced production costs, FA and magnesium molded parts for mobile phones showed much higher revenues than in the same quarter of the previous year

FY2006 Projections and Priority Policies

- Continue new customer development and strengthen productivity for automobile interior wood components
- Set up new manufacturing techniques for installation of magnesium molded parts for use in mobile phones and develop new customer bases



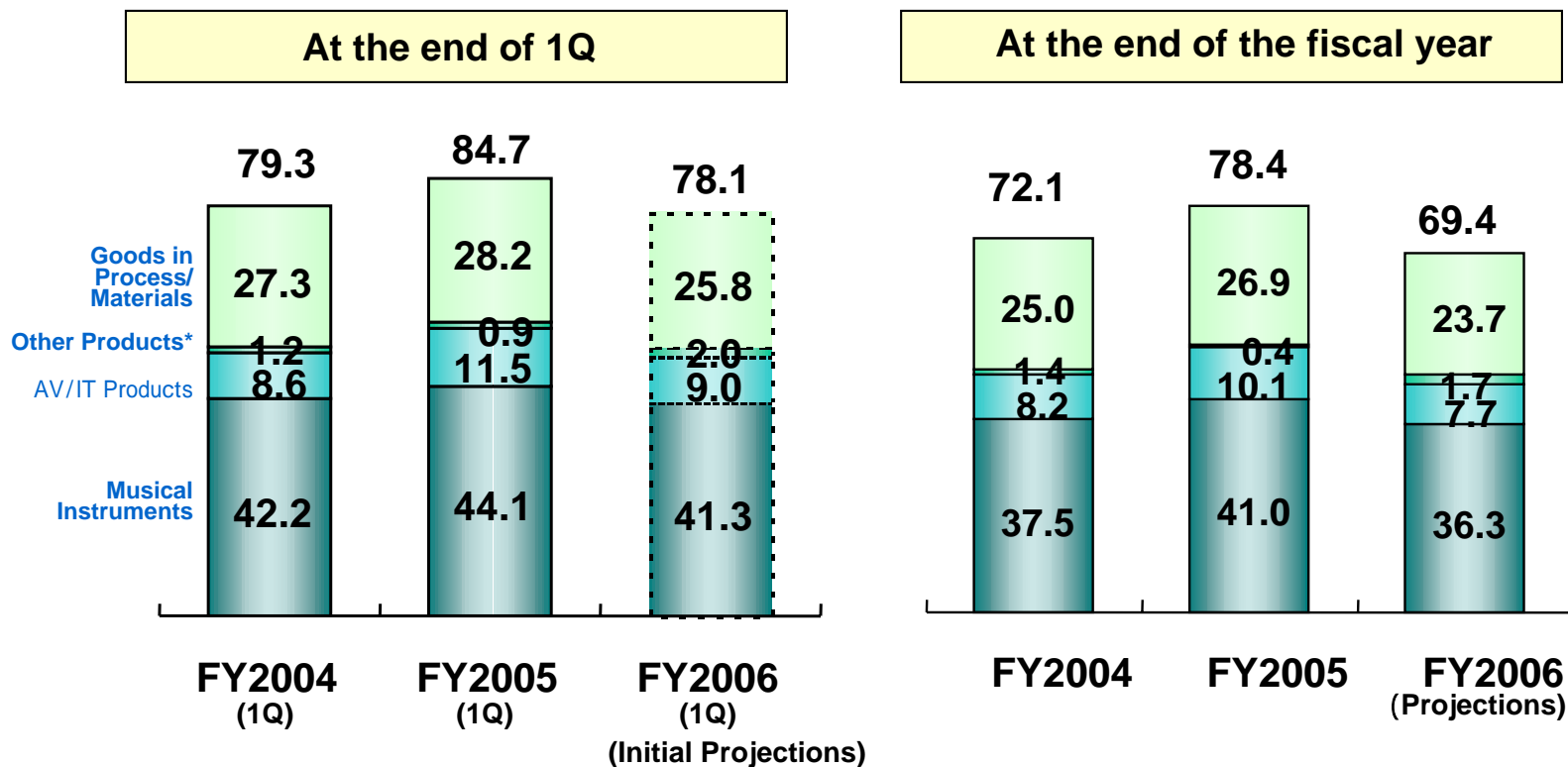
Inventories



- Inventories at the end of the first quarter increased compared with both the initial projection and the same quarter of the previous year.

Every effort will be made to shrink inventories by the end of the fiscal year.

(Billions of yen)



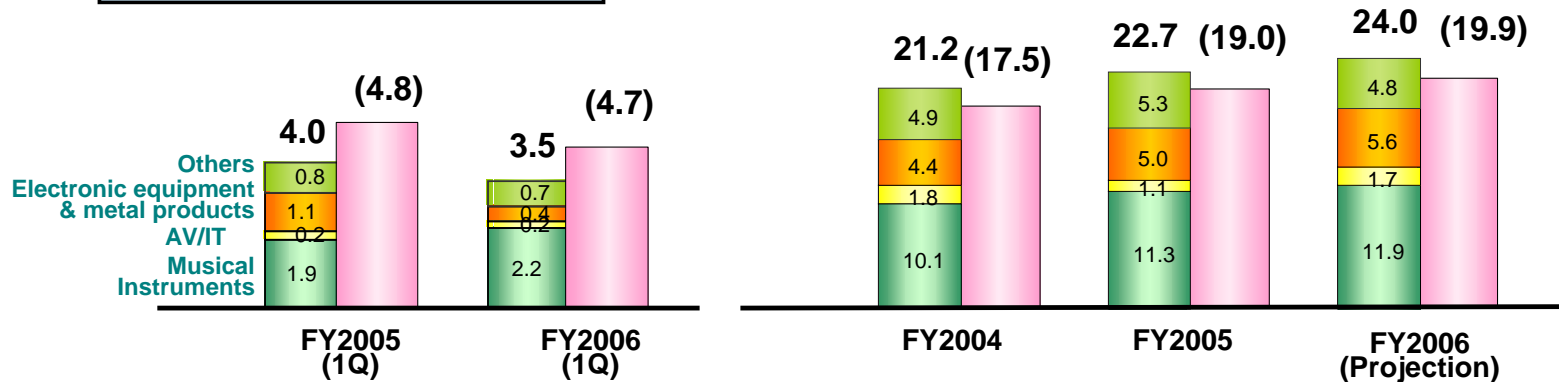
* Reduction in inventory valuation is included in Other Products

Capital Expenditure/Depreciation/ R&D Expenses

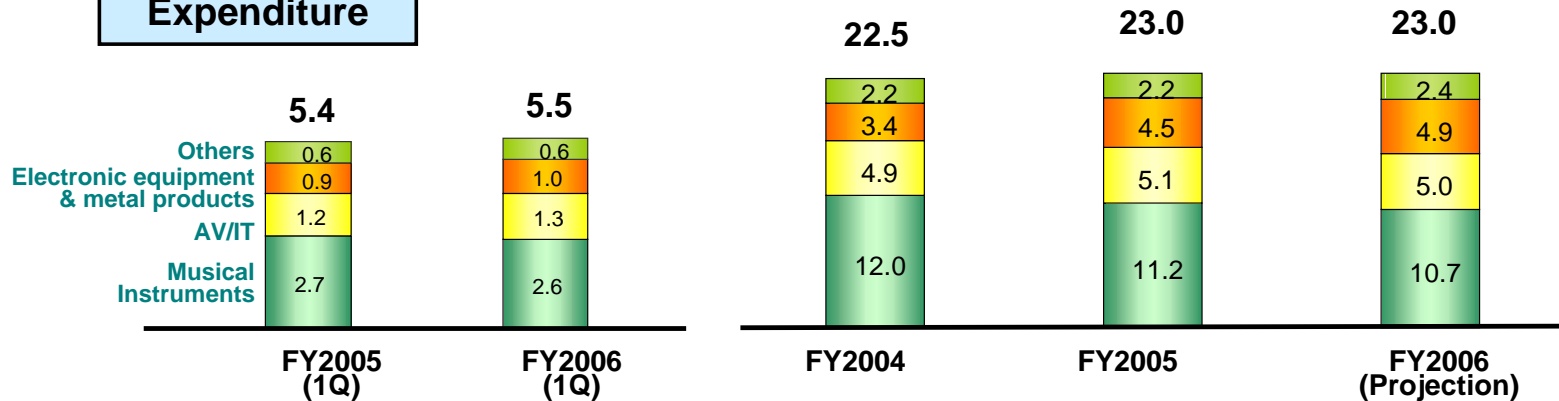


Capital Expenditure/ Depreciation

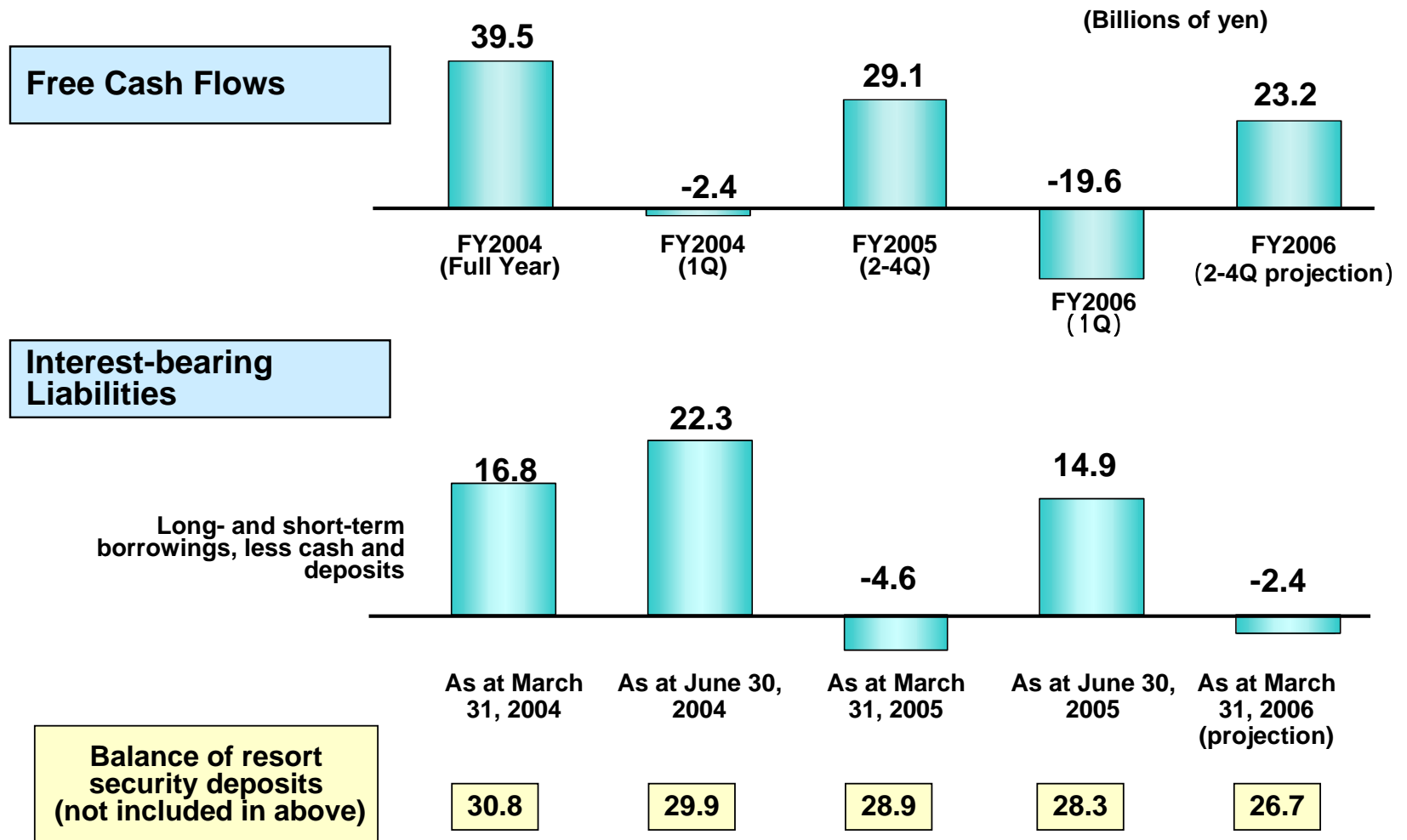
(Billions of yen)



R&D Expenditure



Interest-Bearing Liabilities (Actual Balance)



Balance Sheet Summary



(Billions of yen)

	As of June 30, 2004	As of March 31, 2005	As of June 30, 2005	As of March 31, 2006
Cash and Bank Deposits	30.5	51.2	35.6	30.1
Accounts and Notes Receivable	81.0	71.6	72.8	85.8
Inventories	79.3	78.4	84.7	69.4
Other Current Assets	22.2	24.4	22.4	25.5
Fixed Assets	278.8	280.0	283.4	292.4
Total Assets	491.8	505.6	498.9	503.2
Accounts and Notes Payable	42.8	37.7	38.7	41.8
Short- and Long-Term Borrowings	52.9	46.6	50.5	27.7
Other Liabilities*	150.2	146.1	125.2	133.6
Shareholders' Equity	245.9	275.2	284.5	300.1
Total Liabilities and Shareholders' Equity	491.8	505.6	498.9	503.2

* Other liabilities include minority interests

Appendix

First Quarter Non-Operating Income/ Extraordinary Income (Loss)



	FY2005 1Q	FY2006 1Q	FY2006 1Q (Initial Projections)
(Billions of yen)			
Non-Operating Income			
Equity method income	2.8	5.3	2.8
Net financial income	0.2	0.2	0.1
Other	- 0.8	- 0.8	- 1.0
Total	+ 2.2	+ 4.7	+1.9
Extraordinary Income (Loss)			
Income from (loss on) disposal of fixed assets	- 0.1	0.7	0.1
Other	- 32.3	0.5	- 0.3
		· Asset impairment loss: -32.5	
Total	- 32.4	+ 1.2	- 0.2
Corporate Income Tax and Other Expenses			
Corporate income tax, etc.	- 2.7	2.9	2.4
Minority interests in consolidated subsidiaries	0.1	0.1	0.1
Total	- 2.6	3.0	2.5

FY2006 Non-Operating Income/ Extraordinary Income (Loss)



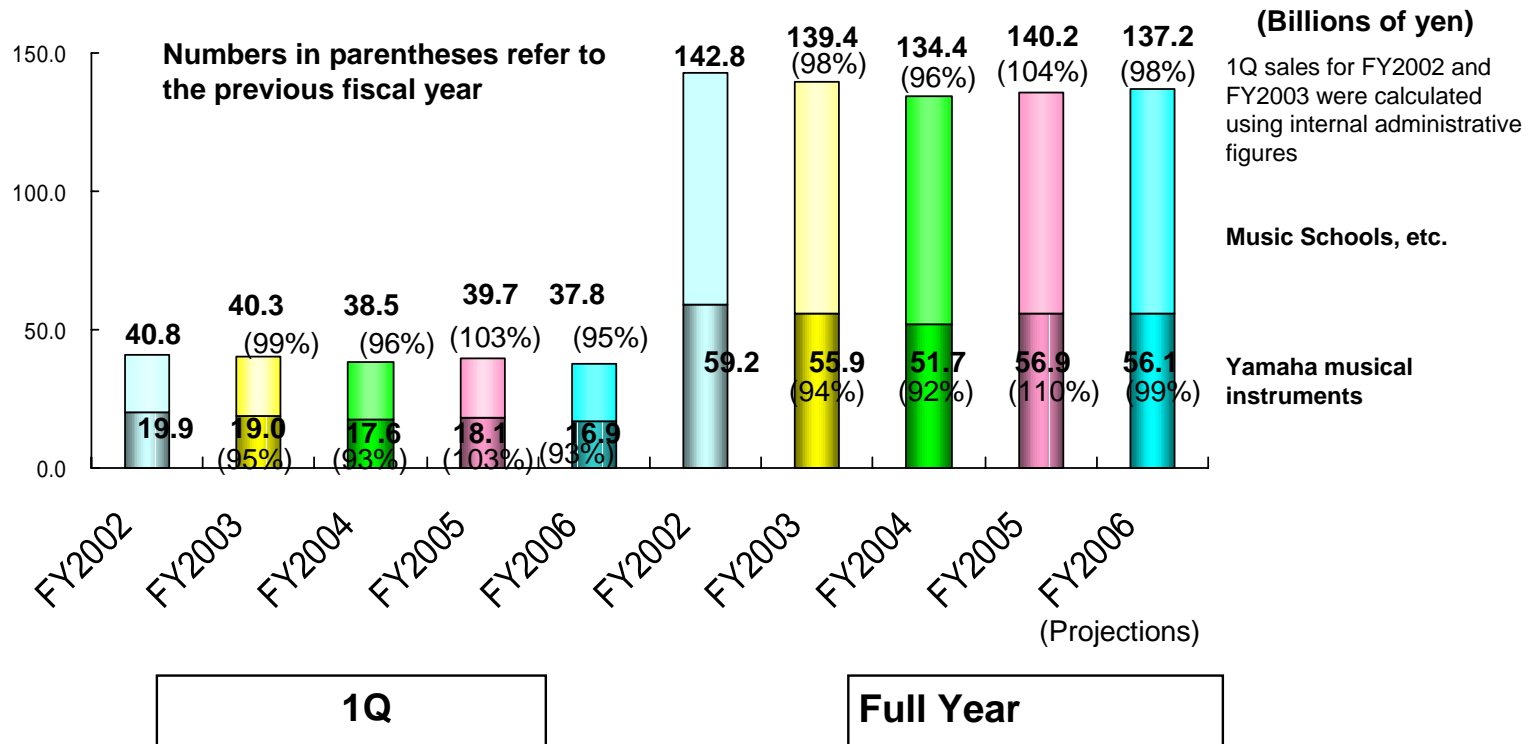
	FY2004	FY2005	FY2006 (Projections)	Billions of yen
Non-Operating Income				
Equity method income	10.4	9.1	11.0	
Net financial income	- 1.0	- 0.3	- 0.6	
Other	- 3.5	- 3.2	- 4.9	
Total	+ 5.9	+ 5.6	+5.5	
Extraordinary Income (Loss)				
Income from (loss on) disposal of fixed assets	- 2.3	- 1.1	- 0.4	
Other	- 1.2	- 6.7	- 0.6	
Total	- 3.5	- 7.8	- 1.0	
		<ul style="list-style-type: none"> · Social welfare for prior years (upon transition to comprehensive remuneration system): -0.9 · EC penalty: -0.3 	<ul style="list-style-type: none"> · Gain on return of substitutional portion of pension plan: 19.9 · Gain on sales of investment securities: 6.5 · Asset impairment loss: -32.7 	
Corporate Income Tax and Other Expenses				
Corporate income tax, etc.	3.5	13.4	12.1	
Minority interests in consolidated subsidiaries	0.5	0.4	0.4	
Total	4.0	13.8	12.5	

YAMAHA Musical Instrument Sales in the Japanese Market



With the end of the initial round of “STAGEA™” Electone™ shipments, first quarter sales fell year-on-year

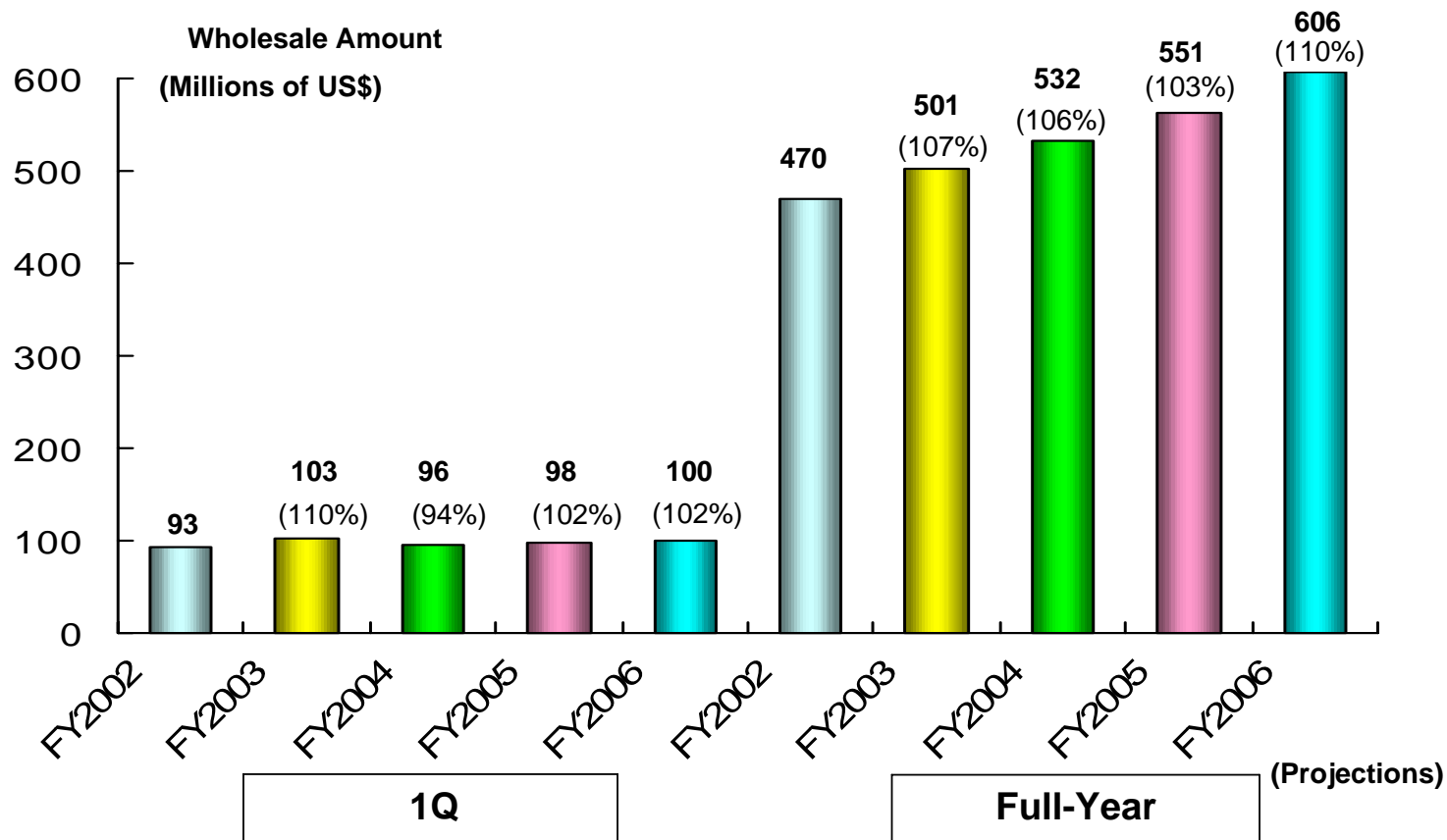
Spring enrolments in Yamaha Music Schools rose year-on-year for the second year running, and this is expected to boost sales



YAMAHA Musical Instrument Sales in the U.S. Market



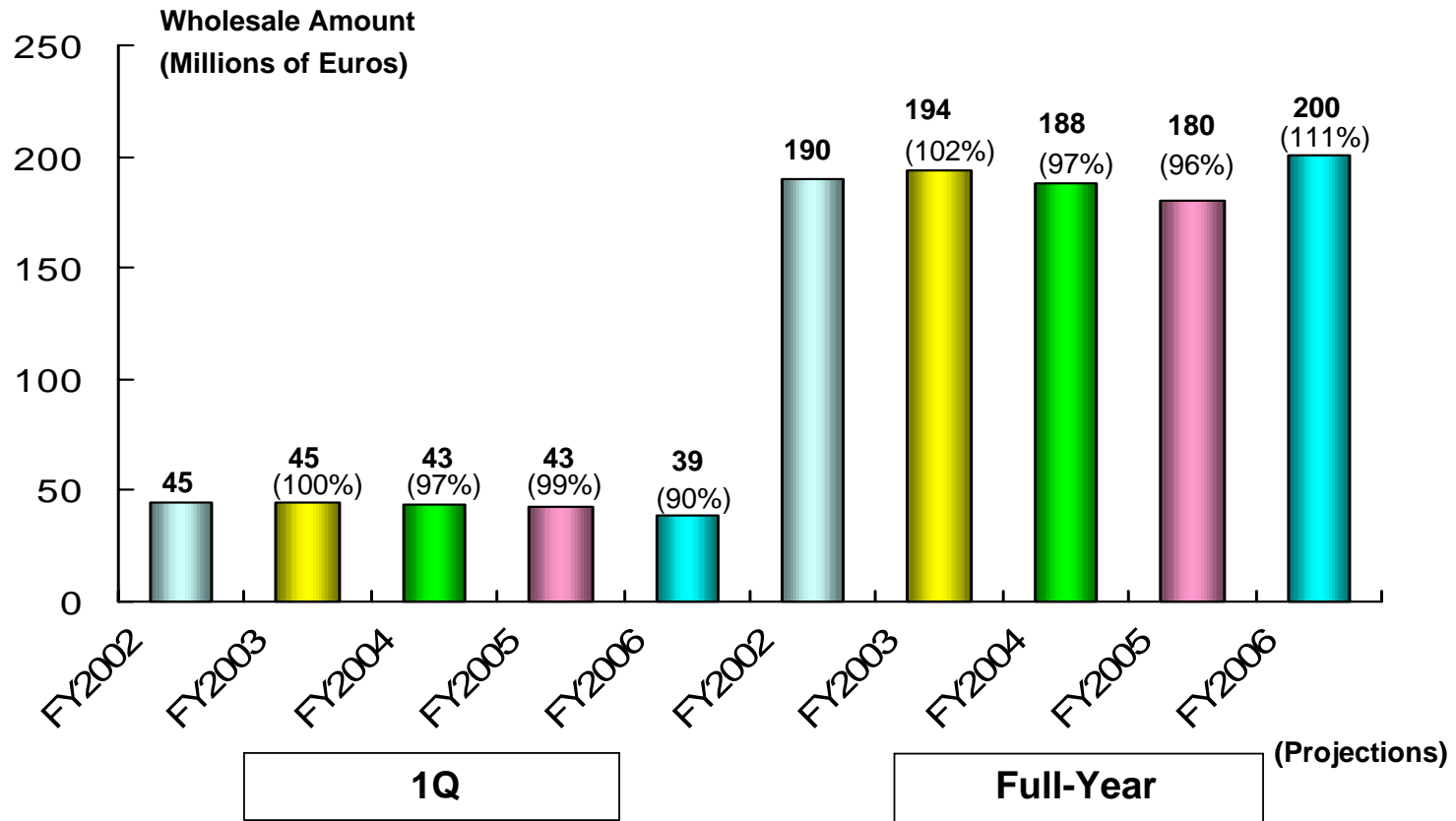
Retail sales are robust but increased shipments at the end of the previous fiscal year (4Q) have left inventories higher than planned. Thus sales in 1Q were lower than projections. However, the current round of inventory adjustment is coming to an end and recovery is expected from the second quarter.



YAMAHA Musical Instrument Sales in the German Market



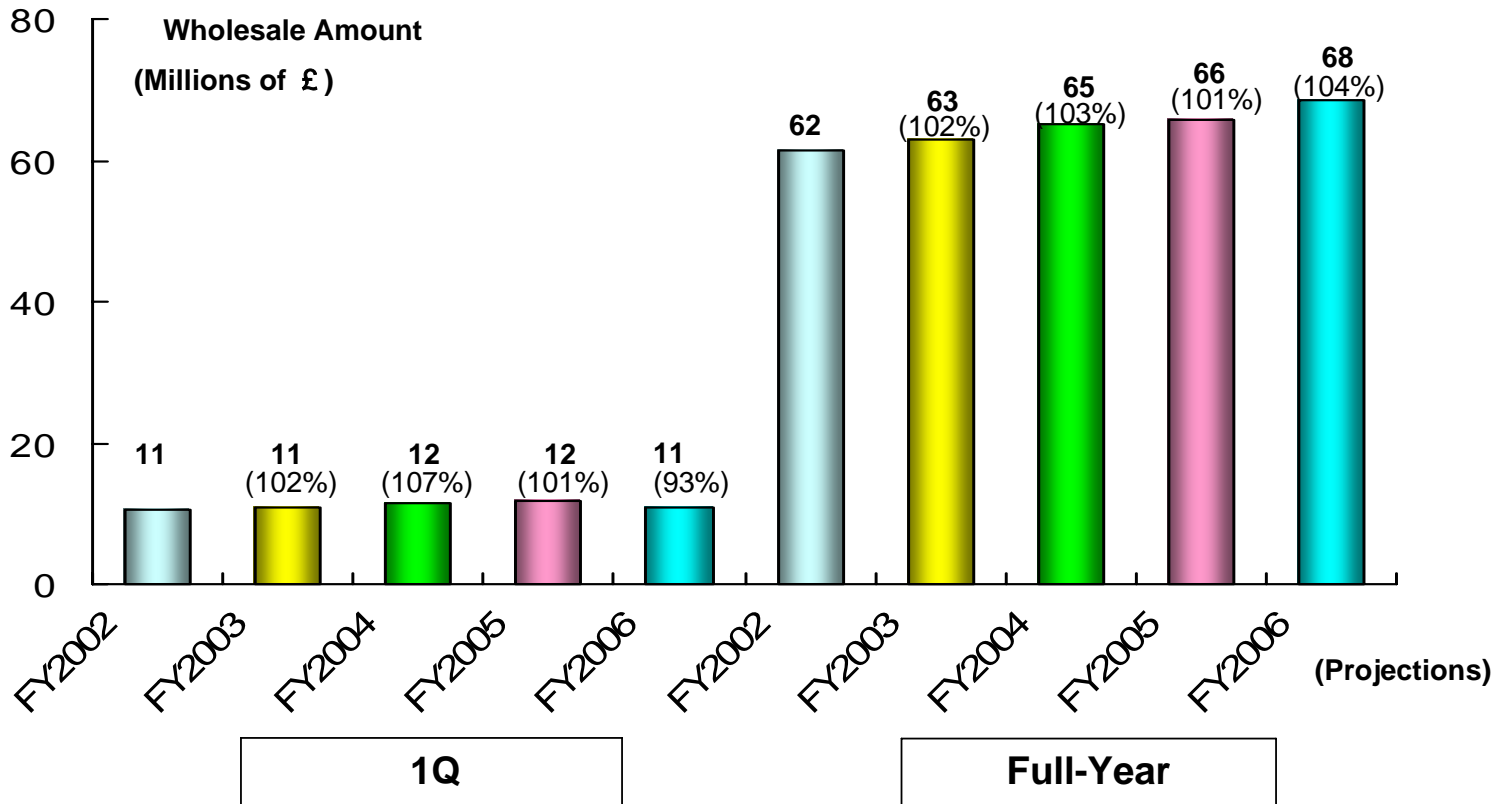
Retail sales are slack and conditions continue to be challenging. Sales should pick up with new electronic instruments for autumn and the launch of high-function professional audio models.



YAMAHA Musical Instrument Sales in the U.K. Market



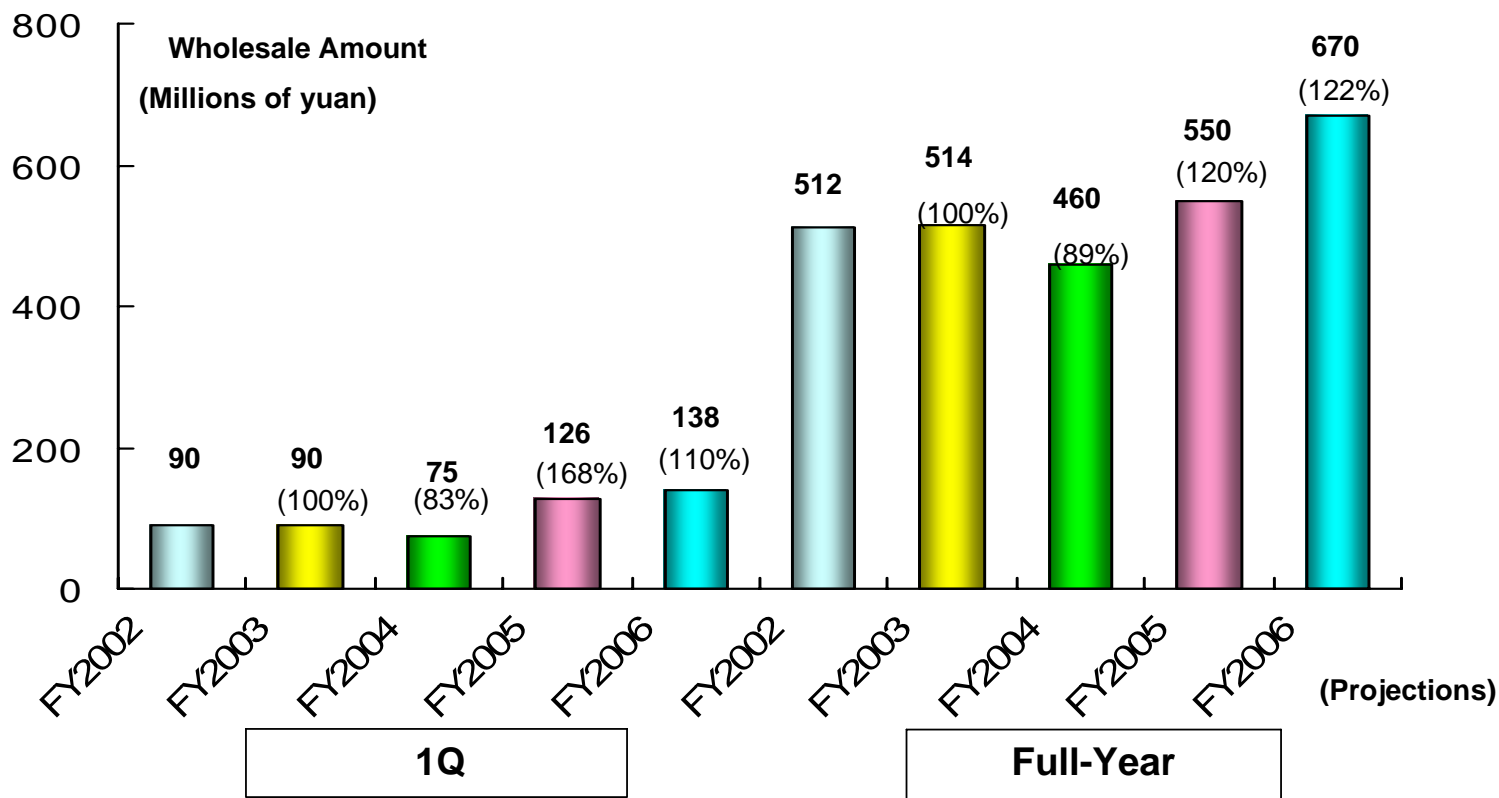
The musical instrument market is sluggish all round, but inventory has been reduced and the new high-added-value CLPO1 electronic piano and wind instrument school campaign are expected to spark increased sales.



YAMAHA Musical Instrument Sales in the Chinese Market



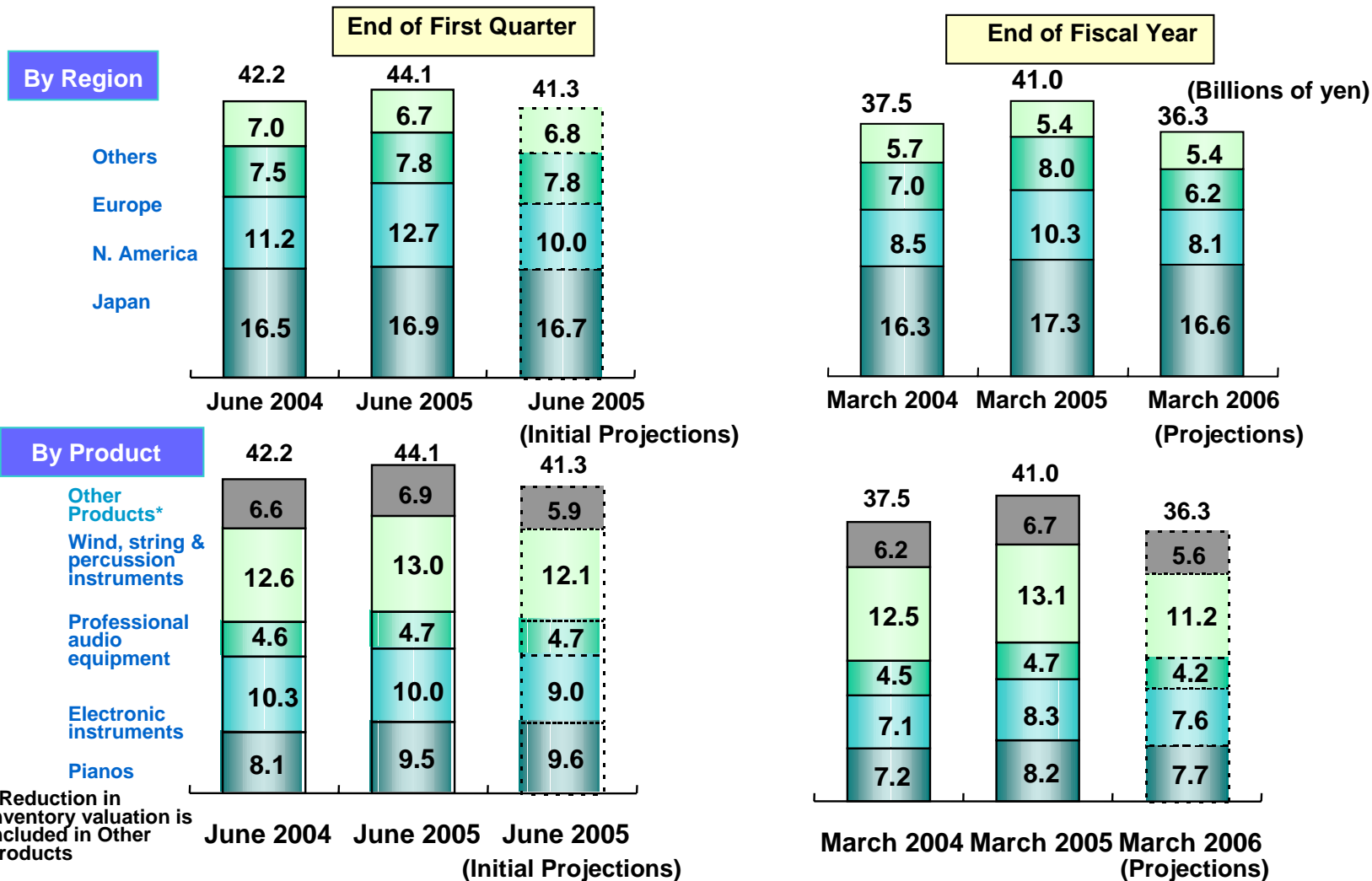
Sales of pianos manufactured in Hangzhou are increasing rapidly as production rises. Sales networks are also being established for these products. A new subsidiary, was established in Shanghai in July; now preparing to open Yamaha Music School in October.



Inventory of Musical Instrument Products



➤ Inventories at the end of the first quarter were up compared to both initial projections and the same quarter of the previous year. Inventories increased in the U.S. By product, inventories rose for pianos and electronic instruments.

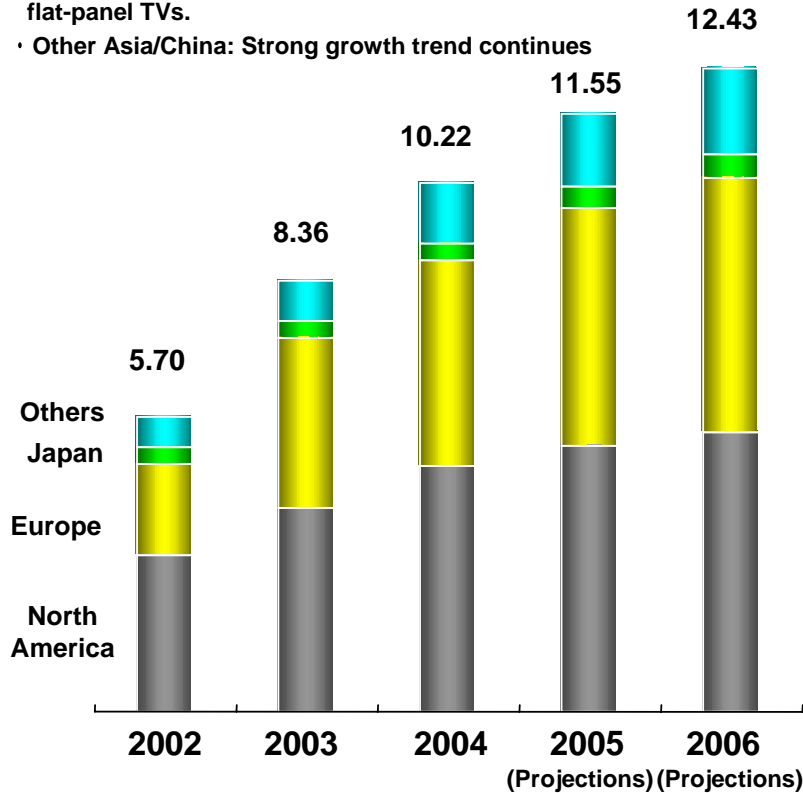


Scale of Global Market for Home Theater Products (Home Theater Systems + AV Amplifiers/Receivers)



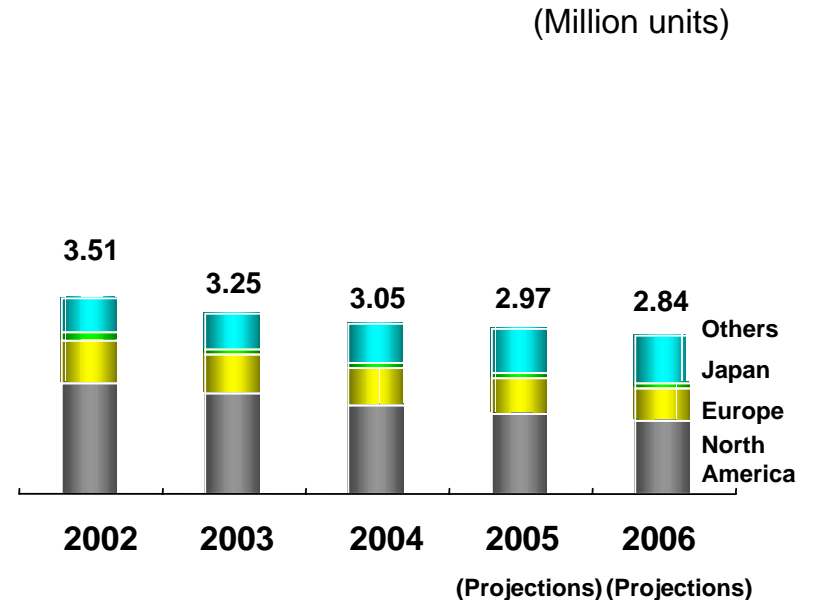
Home Theater Systems

- Although the market is expanding, the prices continue falling. Growth in 2006 is expected to be 8% by volume.
- North America: Growth is slowing for both HTiB and DVD-integrated products. Growth for DVD-integrated products is only around 2%.
- Europe: Lineup of DVD-integrated products (DVD minicomponents) is increasing. Price competition is sparking price wars.
- Japan: Home theater products are penetrating with the large flat-panel TVs.
- Other Asia/China: Strong growth trend continues



AV Amplifiers/Receivers

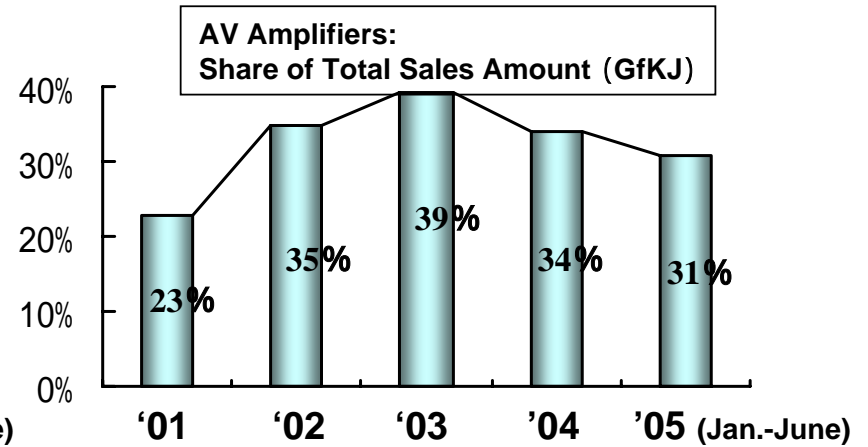
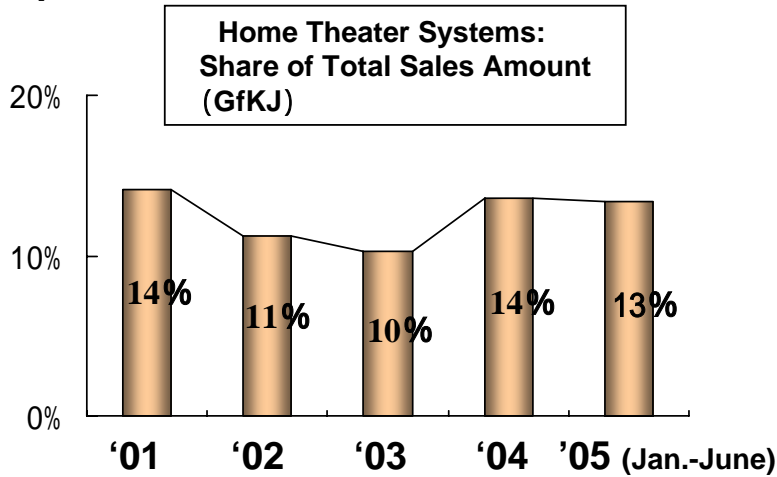
- The global market is shrinking
- North America: Approx. 10% reduction by volume is forecast
- Europe: Market is shrinking
- Japan: Market has shrunk 5% from previous year
- Other Asia, China: Market is expanding, sales of AV receiver + speaker packages are rising



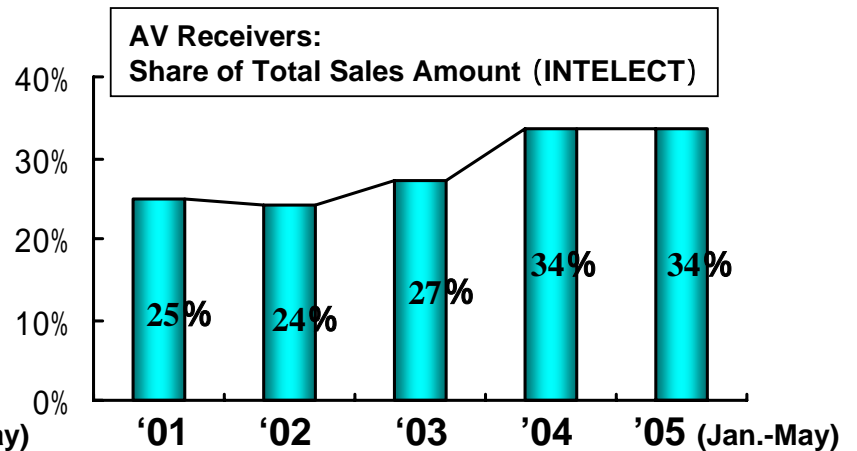
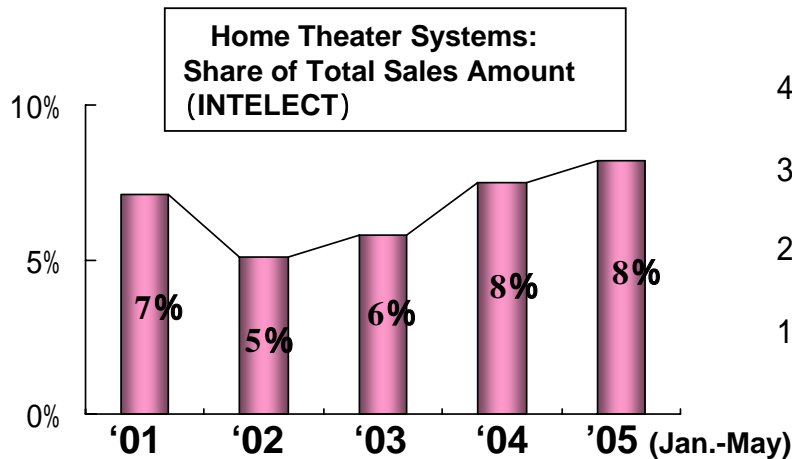
Yamaha's AV Market Share



Japan



U.S.



LSI Sound Chips for Mobile Phones: Trends and Measures

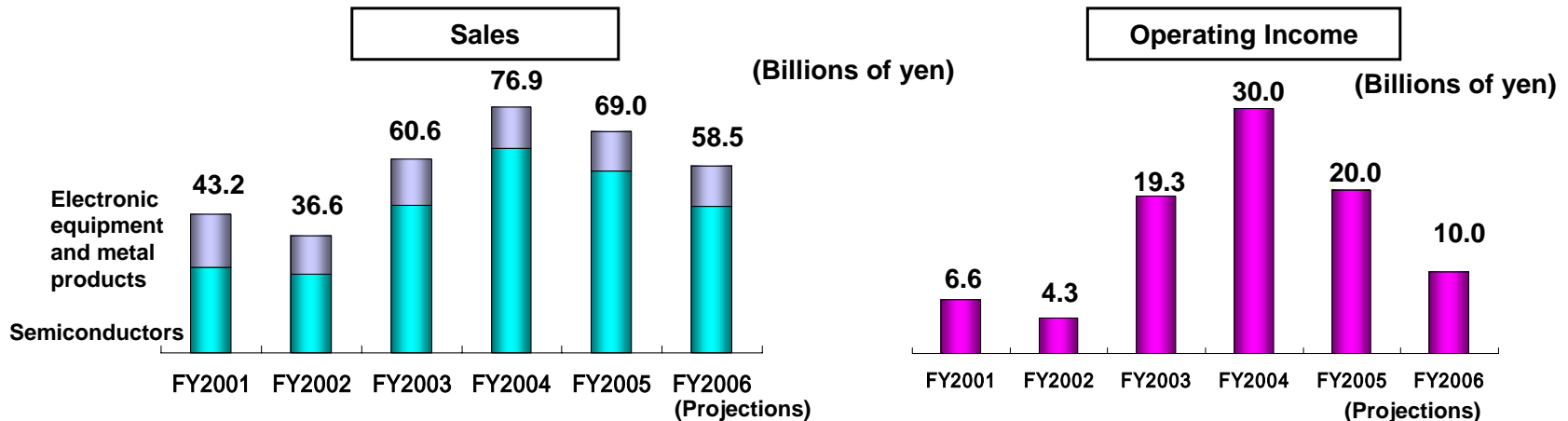


Market Environment

- The mobile phone market will be driven by emerging markets such as China, India and Brazil in 2005 and can expect to see growth of 10% or more compared with the previous year. However, this will not result in expanded sales of LSI sound chips.
 - Shift to placing importance on audio functions in major markets and expansion of markets permitting software sound source
 - As competition heats up in the mobile phone market, pressure mounts for component makers to drop prices
 - Competition is getting fiercer up in the LSI sound chip market due to new entrants

Key Measures

- Continue to launch and expand sales of products with advanced functions (128-note polyphony, 3D capability, integrated digital amps, etc.)
- Expand sales of products with integrated audio decoders (for MP3, AAC) and propose new applications
- Launch and expand sales of products capable of winning out against price competition



* Sales of electronic equipment and metal products

* Operating income from electronic equipment and metal products

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 the operating and economic environments, demand trends, and the value of key currencies, such as the U.S. dollar and the Euro.