

YAMAHA CORPORATION

Interim Flash Report

Consolidated Basis

Results for the FY2005 interim period ended September 30, 2004

November 2, 2004

Company name: YAMAHA CORPORATION
(URL <http://www.global.yamaha.com/english/ir/report/>)

Code number: 7951

Address of headquarters: 10-1, Nakazawa-cho, Hamamatsu, Shizuoka 430-8650, Japan

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Date of the interim meeting of the Board of Directors: November 2, 2004

Stock listings: Tokyo Stock Exchange (First Section)

The accounting methods used in this report are not consistent with U.S. standard accounting methods.

1. RESULTS FOR THE FY2005 INTERIM PERIOD (April 1, 2004 to September 30, 2004)

Figures of less than ¥1 million have been omitted.

(1) Consolidated Operating Results

	Net sales		Operating income		Recurring profit	
	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)	Millions of yen	(% change from the previous interim period)
FY2005 interim period (Ended September 30, 2004)	¥268,584	0.9	¥24,200	(8.4)	¥28,288	(4.9)
FY2004 interim period (Ended September 30, 2003)	266,290	4.9	26,416	101.6	29,756	109.0
FY2004 (Ended March 31, 2004)	539,506		45,056		51,036	

	Net income		Net income per share	Net income per share after full dilution
	Millions of yen	(% change from the previous interim period)	Yen	Yen
FY2005 interim period (Ended September 30, 2004)	¥(6,115)	—	¥(29.66)	¥
FY2004 interim period (Ended September 30, 2003)	26,258	160.6	127.38	117.52
FY2004 (Ended March 31, 2004)	43,541		210.63	196.01

- Notes: 1. Equity in net income of affiliates:
- | | |
|--|-----------------|
| FY2005 interim period ended September 30, 2004 | ¥5,603 million |
| FY2004 interim period ended September 30, 2003 | ¥5,257 million |
| FY2004 ended March 31, 2004 | ¥10,447 million |
2. Average number of outstanding shares during the period (consolidated):
- | | |
|--|--------------------|
| FY2005 interim period ended September 30, 2004 | 206,155,330 shares |
| FY2004 interim period ended September 30, 2003 | 206,140,030 shares |
| FY2004 ended March 31, 2004 | 206,146,221 shares |
3. Changes in method of accounting: YES

(2) Consolidated Financial Data

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2005 interim period (As of September 30, 2004)	¥524,656	¥253,635	48.3	¥1,230.33
FY2004 interim period (As of September 30, 2003)	536,376	242,558	45.2	1,176.57
FY2004 (As of March 31, 2004)	508,731	259,731	51.1	1,259.28

Note: Number of outstanding shares at the end of the period (consolidated):

FY2005 interim period as of September 30, 2004	206,153,318 shares
FY2004 interim period as of September 30, 2003	206,157,086 shares
FY2004 as of March 31, 2004	206,156,612 shares

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2005 interim period (Ended September 30, 2004)	¥ 7,823	¥ (10,203)	¥12,638	¥42,019
FY2004 interim period (Ended September 30, 2003)	10,687	(8,846)	(1,608)	42,808
FY2004 (Ended March 31, 2004)	58,349	(18,775)	(50,141)	31,245

(4) Matters Related to Consolidated Companies and Companies Accounted for Using the Equity Method

Number of consolidated subsidiaries: 86

Number of non-consolidated companies accounted for using the equity method: 0

Number of affiliated companies accounted for using the equity method: 2

(5) Changes in the Status of Consolidated Companies and Companies Accounted for Using the Equity Method

Consolidated companies:

Number of companies newly consolidated: 1

Number of companies removed from consolidation: 4

Equity method:

Number of companies newly accounted for using the equity method: 0

Number of companies removed from the equity method: 0

2. FORECAST OF RESULTS FOR FY2005 (April 1, 2004 to March 31, 2005)

	Net sales	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2005	¥546,500	¥42,500	¥19,500

Reference: Net income per share for the fiscal year is forecast to be ¥94.59 on a consolidated basis.

Forecast performance is predicted by the Company based on the information available at the time of the forecast. Actual performance may differ from forecasts. For further information, please see "Forecast for Fiscal 2005" under "BUSINESS RESULTS."

(References)

1. THE YAMAHA GROUP

The YAMAHA Group consists of YAMAHA CORPORATION in Japan, 106 subsidiaries and 15 affiliated companies and is involved in a wide range of businesses, including musical instruments, AV/IT products, lifestyle-related products, electronic equipment and metal products, recreation and other fields.

Our main products and main subsidiaries and affiliated companies, as well as their positioning, are as shown below. Furthermore, business divisions are the same as business segments.

Business segment	Major products & services	Major consolidated subsidiaries
Musical instruments	Pianos, Digital musical instruments, Wind instruments, String instruments, Percussion instruments, Educational musical instruments, Professional audio equipment, Soundproof rooms, Music schools, English schools, Content distribution, and Piano tuning	Yamaha Music Tokyo Co., Ltd., and 10 other domestic musical instruments sales subsidiaries Yamaha Corporation of America Yamaha Canada Music Ltd. Yamaha Music Holding Europa G.m.b.H. Yamaha Music Central Europa G.m.b.H Yamaha-Kemble Music (U.K.) Ltd. Yamaha Musique France S.A.S. P.T. Yamaha Music Manufacturing Asia Yamaha Music & Electronics (China) Co., Ltd. Tianjin Yamaha Electronic Musical Instruments, Inc.
AV/IT products	Audio products and IT equipment	Yamaha Electronics Marketing Corp. Yamaha Electronics Corporation, U.S.A. Yamaha Elektronik Europa G.m.b.H Yamaha Electronics Manufacturing (M) Sdn. Bhd. Yamaha Music & Electronics (China) Co., Ltd.
Lifestyle-related products	System kitchens, Bathrooms, Washstands, Furniture, and Parts for housing facilities	Yamaha Livingtec Corporation
Electronic equipment and metal products	Semiconductors and Specialty metals	Yamaha Kagoshima Semiconductor Inc. Yamaha Metanix Corporation
Recreation	Sightseeing facilities, Accommodation facilities, Ski resorts, and Sports facilities	Kiroro Associates, Inc., and 5 others
Others	Golf products, Automobile interior wood components, FA equipment, and Metallic molds and components	Yamaha Fine Technologies Co., Ltd.

Principal consolidated subsidiaries are recorded separately for each area of business in which they are engaged.

2. MANAGEMENT POLICY

(1) Basic Management Policy

YAMAHA CORPORATION aims to sustain its growth as a company that draws on its accumulated technologies and know-how in its core field of sound and music as it works together with people throughout the world to enrich culture and create *Kando**. To this end, the Company will expedite decision-making processes, work to create technological innovation, strengthen its capabilities for responding to rapidly changing markets, and meet customer needs through the development and provision of superior-quality products and services. In addition, YAMAHA will make effective use of its management resources, rationalize and improve the efficiency of its business practices, and secure a strong competitive position in the global marketplace. Furthermore, the Company is seeking to increase the transparency of its management, make certain that it can realize solid business performance, and accumulate and distribute earnings appropriately to ensure that it can meet the expectations of shareholders and investors. At the same time, the Company strives to act in accordance with the responsibilities of an exemplary corporate citizen by giving due consideration to safety and environmental protection and promoting its own rigorous compliance with relevant laws and regulations.

**Kando* is a Japanese word meaning the inspiration of hearts and minds.

(2) Basic Dividend Policy

Under its basic dividend policy, YAMAHA is working hard to strengthen its management base, increase return on equity, and pay regular, stable dividends. Internal capital reserves will be used to fund future business expansion, investment in R&D, and investment in plant and equipment with due consideration given to the Company's business results and financial condition.

(3) Goals and Management Targets

YAMAHA's new medium-term business plan drafted in February 2004 (covering the three fiscal years through FY2007) calls for the Company to, by fiscal 2007, attain the following consolidated performance figures: net sales of ¥590.0 billion, operating income of ¥50.0 billion, recurring profit of ¥52.0 billion, and net income of ¥34.0 billion. In addition, the plan aims to boost return on equity to 10% and effectively eliminate interest-bearing debt.

(4) Medium-to-Long-Term Management Strategies and Issues to be Faced

YAMAHA's new YSD50 medium-term business plan (YSD is an abbreviation of the slogan "YAMAHA Sustainable Development," while 50 symbolizes the Company's goal of boosting annual operating income to ¥50 billion and eliminating interest-bearing debt) calls for the Company to take various measures in line with the following three basic policies. The principal numerical targets of the plan are as described above.

1. Achieving Sustainable Development and Stable, High Earnings

The profitability of all businesses is to be strengthened, and a large expected increase in the profitability of musical instrument business will enable the entire YAMAHA Group to build a high-earnings structure.

a) Core Businesses

In musical instrument operations, the Company will (1) strengthen its planning, development, and marketing capabilities and thereby increase the added value of its products, (2) promote the growth of its professional audio equipment business as well as expansion in the Chinese market and become more dynamic in the Japanese market, and (3) emphasize progress in manufacturing reforms. In AV/IT operations, the Company will continue strengthening its home theater business and expanding router-related business solutions aimed at meeting the needs of enterprises and SOHO customers. In electronic equipment operations, the Company is striving to maintain a high share of global demand for mobile phone-use LSI sound chips and expand its operations in fields other than the supply of LSI chips for mobile phones. In the field of content/media, YAMAHA is steadily expanding its ringing melody distribution service business overseas and working to use portal sites to develop new businesses.

b) Other Businesses

In the lifestyle-related products segment, YAMAHA is endeavoring to establish a business model for the home renovation market and reduce its breakeven point. In the recreation segment, the Company is undertaking marketing programs that emphasize the distinctive characteristics of each facility while promoting measures to enable the facilities to differentiate themselves from competitors in the areas of cuisine, services, and other enjoyment options offered. In the golf business, the Company is raising the profile of its brand image through the establishment of the "New inpres" series of products. Regarding electronic metals, YAMAHA is endeavoring to lower the breakeven point and expand its copper connector business. In FA and metallic molds operations, the Company will emphasize measures to promote the profitability of its magnesium parts as well as to expand its business involving robots and other factory automation technologies. In automobile interior wood components operations, the Company will strengthen its cost-competitiveness through the implementation of manufacturing reforms and strive to develop business with additional customers.

c) Companywide Measures

Aiming to reduce costs by means of horizontally oriented reforms throughout its operations, YAMAHA is seeking to implement manufacturing reforms aimed at reducing procurement costs, production losses, and quality assurance related costs. YAMAHA also plans to rebuild its main information handling systems, reform its business processes based on the use of supply-chain management (SCM), rationalize operations throughout the Company, and enact various other reform measures.

2. Creating and Developing Innovative, High-Quality Products and Businesses

In each of its businesses, YAMAHA will emphasize efforts focused on the medium- and top-level segments of the relevant markets, thereby promoting its superior brand positioning and simultaneously developing additional demand through the concerted use of the Company's capabilities to create and market innovative products.

3. Emphasizing Corporate Social Responsibility (CSR)

Aiming to ensure that its corporate value and brand value can be expanded and developed on a sustained basis, YAMAHA is determined to fulfill its responsibilities regarding the business world, the natural environment, and society. At the same time, the Company is adjusting its management systems with an eye to promoting continual improvement in its fulfillment of those responsibilities.

(5) Corporate Governance

Basic Stance Regarding Corporate Governance

Yamaha regards strengthening its corporate governance systems as one of its most important management issues and is actively involved in strengthening these initiatives.

To continually develop its corporate and brand value, Yamaha is working to fulfill its economic, environmental, and social responsibilities by drawing on its accumulated technologies and know-how in its core field of sound and music as it works together with people throughout the world to enrich culture and create *Kando*.

Yamaha is endeavoring to improve its management organizational systems and frameworks as well as implement the necessary measures to achieve these objectives. In addition, Yamaha's basic stance regarding its corporate governance is that taking initiatives to achieve transparency in management through timely disclosure of information is essential.

Implementation of Corporate Governance Measures

a) Basic Outline of Yamaha's Governance Structure

DIRECTORS AND THE BOARD OF DIRECTORS

Yamaha's Board of Directors had eight members as of September 30, 2004, including two representative directors and one outside director. In principle, the Board meets once a month.

The Board has overall responsibility for formulating strategies of the Yamaha Group, decision-making, monitoring of business execution in Company divisions, providing guidance, and performing other managerial functions. Yamaha has introduced the Executive Officer System in order to clearly distinguish overall management functions from direct execution and implement of business activities at the divisional level and is working to strengthen its corporate governance functions centered around the Board of Directors.

AUDITORS AND THE BOARD OF AUDITORS

Yamaha has adopted the corporate auditor system, and its Board of Auditors has four members, including two outside auditors. In principle, the Board of Auditors meets once a month and formulates its plans for periodic and comprehensive auditing of executive divisions and Group companies. Members of the Board of Auditors also attend the Executive Council and other important meetings.

The Board of Auditors is also responsible for working closely with the Company's independent auditors and receives periodic progress reports on the auditing of the financial statements from them to ensure the appropriateness of the auditing process.

In addition, to secure the necessary environment for effective corporate auditing, the Board of Auditors has established a Corporate Auditors Office as an administrative team for auditors.

MANAGEMENT MEETING

To discuss management issues on an ongoing basis and achieve consensus of opinion among members of management, Yamaha has formed the Executive Council, which, in principle, meets twice a month. Members of the Council are managing directors and a senior executive officer, and meetings of the Council are attended by a representative of the Board of Auditors.

EXECUTIVE OFFICERS

Yamaha introduced the Executive Officer system in February 2001 with the objectives of strengthening consolidated Group management functions and accelerating management decision-making. To enable members of the Board of Directors and Executive Officers to perform their duties to the best of their abilities, the Company has clearly delineated the respective roles and functions of Directors and Executive Officers. In addition, the execution of business activities in principle is conducted by Executive Officers. There are twelve Executive Officers, comprising one Senior Executive Officer and 11 Executive Officers.

COMPANYWIDE GOVERNANCE COMMITTEE

In June 2004, Yamaha formed the Companywide Governance Committee, comprised of the Compliance Committee, the Corporate Social Responsibility (CSR) Committee, and the Corporate Officer Personnel Committee.

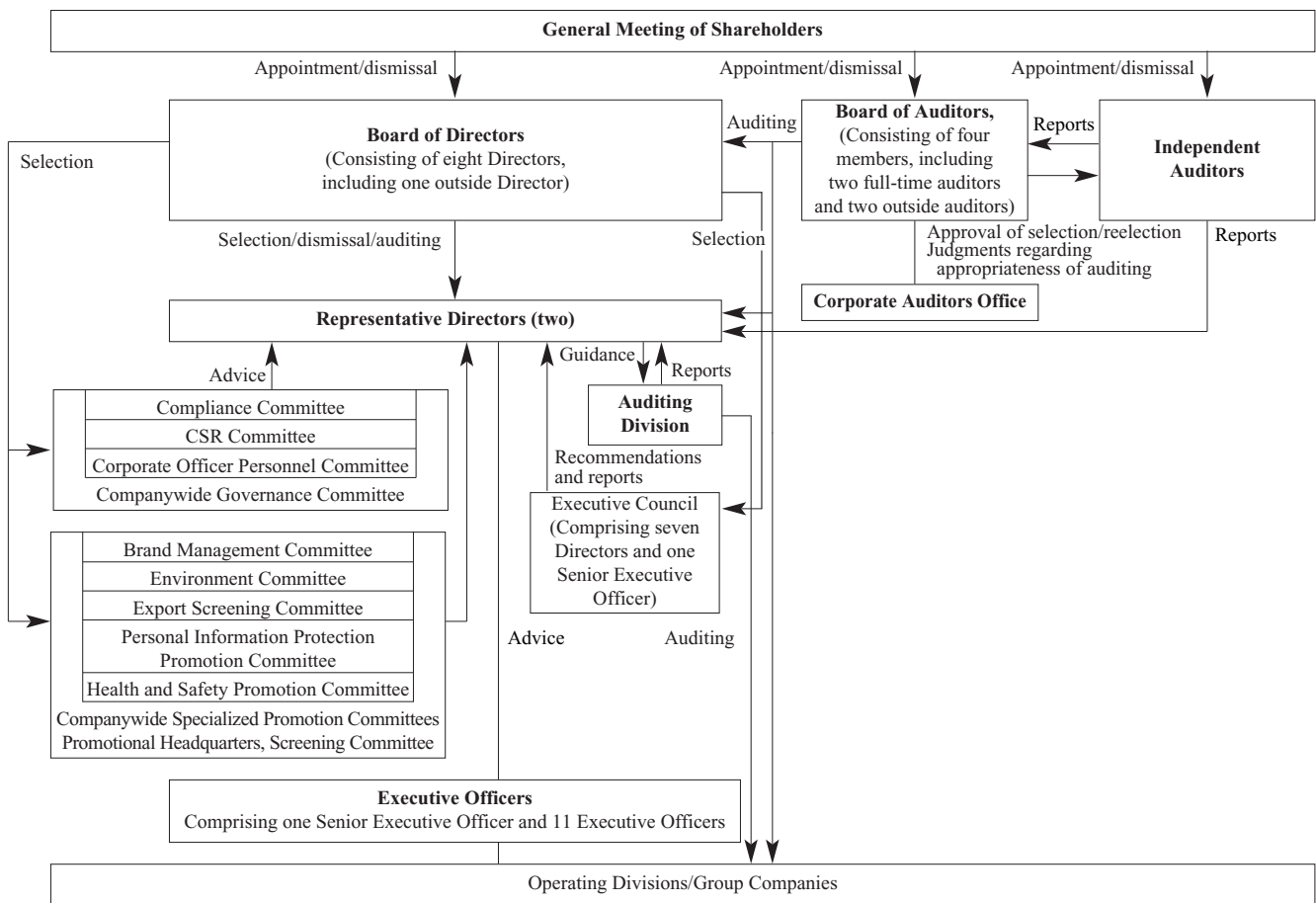
The Compliance Committee conducts activities on a Companywide basis to promote the fulfillment of social responsibilities and compliance with laws and regulations.

The CSR Committee carries out activities to promote voluntary activities that contribute to society with the objective of pursuing achievement of autonomously established standards beyond those required by the law.

The Corporate Officer Personnel Committee is responsible for discussing the selection of candidates for the positions of Director, Auditor, and Executive Officer and thereby increasing the transparency and fairness of the process for selection of management candidates appointed to these positions. In addition, the Corporate Officer Personnel Committee is responsible for considering programs for nurturing future candidates for management positions and management compensation.

b) Outline of Yamaha's Governance Structures and Internal Control Systems

An outline of the Company's corporate governance and internal control systems is shown below.



c) Current State of Risk Management Systems

Yamaha deals with the various risks that may arise in its operations by establishing flexible and optimal systems appropriate to the magnitude of potential impact on management by creating risk management systems suited to the risks it may confront. These range from systems for response for those with different scopes of responsibility to establishing a Companywide risk management structure.

In addition, the Company has formed an Auditing Division that reports directly to the President and Representative Director to consider and evaluate systems for management and operation throughout the Company's activities and the legality and rationality of the conduct of the Company's activities. This office is responsible for providing information based on its deliberations as well as advice and proposals for improvement. By remaining in close contact and conducting discussions with the Company's auditors and external auditors, the Auditing Division is working to enhance the efficiency of the auditing process.

The committees related to risk management are as follows.

COMPLIANCE COMMITTEE

To ensure compliance in the Company's operations, Yamaha formed a Compliance Committee in January 2003. This committee has a Groupwide implementation system that aims to realize adherence with the Company's corporate principles through the promotion of compliance with laws and regulations as well as internal rules, while conducting deliberations and making decisions regarding matters related to improvements in corporate ethics. Specific activities include the preparation of a compliance guide and the implementation of training programs to enhance awareness of compliance among all Group personnel, including Directors. The Committee has also established a compliance help line.

BRAND MANAGEMENT COMMITTEE

The functions of this committee include determining the appropriateness of the display of the YAMAHA brand and preparation of guidelines for brand management with the aim of building and defending the value of the YAMAHA brand.

ENVIRONMENT COMMITTEE

The roles of this committee include taking proactive initiatives in relation to environmental issues, ensuring compliance with environmental legislation, and preventing environmental pollution that may arise from the Company's business activities.

EXPORT SCREENING COMMITTEE

This committee was formed to ensure compliance with laws that forbid the proliferation of weapons of mass destruction and the preparation of the Company's Export Management Regulations, which are intended to ensure the appropriate conduct of export activities. The committee's activities also include promoting the awareness of these regulations and the supervision of their implementation.

PERSONAL INFORMATION PROTECTION PROMOTION COMMITTEE

Yamaha has established its Personal Information Protection Promotion Committee with the objectives of creating fundamental policies and appropriate rules for administration systems and management methods related to the protection of personal information held throughout the Company (including domestic Group companies) as well as taking measures to ensure related legal compliance and the prevention of information leaks and similar incidents. The committee also is responsible for coordinating activities between different departments, resolving problems that affect multiple departments, and planning and implementing related educational and training programs.

HEALTH AND SAFETY PROMOTION COMMITTEE

This committee works constantly to implement measures to prevent the occurrence of disasters and accidents to ensure the safety of employees, customers, and other related parties and to develop comprehensive measures to deal with disasters and other contingencies after they occur.

This committee has appointed six divisional heads by area, namely the Labor Safety Committee Chairperson, the Disaster Policy Chairperson, Companywide Traffic Safety Chairperson, the Health and Wellness Chairperson, the Office Safety and Sanitation Chairperson, and the Overseas Safety Chairperson.

d) Summary of Potential Conflicts of Interest Including Relationships between the Company and its Outside Directors and Outside Auditors as well as Capital and Transactions Relationships

As of September 30, 2004, the Company had one outside member on its Board of Directors and two outside members on its Board of Auditors.

Toru Hasegawa, the outside member of the Board of Directors, also serves as the President and Representative Director of Yamaha Motor Co., Ltd., an affiliate of the Company.

Naomoto Ohta, one of the standing outside auditors, resigned as an employee of the Company in June 1994, and has held the position of auditor of the Company from that time to the present. Kunio Miura, the other outside auditor is a lawyer and has no personal, capital, or transactional relationship with the Company that might give rise to a conflict of interest.

e) Initiatives over the Past Year toward Improving the Company's Corporate Governance

During the one-year period from October 1, 2003, to September 30, 2004, the Board of Directors met 13 times and the Executive Council 23 times to decide on necessary operating matters and consider important management issues. The Board of Auditors met 16 times during this same period to consider ways of improving its capabilities for monitoring and auditing such matters as the state of compliance promotion initiatives; systems and the operation of systems for disaster and safety management; quality management; systems and the operation of systems for product liability management; and systems and the operation of systems for information risk management. Moreover, the Board of Auditors prepared a schedule for and conducted periodic audits of business divisions and subsidiaries.

In addition, regarding the Companywide Governance Committee, the Management Appointments Committee convened and selected two new Executive Officers and conducted continuing deliberations related to compensation for Directors. Moreover, the Compliance Committee worked to enhance its activities by responding to issues raised by calls to the compliance help line, expanding compliance activities related to outside employees, and making decisions regarding the compliance promotion activities section of the Yamaha website. In April 2004, the Company launched the CSR Committee, which, as a Companywide committee, will be responsible for the area of social contributions that the Company will undertake on a voluntary basis.

Regarding Companywide Specialized Promotion Committees, Promotional Headquarters, and Screening Committees, in September 2004, Yamaha established its Companywide Personal Information Protection Promotion Committee with the objective of taking various measures to prepare for Japan's Personal Information Protection Law, which is scheduled to take effect in 2005, as well as to ensure that the appropriate protection of personal information after the law takes effect.

3. BUSINESS RESULTS

(1) Fiscal 2005 Interim Summary

During the interim period under review, the Japanese economy was firm owing to such factors as a rise in private-sector capital investment against the backdrop of a gradual recovery in personal consumption and growth in exports and manufacturing production. Overseas, economic expansion was sustained in the United States and Asian countries, and economic recovery was seen in Europe. In the latter half of the interim period, however, concerns increased regarding such issues as the impact on the global economy of surging oil prices and the possibility of measures to prevent economic overheating in China.

Amid these conditions, YAMAHA began implementing its YSD50 medium-term business plan, which covers the three years beginning from the fiscal year under review, by proactively taking measures with respect to various management issues while placing particular emphasis on building a profit structure that enables the Group to maintain stable and high levels of profitability.

Regarding sales conditions, sales were up from the interim period of the previous fiscal year in the musical instruments segment, AV/IT segment, and electronic equipment and metal products segment. Sales in the lifestyle-related products segment, recreation segment, and others segment were below the levels in the interim period of the previous fiscal year.

As a result, total consolidated interim net sales amounted to ¥268,584 million, up 0.9% from the interim period of the previous fiscal year. Of this, domestic sales totaled ¥163,778 million, up 1.2%, and overseas sales were ¥104,805 million, up 0.3%.

Regarding income, operating income decreased 8.4%, to ¥24,200 million, while recurring profit declined 4.9%, to ¥28,288 million. Owing to the accelerated application of impairment accounting for the fixed assets, however, an interim net loss of ¥6,115 million was recorded, compared with interim net income of ¥26,258 million in the previous period.

Results by business segments was as follows:

MUSICAL INSTRUMENTS

Sales of musical instruments grew slightly, as a decrease in North America was more than offset by increases in Japan and China. Sales of pianos were slack in North America, and the trend of declining demand in Japan led to a decrease in total sales of pianos. Sales of electronic instruments increased owing to the popularity of new Electone “STAGEA™” products in Japan. Sales of wind, string, and percussion instruments were approximately unchanged.

In the field of music education, the trend of decline in enrollment of children in music schools appeared to be ending, and revenue from schools for adult students continued rising smoothly. Revenue from English-language classrooms were approximately unchanged.

Regarding YAMAHA's ringing melody distribution services, revenue slightly increased due to growing overseas markets.

Due to these factors, segment sales amounted to ¥151,165 million, a 1.4% increase from the interim period of the previous fiscal year, and operating income totaled ¥9,895 million, up 2.1% from the interim period of the previous fiscal year.

AV/IT PRODUCTS

In audio products, sales of AV receivers and home theater systems were strong in North America and Europe, and total sales of audio products increased. In information and communications equipment, sales of enterprise-use routers surged greatly.

Consequently, segment sales totaled ¥36,818 million, a 8.3% increase from the interim period of the previous fiscal year, and operating income advanced 70.5%, to ¥2,436 million.

LIFESTYLE-RELATED PRODUCTS

Amid intensifying competition, sales of YAMAHA's principal system baths and kitchens were slack, and newly launched products also faced challenging conditions, causing overall sales of such products to decline.

Thus, segment sales totaled ¥21,214 million, down 8.5% from the interim period of the previous fiscal year, and an operating loss of ¥115 million was recorded, compared with operating income of ¥1,105 million in the interim period of the previous fiscal year.

ELECTRONIC EQUIPMENT AND METAL PRODUCTS

In semiconductors, sales of YAMAHA LSI sound chips for mobile phones increased owing to the continued strong demand in Asian markets. Profits from these products, however, decreased due to a declining profit margin. Sales of electronic metals products also increased, reflecting robust sales of products for use in IT equipment and digital home appliances.

As a result, segment sales totaled ¥38,379 million, a 5.5% increase from the interim period of the previous fiscal year, although operating income decreased 6.8%, to ¥13,192 million.

RECREATION

Amid harsh conditions in the domestic travel market, a hot summer and fierce typhoons decreased the number of recreation facility customers along with the revenues of those facilities. To increase management efficiency, a recreation business subsidiary, Kiroro Development Corporation, was absorbed by the parent Company on July 1, 2004.

Due to these factors, segment sales totaled ¥9,413 million, a 8.6% decrease from the interim period of the previous fiscal year, and an operating loss of ¥1,154 million was recorded, compared with an operating loss of ¥464 million in the interim period of the previous fiscal year.

OTHERS

Domestic sales of golf products continued to be strong, but a decrease in exports kept overall sales of golf products to approximately the same level as in the interim period of the previous fiscal year. Sales of FA products and metallic molds declined, reflecting lower sales of magnesium components for mobile phones due to inventory adjustments among mobile phone makers. Sales of automobile interior wood components also declined.

Consequently, segment sales amounted to ¥11,592 million, a 12.9% decrease from the interim period of the previous fiscal year, and an operating loss of ¥54 million was recorded, compared with operating income of ¥493 million in the interim period of the previous fiscal year.

Results by Region were as follows:

In Japan, sales totaled ¥171,530 million, up 1.4% from the interim period of the previous fiscal year, and operating income surged 8.2%, to ¥23,275 million. In North America, sales decreased 3.2%, to ¥39,212 million, and operating income declined 1.2%, to ¥1,999 million. In Europe, sales increased 2.0%, to ¥38,894 million, although operating income decreased 2.6%, to ¥2,232 million. In the Asia, Oceania, and Other region, sales grew 2.4%, to ¥18,947 million, and operating income advanced 7.1%, to ¥2,796 million.

(2) Forecast for Fiscal 2005

For the full fiscal year ending March 31, 2005, the Company is forecasting expansion in its musical instruments and AV/IT products businesses, but conditions surrounding the market for LSI sound chips for mobile phones and conditions in certain other businesses are uncertain. In view of these circumstances, for the fiscal year ending March 2005, the Company is forecasting net sales of ¥546.5 billion (an increase of 1.3% over the previous fiscal year), recurring income of ¥42.5 billion (a decline of 16.7%), and net income of ¥19.5 billion (a decline of 55.2%).

2. FINANCIAL POSITION

(1) Interim Period Cash Flows

The net increase in cash and cash equivalents at the end of the interim period was ¥11,112 (compared with a ¥603 million net decrease in the interim period of the previous year), and cash and cash equivalents at end of period amounted to ¥42,019 million.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities totaled ¥7,823 million, compared with ¥10,687 million in the interim period of the previous year. This reflected the recording of ¥4,281 million in loss before income taxes and minority interests (compared with ¥28,719 million in income before income taxes and minority interests in the interim period of the previous year), which was somewhat compensated for by the recording of losses of ¥32,549 million on the impairment of fixed assets.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities, primarily for capital investments, amounted to ¥10,203 million, compared with ¥8,846 million in the interim period of the previous year.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided by financing activities totaled ¥12,638 million, compared with ¥1,608 million of net cash used in investing activities in the interim period of the previous year, primarily due to short-term borrowings.

Trends in Cash-Flow Indicators

	FY2003 interim period	FY2004 interim period	FY2005 interim period	FY2003	FY2004
Equity ratio	39.3%	45.2%	48.3%	41.8%	51.1%
Equity ratio based on current market prices	45.4%	81.3%	65.9%	53.7%	78.8%
Debt redemption period (years)	—	—	—	2.8 years	0.9 year
Interest coverage ratio	—	13.0	18.3	16.0	36.9

(Calculation Methods)

Equity ratio = shareholders' equity ÷ total assets

Equity ratio based on current market prices = total market value of common stock ÷ total assets

Debt redemption period (years) = interest-bearing debt ÷ net cash provided by operating activities (Not recorded for the interim period)

Interest coverage ratio = net cash provided by operating activities ÷ interest payments

Notes:

- All indicators are calculated based on consolidated financial figures.
- Interest-bearing debt includes all balance-sheet debt for which interest payments are being made.
- Figures for net cash provided by operating activities and interest payments are those from the consolidated statement of cash flows.
- The interest coverage ratio for the interim period ending September 30, 2002, is not presented herein because cash flows from operating activities were negative.

(2) Forecast for Fiscal 2005

OUTLOOK FOR THE FULL FISCAL YEAR

During the fiscal year ending March 31, 2005, cash flows provided by operations are expected to decline. Regarding cash flows used in investing activities, the Company is expected to increase its capital investments, and, regarding cash flows from financing activities, the Company is scheduled to repay certain of its borrowings.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

The forward-looking statements in this flash report contain inherent risks and uncertainties insofar as they are based on future projections and plans that may differ materially from the actual results achieved.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	FY2005 interim period (as of Sept. 30, 2004)	FY2004 interim period (as of Sept. 30, 2003)	FY2004 (as of Mar. 31, 2004)
ASSETS			
Current assets:			
Cash and bank deposits	¥ 42,521	¥ 44,248	¥ 32,053
Notes and accounts receivable	88,057	91,034	81,114
Marketable securities	1,250	850	1,150
Inventories	89,407	86,493	72,146
Deferred income taxes	17,361	11,061	12,291
Other current assets	6,075	5,549	5,337
Allowance for doubtful accounts	(2,226)	(2,421)	(2,389)
Total current assets	242,447	236,815	201,704
Fixed assets:			
Tangible assets			
Buildings and structures	44,571	66,371	66,524
Machinery and equipment	22,240	21,015	20,591
Tools, furniture and fixtures	13,424	12,093	13,211
Land	64,288	76,776	75,362
Construction in progress	1,639	2,317	2,978
Total tangible assets	146,164	178,574	178,667
Intangible assets	1,068	1,081	944
Investments and other assets			
Investment securities	103,599	91,173	101,017
Deferred income taxes	22,427	21,029	17,379
Other assets	10,170	8,991	10,102
Allowance for doubtful accounts	(1,220)	(1,290)	(1,083)
Total investments and other assets	134,977	119,904	127,415
Total fixed assets	282,209	299,560	307,026
Total assets	¥524,656	¥536,376	¥508,731

Note: Figures of less than ¥1 million have been omitted.

	Millions of yen		
	FY2005 interim period (as of Sept. 30, 2004)	FY2004 interim period (as of Sept. 30, 2003)	FY2004 (as of Mar. 31, 2004)
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 47,088	¥ 42,524	¥39,947
Short-term loans	35,302	34,150	16,711
Convertible bonds scheduled for redemption within one year	—	24,317	—
Current portion of long-term debt	26,612	4,333	7,388
Accrued expenses	39,575	37,379	45,888
Income taxes payable	9,704	—	2,492
Various reserves	3,687	3,026	3,065
Other current liabilities	7,229	11,352	8,101
Total current liabilities	169,200	157,083	123,596
Long-term liabilities:			
Long-term debt	3,746	28,134	24,772
Deferred income taxes on land revaluation	14,353	13,568	13,569
Accrued employees' retirement benefits	47,433	52,456	50,012
Directors' retirement benefits	890	877	939
Long-term deposits received	29,581	36,137	30,799
Other long-term liabilities	1,839	1,812	1,798
Total long-term liabilities	97,845	132,987	121,891
Total liabilities	267,046	290,071	245,488
MINORITY INTERESTS	3,974	3,746	3,511
SHAREHOLDERS' EQUITY			
Common stock	28,534	28,533	28,534
Capital surplus	40,054	40,052	40,054
Earned surplus	188,658	187,983	203,485
Reserve for land revaluation	22,088	15,417	15,866
Net unrealized holding gains on other securities	8,806	5,473	10,979
Translation adjustments	(34,244)	(34,660)	(38,937)
Treasury stock, at cost	(262)	(242)	(252)
Total shareholders' equity	253,635	242,558	259,731
Total liabilities and minority interests and shareholders' equity	¥524,656	¥536,376	¥508,731

Note: Figures of less than ¥1 million have been omitted.

(2) Consolidated Statement of Operations

	FY2005 interim period (April 1, 2004– Sept. 30, 2004)		FY2004 interim period (April 1, 2003– Sept. 30, 2003)		FY2004 (April 1, 2003– Mar. 31, 2004)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	¥268,584	100.0	¥266,290	100.0	¥539,506	100.0
Cost of sales:	165,747	61.7	164,416	61.7	338,057	62.7
Gross profit	102,837	38.3	101,873	38.3	201,449	37.3
Unrealized profit	130		95		244	
Total gross profit	102,968	38.3	101,969	38.3	201,693	37.4
Selling, general and administrative expenses:						
Sales commissions	1,243		1,188		2,470	
Transport expense	6,862		6,510		13,266	
Advertising and sales promotion expenses	11,727		10,222		22,424	
Various reserves	4,667		5,123		9,726	
Personnel expenses	31,483		31,005		63,352	
Rent	1,846		1,746		3,430	
Depreciation and amortisation	2,638		2,398		4,762	
Other	18,298		17,355		37,201	
Total selling, general and administrative expenses	78,767	29.3	75,552	28.4	156,637	29.0
Operating income	24,200	9.0	26,416	9.9	45,056	8.4
Non-operating income:						
Interest received	158		150		281	
Dividends received	333		212		257	
Equity in earnings of unconsolidated subsidiaries and affiliates	5,603		5,257		10,447	
Other	863		936		1,853	
Total non-operating income	6,959	2.6	6,557	2.5	12,841	2.4
Non-operating expenses:						
Interest paid	445		783		1,535	
Cash discounts	1,923		2,096		4,378	
Other	503		338		948	
Total non-operating expenses	2,871	1.1	3,217	1.2	6,861	1.3
Recurring profit	28,288	10.5	29,756	11.2	51,036	9.5
Other profit:						
Gain on sale of fixed assets	208		78		123	
Reversal of allowances	184		94		343	
Gain on sale of investment securities	198		20		5	
Gain on sale of stock in subsidiaries	—		—		14	
Gain on liquidation of subsidiaries	—		—		126	
Total other profit	592	0.2	193	0.1	613	0.1
Other loss:						
Loss on removal of fixed assets	605		549		2,420	
Loss on impairment of fixed assets	32,549		—		—	
Loss from revaluation on investment securities	4		19		110	
Loss on revaluation of stock in subsidiaries	2		67		393	
Structural reform expenses	—		252		6	
Fines and penalties	—		341		339	
Social insurance fees for previous years payable upon transition to comprehensive remuneration system	—		—		922	
Total other loss	33,161	12.3	1,230	0.5	4,193	0.8
Loss (income) before income taxes and minority interests	(4,281)	(1.6)	28,719	10.8	47,456	8.8
Current income taxes (benefit)	9,198	3.4	2,321	0.9	4,769	0.9
Deferred income taxes (benefit)	(7,722)	(2.8)	(164)	(0.1)	(1,387)	(0.3)
Minority interests	358	0.1	303	0.1	532	0.1
Net loss (income)	¥ (6,115)	(2.3)	¥ 26,258	9.9	¥ 43,541	8.1

Note: Figures of less than ¥1 million have been omitted.

(3) Retained Earnings

	Millions of yen					
	FY2005 interim period (April 1, 2004– Sept. 30, 2004)		FY2004 interim period (April 1, 2003– Sept. 30, 2003)		FY2004 (April 1, 2003– Mar. 31, 2004)	
CAPITAL SURPLUS						
Balance at beginning of period:						
Capital reserve		¥ 40,054		¥ 40,052		¥ 40,052
Increase in capital surplus						
Conversion of convertible bonds	¥ —	—	¥ —	—	¥ 1	1
Balance at end of period		40,054		40,052		40,054
EARNED SURPLUS						
Balance at beginning of period		203,485		162,344		162,344
Additional earned surplus:						
Net income	—		26,258		43,541	
Effect of change in scope of consolidation	—		545		545	
Effect of change in interests in subsidiaries	—		109		—	
Reversal of reserve for land revaluation resulting from interest change in subsidiaries	162		—		569	
Increase from accounting period changes of consolidated subsidiaries	—	162	64	26,977	64	44,721
Deduction from earned surplus:						
Cash dividends paid	2,063		1,031		2,063	
Bonuses to directors and statutory auditors	121		82		82	
Net loss	6,115		—		—	
Effect of change in scope of consolidation	36		116		116	
Effect of change in interests in subsidiaries	192		—		95	
Reversal of reserve for land revaluation	6,460		106		1,220	
Reversal of reserve for land revaluation resulting from interest change in subsidiaries	—	14,990	0	1,337	—	3,579
Balance at end of period		¥188,658		¥187,983		¥203,485

(4) Consolidated Statement of Cash Flows

	FY2005 interim period (April 1, 2004– Sept. 30, 2004)	FY2004 interim period (April 1, 2003– Sept. 30, 2003)	FY2004 (April 1, 2003– Mar. 31, 2004)
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	¥(4,281)	¥28,719	¥47,456
Depreciation and amortization	9,505	8,702	17,522
Impairment losses	32,549	—	—
Amortization of consolidated goodwill	38	63	173
Allowance for doubtful accounts	(80)	(197)	(407)
Loss from revaluation of investment securities	4	19	110
Loss on revaluation of capital in subsidiaries	2	67	393
Decrease in employees' retirement benefits, net of payments	(2,611)	(1,579)	(3,983)
Interest and dividend income	(491)	(363)	(539)
Interest expenses	445	783	1,535
Loss on foreign exchange	(81)	154	217
Equity in earnings of unconsolidated subsidiaries and affiliates	(5,603)	(5,257)	(10,447)
Gain on sale of investment securities	(198)	(20)	(5)
Gain on sale of stock in subsidiaries	—	—	(14)
Gain on liquidation of subsidiaries	—	—	(126)
Gains on sale of fixed assets	(208)	(78)	(123)
Loss on disposal of fixed assets	605	549	2,420
Structural reform expenses	—	252	6
Fines and penalties	—	341	339
Increase in accounts and notes receivable—trade	(5,087)	(10,284)	(698)
Decrease (increase) in inventories	(14,886)	(7,421)	6,346
Increase in accounts and notes payable	6,262	3,668	1,283
Other, net	(6,251)	(4,230)	2,791
Subtotal	9,631	13,888	64,248
Interest and dividends receivable	969	786	1,301
Interest paid	(426)	(824)	(1,582)
Fines and penalties paid	—	(341)	(339)
Income taxes paid and refunded	(2,350)	(2,821)	(5,278)
Net cash (used in) provided by operating activities	7,823	10,687	58,349
Cash flows from investing activities:			
Net increase in time deposits	343	101	697
Purchases of fixed assets	(12,769)	(9,106)	(18,721)
Proceeds from sale of fixed assets	1,886	275	552
Purchases of investment securities	(111)	(164)	(266)
Proceeds from sale of investment securities	272	140	371
Payments for capital investments	(21)	(550)	(2,156)
Payment for loans receivable	(11)	(20)	(77)
Collection of loans receivable	208	478	825
Other, net	(1)	0	0
Net cash used in investing activities	(10,203)	(8,846)	(18,775)
Cash flows from financing activities:			
Decrease (increase) in short-term loans	18,032	6,612	(11,179)
Proceeds from long-term debt	1,323	300	2,651
Repayments of long-term debt	(3,375)	(6,390)	(8,778)
Redemption of convertible bonds	—	—	(24,314)
Proceeds from resort member deposits	7	—	—
Repayments of resort member deposits	(1,224)	(710)	(6,049)
Purchases of treasury stock	(11)	(12)	(23)
Cash dividends paid	(2,063)	(1,031)	(2,063)
Cash dividends paid to minority shareholders	(50)	(375)	(384)
Net cash provided by (used in) financing activities	12,638	(1,608)	(50,141)
Effect of exchange rate changes on cash and cash equivalents	853	(836)	(1,599)
Net increase (decrease) in cash and cash equivalents	11,112	(603)	(12,167)
Cash and cash equivalents at beginning of period	31,245	42,976	42,976
Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation at beginning of period	—	1,150	1,150
Decrease in cash and cash equivalents arising from exclusion of subsidiaries in consolidation at beginning of period	(337)	(127)	(127)
Increase/decrease in cash and cash equivalents accompanying changes to the accounting periods of consolidated subsidiaries	—	(587)	(587)
Cash and cash equivalents at end of period	¥42,019	¥42,808	¥31,245

(5) Basic Items for the Preparation of the Consolidated Financial Statement

1. SCOPE OF CONSOLIDATION

Consolidated subsidiaries: 86 corporations

During the fiscal 2005 interim period, one overseas subsidiary was brought into the consolidated group. In addition, a total of four subsidiaries (three Japanese subsidiaries and one overseas subsidiary) were removed from the consolidated group.

The names of major consolidated subsidiaries are listed in “1. The YAMAHA Group.”

The effect of the assets, net sales, net income/loss and retained earnings of Yamaha Life Service Co., Ltd., and other non-consolidated subsidiaries on the consolidated financial results was immaterial.

2. APPLICATION OF EQUITY METHOD

Non-consolidated subsidiaries accounted for by the equity method: 2

The principal non-consolidated subsidiary is Yamaha Motor Co., Ltd.

Principal non-consolidated subsidiaries and affiliates to which the equity method has not been applied:

Yamaha Life Service Co., Ltd.

Yamaha–Olin Metal Corporation

Reasons why the equity method has not been applied:

The effect of these net income/loss and retained earnings on the consolidated financial results was immaterial.

3. INTERIM PERIODS OF CONSOLIDATED SUBSIDIARIES

Settlement days for consolidated subsidiaries, with the exception of the following 6 companies, are all the same as that for the Company.

Yamaha de Mexico, S. A. de C. V.

Tianjin Yamaha Electronic Musical Instruments, Inc.

Guangzhou Yamaha–Pearl River Piano Inc.

Xiaoshan Yamaha Musical Instrument Co., Ltd.

Yamaha Music & Electronics (China) Co., Ltd.

Yamaha Electronics (Suzhou) Co., Ltd.

The interim periods of all of the above listed six companies ended June 30 and the determination of these accounts was based on rational procedures in accordance with procedures for regular accounts.

4. ACCOUNTING STANDARDS

a) Basis and Method of Evaluation of Significant Assets

Marketable securities

Securities to be held until maturity: At amortized cost (straight-line method)

Other marketable securities

With market value: At fair value as of the balance-sheet date (changes in fair value are recorded in a separate component of shareholders' equity in an amount net of tax, and the periodic average method is used to calculate the original cost)

Without market value: At cost, determined by the periodic average method

Derivatives

At fair value

Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the last-in, first-out method. Inventories of the Company's foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the moving average method.

b) Method of Depreciation

Tangible fixed assets

Mainly calculated by the declining-balance method except facilities connected to certain consolidated subsidiaries employ the straight-line method at rates based on the estimated useful lives of the respective assets.

Useful lives of tangible fixed assets are as follows:

Buildings: 31-50 years (attachment facilities are mainly 15 years)

Structures: 10-30 years

Machinery and Equipment: 4-11 years

Tools, furniture and fixtures: 5-6 years (metallic molds are mainly two years)

Change in Accounting Policies

Previously, the Company applied the straight-line method for computing depreciation of fixed assets in its recreation business. However, in view of the recent deterioration of the environment for the recreation business and the increasing diversity of tastes and interests of consumers regarding their leisure pursuits, the Yamaha Group's recreation facilities are becoming economically obsolescent. Accordingly the Company has begun to apply the declining balance method in computing depreciation for these assets.

As a result of this change, write-downs owing to impairment of fixed assets on a consolidated basis for the interim period under review increased by ¥651 million. In addition, recurring profit and income before income taxes and minority interests for the interim period were ¥651 million lower than they would have been otherwise.

c) Accounting for Reserves and Benefits

Allowance for doubtful accounts

To provide for losses on doubtful accounts, provisions are made equal to projected losses as calculated based on the following methods.

Normal accounts: loan loss experience ratio method

Doubtful accounts: financial composition evaluation method

Accrued Employees' Retirement Benefits

Accrued employees' retirement benefits are provided on an accrual basis based on the projected retirement benefit obligation and the pension fund assets calculated using various actuarial assumptions as of the end of the period.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

Following the promulgation of the Defined-Benefit Corporate Pension Law, the Company and some of its domestic consolidated subsidiaries obtained permission from the Minister of Health, Labour and Welfare on November 1, 2003, to be exempted from future payment obligations associated with the substitutional portion of the employee welfare pension fund (and return the value of that portion to the government.) On the final day of the consolidated fiscal year under review, the estimated reimbursement value (minimum actuarial liability) was ¥23,319 million. Supposing that this reimbursement value (minimum actuarial liability) was paid on the final day of the consolidated fiscal year under review, it is estimated, based on Chapter 44, Paragraph 2, of the Japanese Institute of Certified Public Accountants (JICPA) Accounting Committee Report No. 13, "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)," that this would result in the Company recording a net gain of ¥19,437 million.

Directors' Retirement Benefits

The Company makes provisions for directors' retirement benefits equivalent to the amount that would be required as of the balance sheet date based on the Company's internal rules.

d) Foreign Currency Transactions

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. The resulting foreign exchange gains or losses are recognized as other income or expenses. Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments are presented as a component of shareholders' equity and minority interests.

e) Accounting for Lease Transactions

Lease agreements are generally accounted for as operating leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

f) Hedge Accounting

1. Method of Hedge Accounting

Translation differences arising from forward foreign exchange contracts with respect to receivables and payables denominated in foreign currencies are accounted for using the allocation method. Anticipated transactions denominated in foreign currencies designated as hedging instruments are accounted for using deferral hedge accounting.

2. Hedged Items and Hedging Instruments

Hedged items	Forward foreign exchange contracts, purchased options with foreign currency-denominated put and yen-denominated calls
Hedging instruments	Receivables and payables denominated in foreign currencies and anticipated transactions denominated in foreign currencies

3. Hedging Policy

The Company and consolidated subsidiaries enter into forward foreign exchange contracts and currency options as hedging instruments within the limit of actual foreign transactions to reduce risk arising from future fluctuations in foreign exchange rates with respect to export and import transactions in accordance with the internal management rules of each company.

4. Assessment of Effectiveness for Hedging Activities

The Company and its consolidated subsidiaries do not make an assessment of effectiveness for hedging activities because the anticipated cash flows fixed by hedging activities and avoidance of market risk is clear; therefore, there is no need to evaluate such effectiveness.

g) Accounting for Consumption Tax

Income and expenses are recorded net of consumption tax.

5. SCOPE OF CASH EQUIVALENTS IN CONSOLIDATED STATEMENTS OF CASH FLOWS

All highly liquid investments with a maturity of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.

(6) Changes in Accounting Policies**ACCOUNTING STANDARDS FOR IMPAIRMENT OF FIXED ASSETS**

Beginning with the interim term under review (ended September 30, 2004), YAMAHA has applied the Accounting Standards for Impairment of Fixed Assets (contained in the Opinion Regarding the Establishment of Accounting Standards for Impairment of Fixed Assets (issued by the Accounting Standards Deliberation Council on August 9, 2002)) and the Guidelines for Application of Accounting Standards for Impairment of Fixed Assets (Guideline No. 6 for Application of Corporate Accounting Standards, issued October 31, 2003). As a result of the application of these standards, the Company's income before income taxes and minority interests for the interim period under review was ¥32,549 million than it would have been prior to the application of these standards.

Please note that the accumulated loss due to impairment of fixed assets has been deducted directly from the amount of the relevant assets based on the revised rules for presentation of interim financial statements.

Please note that the impact on segment information is shown in the relevant sections of the notes to financial statements.

(7) Change in Presentation**CONSOLIDATED INTERIM BALANCE SHEETS**

Up to the previous consolidated interim accounting period, income taxes payable (¥2,480 million in the previous consolidated interim accounting period) were included in other current liabilities and are now shown separately.

(8) Other Notes**NOTES TO THE CONSOLIDATED BALANCE SHEETS**

	At September 30, 2004	At September 30, 2003	At March 31, 2004
1. Accumulated Depreciation	¥233,053 million	¥225,042 million	¥227,779 million
2. Mortgaged Assets			
Cash and bank deposits	¥ — million	¥ 30 million	¥ — million
Marketable securities	1,100	250	1,100
Tangible fixed assets	1,220	2,599	2,577
Investments and other assets	858	1,780	929
Total	¥ 3,180 million	¥ 4,660 million	¥ 4,607 million
3. Contingent Liabilities	¥ 315 million	¥ 107 million	¥ 314 million
4. Discount on Export Bills Receivable	¥ 1,511 million	¥ 1,266 million	¥ 1,138 million
5. Deferred Hedge Gains			
Deferred hedge gains	¥ 32 million	¥ 597 million	¥ 811 million
Deferred hedge losses	333	9	5
Deferred hedge gains (net)	¥ (301) million	¥ 588 million	¥ 805 million

NOTES TO THE STATEMENTS OF INCOME

	FY2005 interim period ended September 30, 2004	FY2004 interim period ended September 30, 2003	FY2004 ended March 31, 2004
1. Significant Components of Reversal of Allowances:			
Allowance for doubtful accounts	¥ — million	¥ 190 million	¥ 229 million
Accrued employees' retirement benefits	3,207	4,042	7,837
Directors' retirement benefits	65	73	145

2. Impairment Losses

Outline of Impairment Losses Recognized by Asset Group

(Millions of yen)

Usage of assets	Location	Impairment Losses	
		Type	Amount
Recreation business	Recreation facilities in four locations: "Kiroro," "Tsumagoi," "Toba Hotel International," and "Nemunosato"	Buildings and structures	¥22,321
		Land	9,666
		Total	31,988
Undeveloped real estate	Buildings and structures Hamamatsu City, Shizuoka, and other locations	39	
		Land	521
		Total	560
Total		Buildings and structures	22,360
		Land	10,188
		Total	32,549

Method of Grouping Assets

The Yamaha Group generally groups its assets based on the business classification of the smallest cash flow generating units.

Explanation of Recognition of Impairment Losses

Impairment losses were recognized on those facilities within the recreation business segment that have reported continuing losses in their activities. Impairment losses were recognized on undeveloped real estate that has shown continuing declines in appraisal value.

Computation of Recoverable Amounts

The amounts recoverable from assets in the recreation business were estimated by applying usage prices computed by discounting future cash flows at a rate of 9.4%. The amounts recoverable from undeveloped real estate were estimated as the net disposal price, using price indicators based on evaluations of fixed assets for tax purposes.

NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation between Cash and Cash Equivalents and Cash and Bank Deposits in the Consolidated Balance Sheets

	FY2005 interim period ended September 30, 2004	FY2004 interim period ended September 30, 2003	FY2004 ended March 31, 2004
Cash and bank deposits	¥42,521 million	¥44,248 million	¥32,053 million
Time deposits with a maturity of more than three months	(501)	(1,439)	(808)
Cash and cash equivalents	¥42,019 million	¥42,808 million	¥31,245 million

6. SEGMENT INFORMATION

(1) Business Segments (FY2005 interim period ended September 30, 2004)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥151,165	¥36,818	¥21,214	¥38,379	¥ 9,413	¥11,592	¥268,584	¥ —	¥268,584
Intersegment sales or transfers	—	—	—	1,377	—	—	1,377	(1,377)	
Total sales	151,165	36,818	21,214	39,757	9,413	11,592	269,962	(1,377)	268,584
Operating expenses	141,270	34,381	21,330	26,565	10,567	11,647	245,761	(1,377)	244,384
Operating income (loss)	¥ 9,895	¥ 2,436	¥ (115)	¥13,192	¥ (1,154)	¥ (54)	¥ 24,200	¥ —	¥ 24,200

Notes: 1. Business Sectors:

Divided into the categories of musical instruments, AV/IT products, lifestyle-related products, electronic equipment and metal products, recreation and other based on consideration of similarities of product type, characteristics and market, etc.

2. Major products and services of each business segment are shown in "1. The Yamaha Group" on page 3.

3. Changes in Accounting Policy:

Accompanying the adoption of asset impairment accounting principles beginning with the interim period under review, expenses (included in depreciation and amortization) in the Company's recreation business declined ¥519 million. Also, as a result of changing the method of computing depreciation of tangible fixed assets, from the straight-line method to the declining balance method, depreciation increased ¥651 million. As a result of these changes in accounting policy, operating income declined ¥132 million.

(FY2004 interim period ended September 30, 2003)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥149,093	¥33,996	¥23,195	¥36,388	¥10,301	¥13,313	¥266,290	¥ —	¥266,290
Intersegment sales or transfers	—	—	—	1,209	—	—	1,209	(1,209)	—
Total sales	149,093	33,996	23,195	37,598	10,301	13,313	267,500	(1,209)	266,290
Operating expenses	139,402	32,567	22,090	23,436	10,766	12,819	241,083	(1,209)	239,873
Operating income (loss)	¥ 9,690	¥ 1,428	¥ 1,105	¥14,161	¥ (464)	¥ 493	¥ 26,416	¥ —	¥ 26,416

(FY2004 ended March 31, 2004)

(Millions of yen)

	Musical instruments	AV/IT products	Lifestyle-related products	Electronic equipment and metal products	Recreation	Other	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥293,430	¥78,257	¥44,765	¥76,892	¥20,100	¥26,061	¥539,506	¥ —	¥539,506
Intersegment sales or transfers	—	—	—	2,131	—	—	2,131	(2,131)	—
Total sales	293,430	78,257	44,765	79,023	20,100	26,061	541,638	(2,131)	539,506
Operating expenses	282,950	73,839	43,303	49,005	21,211	26,272	496,581	(2,131)	494,450
Operating income (loss)	¥ 10,480	¥ 4,418	¥ 1,462	¥30,018	¥ (1,110)	¥ (211)	¥ 45,056	¥ —	¥ 45,056

(2) Geographical Segments (FY2005 interim period ended September 30, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥171,530	¥39,212	¥38,894	¥18,947	¥268,584	¥ —	¥268,584
Intersegment sales or transfers	80,113	764	272	33,230	114,380	(114,380)	—
Total sales	251,643	39,977	39,166	52,177	382,965	(114,380)	268,584
Operating expenses	228,368	37,977	36,933	49,381	352,660	(108,276)	244,384
Operating income (loss)	¥ 23,275	¥ 1,999	¥ 2,232	¥ 2,796	¥ 30,304	¥ (6,104)	¥ 24,200

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan

North America: U.S.A., Canada

Europe: Germany, U.K.

Asia, Oceania and other areas: Singapore, Australia

(FY2004 interim period ended September 30, 2003)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥169,178	¥40,492	¥38,124	¥18,494	¥266,290	¥ —	¥266,290
Intersegment sales or transfers	76,700	758	214	33,259	110,932	(110,932)	—
Total sales	245,879	41,250	38,339	51,754	377,223	(110,932)	266,290
Operating expenses	224,360	39,227	36,047	49,143	348,778	(108,905)	239,873
Operating income (loss)	¥ 21,518	¥ 2,023	¥ 2,291	¥ 2,610	¥ 28,444	¥ (2,027)	¥ 26,416

(FY2004 ended March 31, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia, Oceania and other areas	Total	Eliminations or unallocated amounts	Consolidated
Sales to external customers	¥336,008	¥85,483	¥81,685	¥36,329	¥539,506	¥ —	¥539,506
Intersegment sales or transfers	137,091	1,439	514	58,995	198,041	(198,041)	—
Total sales	473,100	86,922	82,199	95,325	737,548	(198,041)	539,506
Operating expenses	441,685	82,240	77,645	92,103	693,674	(199,224)	494,450
Operating income (loss)	¥ 31,415	¥ 4,682	¥ 4,554	¥ 3,221	¥ 43,873	¥ 1,183	¥ 45,056

(3) Overseas Sales (FY2005 interim period ended September 30, 2004)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥40,057	¥39,369	¥25,377	¥104,805
Net sales	—	—	—	268,584
% of net sales	14.9%	14.7%	9.4%	39.0%

Notes: 1. Division by country or region is based on geographical proximity.

2. Main country and regional divisions other than Japan

North America: U.S.A., Canada

Europe: Germany, U.K.

Asia, Oceania and other areas: Singapore, Australia

(FY2004 interim period ended September 30, 2003)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥41,067	¥38,989	¥24,466	¥104,523
Net sales	—	—	—	266,290
% of net sales	15.4%	14.6%	9.2%	39.2%

(FY2004 ended March 31, 2004)

(Millions of yen)

	North America	Europe	Asia, Oceania and other areas	Total
Overseas sales	¥86,671	¥83,473	¥48,552	¥218,697
Net sales	—	—	—	539,506
% of net sales	16.1%	15.5%	9.0%	40.5%

Lease Transactions**[Leasing-In Transactions]****1. Finance Lease Transactions Other than Those Which Transfer Ownership of the Leased Assets to the Lessee**

1) Acquisition Costs, Accumulated Depreciation, and Net Balance at Period-End

(Millions of yen)

	FY2005 interim period (as of Sept. 30, 2004)			FY2004 interim period (as of Sept. 30, 2003)			FY2004 (as of March 31, 2004)		
	Tools, equipment, and fixtures	Others	Total	Tools, equipment, and fixtures	Others	Total	Tools, equipment, and fixtures	Others	Total
Acquisition cost	¥2,437	¥621	¥3,058	¥2,592	¥1,324	¥3,916	¥2,593	¥606	¥3,200
Accumulated depreciation	1,345	246	1,591	1,429	870	2,299	1,413	219	1,633
Balance at end of year	¥1,092	¥374	¥1,467	¥1,162	¥ 454	¥1,616	¥1,179	¥387	¥1,567

Acquisition cost includes interest expense since the balance of future minimum lease payments accounts for only a small percentage of tangible fixed assets as of the balance sheet date.

2) Future Minimum Lease Payments

(Millions of yen)

	FY2005 interim period (as of Sept. 30, 2004)	FY2004 interim period (as of Sept. 30, 2003)	FY2004 (as of March 31, 2004)
Due within one year	¥ 643	¥ 703	¥ 702
Due over one year	823	913	864
Total	¥1,467	¥1,616	¥1,567

Future minimum lease payments include interest expense since the balance of future minimum lease payments accounts for only a small percentage of tangible fixed assets as of the balance sheet date.

3) Lease Payments and Depreciation

(Millions of yen)

	FY2005 interim period (April 1, 2004–Sept. 30, 2004)	FY2004 interim period (April 1, 2003–Sept. 30, 2003)	FY2004 (April 1, 2003–March 31, 2004)
Lease payments	¥412	¥425	¥853
Depreciation	412	425	853

4) Depreciation of Leased Assets

Assuming that the residual values are nil, depreciation of leased assets is calculated over the relevant lease periods using the straight-line method.

2. Operating Lease Transactions

Future Minimum Lease Payments

(Millions of yen)

	FY2005 interim period (April 1, 2004–Sept. 30, 2004)	FY2004 interim period (April 1, 2003–Sept. 30, 2003)	FY2004 (April 1, 2003–March 31, 2004)
Due within one year	¥ 367	¥327	¥ 424
Due over one year	1,028	417	896
Total	¥1,396	¥744	¥1,321

[Leasing-Out Transactions]**1. Finance Lease Transactions Other than Those Which Transfer Ownership of the Leased Assets to the Lessee**

1) Acquisition Costs, Accumulated Depreciation, and Net Balance at Period-End

(Millions of yen)

	FY2005 interim period (as of Sept. 30, 2004)	FY2004 interim period (as of Sept. 30, 2003)	FY2004 (as of March 31, 2004)
	Tools, equipment, and fixtures	Tools, equipment, and fixtures	Tools, equipment, and fixtures
Acquisition cost	¥6,064	¥5,410	¥5,752
Accumulated depreciation	4,223	3,685	4,135
Balance at end of year	¥1,840	¥1,725	¥1,616

2) Future Minimum Lease Payment Receipts

(Millions of yen)

	FY2005 interim period (as of Sept. 30, 2004)	FY2004 interim period (as of Sept. 30, 2003)	FY2004 (as of March 31, 2004)
Due within one year	¥ 989	¥ 927	¥ 872
Due over one year	1,946	1,788	1,615
Total	¥2,936	¥2,715	¥2,487

Future minimum lease payments include interest expense since the balance of future minimum lease payments and estimated residual value accounts for only a small percentage of receivables assets as of the balance sheet date.

3) Lease Payment Receipts and Depreciation

(Millions of yen)

	FY2005 interim period (April 1, 2004–Sept. 30, 2004)	FY2004 interim period (April 1, 2003–Sept. 30, 2003)	FY2004 (April 1, 2003–March 31, 2004)
Lease payment receipts	¥548	¥537	¥1,082
Depreciation	328	302	638

2. Operating Lease Transactions

Future Minimum Lease Payment Receipts

(Millions of yen)

	FY2005 interim period (April 1, 2004–Sept. 30, 2004)	FY2004 interim period (April 1, 2003–Sept. 30, 2003)	FY2004 (April 1, 2003–March 31, 2004)
Due within one year	¥149	¥ 1	¥36
Due over one year	297	29	56
Total	¥447	¥30	¥92

7. MARKETABLE SECURITIES

(1) Held-to-Maturity Securities at Market Value

(Millions of yen)

	FY2005 interim period (as of September 30, 2004)			FY2004 interim period (as of September 30, 2003)			FY2004 (as of March 31, 2004)		
	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Government bonds	¥ 260	¥ 262	¥ 2	¥ 260	¥ 262	¥ 1	¥ 260	¥ 262	¥ 2
Corporate bonds	589	592	2	920	924	4	490	492	2
Others	2,349	2,363	13	2,250	2,264	14	2,250	2,265	14
Total	¥3,199	¥3,218	¥18	¥3,430	¥3,452	¥21	¥3,000	¥3,020	¥20

(2) Available-for-Sales Securities at Market Value

(Millions of yen)

	FY2005 interim period (as of September 30, 2004)			FY2004 interim period (as of September 30, 2003)			FY2004 (as of March 31, 2004)		
	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain	Acquisition cost	Carrying value	Unrealized gain
Stocks	¥11,938	¥25,924	¥13,986	¥11,937	¥20,702	¥8,764	¥11,937	¥26,543	¥17,606
Bonds									
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	52	49	(2)	51	45	(5)	51	51	0
Total	¥11,990	¥25,974	¥13,984	¥11,988	¥20,747	¥8,759	¥11,988	¥29,594	¥17,605

(3) Book Value of Securities without Market Value

(Millions of yen)

	FY2005 interim period (as of September 30, 2004)	FY2004 interim period (as of September 30, 2003)	FY2004 (as of March 31, 2004)
Other securities			
Unlisted securities (except for over-the-counter traded securities)	¥7,101	¥6,982	¥7,050

Note: During the interim consolidated accounting period, stocks with market values included under other marketable securities are not subject to impairment loss.

The impairment loss in such securities is recognized when market value at the period end declines 30% or more from the carrying (acquisition) cost, except when it is anticipated that the market value is recoverable (based on consideration of such factors as trends in market prices and the financial condition of issuers).

Derivatives

With the exception of items transferred to foreign currency assets and liabilities, all other derivative transactions for the prior consolidated interim period, the consolidated interim period under review, and the previous consolidated fiscal year are accounted for using hedge accounting principles and have not been shown.

(Per Share Data)

(Yen)

	FY2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY2004 (Apr. 1, 2003–Mar. 31, 2004)
Net assets per share	¥1,230.33	¥1,176.57	¥1,259.28
Net (loss) income per share	(29.66)	127.38	210.63
Net income per share after adjustment for latent stock	—	117.52	196.01

Note: The figure for net income per share for the interim period under review after adjustment for latent stock is not shown because a net loss was recorded for the period.

Basis for calculations of net income per share and net income per share after adjustment for latent stock

	FY2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY2004 (Apr. 1, 2003–Mar. 31, 2004)
Net assets per share			
Net (loss) income	¥ (6,115) million	¥26,258 million	¥43,541 million
Value not attributed to common stock	—	—	121
Portion distributed as directors' bonuses	—	—	121
Value attributed to common stock	(6,115)	26,258	43,419
Average number of outstanding shares during the period	206,115 thousand shares	206,140 thousand shares	206,146 thousand shares
Net income per share after adjustment for latent stock			
Net income adjustment value	—	(734) million	(846) million
Portion of interest on corporate bonds (after excluding value corresponding to tax)	—	136	273
Portion of interest on investments accounted for by equity method	—	(870)	(1,120)
Increase in number of outstanding shares	—	11,053 thousand shares	11,052 thousand shares
Portion due to conversion of convertible bonds	—	11,053 thousand shares	11,052 thousand shares
Per share value after adjustment for latent shares, due to lack of dilution effect (Latent shares not included in calculations of net income per share)	—	—	—

(Actual Production)

(Yen)

Business segment	FY2005 interim period (April 1, 2004–September 30, 2004)	
	Actual production	% Change from the previous interim period
Musical instruments	¥110,565	111.1
AV/IT products	37,608	122.2
Lifestyle-related products	19,516	91.1
Electronic equipment and metal products	41,424	105.5
Other	10,345	85.9
Total	¥219,459	108.1

Notes: 1. The amounts shown are based on average sales prices, and figures are after internal transfer among segments.

2. Amounts shown above do not include consumption and other taxes.