

**Analyst and Investor Briefing on the
Fiscal Year Ended March 31, 2006
(FY 2006. 3)**

May 1, 2006

YAMAHA CORPORATION

- **Sales remained level year-on-year. However, operating income fell compared to FY 2005. 3 due to lower earnings from semiconductors**
 - Sales exceeded 3Q projections, while operating income was on target
 - Musical instrument sales rose year-on-year and income remained level
 - Income from electronic equipment and metal products fell significantly for the second consecutive year due to lower sales volume and unit prices of LSI sound chips for mobile phones
 - Profitability deteriorated rapidly in AV/IT due to fierce competition
 - Operating income from lifestyle-related products returned to positive figures, driven by system kitchen sales
 - Inventory assets at term-end stood at ¥77.9 billion, in line with the previous year's level

Performance in FY 2006. 3



➤ Operating income fell year-on-year. Net income increased due to reduction in extraordinary losses and higher equity method income

	FY 2005. 3 Results	FY 2006. 3 Results	Increase/ decrease	Previous projections (Feb. 8)	(Billions of yen) Medium-term Plan
Net sales	534.1	534.1	0	529.0	565.0
Operating income (operating income ratio)	35.7 (6.7%)	24.1 (4.5%)	-11.6	24.0	40.0
Recurring profit (recurring profit ratio)	41.3 (7.7%)	35.2 (6.6%)	-6.1	35.0	43.0
Net income (net income ratio)	19.7 (3.7%)	28.1 (5.3%)	8.4	26.0	31.0
Equity method income	9.1	14.8		14.8	

EPS (yen)	95.1	136.0	-
ROE (%)	7.4	9.5	-

Currency exchange rates

		FY 2005. 3	FY 2006. 3	Previous projections	Medium- term Plan
Net sales	US\$	108	113	112	110
	EUR	135	138	136	127
Operating income	US\$	108	113	111	110
	EUR	133	135	134	127

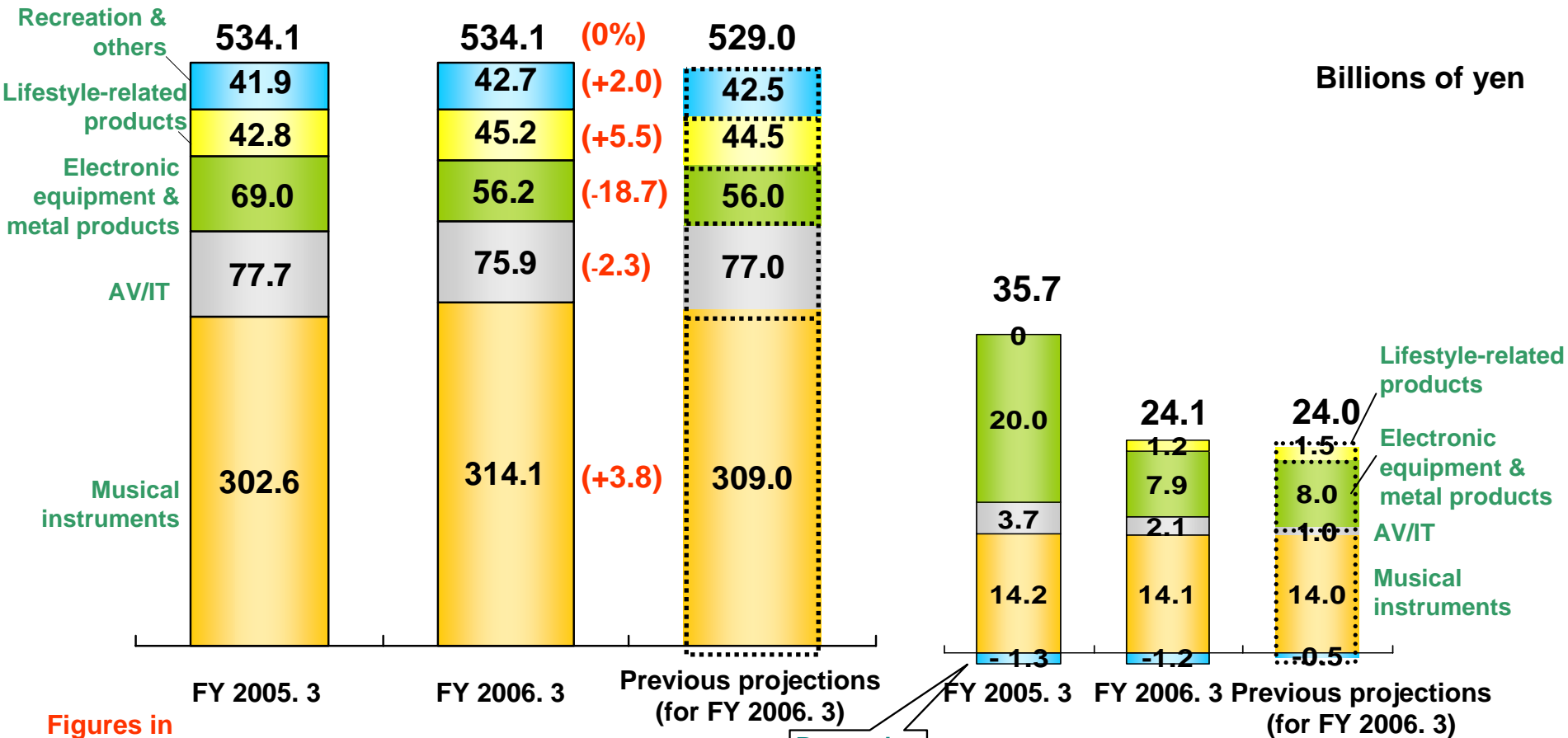
Performance by Business Segment in FY 2006. 3



Net Sales

Operating Income

Billions of yen



Figures in parentheses indicate year-on-year changes

Impact of exchange rates
 Year-on-year: +¥10.7 billion
 (musical instruments: +¥8.3 billion, AV/IT +¥2.4 billion)
 Versus previous projections: +¥3.7 billion (musical instruments ¥+3.0 billion, AV/IT ¥+0.7 billion)

Recreation & others

Impact of exchange rates
 Year-on-year: +¥1.9 billion
 (musical instruments +¥2.3 billion, AV/IT -¥0.2 billion, semiconductors -¥0.1 billion)
 Versus previous projections: +¥0.4 billion
 (musical instruments +¥0.6 billion, AV/IT -¥0.2 billion)

Musical Instruments

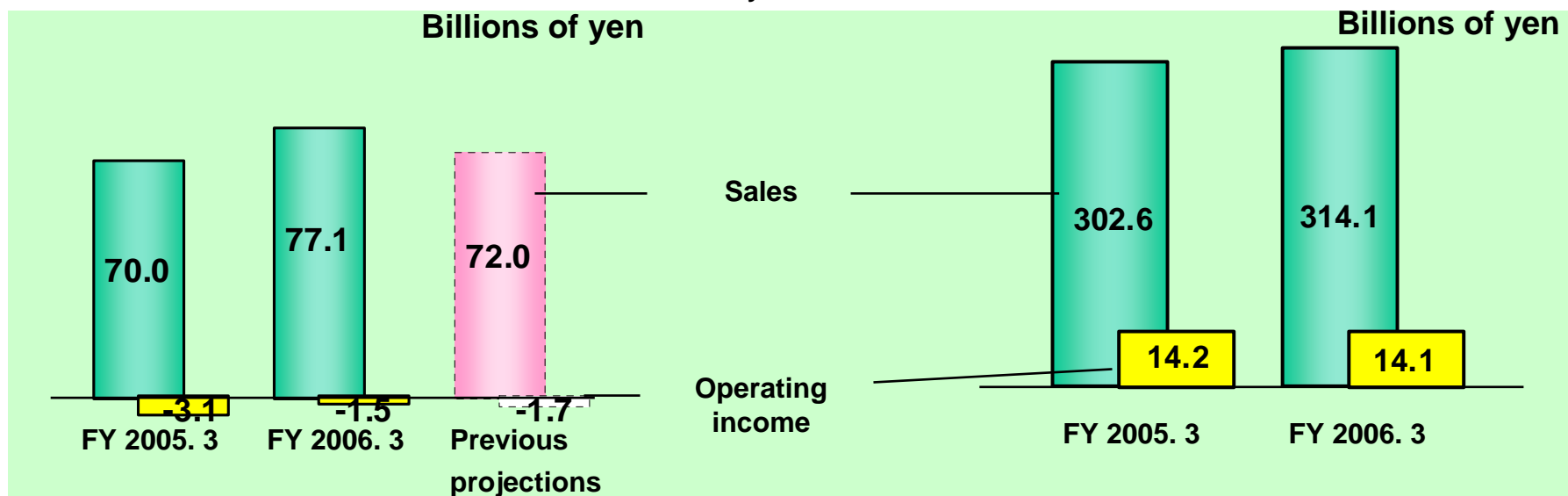


4Q Overview

- Discounting the effect of exchange rates, actual 4Q sales rose 4.9% year-on-year and were 2.9% above previous projections.
- In spite of increased income and gains from favorable exchange rates, 4Q operating income remained in line with previous projections due to lower gross profit margins resulting from measures to reduce inventory.
- Excluding the additional portion due to the impact of exchange rates, year-end inventories fell to levels in line with previous projections.

FY 2006. 3 Overview

- In spite of gains from favorable exchange rates, full-year operating income remained level year-on-year as a result of lower gross profit margins due to changes in the composition of sales and higher distribution costs.
- Discounting the effect of exchange rates, actual sales rose 1.1% year-on-year.
- Shipments of professional audio equipment were steady, especially in Europe and North America.
- In local currency terms North American sales rose 2.8% and European sales rose 3.9% year-on-year.
- Korea, the Middle East and Latin America showed strong growth. Shipments were also steady in China, especially for pianos.
- Revenue from music schools increased for the second consecutive year.



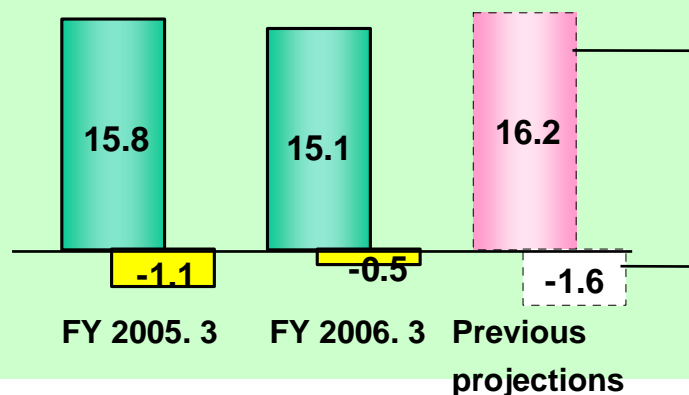
4Q Overview

- The level of actual 4Q sales was approximately 89% of FY 2005. 3 results and previous projections.
- Competition heated up in the mid-size router market with the entry of major commercial equipment manufacturers.
- Inventories at fiscal year-end were up year-on-year and exceeded previous projections.

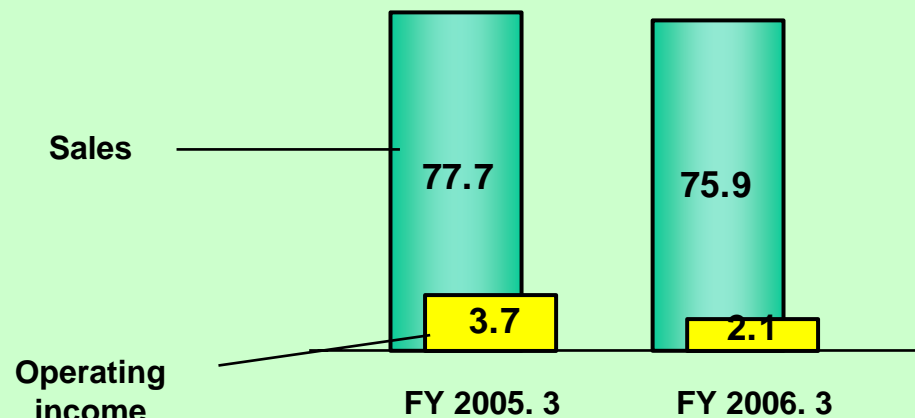
FY 2006. 3 Overview

- Sales and income fell year-on-year. Profitability declined due to increased competition and lower prices.
- Actual sales grew 5.1% year-on-year in North America, driven largely by medium and high-end receivers and HTiB. Sales declined in Japan and Europe. Building a sales network in the promising Chinese market is a key issue.
- Shipments of Yamaha Sound Projectors (YSP™) exceeded 70,000 units.

Billions of yen



Billions of yen



Electronic Equipment & Metal Products



4Q Overview

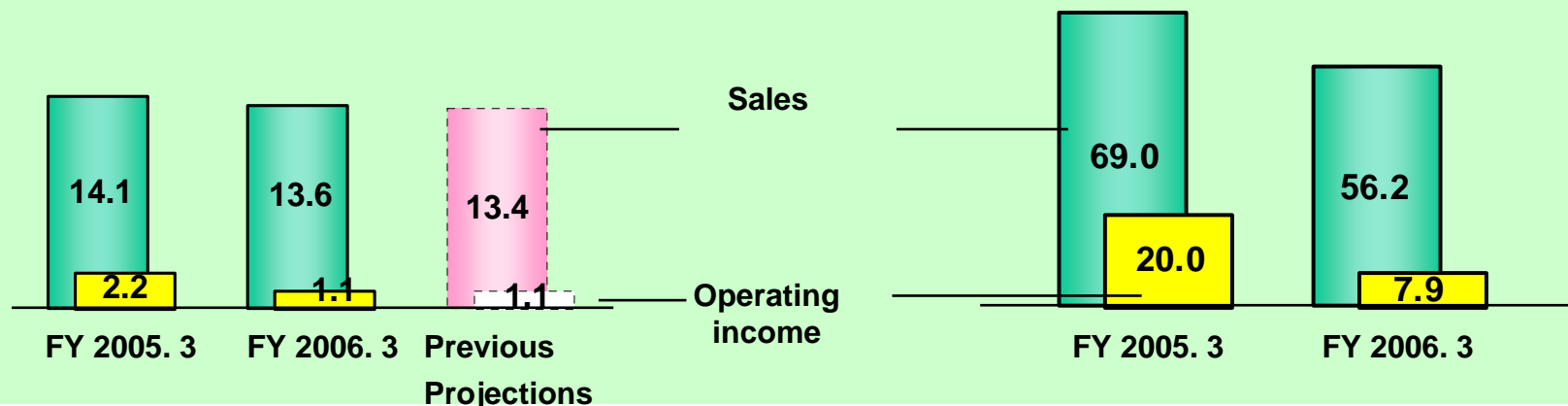
- Sales and income fell year-on-year. Results were generally in line with previous projections.
- Unit prices for LSI sound chips for mobile phones continued to decline.
- Shipment began of graphic LSIs for amusement equipment.

FY2006.3 Overview

- Sales and income declined sharply year-on-year.
- Sales volume and unit prices of core LSI sound chips for mobile phones both fell in the face of advances in software.
- Amid a gradual recovery in the digital home electronics market, electronic metal materials markets rose slightly year-on-year. However, operating income was slashed by more than half due to a steep rise in metals prices.

Billions of yen

Billions of yen



Lifestyle-related Products

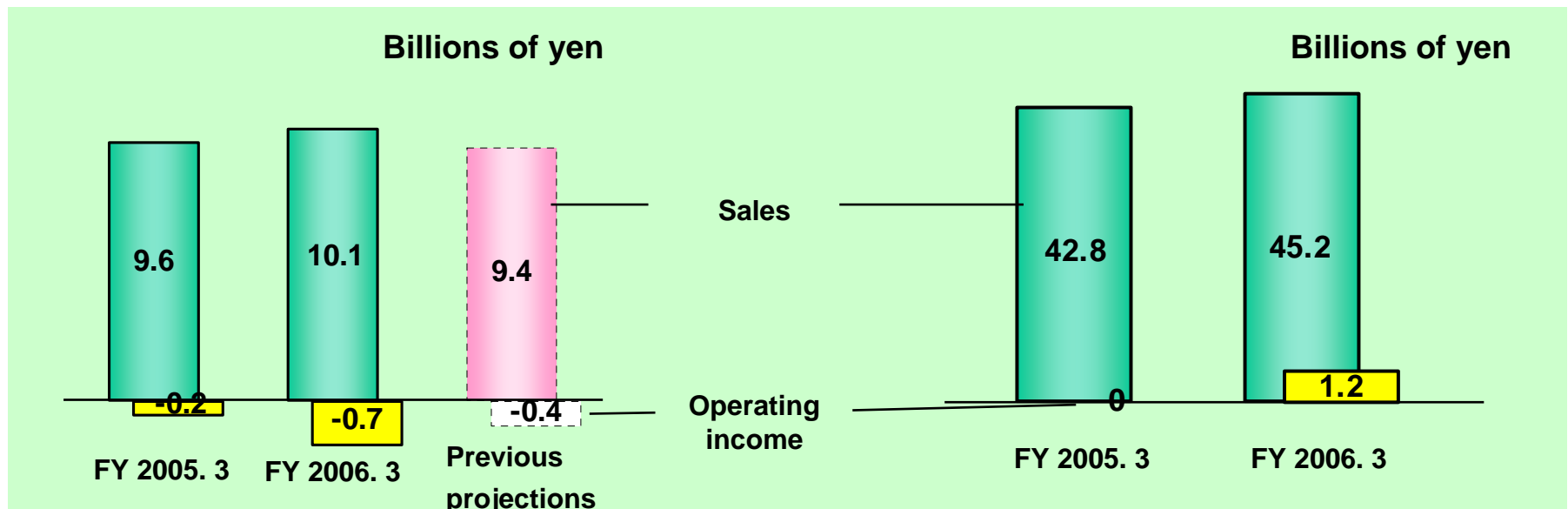


4Q Overview

- System kitchens continued to drive sales, which rose year-on-year and exceeded previous projections.
- As advertising was expanded to boost sales of new spring products, operating income fell both year-on-year and against previous projections.

FY 2006.3 Overview

- Structural reform to rebuild lifestyle-related business proceeded ahead of schedule, lifting operating income into positive figures.
- Marble sinks sold well and sales of system kitchens were well in excess of FY 2005. 3 results.
- While new housing starts remained flat, the remodeling business was strengthened and gradually began to show results.

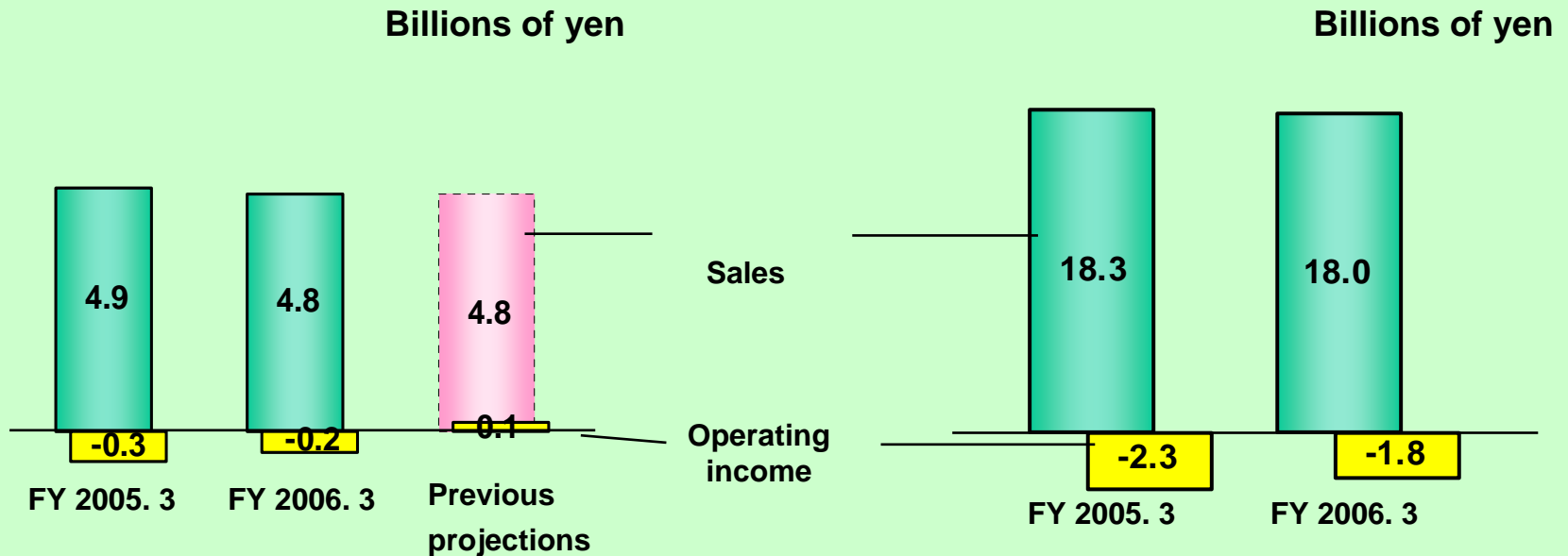


4Q Overview

- 4Q sales were in line with both FY 2005. 3 figures and previous projections.
- Operating income was less than previous projections, partially due to additional costs associated with upgrading the slope at Kiroro ski resort.

FY 2006. 3 Overview

- Full-year sales declined year-on-year.
- ¥0.7 billion reduction in depreciation year-on-year due to shrinking of depreciable assets resulting from asset impairment accounting.

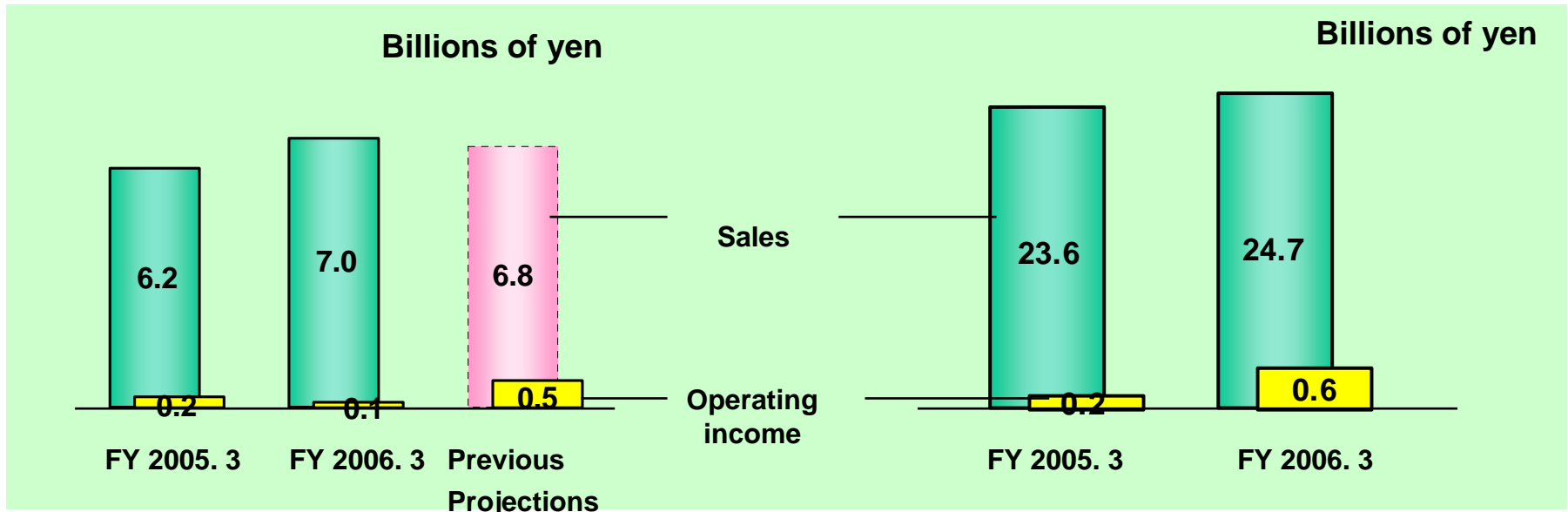


4Q Overview

- Sales rose year-on-year across the segment as a whole.
- Operating income was lower than previous projections, due to failure to meet sales targets for the golf business.

FY2006.3 Overview

- Sales and operating income both increased year-on-year across the segment as a whole.
- In the components and metallic molds business, FA continued to show strong revenue. Orders increased for magnesium molded parts for use in both mobile phones and digital cameras.
- Succeeded in securing new customers for automobile interior wood components. Profitability improved as efforts to cut production costs continued.
- Golf sales were steady with the launch of models compliant with spring-like effect (SLE) regulations.



Evaluation of Second Year of YSD50 Medium-term Plan

- Although partial results are emerging from individual measures, overall the pace of implementation is slow.
- FY 2006. 3 sales and operating income were less than Medium-term Plan targets due to demand for LSI sound chips for mobile phones peaking faster than expected and failure to meet targets in the musical instruments business.
- In the musical instrument business, strategic groundwork continued in the Chinese market, including the start of operations at the Shanghai music school and increased piano production at the Hangzhou factory. Sales of professional audio equipment were also steady, especially in Europe and the U.S. However, cost-cutting measures and other efforts have not achieved targets.
- Income from the AV business has fallen sharply. Measures to improve profitability in the recreation business are also behind schedule.
- Income from lifestyle-related products business, which was restructured during the first year of the Medium-term Plan, is steadily increasing.

Approach toward the Final Year of the Medium-term Plan

- Operating income of ¥50 billion will not be achieved until FY 2008. 3 or beyond. At around ¥25 billion, operating income in FY 2006. 3 was only half of that target amount. Every effort will be made to bridge the gap between current performance and the target set out in the Medium-term Plan.
- Increasing the profitability of the musical instrument business is a top priority
- The basic policies of the YSD50 Medium-term Plan will be continued: achieving sustained development and stable high earnings; creating and developing innovative, high-quality products and businesses; emphasizing corporate social responsibility (CSR).

Forecast of Business Performance in FY 2007. 3

➤ Although the Medium-term Plan operating income target of ¥50 billion will not be achieved, sales and operating income are targeted to increase year-on-year and plans will call for the achievement of further increases.

(Billions of yen)

Medium-term Plan

	FY 2006. 3 Results	FY 2007. 3 Forecasts	Increase/ decrease
Net sales	534.1	546.0	+2.2%
Operating income (operating income ratio)	24.1 (4.5%)	25.0 (4.6%)	+3.7%
Recurring profit (recurring profit ratio)	35.2 (6.6%)	35.0 (6.4%)	-0.6%
Net income (net income ratio)	28.1 (5.3%)	28.0 (5.1%)	-0.4%

590.0

50.0

52.0

34.0

Equity method income

14.8

14.8

EPS (yen)	136.0	135.8	-
ROE (%)	9.5	8.6	-

Currency exchange rates

FY 2006. 3
actual

FY 2007. 3
forecast

Medium-term Plan

Net sales

US\$
EUR

113
138

115
134

110
127

Operating income

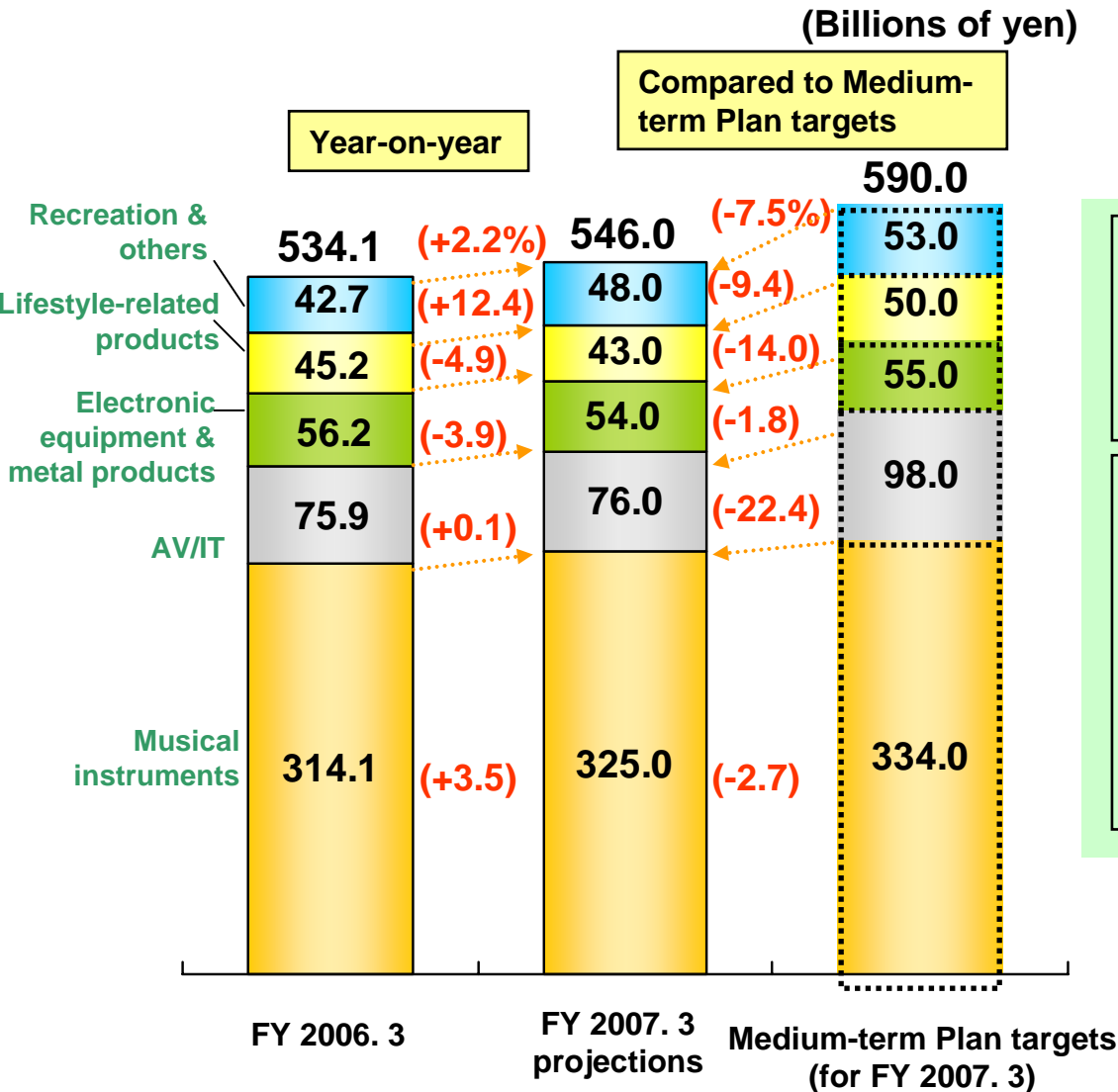
US\$
EUR

113
135

115
134

110
127

Forecast of Net Sales by Business Segment in FY 2007. 3



Factors behind divergence from Medium-term Plan

➤ Sales projected to be below Medium-term Plan targets in all segments. In particular, AV/IT segment sales are projected to fall far short of targets.

- Breakdown of shortfall in sales (Billions of yen)
- AV/IT: -22.0
 - Musical instruments -9.0
(Japan: -13.2, Europe and U.S.: +4.8)
 - Lifestyle-related products: -7.0
 - Recreation: -2.0

Figures in parentheses indicate year-on-year percentage changes or comparisons with Medium-term Plan targets

Forecast of Operating Income by Business Segment in FY 2007. 3

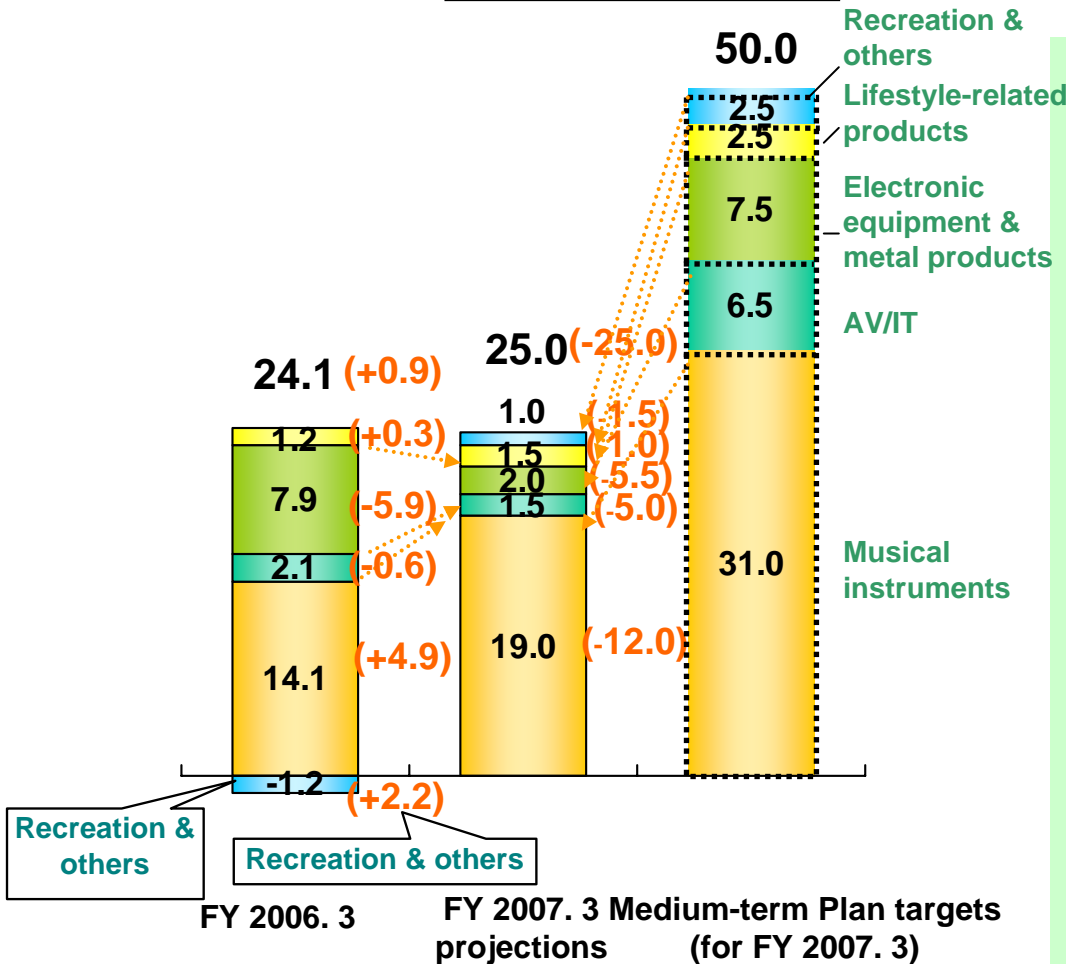


(Billions of yen)

Year-on-year

Compared to Medium-term Plan targets

Factors behind divergence from Medium-term Plan



- Operating income is projected to reach only half of the Medium-term Plan targets. All segments forecast to under-perform against Medium-term Plan targets.
- Although the drop in semiconductor income is as forecast, demand peaked six months to a year earlier than anticipated.
- Structural reform of the musical instrument business is behind schedule.

■ Breakdown of shortfall in income (Billions of yen)

- Musical instruments: -12.0
- AV/IT: -5.0
- Electronic equipment & metal products: -5.5
- Recreation: -1.1

Figures in parentheses indicate year-on-year changes or comparisons with Medium-term Plan targets

Musical Instruments



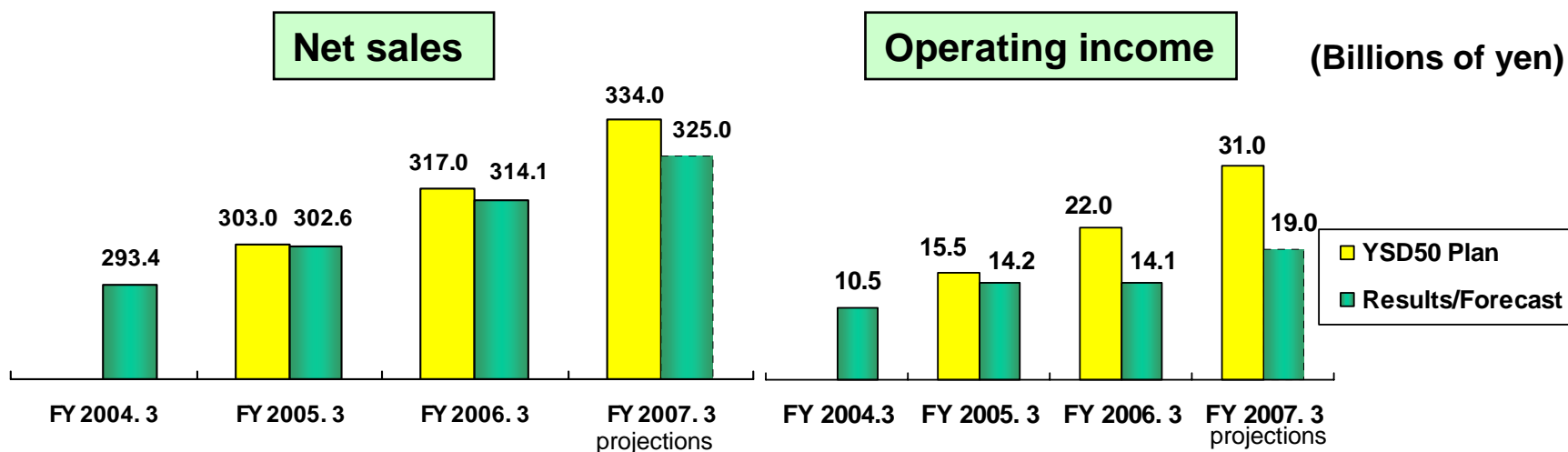
- Income was well below target due to failure to reach sales goals and delay in introducing individual measures.
- Discounting the effect of exchange rate fluctuations, actual sales were ¥15.5 billion (4.6%) below Medium-term Plan targets.

Positive Factors:

- The sales for professional audio equipment, the key pillar of growth, expanded in line with expectations, especially in Europe and the U.S.
- Growth exceeded Medium-term Plan targets in Korea, the Middle East and Latin America. Although sales in China fell short of targets due to factors such as delays in establishing sales networks, growth in sales is steady.

Negative Factors:

- Delay in cost-reduction measures such as efforts to raise efficiency by cutting production costs and reviewing basic IT systems.
- Demand in the Japanese market is taking longer than expected to bottom out, and sales are well below Medium-term Plan targets. However, sales are expected to stop falling in the near future, with increasing music school enrolments and the emerging phenomenon of baby boomers returning to playing musical instruments.
- Economic uncertainty in Europe and the U.S. and the rise of Chinese products have caused sales figures to fall below expectations.



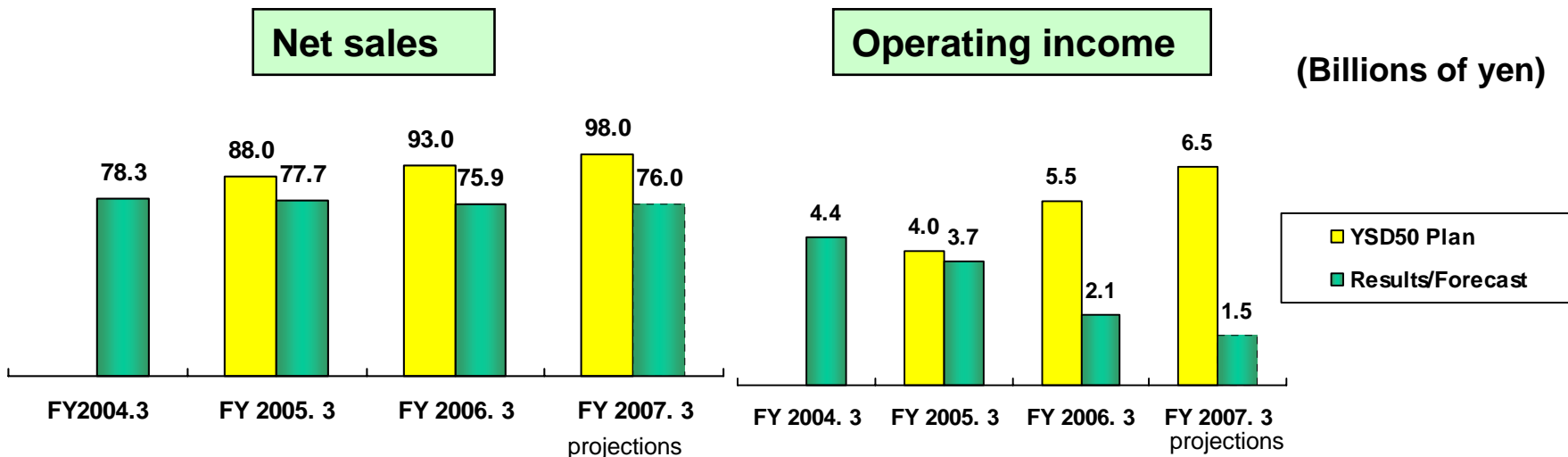
- In conjunction with sluggish sales, operating income fell well below Medium-term Plan targets.
- Discounting the effect of exchange rate fluctuations, actual sales were ¥24.2 billion (24.7%) below Medium-term Plan targets.

Positive Factors:

- While markets are flat, sales in the American market are growing in line with expectations, spurred by a successful channel strategy.
- Yamaha Sound Projector (YSP™) have been hit products.

Negative Factors:

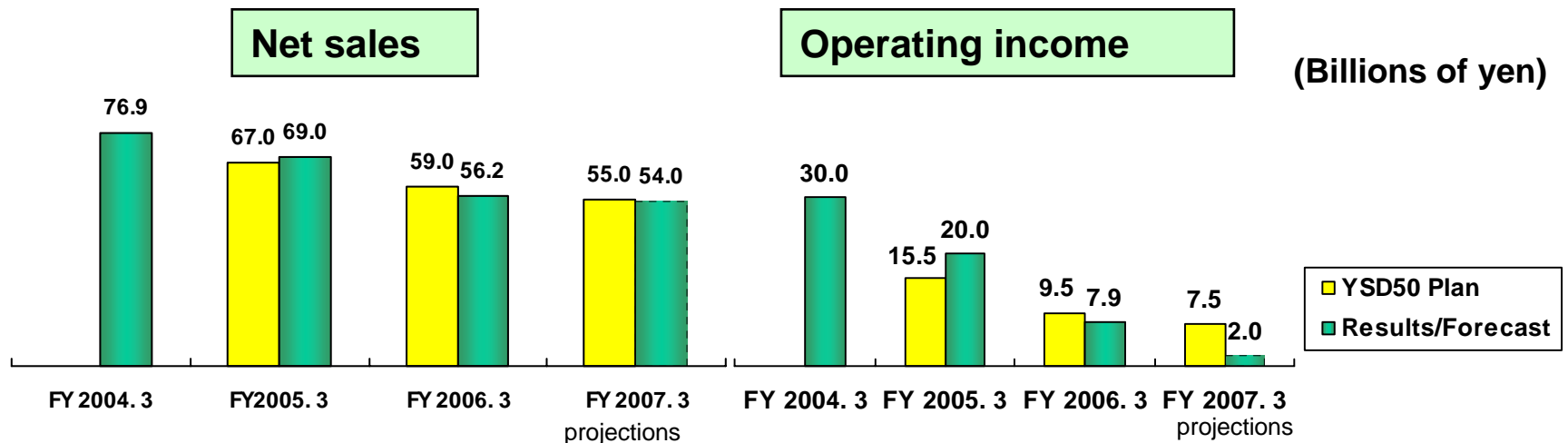
- Poor sales of products in new fields regarded as promising (Music CAST™, visual products)
- Flat demand and price competition for home theater products in Europe and the U.S.
- Slowness in responding to growth markets (China, etc.)
- Fierce competition in the router business



Electronic Equipment & Metal Products



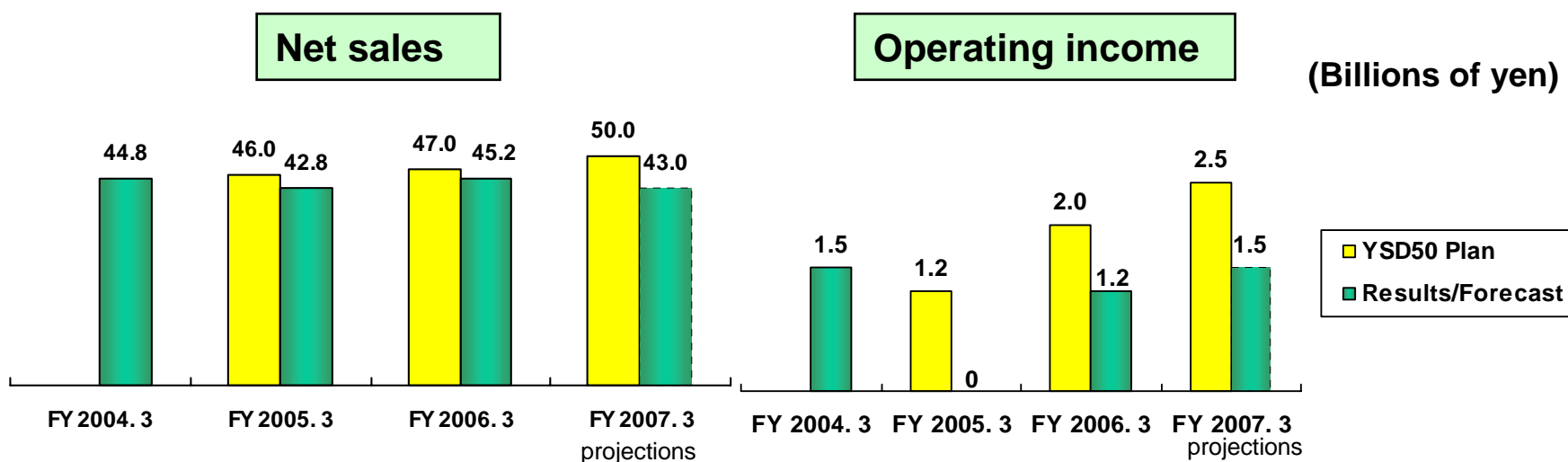
- As sales volume and unit prices of LSI sound chips for mobile phones fell faster than expected, operating income was well below Medium-term Plan targets.
- Development and market launch of new applications will be key priorities.
- Profitability will be improved through continued reduction of electronic metal production costs. Expanding copper connector materials business will be a priority



Lifestyle-related Products



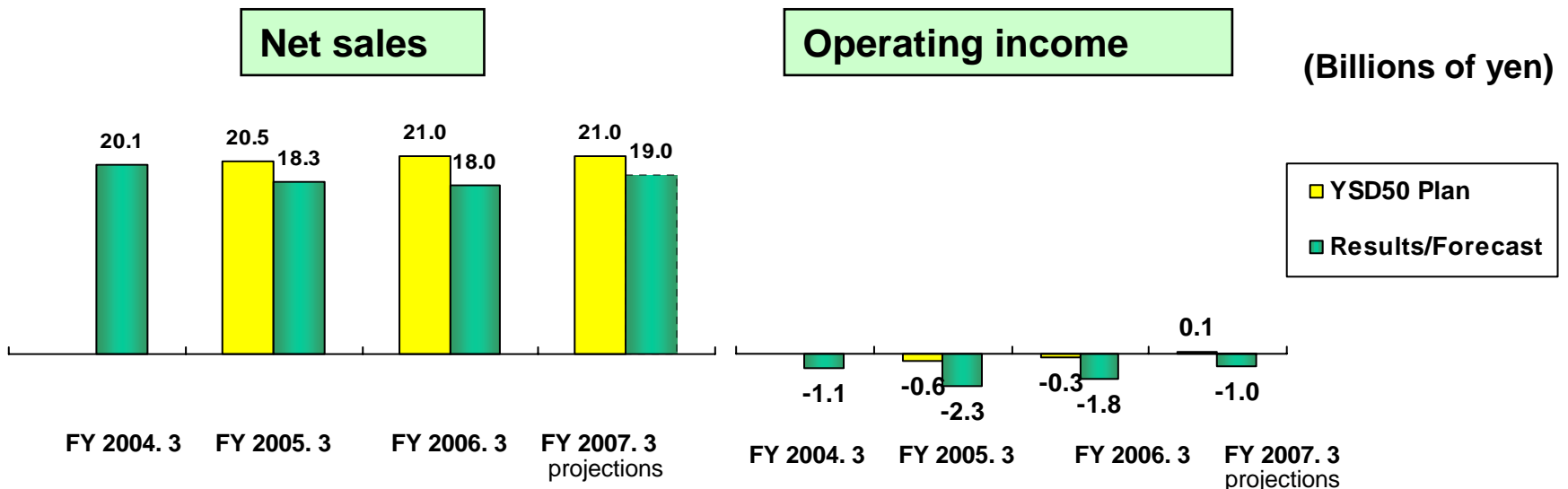
- Restructured businesses and reviewed business models in the first year of the Medium-term Plan.
- This resulted in greatly improved profitability from FY 2006. 3, the second year of the Medium-term Plan.
- In line with restructuring plans FY 2007. 3 sales are forecast to be ¥43 billion (¥7 billion below the Medium-term Plan target), but the aim is to achieve a year-on-year increase.
- Marble sinks for system kitchens are selling well and increasing their market share.
- Efforts will be made to expand remodeling business and raise its profile through advertising.



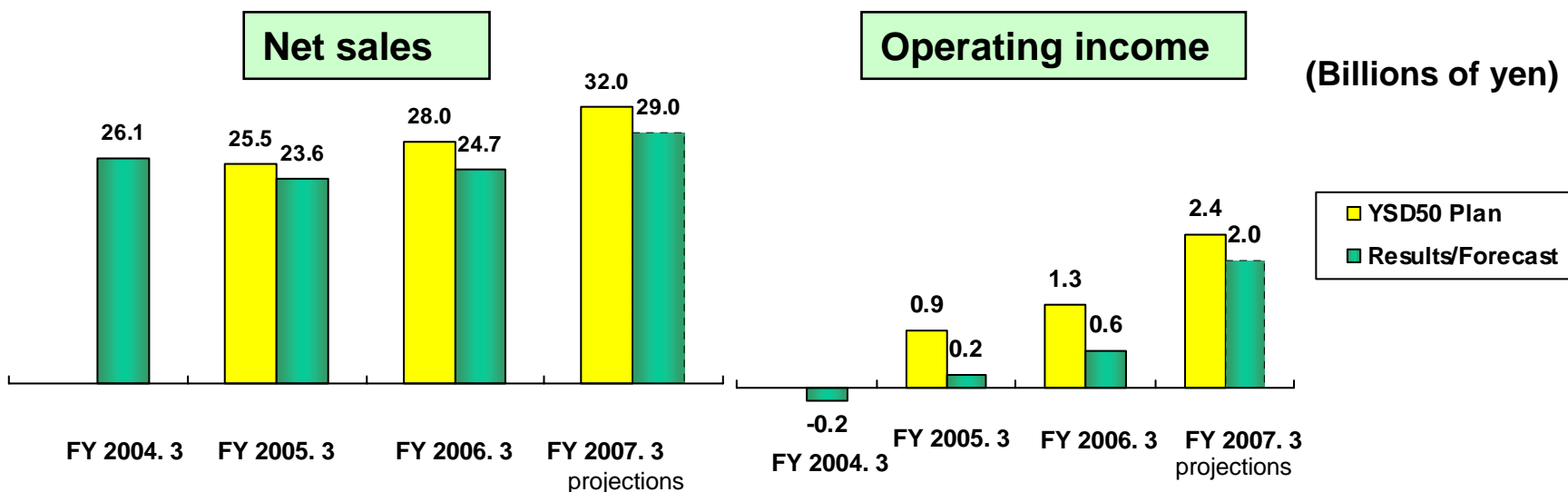
Recreation



- Asset-impairment accounting was introduced ahead of schedule in the first year of the Medium-term Plan (booked an extraordinary loss of ¥32 billion).
- Sales fell well short of Medium-term Plan targets due to the slow recovery of the Japanese economy and structural factors (price competition in golf equipment, a shrinking population of skiers, etc.).
- The shortfall in sales continued to squeeze gross profit margins, providing no prospect of a return to profitability.



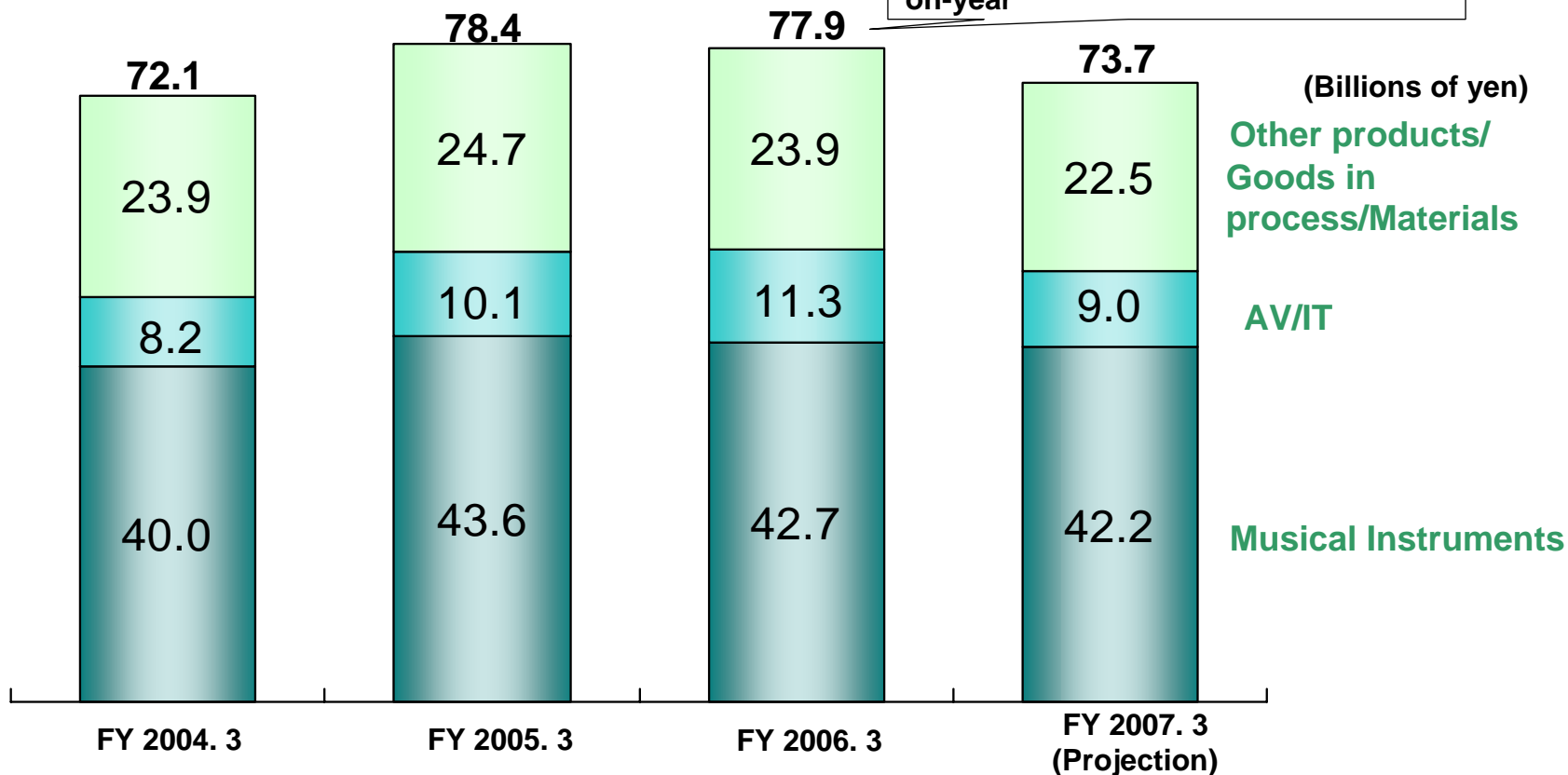
- Considering individual items, while sales of metallic molds and components failed to meet Medium-term Plan targets, production cost reductions are continuing and operating income is generally in line with the Plan.
- The automobile interior wood components business has succeeded in increasing the number of new customers and cutting production costs.
- Amid falling mobile phone prices, demand for metallic molds and components – especially magnesium molded parts – has fallen and sales were below Medium-term Plan targets. However, production unit cost reductions continue and operating income is only slightly below Medium-term Plan targets.
- The golf business is focusing on boosting brand awareness and developing differentiated products.



Inventories



Discounting the effect of exchange rates (¥3.2 billion), actual inventories fell by ¥3.7 billion year-on-year



- Discounting the effect of exchange rates, year-end inventories were ¥2.8 billion higher than previous projections (issued on February 8). Musical instrument inventories were in line with projections while AV/IT inventories increased.
- Inventories at the end of FY 2007. 3 are projected to be ¥73.7 billion. AV/IT inventories, in particular, will be reduced.

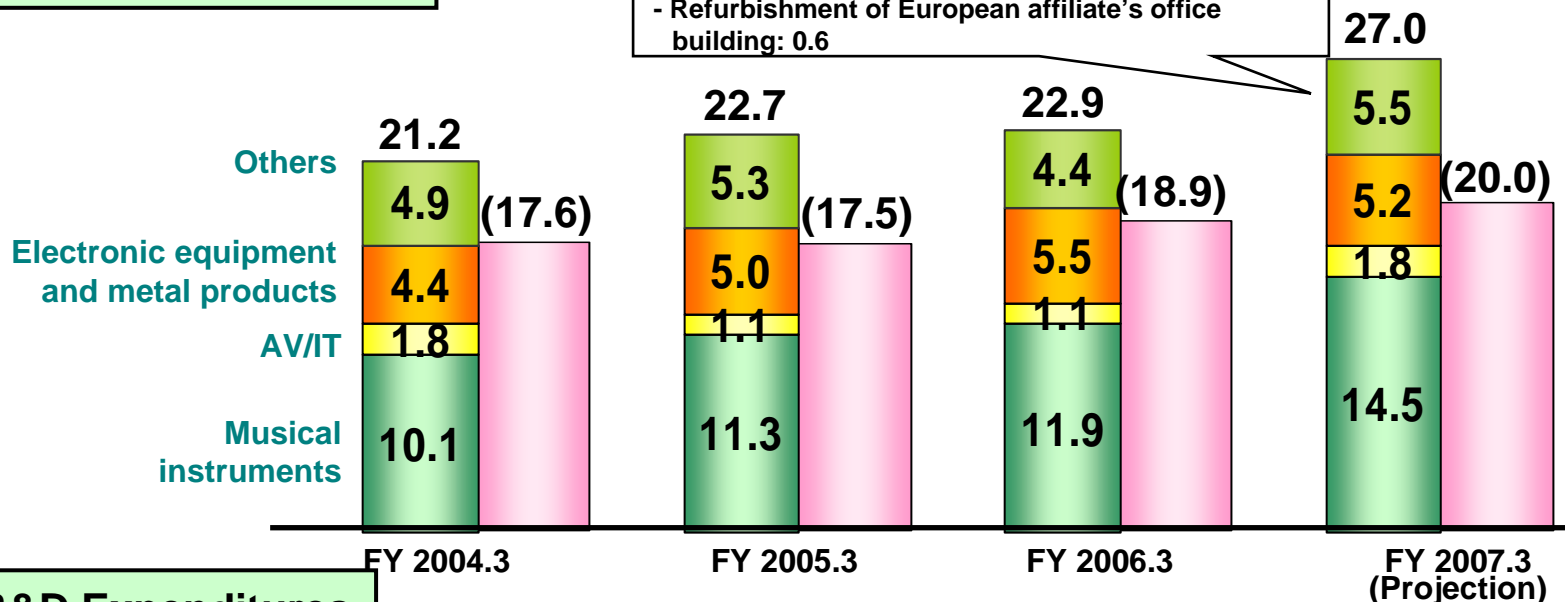
Capital Expenditure/Depreciation/ R&D Expenses



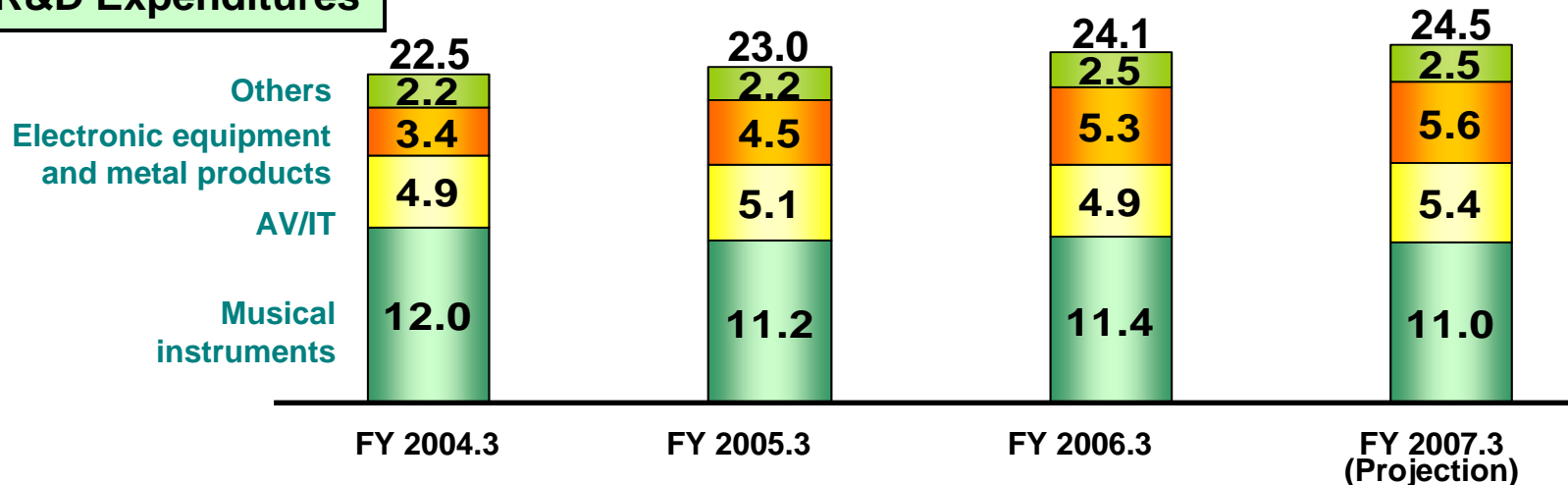
Capital Expenditure/ Depreciation

- One-off capital expenditure: 4.2 billion yen
- Relocation and concentration of electromagnetic wave measurement facilities: 2.2
- Construction of Kakegawa piano office: 1.4
- Refurbishment of European affiliate's office building: 0.6

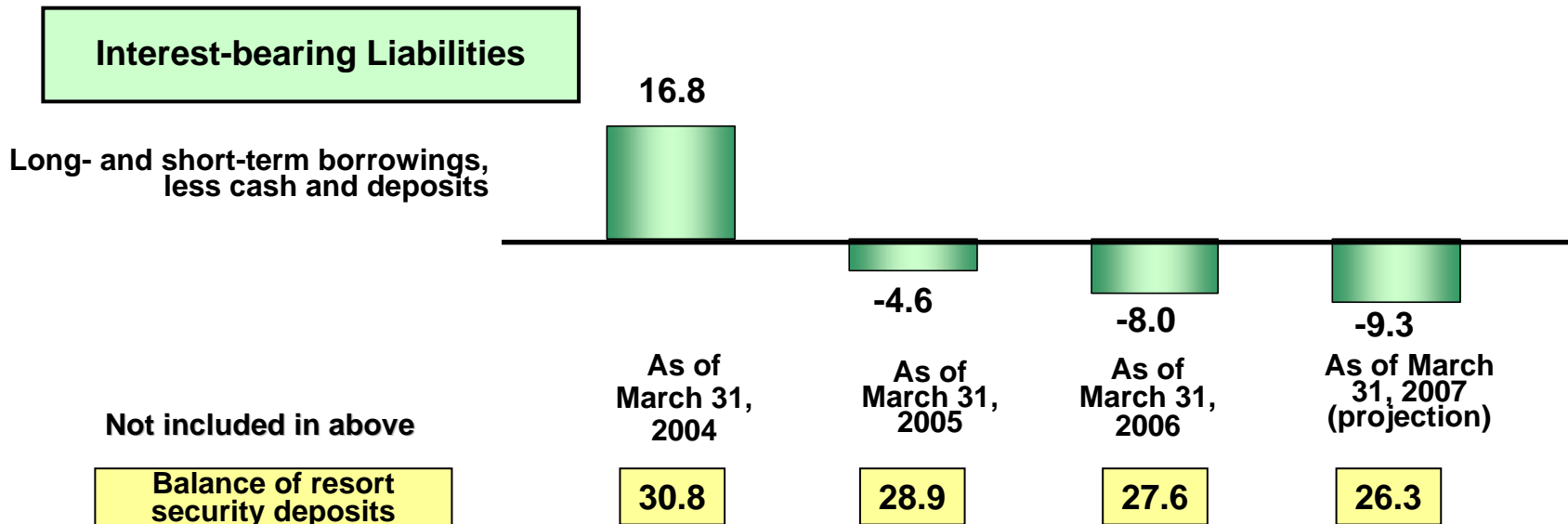
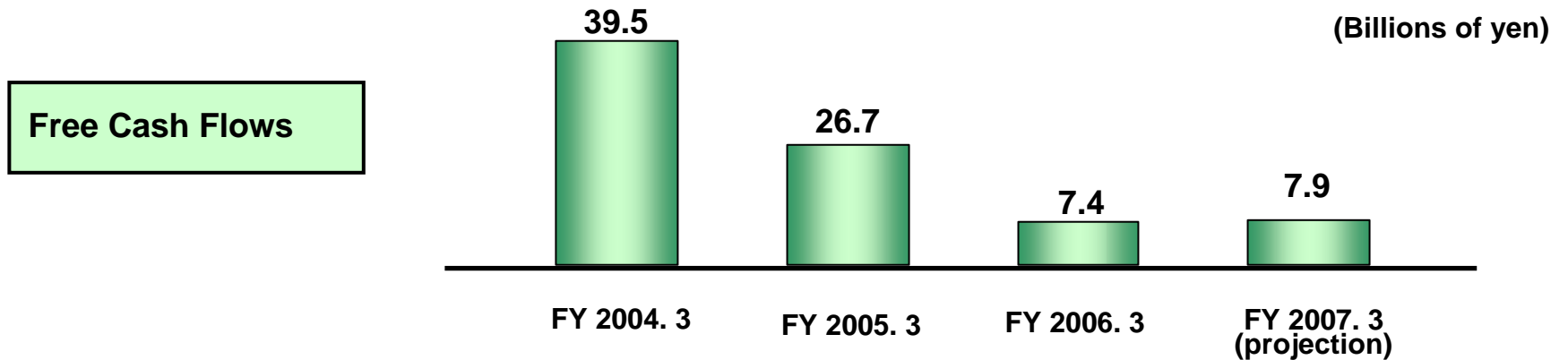
(Billions of yen)



R&D Expenditures



Interest-bearing Liabilities



Balance Sheet Summary



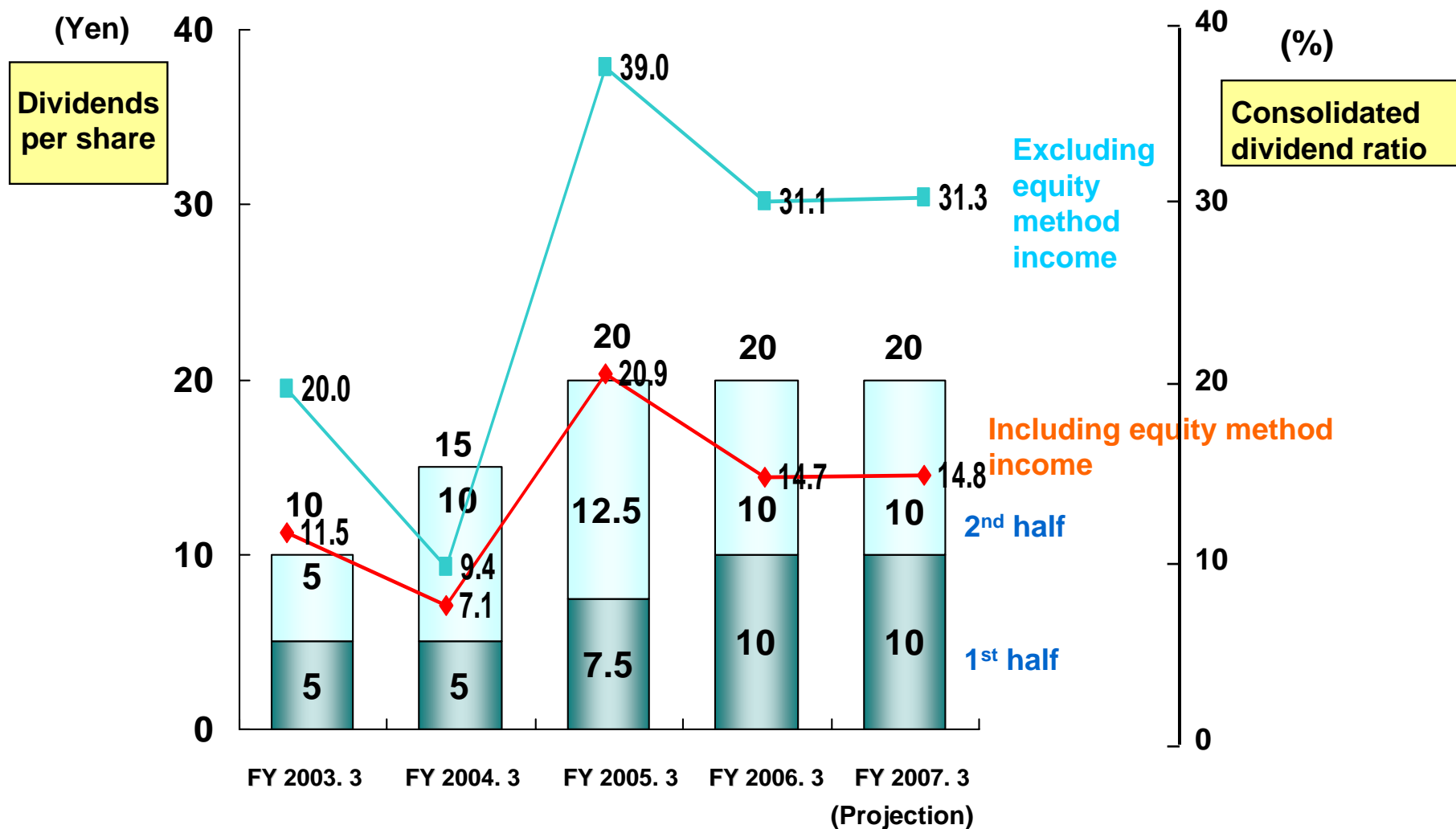
(Billions of yen)

	As of March 31, 2004	As of March 31, 2005	As of March 31, 2006	As of March 31, 2007 (projection)
Cash and bank deposits	32.1	51.2	36.4	38.5
Accounts and notes receivable	78.7	71.6	70.3	72.6
Inventories	72.1	78.4	77.9	73.7
Other current assets	18.8	24.4	24.8	25.3
Fixed assets	307.0	280.0	310.6	329.0
Total assets	508.7	505.6	520.0	539.1
Accounts and notes payable	39.9	37.7	37.2	36.4
Short- and long-term borrowings	48.9	46.6	28.5	29.2
Other liabilities	156.7	142.3	133.8	132.8
Minority interests	3.5	3.8	4.5	4.8
Shareholders' equity	259.7	275.2	316.0	335.9
Total liabilities and shareholders' equity	508.7	505.6	520.0	539.1

Dividends



➤ Stable dividends are distributed in light of group profits



Establishment of Rules for Major Acquisitions



➤ Rules set for acquisitions of 20% or more

[1] Submit statement of intent

- Name, address, representative of purchaser, etc.
- Outline of acquisition

[2] Submit information on major holding

Additional information requested if required

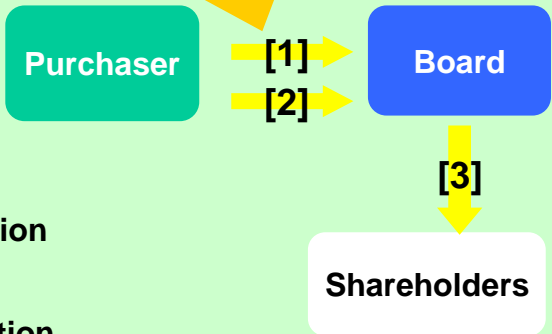
- Submission of more detailed information
- Outline of purchaser or its group
- Objective and nature of major acquisition
- Basis for calculating purchase price and substantiation of funds for purchase
- Intended management policies, business plans, etc. following acquisition
- Other documentation the board deems may be reasonably required

Evaluation period
(In principle 60 or 90 days)

[3] Opinion, alternative proposal

Policy on Response to Proposals for Major Acquisitions

Proposal to acquire 20% or more



■ Response in the event of non-compliance

- Measures recognized by law or the company's articles of association may be taken to oppose the acquisition

Appendix

Performance in the Fourth Quarter of FY 2006. 3 YAMAHA

- Sales were approximately ¥5 billion above the previous projections (issued February 8), largely due to increased musical instrument sales
- Operating income was in line with the previous projections

(Billions of yen)

	FY 2005. 3 4Q	FY 2006. 3 4Q	Increase/ decrease	Previous projections (Feb. 8)
Net sales	120.6	127.7	7.1	122.6
Operating income (operating income ratio)	-2.4 (-2.0%)	-1.7 (-1.3%)	0.7	-1.8 (-1.5%)
Recurring profit (recurring profit ratio)	-3.4 (-2.8%)	-0.3 (-0.2%)	3.1	-0.5 (-0.4%)
Net income (net income ratio)	0.4 (0.3%)	0.6 (0.5%)	0.2	-1.5 (-1.2 %)

Currency exchange rates

		FY 2005. 3 4Q	FY 2006. 3 4Q	Previous projections for 4Q
Net sales	US\$	105	117	110
	EUR	137	141	134
Operating income	US\$	104	117	110
	EUR	135	138	134

Non-operating Income (Loss)/ Extraordinary Income (Loss)



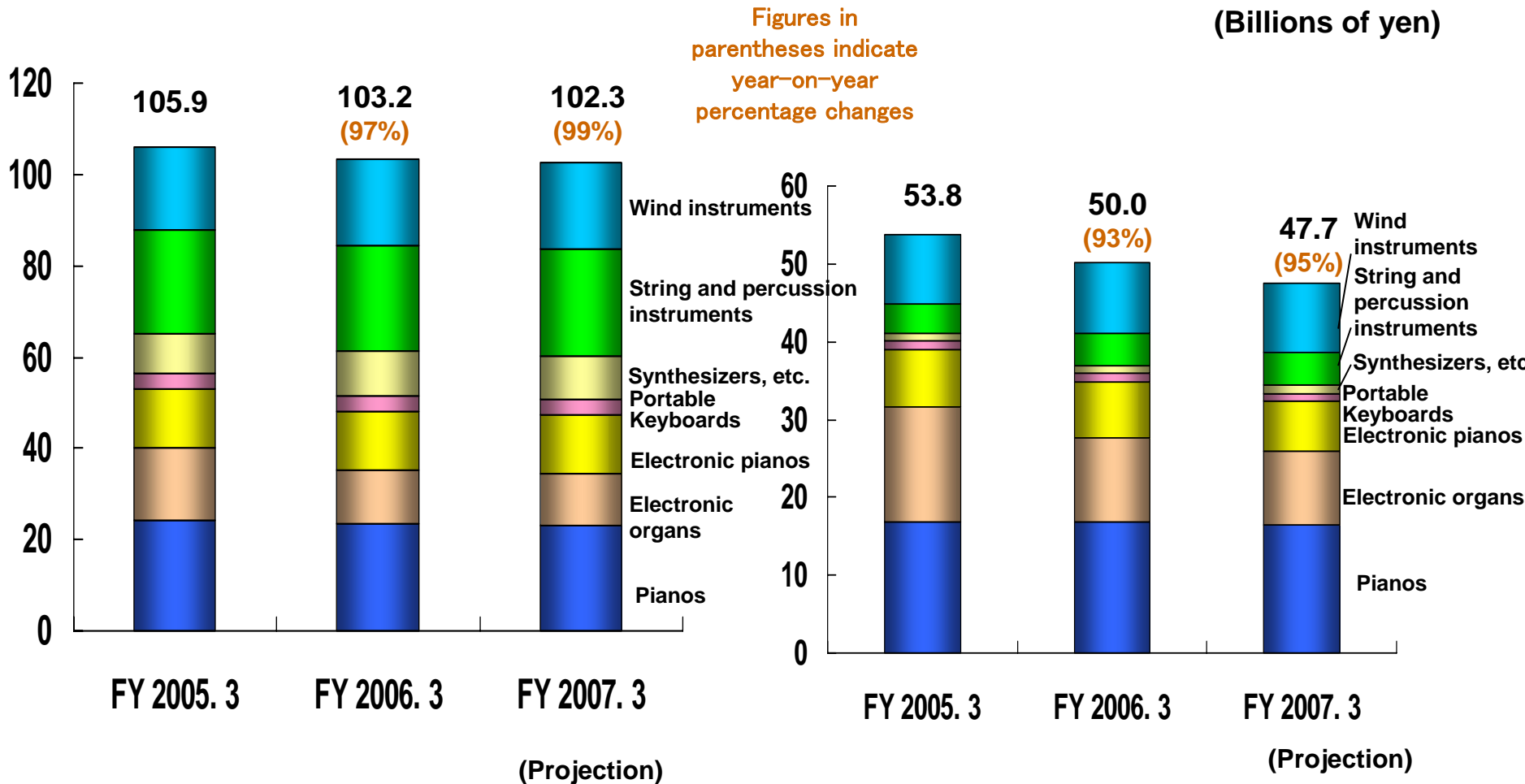
	FY 2005. 3	FY 2006. 3	FY 2007. 3 (projections)
(Billions of yen)			
Non-operating income			
Equity method income	9.1	14.8	14.8
Net financial income	-0.3	-0.2	-0.7
Other	-3.2	-3.5	-4.1
Total	+ 5.6	+ 11.1	+10.0
Extraordinary income (loss)			
Income from (loss on) disposal of fixed assets	-1.1	-0.2	-0.3
Other	-6.7	0.8	0.3
<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 2px;"> <ul style="list-style-type: none"> - Return of pension substitutional portion 19.9 - Gain on sales of investment securities 6.5 - Asset impairment loss -32.7 </div> <div style="border: 1px solid black; padding: 2px;"> <ul style="list-style-type: none"> - Gain on sales of investment securities 0.5 </div> </div>			
Total	-7.8	+0.6	0
Corporate income tax and other expenses			
Corporate income tax, etc.	13.4	7.2	6.4
Minority interests in consolidated subsidiaries	0.4	0.5	0.6
Total	13.8	7.7	7.0

Musical Instrument Sales in the Japanese Market



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

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

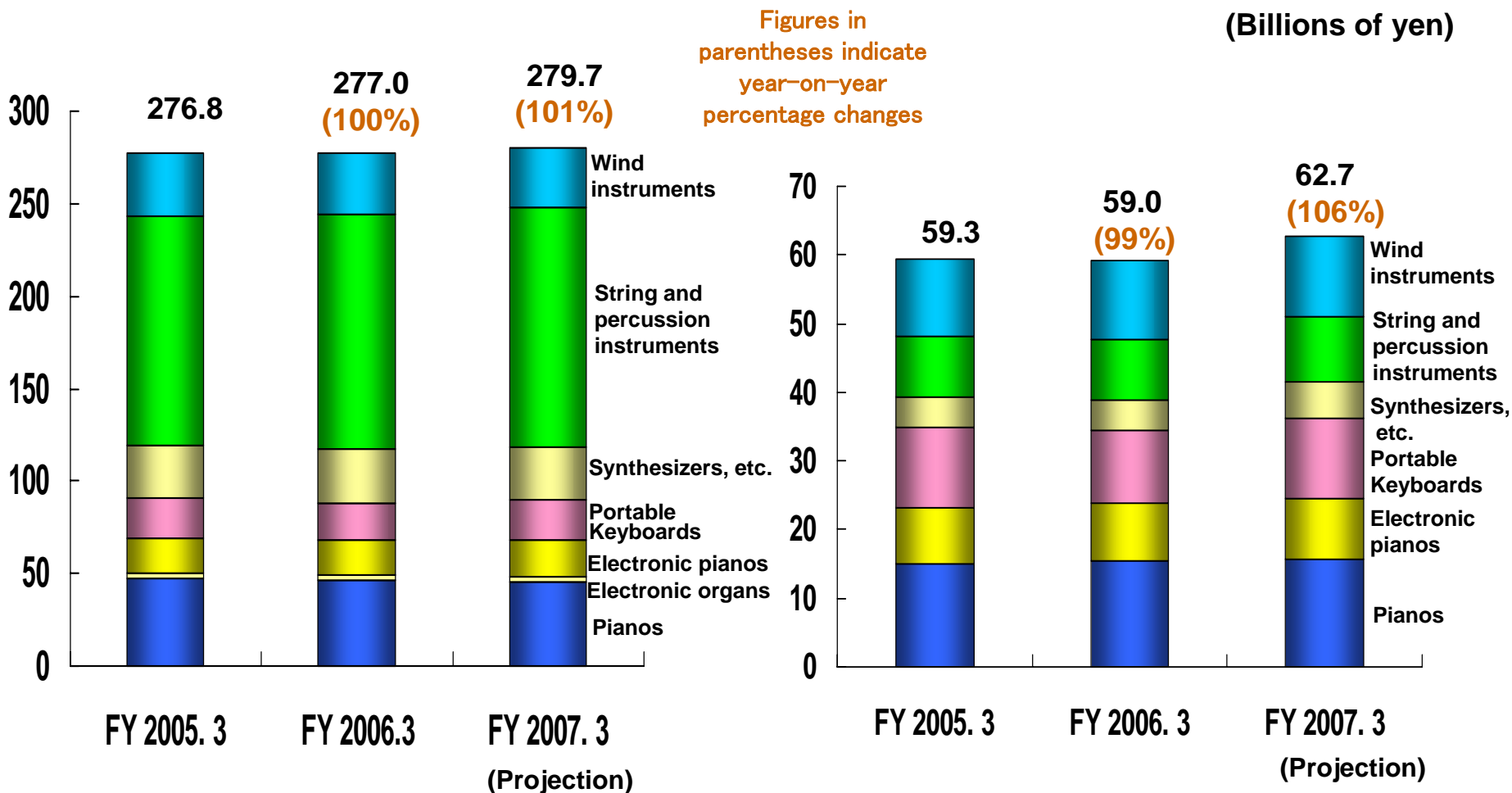


Musical Instrument Sales in the U.S. Market



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

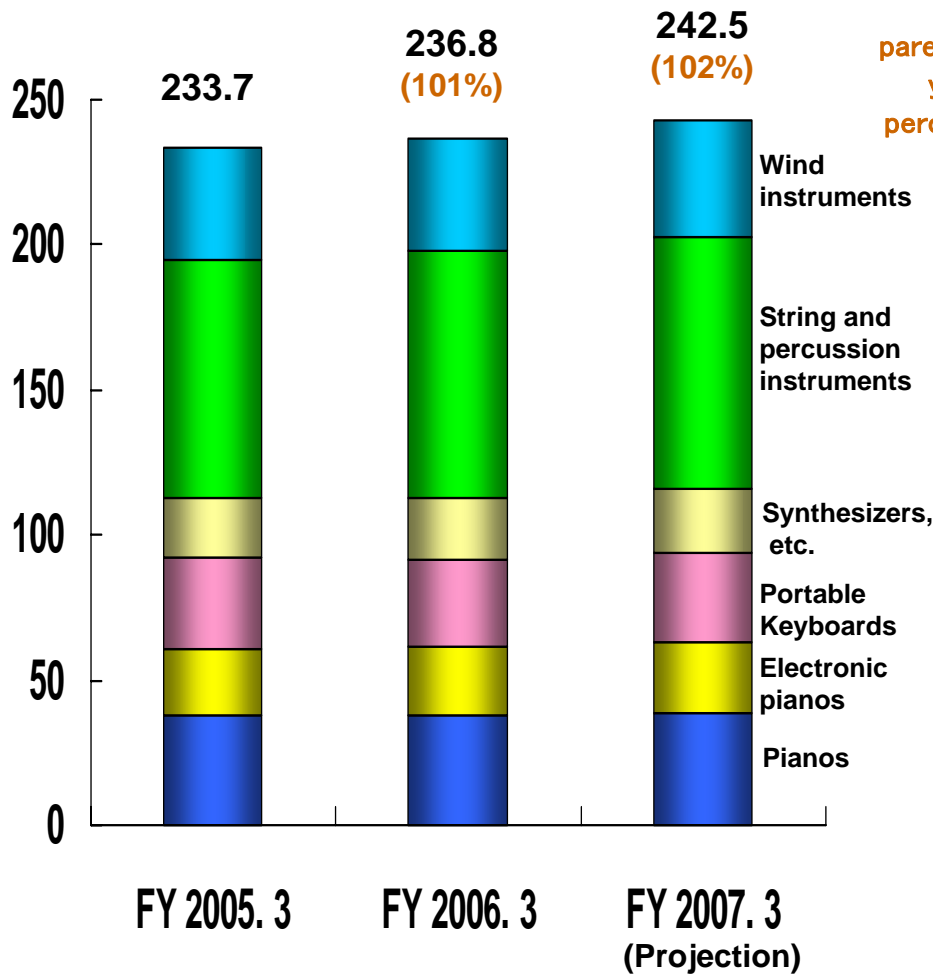
**YAMAHA's Wholesale Amount
(By category, excluding PA)**



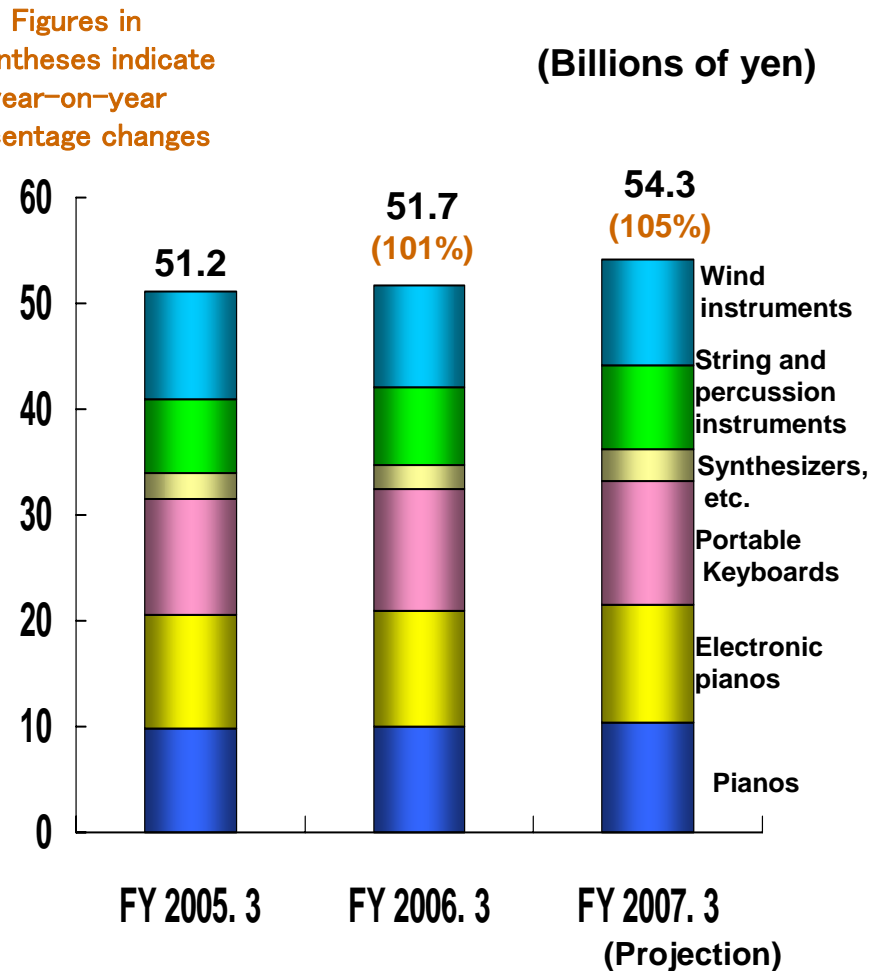
Musical Instrument Sales in the European Market



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



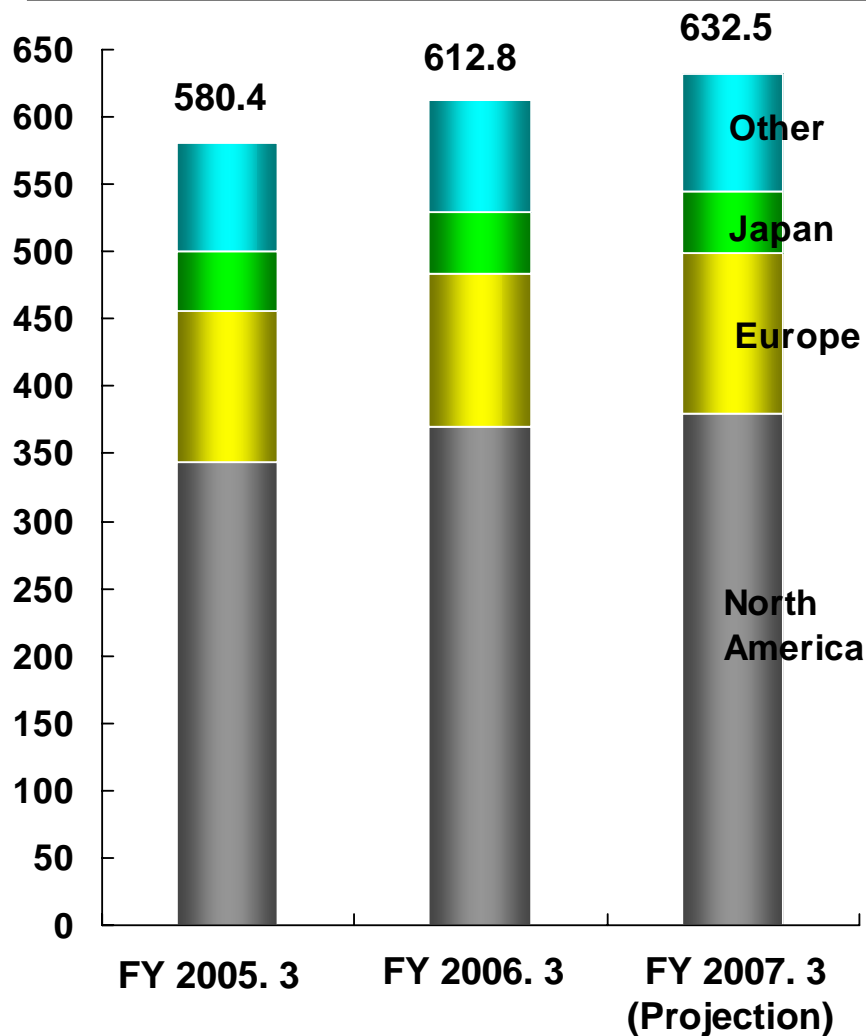
**YAMAHA's Wholesale Amount
(By category, excluding PA)**



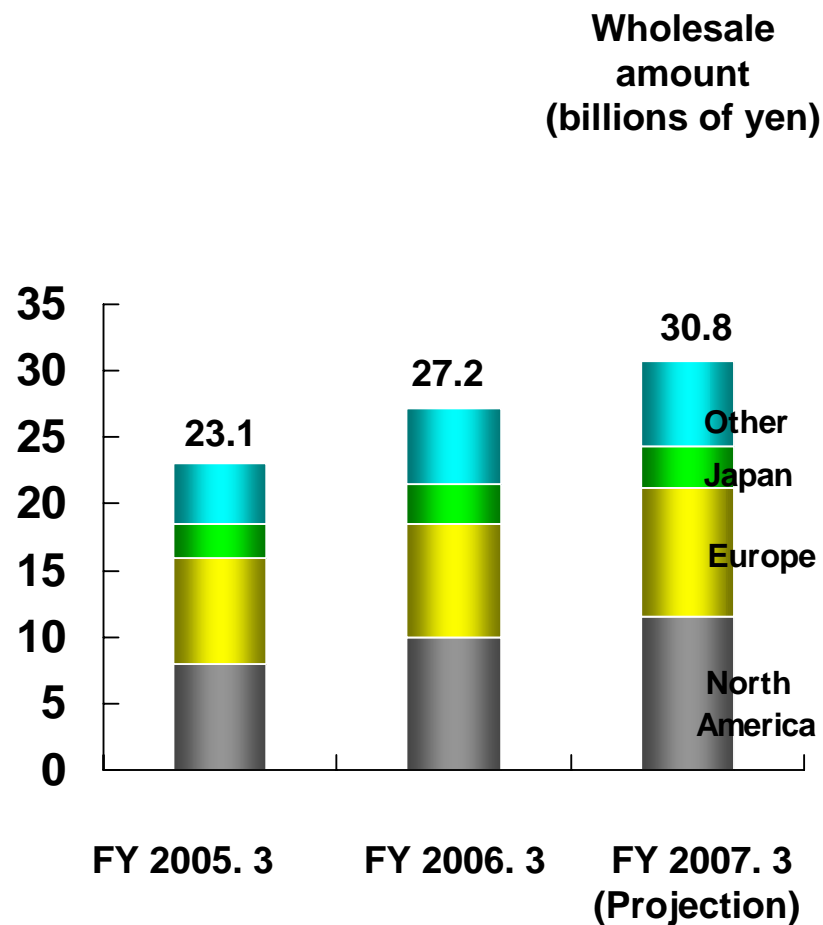
World Market for Professional Audio Equipment



Wholesale Amount of the World Market



YAMAHA's Wholesale Amount



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

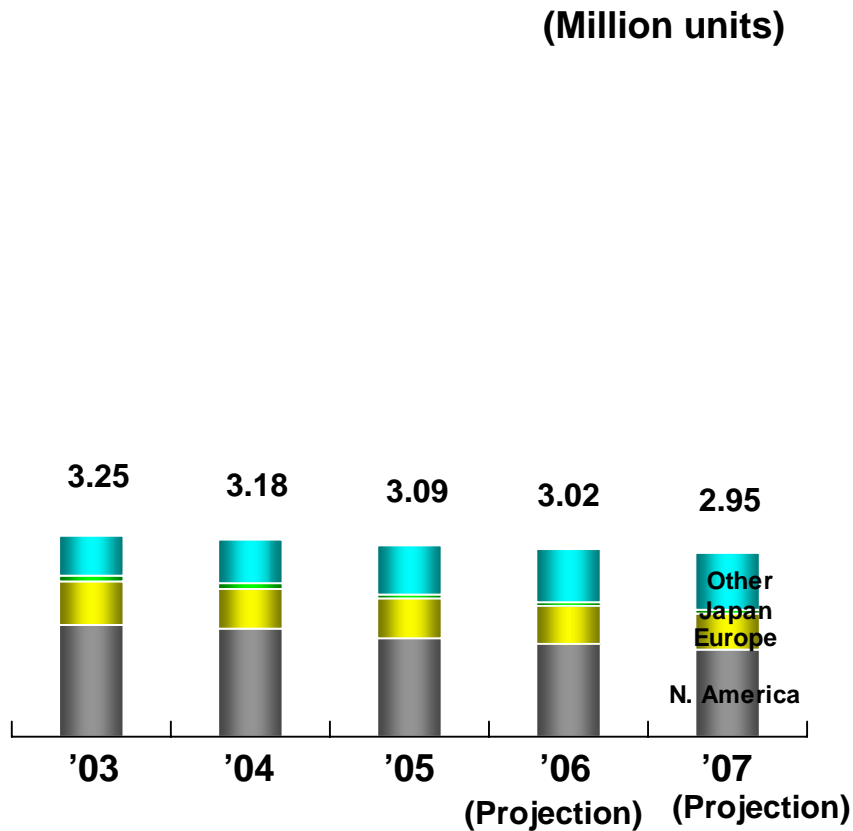
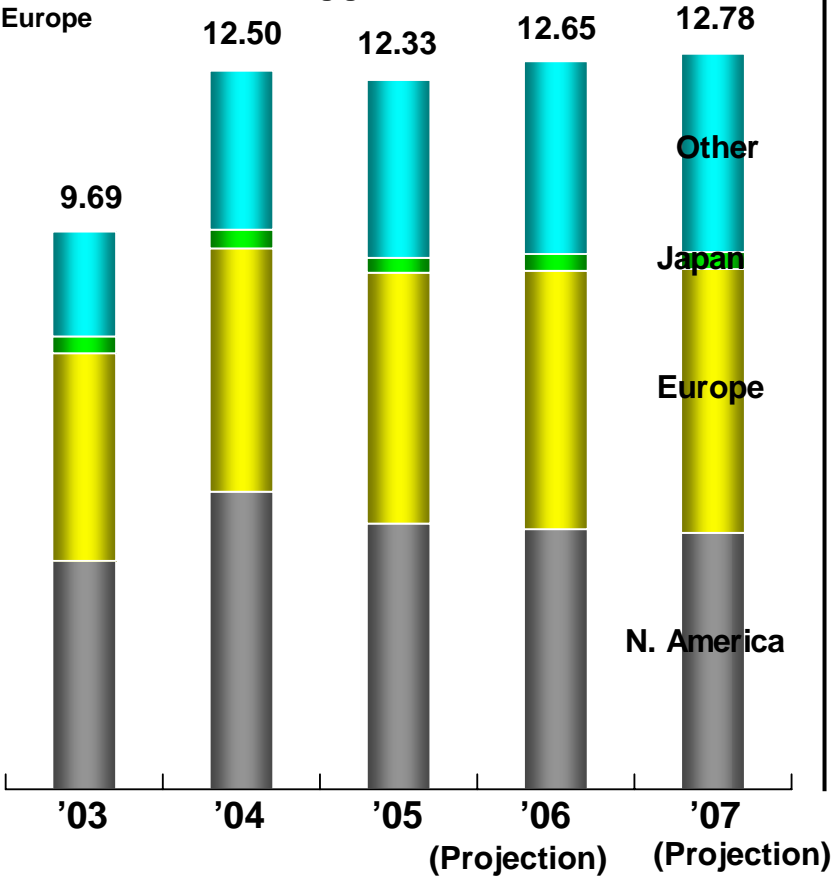


Home Theater Systems

- World market has leveled off at just under 13 million units. Prices continue to fall.
- North America: Sales of DVD-installed systems are rising slightly, but the overall trend is downward
- Europe: DVD-installed systems account for 90% of sales, which continue to rise. Prices are falling.
- Japan: Market almost level since 2005 (270,000 units)
- Other markets: Continuing growth in Asia, Central/Eastern Europe

AV Amplifiers/Receivers

- World market is shrinking by 2-3% annually
- Europe & U.S.: Market is contracting. At 34%, YAMAHA has top share in terms of value
- Japan: YAMAHA had top share in terms of value in 2005 (31%)
- Markets expanding in Asia, China, Eastern Europe and Russia, especially for low-priced products

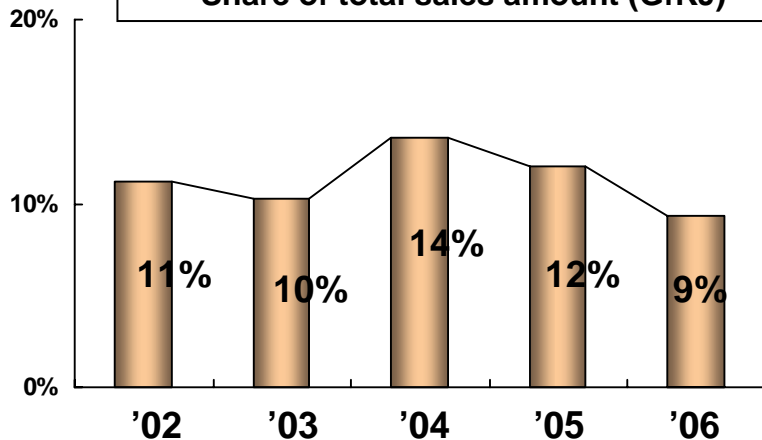


YAMAHA's AV Market Share

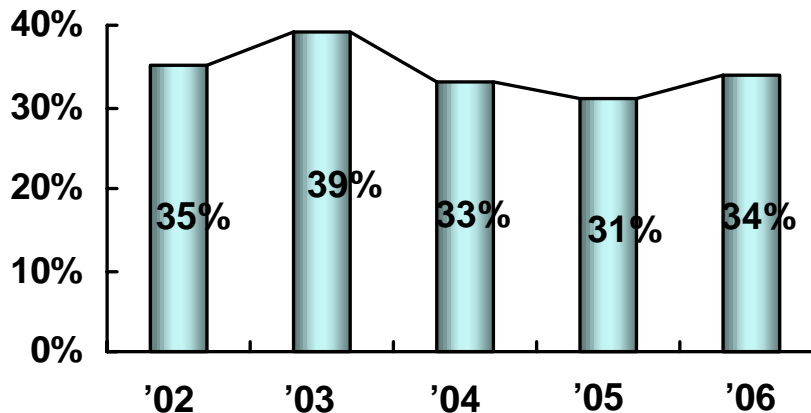


Japan

Home theater systems:
Share of total sales amount (GfKJ)

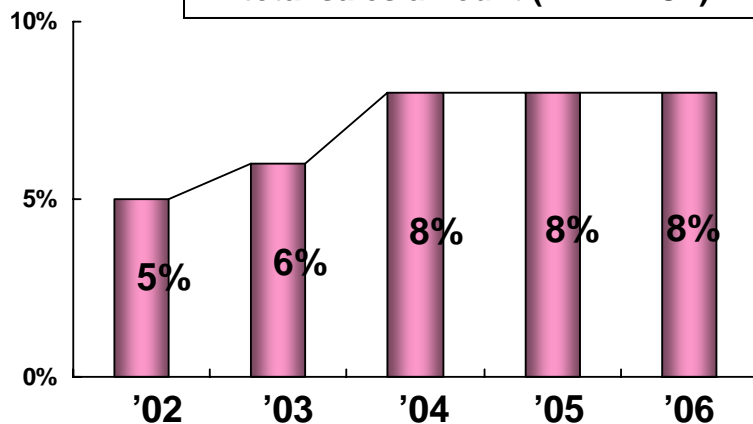


AV amplifiers:
Share of total sales amount (GfKJ)

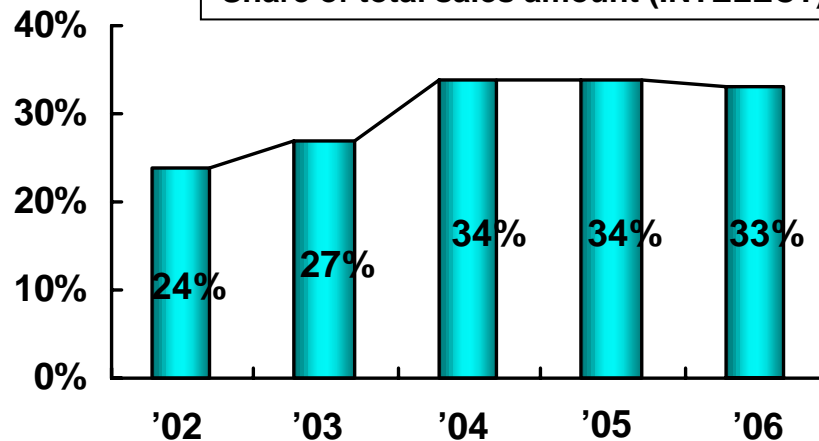


U.S.

Home theater systems: Share of total sales amount (INTELECT)



AV receivers:
Share of total sales amount (INTELECT)



Sales Breakdown



AV/IT

	FY 2005. 3 (actual)	FY 2006. 3 (actual)	FY 2007. 3 (projection)
AV	70.6	69.4	68.7
Routers	7.1	6.5	7.3
Total	77.7	75.9	76.0

Electronic Equipment and Metal Products

(Billions of yen)

	FY 2005. 3 (actual)	FY 2006. 3 (actual)	FY 2007. 3 (projection)
Semi-conductors	56.7	43.7	41.0
Electronic metals	12.3	12.5	13.0
Total	69.0	56.2	54.0

Lifestyle-related Products

	FY 2005. 3 (actual)	FY 2006. 3 (actual)	FY 2007. 3 (projection)
Bathrooms	20.1	18.7	17.4
System kitchens	16.5	20.5	20.7
Others	6.2	6.0	4.9
Total	42.8	45.2	43.0

Others

	FY 2005. 3 (actual)	FY 2006. 3 (actual)	FY 2007. 3 (projection)
Automobile interior wood components	10.2	10.7	13.5
Golf clubs	2.1	2.7	3.5
YFT, etc.	11.3	11.3	12.0
Total	23.6	24.7	29.0

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