The figures forecast for future plans and outlooks have been calculated on the basis of current information available to YAMAHA and the YAMAHA Group. They are, therefore, subject to risks and uncertainties. Accordingly, our actual performance may greatly differ from our predictions depending on changes in our operating and economic environments, demand trends, and the value of key currencies, such as the U.S. dollar and the EURO.
Today's Topics

1. Striving for Growth

2. Targets
Goals to be Achieved through the Mid-Term Plan

- Striving for Growth
- Group Management
- Increasing the Company’s Value
- Enhancing the YAMAHA Brand
1. Striving for Growth
Strategies for Growth

- **Core Business Sound/Music** (Semiconductors Included)
- **Lifestyle-Related and Leisure**
- **Electronic Parts and Materials**

<table>
<thead>
<tr>
<th>FY 2000</th>
<th>FY 2001</th>
<th>FY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage Heads 20.2</td>
<td>22.2</td>
<td>22.2</td>
</tr>
<tr>
<td>Semiconductors 22.2</td>
<td>22.2</td>
<td>22.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>527.8</td>
<td>520.0</td>
</tr>
</tbody>
</table>

(billions of yen)

520.0 + 90.0 = 610.0
Breakdown of Growth (+¥90 billion)

- Core Businesses  + 63.5  
  (413.5 → 477.0)

- Lifestyle Related and Leisure  + 6.5  
  (71.5 → 78.0)

- Electronic Parts and Materials  + 20.0  
  (35.0 → 55.0)
1-1. Core Businesses

YAMAHA is working hard to maximize the output of its core businesses (musical instruments and audiovisual equipment) in a manner that sustains the growth of each separate business as well as the Company's global operations on a consolidated base.
Musical Instruments

- The global market for musical instruments is growing.

- Therefore, we plan to Increase sales 12% over the next three years by building a competitive advantage in various markets.
### Breakdown of Growth for Musical Instruments

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>FY 2004</th>
<th>+/−</th>
<th>(+/−%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pianos</strong></td>
<td>56.9</td>
<td>61.0</td>
<td>+4.1</td>
<td>(+7.2%)</td>
</tr>
<tr>
<td><strong>Home Keyboards</strong></td>
<td>63.9</td>
<td>69.7</td>
<td>+5.8</td>
<td>(+9.1%)</td>
</tr>
<tr>
<td><strong>Wind, String, and Percussion Instruments</strong></td>
<td>51.9</td>
<td>63.0</td>
<td>+11.1</td>
<td>(+21.4%)</td>
</tr>
<tr>
<td><strong>Pro Audio / Synthesizers</strong></td>
<td>27.0</td>
<td>37.0</td>
<td>+10.0</td>
<td>(+37.0%)</td>
</tr>
<tr>
<td><strong>Music Schools</strong></td>
<td>45.5</td>
<td>48.5</td>
<td>+3.0</td>
<td>(+6.6%)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>34.8</td>
<td>34.8</td>
<td>-</td>
<td>(−)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>280.0</td>
<td>314.0</td>
<td>+34.0</td>
<td>(+12.1%)</td>
</tr>
</tbody>
</table>
Musical Instruments

■ 4 Major Policies

Strengthen YAMAHA’s professional audio business through the development of the music production equipment sub-market

Expand business in the Chinese market

Improve sales network in Japan for musical instruments

Increase the number of adult music students
Expanding YAMAHA’s Professional Audio Business through the Music Production Market

YAMAHA is determined to expand its operations in the promising market for music production through:

- Expanding its presence in the market for digital mixers
- Developing new effect processors
- Strengthening its position in the market for workstations
- Developing its line of sound system-related products (processors, networks, powered speakers, etc.)

(billions of yen)
With the Chinese market for musical instruments expanding rapidly, YAMAHA is accelerating its efforts to develop and implement plans for local production and marketing in China.
Improved Organization of Sales and Marketing System in Japan

Background: Depressed market conditions and major changes in marketing and sales networks

Goals: Decentralized decision making
Creating front-line specialists
Increased efficiency and business consolidation
Reinforced customer ties

Starting this spring, YAMAHA will begin taking steps aimed at radically reforming its sales structure for musical instruments in Japan.
Aggressive Strategies to Develop the Market for Adult Students

YAMAHA is driving demand in the music education market by aggressively implementing adult-oriented strategies.

YAMAHA Programs

- Classrooms
- Teachers’ Homes
- Correspondence School
- Broadcasts (CS / CATV)
- Self-study, etc

Sales and Marketing Group in Japan

Yamaha Music Foundation

Yamaha Music Media Co.

Yamaha Music Sales Companies

Digital Media Strategies
YAMAHA’s strategy to become the #1 home theater producer includes:
- More competitive CD-R/RW products with improved sales potential
- Continued growth in router sales and the development of products through the fusion of AV / IT technology.
Strategy to become #1 in Home Theaters

—YAMAHA has entered the visual entertainment industry and is striving to provide customers with total solution home theaters.

(billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>53</td>
</tr>
<tr>
<td>FY 2001</td>
<td>73.7</td>
</tr>
<tr>
<td>FY 2004</td>
<td>+20.7</td>
</tr>
</tbody>
</table>

YAMAHA has increased its investments significantly from FY 2000 to FY 2004.
YAMAHA is challenging itself to build a strong position in the after market for external devices through focusing on equipment speed and dependability.

- At least two new models to be released every year
- Development of a range of models adapted to multiple applications
Continued Growth in Router Sales

Concentrating on edge routers for individual and small office and home office (SOHO) consumers, YAMAHA is aiming for medium-term sales of ¥10 billion.
Semiconductors

— YAMAHA intends to strengthen its earning power through intelligent sound- and network-centered devices by:

- Expanding its mobile phone audio chip business
- Making efforts to secure the number one share of the market for amusement-related products
- Making improvements in its line of audio digital sound field processors products (DSP, etc.)
Yamaha Music Media: Develop digital media content and expand business through strategic alliances
Yamaha Music Communications: Discover new artists
Content: Improve mobile content and work towards increased globalization
Digital Media Promotion: Start new businesses
### Review of Strategies for Digital Media Businesses

<table>
<thead>
<tr>
<th>Projects</th>
<th>Targets</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Music Front</strong></td>
<td>Search for artists via Internet</td>
<td>3,000 songs; First debut in December</td>
</tr>
<tr>
<td><strong>Music Portal Site</strong></td>
<td>MidRadio, electronic score distribution</td>
<td>Site opened in December</td>
</tr>
<tr>
<td><strong>Ringer Melody Distribution Service</strong></td>
<td>Sound chips</td>
<td>¥6.0 billion by end of fiscal 2001</td>
</tr>
<tr>
<td><strong>New Concept Keyboard for Internet</strong></td>
<td>Develop content</td>
<td>1.35 million members by the end of January, 2001</td>
</tr>
<tr>
<td><strong>Project “Furin”</strong></td>
<td>Development in DMI division</td>
<td></td>
</tr>
<tr>
<td><strong>Increase investments in Yamaha Music Media</strong></td>
<td>Create next-generation sound chips and new applications</td>
<td></td>
</tr>
<tr>
<td><strong>Yamaha Music Interactive</strong></td>
<td>Establish content business base</td>
<td>Target of ¥10 billion</td>
</tr>
<tr>
<td><strong>Yamaha Music Communications</strong></td>
<td>Create record company and handle CD copyrights (record company)</td>
<td>New artists released</td>
</tr>
<tr>
<td></td>
<td>Handle musical score copyrights and electronic musical score leadership</td>
<td>YMH Digital Music Publishing LLC established</td>
</tr>
</tbody>
</table>
1-2. Lifestyle Related and Leisure

Faced with a flagging economy, YAMAHA is analyzing its options and looking for ways to strengthen its business base and improve profitability.
With severe economic conditions denting profits, YAMAHA is looking to improve the quality and sales potential of its products to solidify its business base by:

- Making customers’ homes into “Life Resorts”
- YAMAHA is concentrating on the market for mid- to high-end products with its system bathtubs and bathrooms.
YAMAHA is working to make structural improvements in all of its facilities and is reinforcing its existing operational framework.

- Profitable segments of the Company are contributing to overall brand and Group value and reputation.
- YAMAHA is streamlining its operations by selectively concentrating its resources on the most profitable and promising segments of its business.
- In April 2002, the Company will move towards establishing resort management-related subsidiary companies that will reflect the region-specific competitive conditions to be found in the industry.

(billions of yen)
Action Plan for Resorts

- Selectively allocate resources and continue working to improve profitability for all facilities
  - Tsumagoi
  - Nemu
  - Kiroro

- Leverage the reputations of these resorts to improve the image of the entire resort system
  - Katsuragi
  - Kitanomaru
  - Toba

- Make specific adjustments to ensure that each resort meets the demands of its respective market
  - Haimurubushi
  - Sunza
1-3. Electronic Parts and Materials

YAMAHA will foster balanced business growth by drawing on the strengths of the various technologies it has developed in its core businesses.
YAMAHA is integrating its information- and communication management resources to increase the value of its products.

The Company is taking steps to:
- Lay the foundations for its invar business
- Commercialize new types of materials
- Expand its processed goods business

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions of Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>13.5</td>
</tr>
<tr>
<td>FY 2001</td>
<td>17.6</td>
</tr>
<tr>
<td>FY 2004</td>
<td>26</td>
</tr>
</tbody>
</table>

Growth: +8.4 billion yen
YAMAHA will broaden its customer base through a total solution approach built on synergies from its FA-, molds-, and parts-related business segments, and it will work to strengthen its business with customers outside the YAMAHA Group.

**Goals:**
- Sales Growth for molds and magnesium parts
- Precision machinery, leak testers, and robots are at the heart of FA

### Sales Growth (Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 2000</th>
<th>FY 2001</th>
<th>FY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside sales</td>
<td>6.1</td>
<td>9.3</td>
<td>14.7</td>
</tr>
<tr>
<td>Internal sales</td>
<td>1.6</td>
<td>1.2</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Total: +5.4 billion yen
It is projected that YAMAHA's car component business will continue to generate annual revenues of ¥10 billion.

Targets include:

- Strengthening the Company's competitive edge in the market for panels and steering wheels
- Securing a wider customer base
1-4. Generating New Business

YAMAHA has been incubating a thermoelectric modules business, and it is now taking steps to make it fully operational.
YAMAHA will secure a strong position in the market for parts related to light-wave communication by employing its existing metal and materials technology. Other plans include:

- Risk reduction through flexible business models that make use of alliances as well as licensing agreements through which YAMAHA supplies technology to other companies
- Capital investment of ¥500 million per year
Components made from endothermic elements can be used in laser modules to amplify wave frequencies used in light-wave communication (Peltier Module).
YAMAHA's basic strategy
YAMAHA will make use of its superior technology (high-efficiency and high-density packaging) to create businesses focusing on the lucrative market for modules with medium- to high-output capabilities.
2. Targets
Numerical Targets for the YAMAHA Group

- Targets for the term ending March 2004 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Non-consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥610 billion</td>
<td>¥380 billion</td>
</tr>
<tr>
<td><strong>Recurring Income</strong></td>
<td>¥30 billion</td>
<td>¥15 billion</td>
</tr>
<tr>
<td><strong>Return on Equity</strong></td>
<td>9.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>¥17 billion</td>
<td>¥11 billion</td>
</tr>
<tr>
<td>Currency</td>
<td>March ’01</td>
<td>March ’04</td>
</tr>
<tr>
<td>-------------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>US dollar</td>
<td>107</td>
<td>110</td>
</tr>
<tr>
<td>euro</td>
<td>97</td>
<td>100</td>
</tr>
</tbody>
</table>
Recurring Income/Net Income (Loss)

March,'00 | March,'01 | March,'04
---|---|---
8.5 | 19.0 | 30
12.5 | (billions of yen)
Overseas Production

Overseas production (billions of yen)

Percentage of overseas production

March,'00: 55
March,'01: 84
March,'04: 104

20% → 30% → 34%
Projected Number of Employees

<table>
<thead>
<tr>
<th></th>
<th>March,'00</th>
<th>March,'01</th>
<th>March,'02</th>
<th>March,'03</th>
<th>March,'04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas</td>
<td>21,599</td>
<td>23,500</td>
<td>22,800</td>
<td>23,100</td>
<td>23,300</td>
</tr>
<tr>
<td>Japan</td>
<td>9,357</td>
<td>11,204</td>
<td>11,640</td>
<td>12,000</td>
<td>12,260</td>
</tr>
<tr>
<td></td>
<td>12,242</td>
<td>12,296</td>
<td>11,160</td>
<td>11,100</td>
<td>11,040</td>
</tr>
</tbody>
</table>
Capital Investment (depreciation)

Depreciation Costs

(billions of yen)

March,’00  March,’01  March,’02  March,’03  March,’04

18.5  16.5  18.0  18.0  18.0
18.1  19.6  19.6  19.6  19.9
28.6

Depreciation Costs

18.5
16.5
18.1
18.0
18.0
18.0
19.9
(billions of yen)