

**Analyst and Investor Briefing on the  
Third Quarter of the Fiscal Year Ending  
March 31, 2008 (FY2008.3)**

**February 7, 2008  
YAMAHA CORPORATION**

# Overview of Performance in the Third Quarter of FY2008.3



## Third Quarter results

- Third quarter sales were lower than both the projection announced on October 31 and the same quarter of the previous year, while operating income was higher.
- Despite favorable exchange rates due to the strong euro, sales of AV and lifestyle-related products were lower than expected. Overall sales were 1.4% lower than previous projections.
- Excluding the impact of the handover of electronic metal products business and four resort facilities, sales increased 2.3% (¥3.4 billion) year-on-year. Discounting the impact of exchange rates, actual sales increased 0.8%, largely driven by musical instrument sales.
- Operating income from musical instruments exceeded previous projections and the figure for the same quarter of the previous year.
- Inventories at the end of the third quarter were up for musical instruments and AV. Although inventories were higher than previous projections, they remained broadly in line with the previous year's 3Q levels.

## Results for the First Three Quarters

- Over the first three quarters (April-December) sales and income both increased year-on-year, partly due to the impact of exchange rates. In the musical instrument business sales rose year-on-year and operating income increased considerably. Sales and operating income both fell in the electronic equipment and metal products and lifestyle-related products businesses.
- Net income was higher year-on-year due to increased operating income and gain on sales of shares in Yamaha Motor Co., Ltd.

# Business Performance in the Third Quarter of FY2008.3



➤ Sales were lower than last year's 3Q results and previous projections, while operating income was higher

(Billions of yen)

	FY2007.3 (3Q) actual	FY2008.3 (3Q) actual	Change from FY2007.3	Previous projections (Oct. 31, 2007)	Change from previous projections
Net sales	152.0	148.2	-2.5%	150.3	-1.4%
Operating income (Operating income ratio)	13.0	14.2 (9.6%)	+9.0%	12.2	+16.5%
Recurring profit (Recurring profit ratio)	15.5	13.7 (9.3%)	-11.7%	10.9	+25.9%
Net income (Net income ratio)	12.5	11.4 (7.7%)	-8.6%	8.7	+30.7%
Equity method income	3.6	0		0	

## Currency exchange rates (yens)

Net sales	US\$	118	113	115
	EUR	152	164	155
Operating income	US\$	117	114	115
	EUR	146	159	155

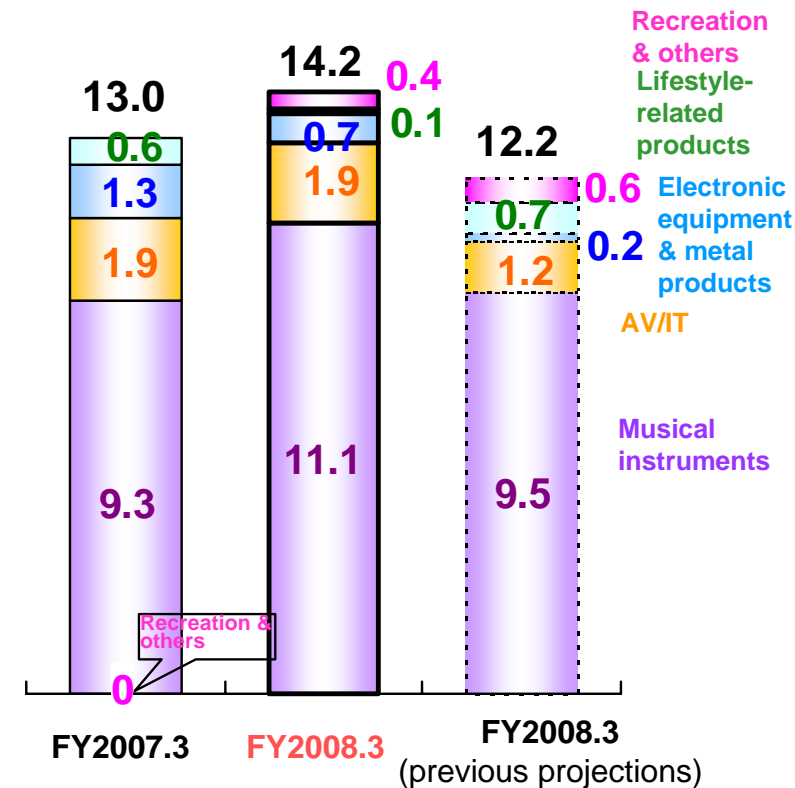
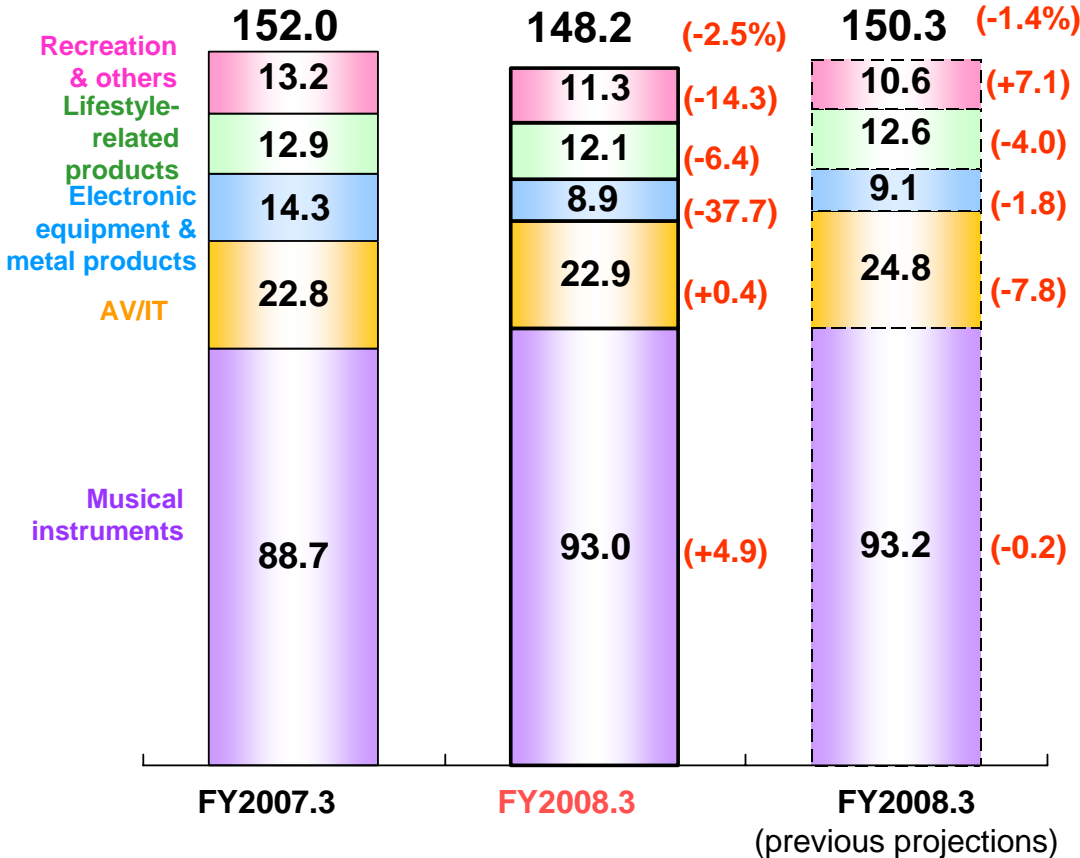
# Performance by Business Segment in the Third Quarter of FY2008.3



## Net Sales

## Operating Income

(Billions of yen)



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year : +¥2.2 billion (musical instruments +¥1.4 billion, AV/IT +¥0.8 billion)  
 Versus previous projections: +¥1.4 billion (musical instruments +¥0.9 billion, AV/IT +¥0.5 billion)

**Impact of exchange rates**  
 Year-on-year : +¥1.7 billion (musical instruments +¥1.0 billion, AV/IT +¥0.7 billion)  
 Versus previous projections: +¥0.6 billion (musical instruments +¥0.3 billion, AV/IT +¥0.2 billion)

# Forecast for Business Performance in the Fourth Quarter of FY2008.3



- Sales and income in the fourth quarter are forecast to be lower than previous projections

(Billions of yen)

	FY2007.3 (4Q) actual	FY2008.3 (4Q) projections	Change from FY2007.3	Previous projections (Oct. 31, 2007)	Change from previous projections
Net sales	133.9	125.1	-6.5%	127.0	-1.5%
Operating income	0.8	-2.0	-	0	-
Recurring profit	4.1	-2.3	-	-0.5	-
Net income	-2.0	-3.2	-	-1.5	-
Equity method income	4.0	0		0	

## Currency exchange rates (yens)

Net sales	US\$	119	115	115
	EUR	156	155	155
Operating income	US\$	120	115	115
	EUR	151	155	155

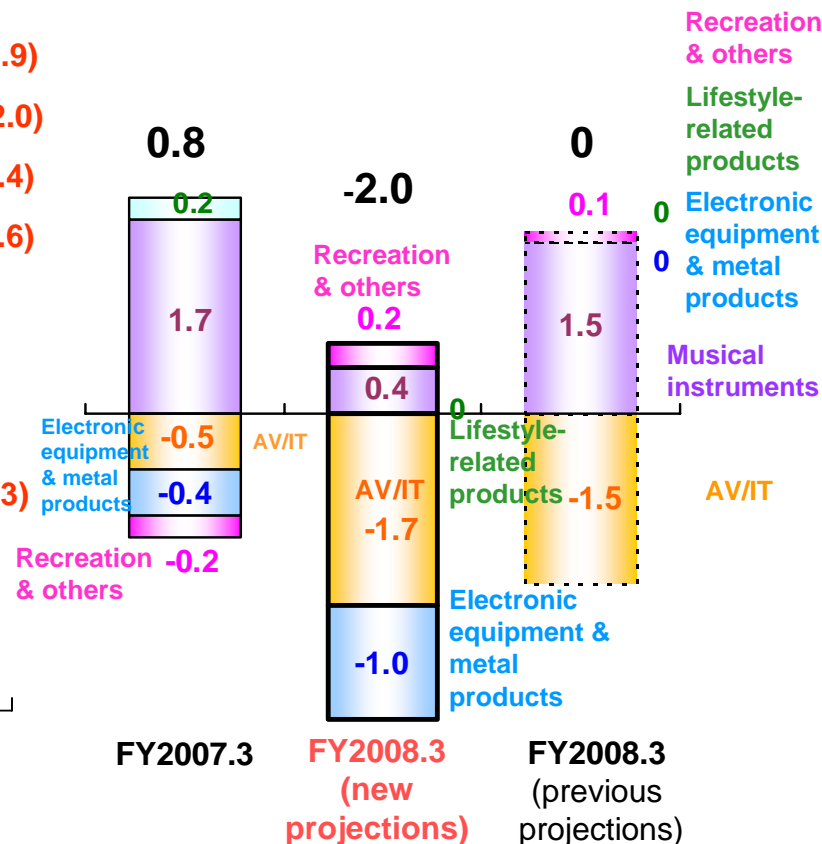
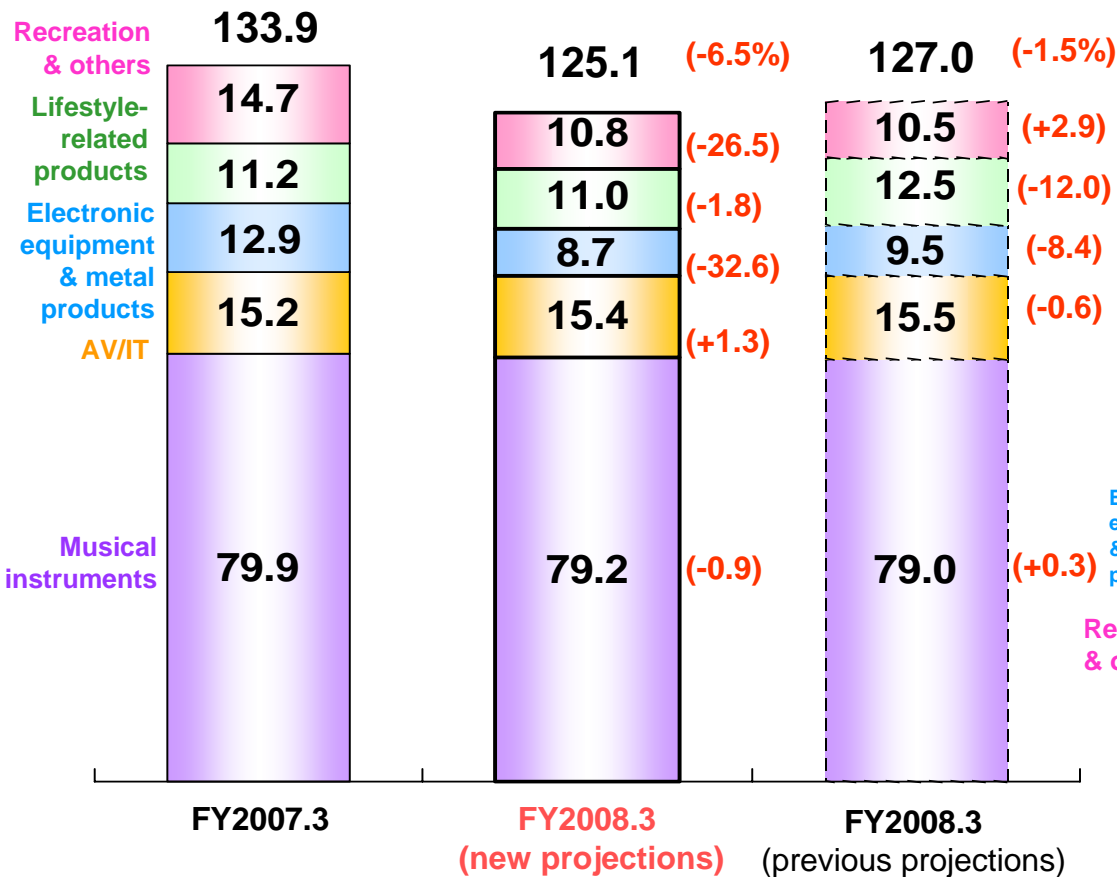
# Forecast for Performance by Business Segment in the Fourth Quarter of FY2008.3



## Net Sales

## Operating Income

(Billions of yen)



Figures in parentheses indicate change from the same period of the previous year or previous projections

**Impact of exchange rates**  
 Year-on-year: -¥1.0 billion (musical instruments -¥0.9 billion, AV/IT -¥0.1 billion)  
 Versus previous projections: +¥0.1 billion (musical instruments +¥0.1 billion)

**Impact of exchange rates**  
 Year-on-year: +¥0.3 billion (musical instruments +¥0.1 billion, AV/IT +¥0.2 billion)  
 Versus previous projections: No change

# Forecast for Business Performance in FY2008.3 YAMAHA

➤ Estimated 4Q exchange rates: US\$=¥115 EUR=¥155

➤ Full-year projection for sales is lower than previous projections, while that for operating income is unchanged

(Billions of yen)

(%)

	1Q-3Q actual	4Q projections	FY2008.3 (new projections)	FY2008.3 (previous projections)	FY2007.3 actual	Change from previous projections	Change from previous year results
<b>Net sales</b>	<b>428.9</b>	<b>125.1</b>	<b>554.0</b>	<b>558.0</b>	<b>550.4</b>	<b>-0.7%</b>	<b>+0.7%</b>
<b>Operating income</b> (Operating income ratio)	<b>35.5</b> <b>(8.3%)</b>	<b>-2.0</b>	<b>33.5</b> <b>(6.0%)</b>	<b>33.5</b> <b>(6.0%)</b>	<b>27.7</b> <b>(5.0%)</b>	<b>-</b>	<b>+21.0%</b>
<b>Recurring profit</b> (Recurring profit ratio)	<b>35.3</b> <b>(8.2%)</b>	<b>-2.3</b>	<b>33.0</b> <b>(6.0%)</b>	<b>32.0</b> <b>(5.7%)</b>	<b>42.6</b> <b>(7.7%)</b>	<b>+3.1%</b>	<b>-22.6%</b>
<b>Net income</b> (Net income ratio)	<b>42.2</b> <b>(9.8%)</b>	<b>- 3.2</b>	<b>39.0</b> <b>(7.0%)</b>	<b>38.0</b> <b>(6.8%)</b>	<b>27.9</b> <b>(5.1%)</b>	<b>+2.6%</b>	<b>+40.0%</b>

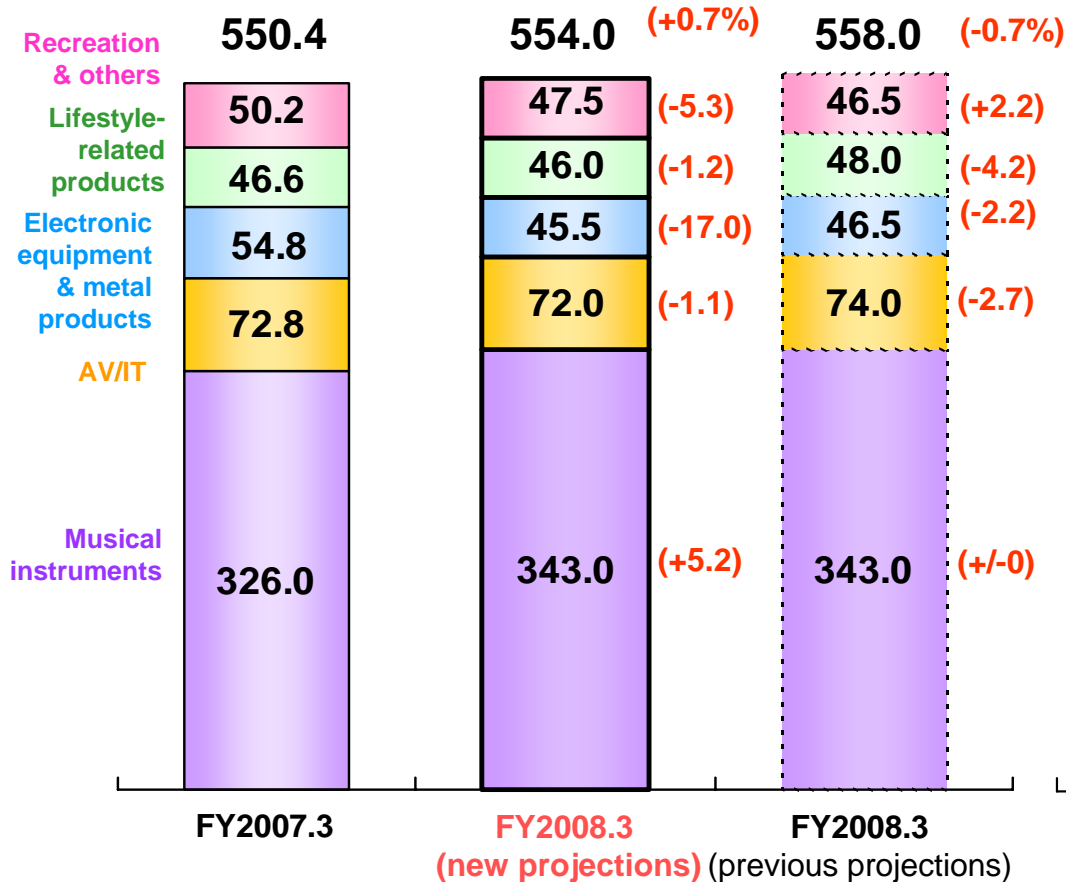
Equity method income 0.1 0 0.1 0.1 17.8

Currency exchange rates (yens)		1Q-3Q actual	4Q projections	FY2008.3 (new projections)	FY2008.3 (previous projections)	FY2007.3 actual
Net sales	US\$	117	115	117	117	117
	EUR	163	155	161	159	150
Operating income	US\$	118	115	117	117	117
	EUR	159	155	158	157	144

# FY2008.3 Full Year Forecast for Performance by Segment

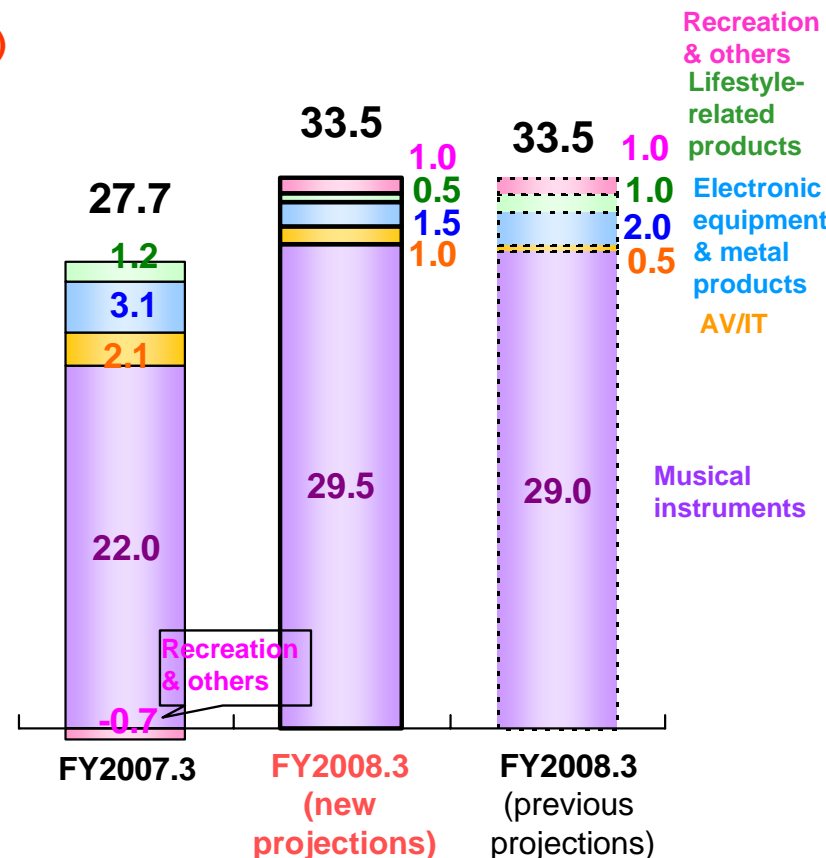


## Net Sales



## Operating Income

(Billions of yen)



Figures in parentheses indicate change from the same period of the previous year or previous projections

### Impact of exchange rates

Year-on-year : +¥10.2 billion (musical instruments +¥7.5 billion, AV/IT +¥2.7 billion)  
 Versus previous projections: +¥1.5 billion (musical instruments +¥1.0 billion, AV/IT +¥0.5 billion)

### Impact of exchange rates

Year-on-year : +¥7.2 billion (musical instruments +¥5.6 billion, AV/IT +¥1.6 billion)  
 Versus previous projections: +¥0.6 billion (musical instruments +¥0.4 billion, AV/IT +¥0.2 billion)



# Musical Instruments

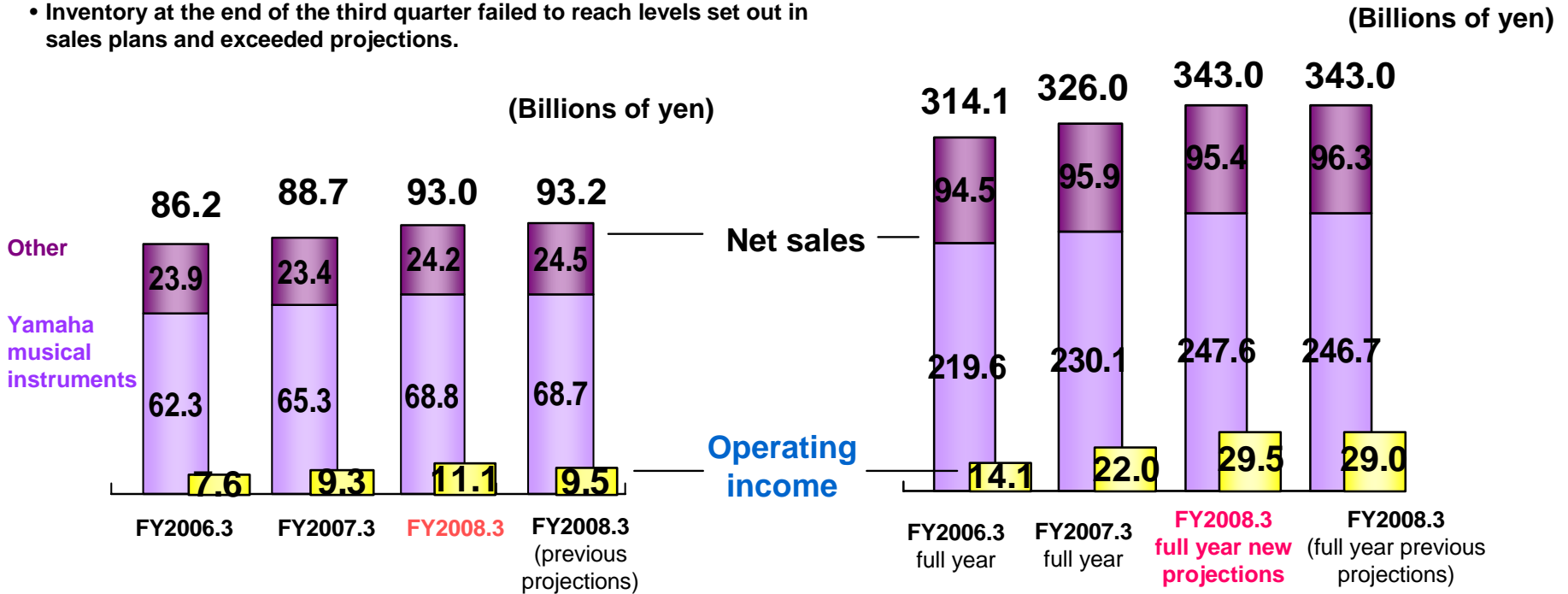


## 3Q Overview

- Sales and income rose year-on-year, partly due to the strong euro.
- Discounting the effect of exchange rates, actual sales increased 3.3% year-on-year.
- China and other emerging markets showed double-digit growth. Actual sales in Europe rose 2%. However, actual sales fell 4% year-on-year in the US market. End of year sales in Japan were also subdued.
- Actual sales were 1% (¥1.1billion) lower than previous projections.
- Sales of electronic musical instruments, wind instruments and professional audio equipment rose year-on-year.
- Gross margins improved due to factors including favorable exchange rates, altered sales structures and the effects of cost reductions. Operating income was higher than both previous projections and last year's 3Q results.
- Inventory at the end of the third quarter failed to reach levels set out in sales plans and exceeded projections.

## Full Year Projections and 4Q Priority Policies

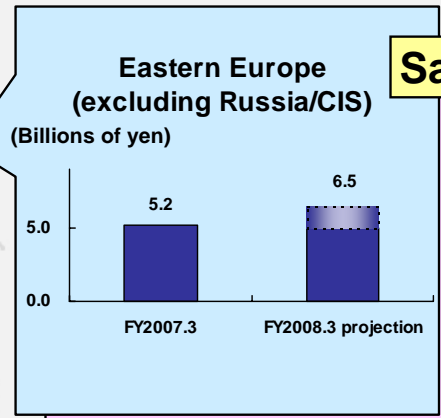
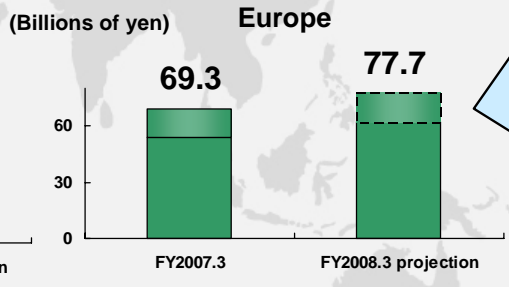
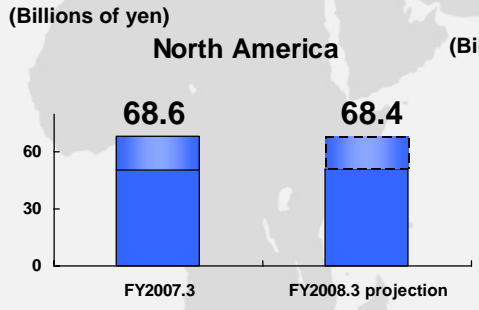
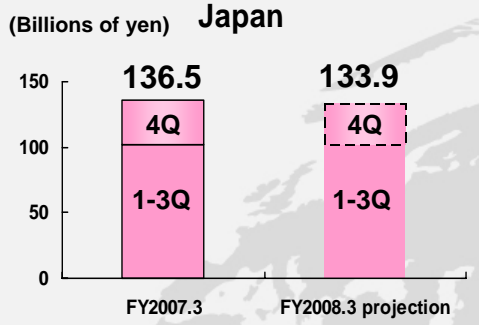
- Full year sales are expected to be in line with previous projections. Operating income is expected to be slightly higher than previous projections.
- Accelerate growth in emerging markets (China, Middle East, Eastern Europe, etc.)
- Strengthen and expand professional audio equipment business.
- Respond to demand for increased production and boost cost competitiveness in Hangzhou and Indonesia.



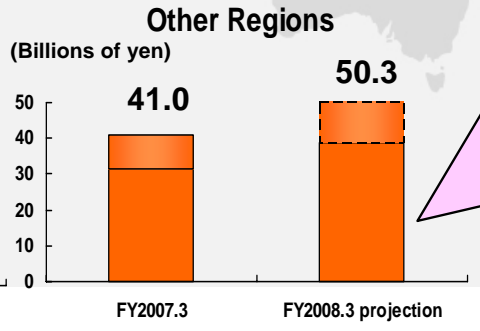
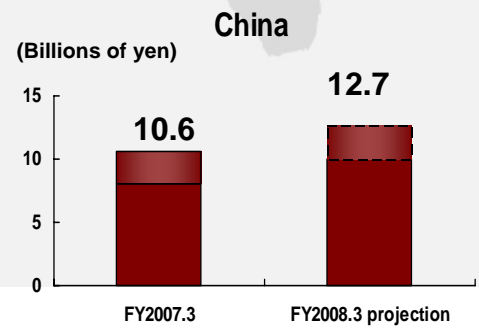
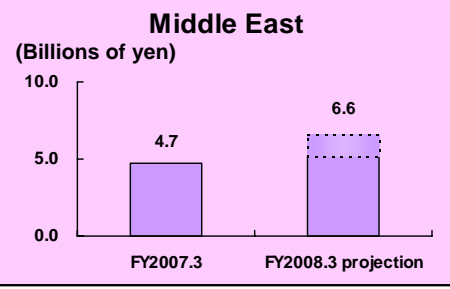
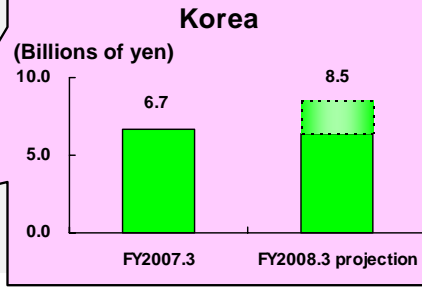
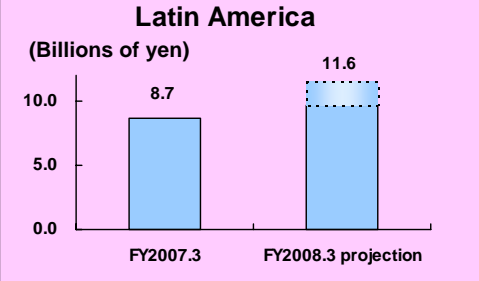
# Musical Instruments: Sales by Region



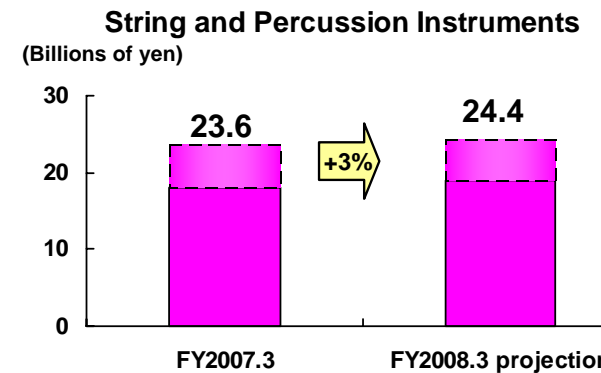
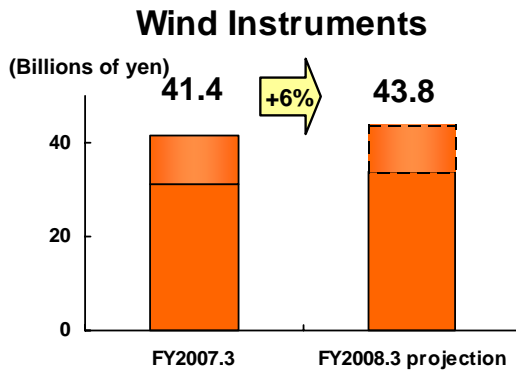
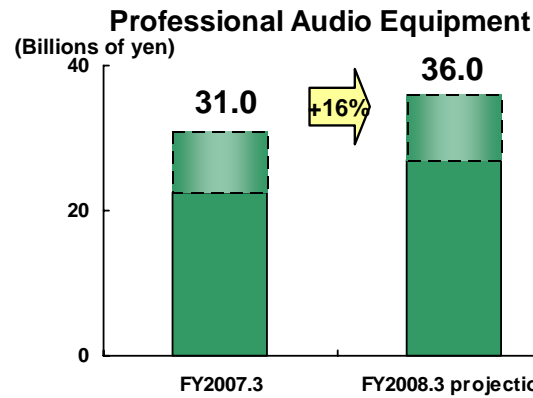
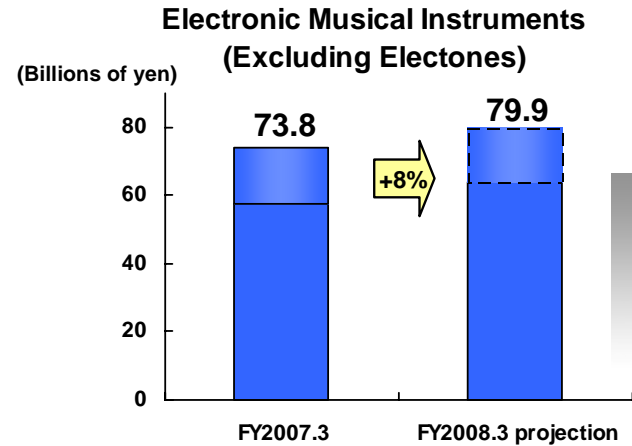
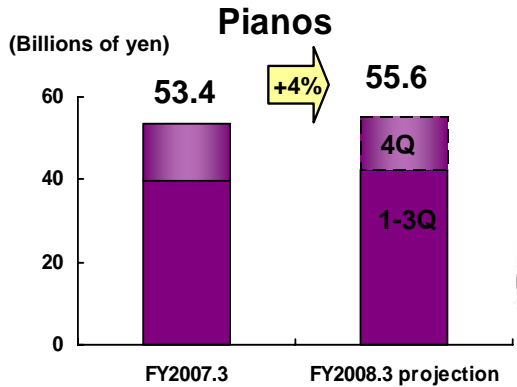
- Actual year-on-year change in 1-3Q sales, discounting impact of exchange rates  
Japan (+/-0%), North America (-1%), Europe (+5%), China (+22%), Other regions (+18%)
- Actual year-on-year change in full year sales, discounting impact of exchange rates  
Japan (-2%), North America (-1%), Europe (+4%), China (+19%), Other regions (+19%)



## Sales in Growth Markets

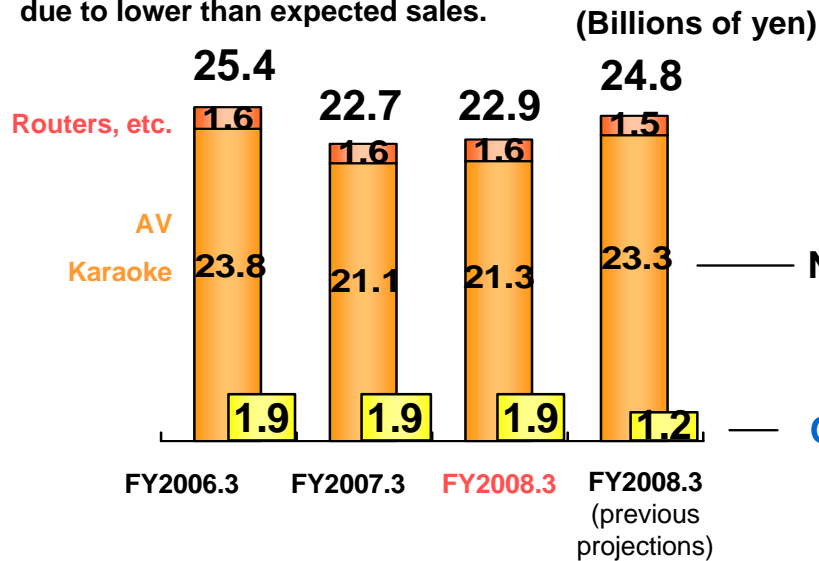


# Musical Instruments: Sales by Product



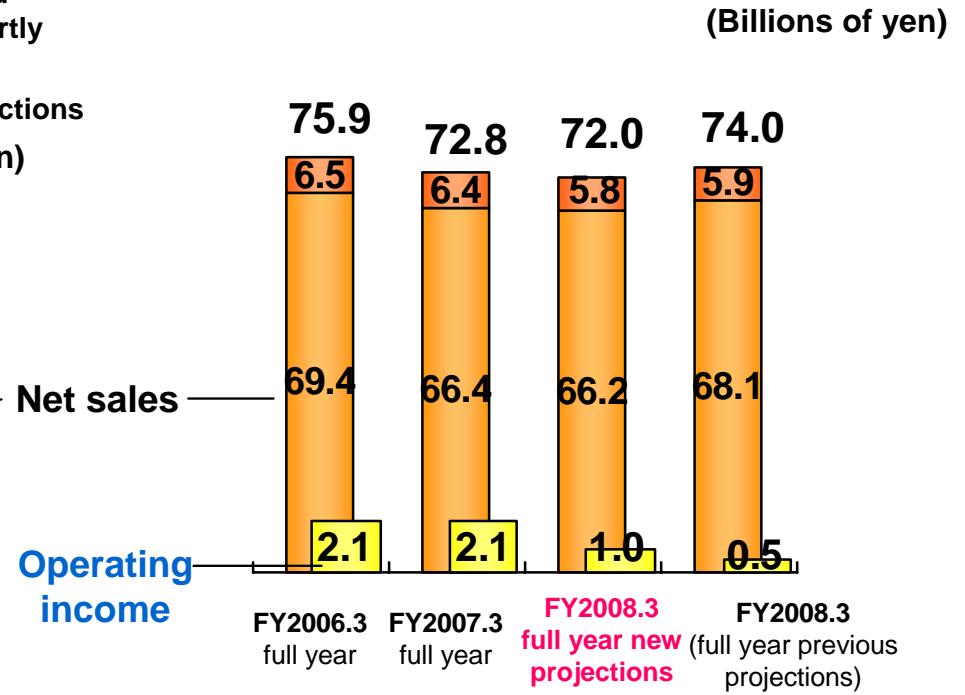
## 3Q Overview

- Sales and operating income were around the same level as the previous year. Sales were lower than projections, while income was higher.
- Discounting the effect of exchange rates, actual sales were 2.6% lower than the previous year.
- Actual sales in the North American market rose slightly year-on-year. Sales fell in Europe and continued to be sluggish in Japan.
- Sales of online karaoke equipment fell sharply year-on-year.
- YSP sales over the first three quarters (April-December) rose 21% year-on-year to ¥6.5 billion (87,000 units)
- Operating income increased year-on-year and exceeded projections due to improved gross margin rates that partly resulted from currency exchange gains.
- Inventory at the end of the third quarter exceeded projections due to lower than expected sales.



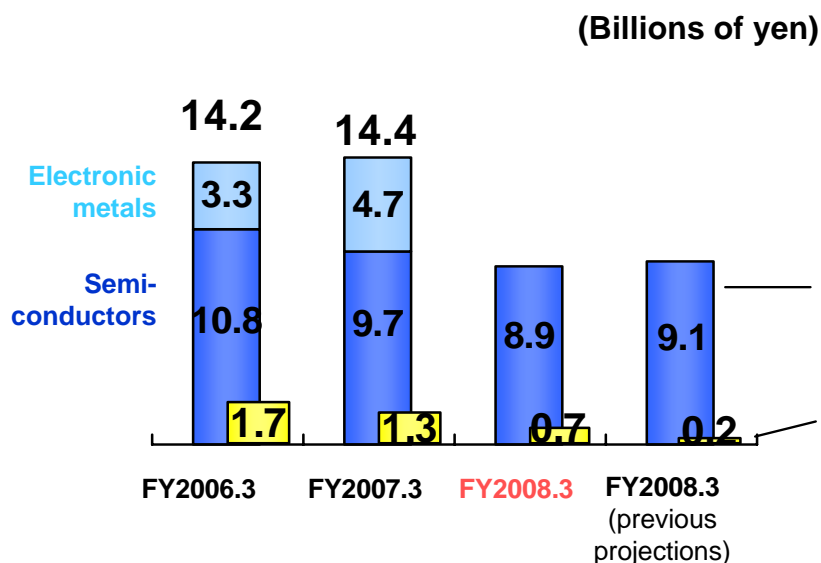
## Full Year Projections and 4Q Priority Policies

- Downward revision of full year sales projections. Income is expected to be slightly higher than projections.
- Smooth market launch of new AV products aimed at spring demand.
- Expand sales of front surround speakers.
- Reinforce mid- and high-range 2-channel Hi-Fi product business.
- Differentiate router products and develop new customers.
- Continue to raise awareness of conferencing systems and develop sales channels.



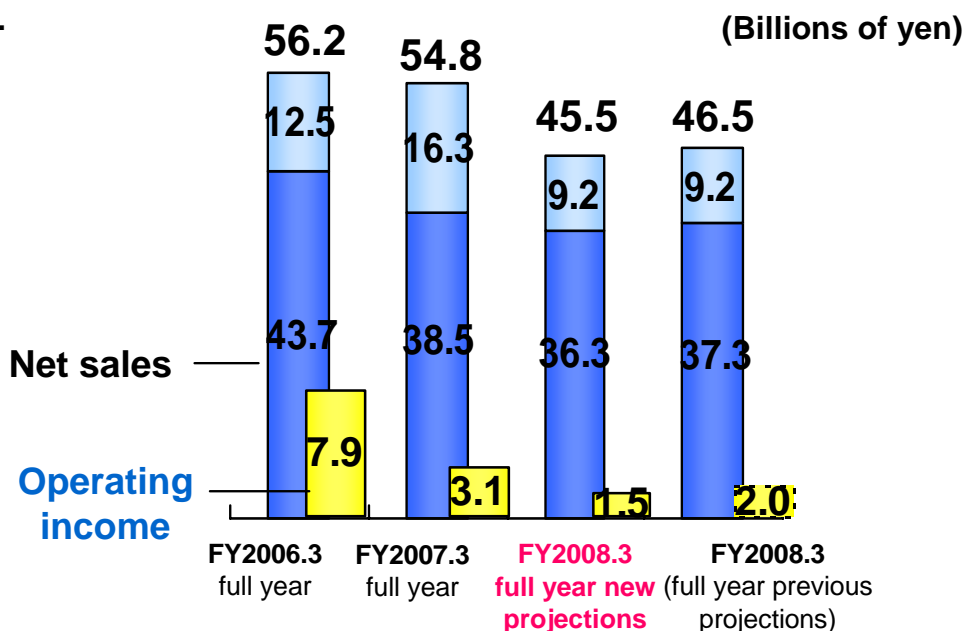
## 3Q Overview

- In semiconductor business, sales and income both fell year-on-year. Sales were lower than previous projections, but income was higher.
- Demand for LSI sound chips for mobile phones weakened considerably, particularly overseas.
- Shipments of LIS chips for digital amplifiers for flat-panel TVs and mobile phones increased. Shipments of graphic LSIs for pachinko machine also increased.
- The handover of electronic metals business took place as scheduled at the end of November (excluded from consolidated results from the third quarter).



## Full Year Projections and 4Q Priority Policies

- Downward revision of full year sales and operating income projections.
- Maintain sales of LSI products for mobile phone handsets, such as LSI sound chips and codec chips.
- Expand sales of LSI chips for pachinko-related products and digital amplifiers.
- Launch silicon microphone into the market, a sector where development has been delayed.



# Lifestyle-Related Products

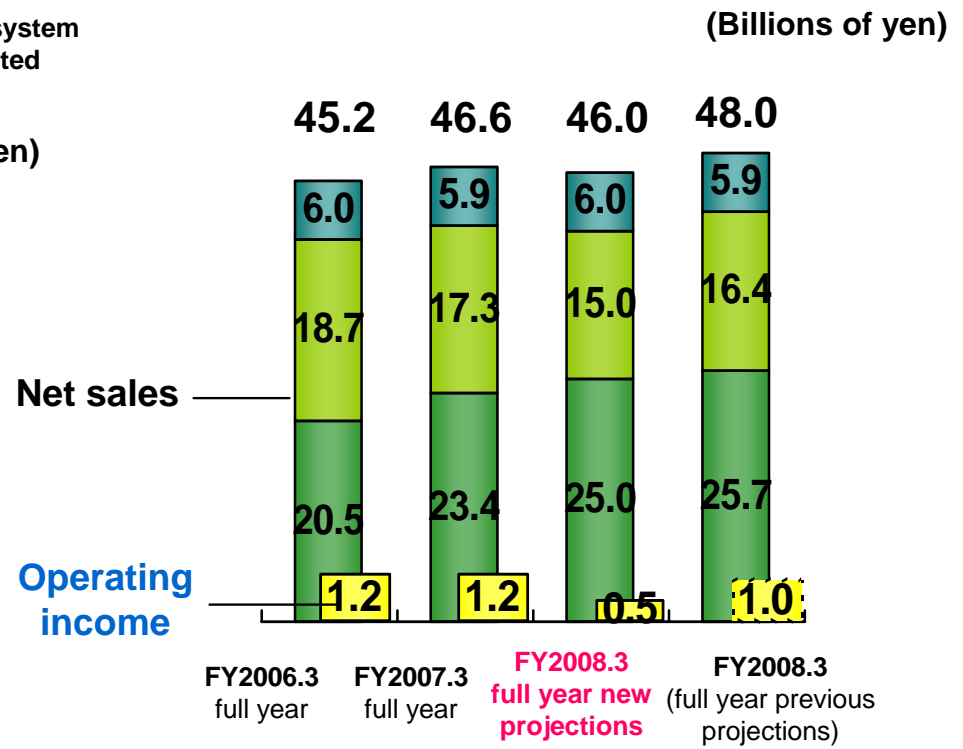
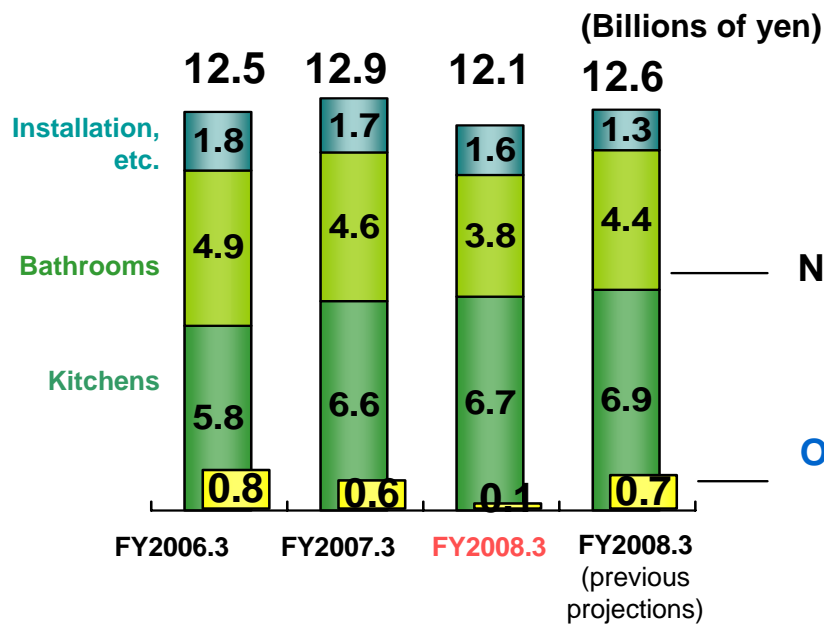


## 3Q Overview

- Sales and income fell, both year-on-year and against previous projections.
- Weak demand for new construction continued amid delays in confirming construction applications. While greater activity was anticipated in the remodeling sector, sales remained around the same level as the previous year.
- Although system kitchen sales were lower than projections, they increased year-on-year.  
However, system bathroom product sales fell year-on-year and against projections due to lower unit prices.
- Operating income was lower than both last year's figures and previous projections due to lower sales, lower unit prices for system bathroom products, and reduced gross profit margins associated with higher prices for resin and other materials.

## Full Year Projections and 4Q Priority Policies

- Sales and income are expected to fall below previous projections due to market downturn.
- Expand system kitchen sales.  
Increase sales of added-value bathroom products with artificial marble wall.
- Enhance showroom functions and reinforce remodeling business strategy.

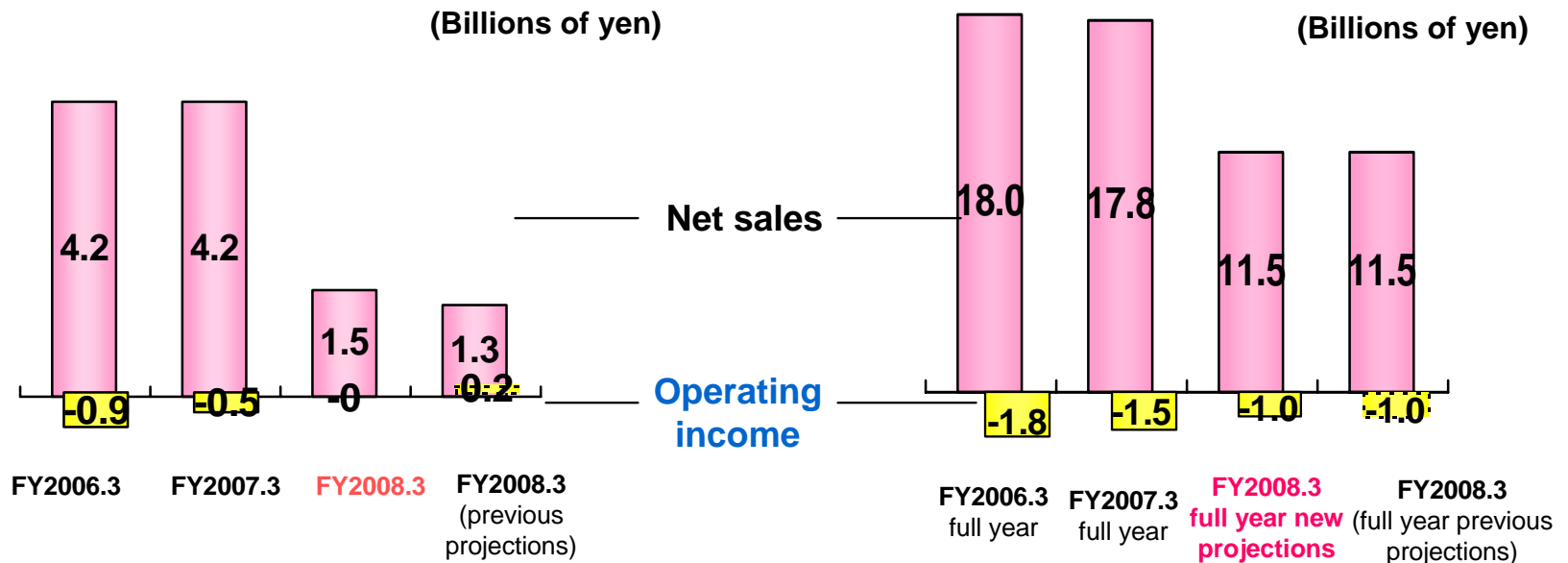


## 3Q Overview

- Operating losses improved year-on-year with the handover of four facilities.
- Excluding the four facilities handed over, sales fell slightly year-on-year.

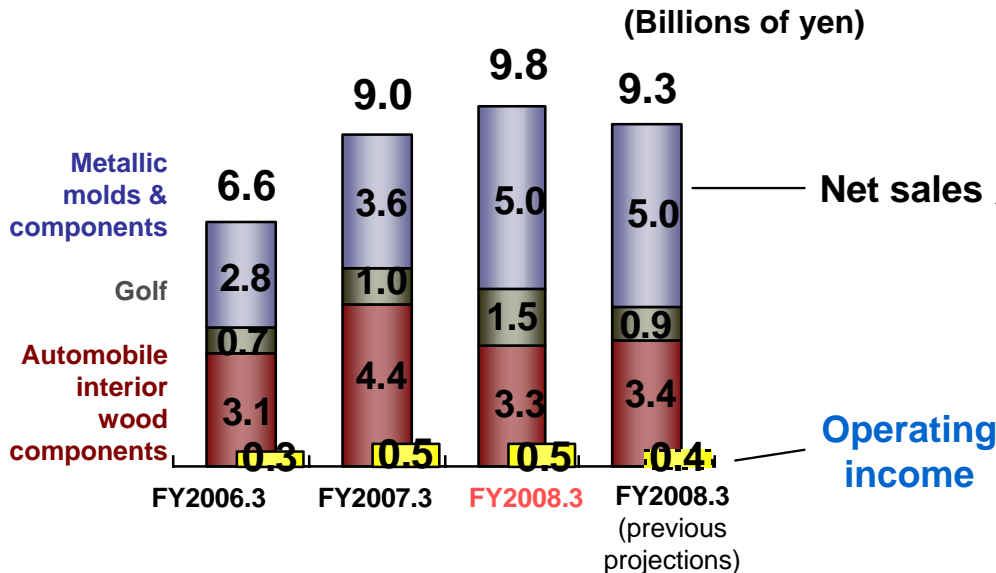
## Full Year Projections and 4Q Priority Policies

- Full year results are expected to be in line with previous projections.
- Focus on increasing customer numbers at Tsumagoi™ and Katsuragi™.
- In particular, develop sales promotion initiatives for Katsuragi™ based on hosting of golf tournaments.



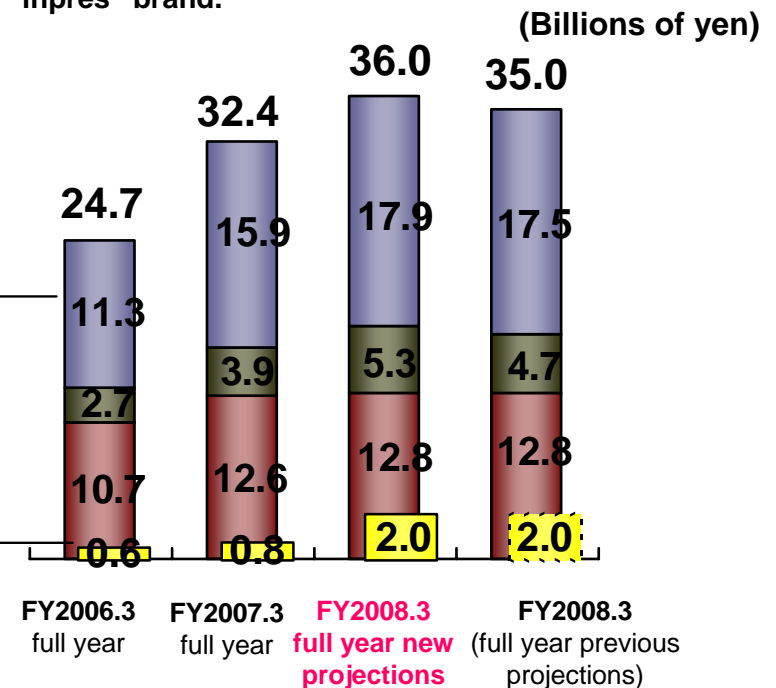
## 3Q Overview

- Sales exceeded previous projections and increased year-on-year. Operating income was broadly in line with last year's figures and projections.
- Operating income from automobile interior wood components rose year-on-year as yields improved. However, in spite of increased production in metallic molds and components business - particularly for digital camera applications - delay in improving yields resulted in operating income falling both year-on-year and against previous projections.
- Strong sales of golf products continued in Japanese and Asian markets.



## Full Year Projections and 4Q Priority Policies

- Upward revision of full year sales projections. Income is expected to be in line with projections.
- Automobile interior wood components/metallic molds and components: Focus on reducing unit costs for manufacturing by improving yields.
- Automobile interior wood components: Prepare for smooth start to production of next models.
- Golf products: Continue to raise awareness of the "inpres" brand.



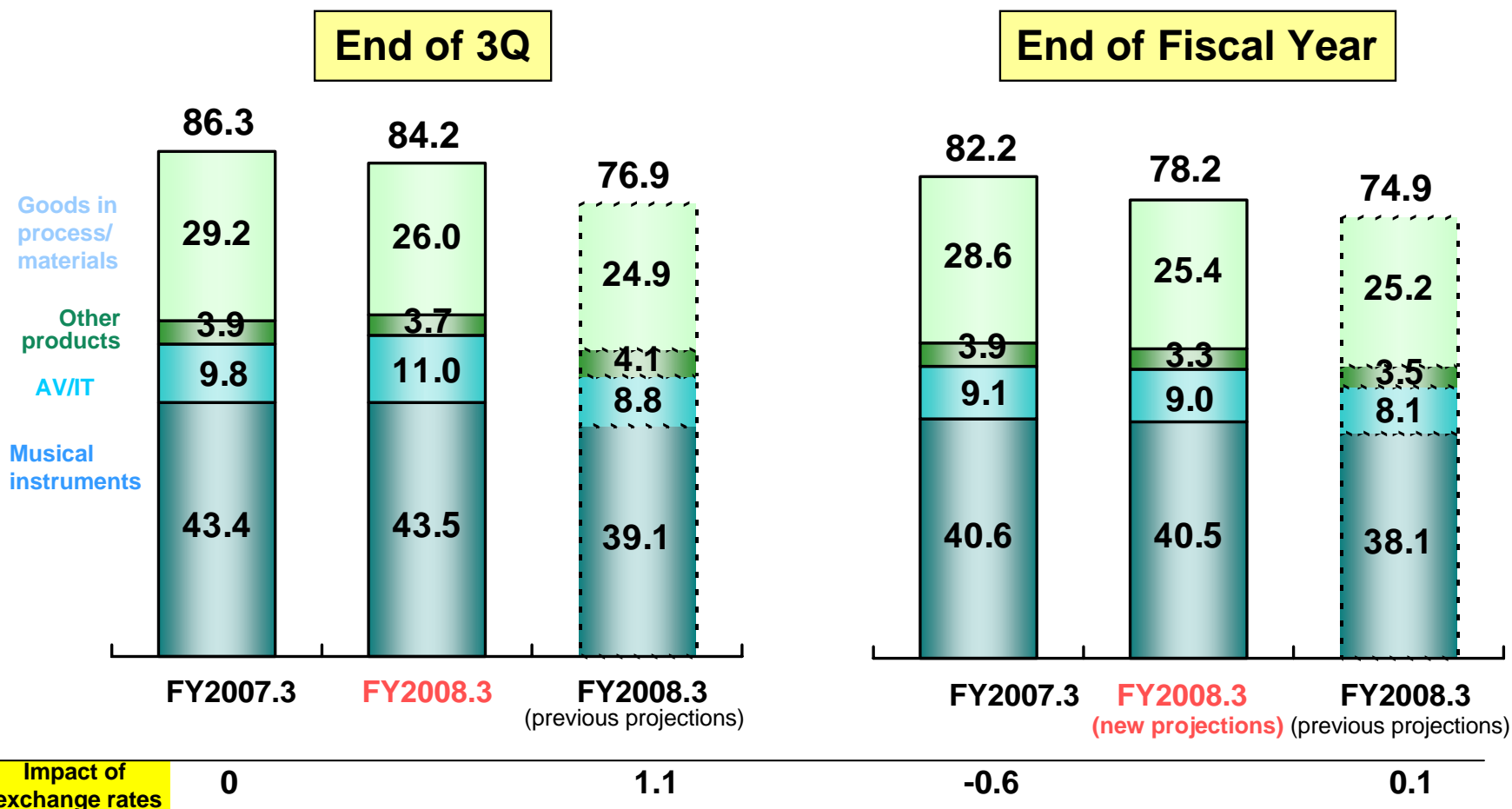


# Inventories



- Inventories at the end of 3Q were ¥2.1 billion lower than the same quarter of the previous year. (¥1.9 billion higher excluding inventory transferred as part of handover of electronic metals business)
- Discounting the effects of exchange rates, actual inventories were ¥6.2 billion higher than previous projections due to increased finished goods inventories of musical instruments and AV products resulting from sales targets not being met.

(Billions of yen)





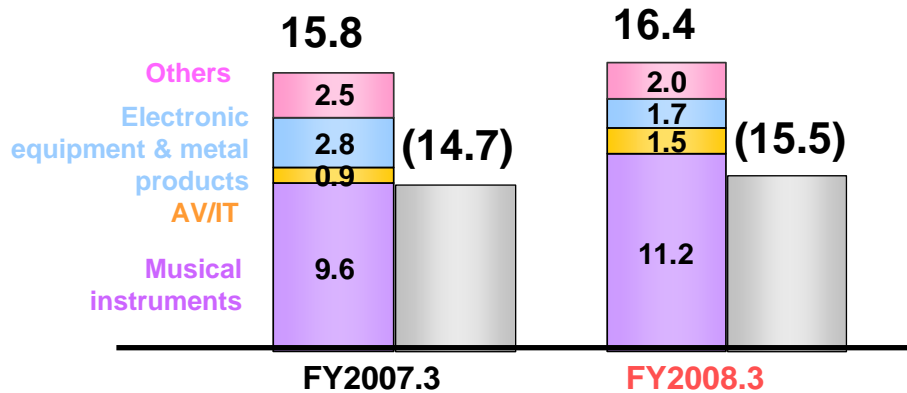
# Appendix

- **Capital Expenditure/Depreciation/R&D Expenses**
- **Balance Sheet Summary**
- **Third Quarter Non-Operating Income/Loss & Extraordinary Income/Loss**
- **Full Year Non-Operating Income/Loss & Extraordinary Income/Loss**
- **Yamaha Musical Instrument Sales in the Japanese Market**
- **Yamaha Musical Instrument Sales in the U.S. Market**
- **Yamaha Musical Instrument Sales in the German Market**
- **Yamaha Musical Instrument Sales in the Chinese Market**

# Capital Expenditure/Depreciation/R&D Expenses

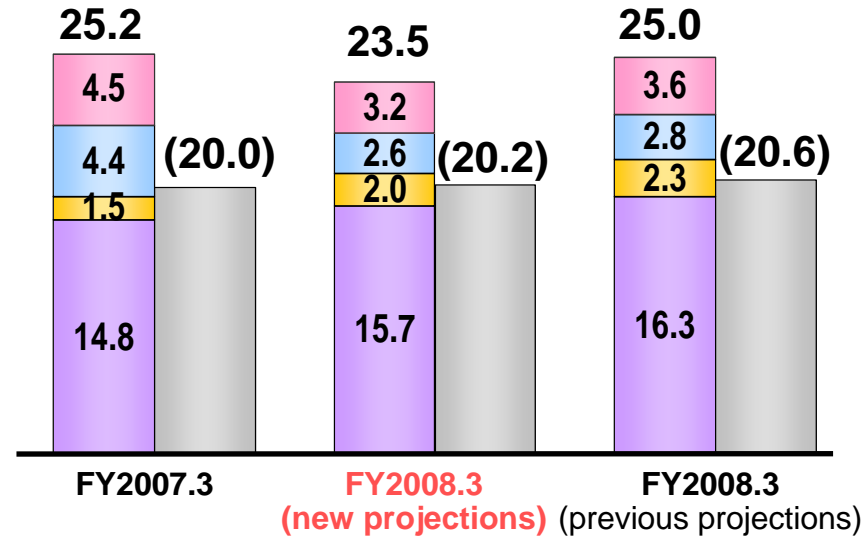
## Capital Expenditure (Depreciation)

1-3Q

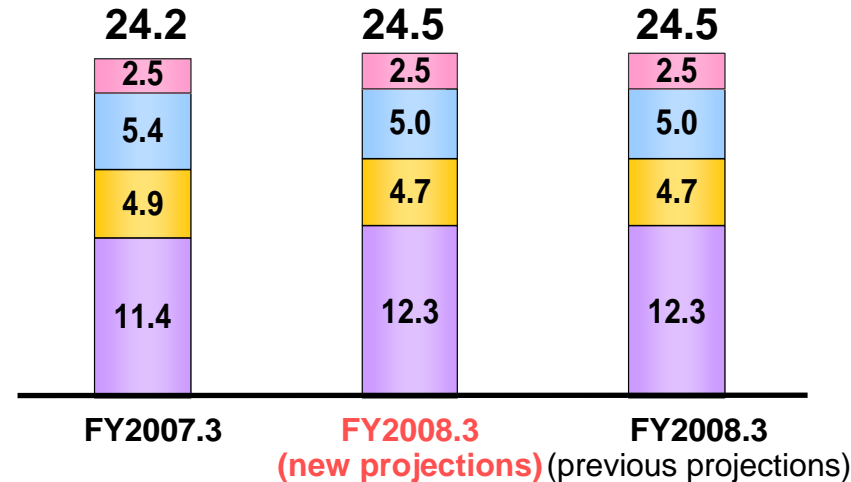
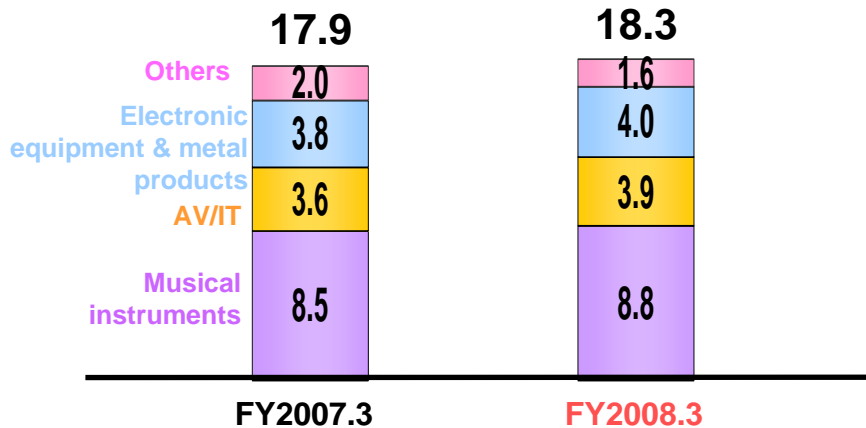


Full Year

(Billions of yen)



## R&D Expenditure



# Balance Sheet Summary



(Billions of yen)

	As of end of 3Q			Full year		
	As of Dec. 31, 2006	As of Dec. 31, 2007	Change	As of Mar. 31, 2007	As of Mar. 31, 2008	Change
Cash and bank deposits	34.9	101.9*	67.0	46.7	107.5*	60.8
Notes & accounts receivable	89.8	85.1	-4.7	76.6	70.5	-6.1
Inventories	86.3	84.2	-2.1	82.2	78.2	-4.0
Other current assets	26.6	30.4	3.8	25.5	27.4	1.9
Fixed assets	323.7	304.2	-19.5	328.0	306.0	-22.0
<b>Total assets</b>	<b>561.3</b>	<b>605.8</b>	<b>44.5</b>	<b>559.0</b>	<b>589.6</b>	<b>30.6</b>
Notes & accounts payable	42.5	38.3	-4.2	43.2	36.8	-6.4
Short- and long-term loans	35.2	30.5	-4.7	25.6	24.0	-1.6
Resort membership deposits	26.8	17.6	-9.2	26.7	16.7	-10.0
Other liabilities	104.6	138.9	34.3	112.1	140.4	28.3
<b>Total net assets</b>	<b>352.2</b>	<b>380.5</b>	<b>28.3</b>	<b>351.4</b>	<b>371.7</b>	<b>20.3</b>
<b>Total liabilities and net assets</b>	<b>561.3</b>	<b>605.8</b>	<b>44.5</b>	<b>559.0</b>	<b>589.6</b>	<b>30.6</b>

\* Balance of cash and bank deposits as of December 31, 2007 and as of March 31, 2008 includes ¥31.4 billion in negotiable deposits

# Third Quarter Non-Operating Income/Loss & Extraordinary Income/Loss



FY2007.3 (3Q) results		FY2008.3 (3Q) results	FY2008.3 (3Q) (previous projections)
			(Billions of yen)
<b>Non-operating income (loss)</b>			
Equity method income	3.6	0	0
Net financial income (loss)	-0.1	-0.1	-0.2
Other	-1.0	-0.4	-1.1
<b>Total</b>	<b>+2.5</b>	<b>-0.5</b>	<b>-1.3</b>
<b>Extraordinary income/loss</b>			
Income from (loss on) disposal of fixed assets	0	0.2	0.2
Other	-0.1	2.1	1.6
<b>Total</b>	<b>-0.1</b>	<b>+2.3</b>	<b>+1.8</b>
<b>Corporate income tax and other expenses</b>			
Corporate income tax, etc.	2.9	4.4	3.9
Minority interests in consolidated subsidiaries	0.2	0.2	0.1
<b>Total</b>	<b>3.1</b>	<b>4.6</b>	<b>4.0</b>

• Gain on sales of investment securities 2.2

# Full-Year Non-Operating Income/Loss & Extraordinary Income/Loss



	FY2007.3 results	FY2008.3 new projections	FY2008.3 (previous projections)
(Billions of yen)			
<b>Non-operating income (loss)</b>			
Equity method income	17.8	0.1	0.1
Net financial income (loss)	0.1	2.6	2.5
Other	-3.0	-3.2	-4.1
<b>Total</b>	<b>+14.9</b>	<b>-0.5</b>	<b>-1.5</b>
<b>Extraordinary income/loss</b>			
Income from (loss on) disposal of fixed assets	-1.1	0.8	0.7
Other	-8.4	29.2	28.8
<b>Total</b>	<b>-9.5</b>	<b>+30.0</b>	<b>+29.5</b>
<b>Corporate income tax and other expenses</b>			
Corporate income tax, etc.			
Minority interests in consolidated subsidiaries	4.7	23.3	22.9
	0.5	0.7	0.6
<b>Total</b>	<b>5.2</b>	<b>24.0</b>	<b>23.5</b>

• Yamaha Motor Co., Ltd. dividend 1.7

• Yamaha Motor Co., Ltd. dividend 1.7

• Gain on sale of shares in Yamaha Motor Co., Ltd. 27.8  
• Gain on sale of investment securities 2.2

• Resort impairment loss -4.7  
• Dissolution of overseas plants -3.2  
• Special retirement allowances -0.7

• Gain on sale of shares in Yamaha Motor Co., Ltd. 27.8

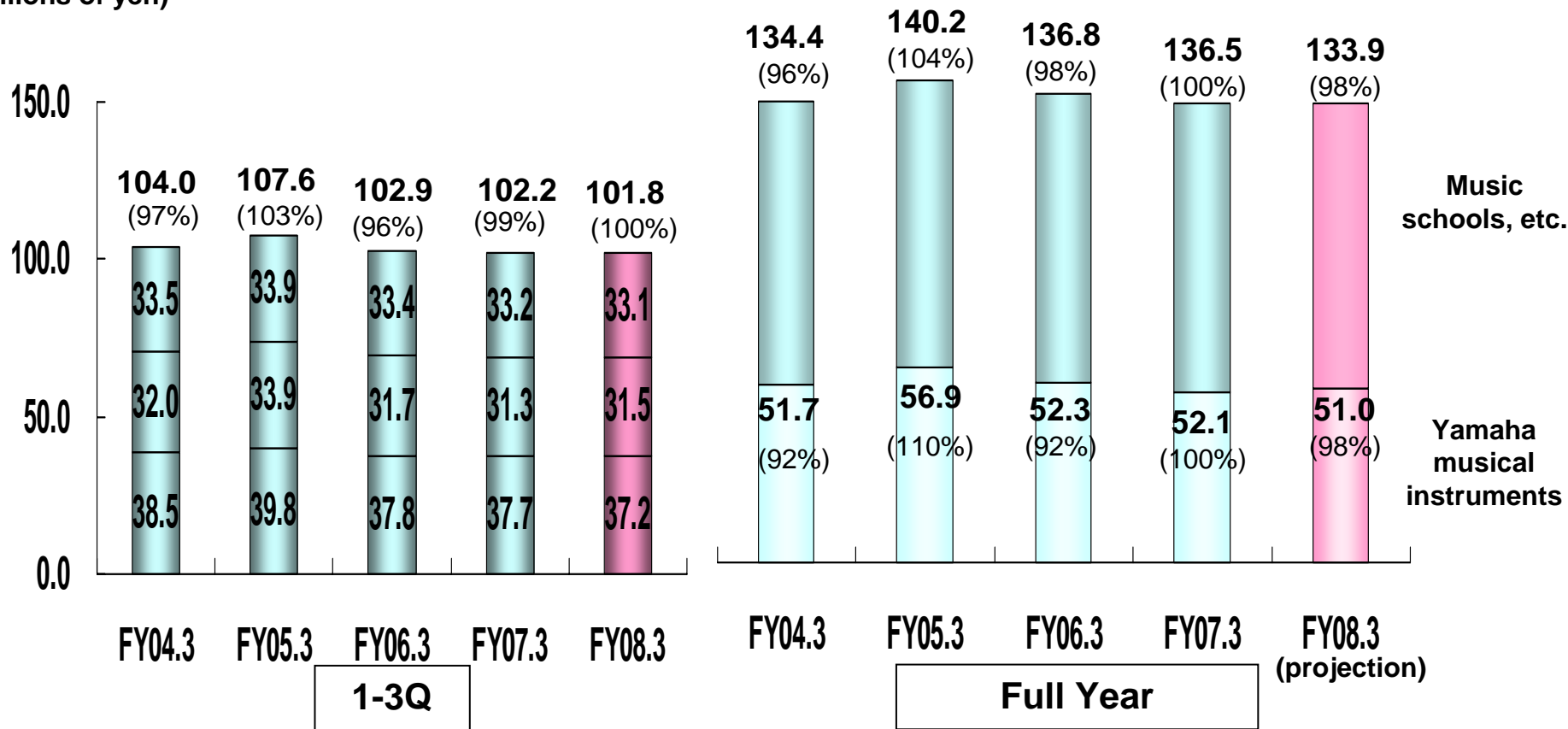
# Yamaha Musical Instrument Sales in the Japanese Market (Including Professional Audio Equipment)



Although sales of electronic musical instruments, wind instruments and professional audio equipment were robust, year-end sales failed to inject vitality into the market and sales figures were in line with the same period of the previous year. Music schools showed solid income.

Figures in parentheses are year-on-year comparisons

(Billions of yen)

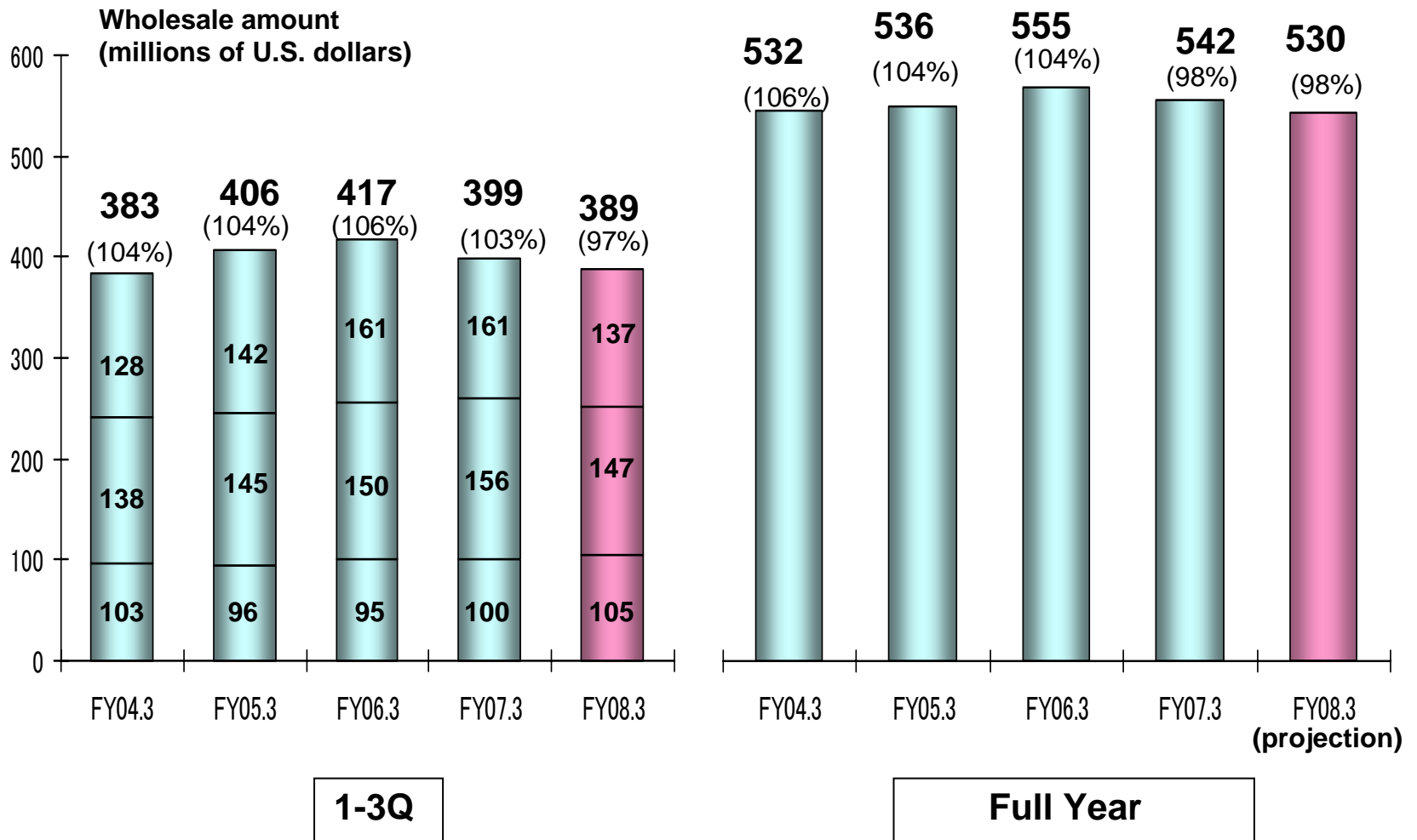




# Yamaha Musical Instrument Sales in the U.S. Market (Including Professional Audio Equipment)



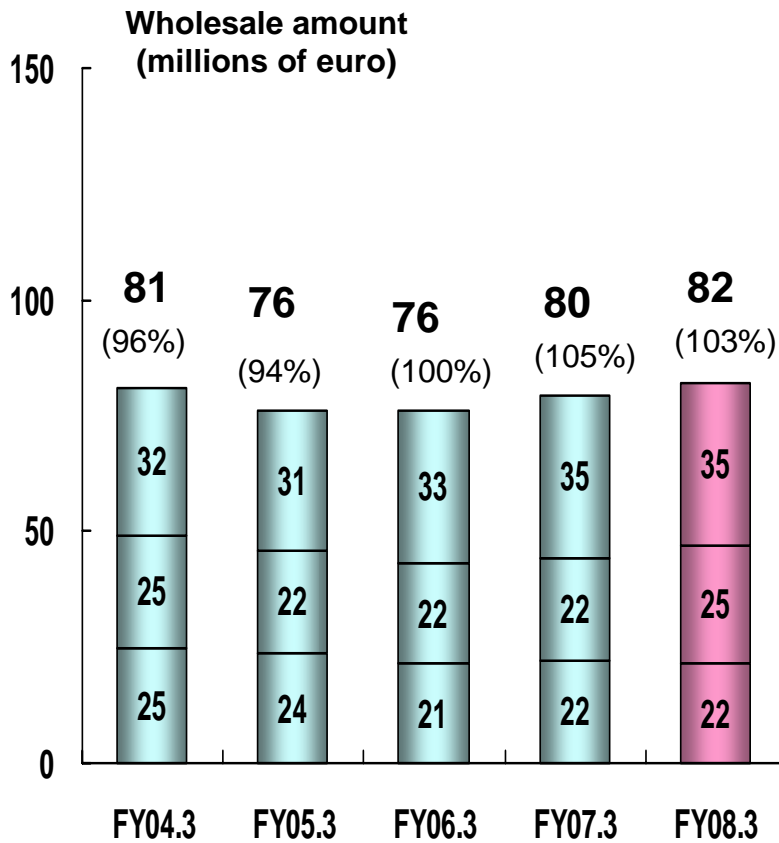
Year-end sales were subdued. Total sales for the first three quarters fell below the previous year's figure, partly due to considerably weaker demand in the piano market and weak sales among mass merchandisers. Strong sales of wind instruments and professional audio equipment could not make up for overall sales decline.



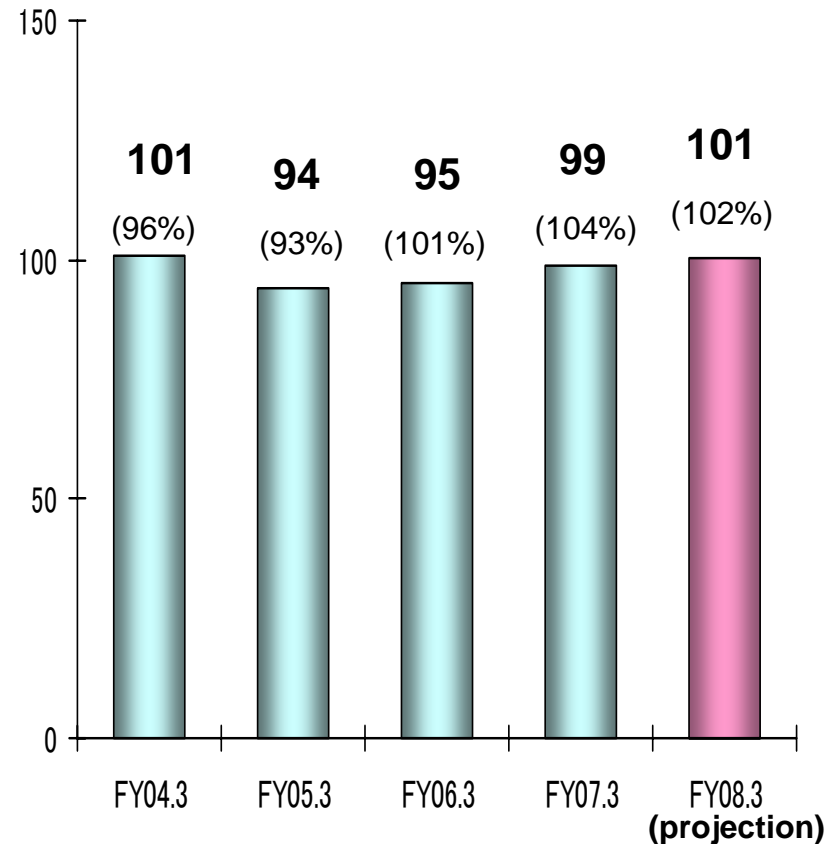
# Yamaha Musical Instrument Sales in the German Market (Including Professional Audio Equipment)



Although strong results were recorded in the first half, year-end sales were sluggish. The grand piano market stalled, but new upright piano products contributed to healthier results and sales of new digital piano products launched in the summer also grew. Strong sales of professional audio equipment continue.



1-3Q



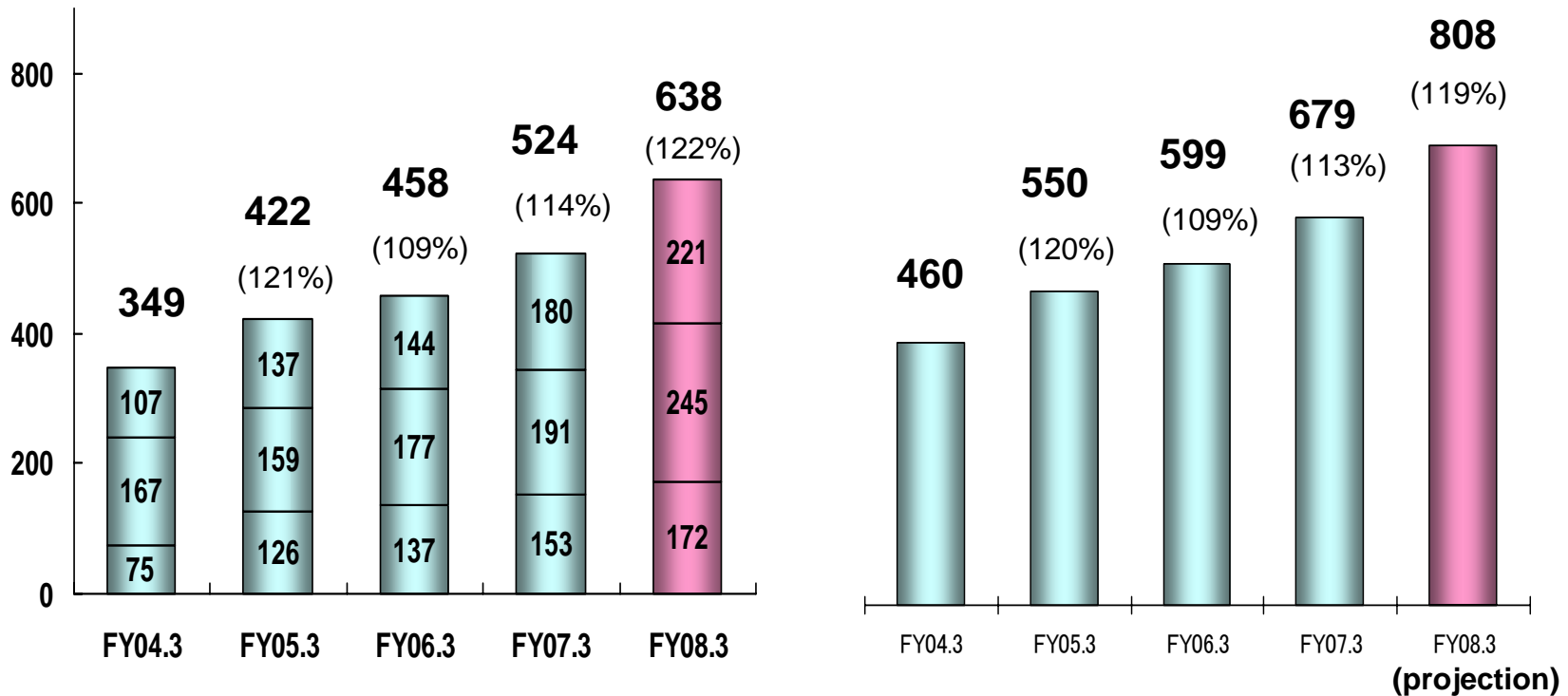
Full Year

# Yamaha Musical Instrument Sales in the Chinese Market (Including Professional Audio Equipment)



Pianos account for almost 50% of sales, and new locally-produced products sold well. Factors including progress in developing sales networks and screening of TV commercials are driving strong growth, sales of other musical instrument products are also expanding steadily, and as a whole double-digit growth continues.

Wholesale amount  
(millions of yuan)



1-3Q

Full Year

**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 the economic conditions surrounding our business, demand trends, and the value of key currencies, such as the U.S. dollar and the euro.**